what matters to **you** matters to **us**

2013 ANNUAL REPORT

TELUS

the future is friendly®

Our products and services

Wireless

TELUS provides Clear & Simple® prepaid and postpaid voice and data solutions to 7.8 million customers on world-class nationwide wireless networks.

Leading networks and devices: Total coverage of 99% of Canadians over a coast-to-coast 4G network, including 4G LTE and HSPA+, as well as CDMA network technology. We offer leading-edge smartphones, tablets, mobile Internet keys, mobile Wi-Fi devices and machine-to-machine (M2M) devices

Data and voice: Fast web browsing, social networking, messaging (text, picture and video), the latest mobile applications including Optik™ on the go, M2M connectivity, clear and reliable voice services, push-to-talk solutions including TELUS Link™ service, and international roaming to more than 200 countries

Wireline

In British Columbia, Alberta and Eastern Quebec, TELUS is the established full-service local exchange carrier, offering a wide range of telecommunications products to consumers, including residential phone, Internet access, and television and entertainment services. Nationally, we provide telecommunications and IT solutions for small to large businesses, including IP, voice, video, data and managed solutions, as well as contact centre outsourcing solutions for domestic and international businesses.

Voice: Reliable home phone service with long distance and advanced calling features

Internet: High-speed Internet service with email and a comprehensive suite of security solutions

TELUS TV: High-definition entertainment service with Optik TV™ and TELUS Satellite TV®

IP networks and applications: Leading-edge IP networks that offer converged voice, video, data or Internet access on a secure, high-performing network

Conferencing and collaboration: Full range of equipment and application solutions to support meetings and webcasts by means of phone, video and Internet

Contact centre and outsourcing solutions: Managed solutions providing secure, low-cost and scalable infrastructure with TELUS International contact centres in North America, Central America, Europe and Asia

Hosting, managed IT, security and cloud-based services: Comprehensive cybersecurity solutions and ongoing assured availability of telecommunications, networks, servers, databases, files and applications, with critical applications stored in TELUS' intelligent Internet data centres across Canada

Healthcare: Claims management and pharmacy solutions, hospital and hospital-to-home technology, electronic health records and other healthcare solutions through TELUS Health

TELUS in 2013

1ST QUARTER

- Completed our exchange of non-voting shares for common shares on a one-for-one basis to create a single share class, providing enhanced marketability and liquidity of TELUS shares
- Introduced Canada's first network experience app, enabling customers to help us address coverage opportunities
- Acquired PS Suite EMR, making TELUS Health the largest electronic medical records provider in Canada
- Inducted into Canada's 10 Most Admired Corporate Cultures Hall of Fame by Waterstone Human Capital
- Launched our Give Where You Live educational program with Free The Children to empower young Canadians to create positive change in their communities

2ND QUARTER

- Koodo® ranked as the top standalone wireless provider in Canada and TELUS ranked as the number one national full-service wireless carrier in the J.D. Power and Associates Wireless Total Ownership Experience Study
- Raised $1.7 billion of senior unsecured notes in two series, an 11-year maturity at 3.35% and a 30-year maturity at 4.40%, and repaid $1 billion of other notes
- Completed a two-for-one stock split of TELUS common shares
- Extended our dividend growth program through 2016 and commenced our multi-year share purchase program (see Caution regarding forward-looking statements on page 42 of this report)
- Held eighth annual TELUS Day of Giving®, with 14,000 TELUS team members, retirees, family and friends serving local communities

3RD QUARTER

- Introduced TELUS SharePlus plans, offering wireless customers unlimited nationwide talk and text and data sharing
- Opened a new intelligent Internet data centre in Kamloops, B.C. to support growth opportunities in managed IT services for wireline and wireless clients
- Launched a new wireless digital box for Optik TV subscribers, enabling customers to move their TV anywhere in the home, and organized channels into categories to make it easier to find content
- Launched operations in the Northwest Territories and the Yukon, offering a full suite of wireless products and services on our 4G LTE network
- Completed our $1 billion 2013 share purchase program, purchasing 31.2 million TELUS shares at an average price of $32.07 per share

4TH QUARTER

- Reflecting our focus on customers, the number of customer complaints directed at TELUS dropped by 27% as reported by the Commissioner for Complaints for Telecommunications Services, while complaints for the industry as a whole increased by 26%
- Launched TELUS Link, our next-generation push-to-talk service over 4G networks and Wi-Fi, providing instant voice communication with individuals or teams
- Acquired Public Mobile and welcomed its customers in Ontario and Quebec to TELUS
- Issued $800 million of senior unsecured notes in two series, a seven-year maturity at 3.60% and a 30-year maturity at 5.15%
- Launched TELUS WISE®, a free educational program focusing on Internet and smartphone safety to help Canadians develop safer online habits

What's inside

Open to find out more about TELUS

Who we are

TELUS is Canada's fastest-growing national telecommunications company, with $11.4 billion of annual revenue and 13.3 million customer connections, including 7.8 million wireless subscribers, 3.3 million wireline network access lines, 1.4 million Internet subscribers and 815,000 TELUS TV® customers. TELUS provides a wide range of communications products and services, including wireless, data, Internet protocol (IP), voice, television, entertainment and video. In support of our philosophy to give where we live, TELUS, our team members and retirees have contributed more than $350 million to charitable and not-for-profit organizations and volunteered 5.4 million hours of service to local communities since 2000.

Our values

We embrace change and initiate opportunity

We have a passion for growth

We believe in spirited teamwork

We have the courage to innovate

Our customers first commitments

We take ownership of every customer experience

We work as a team to deliver on our promises

We learn from customer feedback and take action to get better, every day

We are friendly, helpful and thoughtful

We put what matters to you at the heart of everything we do.

We are on a continuous journey to put customers first and be the most recommended company in the markets we serve. By listening to what matters to you, we continue to be a company with exceptional value for our investors, customers, team members and the communities we serve.

Our strategic intent

To unleash the power of the Internet to deliver the best solutions to Canadians at home, in the workplace and on the move.

Our strategic imperatives

Our six strategic imperatives guide our team as we work together to advance our national growth strategy.

Focusing relentlessly on growth markets of data, IP and wireless

Providing integrated solutions that differentiate TELUS from our competitors

Building national capabilities across data, IP, voice and wireless

Partnering, acquiring and divesting to accelerate the implementation of our strategy and focus our resources on core business

Going to market as one team, under a common brand, executing a single strategy

Investing in internal capabilities to build a high-performance culture and efficient operation

Shareholder value matters to you.
Performance matters to us.

Income

Operating revenues
2013: $11.4 billion
2012: $10.9 billion
↑4.4%

EBITDA[1,2]
2013: $4.0 billion
2012: $3.9 billion
↑4.1%

Earnings per share (EPS) – basic[2,3]
2013: $2.02
2012: $1.85
↑9.2%

Dividends declared per share[3]
2013: $1.36
2012: $1.22
↑11.5%

Liquidity and capital resources

Cash from operations
2013: $3.2 billion
2012: $3.2 billion
↑0.8%

Capital expenditures excluding spectrum licences
2013: $2.1 billion
2012: $2.0 billion
↑6.5%

Free cash flow[1]
2013: $1.1 billion
2012: $1.3 billion
↓21%

Net debt to EBITDA ratio[1,2]
2013: 1.8 times
2012: 1.7 times
↑0.1 times

Customer connections

Wireless subscribers[4]
2013: 7.8 million
2012: 7.7 million
↑1.8%

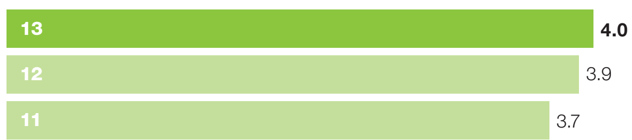
Network access lines
2013: 3.3 million
2012: 3.4 million
↓4.5%

Internet subscribers
2013: 1.42 million
2012: 1.36 million
↑4.5%

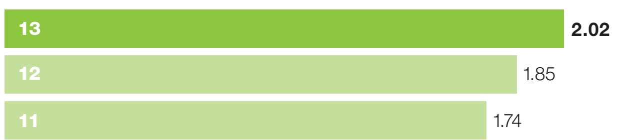
TV subscribers
2013: 815,000
2012: 678,000
↑20%

OPERATING REVENUES ($ billions)

EBITDA[1,2] ($ billions)



EPS – BASIC[2,3] ($)



FREE CASH FLOW[1] ($ billions)

2013 financial and operating highlights

($ in millions except per share amounts or as otherwise noted)	2013	2012	% change
INCOME			
Operating revenues	$ 11,404	$ 10,921	4.4
Earnings before interest, taxes, depreciation and amortization (EBITDA)[1,2]	$ 4,018	$ 3,859	4.1
EBITDA margin (%)[2]	35.2	35.3	–
Operating income[2]	$ 2,215	$ 1,994	11.1
Operating margin (%)[2]	19.4	18.3	–
Net income attributable to equity shares[2,5]	$ 1,294	$ 1,204	7.5
EPS – basic[2,3]	$ 2.02	$ 1.85	9.2
EPS – basic, as adjusted[1,2,3,6]	$ 2.16	$ 1.87	15.5
Dividends declared per share[3]	$ 1.36	$ 1.22	11.5
Dividend payout ratio (%)[1,2]	71	69	–
FINANCIAL POSITION			
Total assets	$ 21,566	$ 20,445	5.5
Net debt[1]	$ 7,592	$ 6,577	15.4
Total capitalization[1]	$ 15,576	$ 14,223	9.5
Net debt to total capitalization (%)[1]	48.7	46.2	–
Return on common equity (%)[2,7]	16.8	15.6	–
Market capitalization of equity (at December 31)	$ 22,793	$ 21,157	7.7
LIQUIDITY AND CAPITAL RESOURCES			
Cash from operations	$ 3,246	$ 3,219	0.8
Capital expenditures excluding spectrum licences	$ 2,110	$ 1,981	6.5
Free cash flow (before dividends)[1]	$ 1,051	$ 1,331	(21.0)
Net debt to EBITDA ratio[1,2]	1.8	1.7	–
WIRELESS SEGMENT			
External revenue	$ 6,130	$ 5,845	4.9
EBITDA[1,2]	$ 2,604	$ 2,458	5.9
EBITDA margin on total revenue (%)[2]	42.1	41.8	–
WIRELINE SEGMENT			
External revenue	$ 5,274	$ 5,076	3.9
EBITDA[1,2]	$ 1,414	$ 1,401	0.9
EBITDA margin on total revenue (%)[2]	26.0	26.7	–
CUSTOMER CONNECTIONS (in thousands at December 31)			
Wireless subscribers[4]	7,807	7,670	1.8
Network access lines	3,254	3,406	(4.5)
Internet subscribers	1,420	1,359	4.5
Total TV subscribers	815	678	20.2
Total customer connections	13,296	13,113	1.4

1 These are non-GAAP measures and do not have standardized meanings under IFRS-IASB. Therefore, they are unlikely to be comparable to similar measures presented by other companies. For definitions, see Section 11 of Management's discussion and analysis (MD&A) in this report.
2 Figures for 2012 reflect application of the IAS 19 employee benefits accounting standard (amended 2011). See Section 8.2 of the MD&A in this report.
3 Adjusted for the two-for-one stock split effective April 16, 2013.
4 For 2013, excludes Public Mobile subscribers and includes adjustments for machine-to-machine and Mike subscriptions.
5 Equity shares: Common shares, and prior to February 4, 2013, common shares and non-voting shares.
6 Excluding per share amounts for favourable income tax-related adjustments (two cents in 2012), net gain on TELUS Garden residential real estate redevelopment project (one cent in 2012), restructuring and other like costs (11 cents in 2013 and five cents in 2012) and Long-term debt prepayment premium after income tax per share (three cents in 2013). See Section 1.3 of the MD&A in this report.
7 Net income attributable to equity shares divided by the average common equity.

Results matter to you.
Achieving goals matters to us.

2013 scorecard

At TELUS, we believe in setting annual financial targets and disclosing policies to provide clarity for investors and help drive organizational performance.

Consolidated	2013 results and growth		2013 original targets and growth		Result
Revenues	$11.4 billion	4.4%	$11.4 to $11.6 billion	4 to 6%	✓
EBITDA	$4.02 billion	4.1%	$3.95 to $4.15 billion	2 to 8%	✓
Earnings per share (EPS) – basic	$2.02	9.2%	$1.90 to $2.10	3 to 14%	✓
Capital expenditures[1]	$2.11 billion	6.5%	$1.95 billion approximately		✖

1 The capital expenditures target and result exclude expenditures for spectrum licences.

✓ Met target ✖ Did not meet target

This scorecard shows TELUS' 2013 performance against our original consolidated targets. Our achievement of three of the four targets reflects strong growth in wireless and data revenues and higher Optik TV and high-speed Internet margins. Capital expenditures did not meet the target due to our continued focus on investments in our wireline and wireless broadband networks to support current and future growth.

We continue to adhere to our long-term financial objectives, policies and guidelines, which include generally maintaining a minimum of $1 billion of unutilized liquidity, a Net debt to EBITDA (excluding restructuring and other like costs) ratio in the range of 1.5 to 2.0 times, and our long-term dividend payout ratio guideline of 65 to 75% of sustainable earnings on a prospective basis.

For further information, including performance against segmented targets, see Section 1.4 of Management's discussion and analysis in this report.

2014 targets

TELUS' 2014 consolidated financial targets reflect continued execution of our long-standing and successful national growth strategy focused on wireless and data. In each of the past four years, we have met three of four consolidated financial targets. For more information and a complete set of 2014 financial targets and assumptions, see our fourth quarter 2013 results and 2014 targets report issued February 13, 2014.

OPERATING REVENUES

($ billions)

Targeting a 4 to 6% increase, driven by growth in wireless and wireline data

CAPITAL EXPENDITURES EXCLUDING SPECTRUM LICENCES

($ billions)

Continuing investments in networks to support customer growth and technology evolution

EBITDA

($ billions)

Targeting 3 to 8% growth, generated by wireless and wireline

EPS – BASIC

($)

Targeting an 11 to 21% increase, driven by EBITDA growth and a reduction in shares outstanding

The 2014 targets exclude the impacts of Public Mobile. Comparative figures for EBITDA and EPS include the effects of applying the amended IAS 19 employee benefits accounting standard. EPS for 2012 has been adjusted for the two-for-one stock split effective April 16, 2013. EBITDA is a non-GAAP measure and does not have a standardized meaning under IFRS-IASB. Therefore, it is unlikely to be comparable to similar measures presented by other companies. See Section 11 of Management's discussion and analysis in this report.

Caution regarding forward-looking statements summary

This annual report contains statements about future events, including with respect to our 2014 consolidated and segmented targets, 2014 normal course issuer bid, multi-year dividend growth and share purchase programs, and financial and operating performance of TELUS that are forward-looking. By their nature, forward-looking statements require the Company to make assumptions and predictions and are subject to inherent risks and uncertainties. There is significant risk that the forward-looking statements will not prove to be accurate and there can be no assurances that TELUS will complete all purchases under the 2014 normal course issuer bid. Readers are cautioned not to place undue reliance on forward-looking statements as a number of factors (such as regulatory and government decisions, the competitive environment, our earnings and free cash flow, our capital expenditures and spectrum licence purchases, and a change in our intention to purchase shares) could cause actual future performance and events to differ materially from those expressed in the forward-looking statements. Accordingly, this document is subject to the disclaimer and qualified by the assumptions (including assumptions for 2014 targets, semi-annual dividend increases to 2016, and our ability to sustain and complete multi-year share purchase programs to 2016), qualifications and risk factors referred to in Management's discussion and analysis, starting on page 42 of this annual report and in other TELUS public disclosure documents and filings with securities commissions in Canada (on SEDAR at sedar.com) and in the United States (on EDGAR at sec.gov). Except as required by law, TELUS disclaims any intention or obligation to update or revise forward-looking statements and reserves the right to change, at any time at its sole discretion, its current practice of updating annual targets and guidance.

What matters to you, matters to us.

We're not perfect, but our employees are deeply motivated to consistently delight our customers. We know that getting better means making sure we're listening to you. That's why we're embracing new ideas that will make your TELUS experience better, every day. We're on a journey to build on your trust by being clear, helpful and dependable. In other words, at TELUS, we put you first.

For TELUS, 2013 was a year of exceptional achievements and numerous challenges. Our steadfast focus on investing in advanced broadband technology and services, coupled with our unwavering commitment to put customers first and realize operational efficiencies, is significantly differentiating us from our global peers. Our efforts to deliver excellent customer experiences continued to enhance the loyalty of our clients and generated strong operational execution and financial performance, despite the dynamic environment in which we do business.

TELUS Team Member Shain Allibhai, shown here with Darren Entwistle, is one of our top customers first champions, recognized for consistently delighting our customers, every day.

Putting customers first matters to us

Delivering on our promise to consistently put customers first remains our top priority. Our team's remarkable efforts have helped us earn the best customer loyalty amongst national wireless carriers, giving us a powerful advantage over our competitors.

Our commitment to delivering exceptional client experiences was once again recognized in 2013. Canadians voted Koodo the number one standalone provider and TELUS the number one national full-service provider for the second straight year in J.D. Power and Associates' annual Wireless Total Ownership Experience Study.

Importantly, the number of complaints reported for TELUS decreased by 27 per cent year over year, as reported by the Commissioner for Complaints for Telecommunications Services in its 2012–2013 annual report. In contrast, complaints increased by 26 per cent for the Canadian telecommunications industry as a whole. This success builds on results from the previous year, when we realized a 13 per cent decrease whilst industry complaints rose by 35 per cent.

We continue to work toward our goal of delivering the best client experience in our industry as measured by our customers' likelihood to recommend our products, services and people. At the end of 2013, 71 per cent of our consumer customers, 72 per cent of our small and medium-sized business customers and 71 per cent of our large enterprise customers said they were likely to recommend TELUS. These are good results and we are committed to building on this progress with significant improvements in TELUS' client experience still to come in the years ahead.

Our team matters to us

Our 2013 annual report tells the story of how we're listening to our stakeholders and making changes that matter as we continue our journey to put customers first. In keeping with our theme, we reached out to our team members and they chose their favourite critters to star in the report and represent our close relationship with our customers. With more than 2,500 votes cast by our team, first place goes to the pandas holding hands on our front cover.

As our most passionate brand ambassadors, it seems fitting that our team members be engaged in helping to tell our story. Their dedication enables us to continue delivering excellent value for our customers, shareholders and communities in need.

Excellent financial and operating performance matters to us

In 2013, we experienced sustained growth in our customer connections with the addition of 378,000 postpaid wireless customers, 137,000 TV clients and 69,000 high-speed Internet subscribers. Reflecting the efficacy of our customers first culture in action, customers are also staying with us longer. We have achieved industry-leading client loyalty on a national basis, as evidenced by our postpaid wireless monthly churn rate of just over one per cent. We also achieved industry-leading wireless results amongst national carriers, including the best lifetime revenue per client, highest average monthly revenue per customer and lowest cost of acquisition. In addition, we have become a global leader in wireline revenue and earnings before interest, taxes, depreciation and amortization (EBITDA) growth as a result of the success of our Optik TV and Internet services, combined with our continued focus on improving operational efficiency. In fact, the fourth quarter of 2013 marked our fifth consecutive quarter of normalized EBITDA growth.

> Reflecting the efficacy of our customers first culture in action, customers are staying with us longer. We have achieved industry-leading client loyalty on a national basis, as evidenced by our postpaid wireless monthly churn rate of just over one per cent.

Our team's outstanding execution has led to a strong financial performance, including growth of four per cent in revenue, five per cent in EBITDA excluding restructuring and other like costs, and 15.5 per cent in adjusted earnings per share (EPS) realizing a record EPS result.

Consolidated margins improved during 2013 due to:

- Continued profitable growth in wireless
- The realization of scale economies in our TV and Internet businesses, as our combined subscriber base grew to total more than 2.2 million
- Our strong focus on operational efficiency, which is a necessity as our customer connections shift from higher-margin legacy voice services to bandwidth-demanding data services.

Owing to our success in generating continued robust cash flow of more than $1 billion after capital investments, we have one of the strongest balance sheets in our industry on a global basis. This significant competitive advantage has placed us in a position of tremendous strength.

Leading the world in creating value for investors matters to us

At TELUS, we are investing in our core business and continuing to do what is best, for the long term, for our Company, team, communities and shareholders. We have the unique ability to invest in our future through broadband technology expansion and enhancements and wireless spectrum auctions, whilst simultaneously returning significant amounts of cash to shareholders.

Indeed, we delivered our sixth targeted dividend increase as per our dividend growth program first announced in May 2011. Our dividend is now at $1.44 annually, up 12.5 per cent from a year ago to a record level. Importantly, in May 2013, we announced plans to extend our dividend growth program for another three years, targeting two dividend increases per year through 2016 of circa 10 per cent annually.

> For the past five years, TELUS has realized an impressive total shareholder return of 147 per cent, outpacing our global peers (as measured by the MSCI World Telecom Index) and the Toronto Stock Exchange (TSX) by 59 and 71 percentage points, respectively. We remain the global leader amongst incumbent telecoms since 2000 in this regard, with a total shareholder return of 272 per cent through February 2014, outpacing the number two company by 97 percentage points. Moreover, by the time you read this letter, we will have surpassed $10 billion in capital returned to shareholders since 2004 through dividend payments and share purchases.

Additionally, in 2013, we implemented a number of shareholder-friendly initiatives, including:

- Exchanging all of our non-voting shares for common shares on a one-for-one basis to enhance the trading volumes, liquidity and marketability of our shares as well as our track record of excellence in corporate governance
- Completing a two-for-one stock split to further enhance liquidity and improve the affordability of our shares for retail investors
- Buying back and cancelling $1 billion of TELUS shares as part of our $2.5 billion multi-year share purchase program through 2016 to return significant value to our shareholders.

Through our share purchase and dividend programs, we returned a record $1.85 billion to shareholders during 2013.

Building on our track record of being a leader in total shareholder returns amongst our global telecom peers, in 2013, our total shareholder return was 17 per cent, four percentage points above the TSX – our fourth consecutive year of double-digit total shareholder returns.

For the past five years, TELUS has realized an impressive total shareholder return of 147 per cent, outpacing our global peers (as measured by the MSCI World Telecom Index) and the TSX by 59 and 71 percentage points, respectively. We remain the global leader amongst incumbent telecoms since 2000 in this regard, with a total shareholder return of 272 per cent through February 2014, outpacing the number two company by 97 percentage points. Moreover, by the time you read this letter, we will have surpassed $10 billion in capital returned to shareholders since 2004 through dividend payments and share purchases.

Providing the best customer experience matters to us

Throughout the year, as highlighted below, many initiatives and achievements have helped advance our national growth strategy and continue to enhance the customer experience we provide.

Embracing our Clear and Simple approach

As part of TELUS' Clear and Simple approach, we are listening intently to our customers and implementing meaningful changes to our services based on their valuable input. Since we embarked on our customers first journey in 2009, we have introduced numerous service enhancements, such as clear and simple pricing and contract terms, phone unlocking, and proactive data usage notifications and caps for customers roaming internationally.

More recently, in July, we introduced TELUS' SharePlus plans, offering consumers and small businesses unlimited nationwide talk and text and data sharing across multiple devices and accounts. Also in 2013, we:

- Introduced the TELUS Network Experience app, inviting our customers to help address wireless coverage opportunities
- Simplified our rate plans to give clients peace of mind through cost certainty
- Reduced international roaming rates by more than half for our clients on the go.

As part of TELUS' Clear and Simple approach, we are listening intently to our customers and implementing meaningful changes to our services based on their valuable input.

In 2013, your Company partnered with Loblaws to launch a postpaid wireless service, PC Mobile Monthly, creating a unique offering for millions of loyal Loblaws customers and enabling us to compete in a new market segment. We also acquired Public Mobile, which has provided an additional 222,000 subscribers in Ontario and Quebec, as well as valuable spectrum, which we can deploy to benefit all our wireless customers.

Expanding our broadband networks to benefit Canadians

Continued investment in our leading-edge broadband technology has fuelled the unparalleled success of our Optik TV, high-speed Internet and business services, as well as the ongoing advancement of our world-leading wireless network.

In 2013, we continued expanding our 4G LTE wireless network so that it includes an additional 127 communities and reaches more than 81 per cent of Canadians, as well as our 4G HSPA+ network, which covers 99 per cent of the population from coast to coast to coast. Indeed, in September, we launched service in the Northwest Territories and the Yukon, providing customers in Northern Canada with access to wireless products and services at the same prices we offer elsewhere in Canada.

We also continued expanding our wireline broadband network, adding greater capacity, higher speeds and extending coverage to 14 additional communities. Notably, through our continued investment in deploying fibre deeper into our access network, we now offer Internet speeds of up to 50 megabits per second to 89 per cent of the more than 2.7 million Optik TV-capable households in B.C., Alberta and Quebec.

Acquiring valuable spectrum to fuel our future growth

In February 2014, we successfully acquired licences equating to a national average of 16.6 MHz of wireless spectrum in the federal government's 700 MHz auction for $1.14 billion.

The acquisition of this important spectrum builds on our globally leading national wireless service and enables us to deliver enhanced and expanded mobile broadband connectivity to our customers, in both rural and urban areas. It also ensures we continue to meet our clients' ever-increasing demand for data service reliability, speed and coverage.

Our customers will further benefit from our investment in this spectrum through enhanced service in areas traditionally less accessible by cellular devices. Notably, 700 MHz spectrum is ideally suited for serving our rural customers as it has the ability to travel greater distances. It will also benefit our urban customers as these wireless signals can better reach problematic in-building locations such as elevators and parking garages.

Giving you freedom to enjoy entertainment your way

Throughout 2013, we enhanced the Optik TV customer experience as we progressed our high-definition (HD) content leadership and increased functionality. The demand for TELUS' premium and differentiated Optik TV service offering remains healthy and our share of the available market is strong.

With Optik TV, our customers enjoy: live TV via Optik on the go; HD leadership with more than 185 HD channels; and a recommendation engine and ratings from the website Rotten Tomatoes on our video on demand storefront, which has more than 13,000 titles.

We launched a variety of innovative features and apps that provide greater control and choice to our TV customers, such as a new wireless set-top box, new apps like TED Talks and Galaxie Music, and a reorganized channel lineup that enhances the browsing experience and provides space for more HD channels. With Optik TV, our customers enjoy: live TV via Optik on the go; HD leadership with more than 185 HD channels; and a recommendation engine and ratings from the website Rotten Tomatoes on our video on demand storefront, which has more than 13,000 titles.

Our home entertainment solutions now service a combined 2.2 million TV and Internet client connections across B.C., Alberta and Eastern Quebec.

Providing reliable and innovative solutions for business clients

Your Company recently launched two intelligent Internet data centres (IDCs) – one in Kamloops, B.C. last July and one in Rimouski, Quebec in late 2012 – to bring managed IT solutions to Canadian businesses. Leveraging these data centres, we are delivering on-demand IT services to our business customers, meeting the growing need for next-generation, cloud computing solutions. These new facilities are amongst the most technologically advanced and environmentally friendly data centres in the world, providing our clients with reliable and secure cloud services that enable them to strengthen their market offerings and improve their operations. Built to LEED (leadership in energy and environmental design) gold standards, they are designed to use up to 80 per cent less power than typical data centres of their size.

Our business teams in TELUS Québec and TELUS Customer Solutions secured several landmark client wins in 2013, bolstered by the new services and superior functionality of our intelligent IDCs. Moreover, our TELUS Québec team successfully migrated its entire managed IT customer base to our new IDC in Rimouski over this past year.

In October, we introduced TELUS Link, our next-generation push-to-talk (PTT) service that provides instant voice communication with an individual or a team over our 4G networks. TELUS Link is the natural evolution of our industry-leading Mike service and is Canada's only PTT service available over LTE and Wi-Fi.

Advancing our strategy to help improve healthcare for Canadians

At TELUS, we are committed to transforming Canada's healthcare system by leveraging our technology and innovation to digitize health services and deliver better health outcomes for Canadians for less money spent. We are extending our reach to physicians, pharmacists and care providers throughout the country, and are enabling safe and secure collaboration amongst care providers and with patients.

In 2013, TELUS Health became Canada's largest electronic medical records (EMR) provider with the acquisition of PS Suite EMR. Our EMR solutions now reach more than 12,500 physicians across Canada. The deployment of Pharma Space®, our online prescription management portal, continued through pharmacy chains and banner customers of TELUS Health and, today, more than 250,000 health consumers are using these solutions. Our home health monitoring solutions are increasingly used by health providers and patients across Canada, empowering people living with chronic conditions to better manage their own health and making more sustainable and affordable care possible.

Enhancing TELUS International to effectively serve our global clients

In 2013, we continued to enhance our contact centre and business process outsourcing capabilities for the benefit of our customers around the world. Our 15,000 TELUS International team members in our centres across the United States, Central America, Asia and Europe provide services in more than 30 languages for many of the world's largest corporations. We are also helping to build healthy communities in many of our TELUS International locations through TELUS Community Boards and annual TELUS Day of Giving volunteer events.

World-leading team engagement matters to us

In 2013, we achieved global leadership in team member engagement with an unprecedented 83 per cent engagement score, our fourth consecutive year of improvement. Indeed, our independent survey administrator, Aon Hewitt, confirmed that we rank number one globally amongst employers of our size and workforce mix.

> Guided by our TELUS leadership values and customers first declaration, we have created a globally recognized culture and achieved world-leading engagement, both of which are continuing to elevate our brand promise, the future is friendly, in the hearts and minds of customers.

Guided by our TELUS leadership values and customers first declaration, we have created a globally recognized culture and achieved world-leading engagement, both of which are continuing to elevate our brand promise, the future is friendly, in the hearts and minds of customers. Notably, the TELUS brand continues to gain recognition and grow in value. As reported by Brand Finance, our brand is now valued at $4.3 billion.

Importantly, the strength of our progress in respect of customer service excellence serves as a tangible demonstration that the culture of engagement at TELUS is our most effective and sustainable competitive advantage. In this regard, our team was very proud to become the sixth company ever inducted into Canada's 10 Most Admired Corporate Cultures Hall of Fame in 2013. We also received the BEST award for excellence in employee learning and development from the American Society for Training and Development, making us one of three organizations worldwide to have received this recognition eight times.

Giving where we live matters to our communities

Building strong, healthy and sustainable communities matters to all of us. In fact, our deeply rooted philosophy – we give where we live – led to TELUS, our team members and retirees contributing more than $46 million to charitable organizations and volunteering 625,000 hours in 2013 alone. Indeed, since 2000, TELUS, our team members and retirees have contributed more than $350 million to charitable and not-for-profit organizations and volunteered 5.4 million hours to local communities. This includes our 11 TELUS Community Boards in Canada and three international

Helping customers stay safe online

To help Canadians develop safer online habits, we launched TELUS WISE (wise Internet and smartphone education) in October, a free educational program designed to help ensure the safety of citizens in an increasingly digital world. Through seminars and online resources, TELUS WISE arms Canadians with the tools necessary for them to become more online-savvy and thereby protect what is most valuable to them – their loved ones. Visit **telus.com/wise**.

boards, which have contributed $41 million to grassroots charities and supported 3,285 projects that have helped millions of youth.

Our passion for giving has become a key differentiator for us in the market. We believe that the key to building healthy communities today and in the future is ensuring that our youth are educated, empowered and inspired to give back. By way of example, we launched our Give Where You Live educational program in partnership with Free The Children, an innovative speaking tour and classroom curriculum that empowers young Canadians to create positive change in their local communities. Moreover, with Free The Children, we launched We365, a mobile and online app enabling youth to plan, track and share their volunteering efforts year-round.

Importantly, in 2013, TELUS remitted income, payroll, property, sales and other taxes as well as spectrum fees of approximately $1.8 billion to federal, provincial, municipal and international governments. Over the past nine years, our remittances have been $14.1 billion, including the 700 MHz spectrum auction costs in 2014. In turn, these taxes and spectrum fees are helping to support services for citizens in communities across Canada where we live, work and serve.

Deservedly, your Company was named to the Dow Jones Sustainability North America Index for the 13th consecutive year, a feat unequalled by any North American telecom or cable company. Additionally, in early 2014, we were named to the Corporate Knights Global 100 Most Sustainable Corporations list for the fourth time and are one of only five Canadian companies to be named four or more times.

Answering challenges and opportunities matters to our future

Canada, and TELUS in particular, has the most advanced and reliable networks in the world, which are the result of billions of dollars of investments and years of hard work by tens of thousands of talented employees. These networks, in turn, enable us to provide vitally important services to Canadians, even in the most remote communities, and support the advancement of our country's digital economy.

World-leading quality was not achieved by happenstance. Canada has the highest private sector investment per access path in telecom networks in the world. Indeed, according to Organization for Economic Co-operation and Development (OECD) data, Canadian carriers invest three times the world average in infrastructure per subscriber. This investment in world-leading networks has resulted in Canada having wireless data speeds that are the second fastest in the world. Clearly, this has underpinned Canada having the third highest rate of smartphone penetration globally.

TELUS looks forward to playing a key role in advancing Canada's digital economy. Indeed, our sector's solutions strengthen progress and advancement in all industries, including healthcare and education. To support our efforts in this regard, we will continue to advocate for fair and fact-based regulatory policies that benefit all Canadians, highlighting our significant contributions to the health of the Canadian economy such as our commitment to bridging the digital divide for citizens across the country.

Our ongoing efforts to enhance our wireless and wireline broadband capabilities, including our 4G LTE network expansion, small cell deployment and connection of more homes and businesses directly to fibre-optic facilities, are essential to meeting client demand for increased data speeds and service reliability.

To address the opportunities and challenges facing TELUS in the year ahead, we have identified six corporate priorities for 2014, as shown on the facing page.

What matters to you, matters to us

We will continue to focus on delivering consistently exceptional customer interactions. We are dedicated to listening and taking action based on what matters to you, in pursuit of our goal to be the most recommended telecom company globally.

> Our 2014 targets demonstrate that we expect robust growth in both our wireline and wireless segments, which clearly differentiates us from our competition.

Our outlook for 2014 is positive as we target growth in the mid-single digits for revenue, and up to eight per cent for EBITDA, driven by both wireless and wireline, and 21 per cent for EPS at the top end of our target ranges. We also expect strong cash flow, which sustains our ability to continue making significant investments for future growth whilst, at the same time, returning substantial amounts of cash to shareholders. Our 2014 targets demonstrate that we expect

> Over the next three years, we plan to return $1.5 billion to our investors through our share purchase programs whilst increasing our dividend by circa 10 per cent annually.

robust growth in both our wireline and wireless segments, which clearly differentiates us from our competition.

Three years ago, I shared my personal goals for TELUS through to 2013 – low double-digit annualized growth in EPS and even greater growth in free cash flow, excluding one-time items such as spectrum purchases, accounting changes or non-recurring items. We also established a dividend growth program, targeting semi-annual dividend increases of circa 10 per cent annually to the end of 2013. The EPS goal was achieved to the end of 2013, as EPS grew by a compound annual growth rate of 12 per cent over the past three years. We also delivered on our dividend growth program with six dividend increases since 2011. Whilst our free cash flow remained robust at more than $1 billion in 2013, we made a strategic decision to augment our capital investments in our broadband networks. As a result, the annualized growth rate for free cash flow for the past three years was four per cent per year, short of my personal three-year goal but reflective of having made the right decision in support of our customers and shareholders for the long term.

As I look ahead to becoming TELUS' Executive Chair, I am excited to continue leading the progression of our national growth strategy. Importantly, I am very pleased that our robust succession planning process has resulted in Joe Natale being named as our next President and CEO. Joe is an exceptionally proven and highly capable leader and his passion for our Company's strategy and culture is helping differentiate our performance in the marketplace. Clearly, Joe's excellent progression through several executive roles, culminating in his most recent capacity as our Chief Commercial Officer, has prepared him exceedingly well for this next step in his career. I am confident that Joe and the TELUS team will continue to deliver leading outcomes for our stakeholders in the years ahead.

I am also confident that your Company's unwavering commitment to advancing customer service excellence and returning capital through our multi-year dividend growth and share purchase programs will create additional long-term value for our investors, customers, team members and the communities where we live, work and serve. Through 2014 and beyond, we will continue listening to all our stakeholders and embracing new ideas to enhance the TELUS experience…because what matters to you, matters to us.

I can think of no better way of aligning with what matters to our 390,000 shareholders than by taking the entirety of my 2014 salary, after tax, in TELUS shares for the fifth consecutive year.

Thank you for your continued support.

Darren

Darren Entwistle
Member of the TELUS Team
March 31, 2014

2014 corporate priorities

Our corporate priorities help guide our actions as we advance our national growth strategy. For 2014, we are:

- Delivering on TELUS' future friendly® brand promise by putting customers first and pursuing global leadership in the likelihood of our clients to recommend our products, services and people
- Elevating our winning culture for a sustained competitive advantage, including giving compassionately in our communities
- Strengthening our operational reliability, efficiency and effectiveness
- Increasing our competitive advantage through reliable and client-centric technology leadership
- Driving TELUS' leadership position in our chosen business and public sector markets
- Advancing TELUS' leadership position in healthcare information management

…supporting the delivery of up to eight per cent EBITDA and 21 per cent EPS growth.

Worry-free wireless matters to you.
Your experience matters to us.

Industry highlights

- The Canadian wireless industry continued to grow in 2013 with an estimated 737,000 new subscribers and a three per cent increase in revenue
- Key growth drivers include the ongoing adoption of smartphones and tablets and the related increase in usage of data services, such as social networking, web browsing and video-streaming
- In 2013, wireless data revenue in Canada increased by more than 17 per cent to exceed $8 billion, offsetting the decline in legacy voice revenue resulting from substitution and competitive pricing
- Established carriers continue making significant capital investments to expand LTE networks and building additional cell sites to accommodate growth in data usage and demand
- The ongoing market shift toward higher-value smartphones continues to pressure acquisition and retention costs
- Competition in the postpaid segment remains intense with multiple carriers introducing new offers, including unlimited voice and larger data sharing plans
- The CRTC introduced a Wireless Code, effective on December 2, after TELUS advocated for a common set of rights for all wireless consumers across Canada. Proceedings have also commenced on domestic roaming rates.

TELUS performance

- We recorded a Canadian industry-leading average monthly postpaid churn rate of 1.03 per cent and robust postpaid customer growth, reflecting our continued focus on putting customers first and our Clear & Simple customer approach
- We continue making significant investments in our 4G LTE wireless network to help us deliver exceptional customer experiences
- Our wireless revenue grew five per cent in 2013, reflecting 307,000 subscriber net additions and a 1.6 per cent improvement in average revenue per subscriber
- Our wireless data revenue increased by 16 per cent to nearly $2.5 billion
- The proportion of our postpaid customers using a smartphone increased by 11 percentage points to 77 per cent in 2013
- Operating earnings strengthened due to revenue growth, a reduction in our postpaid churn rate and our continued focus on efficiency
- We generated industry-leading lifetime revenue per customer of more than $4,350
- Wireless EBITDA grew by six per cent and our network EBITDA margin improved to 46 per cent.

LTE NETWORK COVERAGE	POSTPAID NET ADDITIONS	MONTHLY POSTPAID CHURN RATE	LIFETIME REVENUE PER CUSTOMER
↑20%	↑378,000	↓6 basis points	↑$245

2013 RESULTS – WIRELESS

↑4.9%	↑5.9%
revenue (external) $6.13 billion	**EBITDA** $2.60 billion

2014 TARGETS – WIRELESS[1]

↑5 to 7%	↑4 to 8%
network revenue (external) $5.9 to $6.0 billion	**EBITDA** $2.725 to $2.825 billion

1 See Caution regarding forward-looking statements on page 42 of this report.

Learn how to get the most from your smartphone at **telus.com/learn**.

In 2013, we:

- Delivered on TELUS' future friendly brand promise with our attractive Clear & Simple rate plans and our continued focus on elevating the customer experience
- Expanded our 4G LTE technology to nearly 29 million Canadians, offering even faster data speeds and a broader portfolio of devices
- Added to the number and quality of distribution channels through acquisitions and the continued roll-out of our next-generation concept stores, now in every major market across Canada
- Improved our customers' international roaming experiences through more flexible and transparent offerings, including data usage notifications, more roaming partners and lower pricing
- Increased customer choice with our new TELUS SharePlus plans, offering unlimited nationwide talk and text and data sharing across multiple accounts and devices
- Added 378,000 higher-value postpaid customers to reach a total of 6.8 million postpaid subscribers
- Completed the strategic acquisition of wireless carrier Public Mobile.

In 2014, we are:

- Continuing to put customers first and enhance their experience, as measured by their likelihood to recommend TELUS' products and services
- Profitably expanding our postpaid subscriber base
- Driving smartphone adoption and growth in demand for applications and data services through our Clear & Simple approach, including anytime upgrades and TELUS Learning Centre sessions
- Growing our market share in the national small and medium-sized business space
- Increasing roaming revenue by building on our international relationships, enhancing our capabilities and offering improved simplicity and affordability
- Investing in our advanced broadband network coverage and reliability, including the roll-out of small cell infrastructure
- Acquiring 700 MHz spectrum, subject to final approval, and rolling out 4G LTE technology to reach additional markets across Canada
- Targeting network revenue growth of up to seven per cent and EBITDA growth of up to eight per cent in our wireless operations.

Smart solutions matter to you. Innovation matters to us.

Industry highlights

- The wireline communications market remained competitive through 2013. Revenues from higher-margin local and long distance services continued to decline due to migration to wireless, data and voice over IP (VoIP) services, partly offset by growth in newer data and Internet services
- TV entertainment continues to be a key area of growth for telecom companies, with market share gains at the expense of cable and satellite TV providers. Telecom companies are expanding fibre-optic networks and increasing their speed and coverage in support of their entertainment businesses
- Over-the-top service providers continue to influence viewing trends and attract subscribers as technology advances
- Competitors continue to improve the speed and availability of their data offerings, raising the level of competitive intensity in consumer and small and medium-sized business (SMB) markets
- In business and enterprise segments, migration to integrated and managed IP-based cloud computing services continues
- Established telecoms face ongoing pressure for cost efficiency to offset declining legacy margins
- Regulators are exploring options that would require broadcast operators to offer more flexible TV packaging.

TELUS performance

- Our significant investments in broadband technology enable us to offer customers a superior home entertainment experience through our IP-based Optik TV service
- Our service bundle differentiates us in the market and, in 2013, drove very successful Optik TV and high-speed Internet service loading
- We offer business solutions that target specific high-value enterprise and public sector segments across the country. In SMB markets, we are successfully delivering reliable integrated wireless and wireline solutions
- TELUS is one of the few established telecoms in the world that generated wireline revenue growth again in 2013, with a year-over-year increase in wireline revenue of four per cent due to data service growth and bundling success
- We generated annual wireline EBITDA growth for the first time since 2010, up one per cent due to revenue growth, improving TV and Internet service margins, and efficiency initiatives.

OPTIK TV COVERAGE	DATA REVENUE	TV SUBSCRIBERS	HIGH-SPEED INTERNET SUBSCRIBERS
↑300,000 households	↑11%	↑137,000	↑69,000

2013 RESULTS – WIRELINE

↑3.9%	↑0.9%
revenue (external) $5.27 billion	**EBITDA** $1.41 billion

2014 TARGETS – WIRELINE[1]

↑3 to 5%	↑1 to 8%
revenue (external) $5.45 to $5.55 billion	**EBITDA** $1.425 to $1.525 billion

1 See Caution regarding forward-looking statements on page 42 of this report.

Watch live TV on your tablet or smartphone – anytime, anywhere – with Optik on the go. Visit **telus.com/tvonthego**.

In 2013, we:

- Expanded our broadband network to 14 additional communities so that it now reaches more than 2.7 million households in B.C., Alberta and Eastern Quebec, with speeds of up to 50 megabits per second (Mbps) available to 89 per cent of those households
- Introduced 52 new high-definition (HD) channels on Optik TV, bringing our total HD lineup to 188 and our total channels to more than 650
- Introduced more innovative features on Optik TV, including a new wireless digital box, live TV on Optik on the go, and recommendations and ratings on our video on demand storefront, which now has 13,000 titles
- Increased our TV subscriber base by 20 per cent or 137,000 customers, to reach a total of 815,000
- Integrated our wholesale business and Business Solutions teams, and jointly developed a go-to-market strategy for our customers
- Accelerated the adoption of electronic medical records (EMR) solutions to improve Canada's healthcare system through the acquisition of PS Suite EMR, Ontario's largest EMR provider
- Opened an intelligent Internet data centre in Kamloops, B.C. to support cloud-based managed IT services
- Grew wireline data revenue by $312 million or 11 per cent.

In 2014, we are:

- Continuing to elevate the customer experience by putting our customers first, simplifying products and delivering exceptional service
- Enhancing the reliability, speed and capabilities of our advanced broadband network
- Growing our Optik TV and Internet service subscriber bases by introducing more innovative services and promoting product bundling, while also adding to data revenue and profitability
- Driving sales in the enterprise and business markets with enhanced coverage and connectivity, simple and targeted offers, and high-quality customer service
- Increasing the number of Canadians using our innovative healthcare technology solutions, such as patient, hospital and physician EMRs
- Targeting revenue growth of up to five per cent and EBITDA growth of up to eight per cent in our wireline operations.

Your community matters to you.
Giving where we live matters to us.

At TELUS, our team is committed to our community investment philosophy – we give where we live – to help create healthy, strong and sustainable communities. Our philosophy enables us to help connect Canadians by leveraging technology and innovation. Our efforts focus on educating and empowering youth to improve their quality of life and help them reach their full potential.

Enabling youth to give back

Through our Give Where You Live educational program, launched in 2013 in partnership with Free The Children, we are introducing Canadian youth to philanthropy and empowering them to become the next leaders in giving back. Our speaking tours were attended by 24,500 high school students in B.C., Quebec and Atlantic Canada in 2013, and there are plans to expand to Alberta and Ontario in 2014 and nationally the following year.

TELUS and Free The Children also introduced We365, an innovative mobile app and online community that enables young people to track their volunteer hours, promote social activism and connect with others.

As part of our partnership with Free The Children, we remain a national co-title sponsor of We Day in Canada, a series of events held to inspire youth to create change in their communities and around the world. More than 100,000 young people participated in We Day events in eight cities across Canada during the 2012–2013 school year.

Making a difference at the local level

TELUS Community Boards put decision-making in the hands of local leaders who know their communities best and help to ensure our financial support is accessible to grassroots organizations that support local youth.

In 2013, our 11 TELUS Community Boards across Canada contributed $5.4 million to local charities and supported more than 430 community projects. Additionally, our three international Community Boards contributed $300,000 to local charities and supported 40 projects.

Lending a hand with our collective strength

At our annual TELUS Day of Giving, a record 14,000 team members, retirees, family and friends volunteered at more than 500 activities across Canada. The TELUS Day of Giving also took place in Romania, Bulgaria, the Philippines, El Salvador, Guatemala, the United States and the United Kingdom, where 5,000 team members participated in nine events.

Our team members rallied together through devastating disasters in 2013. During the Southern Alberta floods, their diligent efforts enabled critical communication between emergency personnel and kept residents connected. After the explosion in Lac-Mégantic, Quebec, team members quickly restored the province's essential services telecommunications network and set up temporary telephone stations for local citizens. And after Typhoon Haiyan struck, we provided customers with free calling from home phones to the Philippines and access to the Filipino Channel on Optik TV, and supported a text-to-donate campaign to help raise relief funds.

Sharing the passion of the TELUS team

Our team is passionate about making a positive impact through a variety of initiatives. In 2013, TELUS, our team members and retirees gave more than $46 million to charitable and not-for-profit organizations and volunteered 625,000 hours.

A key component of this contribution is the Team TELUS Charitable Giving program, through which team members, retirees, board members and retail dealers make donations and TELUS matches them. In 2013, a total of $6.4 million was donated to more than 2,600 charities through this program.

Elevating our commitment to being a good corporate citizen

We focus on sustainable and responsible business practices and making business decisions that balance economic growth with environmental and social benefits. Differentiating ourselves as a socially responsible company is key as our fellow citizens become more aware of their power to help create healthier communities by choosing to do business with companies that share their values.

Our Phones for Good® and TV for Good® campaigns help us to raise awareness and funding for important programs in local communities. In select markets, TELUS makes a donation to local grassroots community projects for every new smartphone and Optik TV customer. In 2013, with the support of our customers, we contributed $750,000 to community projects through these campaigns.

Our technologically advanced, environmentally friendly buildings reflect our strong commitment to sustainability in the communities where we operate. In 2013, we opened our intelligent Internet data centre in Kamloops, B.C., a duplicate of our facility in Rimouski, Quebec, both of which are among the most energy efficient data centres in the world. The two facilities are built to the LEED (leadership in energy and environmental design) gold standard and are 80 per cent more energy efficient than traditional data centres.

We also announced TELUS Sky in 2013, our new office, residential and commercial development in Calgary, which will be built to the LEED platinum standard. TELUS Sky will further our track record of developing LEED buildings across Canada, joining TELUS Garden, currently under construction in downtown Vancouver, TELUS House Toronto, TELUS House Ottawa and Place TELUS Québec in Quebec City.

To learn more about corporate social responsibility at TELUS, visit **telus.com/csr**.

Answers matter to you.
Honesty and openness matter to us.

To better understand what is top of mind for our executives, we recently sat down with members of our Executive Leadership Team to discuss our customers first strategy, network transformation, corporate culture, and legal and regulatory opportunities and challenges.

Josh Blair, Executive Vice-President, Human Resources and Chief Corporate Officer; **Monique Mercier**, Executive Vice-President, Chief Legal Officer and Corporate Secretary; **Joe Natale**, Executive Vice-President and Chief Commercial Officer; and **Eros Spadotto**, Executive Vice-President, Technology Strategy and Operations

Our customers matter

How is the TELUS team listening and responding to its customers?

JB Our 43,400 team members have enthusiastically embraced the challenge of striving to deliver the best customer experience in the world. We're having honest conversations with our customers every day through our client support network, which includes our call centre representatives and service technicians, as well as social media channels such as Twitter, Facebook and **telus.com**, our new online forum, TELUS Neighbourhood, and our TELUS Network Experience mobile app. We're monitoring, listening and taking action on their feedback so we can continuously get better at what we do.

JN In 2013, we introduced our new TELUS SharePlus plans, providing Canadians and their families with choices that offer the best of talk, data and text, in another significant step forward to put customers first in everything we do. Getting the most out of their smartphones matters to our customers, and they matter to us. Through our TELUS Learning Centre and our next-generation retail stores, we are helping our customers connect with experts, offering a hands-on experience and conversations that quickly and easily help them leverage everything their devices can do to support and enrich their lives.

What progress has TELUS made on its goal to be the most recommended company in the markets it serves?

JN TELUS achieved the biggest improvement in our industry in terms of Canadian consumers' likelihood to recommend (L2R) our products, services and people. We had some big achievements in 2013 that tipped the scales. Koodo's L2R score was 85 per cent by year-end 2013, making our Koodo brand Canada's new L2R leader.

In our large enterprise business, TELUS is number one in L2R. In small business, we've closed a significant gap with our closest competitors by delivering the kind of customer experience that sets us apart. Our commitment to putting customers first comes to the forefront in these outstanding achievements by our team members.

JB I'd like to add a few more numbers that speak to our growing leadership in this space. First, we have the lowest average monthly churn rate for postpaid wireless subscribers at just 1.03 per cent in 2013. In the fourth quarter, it was even lower at 0.97 per cent per month. That's significantly lower than our competitors' churn rates. Second, the number of customer complaints directed at TELUS has dropped for two years in a row, according to the Commissioner for Complaints for Telecommunications Services, or CCTS. While overall complaints to the CCTS about telecommunications companies grew by 26 per cent year over year, complaints about TELUS and our brands decreased by 27 per cent. Third, Canadians voted Koodo as the number one standalone provider for the second straight year in J.D. Power and Associates' annual Canadian Wireless Total Ownership Experience Study. And fourth, in the same survey, TELUS was ranked as the number one national full-service provider.

Wireless and wireline progress

Canadians use more data than almost any country in the world. What technology investments has TELUS made to meet this ever-increasing demand?

JN Since 2000, TELUS has invested more than $30 billion in technology, networks and spectrum purchases. We are bridging the digital divide by bringing broadband communications solutions to 99 per cent of the Canadian population and we have invested almost $1.4 billion in research and development since 2008 to ensure Canadians can access the fastest and most reliable networks in the world. When compared to other Organization for Economic Co-operation and Development (OECD) countries, including the United States, Canada leads in terms of private telecom investment and wireless coverage, is number two in advertised wireless network speed, and is number three in smartphone penetration. Our investments will ensure that Canadians can connect to the people and places that matter most and can reap the benefits of an integrated digital world economy.

ES In 2013 alone, we expanded our 4G LTE network services to an additional 127 communities, including the Northwest Territories and the Yukon, and our network now reaches more than 200 communities throughout the country. We also added 14 communities to our Optik TV footprint in B.C., Alberta and Eastern Quebec. Our broadband footprint now covers more than 2.7 million households, offering advanced high-speed Internet service and cutting-edge services such as Optik TV in these regions. We've also launched some incredibly user-friendly smartphone apps, such as Optik on the go, Optik Smart Remote, Manage my Channels and Galaxie Music, which are giving customers a better experience with our services in their homes, on the move or at play.

> We're harnessing the power and reach of our networks to deliver healthcare information technology solutions that empower Canadians to better manage their health and that of their loved ones.
>
> Josh Blair

How else is TELUS leveraging the power of its national broadband networks for the benefit of its customers?

ES Canadian businesses of all sizes are moving to the cloud and TELUS is extremely well positioned to meet their needs and help improve their bottom line. We have invested heavily in building world-leading Internet data centres in Rimouski, Quebec and Kamloops, B.C. that offer our business clients next-generation hosting and cloud computing solutions. Our customers are telling us that our cloud services bring greater speed, security, flexibility and agility to their businesses, allowing them to spend less time and money on IT sourcing and more time on their core business.

JB We're harnessing the power and reach of our networks to deliver healthcare information technology solutions that empower Canadians to better manage their health and that of their loved ones. For example, TELUS is now Canada's leading provider of electronic medical records for physicians' offices. We're also partnering with the Government of Alberta to provide a digital personal health record for every citizen in the province. In addition, TELUS is funding original Canadian content, to be available on multiple digital platforms, that showcases social and technological innovation, as well as educational information in the field of health and wellness.

> The biggest responsibility we have is to deliver the best network experience in the marketplace in terms of quality, speed and reliability. We believe the network should just "work" and be very much in the background of Canadians' daily lives.
>
> Eros Spadotto

Network transformation and advancements

How will TELUS continue to put customers first when it comes to its networks?

ES The biggest responsibility we have is to deliver the best network experience in the marketplace in terms of quality, speed and reliability. We believe the network should just "work" and be very much in the background of Canadians' daily lives. We're also blazing new trails by deploying fibre-optic technology, dramatically increasing download speeds for our wireless and wireline services, and supporting the complex needs of our customers.

As well, we're at the forefront of wireless research and development with our global manufacturers on small cell technology, which provides additional capacity in high traffic spots in major urban centres, as well as improved coverage where it's not possible to build traditional infrastructure.

Regulatory

What is TELUS doing to represent the interests of Canadians?

MM It was TELUS that first advocated to the federal government for a common set of rights for wireless customers across Canada. And, last summer, the CRTC announced a new, national Wireless Code with several customer-friendly provisions that TELUS had already pioneered. For example, we already offered our clients clear and simple pricing and contract language, fair cancellation and return policies, data usage notifications and the ability to unlock their devices.

We are also fighting for Canadians' right to privacy when using electronic communications. We fought and won a landmark case in the Supreme Court of Canada involving police access to text messages. In essence, TELUS successfully challenged the procedure by which the police obtained access to text messages temporarily stored in TELUS' computer databases. The result is that the rigorous wiretap authorization procedure (as opposed to the less rigorous alternative procedures) applies when the police seek access to an individual's text messages on a prospective basis.

JB TELUS is also representing the best interests of Canadians through our digital economy strategy. We are consolidating our thought leadership on the importance of a digital economy in Canada and will launch a web portal detailing our vision, along with essential information about TELUS' leadership and contributions to our nation's business, educational, medical and social landscape. Our initiative, which leverages the expertise of leaders in all of our business verticals, includes strategies for increasing the competitiveness of Canadian businesses, enhancing the delivery of education and healthcare, and bridging the digital divide for the benefit of all Canadians from coast to coast to coast.

What is TELUS' strategy for ensuring Canadians continue to have access to the world's most advanced products, services and networks?

JN TELUS is a clear leader in our industry when it comes to listening and responding to our customers with service enhancements that improve their experience. In the coming years, we will continue to drive relentless innovation in all of our businesses while maximizing operational efficiencies and cost savings, giving us the ability to pursue future growth opportunities.

ES As well, we are building momentum in emerging mobility services such as mobile commerce, machine-to-machine and bring-your-own-device solutions. Our efforts will also include acquiring high-quality spectrum to support and further enhance our national networks for our customers.

MM In the months and years ahead, we will continue to seek feedback from Canadian consumers and work in a transparent and respectful way with our government to promote public policy that supports a fair and competitive communications industry, while protecting the rights of our customers.

World-leading engagement

TELUS has put a significant focus on culture and team engagement. How have these efforts translated into results?

JB Our efforts to embed a customers first culture across our organization have truly unified and energized the TELUS team. Our hard work was rewarded this year when TELUS achieved an overall team engagement score of 83 per cent, which pushed us to number one globally among all employers of our size and workforce mix, according to our independent surveyor, Aon Hewitt. We are very proud of this accomplishment but we know there is room for growth. We're continuing to get great feedback from the TELUS team and addressing our opportunities to improve so that our team members can serve our customers even more effectively.

JN I think we have done an excellent job of developing a culture that balances business goals with positive social and environmental outcomes. This triple bottom line approach resonates with our team members, our customers and our investors. For example, TELUS was recently inducted into Canada's 10 Most Admired Corporate Cultures Hall of Fame by Waterstone Human Capital. This type of recognition, achieved through our team's engagement, fuels an even stronger culture.

How will TELUS ensure the future is friendly for its customers and investors?

JN We are going to continue to bring the world's most advanced technology and services to Canadians at home, at work and when they are on the move. As a team, we have rallied behind our customers first focus, and we are going to apply that same passion and focus to ensure our leadership position on many other fronts – from our financial and operational performance and disclosure, to our brand and culture, corporate social responsibility and community giving. With our proven strategy and collective focus, we are confident that we will add worldwide leadership in L2R to our list of accomplishments. At the same time, we will continue to return unparalleled value to our shareholders through investor-friendly initiatives such as our dividend growth and share purchase programs.

JB We know that to deliver the best customer service in the world, we need to attract and retain the best talent in the global telecom industry. We're doing that by offering an incomparable team experience with our award-winning training and development programs, customized career development plans and flexible work styles. We're also building two new corporate homes – TELUS Garden in Vancouver and TELUS Sky in Calgary – that will provide our team members and our communities with architecturally stunning work spaces that are designed to encourage collaborative teamwork and meet the highest LEED (leadership in energy and environmental design) standards. Finally, we will support our team members in their passion for volunteerism and community giving by ensuring they are always empowered and supported in lending a helping hand within their communities in support of their fellow citizens in need.

> I think we have done an excellent job of developing a culture that balances business goals with positive social and environmental outcomes. This triple bottom line approach resonates with our team members, our customers and our investors.
>
> Joe Natale

A team that cares matters to you. Taking pride matters to us.

Our senior team takes pride in the work we do at TELUS. We asked them two questions to find out what makes them the most proud.

What is your favourite charity or charities that TELUS supports?

What TELUS achievement are you the most proud of?

Executive Leadership Team

Josh Blair
Charity: Juvenile Diabetes Research Foundation (JDRF) and TELUS Walk to Cure Diabetes
Achievement: Recognized as a world leader in team engagement, learning, recognition, HR practices and community giving

François Côté
Charity: FitSpirit
Achievement: Being the number one healthcare technology company for five years

John Gossling
Charity: Anaphylaxis Canada and TELUS Day of Giving
Achievement: TELUS Finance team engagement

Monique Mercier
Charity: Thoracic Surgery Research Foundation of Montreal and The Cancer Research Society
Achievement: Successful creation of a single share class after a year-long battle with a U.S. hedge fund

Joe Natale
Charity: Our support of local grassroots charities across Canada
Achievement: Our customers first culture and team engagement

Bill Sayles
Charity: Vancouver Food Bank
Achievement: Successful systems releases, improved systems resiliency and passionate responses to community adversity

Eros Spadotto
Charity: Toronto Hospital for Sick Children
Achievement: TELUS has come farther than we could have imagined thanks to our team's vision, dedication and perseverance

Board of Directors

Dick Auchinleck
Charity: The TELUS Community Boards and the charities they support
Achievement: Our team's exceptional customer and community support during the Alberta floods

Charles Baillie
Charity: Soulpepper Theatre and Royal Conservatory of Music
Achievement: Our customers first initiatives that differentiate us from our competitors

Micheline Bouchard
Charity: Alzheimer's Society of Canada
Achievement: Our team's engagement

John Butler
Charity: How we give where we live
Achievement: Advancement of our 4G LTE network and Optik TV expansion

Brian Canfield
Charity: The TELUS Community Boards and TELUS Day of Giving
Achievement: Customers first, network advancement, shareholder-friendly initiatives, culture and charitable giving

Raymond Chan
Charity: Our donations of $350 million and 5.4 million volunteer hours since 2000
Achievement: CCTS report and 272% total shareholder return since 2000

Stockwell Day
Charity: Children's Wish Foundation and TELUS Walk to Cure Diabetes
Achievement: Putting customers first is the single most important factor in the hearts and minds of the TELUS team

Rusty Goepel
Charity: TELUS Walk to Cure Diabetes
Achievement: Turning a large national technology company into a responsive, client-focused, customers first organization

John Lacey
Charity: Children's Wish Foundation and Enactus
Achievement: Our team's engagement

Bill MacKinnon
Charity: How we give where we live and TELUS Day of Giving
Achievement: J.D. Power and Associates' rankings and network expansion

John Manley
Charity: CARE Canada and Help Lesotho
Achievement: Success in building a customers first philosophy, which is showing effects in likelihood to recommend results and falling customer complaints

Donald Woodley
Charity: JDRF, TELUS Walk to Cure Diabetes and Children's Hospitals across Canada
Achievement: Creation of a customers first culture at TELUS

Effective leadership matters to you.
Advancing our strategy matters to us.


Josh Blair


François Côté


John Gossling


Monique Mercier


Joe Natale


Bill Sayles


Eros Spadotto

Josh Blair
Executive Vice-President (EVP), Human Resources and Chief Corporate Officer
Location: Vancouver, British Columbia
Joined TELUS: 1995
Executive: 2007
Education: Bachelor of Engineering (Electrical – Distinction), University of Victoria; and Executive Program, Queen's School of Business
Boards and affiliations: Business Council of British Columbia and The Sandbox Project; Governors Council of i-Canada; Board of Advisors for Cures for Kids Foundation; and Vice-Chair of TELUS Vancouver Community Board
TELUS shareholdings: 245,816

François Côté
EVP and Vice-Chair, TELUS Québec, TELUS Health and Financial Solutions, and TELUS Ventures
Location: Montreal, Quebec
Joined TELUS: 2008 (Emergis: 1998)
Executive: 2009
Education: Bachelor of Social Sciences (Industrial Relations), Laval University
Boards and affiliations: Institut de Cardiologie de Montréal (Montreal Heart Institute) and Lumenpulse; Board of Governors for the Fondation de la tolérance (Tolerance Foundation); and Chair of FitSpirit
TELUS shareholdings: 142,920

Darren Entwistle
President and Chief Executive Officer
Biography can be found on page 29.

John Gossling
EVP and Chief Financial Officer
Location: Vancouver, British Columbia
Joined TELUS: 2012
Executive: 2012
Education: Bachelor of Mathematics (Honours), University of Waterloo; and Chartered Professional Accountant
Boards and affiliations: Chair of Audit Committee, Vitran Corporation; and Fellow of the Institute of Chartered Accountants of Ontario
TELUS shareholdings: 46,793

Monique Mercier
EVP, Chief Legal Officer and Corporate Secretary
Location: Vancouver, British Columbia
Joined TELUS: 2008 (Emergis: 1999)
Executive: 2011
Education: Bachelor of Laws, University of Montreal Law School; and Masters in Political Science, Oxford University
Boards and affiliations: Cancer Research Society; Director and Chair of Compensation Committee, Stornoway Diamond Corporation; and member of the Quebec Bar, Canadian Bar Association and Association of Canadian General Counsel
TELUS shareholdings: 37,591
TELUS options: 5,758

Joe Natale
EVP and Chief Commercial Officer
Location: Toronto, Ontario
Joined TELUS: 2003
Executive: 2003
Education: Bachelor of Applied Science (Electrical Engineering), University of Waterloo
Boards and affiliations: Celestica, United Way Toronto and Soulpepper Theatre
TELUS shareholdings: 369,950

Bill Sayles
EVP, Business Transformation
Location: Vancouver, British Columbia
Joined TELUS: 2008
Executive: 2012
Education: Bachelor of Science, Portland State University
Boards and affiliations: Teradici Corporation and British Columbia Technology Industry Association
TELUS shareholdings: 65,219
TELUS options: 15,502

Eros Spadotto
EVP, Technology Strategy and Operations
Location: Toronto, Ontario
Joined TELUS: 2000 (Clearnet: 1995)
Executive: 2005
Education: Bachelor of Applied Science (Electrical Engineering), University of Windsor; and MBA, Richard Ivey School of Business, Western University
Boards and affiliations: Vice-Chair, Digital ID and Authentication Council of Canada
TELUS shareholdings: 187,663
TELUS options: 145,000

TELUS shareholdings represent the total common shares and restricted stock units held as at December 31, 2013. TELUS options held as at December 31, 2013.

For further information, visit **telus.com/bios**.

Strong guidance matters to you.
Integrity matters to us.

R.H. (Dick) Auchinleck
Residence: Victoria, British Columbia
Principal occupation: Corporate Director
Director since: 2003
Education: Bachelor of Applied Science (Chemical Engineering), University of British Columbia
Other boards and affiliations: ConocoPhillips Inc. and Enbridge Income Fund Holdings Inc.
TELUS Committees: Corporate Governance, and Human Resources and Compensation
TELUS shareholdings: 131,387

A. Charles Baillie
Residence: Toronto, Ontario
Principal occupation: Chair, Alberta Investment Management Corporation
Director since: 2003
Education: Bachelor of Arts, Political Science and Economics (Honours), University of Toronto; MBA, Harvard Business School; Honorary Doctorate of Laws, Queen's University; and Honorary Diploma, Royal Conservatory of Music
Other boards and affiliations: Canadian National Railway Company, George Weston Limited, Royal Conservatory of Music and Luminato; President of the International Festival of Authors; Officer of Order of Canada; Chancellor Emeritus of Queen's University; and Companion of the Canadian Business Hall of Fame
TELUS Committees: Pension; and Chair, Human Resources and Compensation
TELUS shareholdings: 246,999

Micheline Bouchard
Residence: Montreal, Quebec
Principal occupation: Corporate Director
Director since: 2004
Education: Bachelor of Applied Science (Engineering Physics) and Master of Applied Science (Electrical Engineering), École Polytechnique; and Honorary Doctorates from Université de Montréal (HEC), University of Waterloo, University of Ottawa, Ryerson Polytechnic University and McMaster University
Other boards and affiliations: Public Sector Pension Investment Board, Hatley Advisory Council and International Women's Forum; Member of the Honorary Committee of Telefilm Canada; Certified Member of the Institute of Corporate Directors; and Member of Order of Canada and of National Order of Quebec
TELUS Committees: Pension, and Human Resources and Compensation
TELUS shareholdings: 76,606

R. John Butler, Q.C.
Residence: Edmonton, Alberta
Principal occupation: Counsel, Bryan & Company
Director since: 1999[1]
Education: Bachelor of Arts and Bachelor of Laws, University of Alberta
Other boards and affiliations: Liquor Stores N.A. Ltd.; Chair of the Canadian Football League Board of Governors; and Member of Law Society of Alberta
TELUS Committees: Pension, and Human Resources and Compensation
TELUS shareholdings: 86,931

Brian A. Canfield
Residence: Point Roberts, Washington
Principal occupation: Chair, TELUS Corporation
Director since: 1999[1]
Education: Banff School of Advanced Management; and Honorary Doctorate in Technology, British Columbia Institute of Technology
Other boards and affiliations: Westshore Terminals Investment Corporation; Member of Order of Canada and of Order of British Columbia; and Fellow of the Institute of Corporate Directors
TELUS shareholdings: 186,032

Raymond Chan
Residence: Calgary, Alberta
Principal occupation: Executive Chair of Baytex Energy Corp.
Director since: 2013
Education: Bachelor of Commerce, University of Saskatchewan; and Chartered Accountant
Other boards and affiliations: TORC Oil & Gas Ltd.
TELUS Committees: Audit, and Human Resources and Compensation
TELUS shareholdings: 22,796

Stockwell Day
Residence: Vancouver, British Columbia
Principal occupation: Advisor/Consultant
Director since: 2011
Education: University of Victoria; Honorary Doctorate, University of St. Petersburg, Russia; and Honorary Ph.D., Trinity Western University
Other boards and affiliations: Baylin Technologies Inc., WesternOne Inc., Canada China Business Council, Canada-India Business Council, Centre for Israel and Jewish Affairs, International Fellowship of Christians and Jews, and Prion Foundation for Brain Research; Senior Strategic Advisor of McMillan LLP, Advisor of RCI Capital Group Inc. and Advisor of Eminata Group; and Distinguished Fellow of Asia Pacific Foundation of Canada
TELUS Committees: Pension, and Human Resources and Compensation
TELUS shareholdings: 14,208


Dick Auchinleck


Charles Baillie


Micheline Bouchard


John Butler


Brian Canfield


Raymond Chan


Stockwell Day


Rusty Goepel


John Lacey


Bill MacKinnon


John Manley


Donald Woodley

Darren Entwistle
Residence: Vancouver, British Columbia
Principal occupation: President and Chief Executive Officer, TELUS Corporation
Director since: 2000
Education: Bachelor of Economics (Honours), Concordia University; MBA (Finance), McGill University; Diploma (Network Engineering), University of Toronto; Honorary Doctorate of Laws, McGill University and Concordia University; and Honorary Degree in Business Administration, Northern Alberta Institute of Technology
Other boards and affiliations: Canadian Board Diversity Council, George Weston Limited and Canadian Council of Chief Executives; and Honorary Fellow of the Royal Conservatory
TELUS shareholdings: 1,798,898

R.E.T. (Rusty) Goepel
Residence: Vancouver, British Columbia
Principal occupation: Senior Vice-President, Raymond James Financial Ltd.
Director since: 2004
Education: Bachelor of Commerce, University of British Columbia
Other boards and affiliations: Amerigo Resources Ltd. and Baytex Energy Corp.; Governor of Business Council of B.C.; and Chairman of Yellow Point Equity Partners
TELUS Committees: Audit; and Chair, Corporate Governance
TELUS shareholdings: 99,008

John S. Lacey
Residence: Thornhill, Ontario
Principal occupation: Chairman, Advisory Board of Brookfield Private Equity Fund
Director since: 2000
Education: Program for Management Development, Harvard Business School
Other boards and affiliations: Ainsworth Lumber Co. Ltd., George Weston Limited and Loblaw Companies Limited; and Chairman of Doncaster Consolidated Ltd.
TELUS Committees: Audit, and Corporate Governance
TELUS shareholdings: 122,935

William (Bill) A. MacKinnon
Residence: Toronto, Ontario
Principal occupation: Corporate Director
Director since: 2009
Education: Bachelor of Commerce (Honours), University of Manitoba; and Chartered Professional Accountant
Other boards and affiliations: Osisko Mining Corporation, Novadaq Technologies Inc., Pioneer Petroleum Limited, Public Sector Pension Investment Board, Toronto Community Foundation, St. Stephen Community House, Roy Thomson Hall and Toronto East General Hospital Foundation; Chair of Toronto Board of Trade; and Fellow of the Institute of Chartered Professional Accountants
TELUS Committees: Corporate Governance; and Chair, Audit
TELUS shareholdings: 54,418

John Manley
Residence: Ottawa, Ontario
Principal occupation: President and Chief Executive Officer, Canadian Council of Chief Executives
Director since: 2012
Education: Bachelor of Arts, Carleton University; Juris Doctorate, University of Ottawa; Chartered Director, McMaster University; and Honorary Doctorates from Carleton University, University of Toronto, Western University and University of Ottawa
Other boards and affiliations: CIBC, CAE Inc., CARE Canada, MaRS Discovery District and National Arts Centre Foundation
TELUS Committees: Audit, and Corporate Governance
TELUS shareholdings: 10,366

Donald Woodley
Residence: Mono Township, Ontario
Principal occupation: Corporate Director
Director since: 1999[1]
Education: Bachelor of Commerce, University of Saskatchewan; and MBA, Richard Ivey School of Business, Western University
Other boards and affiliations: Canada Post Corporation
TELUS Committees: Human Resources and Compensation; and Chair, Pension
TELUS shareholdings: 95,521

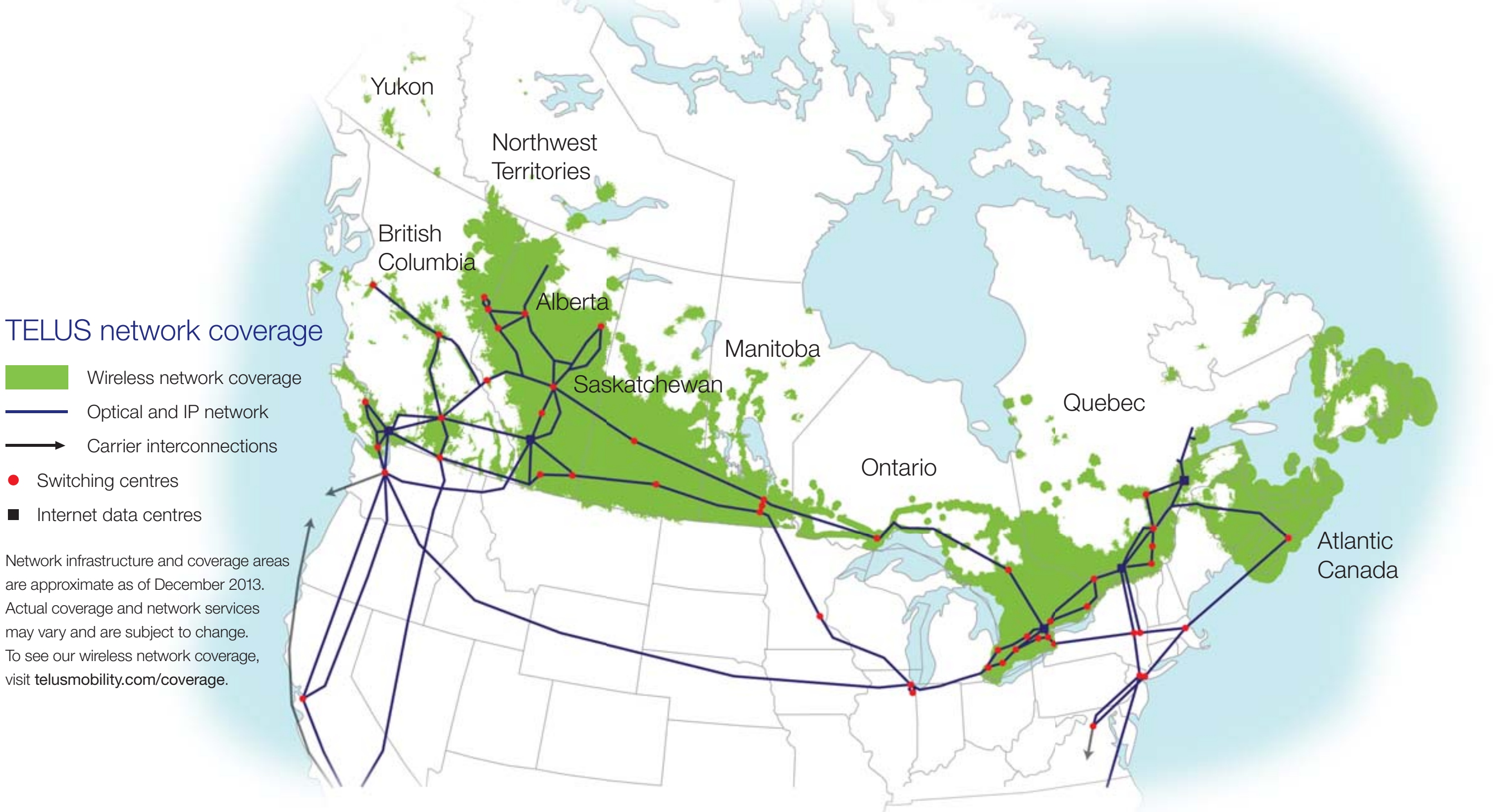
TELUS shareholdings represent the total common shares and deferred stock units (restricted stock units for Darren Entwistle) held as at December 31, 2013.

1 These directors were also directors of predecessor companies.

For further information, visit **telus.com/bios**.

Great coverage matters to you.

Providing reliable networks for our customers matters to us.



We continue to invest in infrastructure and technology to bring world-class wireless services to Canadians and to expand IP service to businesses and Optik TV and high-speed Internet services to more homes across B.C., Alberta and Eastern Quebec. Traditional telephony, data services and IP-based solutions are delivered through our national fibre-optic backbone. We are also dedicated to investing in local community organizations where we live, work and serve.

More than 43,400 TELUS team members are committed to putting customers first from locations across Canada and around the world.

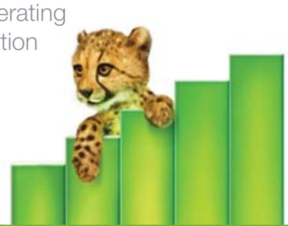
Location	Wireless market share[1]	Wireline local market share[1]	Team members	2011 to 2013 capital expenditures	TELUS Community Boards
British Columbia	40%	61%	8,100	$2.2 billion	Victoria, Vancouver and Thompson Okanagan
Alberta	50%	65%	6,100	$2.0 billion	Calgary and Edmonton
Ontario	20%	n.a.	8,000	$668 million	Toronto and Ottawa
Quebec	28%	n.a.	5,800	$928 million	Montreal, Rimouski and Quebec City
Atlantic Canada	21%	n.a.	450	$58 million	Atlantic Canada
International	n.a.	n.a.	14,950	$68 million	The Philippines, Guatemala and El Salvador

1 Calculations are based on TELUS' percentage of total subscribers for wireless and retail local access lines for wireline. Source: CRTC's Communications Monitoring Report, September 2013.

n.a. – Not applicable

Financial review

What's inside



Growth matters to you.
A strong strategy matters to us.

For the TELUS team, 2013 was a year of solid financial performance reflecting our unwavering commitment to putting customers first. Together, we advanced our national growth strategy and elevated our clients' experiences. Our dedicated focus on realizing operational efficiencies while making strategic investments in advanced broadband technology and services has helped us deliver the growth and strong investment returns that matter to you, our investors.

JOHN GOSSLING
Executive Vice-President and
Chief Financial Officer

Delivering solid financial performance

Validating our belief that putting customers first is the most effective way to grow our business profitably, in 2013 our total customer connections increased by 1.4 per cent to 13.3 million.

Fuelled by higher data revenues in our wireless and wireline segments, our consolidated revenue increased four per cent to $11.4 billion in 2013. By continuing to focus on cost efficiency, we achieved strong EBITDA (earnings before interest, taxes, depreciation and amortization) excluding restructuring and other like costs[1] growth of five per cent to $4.1 billion. We continued to make significant investments in our 4G LTE wireless network, as well as investments in wireline broadband infrastructure, including connecting more homes and businesses directly with fibre-optic cable. With this foundation, we generated record earnings per share of $2.02, up nine per cent.

TELUS' common share price increased by 12.3 per cent during the year to $36.56. Adjusted for our two-for-one stock split in April, shareholders saw $1.36 of dividends declared per share in the same period, resulting in a total shareholder return including reinvested dividends of approximately 17 per cent,

Consolidated and segmented 2014 targets[2]

OPERATING REVENUES	**EBITDA[1]**	**EARNINGS PER SHARE – BASIC**	**CAPITAL EXPENDITURES[3]**
$11.9 to $12.1 billion	$4.15 to $4.35 billion	$2.25 to $2.45	Approximately $2.2 billion
4 to 6%	**3 to 8%**	**11 to 21%**	**–**
WIRELESS NETWORK REVENUE	**WIRELESS EBITDA**	**WIRELINE REVENUE**	**WIRELINE EBITDA**
$5.9 to $6.0 billion	$2.725 to $2.825 billion	$5.45 to $5.55 billion	$1.425 to $1.525 billion
5 to 7%	**4 to 8%**	**3 to 5%**	**1 to 8%**

1 For a definition of this non-GAAP measure, see Section 11 of Management's discussion and analysis in this report.
2 See Caution regarding forward-looking statements on page 42 of this report.
3 Excludes payments for spectrum licences.

outpacing the Toronto Stock Exchange (TSX) index by four percentage points. Notably, 2013 represented our fourth consecutive year of double-digit total annual shareholder returns.

Putting investors first

We remain well positioned to continue delivering on our multi-year shareholder-friendly initiatives, including our dividend growth and share purchase programs. Under our dividend growth program, we recently delivered our sixth targeted dividend increase since May 2011. The quarterly dividend is now at $0.36 per share or $1.44 annually, 12.5 per cent higher than a year ago and within our long-term policy guideline range of 65 to 75 per cent of sustainable net earnings. In May, we announced plans to extend our dividend growth program for another three years through 2016, with two dividend increases per year of circa 10 per cent annually.

Through our 2013 normal course issuer bid (NCIB), we purchased and cancelled 31.2 million shares for a total of $1 billion, reducing our share count by roughly five per cent. When combined with our dividend growth program, we returned more than $1.85 billion to shareholders in 2013. In December, the TSX approved our NCIB to purchase and cancel up to 16 million of our outstanding common shares (up to $500 million) in 2014. We are also targeting share purchases of up to $500 million in 2015 and 2016. Both the dividend growth and share purchase programs through 2016 are dependent on earnings and free cash flow and are subject to the Board's ongoing assessment and determination.

During the year, we took advantage of record low interest rates and successfully issued $2.5 billion of new long-term debt to finance our investments and refinance existing debt. This activity helped significantly extend our average term to maturity to 9.4 years, up from 5.5 years at the end of 2012, while also lowering our average cost of debt to approximately five per cent at year-end, down from 5.3 per cent a year ago. At the end of 2013, our net debt to EBITDA ratio stood at 1.8 times, within our long-term policy guideline of 1.5 to 2.0 times.

The quality of our financial disclosure and corporate reporting continues to gain recognition. In September, our 2012 annual report was ranked eighth best in the world across all industries by the Annual Report on Annual Reports. At home in Canada, we received the overall award of excellence in corporate reporting from the Chartered Professional Accountants of Canada. TELUS has won Canada's top honour for six of the past seven years. Additionally, Investor Relations Magazine Canada recognized TELUS for having the best crisis management and the best investor relations program in the technology sector. TELUS was also ranked number three in the top investor relations programs in Canada.

Creating ongoing value

Today, our strong balance sheet, robust cash flow and solid operating momentum position us well for ongoing strategic investments in our business to support sustainable growth in the future while returning significant amounts of capital to our shareholders. We are targeting continued profitable growth in 2014, as shown in the table, driven by both segments of our business.

Looking ahead, we will continue delivering on our strong growth strategy and putting customers first in all that we do so we can continue to grow our business and provide superior investment returns that matter to you, our investors.

Best regards,

John Gossling
Executive Vice-President and Chief Financial Officer
February 26, 2014

Accountability matters to you. Good governance matters to us.

At TELUS, we are strongly committed to sound and effective practices in corporate governance and full and fair disclosure. Recognizing the importance of governance excellence to our stakeholders, we continue to strive for higher standards and pursue new approaches that will help us ensure greater transparency and integrity in what we do.

Taking a proactive approach to governance excellence

Each year, we implement enhancements that help us achieve good governance and increase investor confidence, often early adopting emerging best practices. Some of the initiatives we put in place in 2013 include:

- Adopting a Board diversity policy, which we believe is essential to maintaining our competitive advantage, and committing publicly to targets that ensure between 30 and 40 per cent of our Board are diverse members and 25 per cent are women by May 2017. We have also signed the Catalyst Accord, which is a pledge by major Canadian corporations to increase the overall proportion of their boards' seats held by women to 25 per cent by 2017
- Adopting a term limit policy to help ensure ongoing Board renewal and refreshment. The new policy imposes a 15-year limit on tenure for directors who joined the Board after January 1, 2013
- Further enhancing executive compensation practices by adding performance-contingent incentives to existing time-vesting incentives, as part of annual long-term incentive compensation. These new performance-contingent incentives are based on achieving certain corporate performance metrics, better aligning this component of executive compensation to TELUS' corporate strategy.

Recognizing that how we work is as important as what we do

At TELUS, we recognize that having a shared understanding of and commitment to integrity is core to our culture and brand, and sets the foundation for earning the trust of our stakeholders.

Each year, we review and update our ethics policy to be sure it remains relevant. We also update our mandatory online learning course, called Integrity, which helps team members and contractors make effective decisions regarding ethical, respectful workplace, security and privacy issues.

Long-standing best practices

We take a proactive approach to ensuring excellence in corporate governance. Some of these practices include:

- Holding our third annual say-on-pay vote on executive compensation in 2013, which received almost 95 per cent approval from shareholders
- Having and disclosing a majority voting policy for the election of directors since 2007
- Continuously improving our leading enterprise risk governance framework and assessment process, which includes evaluating perceptions of risk resiliency and tolerance, integrating risk considerations into key decisions, and holding risk mitigation strategy discussions with executives on key risks
- Strengthening our risk assessment and mitigation efforts by having a Fraud Governance Committee and tax conduct and risk management policy
- Complying with the independence definition provisions of the New York Stock Exchange (NYSE) governance standards.

We continue to provide an Ethics Line for anonymous and confidential questions or complaints on accounting, internal controls or ethical issues. Calls are handled by an independent agency 24 hours a day, offering multi-language services to internal and external callers. For the 11th consecutive year, none of the calls made to the Ethics Office in 2013 involved fraud by team members with a significant role in internal controls over financial reporting.

We value integrity in all that we do, which means we expect our team members to act honestly in all of their dealings, comply with the laws and regulations governing our business and maintain an ethical work environment. In 2013, the Board adopted an anti-bribery and corruption policy, which outlines the expectations for team members relating to anti-bribery and corruption matters in Canada and abroad.

To measure our performance in this regard, we recently established an integrity index, which uses results from our integrity training, internal team member surveys, external surveys of our customers and reported breaches of our policies. For more information on our integrity index, visit telus.com/csr.

Increasing investor confidence through active communication

Keeping investors informed and up to date is an integral part of our proactive approach to investor relations. In 2013, we participated in four TELUS-hosted conference calls and simultaneous webcasts and 12 conference presentations and tours. To view past and upcoming events, visit **telus.com/investors**. TELUS executives also met with more than 160 institutional investors in Canada, the United States and Europe.

In 2013, TELUS continued to be recognized for excellence in corporate governance and reporting, including:

- Being ranked as the best in Canada for overall corporate reporting by the Chartered Professional Accountants of Canada for the sixth time in the past seven years. Also TELUS' sustainable development reporting and financial reporting disclosures received honourable mentions
- Being recognized for having the eighth best annual report in the world and given an A rating by the Annual Report on Annual Reports in an international ranking of the top 500 reports
- Receiving the 2013 Governance Gavel Award for the best disclosure of approach to executive compensation from the Canadian Coalition for Good Governance
- Receiving the award for the best sustainability, ethics and environmental governance program in the first annual Canadian Society of Corporate Secretaries Excellence in Governance Awards.

To provide shareholder feedback or comments to our Board, email **board@telus.com**.

For a full statement of TELUS' corporate governance practices, including our Board policy manual and disclosure regarding our governance practices compared to those required by the NYSE, refer to the TELUS 2014 information circular or visit **telus.com/governance**.

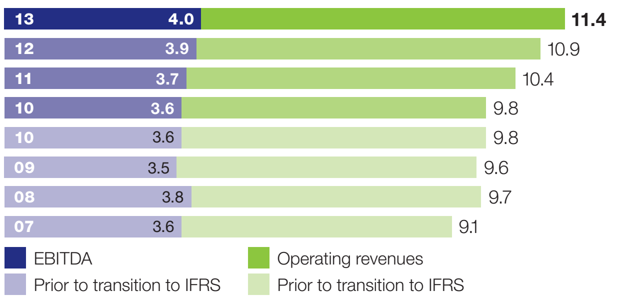
Annual consolidated financials

Consolidated	After transition to IFRS[1]				Prior to transition to IFRS			
Statement of income (millions)	**2013**	2012	2011	2010	2010	2009	2008	2007
Operating revenues[2]	**$ 11,404**	$ 10,921	$ 10,397	$ 9,792	$ 9,779	$ 9,606	$ 9,653	$ 9,074
Operating expenses before restructuring and other like costs, depreciation and amortization[3,4,5]	**7,288**	7,014	6,697	6,144	6,062	5,925	5,815	5,465
Restructuring and other like costs[5]	**98**	48	35	80	74	190	59	20
EBITDA[3,5]	**4,018**	3,859	3,665	3,568	3,643	3,491	3,779	3,589
Depreciation and amortization	**1,803**	1,865	1,810	1,741	1,735	1,722	1,713	1,615
Operating income[3]	**2,215**	1,994	1,855	1,827	1,908	1,769	2,066	1,974
Other expense, net	**–**	–	–	–	32	32	36	36
Financing costs before Long-term debt prepayment premium[3]	**424**	374	383	475	458	433	463	440
Long-term debt prepayment premium	**23**	–	–	52	52	99	–	–
Income before income taxes[3]	**1,768**	1,620	1,472	1,300	1,366	1,205	1,567	1,498
Income taxes[3]	**474**	416	346	313	328	203	436	233
Net income[3]	**$ 1,294**	$ 1,204	$ 1,126	$ 987	$ 1,038	$ 1,002	$ 1,131	$ 1,265
Net income attributable to equity shares[3,6]	**$ 1,294**	$ 1,204	$ 1,130	$ 983	$ 1,034	$ 998	$ 1,128	$ 1,258

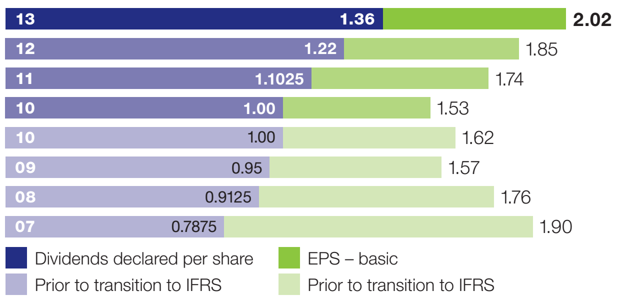
Share information[6,7]	**2013**	2012	2011	2010	2010	2009	2008	2007
Average shares outstanding – basic (millions)	**640**	651	649	640	640	635	641	663
Year-end shares outstanding (millions)	**623**	652	650	645	645	635	635	649
Earnings per share (EPS) – basic[3]	**$ 2.02**	$ 1.85	$ 1.74	$ 1.53	$ 1.62	$ 1.57	$ 1.76	$ 1.90
Dividends declared per equity share	**1.36**	1.22	1.1025	1.00	1.00	0.95	0.9125	0.7875

Financial position (millions)	**2013**	2012	2011	2010	2010	2009	2008	2007
Capital assets, at cost[8]	**$ 38,575**	$ 37,189	$ 36,586	$ 35,203	$ 35,100	$ 34,357	$ 32,581	$ 30,129
Accumulated depreciation and amortization[8]	**23,616**	22,843	22,469	21,220	22,244	21,480	20,098	19,007
Total assets	**21,566**	20,445	19,931	19,624	19,599	19,219	19,021	16,849
Net debt[9]	**7,592**	6,577	6,959	6,869	6,869	7,312	7,286	6,141
Total capitalization[10]	**15,576**	14,223	14,461	14,649	15,088	14,959	14,524	13,100
Long-term debt	**7,493**	5,711	5,508	5,209	5,313	6,090	6,348	4,584
Owners' equity	**8,015**	7,686	7,513	7,781	8,201	7,575	7,108	6,855

OPERATING REVENUES[2] AND EBITDA[3,5] ($ billions)



DIVIDENDS DECLARED PER SHARE[6,7] AND EPS – BASIC[3,6,7] ($)



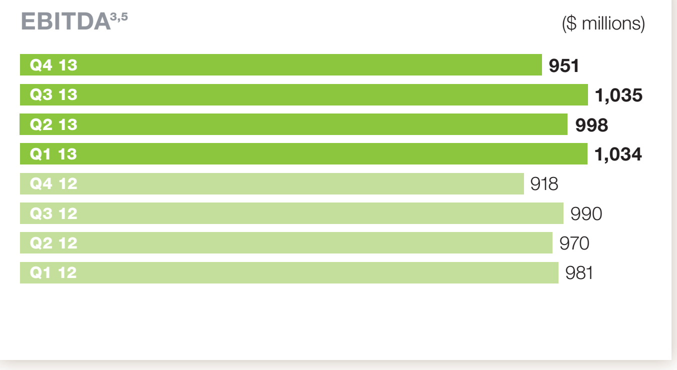
Quarterly consolidated financials

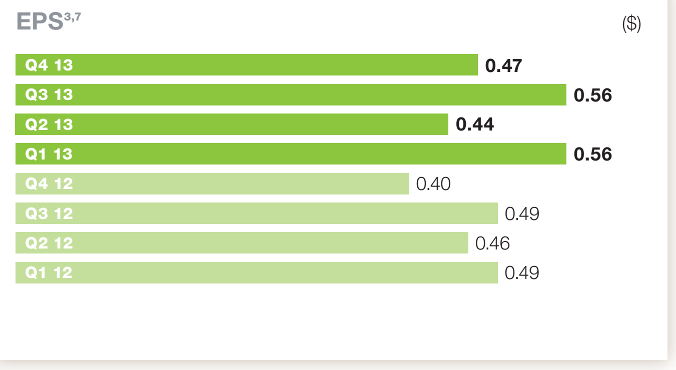
Consolidated								
Statement of income (millions)	Q4 2013	Q3 2013	Q2 2013	Q1 2013	Q4 2012	Q3 2012	Q2 2012	Q1 2012
Operating revenues[2]	$ 2,948	$ 2,874	$ 2,826	$ 2,756	$ 2,851	$ 2,774	$ 2,665	$ 2,631
Operating expenses before restructuring and other like costs, depreciation and amortization[3,5]	1,964	1,824	1,789	1,711	1,914	1,781	1,682	1,637
Restructuring and other like costs[5]	33	15	39	11	19	3	13	13
EBITDA[3,5]	951	1,035	998	1,034	918	990	970	981
Depreciation and amortization	461	445	446	451	478	461	456	470
Operating income[3]	490	590	552	583	440	529	514	511
Other expense, net	–	–	–	–	–	–	–	–
Financing costs before Long-term debt prepayment premium[3]	110	109	109	96	96	96	96	86
Long-term debt prepayment premium	–	–	23	–	–	–	–	–
Income before income taxes[3]	380	481	420	487	344	433	418	425
Income taxes[3]	90	125	134	125	81	110	119	106
Net income[3]	$ 290	$ 356	$ 286	$ 362	$ 263	$ 323	$ 299	$ 319
Net income attributable to equity shares[3,6]	$ 290	$ 356	$ 286	$ 362	$ 263	$ 323	$ 299	$ 319

Share information[6,7]	Q4 2013	Q3 2013	Q2 2013	Q1 2013	Q4 2012	Q3 2012	Q2 2012	Q1 2012
Average shares outstanding – basic (millions)	623	633	652	653	652	652	651	650
Period-end shares outstanding (millions)	623	623	646	654	652	652	651	651
EPS – basic[3]	$ 0.47	$ 0.56	$ 0.44	$ 0.56	$ 0.40	$ 0.49	$ 0.46	$ 0.49
Dividends declared per equity share	0.36	0.34	0.34	0.32	0.32	0.305	–	0.595

1 International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB). The Company's date of transition to IFRS-IASB was January 1, 2010 and its date of adoption was January 1, 2011.
2 IFRS includes certain revenues that, prior to the transition to IFRS, were classified as expense recoveries or Other expense, net.
3 Figures after transition to IFRS reflect application of the IAS 19 employee benefits accounting standard (amended 2011). See Section 8.2 of Management's discussion and analysis (MD&A) in this report.
4 In 2007, TELUS introduced a net-cash settlement feature for share option awards granted prior to 2005, which resulted in an incremental pre-tax charge of $169 million for that year.
5 These are non-GAAP measures and do not have standardized meanings under IFRS-IASB. Therefore, they are unlikely to be comparable to similar measures presented by other companies. For definitions or more information, see Section 11 of the MD&A in this report.
6 Equity shares: Common shares, and prior to February 4, 2013, common shares and non-voting shares.
7 Adjusted for the two-for-one stock split effective April 16, 2013.
8 Includes Property, plant and equipment and Intangible assets.
9 The summation of Long-term debt excluding unamortized debt issuance cost, current maturities of Long-term debt, net deferred hedging liability related to U.S. dollar Notes (prior to 2011) and short-term borrowings, less Cash and temporary investments.
10 Net debt plus Owners' equity excluding Accumulated other comprehensive income (loss).

Note: Certain comparative information has been restated to conform with the 2013 presentation.

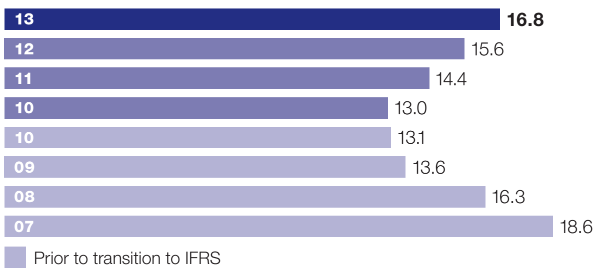




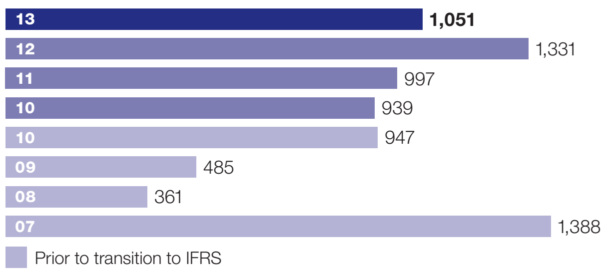
Annual operating statistics

Consolidated	After transition to IFRS[1]				Prior to transition to IFRS			
	2013	2012	2011	2010	2010	2009	2008	2007
Cash flow statement information								
Cash provided by operating activities (millions)	**$ 3,246**	$ 3,219	$ 2,550	$ 2,670	$ 2,570	$ 2,904	$ 2,819	$ 3,172
Cash used by investing activities (millions)	**(2,389)**	(2,058)	(1,968)	(1,731)	(1,731)	(2,128)	(3,433)	(1,772)
Cash provided (used) by financing activities (millions)	**(628)**	(1,100)	(553)	(963)	(863)	(739)	598	(1,369)
Profitability ratios								
Dividend payout[2,3]	**71%**	69%	67%	69%	65%	61%	54%	47%
Return on common equity[3,4]	**16.8%**	15.6%	14.4%	13.0%	13.1%	13.6%	16.3%	18.6%
Return on assets[5]	**15.1%**	15.7%	12.8%	13.6%	13.1%	15.1%	14.8%	18.8%
Debt and coverage ratios								
EBITDA interest coverage ratio[3,6]	**11.1**	11.8	9.8	7.0	7.3	6.9	8.3	8.2
Net debt to EBITDA ratio[3,7]	**1.8**	1.7	1.9	1.9	1.8	2.0	1.9	1.7
Net debt to total capitalization	**48.7%**	46.2%	48.1%	46.9%	45.5%	48.9%	50.2%	46.9%
Other metrics								
Simple cash flow (millions)[3]	**$ 1,908**	$ 1,878	$ 1,818	$ 1,847	$ 1,922	$ 1,388	$ 1,920	$ 1,819
Free cash flow (millions)[8]	**$ 1,051**	$ 1,331	$ 997	$ 939	$ 947	$ 485	$ 361	$ 1,388
Capital expenditures excluding spectrum licences (millions)	**$ 2,110**	$ 1,981	$ 1,847	$ 1,721	$ 1,721	$ 2,103	$ 1,859	$ 1,770
Payment for auctioned wireless spectrum (millions)	**–**	–	–	–	–	–	$ 882	–
Capex intensity[9]	**19%**	18%	18%	18%	18%	22%	19%	20%
Total customer connections (000s)[10]	**13,296**	13,113	12,728	12,253	12,253	11,875	11,603	11,111
Employee-related information								
Total salaries and benefits (millions)[11]	**$ 2,743**	$ 2,474	$ 2,258	$ 2,205	$ 2,233	$ 2,303	$ 2,326	$ 2,329
Total active employees[12]	**43,400**	42,400	41,100	34,800	34,800	36,400	36,600	34,200
Full-time equivalent (FTE) employees	**42,300**	41,400	40,100	33,900	33,900	35,300	35,900	33,400
EBITDA per average FTE employee (000s)[3,13]	**$ 99**	$ 98	$ 99	$ 107	$ 109	$ 106	$ 111	$ 117

RETURN ON COMMON EQUITY[3,4] (%)



FREE CASH FLOW[8] ($ millions)



Quarterly operating statistics

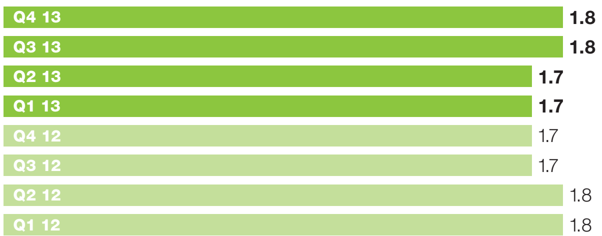
Consolidated

	Q4 2013	Q3 2013	Q2 2013	Q1 2013	Q4 2012	Q3 2012	Q2 2012	Q1 2012
Cash flow statement information								
Cash provided by operating activities (millions)	$ 726	$ 1,084	$ 707	$ 729	$ 703	$ 965	$ 788	$ 763
Cash used by investing activities (millions)	(787)	(552)	(514)	(536)	(514)	(490)	(540)	(514)
Cash provided (used) by financing activities (millions)	365	(772)	57	(278)	(127)	(502)	(244)	(227)
Profitability ratios								
Dividend payout[2,3]	71%	69%	72%	67%	69%	69%	69%	66%
Return on common equity[3,4]	16.8%	16.5%	15.8%	15.9%	15.6%	15.0%	14.7%	14.7%
Return on assets[5]	15.1%	15.7%	14.9%	15.6%	15.7%	16.1%	15.6%	14.3%
Debt and coverage ratios								
EBITDA interest coverage ratio[3,6]	11.1	11.3	11.5	11.6	11.8	11.5	11.2	10.7
Net debt to EBITDA ratio[3,7]	1.8	1.8	1.7	1.7	1.7	1.7	1.8	1.8
Net debt to total capitalization	48.7%	50.3%	48.0%	45.3%	46.2%	45.0%	46.8%	47.5%
Other metrics								
Simple cash flow (millions)[3]	$ 374	$ 480	$ 487	$ 567	$ 397	$ 519	$ 422	$ 540
Free cash flow (millions)[8]	$ 136	$ 365	$ 192	$ 358	$ 263	$ 426	$ 284	$ 358
Capital expenditures excluding spectrum licences (millions)	$ 577	$ 555	$ 511	$ 467	$ 521	$ 471	$ 548	$ 441
Payment for auctioned wireless spectrum (millions)	–	–	–	–	–	–	–	–
Capex intensity[9]	20%	19%	18%	17%	18%	17%	21%	17%
Total customer connections (000s)[10]	13,296	13,270	13,156	13,150	13,113	12,981	12,844	12,749
Employee-related information								
Total salaries and benefits (millions)	$ 715	$ 690	$ 684	$ 654	$ 589	$ 608	$ 621	$ 656

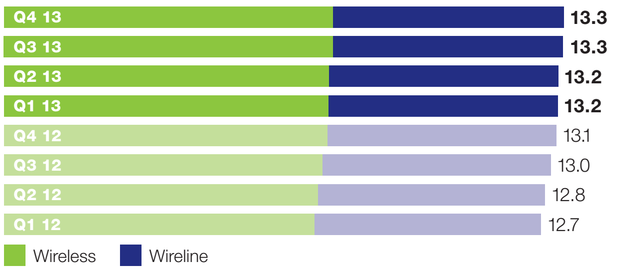
1 IFRS as issued by the IASB. The Company's date of transition to IFRS-IASB was January 1, 2010 and its date of adoption was January 1, 2011.
2 Last quarterly dividend declared per share, in the respective reporting period, annualized, divided by the sum of Basic earnings per share reported in the most recent four quarters.
3 Figures after transition to IFRS reflect application of the IAS 19 employee benefits accounting standard (amended 2011). See Section 8.2 of the MD&A in this report.
4 Equity share income divided by the average quarterly share equity for the 12-month period. Quarterly ratios are calculated on a 12-month trailing basis.
5 Cash provided by operating activities divided by total assets. Quarterly ratios are based on a 12-month trailing cash flow provided by operating activities.
6 EBITDA excluding restructuring and other like costs, divided by Financing costs before Long-term debt prepayment premiums, calculated on a 12-month trailing basis.
7 Net debt at the end of the period divided by 12-month trailing EBITDA excluding restructuring and other like costs.
8 EBITDA as reported, adjusted for payments in excess of expense for share-based compensation, restructuring initiatives and defined benefit plans, and deducting cash interest, cash income taxes, capital expenditures and payment for auctioned wireless spectrum. In 2011, TELUS also deducted the Transactel gain of $17 million from EBITDA.
9 Capital expenditures excluding spectrum licences divided by Operating revenues.
10 The sum of wireless subscribers, network access lines, Internet access subscribers and TV subscribers (TELUS Optik TV and TELUS Satellite TV). For 2013, wireless subscribers excludes Public Mobile subscribers and includes adjustments for machine-to-machine and Mike subscriptions.
11 Includes net-cash settlement feature expense of $169 million in 2007.
12 Excluding employees in TELUS International, total active employees were 28,300 in 2013; 28,000 in 2012; 27,800 in 2011; 26,400 in 2010; 27,700 in 2009; 28,700 in 2008; and 27,500 in 2007. In 2013, TELUS acquired Public Mobile, which added 490 employees. In 2009, TELUS acquired Black's Photo, which added 1,250 employees.
13 EBITDA excluding restructuring and other like costs, divided by average FTE employees. For 2007, EBITDA excluded the net-cash settlement feature expense of $169 million.

Note: Certain comparative information has been restated to conform with the 2013 presentation.

NET DEBT TO EBITDA RATIO[3,7]



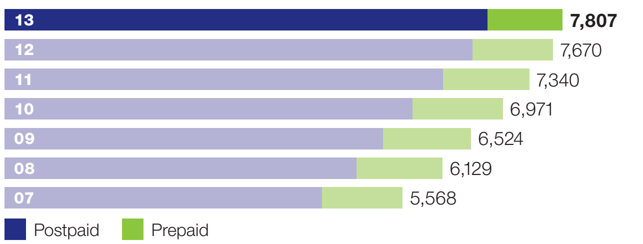
TOTAL CUSTOMER CONNECTIONS[10] (millions)



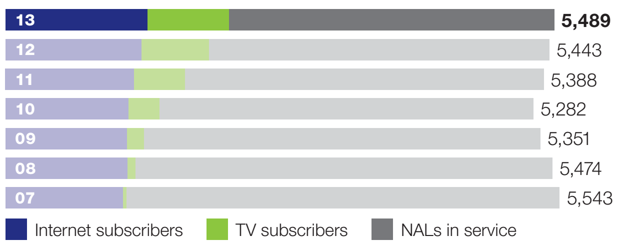
Annual segmented statistics

	After transition to IFRS[1]				Prior to transition to IFRS			
	2013	2012	2011	2010	2010	2009	2008	2007
Wireless segment								
Network revenue (millions)	**$ 5,641**	$ 5,367	$ 5,004	$ 4,611	$ 4,611	$ 4,392	$ 4,369	$ 4,008
Operating revenues (millions)[2]	**$ 6,177**	$ 5,886	$ 5,500	$ 5,045	$ 5,047	$ 4,735	$ 4,660	$ 4,291
Operating expenses before restructuring and other like costs, depreciation and amortization (millions)[3,4]	**3,543**	3,415	3,321	3,027	3,012	2,790	2,647	2,384
Restructuring and other like costs (millions)	**30**	13	2	4	4	12	8	1
EBITDA (millions)[3,5]	**$ 2,604**	$ 2,458	$ 2,177	$ 2,014	$ 2,031	$ 1,933	$ 2,005	$ 1,906
EBITDA margin (total network revenue)[2,3,5]	**45.8%**	45.4%	43.2%	43.4%	43.7%	43.7%	45.6%	47.2%
Capital expenditures excluding spectrum licences (millions)	**$ 712**	$ 711	$ 508	$ 463	$ 463	$ 770	$ 548	$ 551
Payment for auctioned wireless spectrum (millions)	**–**	–	–	–	–	–	$ 882	–
Cash flow (millions)[3,5,6]	**$ 1,892**	$ 1,747	$ 1,669	$ 1,551	$ 1,568	$ 1,163	$ 1,457	$ 1,379
Subscriber gross additions (000s)[7]	**1,614**	1,646	1,798	1,710	1,710	1,599	1,655	1,434
Subscriber net additions (000s)[7]	**307**	331	369	447	447	406	561	515
Subscribers (000s)[7,8]	**7,807**	7,670	7,340	6,971	6,971	6,524	6,129	5,568
Wireless market share, subscriber-based	**27%**	28%	28%	28%	28%	28%	28%	27%
Average monthly revenue per unit (ARPU)[7]	**$ 61**	$ 60	$ 59	$ 58	$ 58	$ 58	$ 63	$ 64
Data ARPU[7]	**$ 27**	$ 24	$ 20	$ 14	$ 14	$ 12	$ 10	$ 7
Postpaid subscribers with smartphones	**77%**	66%	53%	33%	33%	20%	n.a.	n.a.
COA, per gross subscriber addition[7]	**$ 400**	$ 408	$ 386	$ 350	$ 350	$ 337	$ 351	$ 395
Monthly churn rate[7]	**1.41%**	1.47%	1.68%	1.57%	1.57%	1.58%	1.57%	1.45%
Monthly postpaid churn rate[7]	**1.03%**	1.09%	1.31%	1.19%	1.19%	1.17%	1.14%	1.06%
Population coverage (millions)[9]	**34.9**	34.7	34.4	33.8	33.8	33.1	32.6	31.6
Wireline segment								
Operating revenues (millions)[2]	**$ 5,443**	$ 5,246	$ 5,099	$ 4,935	$ 4,920	$ 5,033	$ 5,152	$ 4,924
Operating expenses before restructuring and other like costs, depreciation and amortization (millions)[3,4]	**3,961**	3,810	3,578	3,305	3,238	3,297	3,327	3,222
Restructuring and other like costs (millions)	**68**	35	33	76	70	178	51	19
EBITDA (millions)[3,5]	**$ 1,414**	$ 1,401	$ 1,488	$ 1,554	$ 1,612	$ 1,558	$ 1,774	$ 1,683
EBITDA margin[3,5]	**26.0%**	26.7%	29.2%	31.5%	32.8%	31.0%	34.4%	37.1%
Capital expenditures (millions)	**$ 1,398**	$ 1,270	$ 1,339	$ 1,258	$ 1,258	$ 1,333	$ 1,311	$ 1,219
Cash flow (millions)[3,5,6]	**$ 16**	$ 131	$ 149	$ 296	$ 354	$ 225	$ 463	$ 609
Network access lines (NALs) in service (000s)	**3,254**	3,406	3,593	3,739	3,739	3,966	4,176	4,333
High-speed Internet subscribers (000s)	**1,395**	1,326	1,242	1,167	1,167	1,128	1,096	1,020
Dial-up Internet subscribers (000s)	**25**	33	44	62	62	87	124	155
Total TV subscribers (000s)	**815**	678	509	314	314	170	78	35

TOTAL WIRELESS SUBSCRIBERS[7,8] (000s)



TOTAL WIRELINE SUBSCRIBERS (000s)



Quarterly segmented statistics

	Q4 2013	Q3 2013	Q2 2013	Q1 2013	Q4 2012	Q3 2012	Q2 2012	Q1 2012
Wireless segment								
Network revenue (millions)	$ 1,434	$ 1,433	$ 1,393	$ 1,371	$ 1,378	$ 1,372	$ 1,329	$ 1,288
Operating revenues (millions)[2]	$ 1,596	$ 1,575	$ 1,522	$ 1,484	$ 1,544	$ 1,511	$ 1,438	$ 1,393
Operating expenses before restructuring and other like costs, depreciation and amortization (millions)[3]	992	891	846	814	974	872	800	769
Restructuring and other like costs (millions)	12	4	10	4	4	1	4	4
EBITDA (millions)[3]	$ 592	$ 680	$ 666	$ 666	$ 566	$ 638	$ 634	$ 620
EBITDA margin (total network revenue)[2,3]	40.9%	46.8%	47.4%	48.2%	40.8%	46.2%	47.3%	47.8%
Capital expenditures excluding spectrum licences (millions)	$ 213	$ 194	$ 171	$ 134	$ 191	$ 175	$ 194	$ 151
Payment for auctioned wireless spectrum (millions)	–	–	–	–	–	–	–	–
Cash flow (millions)[3,6]	$ 379	$ 486	$ 495	$ 532	$ 375	$ 463	$ 440	$ 469
Subscriber gross additions (000s)[7]	418	420	402	374	455	434	394	363
Subscriber net additions (000s)[7]	91	104	79	33	112	111	86	22
Subscribers (000s)[7,8]	7,807	7,810	7,706	7,703	7,670	7,558	7,447	7,362
Wireless market share, subscriber-based	27%	28%	28%	28%	28%	27%	28%	28%
ARPU[7]	$ 62	$ 62	$ 61	$ 60	$ 61	$ 61	$ 60	$ 59
Data ARPU[7]	$ 28	$ 28	$ 26	$ 26	$ 25	$ 25	$ 23	$ 23
Postpaid subscribers with smartphones	77%	75%	71%	68%	66%	63%	59%	56%
COA, per gross subscriber addition[7]	$ 453	$ 399	$ 374	$ 369	$ 453	$ 402	$ 404	$ 362
Monthly churn rate[7]	1.41%	1.36%	1.40%	1.48%	1.51%	1.44%	1.39%	1.55%
Monthly postpaid churn rate[7]	0.97%	0.99%	1.03%	1.11%	1.12%	1.10%	1.00%	1.14%
Population coverage (millions)[9]	34.9	34.9	34.8	34.3	34.7	34.7	34.7	34.4
Wireline segment								
Operating revenues (millions)[2]	$ 1,406	$ 1,354	$ 1,358	$ 1,325	$ 1,361	$ 1,316	$ 1,280	$ 1,289
Operating expenses before restructuring and other like costs, depreciation and amortization (millions)[3]	1,026	988	997	950	994	962	935	919
Restructuring and other like costs (millions)	21	11	29	7	15	2	9	9
EBITDA (millions)[3]	$ 359	$ 355	$ 332	$ 368	$ 352	$ 352	$ 336	$ 361
EBITDA margin[3]	25.6%	26.2%	24.5%	27.8%	25.9%	26.7%	26.3%	28.0%
Capital expenditures (millions)	$ 364	$ 361	$ 340	$ 333	$ 330	$ 296	$ 354	$ 290
Cash flow (millions)[3,6]	$ (5)	$ (6)	$ (8)	$ 35	$ 22	$ 56	$ (18)	$ 71
NALs in service (000s)	3,254	3,284	3,324	3,363	3,406	3,448	3,487	3,536
High-speed Internet subscribers (000s)	1,395	1,374	1,355	1,342	1,326	1,303	1,277	1,257
Dial-up Internet subscribers (000s)	25	26	28	30	33	35	38	41
Total TV subscribers (000s)	815	776	743	712	678	637	595	553

n.a. – Not applicable

1 IFRS as issued by the IASB. The Company's date of transition to IFRS-IASB was January 1, 2010 and its date of adoption was January 1, 2011.
2 Includes intersegment revenue.
3 Figures after transition to IFRS reflect application of the IAS 19 employee benefits accounting standard (amended 2011). See Section 8.2 of the MD&A in this report.
4 In 2007, TELUS introduced a net-cash settlement feature for share option awards granted prior to 2005, which resulted in an incremental pre-tax charge of $24 million for that year for the wireless segment and $145 million for the wireline segment.
5 EBITDA for 2007 excludes the net-cash settlement feature expense of $24 million for the wireless segment and $145 million for the wireline segment.
6 EBITDA less capital expenditures.
7 Excludes the effect of approximately 222,000 Public Mobile prepaid subscribers.
8 Subscribers includes an April 1, 2013 adjustment to remove approximately 76,000 machine-to-machine subscriptions and an October 1, 2013 adjustment to remove approximately 94,000 Mike subscriptions.
9 Includes expanded coverage resulting from network access agreements principally with Bell Canada. Coverage is HSPA+ for 2013 and all technologies for prior years.

Note: Certain comparative information has been restated to conform with the 2013 presentation.

Management's discussion and analysis

Caution regarding forward-looking statements

This document contains forward-looking statements about expected future events and financial and operating performance of TELUS Corporation. The terms TELUS, *the Company*, *we*, *us* or *our* refer to TELUS Corporation and where the context of the narrative permits or requires, its subsidiaries. Forward-looking statements include, but are not limited to, statements relating to annual targets, outlook, guidance and updates, our multi-year dividend growth program, our multi-year share purchase programs, and trends. Forward-looking statements are typically identified by the words *assumption, goal, guidance, objective, outlook, strategy, target* and other similar expressions or future or conditional verbs such as *aim*, *anticipate*, *believe*, *could*, *expect*, *intend*, *may*, *plan*, *seek*, *should*, *strive* and *will*. By their nature, forward-looking statements are subject to inherent risks and uncertainties, and require us to make assumptions. There is significant risk that assumptions, predictions and other forward-looking statements will not prove to be accurate. Readers are cautioned not to place undue reliance on forward-looking statements as a number of factors could cause future performance, conditions, actions or events to differ materially from the targets, expectations, estimates or intentions expressed. Except as required by law, we disclaim any intention or obligation to update or revise any forward-looking statements, and reserve the right to change, at any time at our sole discretion, our current practice of updating annual targets and guidance. Our general outlook and assumptions for 2014 are described in *Section 9*.

Factors that could cause actual performance to differ materially include, but are not limited to:

- Competition including: continued intense rivalry across all services among established telecommunications companies, advanced wireless services (AWS) entrants, cable-TV providers, other communications companies and emerging over-the-top (OTT) services; active price and brand competition; our ability to continue to retain customers through an enhanced customer service experience; network access line (NAL) losses; subscriber additions and retention volumes and associated costs for wireless, TV and high-speed Internet services; pressures on wireless average revenue per subscriber unit per month (ARPU) from promotional activity from competitors and market conditions, flat-rate pricing trends for voice and data, inclusive long distance plans for voice, and increasing availability of Wi-Fi networks for data; ability to obtain and offer content across multiple devices on wireless and TV platforms at a reasonable cost; and competition for wireless spectrum.
- Regulatory approvals and developments including: the federal government's stated intention to further increase wireless competition, reduce roaming costs on wireless networks in Canada and require further unbundling of TV channels; the Competition Bureau's recommendation to the Canadian Radio-television and Telecommunications Commission (CRTC) that it should implement remedies to provide more favourable roaming access terms to entrant service providers; future spectrum auctions (including limitations on incumbent wireless providers, advantages provided to foreign participants and the amount and cost of spectrum acquired); restrictions on the purchase, sale and transfer of spectrum licences; the outcome of the CRTC review of mandated wholesale services, including consideration of mandated competitor access to fibre-to-the-premises facilities; vertical integration by competitors into broadcast content ownership and timely and effective enforcement of regulatory safeguards; ongoing monitoring and compliance with restrictions on non-Canadian ownership of TELUS Common Shares; increased foreign control of certain AWS entrants; interpretation and application of tower sharing and roaming rules; conflicts between non-harmonized provincial consumer protection legislation and the new CRTC mandatory national Wireless Code (the Code), which came into effect on December 2, 2013; uncertainty around the outcome of the legal challenge to the retroactivity of the Wireless Code to contracts entered into between June 2012 and December 2, 2013; and a possible increase in or acceleration of costs of wireless customer acquisition and retention resulting from maximum two-year contracts required under the Code.
- Technological substitution including: reduced utilization and increased commoditization of traditional wireline voice local and long distance services; increasing numbers of households that have only wireless and/or Internet-based telephone services; continuation of wireless voice ARPU declines such as through substitution to messaging and OTT applications, such as Skype; substitution to Wi-Fi services from wireless services; and OTT IP services that may displace TV and entertainment services.
- Technology including: subscriber demand for data that challenges wireless network and spectrum capacity, and service levels; reliance on systems and information technology; technology options, evolution paths and roll-out plans for wireline and wireless networks (including broadband initiatives, such as fibre to the home, and wireless small cell deployment); reliance on wireless network access agreements; choice of suppliers and suppliers' ability to maintain and service their product lines; wireless handset supplier concentration and market power; the performance of long-term evolution (LTE) wireless technology; our spectrum deficiency in certain geographical areas and the need to obtain additional spectrum licences through auctions or from third parties; dependence of our rural LTE roll-out strategy, in a cost efficient manner, on acquiring spectrum in the 700 MHz band; deployment and operation of new wireless networks and success of new products, new services and supporting systems; network reliability and change management (including migration risks to new, more efficient Internet data centres (IDCs) and realizing the expected benefits); timing of decommissioning of certain legacy wireline networks and services to reduce operating costs; timing of decommissioning of CDMA and iDEN wireless networks to redeploy spectrum and reduce operating costs, and the associated subscriber migration and retention risks; availability of resources and ability to build out adequate broadband capacity; and success of upgrades and evolution of TELUS TV® technology, which depend on third-party suppliers.
- Economic growth and fluctuations including: the strength and persistence of economic growth in Canada that may be influenced by economic developments outside of Canada; future interest rates; pension investment returns, funding and discount rates; and Canada: U.S. dollar exchange rates.
- Capital expenditure levels, including potential outlays for spectrum licences in spectrum auctions or from third parties, due to our wireless deployment strategy for LTE and future technologies, wireline broadband initiatives, subscriber demand for data, new IDC initiatives, and the Industry Canada wireless spectrum auction for the 700 MHz band, which concluded in February 2014, and the 2,500–2,690 MHz bands currently expected in April 2015.
- Financing and debt requirements including ability to carry out re-financing activities.
- Ability to sustain dividend growth program of circa 10% per annum through 2016 and ability to sustain and complete multi-year share purchase programs through 2016. These programs may be affected by factors such as regulatory and government decisions, competitive environment, reasonable economic performance in Canada, our earnings and free cash flow, and levels of capital expenditures and spectrum licence purchases. Quarterly dividend decisions are subject to our Board of Directors' (Board) assessment and determination based on the Company's financial situation and outlook. Share purchase programs may be affected by the change in our intention to purchase shares, and the assessment and determination of our Board from time to time. Consequently, there can be no assurance that these programs will be maintained through 2016.
- Human resource matters including recruitment, retention and appropriate training in a highly competitive industry.
- Ability to successfully implement cost reduction initiatives and realize planned savings, net of restructuring and other like costs, without losing customer service focus or negatively impacting business operations. Initiatives include: our earnings enhancement program to drive improvements in earnings before interest, income taxes, depreciation and amortization (EBITDA) of $250 million by the end of 2015; business integrations; business process outsourcing; internal offshoring and reorganizations; procurement initiatives; and consolidation of real estate.
- Process risks including: reliance on legacy systems and ability to implement and support new products and services and business operations; our ability to implement effective change management for system replacements and upgrades, process redesigns and business integrations; implementation of large enterprise deals that may be adversely impacted by available resources and degree of co-operation from other service providers; our ability to successfully manage operations in foreign jurisdictions; information security breaches, including data loss or theft; and real estate joint venture development risks.
- Tax matters including: tax law that may be subject to differing interpretation and the tax authority's interpretation that may be different from ours; changes in tax laws including tax rates; elimination of income tax deferrals through the use of different tax year-ends for operating partnerships and corporate partners; and international tax complexity and compliance.
- Business continuity events including: our ability to maintain customer service and operate our networks in the event of human-caused threats such as electronic attacks and human errors; equipment failures; supply chain disruptions; natural disaster threats, epidemics and pandemics; and effectiveness of business continuity and disaster recovery plans and responses.
- Litigation and legal matters including ability to successfully defend class actions pending against us.
- Acquisitions or divestitures including ability to successfully integrate acquisitions or complete divestitures in a timely manner, and realizing expected strategic benefits.
- Health, safety and environmental developments and other risk factors discussed herein and listed from time to time in our reports and public disclosure documents including our annual report, annual information form, and other filings with securities commissions or similar regulatory authorities in Canada (on SEDAR at sedar.com) and in our filings with the Securities and Exchange Commission (SEC) in the United States, including Form 40-F (on EDGAR at sec.gov). *Section 10: Risks and risk management* in this MD&A is incorporated by reference in this cautionary statement.

February 26, 2014

1 Introduction

Our discussion in this section is qualified in its entirety by the *Caution regarding forward-looking statements* at the beginning of Management's discussion and analysis (MD&A).

1.1 Preparation of the MD&A

The following sections are a discussion of the consolidated financial position and financial performance of TELUS for the year ended December 31, 2013, and should be read together with TELUS' December 31, 2013 audited Consolidated financial statements (subsequently referred to as the Consolidated financial statements). The generally accepted accounting principles (GAAP) we use are International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB). Our Consolidated financial statements comply with IFRS-IASB and Canadian GAAP. Our use of the term IFRS in this MD&A is a reference to these standards. In our discussion, we also use certain non-GAAP financial measures, such as EBITDA, to evaluate our performance, monitor compliance with debt covenants and manage our capital structure. These measures are defined, qualified and reconciled with their nearest GAAP measures in *Section 11.1*. All amounts are in Canadian dollars, unless otherwise specified.

Our disclosure controls and procedures are designed to provide reasonable assurance that all relevant information is gathered and reported to senior management on a timely basis, so that appropriate decisions can be made regarding public disclosure. The MD&A and the Consolidated financial statements were reviewed by TELUS' Audit Committee and approved by TELUS' Board of Directors for issuance on February 26, 2014.

1.2 The environment in which we operate

Economy

We estimate that economic growth in Canada was 1.7% in 2013 and will be 2.4% in 2014 and 2.6% in 2015, based on a composite of estimates from Canadian banks and other sources. The Bank of Canada's January 2014 Monetary Policy Report estimated economic growth for Canada at 1.8% in 2013 and 2.5% in both 2014 and 2015. In respect of the national unemployment rate, Statistics Canada's Labour Force Survey reported a rate of 7.2% for December 2013 (7.1% reported in December 2012).

Industry

We estimate that growth in Canadian telecommunications industry revenue (including TV revenue and excluding media revenue) was approximately 3% in 2013 (3% in 2012), driven by continued wireless sector growth. We estimate Canadian wireless sector revenues grew by 3% in 2013 (5% in 2012) and wireless sector EBITDA grew by 6% in 2013 (8% in 2012). For the industry, we estimate that 737,000 new wireless subscriptions were added in 2013, resulting in a penetration increase of approximately 1.6 percentage points to approximately 81% of the population (2.5 percentage points in 2012).

Regulation

Our telecommunications and broadcasting services are regulated under federal legislation by the Canadian Radio-television and Telecommunications Commission (CRTC), Industry Canada and Heritage Canada. The CRTC has forborne from regulating prices for services offered in competitive markets, such as local residential and business services in selected exchanges, long distance and some data services, and does not currently regulate the pricing of wireless services. Local telecommunications services that are not forborne are regulated by the CRTC using a price cap mechanism.

Subsequent to December 31, 2013, Industry Canada's 700 MHz spectrum auction occurred. We have been advised that we were, provisionally, the successful auction participant on 30 spectrum licences. The amount for our provisionally awarded 700 MHz spectrum licences was approximately $1.14 billion. In accordance with the auction terms, 20% is to be remitted to Industry Canada by March 5, 2014, with the balance due April 2, 2014; we expect to fund our provisionally awarded 700 MHz spectrum licences through a combination of issuance of TELUS Corporation commercial paper and cash on hand. We do not have the right to commercially use the 30 spectrum licences until such time as Industry Canada reconfirms that we qualify as a radio communications carrier and that we comply with Canadian Ownership and Control rules.

The CRTC's ongoing proceedings include: reviews of wireline wholesale services, wireless wholesale roaming rates, and paper bill charges; and achievement of basic service objective to all Canadians, especially those in high-cost serving areas. In addition, the federal government announced that it would be amending both the *Telecommunications Act* and the *Radiocommunication Act* to give the CRTC and Industry Canada the option to impose monetary penalties on companies that violate established rules, such as the Wireless Code and those related to the deployment of spectrum, services to rural areas and tower sharing. (See *Section 10.4 Regulatory matters*.)

Technological and competitive environments

In respect of the technological and competitive environment in Canada, the Organization for Economic Co-operation and Development (OECD) released its biennial report on communications infrastructure and services in July 2013. The OECD report ranked Canada first in investment per capita among the 34 countries in its study. Both the OECD report and the July 2013 Wall Report, commissioned by the CRTC and Industry Canada, show that wireless pricing in Canada falls in the middle compared with G7 peers, across all combinations of voice and data services.

In addition, the OECD report ranked Canada's wireless networks second only to Denmark in mobile data speeds, or more than twice the average speeds of those in Germany and Italy, more than three times the average speeds offered in the U.S. and France, and nine times faster than in the U.K. Additionally, the European Commission issued a report in mid-2013, which noted that three-quarters of Europeans had no access to 4G LTE wireless service. Such services were already available to more than 81% of Canadians at December 31, 2013, despite Canada's expansive topography.

In the summer of 2013, Navigant Economics published a report comparing Europe's wireless networks with those in the U.S. We commissioned Navigant to expand its analysis to compare the European Union (E.U.) with Canada and the results released in September included:

- North American mobile users use their devices for both data and voice far more intensively than European users. While Canadians and Europeans are equally as likely to own a smartphone, Canadians are more likely to use their phones for activities such as mobile banking, web browsing and streaming video, using approximately twice as much data as European customers.
- Wireless service quality in Canada has far surpassed that in the E.U. thanks to heavy investment in next-generation technology. Wireless carriers in Canada invest 21% more per connection than carriers in the U.S. and over 2.3 times more than those in the E.U., which has led to networks in Canada that are 75% faster than the E.U. average.
- Canadian consumers enjoy a price-quality advantage despite the high network build costs associated with low population density. Canada has just 15 wireless connections per square kilometre – less than one-tenth of the E.U. average of 155 and far below the U.S. figure of 51.
- The disparity between the performance of networks in Canada and the E.U. is at least partly attributable to the policy choices made by regulators in Europe. Efforts to artificially introduce competition or block efficient consolidation have led to market fragmentation and stalled investment and innovation in Europe.

These reports suggest that Canadian wireless pricing is competitive internationally, while Canadians have access to some of the leading wireless networks in the world with superior speed and coverage. This reflects the significant investments by TELUS and other Canadian carriers.

1.3 Consolidated highlights

Acquisition of Public Mobile Holdings Inc.

On November 29, 2013, we acquired 100% of Public Mobile Holdings Inc. (Public Mobile) for $229 million net of cash acquired. Public Mobile is a Canadian wireless communications operator focused on the Toronto and Montreal markets. The transaction was approved by Industry Canada in October 2013 and by the Competition Bureau in November 2013. The investment was made with a view to growing our wireless segment operations, including acquiring additional spectrum licences.

The contribution of Public Mobile to our financial results in the year ended December 31, 2013 was to increase wireless revenues by $9 million, decrease wireless EBITDA by $10 million (including $8 million of restructuring and other like costs), and reduce Net income by $7 million or approximately one cent per share. All of the 222,000 Public Mobile subscribers at December 31, 2013, were prepaid subscribers.

Share exchange and a two-for-one stock split

On February 4, 2013, in accordance with the terms of a court-approved plan of arrangement, we exchanged all of our then issued and outstanding Non-Voting Shares into Common Shares on a one-for-one basis.

On March 14, 2013, we announced a subdivision of our Common Shares on a two-for-one basis (two-for-one stock split). On April 16, 2013, TELUS shareholders received one additional share for each share owned on the record date of April 15, 2013. All information pertaining to shares outstanding and per-share amounts in this MD&A for periods before April 16, 2013, reflects retrospective treatment of the stock split.

Share purchase programs

On September 24, 2013, we successfully completed our 2013 normal course issuer bid (NCIB), purchasing 31.2 million Common Shares, or 4.8% of the outstanding shares prior to commencement of the NCIB, for an average price of $32.07, and returning $1.0 billion to our shareholders.

On December 12, 2013, the Toronto Stock Exchange (TSX) approved our NCIB to purchase and cancel up to 16 million of our Common Shares for up to $500 million in 2014. Such purchases will be made through the facilities of the TSX, the New York Stock Exchange (NYSE) and alternative trading platforms or otherwise as may be permitted by applicable securities laws and regulations during the period of January 2, 2014 to December 31, 2014. This represents approximately 2.6% of outstanding TELUS Common Shares at the date of the NCIB notice to the TSX, and shares will be purchased only when and if we consider it advisable. Security holders may obtain copies of the notice filed with the TSX by contacting TELUS Investor Relations (IR@telus.com). Our Board of Directors believes such purchases are in the best interest of the Company and that such purchases constitute an attractive investment opportunity and a desirable use of funds that should enhance the value of the remaining shares.

For additional information on our multi-year share purchase program, see *Section 4.3*. Also see *Caution regarding forward-looking statements – Ability to sustain and complete multi-year share purchase programs through 2016*.

Consolidated highlights

Years ended December 31 ($ millions, unless noted otherwise)	2013	2012	Change
Consolidated statements of income			
Operating revenues	11,404	10,921	4.4%
Operating income[1]	2,215	1,994	11.1%
Income before income taxes[1]	1,768	1,620	9.1%
Net income[1]	1,294	1,204	7.5%
Net income per equity share[1][2][3]			
Basic (basic EPS) ($)	2.02	1.85	9.2%
Diluted ($)	2.01	1.84	9.2%
Dividends declared per equity share[2] ($)	1.36	1.22	11.5%
Basic weighted-average equity shares outstanding[2] (millions)	640	651	(1.7)%
Consolidated statements of cash flows			
Cash provided by operating activities	3,246	3,219	0.8%
Cash (used) by investing activities	(2,389)	(2,058)	(16.1)%
Capital expenditures (excluding spectrum licences)[4]	(2,110)	(1,981)	(6.5)%
Cash (used) by financing activities	(628)	(1,100)	42.9%
Other highlights			
Subscriber connections[5] (thousands)	13,296	13,113	1.4%
EBITDA[1][6]	4,018	3,859	4.1%
Restructuring and other like costs included in EBITDA[6]	98	48	104.2%
EBITDA excluding restructuring and other like costs[6]	4,116	3,907	5.3%
EBITDA margin excluding restructuring and other like costs[7] (%)	36.1	35.8	0.3 pts.
Free cash flow[6]	1,051	1,331	(21.0)%
Net debt to EBITDA – excluding restructuring and other like costs[6] (times)	1.8	1.7	0.1

Notations used in MD&A: n/m – Not meaningful; pts. – Percentage points.

(1) Figures for 2012 have been adjusted for retrospective application of accounting standard IAS 19 *Employee benefits* (2011). See *Section 8.2 Accounting policy developments*.
(2) Adjusted for the two-for-one stock split effective April 16, 2013 (see *Section 7.10 Outstanding share information*).
(3) Equity shares: Common Shares since February 4, 2013; Common Shares and Non-Voting Shares prior to February 4, 2013 (see *Section 7.10*).
(4) Capital expenditures (excluding spectrum licences) include assets purchased, but not yet paid for, and consequently differ from Cash payments for capital assets, excluding spectrum licences, on the Consolidated statements of cash flows.
(5) The sum of active wireless subscribers (excluding 222,000 Public Mobile subscribers), NALs, Internet access subscribers and TELUS TV subscribers (Optik TV™ subscribers and TELUS Satellite TV® subscribers), measured at the end of the respective periods based on information in billing and other systems. Effective with the second quarter of 2013 and on a prospective basis, wireless machine-to-machine (M2M) subscriptions have been excluded. Cumulative subscriber connections include an April 1, 2013 adjustment to remove approximately 76,000 M2M subscriptions. Effective with the fourth quarter of 2013, and on a prospective basis, we have adjusted postpaid wireless subscribers to remove Mike subscriptions, as we have ceased marketing the Mike product and started to turn down the iDEN network. Cumulative subscriber connections include an October 1, 2013 adjustment to remove from the postpaid wireless subscriber base approximately 94,000 Mike subscribers representing those who, in our judgment, are unlikely to migrate to our new services.
(6) Non-GAAP financial measures. See *Section 11.1*.
(7) EBITDA – excluding restructuring and other like costs, as a percentage of Operating revenues.

Operating highlights

- Consolidated Operating revenues increased by $483 million or 4.4% in 2013. Wireless data network revenue increased by $343 million or 16% in 2013, as a result of subscriber additions and growth in data usage. Wireline data revenues increased year over year by $312 million or 11% in 2013 due to growth in TV and Internet services, business process outsourcing services and TELUS Health services, partly offset by a decrease in data equipment revenue due to reductions in business spending, including by governments, and a negotiated equipment sale in the third quarter of 2012. These increases in wireless and wireline data revenues were partly offset by ongoing declines in both wireless and wireline voice revenues.

  Excluding Public Mobile, wireless blended average revenue per subscriber unit per month (ARPU) was $61.38 in 2013, up $0.99 or 1.6% from 2012, driven by a change in the subscriber mix and growth in data usage and roaming. Postpaid subscribers represent more than 86% of the total subscriber base at December 31, 2013.
- Our subscriber connection net additions were 353,000 in 2013, excluding wireless prepaid subscribers acquired with Public Mobile in November 2013. During the 12-month period ended December 31, 2013, our subscriber connections increased by 183,000, inclusive of adjustments for wireless machine-to-machine (M2M) subscriptions on April 1, 2013 and Mike subscriptions on October 1, 2013. This was composed of a 1.8% increase in wireless subscribers (excluding 222,000 subscribers acquired with Public Mobile), 20% growth in TV subscribers and 5.2% growth in high-speed Internet subscribers, partly offset by a 4.5% decline in total network access lines (NALs).

  Our postpaid wireless subscriber net additions were 378,000 in 2013, as compared to 414,000 in 2012. The decrease reflected slower industry growth and intense competitive activity, partly offset by a change in the subscriber mix. Our churn rate remained low due to our customers first initiatives and retention efforts, which will continue to be our focus in 2014. Our average monthly postpaid subscriber churn rate was 1.03% in 2013, as compared to 1.09% in 2012.
- EBITDA increased by $159 million or 4.1% in 2013, despite higher restructuring and other like costs. See *Investing in internal capabilities* in *Section 2* for further discussion of restructuring and other like costs. EBITDA excluding restructuring and other like costs increased by $209 million or 5.3% in 2013, reflecting wireless network revenue growth and flowthrough to EBITDA, as well as improving Optik TV margins, net of approximately $7 million of costs and revenue impacts related to severe flooding in Alberta in June 2013. Flooding costs were substantially all in the wireline segment.

  EBITDA in 2012 also included a $7 million pre-tax gain net of equity losses for the TELUS Garden residential real estate partnership. We do not anticipate retaining an ownership interest in the TELUS Garden residential condominium after completion of construction.
- Operating income increased by $221 million or 11% in 2013 as a result of the increase in EBITDA and lower total depreciation and amortization expenses, which decreased due to our continuing program of asset life studies and adjustments, net of growth in capital assets.
- Income before income taxes increased by $148 million or 9.1% in 2013. Higher Operating income was partly offset by an increase in Financing costs resulting from our re-financing activities in 2013, including a $23 million prepayment premium expense before income taxes for the early redemption of Series CF Notes in May 2013.

- **Income taxes** increased by $58 million or 14% in 2013, primarily reflecting higher pre-tax income. Income taxes in 2013 include a second quarter $22 million adjustment to revalue deferred income tax liabilities as a result of the increase in the B.C. provincial corporate income tax rate from 10% to 11% retroactive to April 1, 2013.
- **Net income** increased by $90 million or 7.5% in 2013. Excluding restructuring and other like costs, the 2012 net gain related to the TELUS Garden residential real estate partnership, the May 2013 long-term debt prepayment premium and income tax-related adjustments, Net income increased by $164 million or 13% in 2013.

Analysis of Net income

Years ended December 31 ($ millions)	2013	2012	Change
Net income	1,294	1,204	90
Add back (deduct):			
Restructuring and other like costs, after income taxes	72	36	36
Gain net of equity losses related to TELUS Garden residential real estate partnership, after income taxes	–	(6)	6
Long-term debt prepayment premium, after income taxes	17	–	17
Unfavourable (favourable) income tax-related adjustments (see *Section 5.2*)	3	(12)	15
Net income excluding above items	1,386	1,222	164

- **Basic earnings per share (EPS)** increased by 17 cents or 9.2% in 2013. The reduction in the number of shares from our 2013 NCIB program contributed approximately four cents to EPS in 2013. Excluding restructuring and other like costs, the 2012 net gain related to the TELUS Garden residential real estate partnership, the May 2013 long-term debt prepayment premium and income tax-related adjustments, our basic EPS increased by approximately 29 cents or 16% in 2013.

Analysis of basic EPS

Years ended December 31 ($)	2013	2012	Change
Basic EPS	2.02	1.85	0.17
Add back (deduct):			
Restructuring and other like costs, after income taxes per share	0.11	0.05	0.06
Gain net of equity losses related to TELUS Garden residential real estate partnership, after income taxes per share	–	(0.01)	0.01
Long-term debt prepayment premium, after income taxes per share	0.03	–	0.03
(Favourable) income tax-related adjustments per share (see *Section 5.2*)	–	(0.02)	0.02
Basic EPS before above items	2.16	1.87	0.29

- **Dividends declared per equity share** totalled $1.36 in 2013, up 11.5% from 2012. On February 12, 2014, the Board of Directors declared a quarterly dividend of 36 cents per share on the issued and outstanding Common Shares of the Company, payable on April 1, 2014, to shareholders of record at the close of business on March 11, 2014. The 36 cents per share dividend declared for the first quarter of 2014 reflects an increase of four cents or 12.5% from the first quarter dividend in 2013, consistent with our dividend growth program described in *Section 4.3*.

Liquidity and capital resource highlights

- **Net debt to EBITDA – excluding restructuring and other like costs** was 1.8 times at December 31, 2013, up from 1.7 times at December 31, 2012, as the increase in net debt was only partly offset by growth in EBITDA excluding restructuring and other like costs. The ratio remains within our long-term policy guideline of 1.5 to 2.0 times.
- **Cash provided by operating activities** increased by $27 million in 2013. The increase was a result of working capital changes and growth in EBITDA, which were largely offset by increases in interest and income tax payments.
- **Cash used by investing activities** increased by $331 million in 2013. The increase was mainly due to the acquisition of Public Mobile for $229 million net of cash acquired, an increase in capital expenditures and the purchase of spectrum licences from a third party in July 2013. **Capital expenditures** (excluding spectrum licences) increased by $129 million during the year, mainly due to our continued focus on investment in wireline and wireless broadband infrastructure, network and system resiliency and reliability to support our ongoing customers first initiatives, large enterprise deals and readying the network and systems for future retirement of legacy assets.
- **Cash used by financing activities** was $628 million in 2013, reflecting purchases of Common Shares under our 2013 NCIB, as well as increased dividend payments, partly offset by debt re-financing activities (see *Section 7.4*).

  During 2013, we returned over $1.8 billion to shareholders including $852 million in dividends paid and $1.0 billion in share purchases. For additional details on our multi-year dividend growth program and multi-year share purchase program, see *Section 4.3*.
- **Free cash flow** was $1,051 million in 2013, reflecting a decrease of $280 million from 2012. The decrease resulted mainly from increases in income tax payments and capital expenditures (excluding spectrum licences), net of growth in EBITDA.

1.4 Performance scorecard (key performance measures)

In 2013, we achieved three of four original consolidated targets and achieved three of four original segment targets, which were announced on February 15, 2013. Our capital expenditures in 2013 exceeded the target as a result of our continued focus on investment in wireline and wireless broadband infrastructure, network and system resiliency and reliability to support our ongoing customers first initiatives, large enterprise deals and preparation of the network and systems for future retirement of legacy assets. Wireless revenues were below the low end of our target range, reflecting lower equipment sales due to fewer gross activations, a change in the device mix, and to a lesser extent fewer net additions, as well as lower ARPU, reflecting the initial adoption of two-year contracts by customers optimizing their rate plans in the latter part of 2013. The latter effect is expected to reverse somewhat in 2014, as more of the subscriber base activates or renews on the two-year plans. These impacts were offset in wireless EBITDA by lower subscriber acquisition costs. The Public Mobile contribution to Consolidated financial results was an increase in wireless revenues of $9 million, a decrease in EBITDA of $10 million, and a reduction of approximately one cent in basic EPS in 2013.

We met our long-term financial objectives, policies and guidelines, including generally maintaining a minimum of $1.0 billion of unutilized liquidity and a Net debt to EBITDA – excluding restructuring and other like costs ratio in the range of 1.5 to 2.0 times. We also completed six targeted semi-annual dividend increases from 2011 to 2013. We announced an intention to target ongoing semi-annual dividend increases, with an annual increase of circa 10% through to the end of 2016, subject to our Board's assessment and determination of our financial situation and outlook on a quarterly basis and our long-term dividend payout ratio guideline of 65 to 75% of prospective sustainable net earnings. There can be no assurance that we will maintain this dividend growth program. See *Caution regarding forward-looking statements – Ability to sustain dividend growth program of circa 10% per annum through 2016*.

The following scorecard compares TELUS' performance to our original 2013 targets. See our general outlook and assumptions for 2014 in *Section 9*.

	2013 PERFORMANCE		
	Actual results and growth	Original targets[(1)] and growth and revised guidance[(5)]	Result
Consolidated			
Revenues	$11.4 billion 4.4%	$11.4 to $11.6 billion 4 to 6%	✓
EBITDA[(2)]	$4.02 billion 4.1%	$3.95 to $4.15 billion 2 to 8%	✓
Basic EPS[(3)]	$2.02 9.2%	$1.90 to $2.10 3 to 14%	✓
Capital expenditures[(4)]	$2.11 billion 6.5%	Approximately $1.95 billion Revised November 8 to approximately $2.0 billion	✗ ✗
Wireless segment			
Revenue (external)	$6.1 billion 4.9%	$6.2 to $6.3 billion 6 to 8% Revised November 8 to $6.1 to $6.2 billion	✗ ✓
EBITDA[(2)]	$2.604 billion 5.9%	$2.575 to $2.675 billion 5 to 9%	✓
Wireline segment			
Revenue (external)	$5.3 billion 3.9%	$5.2 to $5.3 billion 2 to 4%	✓
EBITDA[(2)]	$1.414 billion 0.9%	$1.375 to $1.475 billion (2) to 5%	✓

(1) After application of the amended standard IAS 19 (2011).
(2) See description in *Section 11.1 Non-GAAP financial measures*.
(3) Adjusted for the two-for-one stock split effective April 16, 2013.
(4) The capital expenditures targets and results exclude expenditures for spectrum licences.
(5) Targets in 2013 and revised guidance for 2013 (November 8, 2013) excluded the effects of Public Mobile.

✓ Met target
✗ Missed target

We made the following key assumptions when we announced the 2013 targets in February 2013.

ASSUMPTIONS FOR 2013 TARGETS AND RESULT

Quantitative assumptions

- Wireless industry penetration of the Canadian market: The actual result is an estimated 1.6 percentage point increase. The assumption was a two to three percentage point increase resulting from intense competition and adoption and upgrade of smartphones, tablets and data applications. Industry growth was slower than in 2012, based on publicly reported information and our estimates for 2013.
- Pension plans: The total defined benefit pension plan expense is $161 million, consisting of $108 million recorded in Employee benefits expense and $53 million recorded in Financing costs. The estimated 2013 expense was $160 million, including approximately $110 million recorded in Employee benefits expense and approximately $50 million recorded in Financing costs. Actual defined benefit pension plan funding is $198 million, compared to the original estimate of approximately $195 million.
- Restructuring and other like costs: The actual result is $98 million. The assumption was revised on August 8, 2013, to approximately $100 million from approximately $75 million due to ongoing and incremental operational efficiency initiatives.
- Depreciation and amortization expenses: The actual result is $1.8 billion. The assumption was revised on August 8, 2013, to approximately $1.85 billion from approximately $1.9 billion. The actual result was lower than our assumptions due to adjustments resulting from our continuing program of asset life studies.
- Financing costs: The actual result is $447 million. The assumption was revised on August 8, 2013, to approximately $440 million from approximately $400 million due to our higher net debt outstanding and the prepayment premium for early redemption of Notes in May 2013.
- Blended statutory income tax rate: The actual result is 26.1%. The assumption was revised on August 8, 2013, to a range of 25.5 to 26.5% as a result of the increase in the B.C. provincial corporate income tax rate. Our original assumption was a range of 25 to 26%.
- Cash income tax payments: The actual result is $438 million. The assumption was $390 million to $440 million.

Qualitative assumptions

- Ongoing intense wireless and wireline competition in both consumer and business markets.
- Flat to higher wireless acquisition and retention expenses – confirmed, with these expenses in total increasing by 0.2%.
- Flat to slightly higher wireless blended ARPU – confirmed by the 1.6% increase.
- Wireline data revenue growth to be partially offset by the ongoing decline in legacy voice revenue – confirmed by data revenue growth of 11% offset by voice and other revenue decline of 5.2%, for net external wireline revenue growth of 3.9%.
- Planned capital expenditure level (excluding spectrum licences) impacted by ongoing investments to support wireless and wireline customer growth and technology enhancements. (See *Building national capabilities* in *Section 2*.)

2 Core business and strategy

Our discussion in this section is qualified in its entirety by the *Caution regarding forward-looking statements* at the beginning of the MD&A.

2.1 Core business

We are one of Canada's largest telecommunications companies. We provide a wide range of telecommunications services and products, including wireless and wireline voice and data. Data services include: IP; TV; hosting, managed information technology and cloud-based services; and healthcare solutions. We earn the majority of our revenue from access to, and the usage of, our telecommunications infrastructure, or from providing services and products that facilitate access to and usage of our infrastructure.

2.2 Strategic imperatives

Since 2000, we have maintained a consistent strategic intent to unleash the power of the Internet to deliver the best solutions to Canadians at home, in the workplace and on the move. Our focus is on our core telecommunications business in Canada, supported by our international contact centre and outsourcing capabilities.

We developed six strategic imperatives in 2000 that remain relevant for future growth, despite changing regulatory, technological and competitive environments. We believe that a consistent focus on the imperatives guides our actions and contributes to the achievement of our financial goals. To advance these long-term strategic initiatives and address near-term opportunities and challenges, we set new corporate priorities each year, as further described in *Section 3*.

Focusing relentlessly on growth markets of data, IP and wireless
External wireless revenues and wireline data revenues were $9.3 billion in 2013, up by $597 million or 6.8% from 2012, while wireline voice and other revenues and Other operating income were $2.1 billion in 2013, down $114 million or 5.2% from 2012. Wireless revenues and wireline data revenues combined represented 82% of TELUS' consolidated revenues in 2013 (80% in 2012).

In 2013, we extended a contract to provide connectivity services to a major power supplier in Alberta. We continued to expand our footprint in the health sector and drive improved patient experience through the delivery of patient pre- and post-care education and medical records management.

Providing integrated solutions that differentiate TELUS from our competitors
Continuing with our long-standing Clear and Simple approach to wireless pricing and putting our customers first, we introduced our new two-year TELUS SharePlus plans, effective July 30, 2013. Research and customer feedback indicated that consumers want unlimited Canada-wide talk and text, and the capability to share data among family members and devices. As a result, we added unlimited nationwide talk and text to the new plans, as well as data plans that are shareable among multiple devices in the same household. Customers can simply select an unlimited talk and text plan for their device(s), and then add a data plan that is shareable across all devices on the account, including tablets.

In October 2013, we launched TELUS Link™, our next generation of push-to-talk (PTT) service over our 4G LTE and HSPA+ networks and Wi-Fi. TELUS Link provides direct-connect, instant voice communication with an individual or a team, as well as standard wireless voice and data service, enabling members of a work team to connect in less than one second. Customers can also roam in the U.S. and around the world with enhanced PTT over Wi-Fi. TELUS Link is Canada's only PTT service over Wi-Fi and is a natural evolution of Mike® service, which we currently operate on our iDEN network. With the launch of TELUS Link, we have ceased marketing our Mike service and will be turning it down over the next year as we migrate our Mike customers to the new service. However, we will continue to maintain our iDEN network to support our Mike private radio customers for the foreseeable future.

Optik TV now supports more than 650 channels, including 188 high-definition (HD) TV channels and 74 Galaxie music channels, while Optik on the go provides access to thousands of on-demand shows and movies on smartphones, tablets and laptop computers, whether at home or on the move. In the fourth quarter of 2013, we enhanced our Optik on the go service by launching live TV on smartphones and tablets to complement the library of over 5,000 video-on-demand selections already available on this mobile and PC platform. Some other examples of new features and capabilities we added to Optik TV include:

- The Galaxie music app, announced by TELUS and Galaxie Music, which is included with all Optik TV service and available free of charge on smartphones for Optik TV subscribers.
- The Optik Smart Remote app for Android devices, which complements the app already available on Apple devices. Optik Smart Remote enables customers to surf TV, set and manage recordings while on the go, and browse content on their device instead of using the traditional guide on the TV screen.
- The reorganization of Optik TV channels, which groups them into categories, such as major networks, news, sports and entertainment, and allows customers to easily and quickly surf within their favourite category. The reorganization has also created room for more channels in the future.
- The wireless digital box for Optik TV subscribers, which allows customers to move their TV within the home, or yard, without the need to plug it into a digital box.

Building national capabilities across data, IP, voice and wireless
In 2013, we continued to invest in wireless capacity and network growth, while investments for urban deployment of 4G LTE declined after our extensive expansion in 2012. We continued our broadband infrastructure expansion and upgrades, including connecting more businesses, homes and multi-dwelling units directly to fibre-optic cable, and expanding rural broadband connections. These investments increase Internet speeds and the capacity to support TV, Internet and data service growth, as well as extend the reach of our healthcare solutions, and provide backhaul capability for expanding wireless services.

In January and February 2014, we participated in Industry Canada's auction of 700 MHz spectrum licences (see *Regulation* in *Section 1.2*). Spectrum in the 700 MHz range has superior propagation capabilities that make it effective and efficient in covering Canada's expansive rural geography, as well as improving the quality of in-building coverage in urban areas. We also plan to participate in Industry Canada's auction of spectrum in the 2,500–2,690 MHz bands in April 2015.

Highlights include:

- At the end of 2013, our 4G LTE network covered more than 81% of Canada's population across approximately 170 markets, up from two-thirds of the population at the end of 2012. Outside of LTE coverage areas, LTE devices we offer also operate on our HSPA+ network, which covered 99% of the population at December 31, 2013.
- We began offering LTE wireless products and services in Northern Canada with launches in Whitehorse, Yukon and Yellowknife, Northwest Territories in September 2013.
- Under a 10-year strategic partnership agreement with the Government of B.C. to provide telecommunications and strategic services to the government and its public sector partners, by January 2014, we had extended wireless coverage along 880 km of primary and secondary highways in B.C. and upgraded 237 of 437 B.C. public schools from legacy copper to faster fibre-optic Internet connections.
- At the end of 2013, our broadband HD TV coverage reached more than 2.7 million households in B.C., Alberta and Eastern Quebec, as compared to approximately 2.4 million households one year earlier.
- We opened our newest technologically and environmentally advanced cloud computing Internet data centre (IDC) in Kamloops, B.C. in 2013 to support our enhanced ability to offer cloud-based services. The Kamloops facility and our Rimouski, Quebec facility, which opened in 2012, have been designed to Uptime Institute Tier III standards for reliability and security, and to the leadership in energy and environmental design (LEED) gold standard for sustainability. A modular design approach facilitates scalable expansion in the future. In 2013, we closed two older, less efficient data centres after migration of services to these new facilities.

Partnering, acquiring and divesting to accelerate the implementation of our strategy and focus our resources on core business

Consistent with our corporate priority to elevate *TELUS' leadership position in healthcare information*, in 2013, we completed the acquisition of PS Suite EMR, the electronic medical records (EMR) business operated by MD Practice Software LP, a member of the MD Physician Services Group (a subsidiary of the Canadian Medical Association). We made this acquisition to expand the reach of TELUS Health in the first line of care, providing EMR solutions to physicians across Canada. This acquisition and previous acquisitions of EMR providers, coupled with organic growth, have positioned TELUS Health as the largest EMR provider in Canada. TELUS Health provides solutions to all major stakeholders in the healthcare system, including hospitals, pharmacies and extended healthcare providers, such as physiotherapists and chiropractors.

Also, in 2013, we acquired Digital WYZDOM Inc. and Digital WYZDOM Forensics Inc. (collectively, Digital WYZDOM), which have specialist capabilities in digital forensics, network security, e-discovery, intellectual property and fraud advisory services that are complementary to our existing security solutions portfolio. These acquisitions enable us to offer end-to-end security and forensics services to help customers identify security risks and proactively respond to potential threats. The digital forensics industry is growing rapidly as a result of increased digitization of all aspects of business, government and personal records.

In July 2013, we announced that we are partnering as equals, with two arm's-length parties, in a residential, retail and commercial real estate redevelopment project in downtown Calgary, named TELUS Sky. The building will be constructed to LEED platinum standards. Pending zoning and development permit approval, construction is currently expected to begin in the fall of 2014 and be completed by the end of 2017. A significant proportion of our investment will come from contributions of our existing real estate holdings, coupled with project debt. We plan to lease office space in the new jointly owned mixed-use tower and vacate leased space in TELUS House Calgary upon completion of the new development. This project is another opportunity for us to monetize a portion of our real estate holdings.

As discussed in *Section 1.3*, on November 29, 2013, we acquired 100% of Public Mobile, a Canadian wireless communications operator focused on the Toronto and Montreal markets. We have also acquired more TELUS-branded wireless dealership businesses to ensure we provide a focused and consistent customer experience.

Going to market as one team under a common brand, executing a single strategy

Our top corporate priority since 2010 and for the foreseeable future is putting customers first as we strive to consistently deliver exceptional client experiences and win the hearts and minds of Canadians on our journey to become the most recommended company in the markets we serve.

By the end of November 2013, we achieved satisfactory completion of the requirements of the CRTC's Wireless Code, which came into effect on December 2, 2013. We support the Code, and have been the leader in adopting many of its customer-friendly provisions long before the Code was drafted. Some of the customer-friendly initiatives we introduced include: the elimination of extra fees for system access and carrier 911 services on all our Clear & Simple rate plans (2009); anytime upgrades, removing cancellation fees in favour of a simple device balance (2010); notifications for data usage in Canada and while roaming abroad to increase awareness of costs (2010); easy and inexpensive device unlocking after 90 days (2011); clear, simple and plain language service terms (2011); and the elimination of device activation fees for new and renewing customers (2012).

To fully align with the Code, we made several modifications to policies and procedures. We implemented domestic and international data blocks and notifications at $50 and $100, respectively, to help customers control their data usage and complement our industry-leading notifications capability. In the summer of 2013, we introduced two-year pricing plans. These plans offer data sharing and unlimited nationwide talk and text, and enable customers to upgrade to a new device after two years instead of three.

In addition, in 2013 we launched Canada's first network experience mobile application, which enables customers to help us address coverage opportunities, and we have introduced travel roaming packages.

To help reduce theft of wireless devices, we worked with the Canadian Wireless Telecommunications Association (CWTA) and its wireless carrier members to implement a blacklist of wireless devices that have been reported lost or stolen. Effective September 30, 2013, the authorization of any GSM, HSPA, HSPA+ or LTE wireless device on any participating Canadian carrier's network will include the verification of the IMEI (international mobile equipment identity) number of the device to ensure it has not been reported as lost or stolen on that network or any other participating Canadian network. The blacklist will also include devices reported lost or stolen by U.S. carriers that are connected to the GSMA IMEI database. In addition, Canadians who purchase a wireless device from a private source can use a convenient tool on ProtectYourData.ca to check if the IMEI number of the device has been reported lost or stolen.

Our customers first initiatives have contributed to a substantial decline in the number of complaints submitted to the Commissioner for Complaints for Telecommunications Services for the second consecutive year. Complaints related to TELUS decreased by 27% in 2013, while, in contrast, complaints increased by 26% for the telecommunications industry as a whole.

Our four customer commitments that underpin our internal goals and corporate priorities and help us deliver an elevated experience to our customers are:

- We take ownership of every customer experience
- We work as a team to deliver on our promises
- We learn from customer feedback and take action to get better, every day
- We are friendly, helpful and thoughtful.

Investing in internal capabilities to build a high-performance culture and efficient operation

Annually, we conduct team member Pulsecheck engagement surveys, administered by Aon Hewitt, to gather confidential team member feedback about TELUS as a place to work, in order to measure our progress in establishing a high performance culture at TELUS. Following each survey, business units and departments use their Pulsecheck results to review their current action plans and prioritize their continuing actions. In 2013, our employee engagement score increased by three percentage points to 83%, following a 10 percentage point increase in 2012. The 2013 score places TELUS first globally among organizations of our size and composition. Significant increases in employee engagement in each of the last three years have helped us focus on putting customers first.

In addition, we have incurred incremental, non-recurring restructuring and other like costs with the objectives of improving our operating efficiency and effectiveness and addressing the declining profitability in certain areas of our business. Restructuring costs associated with the consolidation of administrative, channel and network real estate were recorded in Goods and services purchased. Employee-related restructuring costs for reorganizing and streamlining business processes, such as certain client care, marketing and support functions, were recorded in Employee benefits expense. Other like costs for incremental external costs in connection with business acquisition activity were recorded in Goods and services purchased.

Restructuring and other like costs

Years ended December 31 ($ millions)	2013	2012
Goods and services purchased	27	10
Employee benefits expense	71	38
Restructuring and other like costs included in EBITDA	98	48

3 Key performance drivers

Our discussion in this section is qualified in its entirety by the *Caution regarding forward-looking statements* at the beginning of the MD&A.

We confirm or set new corporate priorities each year to both advance TELUS' long-term strategic priorities (see *Section 2.2*) and address near-term opportunities and challenges.

CORPORATE PRIORITIES

2014	**2013** (see progress in the following table)
Delivering on TELUS' future friendly® brand promise by putting customers first and pursuing global leadership in the likelihood of our clients to recommend our products, services and people	Deliver on TELUS' future friendly brand promise by putting customers first and earning our way to industry leadership in "likelihood to recommend" from our clients
Elevating our winning culture for a sustained competitive advantage, including giving compassionately in our communities	Further strengthen our operational efficiency and effectiveness, thereby fuelling our capacity to invest for future growth
Strengthening our operational reliability, efficiency and effectiveness	Continue to foster our culture for sustained competitive advantage
Increasing our competitive advantage through reliable and client-centric technology leadership	Increase our competitive advantage through technology leadership across cohesive broadband networks, Internet data centres, information technology and client applications
Driving TELUS' leadership position in its chosen business and public sector markets	Drive TELUS' leadership position in its chosen business and public sector markets through an intense focus on high-quality execution and economics
Advancing TELUS' leadership position in healthcare information management.	Elevate TELUS' leadership position in healthcare information by leveraging technology to deliver better health outcomes for Canadians.

PROGRESS ON 2013 CORPORATE PRIORITIES

Deliver on TELUS' future friendly brand promise by putting customers first and earning our way to industry leadership in "likelihood to recommend" from our clients

- Our ongoing initiatives, including those described under our strategic imperatives in *Section 2.2*, have helped to advance our number one priority to put customers first. Our customers' likelihood-to-recommend scores in 2013 increased for Enterprise and TELUS Québec businesses, were maintained for small and medium-sized business (SMB) and TELUS Health, and declined slightly for consumer. We also realized a 27% decrease in customer complaints as reported in the Commissioner for Complaints for Telecommunications Services' 2012–2013 report, while complaints across the industry rose 26%. In addition, our wireless postpaid average monthly churn rate remained low at 1.03% in 2013.
- We won a landmark case in the Supreme Court of Canada, protecting the privacy of our customers, which involved police access to text messages. The result is that the rigorous wiretap authorization procedure (as opposed to less rigorous alternative procedures) applies when the police seek access to an individual's text messages.
- We continued to introduce new and innovative features and applications for Optik TV, providing customers with enhanced control and flexibility.
- We introduced TELUS Link, the next generation of PTT service, which provides instant voice communication with an individual or a team, as well as standard wireless service over our 4G networks. Our customers can now roam around the world with enhanced coverage via PTT over Wi-Fi and wireless data networks. See *Providing integrated solutions* in *Section 2.2*.
- We worked with the CWTA and other wireless providers to create a national blacklist of stolen handsets (see *Going to the market as one team* in *Section 2.2*).
- We give where we live® to help our fellow citizens in need, build stronger communities and create a stronger bond with our clients. We accomplish this through initiatives such as the TELUS Day of Giving®, Team TELUS Charitable Giving, Dollars for Doers and fundraising grants. In 2013, our team members participated in relief efforts following severe flooding in Southern Alberta, after the explosion in Lac-Mégantic, and in the wake of the devastation caused by Typhoon Haiyan in the Philippines. See our corporate social responsibility (CSR) report at telus.com/csr for more information.

Further strengthen our operational efficiency and effectiveness, thereby fuelling our capacity to invest for future growth

- We deployed numerous systems upgrades and releases across our wireless and wireline systems portfolio throughout the year, significantly advancing our clients' experiences with our services, improving the efficiency of our business operations and providing insightful business information.
- We continued to execute Clear and Simple principles to reduce complexity and customer support requirements.
- We continued to drive operational savings through labour-related efficiencies to streamline processes and strengthen internal capabilities.
- We improved the consistency and quality of our services through initiatives focused on technological rationalization and long-term development.
- We are implementing price-management initiatives for revenue and margin enhancement and vendor-management initiatives to increase efficiency in our procurement and achieve savings on equipment, handsets, information technology and other goods and services.
- Our restructuring and other like costs totalled $98 million in 2013, composed of $71 million for workforce-related initiatives and $27 million for other initiatives including consolidation of real estate. This includes $8 million in respect of Public Mobile.

Continue to foster our culture for sustained competitive advantage

- Canadians voted Koodo® as the number one standalone wireless provider and TELUS as the number one national full-service provider for the second straight year in J.D. Power and Associates' annual Canadian Wireless Customer Satisfaction Study.
- As described in *Investing in internal capabilities* in *Section 2.2*, our team member engagement score increased by three percentage points to 83% in 2013, after increasing by 10 points to 80% in 2012. This was our fourth consecutive year of improvement.
- TELUS was named one of Canada's Top 100 Employers for the fifth consecutive year and one of Canada's Best Diversity Employers for the sixth consecutive year by Mediacorp.
- We used fair process tools to garner client-informed insights from our front-line team members.

Increase our competitive advantage through technology leadership across cohesive broadband networks, Internet data centres, information technology and client applications

- We continued to invest in our leading-edge broadband technology, which has enabled the success of our Optik TV, Internet and business services, as well as the ongoing advancement of our world-class wireless networks.
- We have expanded our LTE wireless networks throughout Canada and, in September, launched service in the Northwest Territories and the Yukon. Customers in Northern Canada can now sign up for TELUS wireless products and services at the same prices we offer elsewhere in Canada.
- We also continued expanding and upgrading our wireline broadband network, bringing greater capacity, speed and coverage to more communities. Through our continued broadband investment and focus on deploying fibre deeper into our access network, we now offer broadband speeds of up to 50 Mbps to the majority of Optik TV-capable households.
- We launched two intelligent Internet data centres – in Kamloops, B.C. in 2013 and in Rimouski, Quebec in 2012 – to bring world-class managed IT solutions to Canadian businesses. These new facilities are providing our clients with reliable and secure cloud-based services that enable them to focus on their core activities. Built to meet LEED gold standards, they use up to 80% less energy than a typical data centre of their size.

PROGRESS ON 2013 CORPORATE PRIORITIES

Drive TELUS' leadership position in its chosen business and public sector markets through an intense focus on high-quality execution and economics

- We launched wireless data sharing plans that allow multiple devices to draw off the same shared data plan and have provided our clients with data usage and roaming notifications to help them control their spending and usage. Combined with unlimited nationwide calling and reduced roaming rate packages, these new wireless plans greatly enhance cost certainty for Canadian SMBs and bolster our client experience.
- We have also introduced a public Wi-Fi capability for our customers in British Columbia and Alberta that complements their TELUS Business Internet service and allows them to better serve their customers and visitors.

Elevate TELUS' leadership position in healthcare information by leveraging technology to deliver better health outcomes for Canadians

- TELUS Health became the largest EMR provider with the acquisition of PS Suite EMR in Ontario. This acquisition is the third in a series since 2012 that are collectively advancing our strategy to substantially expand our reach and improve our offering of EMR solutions across the country.
- We are a leader in Canada's claims and benefits management sector, offering the largest private electronic insurance claims network in Canada. We provide drug claim processing to over 12 million Canadians and transmit more than 250 million claims annually.
- We offer consumer health applications: Pharmacy portal, Pharma Space®, Personal Health Record, Electronic Medical Record Patient Portal and Remote Patient Monitoring.
- TELUS has been named the number one Information and Communications Technology partner by Branham 300 for five of the past six years.

4 Capabilities

Our discussion in this section is qualified in its entirety by the *Caution regarding forward-looking statements* at the beginning of the MD&A.

4.1 Principal markets addressed and competition

WIRELESS: SERVICES FOR CONSUMERS AND BUSINESSES ACROSS CANADA

Our services and products

- Data and voice – Fast web browsing, social networking, messaging (text, picture and video), the latest mobile applications including Optik on the go, M2M connectivity, clear and reliable voice services, push-to-talk solutions including TELUS Link service, and international roaming.
- Devices – Leading-edge smartphones, tablets, mobile Internet keys, mobile Wi-Fi devices and M2M modems.

Our capabilities

- Licensed national wireless spectrum.
- Coast-to-coast digital 4G LTE network, first launched in major centres in February 2012:
  - Coverage of more than 81% of Canada's population at December 31, 2013, including network access agreements
  - Manufacturer-rated peak data download speeds of up to 75 Mbps (typical speeds of 12 to 25 Mbps expected with a compatible device[(1)]; typical speeds in Saskatchewan of 10 to 15 Mbps)
  - Reverts to the HSPA+ network and speeds when outside LTE coverage areas.
- Coast-to-coast digital 4G HSPA+ network launched in November 2009:
  - Coverage of 99% of Canada's population at December 31, 2013, including network access agreements
  - Dual-cell coverage of approximately 74% of Canada's population, with manufacturer-rated peak data download speeds of up to 42 Mbps (typical speeds of 7 to 14 Mbps expected with a compatible device[(1)])
  - Provides international roaming capabilities that deliver customer connectivity in more than 200 countries through 607 agreements with 588 roaming partners
  - Enables an optimal transition to LTE technology and services.
- Interconnections with our wireline networks.
- Digital PCS (CDMA) network with a 3G high-speed evolution data optimized (EVDO) Revision A overlay, with staged decommissioning to begin in 2014 with potential deactivation in 2015.
- iDEN network supporting Mike service, a PTT service focused on the commercial marketplace. With the launch of TELUS Link, we have ceased marketing our Mike service and will be turning it down over the next year as we migrate our Mike customers to the new service. However, we will continue to maintain our iDEN network to support our Mike private radio customers for the foreseeable future.

(1) Actual speed may vary by device being used, topography and environmental conditions, network congestion, signal strength and other factors.

WIRELESS: SERVICES FOR CONSUMERS AND BUSINESSES ACROSS CANADA

Competition overview

- Facilities-based national competitors Rogers Wireless and Bell Mobility (including affiliate Bell Aliant), and provincial telecommunications companies SaskTel and MTS Mobility.
- Resellers of competitors' wireless networks.
- AWS entrants: Eastlink (launched services in 2013), Mobilicity, Quebecor (Videotron) and WIND Mobile.
- Services offered by cable-TV and wireless competitors over wireless and metropolitan Wi-Fi networks.

WIRELINE: RESIDENTIAL SERVICES IN BRITISH COLUMBIA, ALBERTA AND EASTERN QUEBEC; BUSINESS SERVICES ACROSS CANADA; AND CONTACT CENTRE AND OUTSOURCING SOLUTIONS INTERNATIONALLY

Our services and products

- Voice – Reliable phone service with long distance and advanced calling features.
- Internet – High-speed Internet service with email and a comprehensive suite of security solutions.
- TELUS TV – High-definition entertainment service with Optik TV and TELUS Satellite TV. Optik TV offers extensive content options and innovative features such as PVR Anywhere, Remote Recording, Optik Smart Remote channel browsing with a tablet or smartphone, and Optik on the go. TELUS Satellite TV is provided only in B.C. and Alberta by way of an agreement with Bell Canada.
- IP networks and applications – IP networks that offer converged voice, video, data or Internet access on a secure, high-performing network.
- Conferencing and collaboration – Full range of equipment and application solutions to support meetings and webcasts by means of phone, video and Internet.
- Contact centre and outsourcing solutions in more than 30 languages – Managed solutions providing secure, low-cost and scalable infrastructure in North America, Central America, Europe and Asia.
- Hosting, managed IT and cloud-based services – Cybersecurity solutions with ongoing assured availability of telecommunications, networks, servers, databases, files and applications, with critical applications stored in our IDCs across Canada.
- Healthcare – Claims management and pharmacy solutions, hospital and hospital-to-home technology, electronic health records and other healthcare solutions through TELUS Health.

Our capabilities

- An IP-based national network overlaying an extensive switched network in B.C., Alberta and Eastern Quebec, as well as global interconnection arrangements.
- Initiatives to deploy fibre-optic cable to homes and businesses.
- Eight data centres in six communities directly connected to the national TELUS IP network, creating an advanced and regionally diverse computing infrastructure in Canada.
- Provide wireline residential access line services to an estimated 42% of households in B.C. and Alberta, and 62% of households in our Eastern Quebec region.
- Access to businesses across Canada through our networks, as well as competitive local exchange carrier status.
- ADSL2+ or VDSL2 coverage reaching more than 2.7 million households in B.C., Alberta and Eastern Quebec.
- Broadcasting distribution licences to offer digital television services in incumbent territories and licences to offer commercial video on demand services.

Competition overview

- Substitution of wireless services, including our own wireless offerings, for residential local and long distance services. Households with wireless-only telephone services (among all providers, including TELUS) are estimated to be over 28% in B.C. and Alberta, and 7% in Eastern Quebec.
- Bell Canada, MTS Allstream, Rogers Communications and cable-TV providers Shaw Communications in B.C. and Alberta, and Cogeco Cable in Eastern Quebec.
- Various others (e.g. Vonage) that offer resale or VoIP-based local, long distance and Internet services.
- Over-the-top voice and entertainment services such as Skype and Netflix.
- Satellite-based entertainment and Internet services (Bell Canada, Shaw Communications and Xplornet).
- Competitors for contact centre services, such as Convergys, Sykes and Verizon LiveSource.
- Customized managed outsourcing solutions competitors, such as system integrators CGI Group Inc., EDS division of HP Enterprise Services and IBM.
- Competitors for TELUS Health services, such as system integrators, BCE, Cerner, McKesson and others.

4.2 Operational resources

RESOURCES

Our people

- Approximately 43,400 employees (42,300 full-time equivalent or FTE employees) at the end of 2013, across a wide range of operational functions domestically (28,450) and certain functions internationally (14,950).
- Approximately 12,500 of our team members are covered by a collective agreement. The agreement with the Syndicat québécois des employés de TELUS (SQET) covering approximately 885 employees will expire on December 31, 2014. The agreement with the Telecommunications Workers Union (TWU) covers approximately 10,925 employees and is in effect through 2015. The collective agreement with the Syndicat des agents de maîtrise de TELUS (SAMT), representing approximately 630 team members in the TELUS Quebec region, is in effect through March 2017.
- Contact centre operations at Canadian and international locations support business process outsourcing services for external wholesale customers. We also use these services for certain internal operations to improve efficiency and to allow onshore operations to focus on value-added services.
- Employee compensation programs that support a high-performance culture and contain market-driven and performance-based (bonus and equity) components.
- Adequate employee resources to cover ongoing retirement, ready access to labour in Canada and, for contact centres and specific support functions, various locations internationally. We use a small number of external contractors or consultants.
- Training, mentoring and development programs.

Our brand and distribution

- A well-established and recognizable national brand (TELUS, the future is friendly®) that is supported by extensive advertising across all media.
- TELUS Health brand offering solutions for healthcare providers and consumers.
- Koodo basic wireless brand and postpaid service were introduced in March 2008; the Koodo prepaid service was launched in mid-2012.
- Public Mobile operations and brand acquired in November 2013.
- Optik TV brand launched in mid-2010.
- Our sales and support distribution:
  - Wireless services are supported through a broad network of TELUS-owned and branded stores, an extensive distribution network of exclusive dealers and large third-party electronics retailers (e.g. Future Shop / Best Buy, Wal-Mart and London Drugs), the kiosk channel WOW! Mobile and a white label brand for a premier retail chain, as well as online self-serve applications
  - Wireline residential services are supported through mass-marketing campaigns, client care telephone agents and online and TV-based self-serve applications
  - Business services across wireless and wireline are supported through TELUS sales representatives, independent dealers and online self-serve applications for SMBs.

Our technology, systems and properties

- TELUS is a highly complex technology-dependent company with a multitude of interconnected wireless and wireline telecommunications networks, IT systems and processes.
- Real estate properties (owned or leased) include administrative office space, work centres and space for telecommunications equipment. Some buildings are constructed on leasehold land and the majority of wireless towers are situated on lands or buildings held under leases or licences for varying terms. We also participate in two real estate redevelopment joint ventures. (See *Section 7.11*.)
- Network facilities are constructed under or along streets and highways, pursuant to rights-of-way granted by the owners of land such as municipalities and the Crown, or on freehold land owned by TELUS.
- Our intangible assets include wireless spectrum licensed from Industry Canada, which is essential to providing wireless services.
- TELUS International provides contact centre and business process and IT outsourcing by utilizing sophisticated on-site facilities including contact centre solutions, and by utilizing international data networks and reliable data centres with rigorous privacy and security standards. Global rerouting and geographic diversity are provided through facilities in North America, Central America, Europe and Asia.
- TELUS Health is uniquely positioned to facilitate the integration of electronic health records from the home to the doctor's office to the hospital, making critical health information available to care providers over secure wireline and wireless broadband networks.

4.3 Liquidity and capital resources

Capital structure financial policies

Our objective when managing capital is to maintain a flexible capital structure that optimizes the cost and availability of capital at acceptable risk.

In the management of capital and in its definition, we include Common Share equity (excluding accumulated other comprehensive income), long-term debt (including any associated hedging assets or liabilities, net of amounts recognized in accumulated other comprehensive income), cash and temporary investments and securitized trade receivables.

We manage our capital structure and make adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets. In order to maintain or adjust our capital structure, we may adjust the amount of dividends paid to holders of TELUS Common Shares, purchase shares for cancellation pursuant to normal course issuer bids, issue new shares, issue new debt, issue new debt to replace existing debt with different characteristics and/or increase or decrease the amount of trade receivables sold to an arm's-length securitization trust.

We monitor capital utilizing a number of measures, including the net debt to EBITDA – excluding restructuring and other like costs ratio and the dividend payout ratio. See descriptions in *Section 11.1*.

Financing and capital structure management plans

REPORT ON FINANCING AND CAPITAL STRUCTURE MANAGEMENT PLANS

Pay dividends to the holders of TELUS Common Shares under our multi-year dividend growth program

- On May 9, 2013, we announced an intention to target ongoing semi-annual dividend increases, with the annual increase of circa 10% through to the end of 2016, extending the policy announced in May 2011. Notwithstanding this, dividend decisions will continue to be subject to our Board of Directors' assessment and determination of our financial situation and outlook on a quarterly basis. Our long-term dividend payout ratio guideline is 65 to 75% of prospective sustainable net earnings. There can be no assurance that we will maintain a dividend growth program through 2016. See *Caution regarding forward-looking statements – Ability to sustain dividend growth program of circa 10% per annum through 2016*.
- Dividends declared in 2013 totalled $1.36 per share, or an increase of 11.5% over 2012. On February 12, 2014, a first quarter dividend of 36 cents per share was declared, payable on April 1, 2014, to shareholders of record at the close of business on March 11, 2014. The first quarter dividend for 2014 reflects an increase of 12.5% from the 32 cent per share dividend paid in April 2013.

Purchase TELUS Common Shares under our multi-year NCIB

- On May 9, 2013, we announced that our Board of Directors authorized an NCIB program. On May 21, 2013, the TSX approved our 2013 NCIB to purchase, for cancellation, up to 15 million of our outstanding Common Shares (up to $500 million), until December 31, 2013. On July 23, 2013, the TSX authorized an amendment to our NCIB to increase the maximum number of Common Shares we may purchase for cancellation to 31.9 million, or a maximum amount of $1.0 billion until December 31, 2013. We have purchased shares through the facilities of the TSX and the NYSE and through privately negotiated block purchases. On September 24, 2013, we had reached the $1.0 billion maximum amount, having purchased 31.2 million shares, or 4.8% of the outstanding shares prior to commencement of the NCIB, for an average price of $32.07.
- On December 12, 2013, the TSX approved our NCIB to purchase and cancel up to 16 million of our Common Shares for up to $500 million in 2014. Such purchases will be made through the facilities of the TSX, the NYSE and alternative trading platforms or otherwise as may be permitted by applicable securities laws and regulations during the period of January 2, 2014 to December 31, 2014. This represents approximately 2.6% of outstanding TELUS Common Shares at the date of the NCIB notice to the TSX, and shares will be purchased only when and if we consider it advisable. Pursuant to TSX rules, the maximum number of Common Shares that we may purchase during the same trading day on the TSX is 421,589 (being 25% of the average daily trading volume of TELUS Common Shares for the six-month period preceding the date of the NCIB notice to the TSX), subject to certain exceptions for block purchases.
- We have also entered into an automatic share purchase plan (ASPP) with a broker for the purpose of permitting us to purchase shares under our NCIB during internal blackout periods when we would not be permitted to trade in our shares, including regularly scheduled quarterly blackout periods. Such purchases will be at the sole discretion of the broker based on parameters established by TELUS prior to any blackout period, in accordance with TSX rules, applicable securities laws and the terms of the agreement between the broker and TELUS. The ASPP has been approved by the TSX, was implemented on January 2, 2014, and may be implemented from time to time thereafter. All other purchases under the NCIB will be at the discretion of the Company. In January 2014, we purchased 590,400 Common Shares for cancellation for $22 million, at an average price of $37.14 per share.
- We currently intend to renew our NCIB in 2015 and 2016 to permit share purchases for an amount of up to $500 million in each calendar year.
- Our 2014 and future NCIBs will be dependent on factors, such as our earnings and free cash flow, levels of capital expenditures and spectrum licence purchases, and are subject to our Board of Directors' assessment and determination, and subject to obtaining regulatory approvals, including approval from the TSX.
- There can be no assurance that we will complete our 2014 NCIB or renew the NCIB program for 2015 and 2016. See *Caution regarding forward-looking statements – Ability to sustain and complete multi-year share purchase programs through 2016*.

Use proceeds from securitized trade receivables (Short-term borrowings), bank facilities, commercial paper and dividend reinvestment, as needed, to supplement free cash flow and meet other cash requirements

- Proceeds from securitized trade receivables were unchanged at $400 million throughout 2013.
- Commercial paper was reduced by $245 million to $Nil at December 31, 2013.
- Cash provided by operating activities exceeded the use of cash for investing activities by $857 million in 2013.

REPORT ON FINANCING AND CAPITAL STRUCTURE MANAGEMENT PLANS

Maintain compliance with financial objectives, policies and guidelines

Our strategy is to maintain the long-term financial objectives, policies and guidelines set out below. We believe that the measures *Net debt to EBITDA – excluding restructuring and other like costs* and *Dividend payout ratio of sustainable net earnings on a prospective basis* are currently at the optimal level and by maintaining credit ratings in the desired range are expected to continue to provide reasonable access to capital markets.

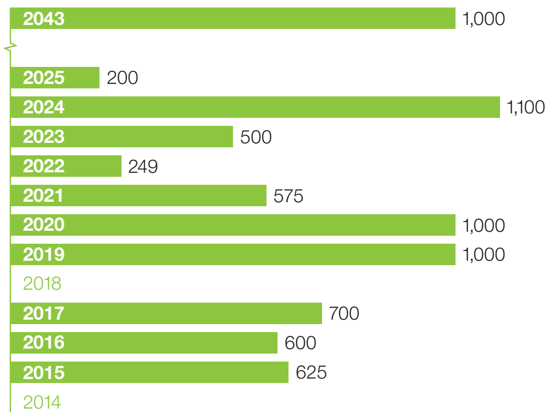
- Maintain investment grade credit ratings in the range of BBB+ to A–, or the equivalent – On February 26, 2014, investment grade credit ratings from the four rating agencies that cover TELUS were in the desired range.
- Net debt to EBITDA excluding restructuring and other like costs ratio of 1.5 to 2.0 times – The ratio was 1.8 times at December 31, 2013, up from 1.7 times one year earlier, as the increase in net debt was only partly offset by growth in EBITDA excluding restructuring and other like costs. In the short term, we may permit this ratio to go outside of the long-term policy guideline range (for long-term investment opportunities), but will endeavour to return to the policy guideline range, as we believe that the policy guideline range is supportive of maintaining our investment grade credit ratings.
- Dividend payout ratio guideline of 65 to 75% of sustainable net earnings on a prospective basis – This prospective payout ratio range is seen as appropriate to our current plans for earnings, cash flow and capital investments. For 2013, our dividend payout ratio of adjusted net earnings was 70%. See *Section 7.5 Liquidity and capital resource measures*.
- Generally maintain a minimum $1 billion in unutilized liquidity – At December 31, 2013, we had $336 million of cash, more than $2 billion of unutilized credit facilities and $100 million available under our trade receivables securitization program. See *Section 7.6 Credit facilities*.

Financing and capital structure management plans for 2014

At the end of 2013, our long-term debt was $7.5 billion and the weighted average term to maturity was approximately 9.4 years. Aside from Short-term borrowings of $400 million, all of our debt was on a fixed-rate basis. During 2014, we plan to renew and extend our syndicated credit facility and accounts receivable securitization program and may also issue senior Notes to refinance and extend the commercial paper program.

Anticipated free cash flow and sources of capital are expected to be more than sufficient to meet current requirements and remain in compliance with our long-term financial policy guidelines. For the related risk discussion, see *Section 10.7 Financing and debt requirements*.

LONG-TERM DEBT PRINCIPAL MATURITIES AS AT DECEMBER 31, 2013 ($ millions)



The average term to maturity is 9.4 years.

4.4 Disclosure controls and procedures and internal control over financial reporting

Disclosure controls and procedures

Disclosure controls and procedures are designed to provide reasonable assurance that all relevant information is gathered and reported to senior management, including the President and Chief Executive Officer (CEO) and the Executive Vice-President and Chief Financial Officer (CFO), on a timely basis so that appropriate decisions can be made regarding public disclosure.

The CEO and the CFO have evaluated the effectiveness of our disclosure controls and procedures related to the preparation of the MD&A and the December 31, 2013 Consolidated financial statements. They have concluded that our disclosure controls and procedures were effective, at a reasonable assurance level, to ensure that material information relating to TELUS and its consolidated subsidiaries would be made known to them by others within those entities, particularly during the period in which the MD&A and the Consolidated financial statements contained in this report were being prepared.

Internal control over financial reporting

Internal control over financial reporting is designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements in accordance with IFRS-IASB and the requirements of the SEC in the United States, as applicable. TELUS' CEO and CFO have assessed the effectiveness of our internal control over financial reporting as of December 31, 2013, in accordance with *Internal Control – Integrated Framework (2013)*, issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). Based on this assessment, TELUS' CEO and CFO have concluded that our internal control over financial reporting is effective as of December 31, 2013, and expect to certify TELUS' annual filings with the SEC on Form 40-F, as required by the United States' *Sarbanes-Oxley Act of 2002*, and with Canadian securities regulatory authorities.

Deloitte LLP, our auditor, has audited internal controls over financial reporting of TELUS Corporation at December 31, 2013.

Changes in internal control over financial reporting

There were no changes in internal control over financial reporting that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

5 Discussion of operations

Our discussion in this section is qualified in its entirety by the *Caution regarding forward-looking statements* at the beginning of the MD&A.

5.1 Selected annual information

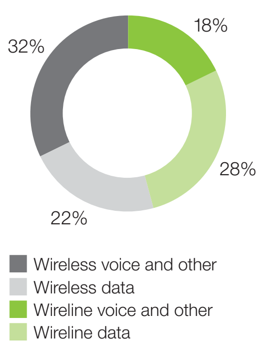
The selected information presented below has been derived from, and should be read in conjunction with, the audited December 31, 2013 Consolidated financial statements of TELUS, and the audited December 31, 2012 Consolidated financial statements of TELUS.

Selected annual information

Years ended December 31 ($ in millions, except per share amounts)	2013	2012	2011
Operating revenues	11,404	10,921	10,397
Net income(1)	1,294	1,204	1,126
Net income attributable to equity shares(1)	1,294	1,204	1,130
Net income per equity share(1)(2)			
Basic	2.02	1.85	1.74
Diluted	2.01	1.84	1.73
Cash dividends declared per equity share(2)	1.36	1.22	1.1025
At December 31 ($ millions)	**2013**	**2012**	**2011**
Total assets	21,566	20,445	19,931
Current maturities of long-term debt	–	545	1,066
Non-current financial liabilities(3)			
Provisions	76	64	29
Long-term debt	7,493	5,711	5,508
Other long-term financial liabilities	122	116	116
	7,691	5,891	5,653
Deferred income taxes	1,891	1,624	1,600
Common equity	8,015	7,686	7,513

(1) Figures for 2012 and 2011 have been adjusted for retrospective application of accounting standard IAS 19 *Employee benefits* (2011).
(2) Adjusted for the two-for-one stock split effective April 16, 2013.
(3) In our specific current instance, financial liabilities do not include liabilities that are excluded by definition (e.g. employee benefits and share-based compensation liabilities) or liabilities that do not involve a future outlay of economic resources (e.g. deferred recognition of customer activation and connection fees; deferred gains on sale-leaseback of buildings).

2013 REVENUE MIX – 82% WIRELESS AND DATA



Operating revenues: Combined wireless revenue and wireline data revenue represented approximately 82% of consolidated revenues in 2013 (80% in 2012 and 77% in 2011). Legacy wireline voice revenues continue to be eroded by competition and technological substitution.

Net income includes income tax-related adjustments resulting from legislated income tax changes, settlements and tax reassessments for prior years, including any related interest. These adjustments negatively impacted Net income by $3 million in 2013, and positively impacted Net income by $12 million in 2012 and $21 million in 2011.

Long-term debt, current maturities: The decrease in 2013 reflects repayment of $300 million of matured Notes in June and repayment of commercial paper, mainly with the proceeds of long-term debt issues in May. The decrease in 2012 reflects repayment of commercial paper, mainly with the proceeds of a long-term debt issue in December, while repayment of $300 million of Notes in March 2012 was offset by reclassification to current liabilities of $300 million of Notes maturing in June 2013.

Long-term debt, non-current portion: The increase in 2013 reflects our second and fourth quarter re-financing activities, including Note issues of $2.5 billion and early redemption of $700 million of Notes (see *Section 7.4*). The increase in 2012 reflects the issue of $500 million of Notes in December 2012, partly offset by reclassification of $300 million of Notes that became current.

5.2 Summary of quarterly results, trends and fourth quarter recap

Summary of quarterly results

($ millions, except per share amounts)	2013 Q4	2013 Q3	2013 Q2	2013 Q1	2012 Q4	2012 Q3	2012 Q2	2012 Q1
Operating revenues	2,948	2,874	2,826	2,756	2,851	2,774	2,665	2,631
Operating expenses								
Goods and services purchased	1,349	1,237	1,222	1,154	1,330	1,222	1,152	1,116
Employee benefits expense(1)	648	602	606	568	603	562	543	534
Depreciation and amortization	461	445	446	451	478	461	456	470
Total operating expenses	2,458	2,284	2,274	2,173	2,411	2,245	2,151	2,120
Operating income(1)	490	590	552	583	440	529	514	511
Financing costs(1)	110	109	132	96	96	96	96	86
Income before income taxes(1)	380	481	420	487	344	433	418	425
Income taxes(1)	90	125	134	125	81	110	119	106
Net income and Net income attributable to equity shares(1)	290	356	286	362	263	323	299	319
Net income per equity share:(1)(2)								
Basic	0.47	0.56	0.44	0.56	0.40	0.49	0.46	0.49
Diluted	0.46	0.56	0.44	0.55	0.40	0.49	0.46	0.49
Dividends declared per equity share(2)(3)	0.36	0.34	0.34	0.32	0.32	0.305	–	0.595
Cash provided by operating activities	726	1,084	707	729	703	965	788	763
Additional information:(4)								
EBITDA(1)(4)	951	1,035	998	1,034	918	990	970	981
Restructuring and other like costs included in EBITDA(4)	33	15	39	11	19	3	13	13
EBITDA excluding restructuring and other like costs(4)	984	1,050	1,037	1,045	937	993	983	994
Free cash flow(4)	136	365	192	358	263	426	284	358

(1) Figures for 2012 have been adjusted for retrospective application of accounting standard IAS 19 *Employee benefits* (2011). See *Section 8.2*.
(2) Adjusted for the two-for-one stock split effective April 16, 2013.
(3) Dividends declared in 2012 Q1 include the first quarter dividend (29 cents per share paid April 2, 2012) and the second quarter dividend (30.5 cents per share paid July 3, 2012).
(4) See *Section 11.1 Non-GAAP financial measures*.

Trends

The consolidated revenue trend continues to reflect: (i) year-over-year growth in wireless network revenue generated from a growing subscriber base and increasing data usage; (ii) wireless equipment revenue that has declined year over year in the last two quarters, but has generally increased year over year due to increasing sales of higher-value smartphones; and (iii) year-over-year growth in wireline data revenues driven by TV, Internet and business process outsourcing services and TELUS Health, which continues to exceed the decline in legacy wireline voice and other revenues.

Increasing wireless network revenue reflects growth in data revenue (up 14% and 16% year over year in the fourth quarter and full year 2013, respectively), partly offset by declines in voice revenue (down 2.7% and 2.1% year over year in the fourth quarter and full year of 2013, respectively). Data revenue growth reflects increased data consumption driven by the proliferation of smartphones, tablets and other wireless devices, partly offset by increased use of data sharing plans. Data revenue growth also reflects increased roaming revenues. Consequently, monthly blended ARPU has increased year over year for 13 consecutive quarters. Some moderation in the data ARPU growth trend results from competitive pressures driving bigger allotments of data included in rate plans, including data sharing, and an increasing number of unlimited messaging rate plans, as well as off-loading of data traffic to increasingly available Wi-Fi hotspots. In July 2013, we introduced new two-year wireless rate plans, which may impact future revenue trends and costs of acquisition and retention, including subscribers optimizing unlimited talk and text and shared data plans, and potentially increase the frequency with which subscribers update their devices and services. As contracts signed before July 2013 expire and subscribers can only renew on the maximum two-year contracts, blended ARPU is expected to increase over time. However, the outcome is highly dependent on competitor and consumer behaviour, device selection and other factors.

Historically, there has been third and fourth quarter seasonality with respect to higher levels of wireless subscriber additions, related acquisition costs and equipment sales, and higher retention costs due to contract renewals. These impacts can also be more pronounced around iconic device launches. Wireless EBITDA typically decreases in the fourth quarter due to increased competitive intensity and seasonal loading. Subscriber additions have usually been lowest in the first quarter. Historically, monthly wireless ARPU has risen sequentially in the second and third quarters due to increased vacation season usage and roaming, and declined sequentially in the fourth and first quarters.

The trend of increasing wireline data revenue reflects the continuing expansion of our TELUS TV subscriber base (up 20% in 2013) and growth in revenue per customer, as well as growth in enhanced data, Internet and business process outsourcing services. Growth in Internet revenues reflects expansion of our high-speed Internet subscriber base (up 5.2% in 2013) as a result of bundling offers with Optik TV, as well as growth in revenue per customer. A general trend of declining wireline voice revenues and NALs is due to substitution to wireless and IP-based services and applications, as well as competition from VoIP service providers (including cable-TV competitors), resellers and facilities-based competitors. The general trend for business NALs is a decline due to increased competition in the SMB market, as well as conversion of voice lines to IP and wireless services.

The trend in the Goods and services purchased expense reflects increasing content and support costs for the growing TELUS Optik TV subscriber base, as well as third and fourth quarter wireless expense seasonality described above.

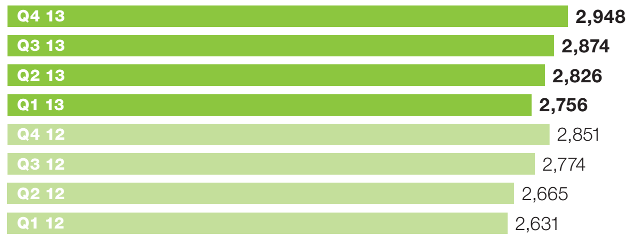
The trend in Employee benefits expenses includes higher employee-related restructuring costs in 2013, compensation increases, individually immaterial business acquisitions and targeted hiring to support wireless growth.

The sequential decrease in depreciation and amortization in the first and second quarters of 2013 resulted from minor adjustments related to our continuing program of asset life studies.

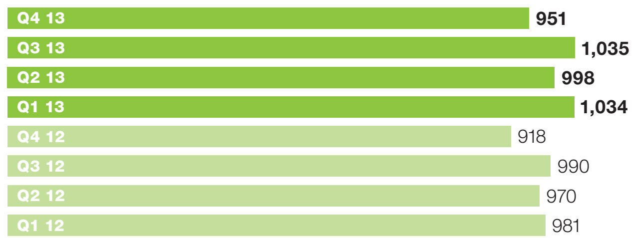
Financing costs in 2013 reflect our second and fourth quarter re-financing activities. Notably, Financing costs in the second quarter of 2013 include a $23 million long-term debt prepayment premium. In addition, Financing costs for the eight periods shown include varying amounts of foreign exchange gains or losses and varying amounts of interest income, such as interest income from the settlement of prior years' income tax-related matters of $10 million in the first quarter of 2012.

The trends in Net income and basic EPS reflect the items noted above, as well as adjustments arising from legislated income tax changes, settlements and tax reassessments for prior years, including any related after-tax interest on reassessments.

REVENUE ($ millions)



EBITDA ($ millions)



EBITDA is a non-GAAP measure.
Adjusted figures for 2012.

Income tax-related adjustments

	2013 Q4	2013 Q3	2013 Q2	2013 Q1	2012 Q4	2012 Q3	2012 Q2	2012 Q1
Net income impact ($ millions)	12	2	(22)	5	10	3	(11)	10
Basic EPS impact ($)	0.02	–	(0.03)	0.01	0.02	–	(0.02)	0.02

The trend in Cash provided by operating activities reflects growth in EBITDA, net of higher interest and income tax payments. The trend in free cash flow also reflects these factors, net of increasing capital expenditures (excluding spectrum licences) associated with our continued focus on investment in wireline and wireless broadband infrastructure, network and system resiliency and reliability to support our ongoing customers first initiatives, large enterprise deals and readying the network and systems for future retirement of legacy assets.

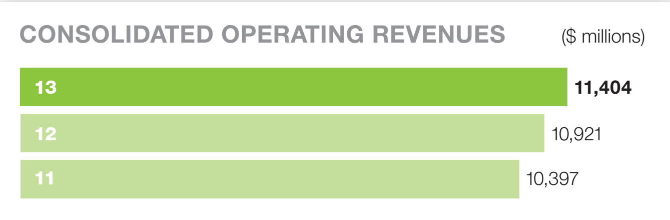
Fourth quarter recap

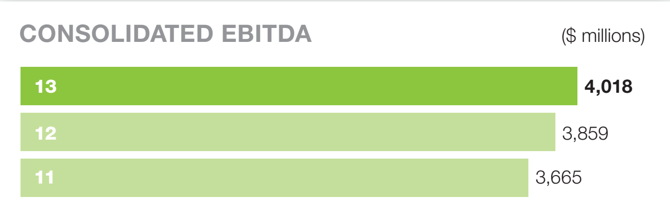
Results for the fourth quarter of 2013 were discussed in Management's review of operations contained in our February 13, 2014, news release.

- Consolidated Operating revenues increased by $97 million or 3.4% in the fourth quarter of 2013 when compared to the fourth quarter of 2012. Wireless data network revenue increased year over year by $78 million or 14% in the quarter as a result of subscriber growth and increased usage. Wireline data revenues increased year over year by $81 million or 11% in the fourth quarter due to growth in TV, Internet and business process outsourcing services and TELUS Health services. These increases were partly offset by ongoing declines in both wireless and wireline voice revenues.
- In the fourth quarter of 2013, Net income increased by $27 million or 10% and basic EPS increased by seven cents or 17.5% when compared to the fourth quarter of 2012.
- Cash provided by operating activities increased by $23 million in the fourth quarter of 2013 when compared to the same period in 2012, principally due to growth in EBITDA and favourable comparative working capital changes, which were largely offset by higher interest and income tax payments.
- Cash used by investing activities increased by $273 million in the fourth quarter of 2013 when compared to the same period in 2012, mainly due to the purchase of Public Mobile for $229 million net of cash acquired.
- Cash provided by financing activities was $365 million in the fourth quarter of 2013, composed of our $800 million long-term debt issues, net of dividend payments and repayment of commercial paper. Cash used by financing activities in the fourth quarter of 2012 was $127 million, composed of dividend payments and a reduction in outstanding commercial paper, partly offset by a $500 million long-term debt issue in December 2012.

5.3 Consolidated operations

The following is a discussion of our consolidated financial performance. Segmented information in *Note 5* of the Consolidated financial statements is regularly reported to our Chief Executive Officer (the chief operating decision-maker). We discuss the performance of our segments in *Section 5.4 Wireless segment*, *Section 5.5 Wireline segment* and *Section 7.3 Cash used by investing activities – capital expenditures*.





EBITDA is a non-GAAP measure.
Adjusted figures for 2011 and 2012.

Operating revenues

Years ended December 31 ($ millions)	2013	2012	Change
Service	10,601	10,079	5.2%
Equipment	735	773	(4.9)%
Service and equipment revenues	11,336	10,852	4.5%
Other operating income	68	69	(1.4)%
	11,404	10,921	4.4%

Consolidated Operating revenues increased by $483 million in 2013, as follows:

- Service revenue increased by $522 million in 2013, driven by wireless, TV and Internet subscriber growth and an increase in data revenues, which were partly offset by declines in both wireless and wireline voice service revenues and the number of wireline NALs.
- Equipment revenue decreased by $38 million in 2013. Wireline equipment sales declined in 2013 due to reductions in business spending, including by governments, as well as a significant negotiated equipment sale in the third quarter of 2012. Wireless equipment sales were up slightly, reflecting higher retention volumes and a greater proportion of smartphones in the sales mix.
- Other operating income is composed of regulatory high cost serving area subsidies, recovery of employee costs under eligible government-sponsored programs and recognition of amounts from the regulatory price cap deferral account, as well as any investment gains, income or losses, and any gains or losses on disposal of real estate assets.

Other operating income decreased by $1 million in 2013, as gains on investments in 2013 were offset by a reduction in government assistance and the prior-year $7 million pre-tax gain, net of equity losses, related to the TELUS Garden residential real estate partnership.

Operating expenses

Years ended December 31 ($ millions)	2013	2012	Change
Goods and services purchased	4,962	4,820	2.9%
Employee benefits expense	2,424	2,242	8.1%
Depreciation	1,380	1,422	(3.0)%
Amortization of intangible assets	423	443	(4.5)%
	9,189	8,927	2.9%

Consolidated Operating expenses increased by $262 million in 2013, as follows:

- Goods and services purchased increased by $142 million in 2013. The increase reflects higher programming costs for TV services and an increase in network and support costs for the growing wireless subscriber base, partly offset by a reduction in wireless marketing expenses and lower cost of goods sold associated with the decline in wireline equipment sales.
- Employee benefits expense increased by $182 million in 2013, mainly due to higher compensation and benefit costs, an increase in restructuring costs for employee-related initiatives, and operations from individually immaterial acquisitions.
- Depreciation expense decreased by $42 million in 2013. The decrease was mainly due to adjustments in 2013 and 2012 resulting from our continuing program of asset life studies, and was partly offset by growth in capital assets (such as broadband- and TV-related assets, the wireless LTE network and IDCs).
- Amortization of intangible assets decreased by $20 million in 2013. The decrease was due to prior-year adjustments resulting from our continuing program of asset life studies and an increase in fully amortized software assets, partly offset by increases related to new administrative and network software assets and acquisitions.

In December 2013, we carried out our annual impairment testing for intangible assets and goodwill. It was determined that there were no impairments. See the related discussion in *Section 8.1 Critical accounting estimates*.

Operating income

Years ended December 31 ($ millions)	2013	2012	Change
	2,215	1,994	11.1%

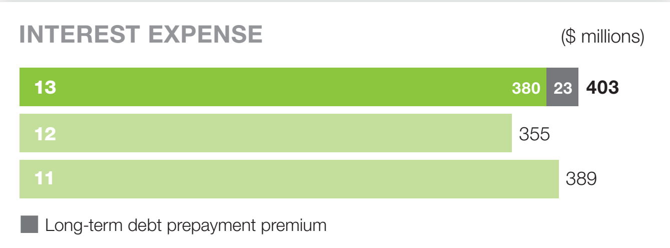
Operating income increased by $221 million in 2013, composed of a $146 million increase in wireless EBITDA, a $13 million increase in wireline EBITDA and a $62 million decrease in total depreciation and amortization expenses.

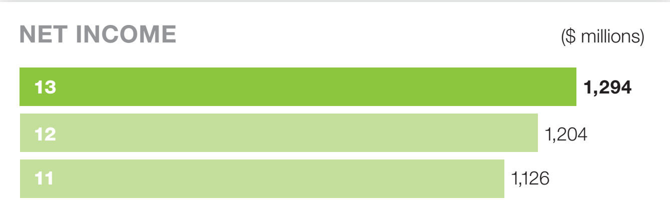
Financing costs

Years ended December 31 ($ millions)	2013	2012	Change
Interest expense before long-term debt prepayment premium	380	355	7.0%
Long-term debt prepayment premium	23	–	n/m
Employee defined benefit plans net interest	54	42	28.6%
Interest (income) and foreign exchange (gains)	(10)	(23)	56.5%
	447	374	19.5%

Financing costs increased by $73 million in 2013, mainly due to our re-financing activities in the second and fourth quarters of 2013, which increased our long-term debt outstanding and reduced near-term re-financing risk by extending our average term to maturity of long-term debt to 9.4 years at December 31, 2013, from 5.5 years one year earlier. Our weighted average interest rate on long-term debt (excluding commercial paper) was 5.00% at December 31, 2013, as compared to 5.27% one year earlier. For additional details, see *Long-term debt issues and repayments* in *Section 7.4*.

- **Interest expense** increased by $25 million in 2013, mainly due to the increase in long-term debt and repayment of low-rate commercial paper.
- **Long-term debt prepayment premium** is a $23 million expense before income taxes resulting from our redemption in May 2013 of $700 million of Series CF 4.95% Notes one year ahead of their original maturity.
- **Employee defined benefit plans net interest expense** is calculated for the periods in 2013 and 2012 based on the respective net defined benefit liabilities at December 31, 2012 and 2011. The increase in 2013 reflects an increase in the net defined benefit liability in 2012, which was only partly offset by the decrease in the discount rate. Employee defined benefit pension plans net interest in 2014 is expected to decrease to a nominal amount. This results from the net employee defined benefit pension plan deficit switching to a nominal surplus, due to strong returns in 2013 and application of a higher discount rate at December 31, 2013, net of an increase in life expectancy assumptions.





Adjusted figures for 2011 and 2012.

- **Interest income and foreign exchange gains** fluctuate from period to period. Interest income was $8 million in 2013 (including $4 million from the settlement of prior years' income tax-related matters), as compared to interest income of $15 million in 2012 (including $14 million from the settlement of prior years' income tax-related matters). The balances of amounts were net foreign exchange gains.

Income taxes

Years ended December 31 ($ millions, except tax rates)	2013	2012	Change
Basic blended income tax expense at weighted average statutory income tax rates	461	415	11.1%
Tax rate differential on, and consequential adjustments from, reassessments of prior years' tax issues	22	12	83.3%
Revaluation of deferred income tax liability to reflect future statutory income tax rates	(14)	(13)	(7.7)%
Other	5	2	150.0%
	474	416	13.9%
Blended federal and provincial statutory tax rates (%)	26.1	25.7	0.4 pts.
Effective tax rates (%)	26.8	25.7	1.1 pts.

Basic blended income tax at weighted average statutory income tax rates increased by $46 million in 2013 due to growth in pre-tax income and the increase in the B.C. provincial statutory income tax rate from 10% to 11% effective April 1, 2013. Revaluation of deferred income tax liabilities in 2013 resulted from the B.C. provincial corporate income tax rate increase, while in 2012, revaluation of deferred income tax liabilities resulted from the elimination of previously enacted reductions in Ontario provincial corporate income tax rates in the second quarter of 2012.

Comprehensive income

Years ended December 31 ($ millions)	2013	2012	Change
Net income	1,294	1,204	7.5%
Other comprehensive income (loss):			
Items that may be subsequently reclassified to income	(9)	29	n/m
Item never subsequently reclassified to income – Employee defined benefit plans re-measurements	998	(286)	n/m
Comprehensive income	2,283	947	141.1%

Comprehensive income increased by $1.3 billion in 2013, including a $90 million increase in Net income (see *Operating highlights* in *Section 1.3*). The increase was primarily due to employee defined benefit plans re-measurements resulting from strong returns on plan assets and an increase in the discount rate, net of an increase in life expectancy assumptions. Items that may be subsequently reclassified to income are composed of changes in the unrealized fair value of derivatives designated as cash flow hedges, foreign currency translation adjustments arising from translating financial statements of foreign operations, and changes in the unrealized fair value of available-for-sale investments.

5.4 Wireless segment

Wireless operating indicators (excluding Public Mobile)[1]

At December 31	2013	2012	Change
Subscribers[1][2] (000s):			
Postpaid	6,751	6,543	3.2%
Prepaid	1,056	1,127	(6.3)%
Total	7,807	7,670	1.8%
Postpaid proportion of subscriber base[1][2] (%)	86.5	85.3	1.2 pts.
HSPA+ population coverage[3] (millions)	34.9	34.3	1.7%
LTE population coverage[3] (millions)	28.8	23.9	20.5%

Years ended December 31	2013	2012	Change
Subscriber gross additions[1][2] (000s):			
Postpaid	1,118	1,174	(4.8)%
Prepaid	496	472	5.1%
Total	1,614	1,646	(1.9)%
Subscriber net additions[1][2] (000s):			
Postpaid	378	414	(8.7)%
Prepaid	(71)	(83)	14.5%
Total	307	331	(7.3)%
ARPU, per month[1][4] ($)			
Voice	34.39	36.39	(5.5)%
Data	26.99	24.00	12.5%
Blended	61.38	60.39	1.6%
Churn, per month[1][4] (%)			
Blended	1.41	1.47	(0.06) pts.
Postpaid	1.03	1.09	(0.06) pts.
COA[5] per gross subscriber addition[1][4] ($)	400	408	(2.0)%
Retention spend to network revenue[1][4] (%)	11.4	11.4	–

(1) Where noted, wireless operating indicators exclude those of Public Mobile (acquired on November 29, 2013). Public Mobile had approximately 222,000 subscribers at December 31, 2013, all of which were prepaid subscribers.
(2) Effective with the second quarter of 2013 and on a prospective basis, M2M subscriptions have been excluded from all subscriber-based measures. Cumulative subscribers include an April 1, 2013, opening balance adjustment to remove approximately 76,000 M2M subscriptions. Effective with the fourth quarter of 2013, and on a prospective basis, we have adjusted postpaid wireless subscribers to remove Mike subscriptions, as we have ceased marketing the Mike product and started to turn down the iDEN network. Cumulative subscriber connections include an October 1, 2013 adjustment to remove from the postpaid wireless subscriber base approximately 94,000 Mike subscribers representing those who, in our judgment, are unlikely to migrate to our new services.
(3) Including network access agreements.
(4) See *Section 11.2 Wireless operating indicators*. These are industry measures useful in assessing operating performance of a wireless company, but are not measures defined under IFRS-IASB.
(5) Cost of acquisition.

WIRELESS NETWORK REVENUE ($ millions)

WIRELESS EBITDA ($ millions)

Adjusted figures for 2011 and 2012.

Operating revenues – Wireless segment

Years ended December 31 ($ in millions, except ratios)	2013	2012	Change
Voice	3,172	3,241	(2.1)%
Data	2,469	2,126	16.1%
Network revenues	5,641	5,367	5.1%
Equipment and other	489	478	2.3%
External operating revenues	6,130	5,845	4.9%
Intersegment network revenue	47	41	14.6%
Total operating revenues[1]	6,177	5,886	4.9%
Data revenue to network revenues (%)	44	40	4 pts.

(1) Includes Public Mobile revenues of $9 million, composed of network revenues of $7 million and equipment and other revenues of $2 million.

Wireless segment revenues increased by $291 million or 4.9% in 2013 driven by growth in data network revenue, offset by a moderate decline in voice network revenue. Included in the total are Public Mobile's network, equipment and other revenues of $9 million for the post-acquisition period from November 29 to December 31, 2013.

Network revenues from external customers increased by $274 million in 2013.

- Voice network revenue, which includes $7 million from Public Mobile, decreased by $69 million in 2013. Voice ARPU, excluding Public Mobile, was $34.39 in 2013, reflecting a decrease of $2.00 or 5.5% from 2012. The decline in voice ARPU is due to the increased use of included-minute plans for both local and long distance calling, an increasing volume of mobile Internet connection devices and tablet subscriptions where there are no voice revenues, lower voice roaming prices, and greater penetration by the lower-ARPU Koodo brand, partly offset by increased roaming volumes and rate increases for minutes outside of plan limits.
- Data network revenue, which included a nominal amount from Public Mobile, increased by $343 million in 2013. The increase reflects subscriber growth and increased usage from high smartphone adoption rates, the expansion of coverage of our LTE network, and continued growth in data roaming revenues due to increased roaming volumes. Data ARPU, excluding Public Mobile, was $26.99 in 2013, reflecting a $2.99 or 12% increase from 2012.

- Excluding Public Mobile, monthly blended ARPU was $61.38 in 2013, reflecting a $0.99 or 1.6% increase from 2012. The increase was due to a change in the subscriber mix and growth in data usage and roaming, partly offset by a decline in voice ARPU and greater penetration by the lower-ARPU Koodo brand.
- Excluding Public Mobile, gross subscriber additions were 1,614,000 in 2013, a decrease of 32,000 from 2012. Postpaid gross additions were 1,118,000 in 2013, reflecting a year-over-year decrease of 56,000 from 2012, due to slower market growth and continued competitive intensity. Prepaid gross additions were 496,000 in 2013, reflecting a year-over-year increase of 24,000 from 2012, mainly due to loading activity on Koodo brand prepaid services that were introduced in August 2012.
- Excluding Public Mobile, net subscriber additions were 307,000 in 2013, a decrease of 24,000 from 2012. Postpaid net additions were 378,000 in 2013, reflecting a decrease of 36,000 from 2012 due to factors described in gross subscriber additions, partly offset by lower subscriber churn and a change in the subscriber mix. Net reductions in prepaid subscribers were 71,000 in 2013, as compared to 83,000 in 2012. The improvement was primarily due to new subscribers attracted to Koodo brand prepaid services. Combined prepaid losses reflect conversions to postpaid services, as well as continued competitive intensity related to the lower entry cost of postpaid plans.
- Excluding Public Mobile, the blended monthly wireless subscriber churn rate was 1.41% in 2013 (1.47% in 2012). The improvement in the blended churn rate resulted from our continuing customers first initiatives and Clear and Simple approach, which differentiate TELUS in an intensely competitive market, as well as a greater proportion of postpaid clients in our subscriber base. Despite slower market growth and promotions from other incumbents and AWS entrants, our average monthly postpaid churn rate remained low at 1.03% in 2013, down from 1.09% in 2012.

Equipment and other revenues, which include $2 million from Public Mobile, increased by $11 million in 2013. The increase resulted mainly from higher retention volumes and a greater proportion of smartphones in the sales mix, partly offset by lower gross loadings and the elimination of activation and renewal fees beginning in the fourth quarter of 2012.

- Smartphone subscribers represented 77% of the postpaid subscriber base at December 31, 2013, as compared to 66% one year earlier. Smartphone subscribers generate significantly higher ARPU and have lower churn than those with messaging and voice-only devices, but have higher costs of acquisition and retention resulting from the large device subsidies related to multiple-year contract sales or renewals. A greater proportion of smartphones in the sales mix is expected to continue to positively impact future data revenue growth, ARPU and churn rates, which increase expected lifetime revenue per customer.

Intersegment network revenue represents services provided to the wireline segment. These revenues are eliminated upon consolidation along with the associated expenses in the wireline segment.

Operating expenses – Wireless segment

Years ended December 31 ($ in millions)	2013	2012	Change
Goods and services purchased:			
Equipment sales expenses	1,279	1,257	1.8%
Network operating expenses	707	674	4.9%
Marketing expenses	423	431	(1.9)%
Other(1)(2)	507	461	10.0%
Employee benefits expense(1)	657	605	8.6%
Total operating expenses(2)	3,573	3,428	4.2%

(1) Includes restructuring and other like costs. See *Investing in internal capabilities* in *Section 2.2*.
(2) Includes Public Mobile-related operating expenses totalling $19 million, of which $8 million is restructuring and other like costs.

Wireless segment expenses increased by $145 million in 2013. Public Mobile operating expenses were $19 million for the post-acquisition period from November 29 to December 31, 2013.

Equipment sales expenses, which include $3 million related to Public Mobile, increased year over year by $22 million in 2013, reflecting higher retention volumes, as well as an increase in the proportion of smartphones sold to new and existing customers.

- Retention costs as a percentage of network revenue were 11.4% in both 2013 and 2012.
- COA per gross subscriber addition was $400 in 2013, reflecting a decrease of $8 from 2012. The decrease was mainly due to promotional discipline and lower per-unit subsidy costs, partly offset by higher commissions due to a greater proportion of smartphones in the sales mix.

Network operating expenses, which include $4 million related to Public Mobile, increased by $33 million in 2013 due to growth in data roaming volumes, as cost increases associated with LTE network expansion and a one-time roaming-related settlement recovery in the second quarter of 2012 were partly offset by reduced roaming revenue-share rates and lower licensing costs.

Marketing expenses, which include a nominal amount related to Public Mobile, decreased year over year by $8 million in 2013. Overall, we reduced spending, as commissions declined to reflect lower levels of gross subscriber additions.

Other goods and services purchased increased by $46 million in 2013 due to increases in restructuring and other like costs associated with real estate consolidation and business acquisition activity, including $8 million related to Public Mobile, as well as increases in external labour costs and administrative costs to support the growing subscriber base.

Employee benefits expense, which includes $3 million related to Public Mobile, increased by $52 million in 2013 due to higher compensation and benefit costs, an increase in the number of full-time equivalent employees to provide customer service and technical support for a growing subscriber base, and greater smartphone adoption.

EBITDA – Wireless segment

Years ended December 31 ($ millions, except margins)	2013	2012	Change
EBITDA[1]	2,604	2,458	5.9%
Restructuring and other like costs included in EBITDA[2]	30	13	130.8%
EBITDA – excluding restructuring and other like costs	2,634	2,471	6.6%
EBITDA margin (%)	42.1	41.8	0.3 pts.
EBITDA to total network revenue[3] (%)	45.8	45.4	0.4 pts.
EBITDA – excluding restructuring and other like costs, to total network revenue (%)	46.3	45.7	0.6 pts.

(1) Includes negative $10 million EBITDA impact of Public Mobile in the fourth quarter and full year of 2013.
(2) Includes $8 million related to Public Mobile.
(3) Total network revenue includes intersegment network revenue.

In 2013, wireless EBITDA increased by $146 million or 5.9%. The acquisition of Public Mobile reduced wireless EBITDA by $10 million in 2013. Wireless EBITDA excluding Public Mobile was $2,614 million in 2013, an increase of 6.3%. Wireless EBITDA – excluding restructuring and other like costs increased year over year by $163 million or 6.6% in 2013. The increases reflect network revenue growth and increased flowthrough to EBITDA, despite higher data roaming costs and an increase in labour costs to support a larger subscriber base.

5.5 Wireline segment

Wireline operating indicators

At December 31 (000s)	2013	2012	Change
High-speed Internet subscribers	1,395	1,326	5.2%
TELUS TV subscribers	815	678	20.2%
Network access lines (NALs):			
Residential	1,643	1,767	(7.0)%
Business	1,611	1,639	(1.7)%
Total NALs	3,254	3,406	(4.5)%

Years ended December 31 (000s)	2013	2012	Change
High-speed Internet subscriber net additions	69	84	(17.9)%
TELUS TV subscriber net additions	137	169	(18.9)%
Net NAL losses:			
Residential	(124)	(148)	(16.2)%
Business	(28)	(39)	(28.2)%
Total NAL losses	(152)	(187)	(18.7)%

WIRELINE EXTERNAL REVENUE ($ millions)

WIRELINE EBITDA ($ millions)

Adjusted figures for 2011 and 2012.

Operating revenues – Wireline segment

Years ended December 31 ($ in millions)	2013	2012	Change
Data service and equipment	3,208	2,896	10.8%
Voice local service	1,335	1,416	(5.7)%
Voice long distance service	400	425	(5.9)%
Other services and equipment	267	272	(1.8)%
Service and equipment revenues	5,210	5,009	4.0%
Other operating income	64	67	(4.5)%
External operating revenues	5,274	5,076	3.9%
Intersegment revenue	169	170	(0.6)%
Total operating revenues	5,443	5,246	3.8%

Total wireline segment revenues increased by $197 million or 3.8% in 2013, driven by continued growth in data revenue, partly offset by ongoing declines in legacy voice revenues.

Service and equipment revenues increased by $201 million in 2013.

- Data service and equipment revenues increased by $312 million in 2013 primarily due to: (i) an increase in TELUS TV revenues resulting from 20% subscriber growth and higher revenue per customer; (ii) increased Internet and enhanced data service revenues due to a 5.2% increase in high-speed Internet subscribers, higher revenue per customer and business service growth; (iii) growth in international business process outsourcing services provided to business customers; and (iv) growth in TELUS Health revenues. These increases were partly offset by declines in videoconferencing revenues, as well as a decrease in data equipment sales due to reductions in business spending, including by governments, and a negotiated equipment sale in the third quarter of 2012.
- Net additions of high-speed Internet subscribers and TELUS TV subscribers in 2013 declined slightly from 2012, as market growth matures. Continued focus on expanding our addressable Optik TV and high-speed Internet footprint, combined with bundling these services together, have resulted in a combined subscriber growth of more than 10% in 2013.
- Voice local service revenue decreased by $81 million in 2013 due to the ongoing decline in legacy revenues, reflecting a 4.5% decline in NALs in the year.
- Residential NAL losses in 2013 reflect the ongoing trend of substitution to wireless and Internet-based services, including losses to competitors. For 2013, the year-over-year reduction in NAL losses of 24,000 reflects our continuing customers first initiatives aimed at improving the customer experience and increasing our customers' likelihood to recommend TELUS, as well as prior-year losses in the first quarter of 2012 as a result of heavily discounted promotions by Shaw Communications in B.C. and Alberta.
- Business NAL losses continue to reflect technological substitution and increased competition in the small and medium-sized business sector, but have moderated, reflecting our efforts to improve the customer experience, as well as growth related to the resource industry. Business NAL losses in 2013 improved by 11,000 when compared to 2012.
- Voice long distance service revenue decreased $25 million in 2013, due to ongoing technological substitution to wireless and Internet-based services, competition and losses of local subscribers, partly offset by certain rate increases in the first quarter of 2013.
- Other service and equipment revenues decreased by $5 million in 2013 mainly due to lower sales of voice equipment.

Other operating income decreased by $3 million in 2013, as gains on investments in 2013 were offset by a reduction in government assistance and the prior-year $7 million pre-tax gain, net of equity losses, related to the TELUS Garden residential real estate partnership.

Intersegment revenue represents services provided to the wireless segment. These revenues are eliminated upon consolidation together with the associated expenses in the wireless segment.

Operating expenses – Wireline segment

Years ended December 31 ($ millions)	2013	2012	Changes
Goods and services purchased[1]	2,262	2,208	2.4%
Employee benefits expense[1]	1,767	1,637	7.9%
Total operating expenses	4,029	3,845	4.8%

(1) Includes restructuring and other like costs. See *Investing in internal capabilities* in *Section 2.2.*

Total operating expenses increased by $184 million in 2013.

- Goods and services expenses increased by $54 million in 2013, mainly reflecting higher programming costs for TELUS TV services, partly offset by a decrease in equipment cost of sales due to reductions in business spending, including by governments, and a negotiated equipment sale in the third quarter of 2012.
- Employee benefits expense increased by $130 million in 2013, due to higher compensation and benefit costs, an increase in restructuring costs for employee-related initiatives, and the expansion of business process outsourcing services for business customers, partly offset by higher capitalization of labour and a decrease in domestic full-time equivalent staff over the past year, resulting from our efficiency initiatives. Restructuring and other like costs included in Employee benefits expense were $62 million in 2013, an increase of $33 million from 2012.

EBITDA – Wireline segment

Years ended December 31 ($ millions, except margins)	2013	2012	Changes
EBITDA	1,414	1,401	0.9%
Restructuring and other like costs included in EBITDA	68	35	94.3%
EBITDA – excluding restructuring and other like costs	1,482	1,436	3.2%
EBITDA margin (%)	26.0	26.7	(0.7) pts.
EBITDA – excluding restructuring and other like costs margin (%)	27.2	27.4	(0.2) pts.

In 2013, wireline EBITDA increased by $13 million or 0.9%, while wireline EBITDA – excluding restructuring and other like costs increased by $46 million or 3.2%. This resulted from improvements in high-speed Internet and TELUS TV revenues due to subscriptions coming off of introductory rates, subscriber growth and certain rate increases, as well as savings from our operational efficiency initiatives, net of higher TV programming costs and the one-time impact of severe flooding in Southern Alberta in June 2013 ($7 million). EBITDA margins, excluding restructuring and other like costs, were relatively flat as growth in lower-margin data services, such as high-speed Internet and TELUS TV, offset declines in higher-margin legacy voice services.

6 Changes in financial position

Financial position at December 31 ($ millions)	2013	2012	Change ($ millions)	Change (%)	Changes during the year ended December 31, 2013, include:
Current assets					
Cash and temporary investments, net	336	107	229	n/m	See *Section 7: Liquidity and capital resources*
Accounts receivable	1,461	1,541	(80)	(5)	A decrease in days outstanding in wireless and wireline receivables, and refunds of commodity taxes
Income and other taxes receivable	32	25	7	28	An increase in investment tax credits receivable
Inventories	326	350	(24)	(7)	A decrease in wireless handsets and accessories on hand, partially offset by an increase in the average handset cost
Prepaid expenses	168	178	(10)	(6)	A decrease in prepaid amounts for the Kamloops IDC and a reclassification of share conversion costs to Common equity, partly offset by an increase in maintenance contracts
Derivative assets	6	9	(3)	(33)	Fair value adjustments related to operational hedges and hedges of restricted share units
Current liabilities					
Short-term borrowings	400	402	(2)	–	Amounts in both periods include $400 million received by TELUS from an arm's-length securitization trust in respect of securitized trade receivables (see *Section 7.7*)
Accounts payable and accrued liabilities	1,735	1,511	224	15	A $75 million accrued liability for our 2014 NCIB program, as well as increases in TV content costs, interest payable and payroll and other employee-related liabilities
Income and other taxes payable	102	102	–	–	Current income tax expense in 2013, offset by instalment payments and accruals for investment tax credits and interest
Dividends payable	222	208	14	7	An increase in the dividend rate was partly offset by a decrease in the number of shares outstanding as a result of our 2013 NCIB program
Advance billings and customer deposits	729	703	26	4	Wireline subscriber growth and an increase in advance billings to wireless dealers
Provisions	110	49	61	124	Recording of Public Mobile acquisition-related provisions, as well as restructuring accruals exceeding restructuring payments in 2013
Current maturities of long-term debt	–	545	(545)	(100)	Repayment of $300 million of TELUS Corporation Notes that matured in June and net repayments of $245 million of commercial paper outstanding at December 31, 2012
Current derivative liabilities	1	–	1	n/m	–
Working capital (Current assets subtracting Current liabilities)	(970)	(1,310)	340	26	An increase in Cash and temporary investments and repayment of current maturities of long-term debt facilitated by long-term debt issues, net of increases in Accounts payable and accrued liabilities

Financial position at December 31 ($ millions)	2013	2012	Change ($ millions)	Change (%)	Changes during the year ended December 31, 2013, include:
Non-current assets					
Property, plant and equipment, net	8,428	8,165	263	3	See *Capital expenditures* in *Section 7.3 Cash used by investing activities* and *Depreciation* in *Section 5.3*
Intangible assets, net	6,531	6,181	350	6	See *Capital expenditures* in *Section 7.3 Cash used by investing activities* and *Amortization of intangible assets* in *Section 5.3*. Included in the balances are spectrum licences of $5,168 million for 2013, including Public Mobile, and $4,876 million for 2012
Goodwill, net	3,737	3,702	35	1	Acquisitions of Public Mobile, an EMR provider and several smaller entities
Real estate joint ventures	11	11	–	–	See *Transactions between related parties* in *Section 7.11*
Other long-term assets	530	176	354	n/m	A pension asset reclassification from Other long-term liabilities as a result of returns on plan assets creating an overall nominal surplus in the aggregate pension plans, and a receivable from the TELUS Garden real estate joint venture, net of fair value adjustments for available-for-sale financial assets
Non-current liabilities					
Provisions	219	222	(3)	(1)	A decrease in asset retirement obligations, net of additions for the Public Mobile acquisition
Long-term debt	7,493	5,711	1,782	31	Public issue of $1.7 billion of Notes in two series on April 1, early redemption of $700 million of Notes in May and public issue of $800 million of Notes in two series on November 26. See *Section 7.4 Cash used by financing activities*
Other long-term liabilities	649	1,682	(1,033)	(61)	A decrease in pension and post-retirement liabilities resulting from returns on plan assets, funding and an increase in the discount rate
Deferred income taxes	1,891	1,624	267	16	Deferred income tax expense arising from increases in temporary differences and revaluation of the deferred income tax liability for the B.C. provincial income tax rate increase
Owners' equity					
Common equity	8,015	7,686	329	4	Net income of $1,294 million and Other comprehensive income of $989 million, net of dividend declarations of $866 million, 2013 NCIB purchases of $1.0 billion and the $75 million liability for the automatic share purchase plan commitment pursuant to the 2014 NCIB

7 Liquidity and capital resources

Our discussion in this section is qualified in its entirety by the *Caution regarding forward-looking statements* at the beginning of the MD&A.

7.1 Overview

In 2013 and 2012, we generated annual cash flow from operations in excess of annual capital investment needed to support business growth and reinvest in technology. We returned cash to shareholders through semi-annual increases in the dividend rate for both years, consistent with our policy, and in 2013, completed a $1 billion NCIB. We carried out re-financing activities in 2013 that extended the average term to maturity of long-term debt to 9.4 years from 5.5 years in 2012, which reduced re-financing risk. Our capital structure financial policies, financing plan and results are described in *Section 4.3*.

Cash flows

Years ended December 31 ($ millions)	2013	2012	Change
Cash provided by operating activities	3,246	3,219	0.8%
Cash (used) by investing activities	(2,389)	(2,058)	(16.1)%
Cash (used) by financing activities	(628)	(1,100)	42.9%
Increase in cash and temporary investments, net	229	61	n/m
Cash and temporary investments, net, beginning of period	107	46	132.6%
Cash and temporary investments, net, end of period	336	107	n/m

7.2 Cash provided by operating activities

Cash provided by operating activities increased by $27 million in 2013.

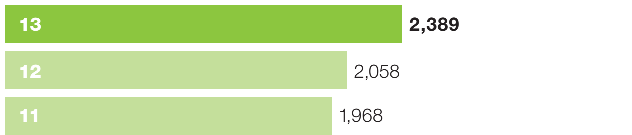
Analysis of changes in cash provided by operating activities

Years ended December 31 ($ millions)	2013	2012	Change
EBITDA (see *Section 5.4* and *Section 5.5*)	4,018	3,859	159
Restructuring disbursements, net of restructuring costs	9	(4)	13
Employee defined benefit plans expense	108	103	5
Employer contributions to employee defined benefit plans	(200)	(173)	(27)
Interest paid, including $23 million long-term debt prepayment premium in May 2013	(364)	(337)	(27)
Interest received	4	13	(9)
Income taxes paid, net of refunds received	(438)	(150)	(288)
Other operating working capital changes	109	(92)	201
Cash provided by operating activities	3,246	3,219	27

- Income taxes paid net of recoveries received increased in 2013, reflecting an increase in instalment payments resulting from a larger tax instalment base, lower income tax recoveries in 2013 and a larger first quarter final payment in respect of preceding year income taxes.
- Other operating working capital changes include decreases in Inventories, Prepaid expenses and Accounts receivable in the year ended December 31, 2013 (see *Section 6 Changes in financial position*).

CASH PROVIDED BY OPERATING ACTIVITIES ($ millions)

CASH USED BY INVESTING ACTIVITIES ($ millions)



7.3 Cash used by investing activities

Cash used by investing activities increased by $331 million in 2013, and included the following:

- We purchased spectrum licences from a third party for $67 million in 2013, after receiving approval from Industry Canada.
- We made several business acquisitions and related investments in 2013, which complemented our existing lines of business, for a total of $261 million, including Public Mobile in November 2013 for $229 million net of cash acquired (2012 – $53 million).
- Our advances and contributions to real estate joint ventures, net of receipts, were $23 million in 2013 (2012 – $26 million).
- In 2013, we received proceeds of $12 million from the sale of portfolio investments, while in 2012, we received proceeds of $20 million from the sale of land and investments, including $14 million related to foreign assets.
- Cash payments for capital assets (excluding spectrum licences) were $2,035 million in 2013, an increase of $85 million from 2012, composed of:
  - A $129 million increase in capital expenditures, discussed further after the following table
  - Comparative changes of $(52) million in working capital to reflect payment timing differences in respect of capital expenditures
  - Comparative net effects of $8 million in asset retirement obligations included in capital expenditures.

Capital expenditure measures

Years ended December 31 ($ millions, except capital intensity)	2013	2012	Change
Capital expenditures excluding spectrum licences[1]			
Wireless	712	711	0.1%
Wireline	1,398	1,270	10.1%
	2,110	1,981	6.5%
EBITDA less capital expenditures (excluding spectrum licences)[2]	1,908	1,878	1.6%
Wireless segment capital intensity (%)	12	12	–
Wireline segment capital intensity (%)	26	24	2 pts.
Consolidated capital intensity[2] (%)	19	18	1 pt.

(1) Capital expenditures include assets purchased, but not yet paid for, and therefore differ from Cash payments for capital assets, as presented on the Consolidated statements of cash flows. See *Note 25(b)* of the Consolidated financial statements.
(2) See calculation and description in *Section 11.1 Non-GAAP financial measures*.

- Wireless capital expenditures increased slightly in 2013 due to investments in expanded coverage, enhanced capacity, supporting systems and backhaul facilities of our networks, offset by a reduction in expenditures for our accelerated 4G LTE network build-out in 2012 and wireless segment investments related to the opening of two IDCs (one in 2012 and one in 2013). Wireless capital intensity was 12% in 2013, unchanged from 2012.

  The wireless cash flow proxy (EBITDA less capital expenditures) was $1,892 million in 2013, as compared to $1,747 million in 2012, for an increase of $145 million or 8.3% mainly due to higher EBITDA.

CONSOLIDATED CAPITAL EXPENDITURES* ($ millions)

*Excluding spectrum licences.

- Wireline capital expenditures increased by $128 million in 2013 due to ongoing investments in broadband infrastructure, including connecting more homes and businesses directly with fibre-optic cable, as well as growth in large enterprise services and continuing investments in network and systems resiliency and reliability, which were partly offset by a reduction in wireline segment investments related to the opening of two IDCs (one in 2012 and one in 2013). Our investments in broadband infrastructure support TV and high-speed Internet subscriber growth and faster Internet speeds, as well as extending the reach of our TELUS Health solutions. In addition, we are investing in additional functionality for administrative, client care and service delivery systems. Wireline capital intensity was 26% in 2013, up from 24% in 2012.

  The wireline cash flow proxy (EBITDA less capital expenditures) was $16 million in 2013, down from $131 million in 2012, reflecting a decrease of $115 million or 88%. The decrease was due to increased restructuring and other like costs and an increase in capital expenditures.

7.4 Cash used by financing activities

Net cash used by financing activities was $628 million in 2013 and $1,100 million in 2012. Financing activities included the following:

Dividends paid to the holders of equity shares

Dividends paid to the holders of TELUS shares were $852 million in 2013, an increase of $78 million from 2012. The increase primarily reflects higher dividend rates under our dividend growth program, partly offset by a reduction in the number of outstanding shares reflecting shares purchased and cancelled under our 2013 NCIB program.

Purchase of Common Shares for cancellation

We purchased approximately 31.2 million shares under our 2013 NCIB program through September 24, 2013, for the maximum $1 billion authorized for 2013. The shares purchased represented approximately 4.8% of the outstanding Common Shares prior to commencement of the NCIB in May 2013. See *Section 4.3* for details of our planned ongoing share purchase program through 2016.

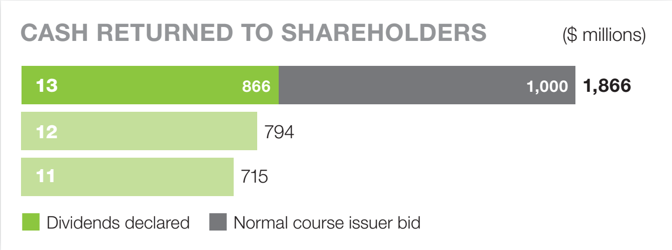
Normal course issuer bid in 2013

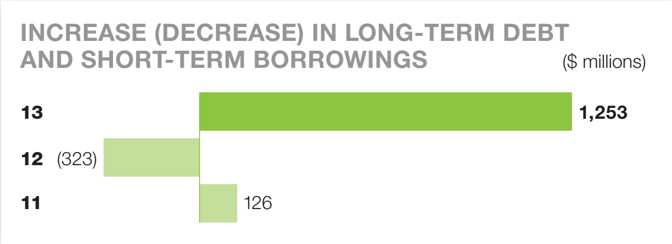
Period	Common Shares purchased and cancelled	Average purchase price per share ($)	Purchase costs ($ millions)	Accounts payable ($ millions)	Cash outflow ($ millions)
Second quarter	8,420,800	33.40	281	(43)	238
Third quarter	22,759,812	31.58	719	43	762
Total	31,180,612	32.07	1,000	–	1,000

In January 2014, we purchased, by way of the ASPP, 590,400 Common Shares for cancellation under our 2014 NCIB. We recorded a $75 million liability at December 31, 2013, for this ASPP commitment.

Normal course issuer bid in 2014

Period	Common Shares purchased and cancelled	Average purchase price per share ($)	Purchase costs ($ millions)
January	590,400	37.14	22





Long-term debt issues and repayments

Net repayments of $1,255 million in 2013 were composed of:

- An April 1, 2013, public issue of $1.7 billion of senior unsecured TELUS Corporation Notes in two series: $1.1 billion of 11-year 3.35% Series CK Notes and $600 million of 30-year 4.40% Series CL Notes. The net proceeds of these issues were used to: (i) fund the early redemption on May 15, 2013, of $700 million of 4.95% Series CF Notes one year ahead of their maturity; (ii) fund the June 2013 maturity of $300 million of 5.00% Series CB Notes; and (iii) repay outstanding commercial paper by June 30, 2013. The remaining proceeds were used for general working capital purposes.
- A November 26, 2013, public issue of $800 million of senior unsecured TELUS Corporation Notes in two series: $400 million of seven-year 3.60% Series CM Notes and $400 million of 30-year 5.15% Series CN Notes. The net proceeds of these issues were used to fund the acquisition of 100% of Public Mobile and repay $290 million of commercial paper outstanding on November 26, 2013. The remaining proceeds are to be used for other general corporate purposes.
- The Notes issued on April 1 and November 26 may be redeemed in whole at any time, or in part from time to time, and contain certain change of control provisions.
- A $245 million net decrease in commercial paper during 2013 to $Nil at December 31, 2013. Commercial paper balances during the year were: $174 million at March 31, 2013, $Nil at June 30, 2013, and $205 million at September 30, 2013.
- These activities reduced financing risk by increasing the average term to maturity of our debt to 9.4 years at December 31, 2013, from 5.5 years at December 31, 2012. Our weighted average interest rate on long-term debt was 5.00% at December 31, 2013, as compared to 5.27% one year earlier.

Net repayments of $321 million in 2012 were composed of:

- Repayment in March of $300 million of matured 4.5% Series CC Notes.
- A $521 million decrease in commercial paper during the year to a balance of $245 million at December 31, 2012, partly funded from the issue of Notes in December 2012.
- A $500 million public offering of 10-year 3.35% Series CJ Notes in December 2012.

No amounts were drawn against our revolving credit facility in 2013 or 2012. Our commercial paper program provides low-cost funds and is fully backed up by our committed credit facility. (See *Section 7.6 Credit facilities*.)

7.5 Liquidity and capital resource measures

Net debt was $7,592 million at December 31, 2013, an increase of $1,015 million when compared to one year earlier, resulting from our re-financing activities in the second and fourth quarters, as discussed above, net of increased cash.

Fixed-rate debt as a proportion of total indebtedness was 95% at December 31, 2013, up from 90% one year earlier due to the repayment of commercial paper.

Total capitalization – book value was $15,576 million at December 31, 2013, an increase of $1,353 million from one year earlier. The increase includes an increase in retained earnings resulting from employee defined benefit plans re-measurements, partly offset by a reduction in equity resulting from share purchases under our NCIB programs. Net debt to total capitalization increased to about 49% at December 31, 2013, from 46% one year earlier.

The Net debt to EBITDA – excluding restructuring and other like costs ratio was 1.8 times at December 31, 2013, up from 1.7 times one year earlier, as the increase in net debt (see above) was partly offset by growth in EBITDA – excluding restructuring and other like costs. Our long-term policy guideline for this ratio is from 1.5 to 2.0 times. See *Section 7.6 Credit facilities*. In the short term, we may permit this ratio to go outside of the long-term policy guideline range (for long-term investment opportunities), but will endeavour to return to the policy guideline range, as we believe that the policy guideline range is supportive of maintaining our investment grade credit ratings.

Liquidity and capital resource measures

As at, or years ended, December 31	2013	2012	Change
Components of debt and coverage ratios[1] ($ millions)			
Net debt	7,592	6,577	1,015
Total capitalization – book value	15,576	14,223	1,353
EBITDA – excluding restructuring and other like costs[2]	4,116	3,907	209
Net interest cost	370	332	38
Debt ratios			
Fixed-rate debt as a proportion of total indebtedness (%)	95	90	5 pts.
Average term to maturity of debt (years)	9.4	5.5	3.9
Net debt to total capitalization[1] (%)	48.7	46.2	2.5 pts.
Net debt to EBITDA – excluding restructuring and other like costs[1][2] (times)	1.8	1.7	0.1
Coverage ratios[1][2] (times)			
Earnings coverage	5.5	5.6	(0.1)
EBITDA – excluding restructuring and other like costs interest coverage	11.1	11.8	(0.7)
Other measures (%)			
Dividend payout ratio of adjusted net earnings[1][2]	70	70	–
Dividend payout ratio[1][2]	71	69	2 pts.

(1) See *Section 11.1 Non-GAAP financial measures*.
(2) Figures for 2012 reflect retrospective application of IAS 19 (2011).

The Earnings coverage ratio for 2013 was 5.5 times, down from 5.6 times one year earlier due to higher borrowing costs (including the May 2013 long-term debt prepayment premium).

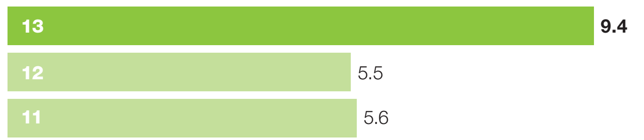
The EBITDA – excluding restructuring and other like costs interest coverage ratio for 2013 was 11.1 times, down from 11.8 times one year earlier. An increase in net interest costs (including the May 2013 long-term debt prepayment premium) reduced the ratio by 1.3, while growth in EBITDA – excluding restructuring and other like costs increased the ratio by 0.6. See *Section 7.6 Credit facilities*.

Dividend payout ratios: Our target guideline is 65 to 75% of sustainable earnings on a prospective basis. The basic and adjusted dividend payout ratios for 2013 and 2012 were consistent with the target range.

EBITDA – EXCLUDING RESTRUCTURING AND OTHER LIKE COSTS INTEREST COVERAGE (times)

Adjusted figures for 2011 and 2012.

AVERAGE TERM TO MATURITY OF LONG-TERM DEBT (years)



7.6 Credit facilities

At December 31, 2013, we had $336 million of cash, more than $2.0 billion of unutilized credit facilities and $100 million available under our trade receivables securitization program (see *Section 7.7*). This is consistent with our objective of generally maintaining at least $1 billion of available liquidity.

TELUS credit facilities at December 31, 2013

($ in millions)	Expiry	Size	Drawn	Outstanding undrawn letters of credit	Backstop for commercial paper program	Available liquidity
Five-year revolving facility[1]	November 3, 2016	2,000	–	–	–	2,000

(1) Canadian dollars or U.S. dollar equivalent.

Revolving credit facility

We have a $2.0 billion (or U.S. dollar equivalent) revolving credit facility with a syndicate of 14 financial institutions that expires on November 3, 2016. The revolving credit facility is used for general corporate purposes, including the backstop of commercial paper, as required.

Our revolving credit facility contains customary covenants, including a requirement that we not permit TELUS' consolidated Leverage Ratio (debt to trailing 12-month EBITDA) to exceed 4 to 1 (approximately 1.8 to 1 at December 31, 2013) and not permit TELUS' consolidated Coverage Ratio (EBITDA to interest expense on a trailing 12-month basis) to be less than 2 to 1 (approximately 11.1 to 1 at December 31, 2013) at the end of any financial quarter. There are certain minor differences in the calculation of the Leverage Ratio and Coverage Ratio under the credit agreements as compared with the calculation of *Net debt to EBITDA – excluding restructuring and other like costs* and *EBITDA – excluding restructuring and other like costs interest coverage*. Historically, the calculations have not been materially different. The covenants are not impacted by revaluation of property, plant and equipment, intangible assets or goodwill for accounting purposes. Continued access to our credit facilities is not contingent on maintaining a specific TELUS credit rating.

Other bank credit facilities

At December 31, 2013, we also have other bank credit facilities available to us, including letter of credit facilities expiring in the second and third quarters of 2014. Given our historical experience, it is unlikely that letters of credit will be collateralized into cash.

We have arranged incremental letter of credit facilities that allowed us to participate in Industry Canada's 700 MHz auction held in 2014. Under the terms of the auction, as outlined in the *Licensing Framework of Mobile Broadband Services (MBS) – 700 MHz Band*, communications between bidders that would provide insights into bidding strategies, including reference to preferred blocks, technologies or valuations, are precluded until the deadline for final payment in the auction. Disclosure of the precise amount of our letters of credit could be interpreted as a signal of bidding intentions. The maximum amount of letters of credit that any individual participant could be required to deliver is approximately $405 million.

7.7 Sale of trade receivables

TELUS Communications Inc. (TCI), a wholly owned subsidiary of TELUS, is a party to an agreement with an arm's-length securitization trust associated with a major Schedule I Canadian bank, under which TCI is able to sell an interest in certain of its trade receivables, for an amount up to a maximum of $500 million. The agreement is in effect until August 1, 2014. Available liquidity under this agreement was $100 million at December 31, 2013. (See *Note 19* of the Consolidated financial statements.) Sales of trade receivables in securitization transactions are recognized as collateralized short-term borrowings and thus do not result in our de-recognition of the trade receivables sold.

TCI is required to maintain at least a BBB (low) credit rating by DBRS Ltd. or the securitization trust may require the sale program to be wound down. The necessary credit rating was exceeded as of February 26, 2014.

7.8 Credit ratings

There were no changes to our investment grade credit ratings during 2013 or as of February 26, 2014. We believe adherence to our stated financial policies and the resulting investment grade credit ratings, coupled with our efforts to maintain a constructive relationship with banks, investors and credit rating agencies, continue to provide reasonable access to capital markets. (See *Section 10.7 Financing and debt requirements*.)

7.9 Financial instruments, commitments and contingent liabilities

Financial instruments

Our financial instruments and the nature of certain risks that they may be subject to are set out below and described in more detail in *Note 4* of the Consolidated financial statements. Our policies in respect of the recognition and measurement of financial instruments are described in *Note 1(c)* of the Consolidated financial statements.

		Risks				
				Market risks		
Financial instrument	Recognition and measurement accounting classification	Credit	Liquidity	Currency	Interest rate	Other price
Measured at cost or amortized cost						
Accounts receivable	Loans and receivables	X		X		
Construction credit facilities advances to real estate joint venture	Loans and receivables				X	
Short-term obligations	Amortized cost		X	X	X	
Accounts payable	Amortized cost		X	X		
Provisions	Amortized cost		X	X		X
Long-term debt	Amortized cost		X	X	X	
Measured at fair value						
Cash and temporary investments	Fair value through net income	X		X	X	
Short-term investments	Fair value through net income				X	X
Long-term investments (not subject to significant influence)(1)	Available-for-sale			X		X
Foreign exchange derivatives(2)	Fair value through net income; part of a cash flow hedging relationship	X	X	X		
Share-based compensation derivatives(2)	Fair value through net income; part of a cash flow hedging relationship	X	X			X

(1) Long-term investments over which we do not have significant influence are measured at fair value if the fair values can be reliably measured.
(2) Use of derivative financial instruments is subject to a policy which requires that no derivative transaction is to be entered into for the purpose of establishing a speculative or leveraged position (the corollary being that all derivative transactions are to be entered into for risk management purposes only) and sets criteria for the creditworthiness of the transaction counterparties.

Credit risk

Credit risk arises from cash and temporary investments, accounts receivable and derivative financial instruments. We mitigate credit risk as follows:

- Credit risk associated with cash and temporary investments is managed by ensuring that these financial assets are placed with: governments; major financial institutions that have been accorded strong investment grade ratings by a primary rating agency; and/or other creditworthy counterparties. An ongoing review is performed to evaluate changes in the status of counterparties.
- Credit risk associated with accounts receivable is inherently managed by our large and diverse customer base, which includes substantially all consumer and business sectors in Canada. We follow a program of credit evaluations of customers and limit the amount of credit extended when deemed necessary. At December 31, 2013, the weighted average life of past-due customer accounts receivable was 61 days (2012 – 63 days).

  We maintain allowances for potential credit losses related to doubtful accounts. Current economic conditions, historical information, reasons for the accounts being past-due and line of business from which the customer accounts receivable arose are all considered when determining whether allowances should be made for past-due accounts; the same factors are considered when determining whether to write off amounts charged to the allowance for doubtful accounts against the customer accounts receivable. The doubtful accounts expense is calculated on a specific-identification basis for customer accounts receivable over a specific balance threshold and on a statistically derived allowance basis for the remainder. No customer accounts receivable are written off directly to the doubtful accounts expense.
- Counterparties to our share-based compensation cash-settled equity forward agreements and foreign exchange derivatives are major financial institutions that have all been accorded investment grade ratings by a primary rating agency. The dollar amount of credit exposure under contracts with any one financial institution is limited and counterparties' credit ratings are monitored. We do not give or receive collateral on swap agreements and hedging items due to our credit rating and those of our counterparties. While we are exposed to potential credit losses due to the possible non-performance of our counterparties, we consider the risk of this remote. Our derivative liabilities do not have credit risk-related contingent features.

An ongoing review is performed to evaluate changes in the financial condition of counterparties. We consider our risk due to the possible non-performance by our counterparties to be remote.

Liquidity risk

Liquidity risk is the risk that we may not have cash available to satisfy our financial obligations as they come due. As a component of our capital structure financial policies, discussed in *Section 4.3 Liquidity and capital resources*, we manage liquidity risk by: a daily cash pooling process that enables us to manage our liquidity surplus and liquidity requirements according to our actual needs and those of our subsidiaries; bilateral bank facilities and a syndicated credit facility; the sales of trade receivables to an arm's-length securitization trust; a commercial paper program; continual monitoring of forecast and actual cash flows; and management of the maturity profiles of financial assets and financial liabilities.

We have significant debt maturities in future years (see the long-term debt principal maturities chart in *Section 4.3*). We have access to a shelf prospectus, renewed in November 2013 for $3.0 billion and in effect until December 2015, pursuant to which we issued $800 million of long-term debt on November 26, 2013. At December 31, 2013, we can offer $2.2 billion of debt or equity securities under this shelf prospectus. We have credit facilities available, including a $2.0 billion facility expiring in November 2016 (see *Section 7.6 Credit facilities*). We also had $336 million in Cash and temporary investments at December 31, 2013. We believe that our investment grade credit ratings contribute to reasonable access to capital markets.

Our undiscounted financial liability expected maturities do not differ significantly from the contractual maturities, other than as noted in the table in *Note 4(c)* of the Consolidated financial statements.

Currency risk

Our functional currency is the Canadian dollar, but certain routine revenues and operating costs are denominated in U.S. dollars and some inventory purchases and capital asset acquisitions are sourced internationally. The U.S. dollar is the only foreign currency to which we have a significant exposure.

Our foreign exchange risk management includes the use of foreign currency forward contracts and currency options to fix the exchange rates on short-term U.S. dollar denominated transactions and commitments. Hedge accounting is applied to these short-term foreign-currency forward contracts and currency options only on a limited basis.

Net income and comprehensive income for the years ended December 31, 2013 and 2012 could have varied if Canadian dollar: U.S. dollar exchange rates varied from the actual transaction date rates, as shown in *Note 4(d)* of the Consolidated financial statements.

Interest rate risk

Changes in market interest rates will cause fluctuations in the fair value or future cash flows of temporary investments, short-term investments, construction credit facility advances made to the real estate joint venture, short-term obligations, long-term debt and any interest rate swap derivatives. If the balance of short-term investments includes debt instruments and/or dividend-paying equity instruments, we could be exposed to interest rate risks.

Due to the short-term nature of the applicable rates of interest charged, the fair value of the construction credit facilities advances made to the real estate joint ventures are not materially affected by changes in market interest rates; associated cash flows representing interest payments will be affected until such advances are repaid.

As short-term obligations arising from bilateral bank facilities, which typically have variable interest rates, are rarely outstanding for periods that exceed one calendar week, interest rate risk associated with this item is not material.

Short-term borrowings arising from the sales of trade receivables to an arm's-length securitization trust are fixed-rate debt. Due to the short maturities of these borrowings, interest rate risk associated with this item is not material.

In respect of our currently outstanding long-term debt, other than for commercial paper and any amounts drawn on our credit facilities, it is all fixed-rate debt. The fair value of fixed-rate debt fluctuates with changes in market interest rates; absent early redemption, the related future cash flows will not change. Due to the short maturities of commercial paper, its fair value is not materially affected by changes in market interest rates, but the associated cash flows representing interest payments may be affected if the commercial paper is rolled over.

Amounts drawn on our short-term and long-term credit facilities will be affected by changes in market interest rates in a manner similar to commercial paper.

Similar to fixed-rate debt, the fair value of our interest rate swap derivatives fluctuated with changes in market interest rates as the interest rate swapped to was fixed; absent early redemption, the related future cash flows would not have changed due to changes in market interest rates.

Other price risk

- Provisions: We are exposed to other price risk arising from written put options provided for non-controlling interests, as discussed further in *Note 17(e)* of the Consolidated financial statements.
- Short-term investments: If the balance of the short-term investments line item on the statement of financial position includes equity instruments, we would be exposed to equity price risks.
- Long-term investments: We are exposed to equity price risks arising from investments classified as available-for-sale. Such investments are held for strategic rather than trading purposes.
- Share-based compensation derivatives: We are exposed to other price risk arising from cash-settled share-based compensation (appreciating equity share prices increase both the expense and the potential cash outflow). Certain cash-settled equity swap agreements had been entered into that established a cap on our cost associated with our net cash-settled share options (see *Note 13(b)* of the Consolidated financial statements) and others have been entered into that fix our cost associated with our restricted stock units (see *Note 13(c)* of the Consolidated financial statements).

Market risk

Net income and other comprehensive income for the years ended December 31, 2013 and 2012, could have varied if the Canadian dollar: U.S. dollar exchange rates, market interest rates and our equity shares' prices varied by reasonably possible amounts from their actual statement of financial position date values.

The sensitivity analysis of our exposure to market risks is shown in *Note 4(g)* of the Consolidated financial statements.

Fair values – General

The carrying values of cash and temporary investments, accounts receivable, short-term obligations, short-term borrowings, accounts payable and certain provisions (including restructuring accounts payable) approximate their fair values due to the immediate or short-term maturity of these financial instruments. The carrying value of short-term investments, if any, equals their fair value as they are classified as held for trading. The fair value is determined directly by reference to quoted market prices in active markets.

The carrying values of our investments accounted for using the cost method do not exceed their fair values. The fair value of our investments accounted for as available-for-sale is based on quoted market prices in active markets or other clear and objective evidence of fair value.

The fair value of our long-term debt is based on quoted market prices in active markets.

The fair values of our derivative financial instruments used to manage exposure to currency risks are estimated based on quoted market prices in active markets for the same or similar financial instruments or on the current rates offered to us for financial instruments of the same maturity, as well as the use of discounted future cash flows using current rates for similar financial instruments subject to similar risks and maturities (such fair values being largely based on Canadian dollar: U.S. dollar forward exchange rates as at the statement of financial position dates).

The fair values of the derivative financial instruments we use to manage exposure to increases in compensation costs arising from certain forms of share-based compensation are based upon fair value estimates of the related cash-settled equity forward agreements provided by the counterparty to the transactions (such fair value estimates being largely based upon our equity share prices as at the statement of financial position dates).

Financial instruments that we measure at fair value on a recurring basis in periods subsequent to initial recognition and the level within the fair value hierarchy used to measure them are set out in *Note 4(h)* of the Consolidated financial statements.

Fair values – Derivative and non-derivative

The derivative financial instruments that we measure at fair value on a recurring basis subsequent to initial recognition, and our long-term debt, which is measured at amortized cost, and the fair value thereof, are set out in tables in *Note 4(h)* of the Consolidated financial statements.

Recognition of derivative gains and losses

Gains and losses, excluding income tax effects, on derivative instruments classified as cash flow hedging items, as well as gains and losses on derivative instruments that are classified as held for trading items and that are not designated as being in a hedging relationship, and their respective locations within the Consolidated statements of income and other comprehensive income, are detailed in *Note 4(i)* of the Consolidated financial statements.

Commitments and contingent liabilities

Contractual obligations at December 31, 2013

($ millions)	2014	2015	2016	2017	2018	Thereafter	Total
Short-term borrowings							
Interest obligations	5	–	–	–	–	–	5
Principal obligations(1)	400	–	–	–	–	–	400
	405	–	–	–	–	–	405
Long-term debt							
Interest obligations	373	363	322	294	276	1,881	3,509
Principal maturities(2)	–	625	600	700	–	5,624	7,549
	373	988	922	994	276	7,505	11,058
Construction credit facilities commitment(3)	156	–	–	–	–	–	156
Minimum operating lease payments(3)(4)	210	191	164	136	115	703	1,519
Occupancy costs(3)	87	89	78	75	70	497	896
Purchase obligations(5)							
Operating expenditures	1,223	708	92	83	80	281	2,469
Capital expenditures	224	12	4	1	1	–	240
Occupancy	1,447	720	96	84	81	281	2,709
Non-interest bearing financial liabilities	1,641	49	5	4	2	5	1,706
Other obligations	15	–	–	–	–	–	15
Total	4,247	1,948	1,187	1,218	474	8,494	17,568

(1) Composed of $400 million of securitized trade receivables (see *Section 7.7 Sale of trade receivables*).
(2) See long-term debt maturity chart in *Section 4.3*.
(3) Construction credit facilities reflect loan amounts for a real estate joint venture, a related party. Minimum operating lease payments and occupancy costs include transactions with real estate joint ventures. See *Section 7.11 Transactions between related parties*.
(4) Total minimum operating lease payments include: approximately 40% in respect of our five largest leases for office premises over various terms, with expiry dates that range between 2022 and 2034; and approximately 27% in respect of wireless site leases with a weighted average term of approximately 15 years. See *Note 23(a)* of the Consolidated financial statements.
(5) Where applicable, purchase obligations reflect foreign exchange rates at December 31, 2013. Purchase obligations include future operating and capital expenditures that have been contracted for at the current year-end and include the most likely estimates of prices and volumes, where necessary. As purchase obligations reflect market conditions at the time the obligation was incurred for the items being purchased, they may not be representative of future years. Obligations from personnel supply contracts and other such labour agreements have been excluded.

Indemnification obligations

In the normal course of operations, we may provide indemnification in conjunction with certain transactions. The terms of these indemnification obligations range in duration. In some cases these indemnifications would require us to compensate the indemnified parties for costs incurred as a result of litigation claims or statutory sanctions or damages that may be suffered by an indemnified party. In many cases, there is no maximum limit on these indemnification obligations and the overall maximum amount of such indemnification obligations cannot be reasonably estimated. Where appropriate, an indemnification obligation is recorded as a liability. Other than obligations recorded as liabilities at the time of the transaction, historically we have not made significant payments under these indemnifications.

In connection with the 2001 disposition of our directory business, we agreed to bear a proportionate share of the new owner's increased directory publication costs if the increased costs were to arise from a change in the applicable CRTC regulatory requirements. Our proportionate share is 15% through, and ending, May 2016. As well, should the CRTC take any action that would result in the owner being prevented from carrying on the directory business as specified in the agreement, we would indemnify the owner in respect of any losses that the owner incurred.

At December 31, 2013, we have no liability recorded in respect of indemnification obligations.

Claims and lawsuits

A number of claims and lawsuits (including class actions) seeking damages and other relief are pending against us. As well, we have received or are aware of certain possible claims (including intellectual property infringement claims) against us and, in some cases, numerous other wireless carriers and telecommunications service providers. (See *Section 10.9 Litigation and legal matters*.)

Management is of the opinion, based upon legal assessment and information presently available, that it is unlikely that any liability, to the extent not provided for through insurance or otherwise, would have a material effect in relation to our financial position and the results of our operations, excepting items disclosed in *Section 10.9*.

7.10 Outstanding share information

On February 4, 2013, in accordance with the terms of a court-approved plan of arrangement, we exchanged all of our then issued and outstanding Non-Voting Shares into Common Shares on a one-for-one basis.

On March 14, 2013, we announced a subdivision of our Common Shares on a two-for-one basis (two-for-one stock split). On April 16, 2013, TELUS shareholders received one additional share for each share owned on the record date of April 15, 2013.

At our annual and special meeting held May 9, 2013, our shareholders approved the elimination of the Non-Voting Shares from our authorized share structure, the elimination of all references to Non-Voting Shares from our Articles, and an increase in the maximum number of Common Shares we are authorized to issue from one billion to two billion.

Outstanding shares

(millions)	December 31, 2013	January 31, 2014
Common Shares	623	623
Common Share options	8	8
Exercisable Common Share options	3	3

7.11 Transactions between related parties

Investments in significant controlled entities

At December 31, 2013, TELUS Corporation controlled 100% of the equity of TELUS Communications Inc., which in turn ultimately controlled 100% of the equity of TELUS Communications Company and TELE-MOBILE COMPANY. This was unchanged from December 31, 2012.

Transactions with key management personnel

Our key management personnel have authority and responsibility for overseeing, planning, directing and controlling our activities, and consist of our Board of Directors and our Executive Leadership Team. Total compensation expense amounts for key management personnel were $40 million in 2013 and $37 million in 2012. See *Note 24(b)* of the Consolidated financial statements for additional detail.

Transactions with defined benefit pension plans

We made employer contributions to defined benefit plans as discussed in *Section 7.2*. We also provided management and administrative services to our defined benefit pension plans. Charges for these services were on a cost recovery basis and were immaterial.

Transactions with real estate joint ventures

In the first quarter of 2011, we announced that we had partnered, as equals, with an arm's-length party in a residential condominium, retail and commercial real estate redevelopment project, TELUS Garden, in Vancouver, B.C. In July 2013, we announced that we had partnered, as equals, with two arm's-length parties in a residential, retail and commercial real estate redevelopment project, TELUS Sky, in Calgary, Alberta.

Our transactions with real estate joint ventures, which are related parties, are set out in *Note 18* of the Consolidated financial statements. Commitments and contingent liabilities for the TELUS Garden real estate joint venture include construction-related contractual commitments through to 2015 (approximately $146 million at December 31, 2013), a 20-year operating lease commitment commencing in 2014 and construction credit facilities ($413 million with two Canadian financial institutions as 50% lender and TELUS as 50% lender). The TELUS Garden residential tower has sales contracts in place for substantially all units, while at December 31, 2013, the proportion of space leased in the TELUS Garden office tower was approximately 93%.

8 Accounting matters

8.1 Critical accounting estimates

Our significant accounting policies are described in *Note 1* of the Consolidated financial statements dated December 31, 2013. The preparation of financial statements in conformity with generally accepted accounting principles requires us to make estimates, assumptions and judgments that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates. Our critical accounting estimates and significant judgments are generally discussed with the Audit Committee each quarter.

Examples of significant judgments, apart from those involving estimation, include:

- Assessments about whether line items are sufficiently material to warrant separate presentation in the primary financial statements and, if not, whether they are sufficiently material to warrant separate presentation in the financial statement notes.
- The decision to depreciate and amortize any property, plant, equipment and intangible assets that are subject to amortization on a straight-line basis, as we believe that this method reflects the consumption of resources related to the economic lifespan of those assets better than an accelerated method and is more representative of the economic substance of the underlying use of those assets.
- The preparation of financial statements in accordance with generally accepted accounting principles requires management to make judgments that affect the financial statement disclosure of information regularly reviewed by our chief operating decision-maker used to make resource allocation decisions and to assess performance (segmented information). A significant judgment we make is that our wireless and wireline operations and cash flows are sufficiently distinct to be considered operating segments and reportable segments, notwithstanding the convergence our wireless and wireline telecommunications infrastructure technology and operations have experienced to date. If our wireless and wireline telecommunications infrastructure technology and operations continue to converge, it may become impractical, if not impossible, to objectively distinguish between our wireless and wireline operations and cash flows. If sufficient convergence were to occur, our wireless and wireline operations would no longer be individual components of the business or discrete operating segments; rather, they could each become a group of similar products and services.

  As well, if it becomes impractical to distinguish our wireless and wireline cash flows, which would be evidence of their interdependence, this could result in the unification of the wireless cash-generating unit and the wireline cash-generating unit as a single cash-generating unit for impairment testing purposes.
- The view that our spectrum licences granted by Industry Canada will likely be renewed by Industry Canada; that we intend to renew them; that we believe we have the financial and operational ability to renew them and, thus, they are deemed to have an indefinite life, as discussed further in *Note 17(c)* to the December 31, 2013 Consolidated financial statements.
- In connection with the annual impairment testing of intangible assets with indefinite lives and goodwill, there are instances where we need to exercise judgment in the allocation of our net assets, including shared corporate and administrative assets, to our cash-generating units when determining their carrying amounts. These judgments are necessary due to the convergence of our wireless and wireline telecommunications infrastructure technology and operations that we have experienced to date, and because of our general corporate development. There are instances where similar judgments must also be made in respect of future capital expenditures in support of both wireless and wireline operations, which are a component of the discounted cash flow projections that are used in the annual impairment testing, as discussed further in *Note 17(d)* to the December 31, 2013 Consolidated financial statements.
- In respect of claims and lawsuits, as discussed further in *Note 23(c)* to the December 31, 2013 Consolidated financial statements, the determination of whether an item is a contingent liability or whether an outflow of resources is probable and thus needs to be accounted for as a provision.

Our critical accounting estimates and assumptions are described below.

General

- In determining our critical accounting estimates, we consider trends, commitments, events or uncertainties that we reasonably expect to materially affect the methodology or assumptions, subject to the items identified in the *Caution regarding forward-looking statements* section of this MD&A.
- In the normal course, we make changes to assumptions underlying all critical accounting estimates to reflect current economic conditions, updating of historical information used to develop the assumptions and changes in our credit ratings, where applicable. Unless indicated otherwise in the discussion below, we expect that no material changes in overall financial performance and financial statement line items would arise either from reasonably likely changes in material assumptions underlying the estimate or from selection of a different estimate from within a valid range of estimates.
- All critical accounting estimates are uncertain at the time of making the estimate and affect the following Consolidated statements of income and other comprehensive income line items: Income taxes (except for estimates about goodwill) and Net income. Similarly, all critical accounting estimates affect the following Consolidated statements of financial position line items: Current assets (Income and other taxes receivable); Current liabilities (Income and other taxes payable); Deferred income tax liabilities; and Common equity (retained earnings). The discussion of each critical accounting estimate does not differ between our two segments, wireless and wireline, unless explicitly noted.

- Our critical accounting estimates affect line items on the Consolidated statements of income and other comprehensive income, and line items on the Consolidated statements of financial position, as follows:

	Consolidated statements of income and other comprehensive income						
		Operating expenses					
Consolidated statements of financial position	Operating revenues	Goods and services purchased	Employee benefits expense	Depreciation	Amortization of intangible assets	Financing costs	Employee defined benefit plans re-measurements(3)
Accounts receivable		X					
Inventories		X					
Property, plant and equipment, net				X			
Intangible assets, net, and Goodwill, net					X(1)		
Investments	X						
Employee defined benefit pension plans			X	X(2)	X(2)	X	X(3)

(1) Accounting estimate, as applicable to intangible assets with indefinite lives and goodwill, primarily affects our wireless cash-generating unit.
(2) Accounting estimate impact due to internal labour capitalization rates.
(3) Other comprehensive income – Item never subsequently reclassified to income.

Accounts receivable

General

- We consider the business area that gave rise to the accounts receivable, perform statistical analysis of portfolio delinquency trends and perform specific account identification when determining our allowance for doubtful accounts.
- Assumptions underlying the allowance for doubtful accounts include portfolio delinquency trends and specific account assessments made when performing specific account identification.
- These accounting estimates are in respect of the Accounts receivable line item on our Consolidated statements of financial position comprising approximately 7% of Total assets at December 31, 2013 (8% at December 31, 2012). If the future were to differ adversely from our best estimates of the fair value of the residual cash flows and the allowance for doubtful accounts, we could experience a doubtful account expense in the future. Such a doubtful account expense in and of itself does not result in a cash outflow.

The allowance for doubtful accounts

- The estimate of our allowance for doubtful accounts could materially change from period to period due to the allowance being a function of the balance and composition of accounts receivable, which can vary on a month-to-month basis. The variance in the balance of accounts receivable can arise from a variance in the amount and composition of operating revenues and from variances in accounts receivable collection performance.

Inventories

The allowance for inventory obsolescence

- We determine our allowance for inventory obsolescence based upon expected inventory turnover, inventory aging, and current and future expectations with respect to product offerings.
- Assumptions underlying the allowance for inventory obsolescence include future sales trends and offerings and the expected inventory requirements and inventory composition necessary to support these future sales offerings. Our estimate of the allowance for inventory obsolescence could materially change from period to period due to changes in product offerings and consumer acceptance of those products.
- This accounting estimate is in respect of the Inventories line item on our Consolidated statements of financial position, which comprises approximately 2% of Total assets at December 31, 2013 (2% at December 31, 2012). If the allowance for inventory obsolescence were inadequate, we could experience a charge to Goods and services purchased expense in the future. Such an inventory obsolescence charge does not result in a cash outflow.

Property, plant and equipment, net; Intangible assets, net; and Goodwill, net

General

- The Property, plant and equipment, net, line item on our Consolidated statements of financial position represents approximately 39% of Total assets at December 31, 2013 (40% at December 31, 2012).
- The Intangible assets, net, line item represents approximately 30% of Total assets at December 31, 2013 (30% at December 31, 2012). Included in Intangible assets are spectrum licences, which represent approximately 24% of Total assets at December 31, 2013 (24% at December 31, 2012).
- The Goodwill, net, line item represents approximately 17% of Total assets at December 31, 2013 (18% at December 31, 2012).
- If our estimated useful lives of assets were incorrect, we could experience increased or decreased charges for amortization or depreciation in the future. If the future were to differ adversely from our best estimate of key economic assumptions and associated cash flows were to materially decrease, we could potentially experience future material impairment charges in respect of our property, plant and equipment assets, our intangible assets or our goodwill. If intangible assets with indefinite lives were determined to have finite lives at some point in the future, we could experience increased charges for amortization of intangible assets. Such charges in and of themselves do not result in a cash outflow and would not affect our immediate liquidity.

The estimated useful lives of assets; the recoverability of tangible assets

- The estimated useful lives of assets are determined by a continuing program of asset life studies. The recoverability of assets with finite lives is significantly impacted by the estimated useful lives of assets.
- Assumptions underlying the estimated useful lives of assets include the life cycle of technology, competitive pressures and future infrastructure utilization plans.

The recoverability of intangible assets with indefinite lives; the recoverability of goodwill

- The carrying value of intangible assets with indefinite lives, and goodwill, is periodically tested for impairment and this test represents a significant estimate for us.
- The recoverable amounts of the cash-generating units' assets have been determined based on a value-in-use calculation. There is a material degree of uncertainty with respect to the estimates of the recoverable amounts of the cash-generating units' assets given the necessity of making key economic assumptions about the future. The value-in-use calculation uses discounted cash flow projections that employ the following key assumptions: future cash flows and growth projections, including economic risk assumptions and estimates of achieving key operating metrics and drivers; the future weighted average cost of capital; and earnings multiples.
- See *Note 17(d)* of the Consolidated financial statements for further discussion of methodology and sensitivity testing.

Investments

The recoverability of long-term investments

- We assess the recoverability of our long-term investments on a regular, recurring basis. The recoverability of investments is assessed on a specific-identification basis taking into consideration expectations about future performance of the investments and comparison of historical results to past expectations.
- The most significant assumptions underlying the recoverability of long-term investments are the achievement of future cash flow and operating expectations. Our estimate of the recoverability of long-term investments could change from period to period due to the recurring nature of the recoverability assessment and due to the nature of long-term investments (we do not control the investees).
- Investments are included in the Other long-term assets line item on our Consolidated statements of financial position, which itself comprises approximately 2% of Total assets at December 31, 2013 (1% at December 31, 2012). If the allowance for recoverability of long-term investments were inadequate, we could experience an increased charge to Other operating income in the future. Such a provision for recoverability of long-term investments does not result in a cash outflow. When there is clear and objective evidence of an increase in the fair value of an investment, which may be indicated by either a recent sale of shares by another current investor or the injection of new cash into the entity from a new or existing investor, we recognize the after-tax increase in value in Other comprehensive income (change in unrealized fair value of available-for-sale financial assets).

Income tax assets and liabilities

The amount and composition of income tax assets and income tax liabilities, including the amount of unrecognized tax benefits

- Assumptions underlying the composition of income tax assets and liabilities are based upon an assessment of the technical merits of tax positions. Income tax benefits on uncertain tax positions are only recognized when it is more likely than not that the ultimate determination of the tax treatment of the position will result in the benefit being realizable. Income tax assets and liabilities are measured at the amount that is expected to be realized or incurred upon ultimate settlement with taxation authorities. Such assessments are based upon the applicable income tax legislation, regulations and interpretations, all of which in turn are subject to interpretation.
- Current income tax assets and liabilities are estimated based upon the amount of tax that is calculated as being owed to taxation authorities, net of periodic instalment payments. Deferred income tax liabilities are composed of the tax effect of temporary differences between the carrying amount and tax basis of assets and liabilities, as well as the tax effect of undeducted tax losses. The timing of the reversal of temporary differences is estimated and the tax rate substantively enacted for the periods of reversal is applied to the temporary differences. The carrying amounts of assets and liabilities are based upon the amounts recorded in the financial statements and are therefore subject to accounting estimates that are inherent in those balances. The tax basis of assets and liabilities, as well as the amount of undeducted tax losses, are based upon the assessment and measurement of tax positions as noted above. Assumptions as to the timing of reversal of temporary differences include expectations about the future results of operations and cash flows. The composition of income tax liabilities is reasonably likely to change from period to period because of changes in the estimation of these significant uncertainties.
- This accounting estimate is in respect of material asset and liability line items on our Consolidated statements of financial position comprising less than 1% of Total assets at December 31, 2013 (less than 1% at December 31, 2012), and approximately 9% of Total liabilities and owners' equity at December 31, 2013 (8% at December 31, 2012). If the future were to adversely differ from our best estimate of the likelihood of tax positions being sustained, the amount of tax expected to be incurred, the future results of operations, the timing of reversal of deductible temporary differences and taxable temporary differences, and the tax rates applicable to future years, we could experience material deferred income tax adjustments. Such deferred income tax adjustments could result in an acceleration of cash outflows at an earlier time than might otherwise be expected.

Employee defined benefit pension plans

Certain actuarial and economic assumptions used in determining defined benefit pension costs, accrued pension benefit obligations and pension plan assets

- We review industry practices, trends, economic conditions and data provided by actuaries when developing assumptions used in the determination of defined benefit pension costs and accrued pension benefit obligations. Pension plan assets are generally valued using market prices, however, some assets are valued using market estimates when market prices are not readily available. Actuarial support is obtained for interpolations of experience gains and losses that affect the employee defined benefit plan actuarial gains and losses and accrued benefit obligations. The discount rate, which is used to determine the accrued benefit obligation, is based upon the yield on long-term, high-quality fixed-term investments. The discount rate is set annually at the end of each calendar year, based upon yields on long-term corporate bond indices in consultation with actuaries, and is reviewed quarterly for significant changes. Future increases in compensation are based upon the current benefits policies and economic forecasts.
- On an annual basis, at a minimum, the defined benefit pension plan assumptions are assessed and revised as appropriate. When the defined benefit pension plan key assumptions fluctuate significantly relative to their immediately preceding year-end values, actuarial gains (losses) arising from such significant fluctuations are recognized on an interim basis. Assumptions used in determining defined benefit pension costs, accrued pension benefit obligations and pension plan assets include: life expectancy, discount rates, market estimates and rates of future compensation increases. Material changes in overall financial performance and financial statement line items would arise from reasonably likely changes, because of revised assumptions to reflect updated historical information and updated economic conditions, in the material assumptions underlying this estimate. See *Note 14* of the Consolidated financial statements for further analysis.
- This accounting estimate is in respect of components of the Operating expenses line item and Other comprehensive income line item on our Consolidated statements of income and other comprehensive income. If the future were to adversely differ from our best estimate of assumptions used in determining defined benefit pension costs, accrued benefit obligations and pension plan assets, we could experience future increased (or decreased) defined benefit pension expense, financing costs and charges to Other comprehensive income.

8.2 Accounting policy developments

Revenue from contracts with customers: In November 2011, a revised exposure draft was issued. We are currently assessing the impacts of the draft proposals. If the finalized standard, currently expected to be effective for our 2017 fiscal year, were to largely reflect the draft proposals, its effects and the materiality of those effects would vary by industry and entity. We, like many other telecommunications companies, currently expect to be materially affected by its application, primarily in respect of the timing of revenue recognition and in respect of capitalization of costs of acquisition and contract fulfillment costs. The prohibition of the use of the limitation cap methodology would accelerate the recognition of revenue, relative to both the associated cash inflows from customers and our current practice, primarily in the wireless sector. Although the underlying transaction economics would not differ, during periods of increases in the number of wireless subscriber connections, assuming comparable contract-lifetime per unit cash inflows, revenue growth would appear greater than under current practice (using the limitation cap methodology).

Similarly, the measurement, over the life of a contract, of total costs of contract acquisition and contract fulfilment costs would be unaffected by the draft proposals. The draft proposals would result in such costs of acquisition being capitalized and subsequently recognized as an expense over the life of a contract on a rational, systematic basis consistent with the pattern of the transfer of goods and services to which the asset relates. Although the underlying transaction economics would not differ, during periods of increases in the number of subscriber connections, assuming comparable per unit costs of acquisition and contract fulfillment, profitability measures would appear greater than under the current practice of immediate expensing of such costs.

Other issued standards: Other issued standards required to be applied for periods beginning on or after January 1, 2014, have no significant effect on our financial performance.

IAS 19 *Employee benefits* (amended 2011): We applied the amended standard effective for fiscal 2013 with the required retrospective application to prior periods. The following table summarizes the effects for 2012. Also see *Note 2(a)* of the Consolidated financial statements.

Effects of retrospective application of IAS 19 (amended 2011)

Year ended December 31, 2012 ($ millions, except per share amounts)	As originally reported	Amended IAS 19 effects	As currently reported
Operating expenses			
Employee benefits expense	2,129	113	2,242
Operating income	2,107	(113)	1,994
Financing costs	332	42	374
Income before income taxes	1,775	(155)	1,620
Income taxes	457	(41)	416
Net income	1,318	(114)	1,204
Other comprehensive income			
Item never subsequently reclassified to income			
Employee defined benefit plans re-measurements	(400)	114	(286)
Net Income per equity share[1]			
Basic	2.02	(0.17)	1.85
Diluted	2.01	(0.17)	1.84
Additional information			
Wireless EBITDA	2,467	(9)	2,458
Wireline EBITDA	1,505	(104)	1,401
EBITDA[2]	3,972	(113)	3,859

(1) Adjusted for the two-for-one stock split effective April 16, 2013.
(2) See *Section 11.1 Non-GAAP financial measures*.

9 General outlook and assumptions

Our discussion in this section is qualified in its entirety by the *Caution regarding forward-looking statements* at the beginning of the MD&A.

Telecommunications industry trends and expectations

We estimate that Canadian telecommunications industry revenues (including TV and excluding media) grew by 3% to almost $55 billion in 2013. Wireless and data services, including TV, again drove industry growth as consumers continue to favour data-heavy smartphones and tablets, and home entertainment.

As one of Canada's largest telecommunications companies, TELUS generated approximately 21% of industry revenues at $11.4 billion. We expect increased data usage patterns and revenue composition to continue to favour our wireless portfolio over wireline, which is characterized by declining demand for legacy voice services.

We believe that we are well positioned to generally maintain wireless EBITDA growth and to target a modest to moderate increase in wireline EBITDA, due to: our consistent strategic focus on providing a full suite of telecommunications services (see *Section 2.1 Core business* and *Section 4.1 Principal markets addressed and competition*); ongoing investments in our broadband networks; and our continued efforts to consistently strive to elevate the customer experience across all areas of our operations.

Wireless

Based on publicly reported competitors' results and our estimates, the Canadian wireless industry experienced solid growth in 2013 with year-over-year revenue and EBITDA increases of approximately 3% and 6%, respectively (5% and 8%, respectively, in 2012). Our wireless revenue and EBITDA growth in 2013 was 5% and 6%, respectively.

The Canadian wireless industry added approximately 737,000 new subscribers in 2013, less than the 1.2 million added in 2012. This reflects an increase in the penetration rate of approximately 1.6 percentage points in 2013, as compared to approximately 2.5 percentage points in 2012. We expect penetration to continue increasing in Canada in 2014 and future years, as suggested by the experience in the U.S., the market most comparable to Canada, which currently has a penetration rate above 100%.

Comparison of wireless industry metrics

	2012	**2013**	2014
Market penetration of population			
Canada	79%	**81%**	82 to 83%
U.S.	108%	**110%**	112%
Europe	up to 176%	**up to 179%**	up to 181%
Asia-Pacific	up to 150%	**up to 153%**	up to 155%
Data usage (percentage of ARPU)			
Canada	39%	**45%**	50%
U.S.	42%	**46%**	50%
Europe	34%	**35%**	36%
Asia-Pacific	58%	**61%**	64%

Sources: TELUS estimates, CRTC's Communications Monitoring Reports and other company and industry reports.

The U.S. wireless market serves as an appropriate comparison to Canada, given that the wireless market in Western Europe differs drastically. European penetration rates differ from those in Canada for several reasons, among them a more expensive wireline regime for local calls and the common practice in Europe of having multiple wireless subscriptions to reduce roaming charges.

Wireless revenue growth continues to be driven by the increased adoption and usage of data services. In 2013, wireless data ARPU in Canada represented almost 45% of industry ARPU. This compares to approximately 46% in the U.S., 35% in Europe and 61% in Asia-Pacific, suggesting a significant ongoing growth opportunity in Canada. The higher proportion of data usage in Asia is due in part to a very low rate of penetration of wireline Internet service to households in many Asian countries.

Data growth continues to be driven by the ongoing adoption of data-intensive smartphone and tablet devices, as well as Internet keys and M2M subscriptions. With two-year sales agreements, there is typically a significant upfront device subsidy provided to smartphone customers that initially results in a higher cost of acquisition and retention, however, ARPU is expected to increase over time. While this represents potential pressure on industry margins, smartphone subscriptions tend to generate higher ARPU and lower churn rates, which result in higher average lifetime revenue. Tablet devices operating on mobile networks or Wi-Fi are expected to be a growth segment in 2014. Customers want more mobile connectivity to the Internet and usage of enhanced portable computing services is growing. We and other carriers have introduced data sharing plans for families, as they adopt multiple devices.

We launched our 4G LTE network in February 2012 and have since expanded coverage to more than 81% of Canadians. Increasing data traffic continues to pose challenges to wireless carriers' networks and their ability to manage and serve this traffic. The 700 MHz spectrum auction that concluded in February 2014 provided an opportunity for wireless carriers to acquire prime spectrum to roll out faster, next-generation high-speed wireless networks and build greater capacity, especially in rural areas. (See *Building national capabilities* in *Section 2.2*.) In January 2014, Industry Canada also announced the timelines for the 2,500–2,690 MHz spectrum auction beginning in April 2015, which will be another important opportunity for TELUS to acquire additional spectrum to enhance our LTE networks and meet the demand of both urban and rural markets.

In early 2013, Eastlink, a cable-TV company, began offering wireless services in Nova Scotia and Prince Edward Island, while Videotron continues to offer wireless services with a focus on its installed cable-TV base in Quebec. In 2013, we estimate that AWS entrants Eastlink, Mobilicity, Videotron and WIND Mobile collectively gained more than one-third of new subscribers in Canada. Aside from Eastlink and Videotron, the viability of the other entrants remains uncertain going into 2014.

In June 2013, Industry Canada issued its framework relating to spectrum transfers, clarifying that spectrum transfer requests will be reviewed on a case-by-case basis, and those that result in undue spectrum concentration, and therefore diminish competition, will not be permitted. Decisions on transfer requests are to be issued publicly to increase transparency. The new framework did not apply to prior agreements and overrides the existing five-year moratorium on AWS licence transfers to incumbents, which would have ended in March 2014.

Also in June 2013, the federal government denied TELUS' $380 million bid to acquire Mobilicity, which has been operating under *Companies' Creditors Arrangement Act* protection, leaving the future uncertain for its approximately 180,000 customers. In November 2013, TELUS acquired Public Mobile.

In January 2014, WIND Mobile withdrew from the 700 MHz auction, citing lack of support from its parent company Vimpelcom, which has been unable to achieve clarification of its ownership of WIND from the federal government. Without 700 MHz spectrum, WIND's future network evolution is unclear.

With the majority of consumers using mobile devices to research products for purchase decisions, Canadians appear ready for mobile commerce (m-commerce). M-commerce allows for organized interactions between retailers, advertisers, manufactures and the consumer. We are working to simplify the payment ecosystem by bringing together customers, suppliers and technology, while ensuring all regulatory issues are addressed. Mobile wallet services represent the largest m-commerce opportunity for us. In the fall of 2013, we launched a near field communications (NFC) SIM card. With this SIM card technology, customers are able to make purchases with NFC-compatible retail point of sale systems. We expect to further evolve our product offerings in this space over the coming years.

M2M technologies connect communications-enabled remote devices via wireless networks, allowing key information to be exchanged. Advanced platforms and networks are already seen in industries such as utilities and agriculture, and there has been progress toward their deployment in the healthcare market, as well. Although M2M applications have a much lower ARPU, subsidy costs are typically low and M2M volume expansion is anticipated to result in meaningful revenue opportunities. We have launched a new M2M operating portal, which has simplified M2M enablement by offering self-serve connectivity to M2M partners. We are also increasing the availability of M2M hardware options through our supply chain partnerships and continuously building out an enhanced ecosystem of offerings to further our competitive reach.

Wireline

The wireline telecommunications market is expected to remain very competitive in 2014 with low revenue growth and flat or declining EBITDA, as high-margin legacy voice revenues continue to decline due to technology substitution, such as email, wireless and VoIP services. TELUS stands out with its strong wireline revenue growth of 4.1% and positive EBITDA growth in 2013.

We estimate that Canada's four major cable-TV companies had an installed base of approximately 4.3 million telephony subscribers at the end of 2013, or a national consumer market share of approximately 40%, up one percentage point from 2012. Other non-facilities-based competitors also offer local and long distance VoIP services and resell high-speed Internet solutions. This competition, along with technological substitution such as to wireless services, continues to erode the number of residential network access lines and associated local and long distance revenues.

We estimate the four major cable-TV companies have approximately 5.9 million Internet subscribers, up from 5.8 million in 2012, while telecommunications companies have approximately 4.7 million Internet subscribers, up from 4.6 million in 2012. Although the consumer high-speed Internet market is maturing, with approximately 81% penetration in Western Canada and 78% penetration across Canada, subscriber growth is expected to continue over the next several years.

The growing popularity of watching TV anywhere is expected to continue as customers adopt services that enable them to view content on multiple screens, including computers, smartphones and tablets, as well as on their TVs. In 2013, we significantly enhanced our Optik on the go service with expanded on-demand content and live TV.

We estimate that in 2013, Canadian IP TV providers increased their subscriber base by approximately 31% to surpass 1.4 million through expanded network coverage, enhanced service offerings, and marketing and promotions focused on IP TV. This growth came at the expense of cable-TV subscriber losses and was primarily driven by strong subscriber loading at TELUS and Bell. We estimate that the four major cable-TV companies have approximately 6.9 million TV subscribers or a 61% market share, down three percentage points from 2012. Beyond increasing the speed of Internet services, our primary Western Canadian cable-TV competitor, Shaw Communications (Shaw), continued its roll-out of metropolitan Wi-Fi network and, similar to other cable competitors, launched an on-the-go TV product to better compete against our IP-based Optik on the go.

Streaming media providers like Netflix, Apple and Google are competing for share of viewership, with recent studies suggesting that 29% of Canadian English-speaking households had a subscription to Netflix at the end of 2013.

TV and Internet service providers are monitoring OTT developments and evolving their content and market strategy to compete with these non-traditional offerings, as OTT can be viewed as both competitive and complementary. We view OTT as an opportunity to add increased capabilities with our linear and on-demand assets. We have brought OTT content into the Optik TV platform and added capabilities for Optik clients to access those services everywhere. Telecommunications companies continue to make investments in DSL broadband technologies to maintain and enhance their ability to support competitive IP-based services. Our Optik TV footprint covers more than 2.7 million households, with 89% having access to speeds of up to 50 Mbps through VDSL bonding and other newer technologies, enabling us to deliver a better customer experience and more simultaneous content. In addition, telecommunications companies are actively deploying fibre to the home (FTTH) technologies, which support even higher broadband speeds.

Combined with wireline local and long distance, wireless and high-speed Internet and entertainment services, telecommunications companies are increasingly offering bundled products to achieve competitive differentiation that offers customers more flexibility and choice. Our broadband investments and bundled integrated service offers have significantly improved our competitive position relative to our main cable-TV competitor, Shaw.

The Canadian broadcasting industry has become more vertically integrated, with most of our competitors owning broadcast content. Our differentiated approach, consistent with our content strategy, is to aggregate, integrate and make accessible the best content and applications to customers, through whatever device they choose. We have consistently taken the position that it is not necessary to own content to make it accessible on an economically attractive basis, provided there is meaningful and timely enforcement of regulatory safeguards and additional safeguards introduced, as required. (See *Section 10.4 Regulatory matters – Broadcasting distribution undertakings*.)

In the business market (enterprise and SMB), the convergence of IT and telecommunications, facilitated by the ubiquity of IP, continues to shape competitive investments. Telecommunications companies like TELUS are providing network-centric managed applications, while IT service providers are bundling network connectivity with their software as service offerings. In addition, manufacturers continue to bring all-IP and converged (IP plus legacy) equipment to market, enabling ongoing migration to IP-based solutions. The development of IP-based platforms, which provide combined IP voice, data and video solutions, creates potential cost efficiencies that compensate, in part, for reduced margins resulting from the migration from legacy to IP-based services. New opportunities exist for integrated solutions that have greater business impact than traditional telecommunications services.

Rapid growth is expected in cloud-based services in Canada. We opened two new intelligent IDCs in Kamloops, B.C. in 2013 and Rimouski, Quebec in 2012. With these resources, we intend to expand our cloud computing services in higher-margin segments with managed solutions, differentiating ourselves from our peers that have chosen to acquire down-market companies in the pure-play data hosting space. Investments in our IDCs also provide internal capabilities to strategically enhance our own network and IT services.

As technology in our industry continues to rapidly change, we are committed to evolving our business by offering services in core future growth areas complementary to our traditional business with an intense focus on an enhanced customer experience, positioning TELUS for continued growth.

Assumptions for 2014

In 2014, we plan to build on the results achieved in both wireless and wireline in 2013 to generally maintain wireless EBITDA growth and to target a modest to moderate increase in wireline EBITDA. We plan to generate future growth through postpaid wireless net additions, combined with ongoing smartphone adoption and upgrades and continued Optik TV and high-speed Internet subscriber growth, while assuming modest ARPU growth across these services. We will also continue our strategic network and service-related investments, along with customer-focused operational execution.

Our assumptions for our 2014 outlook are generally based on the industry analysis above, our 2013 results and our customers first focus and strategy discussed in *Section 2* and *Section 3*. These assumptions are subject to risks and uncertainties, including, but not limited to competition, regulatory matters, financing and debt requirements, taxation matters, economic conditions, litigation and other factors noted in our *Caution regarding forward-looking statements* and described in detail in *Section 10 Risks and risk management*. Some of our key assumptions are the following:

- Economic growth in Canada estimated to be 2.4% in 2014.
- No material adverse regulatory rulings or government actions.
- Wireless and wireline intense competition continuing from 2013 in both consumer and business markets.
- Approximately one to two percentage point increase in wireless industry penetration of the Canadian market, similar to 2013.
- Ongoing subscriber adoption of, and upgrades to, data-intensive smartphones at a rate consistent with 2013 levels (70 to 80% of postpaid gross additions), as customers want more mobile connectivity to the Internet.
- Wireless revenue growth resulting from additional postpaid subscriber loadings consistent with increased industry market penetration, as well as a modest increase in blended ARPU resulting from increased data usage, including from increased use of shared data plans, and subscriber mix.
- Flat to higher wireless acquisition and retention expenses, dependent on gross loadings and market pressures.
- Growth in wireline data revenues resulting from an increase in Optik TV and high-speed Internet subscribers, consistent with 2013, and a modest increase in average revenue per customer, as well as from growth in business services.
- The integration of Public Mobile in 2014 is expected to result in consolidated and wireless EBITDA being negatively impacted by approximately $40 million, while basic EPS is expected to be negatively impacted by approximately six cents.
- Pension plans: Defined benefit pension plan expense of approximately $85 million recorded in Employee benefits expense, and approximately $2 million recorded in employee defined benefit plans net interest in Financing costs; a 4.75% discount rate for employee defined benefit pension plan accounting purposes; and defined benefit pension plan funding of approximately $105 million.
- Restructuring and other like costs of approximately $75 million for continuing operational efficiency initiatives, with other margin enhancement initiatives to mitigate pressures from technological substitution and subscriber growth.
- Income taxes: Blended statutory income tax rate of 26.0 to 26.5% and cash income tax payments between $540 million and $600 million. Cash tax payments are increasing due to higher instalment payments based on 2013 income, the effect of the Canadian federal government's enacted policy change that eliminates the ability to defer income taxes through the use of different tax year-ends for operating partnerships and corporate partners, as well as lower recoveries.
- Continued investments in broadband infrastructure and 4G LTE expansion and upgrades, as well as in network and systems resiliency and reliability.
- Moderate weakening of the Canadian dollar to U.S. dollar exchange rate versus the average exchange rate in 2013.

10 Risks and risk management

Our discussion in this section is qualified in its entirety by the *Caution regarding forward-looking statements* at the beginning of the MD&A.

10.1 Overview

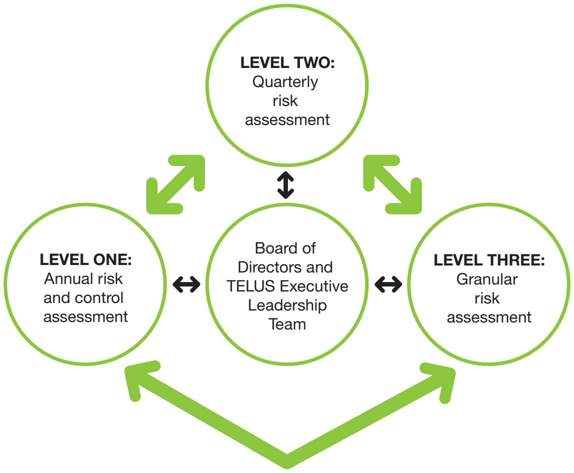
Risk and control assessment process

We use a three-level enterprise risk and control assessment process that solicits and incorporates the input of team members from all areas of TELUS. We implemented this process in 2002 and track multi-year trends for various key risks and control environment perceptions across the organization.

Definition of business risk

We define business risk as the degree of exposure associated with the achievement of key strategic, financial, organizational and process objectives in relation to the effectiveness and efficiency of operations, reliability and integrity of financial reporting, compliance with laws, regulations, policies, procedures and contracts, and safeguarding of assets within an ethical organizational culture.

Our enterprise risks are largely derived from our business environment and are fundamentally linked to our strategies and business objectives. We strive to proactively mitigate our risk exposures through performance planning, business operational management, and risk response strategies, which can include mitigating, transferring, retaining and/or avoiding risks.



For example, residual exposure for certain risks is mitigated through insurance coverage, where we judge this to be efficient and commercially viable. We also mitigate risks through contract terms and contingency planning and other risk response strategies as appropriate.

We strive to avoid taking on undue risk exposures whenever possible and ensure alignment of exposures with business strategies, objectives, values and risk tolerances.

THREE-LEVEL ENTERPRISE RISK AND CONTROL ASSESSMENT PROCESS

Level one: Annual risk and control assessment	Key inputs into this process include interviews with senior managers, data and updates from our ongoing strategic planning process, and the results of our annual web-enabled risk and control assessment survey. The survey aligns with the 2013 COSO (Committee of Sponsoring Organizations of the Treadway Commission) enterprise risk management and internal control framework. The survey is widely distributed to our management leadership team (all executive vice-president, vice-president and director-level team members and a random sample of management). Survey responses were received from 2,010 individuals in 2013. The members of our Board of Directors are also surveyed to solicit their perspectives on our key risks and approach to enterprise risk management, and to gauge our risk appetite and tolerance by key risk category. Our assessment process incorporates input from recent internal and external audits, results of various risk management activities, and our management's SOX 404 (*Sarbanes-Oxley Act of 2002*) internal control over financial reporting compliance activities. Key enterprise risks are identified, defined and prioritized, and classified into risk categories. Perceived risk resiliency (or readiness) is assessed by key risk and risk tolerance/appetite is evaluated by risk category. Results of the annual risk and control assessment are shared with our senior management and our Board (including the Audit Committee). Executive-level risk owners and Board oversight committees are assigned for each key risk. The annual risk assessment results guide the development of our annual internal audit program, which has an emphasis on assurance coverage of higher-rated risks and is approved by our Audit Committee. Risk assessments are also incorporated into our strategic planning, operational risk management and performance management processes, and are shared with our Board.
Level two: Quarterly risk assessment	We conduct quarterly risk assessment reviews with our executive-level risk owners and designated risk primes across all business units to capture and communicate changing business risks, identify key risk mitigation activities and provide quarterly updates and assurance to our Audit Committee and other applicable Board committees.
Level three: Granular risk assessment	We conduct granular risk assessments for specific audit engagements and various risk management, strategic and operational initiatives (e.g. strategic planning, project, environmental management, safety, business continuity planning, network and IT vulnerability, and fraud and ethics risk assessments). The results of the multiple risk assessments are evaluated, prioritized, updated and integrated into the key risk profile, policies and processes throughout the year.

Board risk governance and oversight

We maintained strong risk governance and oversight practices in 2013 with Board risk oversight responsibilities outlined in the Board's terms of reference and Board committee mandates.

- Risks on the enterprise key risk profile are assigned for oversight to one or more Board committees.
- Board committees provide risk updates to our full Board at least once annually for risks overseen through their respective terms of reference.
- Our Board or Board committees may request risk briefings by our executive risk owners. The Vice-President, Risk Management and Chief Internal Auditor attends and/or receives a summary of these briefings.

Principal risks and uncertainties

The following subsections describe our principal risks and uncertainties and associated risk mitigation activities. The significance of these risks is such that they alone or in combination may have material impacts on our business operations, reputation, results and valuation.

Although we believe the measures taken to mitigate risks described in each risk section below are reasonable, there can be no expectation they effectively remove the described risks or that new developments and risks will not materially impact our operations or financial results.

10.2 Competition

Customer experience

We compete in markets that are characterized by changing technology and the continual evolution of products and services. These conditions frequently result in shorter product life cycles. If our products and services do not positively differentiate us in the marketplace with a service experience that meets or exceeds customer expectations, client loyalty may decrease, reducing our customers' likelihood to recommend TELUS. Consequently, the TELUS brand image could suffer, business clients and consumers may change service providers, and our profitability could be negatively impacted should the costs to acquire and retain customers increase.

Risk mitigation: Our top corporate priority is putting customers first and earning our way to industry leadership in likelihood to recommend from our clients – a focus that commenced in 2010. We continue to invest in service development, team members, and system and process improvements and introduce new client experience initiatives to bring greater transparency and simplicity to our customers. (See *Strategic imperatives* in *Section 2.2* and *Corporate priorities* in *Section 3*.)

Intense wireless competition is expected to continue

At the end of 2013, including TELUS, there were nine facilities-based wireless competitors operating in Canada (some nationally and others regionally – see *Competition overview* in *Section 4.1*). This included four AWS entrant competitors who acquired spectrum in 2008 and who typically have focused on a price discounting strategy as their main differentiator from established players. AWS entrants offer zone-based plans and advertise unlimited calling and data, generally with a more limited handset selection. Likewise, established competitors also provide value service brands with aggressive acquisition and retention offers. Promotional activity typically rises concurrently with iconic device launches.

We anticipate continued pressure on ARPU from competitor promotions for voice and data services, including nationwide and international roaming plans, as well as pressure on data usage from substitution to increasingly available metropolitan area Wi-Fi networks. We expect pressure on cost of acquisition and retention as customers demand the latest smartphones and more inclusive and shared plans.

We also expect increased competition through the use of unlicensed spectrum to deliver higher-speed data services, such as from Shaw Communications' metropolitan area Wi-Fi networks, to deliver entertainment to its customers beyond the home in Western Canada. In 2012, Shaw launched a service to compete with TELUS Optik on the go. In addition, satellite operators such as Xplornet are augmenting their existing high-speed Internet access (HSIA) with launched high-throughput satellites.

Risk mitigation: Our 4G wireless networks cover approximately 99% of Canada's population, facilitated by network access agreements with Bell Canada and SaskTel. Wireless 4G technologies have enabled us to establish and maintain a strong position in smartphone and data device selection and expand roaming capability to more than 200 countries. Increased data download speeds provided by these technologies enable delivery of Optik on the go entertainment to mobile devices when beyond the reach of Wi-Fi.

To compete more effectively in serving a variety of customer segments, we offer a value service brand, Koodo Mobile®. By maintaining separation between the TELUS and Koodo brands through distinct distribution channels and uniquely targeted value propositions, we believe we are well positioned to compete with new entrants and incumbent wireless providers. We also have a white label postpaid service provided through a premier retail chain.

We intend to continue to market and distribute innovative and differentiated wireless services; offer a bundled wireless service (e.g. voice, text and data), including data sharing plans; invest in our extensive network; evolve technologies; and acquire spectrum to facilitate service development and the expansion of our subscriber base, as well as to address accelerating demand for data usage.

Competitor pricing and technological substitution may adversely affect market shares, volumes and pricing, leading to reduced utilization and increased commoditization of legacy wireline voice services

We face intense competition and technological substitution across all key business lines and market segments, including the consumer, SMB and large enterprise markets.

Technological advances have blurred the traditional boundaries between broadcasting, Internet and telecommunications. (See *Section 10.3 Technology*.) Wireless carriers and cable-TV companies continue to expand offerings, resulting in intensified competition for local access, long distance and high-speed Internet services in residential and certain SMB markets. OTT content providers like Netflix compete for share of viewership, potentially impacting growth in our TV and entertainment services. We expect intense industry pricing pressure and customer acquisition efforts to continue across most product and service categories and market segments.

Risk mitigation: CRTC decisions in recent years approving wireline deregulation have provided us with improved flexibility to respond to intense competition. Active monitoring of competitive developments in product and geographic markets enables us to respond more rapidly to competitor offers and leverage our full suite of integrated wireless and wireline solutions and national reach. To mitigate losses in legacy services that we provide in our incumbent areas of B.C., Alberta and Eastern Quebec, we continue to invest in our broadband networks to increase speeds, improve network reliability and expand our reach, introduce innovative products and services, and enhance services with integrated bundled offers, as well as invest in customer-focused initiatives to support our efforts to continuously improve the customer experience. We continue to generate growth in non-incumbent markets in Central Canada with business services and mobility offerings. We also continue to actively pursue a competitive cost structure and invest to improve efficiency.

Wireline voice and data competition

We expect competition to remain intense from traditional telephony, data, IP and IT service providers, as well as from VoIP-focused entrants in both business and consumer markets.

The industry transition from legacy voice infrastructure to IP telephony and from legacy data platforms to Ethernet, IP virtual private networks, multi-protocol label switching IP platforms and IP-based service delivery models continues to create uncertainties. Legacy data revenues and margins continue to decline and have been only partially offset by increased demand and/or migration of customers to IP-based platforms. IP-based solutions are also subject to downward pricing pressure, lower margins and technological evolution. Capital investments in wireline infrastructure are required to facilitate this ongoing transition process.

Business

In the business market, price-discounted bundling of local access, wireless and advanced data and IP services has evolved to include web-based and e-commerce services, as well as other IT services and support. Non-traditional competitors have entered the telecommunications space with new products that redirect and deliver email, voice and text messages from a variety of telecommunications and IT systems to the device nearest the intended recipient. With this broader bundling of traditional telecommunications services and IT services, we increasingly face competition from pure Internet and IT hardware, software and business process/consulting companies. Cable-TV companies are targeting the SMB market with their services. The result is that traditional and non-traditional competitors are now focused on providing a broad range of telecommunications services to the business market, particularly in major urban areas.

Risk mitigation: We continue to increase our capabilities through a combination of acquisitions and partnerships, a focus on vertical markets (public sector, healthcare, financial services, energy and telecommunications wholesale), expansion of solution sets in the enterprise market, and a Clear and Simple modular approach in the SMB market (including services such as TELUS Business Freedom and TELUS Future Friendly Office). Through TELUS Health, we have leveraged our systems and proprietary solutions to extend our footprint in healthcare and benefit from the investments in eHealth being made by governments. We are also focused on implementing large enterprise deals that leverage our capital investments and capabilities.

Consumer

In the consumer wireline market, cable-TV companies and other competitors encounter minimal regulation and continue to combine a mix of residential local VoIP, long distance, HSIA and, in some cases, wireless services into one bundled and/or discounted monthly rate, along with their existing broadcast or satellite-based TV services. In addition, cable-TV companies continue to increase the speed of their HSIA offerings and roll out Wi-Fi services in metropolitan areas. To a lesser extent, other non-facilities-based competitors offer local and long distance VoIP services over the Internet and resell HSIA solutions. Erosion of our residential NALs is expected to continue as a result of this competition and ongoing technological substitution to wireless and VoIP. Legacy voice revenues can be expected to continue to decline. Although the HSIA market is maturing, subscriber growth is expected to continue over the next several years and requires ongoing investment.

Risk mitigation: We continue to expand the coverage and increase the speed of our high-speed Internet service and increase the coverage, capability and content lineup of our IP-based Optik TV service in B.C., Alberta and Eastern Quebec (see *Broadcasting* below and *Section 2.2 Strategic imperatives*). The provision of Optik TV service and service bundles helps us attract and pull-through Internet subscriptions, mitigate network access line losses, and take TV and entertainment market share from cable-TV companies in their incumbent markets. TELUS Satellite TV service in Alberta and B.C. complements our IP TV service, enabling us to more effectively serve households where our IP TV service is not currently available. TELUS Satellite TV service is made possible by an agreement with Bell Canada.

Broadcasting

We offer Optik TV service to more than 2.7 million households in B.C., Alberta and Eastern Quebec, and continue targeted roll-outs to new areas. TELUS TV provides numerous interactivity and customization advantages over cable-TV and we have achieved a significant market share with 815,000 subscribers at December 31, 2013. However, there can be no assurance that double digit subscriber growth rates will be maintained, or that we will achieve planned revenue growth and improved operating efficiency because of a high industry market penetration and actions by our primary competitors and content suppliers, as well as competition from OTT services.

Risk mitigation: We have broadened the addressable market for our HD TV services through the deployment of ADSL2+ technology, upgrades to VDSL2 technology and the continued roll-out of gigabit passive optical network (GPON) technology in selected areas. We continue to introduce new features and capabilities to our TV services (see *Providing integrated solutions* in *Section 2.2*) and strengthen our leadership position in Western Canada in the number of HD linear channels and video on demand assets.

Vertical integration into broadcast content ownership by competitors

We are not currently seeking to be a broadcast content owner, but our major competitors own and continue to acquire broadcast content assets. Increased vertical integration could result in content being withheld from us or being made available to us at inflated prices. (See *Broadcasting distribution undertakings* in *Section 10.4 Regulatory matters*.)

10.3 Technology

Technology is a key enabler of our business. However, technology evolution brings risks and uncertainties, as well as opportunities. We maintain short-term and long-term technology strategies to optimize our selection and timely use of technology, while minimizing the associated costs, risks and uncertainties. Following are the main technology risks and uncertainties and how we proactively address them.

Subscriber demand for data challenges wireless networks and is expected to be accompanied by decreasing prices

The demand for wireless data services continues to grow rapidly, driven by greater broadband penetration, growing personal connectivity and networking, increasing affordability of smartphones and high-usage data devices (such as tablets and mobile Internet keys), richer multimedia services and applications, M2M data applications, and wireless price competition. Given the highly competitive wireless business environment in Canada (see *Technological and competitive environments* in *Section 1.2*), we expect that wireless data revenues will grow more slowly than demand for bandwidth. Rising data traffic levels and the fast pace of data device innovation present challenges to adequately provision capacity and maintain high service levels.

To support continued growth in wireless subscribers and data services, we require additional spectrum capacity, as we are experiencing spectrum exhaustion in many important markets. A cost-efficient roll-out of LTE in rural areas is facilitated by ownership of 700 MHz wireless spectrum licences. Spectrum in the 700 MHz range has superior propagation capabilities that make it effective and efficient in covering Canada's expansive rural geography. These same capabilities improve the quality of in-building coverage in urban areas. Spectrum in the 2,500–2,690 MHz range, which is expected to be auctioned in 2015, is also important for urban markets.

Risk mitigation: Our ongoing investments in LTE and HSPA+ networks, as well as small cell deployments, position us to help manage data capacity demands. We expect to implement further standards-based enhancements that are ready for commercial deployment to these networks. In addition, our investments in IP networks, IP/fibre cell-site backhaul and a software-upgradeable radio infrastructure will support the future evolution to LTE-advanced technologies. LTE-advanced is expected to further increase network capacity and speed, reduce delivery costs per megabyte of data, enable richer multimedia applications and services, and deliver a superior subscriber experience.

Rapid growth of wireless data volumes requires optimal and efficient utilization of our spectrum holdings, including ongoing development of a capacity management toolkit. Our spectrum strategy is designed to further strengthen our ability to deliver the mobile Internet to Canadians in the future. In line with this strategy, we participated in the 700 MHz spectrum auction concluded in February 2014 (see *Regulation* in *Section 1.2*). We intend to participate in the 2,500–2,690 MHz spectrum auction in April 2015, and if we are successful in our bids, the additional spectrum will provide added capacity and mitigate risks from growing data traffic. In addition, we plan to utilize spectrum purchased in 2013, and we will eventually begin repurposing spectrum currently used for our CDMA network.

Roll-out and evolution of wireless broadband technologies and systems

As part of a natural 4G network progression, we are committed to LTE and HSPA+ technology to support medium-term and long-term growth of mobile broadband services. We continue to support CDMA2000 3G wireless services (including EVDO Revision A), but plan to begin decommissioning in 2014 for eventual shutdown possibly in 2015. We have launched our new PTT solution, TELUS Link, over our 4G HSPA and LTE networks (see *Building national capabilities* in *Section 2.2*). With the launch of TELUS Link, we have ceased marketing our Mike service and will be turning it down over the next year as we migrate our Mike customers to the new service. However, we will continue to maintain our iDEN network to support our Mike private radio customers for the foreseeable future. The eventual decommissioning of the CDMA and iDEN networks must be managed appropriately to ensure optimal use of spectrum and tower facilities, reduce costs and minimize subscriber migration and retention risks. However, there is the risk that our future capital expenditures may be higher than those recorded historically in order to meet ongoing technology investments.

Risk mitigation: Our practice is to continually optimize capital investments to provide positive payback periods and flexibility in considering future technology evolutions. Some capital investments, such as wireless towers, leasehold improvements and power systems, are technology-indifferent.

Our wireless networks are ready to evolve through software upgrades to support enhancements in LTE and HSPA+ that improve performance, capacity and speed. We expect to leverage the economies of scale and handset variety of the LTE and HSPA+ device ecosystems. We continue to strategically migrate CDMA and Mike (iDEN) subscribers to high-speed LTE and HSPA+ data devices, thereby providing the potential to increase utilization of data services and retain and grow revenue.

Reciprocal network access agreements, principally with Bell Canada, facilitated our deployment of next-generation wireless technologies and provided the means for us to better manage our capital expenditures. These agreements are expected to provide ongoing cost savings beyond the initial network build, as well as the flexibility to invest in service differentiation and support systems.

We maintain close co-operation with our network technology suppliers and operator partners to influence and benefit from developments in LTE and HSPA+ technologies.

Supplier risks

Restructuring of vendors may impact our networks and services

We have relationships with a number of vendors, which are important in supporting network and service evolution plans and delivery of services to our customers. Vendors may experience business difficulties, restructure their operations, be consolidated with other suppliers, discontinue products or sell their products to other vendors, which could affect the future development and support of products we use. There can be no guarantee that the outcome of any particular vendor difficulty will not affect the services that we provide to our customers, or that we will not incur additional costs to continue providing services. Certain customer needs and preferences may not be aligned with our vendor selection or product and service offering, which may result in limitations on growth or loss of existing business.

Supplier concentration and market power

The popularity of certain models of smartphones and tablets, such as those from Apple and Samsung, has resulted in a growing reliance on these manufacturers, which may increase the market power that these suppliers have over us. In addition, owners of popular broadcasting content may increase distribution charges and attempt to renegotiate broadcasting distribution agreements we have with them, which can negatively impact our entertainment service offerings and/or profitability. See also *Broadcasting distribution undertakings* in *Section 10.4*.

Risk mitigation: We consider possible vendor difficulties and/or restructuring outcomes when planning for our future growth, as well as the maintenance and support of existing equipment and services. We have a reasonable contingency plan for different scenarios, including working with multiple vendors, maintaining ongoing strong vendor relations and working closely with other product users to influence vendors' product development plans.

In respect of supplier market power, we offer and promote alternative devices or programming content to provide greater choice for consumers and to help lessen our dependence on a few key suppliers.

Support systems will be increasingly critical to operational efficiency

We have a very large number of interconnected operational and business support systems, and their complexity has been increasing, which can affect system stability and availability. This is typical of established telecommunications providers that support a wide variety of legacy and emerging telephony, mobility, data and video services. The development and launch of a new service typically requires significant systems development and integration efforts. Management of associated development and ongoing operational costs is a significant factor in maintaining a competitive position and profit margins. We are proactive in evolving to next-generation support systems, which leverage industry integration and process standards. As next-generation services are introduced, they must be designed to work with next-generation systems, frameworks and IT infrastructures, and at the same time, must be compatible with legacy services and support systems. This introduces uncertainty with respect to the speed and costs of development and regression tests necessary to deliver solutions with the desired effect, and may hinder our ability to introduce new services.

Risk mitigation: In line with industry best practice, our approach is to separate business support systems (BSS) from operational support systems (OSS) and underlying network technology. Our aim is to decouple the introduction of new network technologies from the services sold to customers so that both can evolve independently. This allows us to optimize network investments while limiting the impact on customer services, and facilitate the introduction of new services by driving BSS/OSS functions with configurable data rather than program changes. In addition, we actively participate in the TeleManagement Forum that is working to develop standard industry-defined modules in order to reduce cost through scale and increase adoption through scope. We have established a next-generation BSS/OSS framework to ensure that, as new services and technologies are developed, they are part of the next-generation framework to ease the retirement of legacy systems in accordance with TeleManagement Forum's Next Generation Operations Systems and Software program.

Evolving wired broadband access technology standards may outpace projected access infrastructure investment lifetimes

The technology standards for broadband access over copper loops to customer premises are evolving rapidly, enabling higher broadband access speeds. The evolution is fuelled by user appetite for faster connectivity, the threat of growing competitor capabilities and offerings, increasing use of OTT applications and the intent of service providers like us to offer new services, such as IP TV, that require greater bandwidth. In general, the evolution to higher broadband access speeds is achieved by deploying fibre-optic cable further out from the central office, thus shortening the copper loop portion of the access network, and using faster modem technologies on the shortened copper loop. However, new access technologies are evolving faster than the traditional investment cycle for access infrastructure. The introduction of these new technologies and the pace of adoption could result in increased requirements for capital funding not currently planned, as well as shorter estimated useful lives for certain existing infrastructure, which would increase depreciation and amortization expenses.

Risk mitigation: As part of our multi-year broadband build program, we upgraded substantial parts of our network to fibre to the neighbourhood (FTTN) technology. We continue to make incremental investments to this infrastructure in order to maintain our ability to support competitive services – most recently, the upgrade to VDSL2 and bonding technologies. In addition, we are actively deploying fibre to the home (FTTH) technologies, which support higher bandwidths.

In addition to ongoing enhancements to FTTN, we actively monitor the development and carrier acceptance of competing proposed FTTx standards (such as FTTH and fibre to the distribution point or FTTDp). One or more of these fibre-based solutions may be a more practical technology to deploy in brownfield neighbourhoods or multiple dwelling units than the current xDSL deployments on copper loops. We are exploring business models for economic deployment of fibre-based technologies in areas currently connected by copper.

The evolution of these access architectures and corresponding standards, enabled with quality of service standards and network traffic engineering, all support our Future Friendly Home® strategy to deliver IP-based Internet, voice and video services over a common broadband access infrastructure.

IP-based telephony as a replacement for legacy analogue telephony is evolving and cost savings are uncertain

We continue to monitor the evolution of IP-based telephony technologies and service offerings and have developed a consumer solution for IP-based telephony through broadband access in accordance with our strategy and standards. Currently this solution is intended to replace legacy analogue telephone service in areas that are served by fibre-based facilities. However, this could be expanded to provide additional telephone services over the same line as existing analogue service. We are also in the process of designing and testing our next-generation IP telephony solution for business users, which is intended to replace existing, end-of-life business VoIP platforms, as well as address areas that are served via fibre access.

One of the realities of VoIP in the consumer space is that the actual state of technology developed to inter-work telephony, video and Internet access on the same broadband infrastructure is in its infancy and there are challenges to be addressed, such as ensuring all services can be delivered simultaneously to the home (and to different devices within the home). These challenges increase when the exchange of information is between service providers with different broadband infrastructures.

Our long-term technology strategy is to move all services to IP to simplify the network, reduce costs and enable advanced Future Friendly Home services. Pursuing this strategy to its full extent would involve transitioning our standard telephone service offering to IP-based telephony and phasing out legacy analogue-based telephone service. To this point, our legacy voice network infrastructure could be simplified if regular analogue telephone lines were discontinued in favour of digital-only broadband access lines supporting all services including telephony, Internet and video. However, digital-only broadband access may not be feasible or economical in many areas for some time, particularly in rural and remote areas. We expect to support both legacy and broadband voice systems for some time and incur costs to maintain both systems. There is a risk that investments in broadband voice may not be accompanied by a reduction in the costs of maintaining legacy voice systems. There is also the risk that broadband access infrastructure and corresponding IP-based telephony platforms may not be in place in time to avoid the need for some reinvestment in traditional switching platforms to support the legacy public switched telephone network access base in certain areas, resulting in some investment in line adaptation in non-broadband central offices.

Risk mitigation: We continue to deploy residential IP-based voice technologies into fibre-based communities and work with vendors and the industry to assess the technical applicability and evolving cost profiles of proactively migrating legacy customers onto IP-based platforms, while striving to adhere to CRTC commitments and customer expectations. Our ongoing investments in FTTN and access technologies should enable a smoother future evolution of IP-based telephony. We are also working with manufacturers to optimize the operations, cost structure and life expectancy of analogue systems and solutions so that some of this infrastructure evolves to a point where it can form a part of the overall evolution towards IP. Additionally, IP-based solutions that we are currently deploying are capable of supporting a wide range of customers and services to help limit our exposure to any one market segment. Going forward, as our wireless services evolve, we will continue to assess the opportunity to further consolidate technology silos into a single voice service environment. We are looking at opportunities to rationalize our existing legacy voice infrastructure in order to manage costs. We are also increasing our focus on driving the costs out of VoIP services, and are working with our vendors and partners to reduce the cost structure of VoIP deployments.

Convergence in a common IP-based application environment for telephony, Internet and video is complex

The convergence of wireless and wireline voice, Internet and video in a common IP-based application environment, carried over a common IP-based network, provides opportunities for cost savings and for the rapid development of more advanced services that are also more flexible and easier to use. However, the transformation from individual silo systems and architectures to a common environment is very complex and could be accompanied by implementation errors, design issues and system instability.

Risk mitigation: We substantially completed the transition of our previous IP TV middleware to Ericsson Mediaroom (formerly Microsoft Mediaroom) in 2011 and we continue to expand the new platform. We mitigate implementation risk through modular architectures, lab investments, partnering with system integrators where appropriate, employee trials, and using hardware that is common to most other North American IP TV deployments. We strive to ensure that our IP TV deployment is part of an open framework that will fit within the overall transformation strategy once standards are ratified and the actual implementations have stabilized, particularly with the set-top box. We are also active in a number of standards bodies such as the MEF and IP Sphere to help ensure that any new IP infrastructure strategy leverages standards-based functionality to further simplify our networks.

The emergence of OTT services presents challenges to network capacity and conventional business models

OTT services are a new category of services being delivered over the Internet and compete directly with traditional pay-TV services. OTT video services, in particular, have rapidly become the largest source of traffic on the North American Internet backbone. OTT service providers do not invest in, or own, networks and their growing services present Internet service providers and network owners with the challenge of preventing network congestion.

Risk mitigation: We have designed an IP network supporting our FTTN VDSL2 network that has not experienced significant congestion problems through 2013. We have seen some hotspots on our legacy ADSL network that we are addressing with both short- and long-term solutions. As additional OTT providers launch services and offer higher resolution video over the Internet, we may be required to make larger investments in the network to support this capacity and develop new responses to the challenges posed by the OTT providers.

10.4 Regulatory matters

As explained in *Section 1.2*, our telecommunications and broadcasting services are regulated under federal legislation by the CRTC, Industry Canada and Heritage Canada. These regulations relate to, among other things, licensing, competition and restrictions on ownership and control by non-Canadians. The outcome of any regulatory reviews, proceedings, appeals and other developments could have a material impact on our operating procedures and profitability.

Radiocommunication licences and wireless roaming and tower sharing requirements

Availability of wireless spectrum licences

All wireless communications depend on the use of radio transmissions and, therefore, require access to radio spectrum. To support rapid growth in the use of wireless data services and to implement our strategies for extensive deployment of our 4G LTE network in rural areas, we require access to additional wireless spectrum (see *Subscriber demand for data* in *Section 10.3 Technology*).

Framework for wireless spectrum transfers

On June 28, 2013, Industry Canada issued its *Framework Relating to Transfers, Divisions and Subordinate Licensing of Spectrum Licences for Commercial Mobile Spectrum*. This framework requires that the Minister of Industry approve changes of control and other deemed transfers of existing and future spectrum licences.

We have applied for judicial review concerning the spectrum transfer rules on the basis that the requirement for approval of deemed transfers is outside the jurisdiction of the Minister of Industry. The application will be heard in 2014 with a decision expected in the second or third quarter of 2014. If the policy is upheld, future transfers of wireless spectrum could be hampered by the new ministerial approval process.

700 MHz spectrum auction framework

In the 700 MHz spectrum auction, all wireless service providers were capped at two paired blocks of spectrum. However, the Minister also determined that large wireless service providers (including TELUS, Rogers and Bell) were only eligible to receive a licence for one paired block of prime 700 MHz spectrum.

We applied for judicial review concerning the additional cap imposed in the context of the 700 MHz spectrum auction. However, the Federal Court dismissed TELUS' request for judicial review, and the framework for the 700 MHz spectrum auction was maintained.

2,500–2,690 MHz spectrum auction framework

On January 10, 2014, Industry Canada announced that the spectrum auction in the 2,500–2,690 MHz band will begin on April 14, 2015. This is prime spectrum for LTE in urban locations. Currently, most of this spectrum is held by Rogers Communications and Bell Canada through their Inukshuk partnership for fixed wireless broadband services. Under the auction rules, all participants will be limited by a 40 MHz cap on bidding on this spectrum in each licence region. In those regions where incumbents exceed the spectrum cap, they will not be required to relinquish any existing spectrum holdings. However, such licensees will not be eligible to bid for additional spectrum licences in the auction in service areas where the limit has been met or exceeded. Since Bell and Rogers already control substantial blocks of this spectrum, their ability to bid in the auction will be restricted absent any divestment of existing blocks. The cap provides an opportunity to significantly increase our spectrum holdings for LTE should we succeed in the auction. However, there is no guarantee we will acquire all of the wireless spectrum that we might seek under the cap.

Compliance with licence conditions and telecommunications regulations

Industry Canada regulates, among other matters, the allocation and use of radio spectrum in Canada and licenses frequency bands and/or radio channels within various frequency bands to service providers and private users. Industry Canada also establishes the terms and conditions attached to such licences, including restrictions on wireless spectrum licence transfers, Canadian ownership requirements (see *Restrictions on foreign ownership*, below), coverage obligations, research and development obligations, annual reporting, and mandated roaming and antenna site sharing with competitors.

While we believe that we are substantially in compliance with our licence conditions, there can be no assurance that we will be found compliant with all licence conditions, or if found not to be compliant, that a waiver will be granted, or that the costs to be incurred to achieve compliance will not be significant. Any failure by us to comply with the licence conditions could result in revocation of wireless spectrum licences and imposition of fines.

On December 18, 2013, the federal government announced that it would be amending both the *Telecommunications Act* and the *Radiocommunication Act* to give the CRTC and Industry Canada the option to impose monetary penalties on companies that violate established rules, such as the Wireless Code and those related to the deployment of spectrum, services to rural areas and tower sharing.

Risk mitigation: We have advocated to the federal government for a level playing field in respect of spectrum auction rules, such that established wireless companies like TELUS can bid on an equal footing with entrants for spectrum blocks available at auction or be able to purchase spectrum available for sale from entrants. We will continue to strive to comply with all telecommunications regulations, including licence and renewal conditions.

Provincial consumer protection legislation / National Wireless Code

As a number of provinces had enacted, and others were planning to enact, amendments to consumer protection legislation that directly or indirectly affect the terms and conditions of providing wireless services, we asked the CRTC in 2012 to act to establish binding uniform national terms and conditions for the provision of wireless service.

On June 3, 2013, the CRTC issued *The Wireless Code, Telecom Regulatory Policy CRTC 2013-271*, which established a mandatory code of conduct for providers of retail mobile wireless voice and data services to individuals and small businesses. The Wireless Code applies across Canada and sets baseline requirements for customer rights and service provider responsibilities that all mobile wireless service providers must follow. It deals with issues such as: clarity and content of mobile wireless service contracts, application of early cancellation fees, mandatory caps on data and roaming charges, and removal of cancellation fees after two years.

Although the Wireless Code went into effect on December 2, 2013, and applies to mobile wireless service contracts signed, amended, renewed or extended after that date, the CRTC has also stated that the Wireless Code will apply to all wireless contracts, no matter when they were entered into, on June 3, 2015. This could mean that, as of June 3, 2015, the Wireless Code will apply retrospectively to all retail mobile wireless service contracts with individuals and small businesses, including those in place prior to December 2, 2013. Contracts that have device balances that are reduced over a period greater than 24 months, which is the case for existing three-year mobile wireless service contracts, would not comply with the Wireless Code.

The Federal Court of Appeal has granted TELUS and other major wireless providers leave to appeal the retrospective application of the Wireless Code and the appeal process is ongoing. We anticipate that the appeal will not be heard prior to the second quarter of 2014. Should retrospective application of the Wireless Code remain, we may experience a negative impact to our financial results in the future, as certain of our clients on three-year contracts may be entitled to avoid paying the remaining device balance if they terminate their contracts early.

There continue to be conflicts and inconsistencies between the Wireless Code and some provincial legislation, such as Ontario's recently enacted consumer protection legislation. There is a risk of significant compliance costs for us and other wireless providers, particularly since the federal and provincial rules are not fully harmonized.

Risk mitigation: We support the CRTC's national Wireless Code to standardize the terms and conditions of service and to reduce compliance costs, but we are appealing the retrospective aspects of the CRTC's Wireless Code. The Code went into effect on December 2, 2013, and we adjusted our practices as necessary to achieve compliance with the Code's requirements by the effective date. In addition, we launched new two-year plans on July 30, 2013, ahead of the required implementation date for the two-year contract maximum. Because we are subject to federal laws and regulations like the Wireless Code, there may be occasions where compliance with provincial legislation is not required. In such cases, we manage our compliance costs by carefully assessing whether compliance with provincial legislation promotes our customers first philosophy and aligns with the federal standards we must follow.

Upcoming regulatory reviews

Wireline wholesale services review

On October 15, 2013, the CRTC initiated a broad review of the existing regulatory framework for wireline wholesale services in *Telecom Notice of Consultation CRTC 2013-551*, *Review of wholesale services and associated policies*. The objective of these proceedings is to review, among others, enhanced basic services, subsidy regime, national contribution mechanism, paper bill charges and the appropriateness of mandating fibre to the premises (FTTP) facilities. This wide-ranging policy proceeding will include an oral hearing in the fourth quarter of 2014 with a decision expected in the first quarter of 2015. The outcome of this review will change aspects of the current regulatory framework for wholesale services, which could negatively impact our future business strategies.

Enhanced basic service objective

The CRTC has indicated that it will conduct a comprehensive review to determine what services (e.g. voice, broadband) are required by all Canadians to be able to participate fully in the digital economy and whether there should be changes to the subsidy regime and national contribution mechanism. This review is currently planned to be completed by 2015, followed by any implementation activities required.

Wireless wholesale roaming rates

On October 16, 2013, as part of the Governor General's speech from the throne, the federal government indicated that it would take steps to reduce roaming costs on networks within Canada. On December 12, 2013, the CRTC initiated a review of wireless wholesale roaming rates. The proceeding will examine whether wireless carriers are charging other Canadian wireless service providers domestic roaming rates that are discriminatory. Submissions in this proceeding will be filed in the first quarter of 2014 with a decision expected in the second quarter of 2014.

The CRTC also announced that it will launch a separate proceeding in 2014 to examine the state and sustainability of competition in the wireless marketplace and what, if any, regulatory measures need to be taken if it finds that the wireless marketplace is not sufficiently competitive. The CRTC indicated that this proceeding will not conclude until late 2014, at the earliest.

Application to the CRTC to review paper bill charges

On October 22, 2013, the Public Interest Advocacy Centre filed an application to the CRTC seeking a prohibition on telecommunications service providers charging their residential customers for receipt of paper bills, and for the issuance of refunds to regulated telephone company customers for any past paper bill charges. As part of this proceeding, we acknowledged that we charge residential customers for receipt of paper bills, but that these charges are designed in a reasonable manner such that all customers to whom the charge is levied have access to electronic billing, but choose to receive a paper bill. We do not charge any standalone wireline telephone customers for receipt of paper bills. The record of this proceeding is now closed and a decision is expected from the CRTC in the first quarter of 2014.

Risk mitigation: We will continue to press the CRTC to reduce the scope of network facilities subject to mandatory unbundling. If access to FTTP infrastructure is mandated by the CRTC as a result of the wireline wholesale services review proceeding, potential future FTTP investments would be discouraged. We will support enhancements to the basic service objective as long as there are associated changes to the current subsidy regime to support any new service requirements.

We will participate in the proceeding on wireless wholesale roaming rates to demonstrate that the domestic roaming rates we charge to Canadian wireless service providers are not discriminatory.

We have responded to the application on paper bill charges by demonstrating that the charges are fair in that they are only levied to customers who have direct access to electronic billing but still choose to receive a paper bill. We have also demonstrated that our paper bill charges are levied based on billing for forborne services, meaning that the CRTC has forborne from regulating these rates.

Restrictions on foreign ownership

Foreign ownership restrictions applicable to TELUS

We are subject to the foreign ownership and control restrictions, including restrictions on the ownership of our Common Shares by non-Canadians, imposed by the *Canadian Telecommunications Common Carrier Ownership and Control Regulations* and the *Telecommunications Act* (collectively, the Telecommunications Regulations), the *Radiocommunication Act* and the *Broadcasting Act* and associated regulations. Although we believe that we are in compliance with the relevant legislation, there can be no assurance that a future CRTC, Industry Canada or Heritage Canada determination, or events beyond our control, will not result in us ceasing to comply with the relevant legislation. If such a development were to occur, the ability of our subsidiaries to operate as Canadian carriers under the *Telecommunications Act* or to maintain, renew or secure licences under the *Radiocommunication Act* and *Broadcasting Act* could be jeopardized and our business could be materially adversely affected.

Specifically, to maintain our eligibility to operate certain of our subsidiaries that are Canadian carriers under these laws, the level of non-Canadian ownership of TELUS Common Shares cannot exceed 33⅓% and we must not otherwise be controlled by non-Canadians. The Telecommunications Regulations give TELUS, which is a carrier-holding corporation of Canadian carriers, certain powers to monitor and control the level of non-Canadian ownership of our Common Shares.

These powers have been incorporated into TELUS' Articles and were extended to ensure compliance under both the *Radiocommunication Act* and the *Broadcasting Act*. These powers include the right to: (i) refuse to register a transfer of Common Shares to a non-Canadian; (ii) require a non-Canadian to sell any Common Shares; and (iii) suspend the voting rights attached to the Common Shares in inverse order of registration.

Foreign ownership restrictions for "small" common carriers

In 2012, the Canadian federal government amended the *Telecommunications Act* to lift restrictions on foreign ownership for telecommunications common carriers whose annual revenues from the provision of telecommunications services in Canada represent less than 10% of the total annual revenues, as determined by the CRTC. This gives "small" wireless and wireline carriers, which can be significantly influenced, owned or controlled by very large foreign entities, the opportunity to raise foreign capital to fund their network construction, operating losses and bids in spectrum auctions, as well as take advantage of any special rules for small wireless carriers in spectrum auctions.

Risk mitigation: In respect of restrictions on foreign ownership, we continue to advocate for and encourage the Canadian federal government to level the playing field by expeditiously eliminating foreign ownership restrictions for both telecommunications and broadcast distribution companies. With respect to the monitoring and enforcement of current restrictions on non-Canadian ownership of TELUS Common Shares, we have reasonable controls in place to ensure that foreign ownership levels are respected through a reservation and declaration system. As noted above, we have a number of remedies available to us under the *Telecommunications Act* that are reflected and available to us under TELUS' Articles.

Broadcasting distribution undertakings

We hold licences from the CRTC to operate terrestrial broadcasting distribution undertakings to serve various communities in B.C. and Alberta (renewed in 2009 for a second full seven-year term), and in Eastern Quebec (renewed in 2011 for a second full seven-year term). We also hold a licence to operate a national video on demand (VOD) undertaking (renewed until August 31, 2016).

Increasing vertical integration

The broadcasting landscape has undergone significant consolidation, including the acquisition by Bell Canada Enterprises (BCE) of Astral Media (approved by the CRTC in June 2013) and CTVglobemedia (approved by the CRTC in March 2011), and the acquisition by Shaw of the programming services of Canwest Global (approved by the CRTC in October 2010). Rogers Communications and Quebecor also own content assets.

In September 2011, the CRTC announced a policy framework to address concerns relating to the potential incentive for anti-competitive behaviour by vertically integrated broadcasting companies. The CRTC subsequently introduced a new code of conduct through amendments to the various broadcasting regulations and exemption orders. The amendments to the regulations were enacted in July 2012. In addition, the CRTC subjected BCE's acquisition of Astral Media in June 2013 to numerous additional safeguards by way of conditions of licence to ensure access to content under BCE's control on commercially reasonable terms and conditions.

The CRTC has extended the additional safeguards that were imposed on BCE's broadcasting undertakings to Corus in its decision approving Corus' acquisition of some divestitures from Astral Media (approved by the CRTC in December 2013). The CRTC has indicated that it will consider making other vertically integrated players subject to those additional safeguards in subsequent proceedings. Without timely and strict enforcement of the vertical integration safeguards, there is a risk that vertically integrated competitors, which own both broadcast content and distribution platforms, could unfairly raise programming costs for non-vertically integrated companies such as TELUS, and/or attempt to withhold content on digital media platforms (Internet and mobile platforms), or otherwise disadvantage us in our ability to attract and retain wireless or Optik TV customers.

Upcoming review of regulatory framework for television services

In June 2013, the CRTC launched a process to review the regulatory framework related to the distribution of television in Canada. Its initial invitation, titled *Let's Talk TV*, sought comment from the public to help shape the television system for the future. In January 2014, the CRTC launched phase two of this process, seeking comment on the various ideas mentioned during the initial conversation with Canadians. A public hearing on a proposed new regulatory framework is expected to be held in September 2014. In parallel, the CRTC is responding to an order from the government to report on how the ability of Canadian consumers to subscribe to pay and specialty television services on a service-by-service basis (also known as pick-and-pay) can be maximized in a manner that furthers the objectives of the *Broadcasting Act*. The CRTC must issue this report no later than April 30, 2014.

Risk mitigation: Our strategy is to aggregate, integrate and make accessible content and applications for customers' enjoyment. We do not believe it is necessary to own content to make it accessible to customers on an economically attractive basis, subject to timely and strict regulatory enforcement of the CRTC's vertical integration safeguards to prevent undue preference by vertically integrated competitors.

We support a symmetrical regime under the *Broadcasting Act* that ensures all Canadian consumers continue to have equitable access to broadcast content irrespective of the distributor or platform they choose. We believe that, as long as content is regulated to achieve cultural objectives, this is in the best interest of all carriers and their customers. We continue to advocate for the timely and strict enforcement of the CRTC vertical integration policy and for further meaningful safeguards, as required.

10.5 Human resources

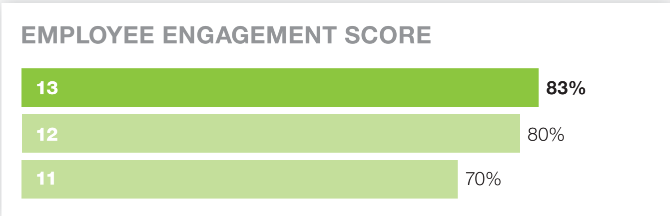
Employee retention, recruitment and engagement

Our success depends on the abilities, experience and engagement of our team members. The loss of key employees through attrition and retirement – or deterioration in overall employee morale and engagement resulting from organizational changes, any unresolved collective agreements or ongoing cost reduction initiatives – could have an adverse impact on our growth, business and profitability, and on our efforts to enhance the customer experience.

Risk mitigation: We aim to attract and retain key employees through both monetary and non-monetary approaches, and strive to protect and improve engagement levels. Our compensation and benefits program is designed to support our high-performance culture and is both market-driven and performance-based. It includes: a competitive base salary; an employee performance bonus that is tied directly to corporate profitability, operational results and individual results; medium-term and long-term performance incentives (share-based compensation) for eligible employees; and the TELUS Employee Share Purchase plan, which is available to full-time and part-time employees in Canada. We also have a succession planning process to identify and develop employees for key management positions.

Share-based compensation for key personnel generally has vesting periods of approximately three years. The increase in market value of TELUS shares over the past three years has increased the effectiveness of these retention incentives, however, any future decline in TELUS share prices could negatively impact their effectiveness. Where required, we continue to implement targeted retention solutions for employees with talents that are scarce in the marketplace. As well, a benefits program is offered that allows tailoring of personal health, wellness, lifestyle and retirement choices to suit individual and family needs.

The measure of employee engagement at TELUS was 83% in 2013, placing TELUS first globally among organizations of our size and composition. We believe our strong employee engagement score is influenced by our continuing focus on the customer and success in the marketplace resulting from innovative high-quality products and services. We plan to continue our focus on other non-monetary factors that have a clear alignment with engagement, including performance management, career opportunities, training and development, recognition and our work styles program (e.g. facilitating working remotely from home and alternative work locations).



Collective bargaining

The collective agreement between TELUS and the SQET, which covers approximately 885 call centre, clerical support and technical employees in our TELUS Québec operating region, will expire on December 31, 2014. We expect to begin negotiations to renew this contract in the fall of 2014. The agreement between TELUS and the TWU, covering approximately 10,925 employees, is in effect through 2015. In any set of labour negotiations, there can be no assurance that the negotiated compensation expenses or changes to operating efficiency will be as planned and may result in unanticipated increases in costs and/or reduced productivity. In addition, there can be no assurance that reduced productivity and work disruptions will not occur during the course of collective bargaining prior to settlement and ratification.

Risk mitigation: A governance model is in place to ensure the financial and operating impact of any proposed terms of settlement are assessed and determined to be aligned with TELUS' strategic direction. Any potential need to continue operations in response to work disruptions will be done in accordance with contingency and emergency operations plans. Though we have prepared and validated contingency and emergency operations plans, there can be no assurance that all potential issues have been planned for or that the contingencies planned for will manifest in exactly the same fashion as tested. As a result, there is risk that increased costs or disruptions may still occur.

Ethical compliance

We rely on our employees to demonstrate behaviour consistent with reasonable legal and ethical standards in all jurisdictions within which we operate. See *Legal and ethical compliance* in *Section 10.9*.

10.6 Process risks

Systems and processes

We have numerous complex systems and process change initiatives underway, including migrations to new advanced IDCs. There can be no assurance that the full complement of our various systems and process change initiatives, including those required to improve delivery of customer services, support management decision-making and successfully migrate data centre operations to new advanced IDCs, will be successfully implemented or that sufficiently skilled resources and funding will be available to complete all key initiatives planned. There is risk that certain projects may be deferred or cancelled and the expected benefits of such projects may be deferred or unrealized.

Risk mitigation: In general, we strive to ensure that system development and process change priorities are selected in an optimal manner. Our project management approach includes reasonable risk identification and contingency planning, scope and change control, and resource and quality management. The quality assurance of the solutions includes reasonable functional, performance and revenue assurance testing, as well as capturing and utilizing lessons learned. In addition, we often move our business continuity planning and emergency management operations centre to a heightened state of readiness in advance of major system and process conversions.

Reorganizations, integration of acquisitions and implementation of large enterprise deals

We carry out a number of operational consolidation, rationalization and integration initiatives each year that are aimed at improving our operating productivity and competitiveness. We may record significant cash and non-cash restructuring and other like costs for such initiatives, which could adversely impact our operating results. There can be no assurance that all planned efficiency initiatives will be completed, or that such initiatives will provide the expected benefits or will not have a negative impact on customer service, work processes, employee engagement, operating performance and financial results.

Post-merger and post-acquisition activities include the review and alignment of accounting policies, employee transfers and moves, information systems integration, optimization of service offerings and establishment of control over new operations. Such activities may not be conducted efficiently and effectively, negatively impacting service levels, competitive position and expected financial results.

Large enterprise deals may be characterized by: the need to anticipate, understand and respond to complex and multi-faceted enterprise customer-specific requirements; service credits that lower revenues; and significant upfront expenses and capital expenditures to implement the contracts. There can be no assurance that service implementation will proceed as planned and expected efficiencies will be achieved, which may impact return on investment or planned margins. We may also be constrained by available staff, system resources and co-operation of existing service providers, which may limit the number of large contracts that can be implemented concurrently in a given period and/or increase our costs related to such implementations.

Risk mitigation: We focus on and manage organizational changes through a formalized business transformation function by leveraging the expertise, key learnings and sound and effective practices gained from implementing large enterprise deals, as well as mergers, business integrations and efficiency-related reorganizations in recent years.

We have a post-merger integration (PMI) team that applies an integration model, based on learnings from previous post-acquisition integrations, which enhances and accelerates the standardization of our business processes and strives to preserve the unique qualities of acquired operations. PMI begins with strategic, pre-closing analysis and planning, and continues after closing with plan execution. Initial plans are re-evaluated and assessed regularly.

We have also gained experience in implementing numerous large enterprise deals over a number of years and expect to continue to focus on successfully implementing recent large enterprise contract wins. We expect to continue being selective as to which new large contracts we will bid on, and we continue our focus on the SMB market. We have a sales and bid process in place, which involves preparation, review and signoff of bids, related due diligence and authorizations.

We follow industry-standard practices for project management, including executive (senior) level governance and project oversight; appropriate project resources, tools and supporting processes; and proactive project-specific risk assessments and risk mitigation planning. We also conduct independent project reviews and internal audits to help monitor progress and identify areas that may require additional focus, and to identify systemic issues and learnings in project implementations, which may be shared among other future projects.

Data protection

We operate data centres and collect and manage data in our business and on behalf of customers. Some of our efficiency initiatives rely on the outsourcing of internal functions to partners located in Canada and abroad. To be effective, these arrangements require us to allow domestic partners and offshore personnel access to our data.

TELUS or its partners may be subject to software, equipment or other system malfunctions, or thefts or other unlawful acts that result in the unauthorized accessing, change, loss or destruction of our data. Offshore personnel may be located in jurisdictions where there is a greater perception of corruption or where data protection is a lesser concern than in domestic markets. In such instances there may be an increased risk of unauthorized accessing of our data that could lead to data being lost, compromised or used for inappropriate purposes that would negatively impact our competitive position, financial results and brand. Also see *Security* in *Section 10.11 Human-caused and natural threats*.

Risk mitigation: TELUS' information technology systems undergo a security and privacy assessment early in their development lifecycle, which reviews and classifies data that will be used and/or collected, and ensures that the system designs include audit, logging, encryption and access control restrictions and that the systems support our ability to comply with our legal obligations.

A core component of our strategy is for data to reside in our facilities in Canada, with the deployment of infrastructure that supports partner connectivity to view our systems. We require partners and service providers to comply with privacy and security measures, including the reporting of any possible data threats. Offshore personnel are provided with remote views of authorized data only, without the data being stored on local systems. These personnel are also required to comply with physical and process restrictions and participate in training designed to help prevent and detect unauthorized access to or use of our data.

Another core component of our strategy is payment card industry (PCI) compliance, a rigorous set of standards that require the use of security technology, such as encryption, to ensure the protection of customer credit card information. We are maintaining these capabilities in accordance with our ongoing PCI certification program.

Foreign operations

Maintaining our international operations presents unique risks, including: country-specific risks (such as differences in political, legal and regulatory regimes and cultural values); lack of diversity in geographical locations; concentration of customers; different taxation regimes; infrastructure and security challenges; differences in exposure to and frequency of natural disasters; and the requirement for system processes that work across multiple time zones, cultures and countries. There can be no assurance that international initiatives and risk mitigation efforts will provide the benefits and efficiencies expected, or that there will not be significant difficulties in combining different management and cultures, which could have a negative impact on operating and financial results.

Risk mitigation: Our strategy is to improve the diversity and geographic distribution of our operations, customers and business process outsourcing activities. Our international operations are located in the Philippines, Europe, Central America, the Caribbean region and the U.S. International operations provide us with more geographic diversity, spread political risk among foreign jurisdictions, provide us with the ability to serve customers in multiple languages and in multiple time zones, and through network redundancy and contingency planning, provide the ability to divert operations in emergency situations. We continue to work with our international operations to extend sound and effective operational practices, to integrate and align international and domestic Canadian operations, as appropriate, and to ensure that internal controls are implemented, tested, monitored and maintained. See also *Legal and ethical compliance* in *Section 10.9 Litigation and legal matters*.

Real estate joint ventures (TELUS Garden and TELUS Sky)

Risks associated with real estate joint ventures include possible construction-related cost overruns, financing risks, reputational risks, and the uncertainty of future demand, occupancy and rental rates for high-quality commercial office space in Vancouver and Calgary, as well as for the residential rental market in downtown Calgary. There can be no assurance that real estate joint ventures will be completed on budget or on time or will obtain lease commitments as planned. Accordingly, we are exposed to the risk of loss on investment and loan amounts should a project's business plan not be successfully realized, and reputational risks should the planned LEED standard quality of a project not be realized.

Risk mitigation: We have established joint ventures with Westbank and others experienced in large commercial and residential real estate projects to develop TELUS Garden and TELUS Sky. The TELUS Garden residential condominium project was substantially pre-sold prior to the commencement of construction, and additional deposits are due as construction proceeds. Lease commitments for the TELUS Garden commercial project represented 93% of leasable space at the end of 2013. Budget-overrun risks are mitigated through the use of fixed-price supply contracts, expert project management oversight and insurance of certain risks. We are applying the knowledge and experience gained on the TELUS Garden project to streamline and improve the cost effectiveness of TELUS Sky.

10.7 Financing and debt requirements

Our business plans and growth could be negatively affected if existing financing is not sufficient to cover funding requirements

Risk factors such as disruptions in capital markets, sovereign credit concerns in Europe, increased bank capitalization regulations, reduced lending in general, or fewer Canadian chartered banks as a result of reduced activity or consolidation, could reduce the availability of capital or increase the cost of such capital for investment grade corporate issuers such as TELUS. External capital market conditions could potentially affect our ability to make strategic investments and fund ongoing capital investment requirements.

Risk mitigation: We may finance future capital requirements with internally generated funds, borrowings under the unutilized portion of our bank credit facility, use of securitized trade receivables, use of commercial paper, and/or the issuance of debt or equity securities. We have a shelf prospectus available until December 2015, under which we can offer up to $2.2 billion as at December 31, 2013. We believe adherence to our stated long-term financial policies (see *Section 4.3*) and the resulting investment grade credit ratings, coupled with our efforts to maintain a constructive relationship with banks, investors and credit rating agencies, continue to contribute to providing reasonable access to capital markets.

To enable us to meet our financial objective of generally maintaining $1 billion of available liquidity, we have a $2.0 billion credit facility that expires on November 3, 2016 ($2.0 billion available at December 31, 2013), as well as availability under other bank credit facilities (see *Section 7.6 Credit facilities*). In addition, TELUS Communications Inc. (TCI) has an agreement with an arm's-length securitization trust under which it is able to sell an interest in certain of its trade receivables up to a maximum of $500 million, of which $100 million was available at December 31, 2013 (see *Section 7.7 Sale of trade receivables*).

Ability to refinance maturing debt

At December 31, 2013, our long-term debt was $7.5 billion with maturities in certain years from 2015 to 2043 (see the *Long-term debt principal maturities* chart in *Section 4.3*). We operate a commercial paper program (maximum of $1.2 billion) that permits access to currently low-cost funding. At December 31, 2013, we had no commercial paper outstanding.

In the event that we issue commercial paper, it must be refinanced on an ongoing basis to enable the cost savings to be realized relative to borrowing on the $2.0 billion credit facility. Capital market conditions may prohibit the rolling of commercial paper at low rates.

Risk mitigation: We completed a number of debt transactions in 2013 (see *Section 7.4*) that extended the average term to maturity of long-term debt to 9.4 years at December 31, 2013 (5.5 years at December 31, 2012). Our commercial paper program is fully backstopped by our 2016 credit facility.

A reduction in TELUS credit ratings could impact our cost of capital and access to capital

Our cost of capital could increase and access to capital might be affected by a reduction in the credit ratings of TELUS and/or TCI. There can be no assurance that we can maintain or improve current credit ratings.

Risk mitigation: We seek to maintain debt credit ratings in the range of BBB+ to A–, or the equivalent. The four credit rating agencies that rate TELUS currently have ratings that are in line with this target, with a stable outlook or trend. We have financial policies in place that were established to help maintain or improve existing credit ratings.

Lower than planned free cash flow could constrain our ability to invest in operations, reduce debt, or maintain multi-year dividend growth and share purchase programs

While anticipated free cash flow and sources of capital are expected to be sufficient to meet current requirements, service debt and allow us to remain in compliance with our long-term financial policies, our intentions with respect to returning capital to shareholders could constrain our ability to invest in our operations for future growth. Higher cash income taxes in 2014, funding of defined benefit pension plans and any increases in corporate income tax rates in the future will reduce the after-tax cash flow otherwise available to return capital to our shareholders. Should actual results differ from our expectations, there can be no assurance that we will not need to change our financing plans, including our intention to pay dividends according to the payout policy guideline, maintain our dividend growth program or complete multi-year share NCIBs through 2016.

Risk mitigation: Our Board of Directors reviews the dividend each quarter, based on a number of factors, including our current target dividend payout ratio guideline of 65 to 75% of net sustainable earnings on a prospective basis. These reviews resulted in six targeted semi-annual dividend increases from 2011 to 2013, with annual increases being over 10%. In May 2013, we announced our intention to continue to target ongoing semi-annual dividend increases through 2016, with an annual increase of circa 10%. The increases are to be normally declared in May and November and are not necessarily indicative of dividend increases beyond 2016. Based on dividends announced as of February 13, 2014, and 623 million shares outstanding at December 31, 2013, dividend payments would total approximately $897 million in 2014, before taking into account any Common Shares purchased and cancelled under our 2014 NCIB. Our multi-year NCIB program may be affected by any change in our intention to purchase shares, as well as by the assessment and determination of our Board of Directors from time to time.

Financial instruments

Our financial instruments, and the nature of credit risks, liquidity risks and market risks that they may be subject to, are described in *Section 7.9*.

10.8 Taxation matters

We are subject to the risk that income and commodity tax amounts, including tax expense, may be materially different than anticipated, and a general tendency by tax collection authorities to adopt more aggressive auditing practices could adversely affect our financial condition and operating results
We collect and pay significant amounts of commodity taxes, such as goods and services taxes, harmonized sales taxes, provincial sales taxes, sales and use taxes and value-added taxes, to various tax authorities. As our operations are complex and the related tax interpretations, regulations and legislation that pertain to our activities are subject to continual change, the ultimate tax outcome of many transactions is uncertain. Moreover, the implementation of new legislation in itself has its own complexities, including those of execution where multiple systems are involved, and interpretations of new rules as applied to specific transactions, products and services. For example, actions by certain Canadian provinces resulted in significant tax-related changes in 2013, impacting 76 of our systems at a cost of approximately $11 million in 2013 and 2012.

We have significant deferred income tax liabilities and income tax expenses. Income tax amounts are based on our estimates, using accounting principles that recognize the benefit of income tax positions when it is more likely than not that the ultimate determination of the tax treatment of a position will result in the related benefit being realized. The assessment of the likelihood and amount of income tax benefits, as well as the timing of realization of such amounts, can materially affect the determination of net income or cash flows. We expect the blended statutory income tax rate to range between 26% and 26.5% in 2014. These expectations can change as a result of changes in interpretations, regulations, legislation or jurisprudence.

The timing concerning the monetization of deferred income tax accounts is uncertain, as it is dependent on our future earnings and other events. The amounts of deferred income tax liabilities are also uncertain, as the amounts are based upon substantively enacted future income tax rates in effect at the time, which can be changed by governments. The amounts of cash tax payments and deferred income tax liabilities are also based upon our anticipated mix of revenues among the jurisdictions in which we operate, which is also subject to change.

The audit and review activities of tax authorities affect the ultimate determination of the actual amounts of commodity taxes payable or receivable, income taxes payable or receivable, deferred income tax liabilities and income tax expense. Therefore, there can be no assurance that taxes will be payable as anticipated and/or that the amount and timing of receipt or use of the tax-related assets will be as currently expected.

In order to provide comprehensive solutions to Canadian-based customers operating in foreign jurisdictions, we have entered into further arrangements for the supply of services in such foreign jurisdictions. These activities, as well as the offshoring of certain business processes, have resulted in a greater presence in the United States, United Kingdom, the Philippines, Guatemala, El Salvador, Barbados, Romania and Bulgaria, which increases our exposure to multiple forms of taxation.

Generally, each foreign jurisdiction has taxation peculiarities in the forms of taxation imposed (such as value-added tax, gross receipts tax or income tax) and legislation and tax treaties with Canada, where applicable, as well as currency and language differences. Notwithstanding the usual differences, the telecommunications industry has unique issues that lead to uncertainty in the application or division of tax between domestic and foreign jurisdictions. Furthermore, there has been increased political, media and tax authority focus on international taxation in order to enhance tax transparency and to address perceived tax abuses. Accordingly, our foreign expansion activities have increased our exposure to tax risks, from both a financial and a reputational perspective.

Risk mitigation: We follow a Comprehensive Tax Conduct and Risk Management Policy that has been adopted by our Board of Directors. This policy outlines the principles underlying and guiding the roles of team members, their responsibilities and personal conduct, the method of conducting business in relation to tax law and the approaches to working relationships with external taxation authorities and external advisors. This policy recognizes the requirement to comply with all relevant tax laws. The components necessary for control and mitigation of tax risk are outlined, as well as the delegation of authority to management on tax matters in accordance with Board and Audit Committee communication guidelines.

In giving effect to this policy, we maintain an internal Taxation department composed of professionals who stay current on domestic and foreign tax obligations, supplemented where appropriate with foreign external advisors. These teams review systems and process changes for compliance with domestic and applicable international taxation laws and regulations. They are also responsible for the specialized accounting required for income taxes.

Material transactions of TELUS are reviewed by our Taxation department whereby transactions of an unusual or non-recurring nature, in particular, are assessed from multiple risk-based perspectives. Tax-related transaction risks are regularly communicated to and reassessed by tax counsel as a check to initial exposure assessments. As a matter of regular practice, large and international transactions are reviewed by external tax advisors, while other third-party advisors may also be engaged to express their view as to the potential for tax exigibility. We continue to review and monitor our foreign expansion activities so that we can take action to comply with any related regulatory, legal and tax obligations. In some cases, we also engage external advisors to review TELUS' systems and processes for Canadian tax-related compliance. The advice and returns provided by such advisors and counsel are reviewed for reasonableness by our internal Taxation team.

10.9 Litigation and legal matters

Investigations, claims and lawsuits
Given our size, investigations, claims and lawsuits seeking damages and other relief are regularly threatened or pending against us. It is not currently possible for us to predict the outcome of such claims, possible claims and lawsuits due to various factors, including: the preliminary nature of some claims; uncertain damage theories and demands; an incomplete factual record; uncertainty concerning legal theories, procedures and their resolution by the courts, both at the trial and the appeal level; and the unpredictable nature of opposing parties and their demands. Therefore, there can be no assurance that financial or operating results will not be negatively impacted.

Subject to the foregoing limitations, management is of the opinion, based upon legal assessment and information presently available, that it is unlikely that any liability, to the extent not provided for through insurance or otherwise, would have a material effect in relation to our financial position and the results of our operations, excepting the items disclosed herein, and in *Note 23(c)* of the Consolidated financial statements.

Risk mitigation: We believe that we have in place reasonable policies and processes designed to enable compliance with legal and contractual obligations and reduce exposure to legal claims. See other risk mitigation steps discussed below.

Class actions

We are defendants in a number of certified and uncertified class actions. Over the past decade, we have observed a willingness on the part of claimants to launch class actions whereby a representative plaintiff seeks to pursue a legal claim on behalf of a large group of persons. The number of class actions filed against us has varied from year to year, with claimants continually looking to expand the matters in respect of which they file class actions. The adoption by governments of increasingly stringent consumer protection legislation may increase the number of class actions by creating new causes of action, or may decrease the number of class actions by creating certainty in the area of consumer marketing and contracting. A successful class action lawsuit, by its nature, could result in a sizable damage award that could negatively affect a defendant's financial or operating results.

Certified class actions

Certified class actions against us include a 2004 class action brought in Saskatchewan against a number of past and present wireless service providers, including us, and a 2012 class action brought in Quebec alleging that we improperly unilaterally amended customer contracts to increase various wireless rates for optional services. The 2004 claim alleged breach of contract, misrepresentation, unjust enrichment and violation of competition, trade practices and consumer protection legislation across Canada in connection with the collection of system access fees. In September 2007, a national class was certified by the Saskatchewan Court of Queen's Bench in relation to the unjust enrichment claim only; all appeals of this decision have now been exhausted.

Uncertified class actions

Uncertified class actions against us include:

1. Two 2005 class actions brought against us in B.C. and Alberta, respectively, alleging that we have engaged in deceptive trade practices in charging incoming calls from the moment the caller connects to the network, and not from the moment the incoming call is connected to the recipient.
2. A 2008 class action brought in Saskatchewan alleging that, among other things, Canadian telecommunications carriers have failed to provide proper notice of 911 charges to the public and have been deceitfully passing them off as government charges. A virtually identical class action was filed in Alberta at the same time.
3. A 2008 class action brought in Ontario alleging that we have misrepresented our practice of "rounding up" wireless airtime to the nearest minute and charging for the full minute.
4. A 2013 class action brought in B.C. against us, other telecommunications carriers, and cellular telephone manufacturers alleging that prolonged usage of cellular telephones causes adverse health effects.
5. A number of class actions alleging various causes of action against Canadian telecommunications carriers in connection with the collection of system access fees. (See *Note 23(c)* of the Consolidated financial statements.)

Assessment of class actions

We believe that we have good defences to each of these certified and uncertified class actions. Should the ultimate resolution of these actions differ from management's assessments and assumptions, a material adjustment to our financial position and the results of our operations could result. Management's assessments and assumptions include that a reliable estimate of the exposure cannot be made considering the continued uncertainty about the causes of action.

Risk mitigation: We are vigorously defending each of the class actions brought against TELUS. This includes opposing certification of uncertified class actions. Certification is a procedural step that determines whether a particular lawsuit may be prosecuted by a representative plaintiff on behalf of a class of individuals. Certification of a class action does not determine the merits of the claim, so that, if we were unsuccessful in defeating certification, the plaintiffs would still be required to prove the merits of their claims. We regularly assess our business practices to identify and minimize the risk of further class actions against us.

Civil liability in the secondary market

Like other Canadian public companies, we are subject to civil liability for misrepresentations in written disclosure and oral statements, and liability for fraud and market manipulation. Legislation creating liability was first introduced in Ontario in 2005. Since then, other provinces and territories have adopted similar legislation.

Risk mitigation: When the Ontario legislation was first introduced, we conducted a review of our disclosure practices and procedures and the extent to which they were documented. As part of that review, we consulted external advisors. This review indicated that we have well-documented processes in place, including a corporate disclosure policy that restricts the role of company spokesperson to specifically designated senior management, provides a protocol for dealing with analysts and oral presentations, outlines the communication approach to issues, and has a disclosure committee to review and determine disclosure of material information. We monitor legal developments and annually re-evaluate our disclosure practices and procedures, and believe that they continue to be appropriate and prudent and that our risk exposure is reasonable and has not changed significantly over the past 12 months. However, there can be no assurance that our processes will be followed by all team members at all times.

Legal and ethical compliance

We rely on our employees, officers, Board of Directors, key suppliers and other business partners to demonstrate behaviour consistent with reasonable legal and ethical standards in all jurisdictions within which we operate. Situations might occur where individuals do not adhere to our policies, applicable laws and regulations or contractual obligations. For instance, there could be cases where personal information of a TELUS customer or employee is inadvertently collected, used or disclosed in a manner that is not fully compliant with legislation or contractual obligations. In the case of TELUS Health, personal information includes sensitive health information of individuals who are our customers or healthcare providers' end customers. In addition, there could be situations where compliance programs may not be fully adhered to or parties may have a different interpretation of the requirements of particular legislative provisions. These various situations may expose us to litigation and the possibility of damages, sanctions and fines, or being disqualified from bidding on contracts, and/or may negatively affect our financial or operating results and reputation.

We continue to expand our activities into the United States and other countries. When operating in foreign jurisdictions, we are required to comply with local laws and regulations, which may differ substantially from Canadian laws and add to the regulatory, legal and tax exposures that we face.

Risk mitigation: Although we cannot predict outcomes with certainty, we believe that we have reasonable policies, controls and processes in place, and sufficient levels of awareness for proper compliance, and that these programs are having a positive effect on reducing risks. We have instituted an ethics policy for our employees, officers and directors and mandatory integrity training for employees, officers and identified contractors, as well as a toll-free Ethics Line for anonymous reporting by anyone who has issues or complaints. In early 2012, we implemented our supplier code of conduct. In 2013, a specific anti-bribery and corruption policy was approved by the Board of Directors and training material is being prepared to provide further clarity and guidance for TELUS team members. Training is targeted for roll-out in the first quarter of 2014. Since 2003, we have had a designated Compliance Officer, whose role is to work across the enterprise to ensure that the business has the appropriate controls and measurements in place to facilitate legal compliance. For example, as a proactive measure on privacy compliance, we place a control in the development stage of major projects by requiring a privacy impact assessment to be performed for projects involving the use of customer or team member personal information.

We have an established review process to ensure that regulatory, legal and tax requirements are considered when pursuing opportunities outside of Canada. We review on an ongoing basis our international structure, systems and processes to ensure that we mitigate regulatory, legal and tax risks, as business activities expand outside Canada. Finally, we engage external counsel and advisors qualified in the relevant foreign jurisdictions to provide regulatory, legal and tax advice as appropriate.

The Compliance Officer reports jointly to the Audit Committee of the Board of Directors and the Executive Vice-President and Chief Legal Officer. This dual reporting provides direct reporting to the Audit Committee to address identified risks.

Defects in software and failures in data or transaction processing

We provide certain applications and managed services to our customers that involve the processing and/or storing of data, including sensitive personal medical records, and the transfer of funds. Software defects or failures in data or transaction processing could lead to substantial damage claims (including privacy and medical claims). For instance, a defect in a TELUS Health application could lead to personal injury or unauthorized access to personal information, while a failure in transaction processing could result in the transfer of funds to the wrong recipient.

Risk mitigation: We believe that we have in place reasonable policies, controls, processes (such as quality assurance programs in software development procedures) and contractual arrangements (such as disclaimers, indemnities and limitations of liability), as well as insurance coverage, to reduce exposure to legal claims. However, there can be no assurance that our processes will be followed by all team members at all times and that we have indemnities and limitations of liability covering all cases.

Intellectual property and proprietary rights

Technology evolution also brings additional legal risks and uncertainties. The intellectual property and proprietary rights of owners and developers of hardware, software, business processes and other technologies may be protected under statute, such as patent, copyright and industrial design legislation, or under common law, such as trade secrets. With the growth and development of technology-based industries, the value of these intellectual property and proprietary rights has increased. Significant damages may be awarded in intellectual property infringement claims advanced by rights holders. In addition, defendants may incur significant costs to defend such claims and that possibility may prompt defendants to settle claims more readily, in part to mitigate those costs. Both of these factors may incent intellectual property rights holders to more aggressively pursue infringement claims.

Given the vast array of technologies and systems that we use to deliver products and services, and with the rapid change and complexity of such technologies, disputes over intellectual property and proprietary rights can reasonably be expected to increase. As a user of technology, we receive communications from time to time, ranging from solicitations to demands and legal actions from third parties claiming ownership rights over intellectual property used by us and asking for settlement payments or licensing fees for the continued use of such intellectual property. This includes notice of one claim that certain wireless products used on our networks infringe two third-party patents. We are assessing the merits of this claim, but the potential for liability and magnitude of potential loss cannot be readily determined at this time. Should this claim ultimately be determined against us, a material adjustment to our financial position and results of operations could result.

There can be no assurance that we will not be faced with other significant claims based on the alleged infringement of intellectual property rights, whether such claims are based on a legitimate dispute over the validity of the intellectual property rights or their infringement, or whether such claims are advanced for the primary purpose of extracting a settlement. We may incur significant costs in defending infringement claims, and may suffer significant damages and could lose the right to use technologies that are essential to our operations should any infringement claim prove successful. As a developer of technology, TELUS Health depends on its ability to protect the proprietary aspects of its technology. The failure to do so adequately could materially affect our business. However, policing unauthorized use of our intellectual property may be difficult and costly.

Risk mitigation: We incorporate many technologies into our products and services. However, except for TELUS Health, we are not primarily in the business of creating or inventing technology. In acquiring products and services from suppliers, it is our practice to seek and obtain contractual protections consistent with industry practices to help mitigate the risks of intellectual property infringements. It is the practice of TELUS Health to vigorously protect its intellectual property rights through litigation and other means.

10.10 Health, safety and environment

Team member health, wellness and safety

Lost work time resulting from team member illness or injury can negatively impact organizational productivity and employee benefit costs.

Risk mitigation: To minimize absences in the workplace, we support a holistic and proactive approach to team member health by providing reasonable wellness, disability, ergonomic and employee assistance programs. Our wellness strategy includes support and training for managers, workplace team support programs and access to short-term and long-term counselling for individual team members. To promote safe work practices, we have training and orientation programs for team members, contractors and suppliers who access our facilities. There can be no assurance that these health, wellness and safety programs and practices will be effective in all situations.

Concerns related to radio frequency (RF) emissions from mobile phones and wireless towers

Cell phones and wireless towers emit non-ionizing RF electromagnetic fields. While these fields do not carry sufficient energy to break chemical bonds or cause ionization in the human body and the only known biological effect is heating, one international epidemiological study in 2010 showed that long-term, heavy use of mobile phones was associated with a form of brain cancer (glioma), but certain limitations in the study prevented a causal interpretation. Other epidemiological studies, including those with respect to wireless towers, have not supported this association. Animal cancer and laboratory studies have found no evidence that RF fields at high levels are carcinogenic or cause DNA damage.

Although the evidence for a possible cancer risk is far from conclusive, Health Canada and the International Agency for Research on Cancer (IARC) have advised concerned cell phone users to take practical precautionary measures to reduce their own RF emission exposure by limiting the length of cell phone calls, using hands-free devices, replacing cell phone calls with text messages and reducing children's RF exposure. The IARC also called for additional research into long-term, heavy use of mobile phones.

There can be no assurance that future studies, government regulations or public concerns about the health effects of RF emissions will not have an adverse effect on our business and prospects. For example, public concerns or government action could reduce subscriber growth and usage, and costs could increase as a result of modifying handsets, relocating wireless towers, and addressing any incremental legal requirements and product liability lawsuits that might arise. See *Class actions* in *Section 10.9 Litigation and legal matters*.

Risk mitigation: Health Canada is responsible for establishing safe limits for signal levels of radio devices. We believe that the handsets and devices we sell, as well as our wireless towers and other associated devices, comply with all applicable Canadian and U.S. government safety standards. We continue to monitor new published studies, government regulations and public concerns on health impacts of RF exposure.

Concerns related to conflict minerals

The SEC finalized new reporting requirements to disclose the use of designated minerals and metals mined in the Democratic Republic of Congo and adjacent countries. Cassiterite (a source of tin), wolframite (a source of tungsten), columbite-tantalite (or coltan, a source of tantalum) and gold are often referred to collectively as conflict minerals. Such minerals may be used in electronic and communications equipment that we use or sell. We are a signatory of the UN Global Compact and, as such, are committed to preventing human rights abuses that could result from our operations.

Risk mitigation: New SEC reporting requirements for conflict minerals, mandated by Section 1502 of the *Dodd-Frank Wall Street Reform and Consumer Protection Act*, came into effect for our 2013 annual reporting cycle. We have participated in industry discussions on this matter and support the overall intent of Dodd-Frank Section 1502 to address human rights violations in these countries. We are assessing our obligations under this act and expect to comply with the regulations in a manner consistent with industry peers.

Concerns related to the environment

A detailed report of our environmental risk mitigation activities can be found in our annual corporate social responsibility report at telus.com/csr. Environmental issues affecting our business include:

Climate change

Rising greenhouse gas emissions and failure of climate change adaptation are identified as two of the largest risks in terms of likelihood and impact according to the World Economic Forum 2013 insight report on global risks. These risks could impact our business operations, for example through disruption of our operations and damage to our infrastructure caused by events such as those described in *Section 10.11 Human-caused and natural threats*.

Electronic waste (e-waste) and waste recycling; water consumption

We have a responsibility to help ensure that materials and electronic equipment we use or sell are handled appropriately during their life cycle. Improperly managed waste and e-waste may be sent to landfills or disposed of improperly, which can have health and environmental impacts. We also have a responsibility to manage our water use.

Fuel systems

We own or lease a large number of properties. We have fuel systems for backup power generation at some of these properties that enable us to provide reliable service, but also pose an environmental risk. Because spills or releases from these systems are infrequent, a significant portion of this risk is associated with sites contaminated by our historic practices or by previous owners.

Risk mitigation: Our climate change strategy includes: a mitigation component focusing on energy and carbon dioxide emission equivalent (CO_2e) reduction; an adaptation component focusing on business continuity planning and readiness for the potential effects of a changing climate on our operations (see *Section 10.11 Human-caused and natural threats*); and an innovation component to help customers realize their climate change goals through technological product and service solutions. Our target is a 25% reduction in CO_2e emissions over 2010 levels by 2020 and a 10% reduction in energy use over the same period. We are working to achieve these targets through network efficiency and technology upgrades, a comprehensive energy management program, real estate transformation and consolidation (including LEED principles certification), increased use of video-conferencing and teleconferencing solutions in lieu of travel, ongoing fleet transformation and team member education. We actively pursue efficiency and alternative energy strategies to help reach our goals.

We have an e-waste management program designed to provide approved recycling channels for both our external and internal electronic products. We are examining our waste streams to identify new ways to reduce our impact on the environment through the diversion of waste from landfills. In 2013, we undertook an independent audit of our waste streams to better identify diversion opportunities.

In 2013, we launched a water reduction program at our top 10 water consuming buildings. We have developed an updated water stewardship plan, and will continue to identify opportunities for water treatment and reuse, and for direct reuse, as well as for education and behaviour-oriented conservation initiatives.

Fuel system risk is being addressed through a program to install containment and monitoring equipment at sites with systems of qualifying size. All of our remote sites, which rely on diesel generators for 24/7 power, have now been fully upgraded with industry-leading spill containment and remote monitoring. We have an ongoing program to assess and remediate contamination issues relating to historical activities and we disclose and report on these issues to regulatory bodies, as appropriate.

10.11 Human-caused and natural threats

Natural disasters and intentional threats to our infrastructure and business operations

We are a key provider of critical telecommunications infrastructure in Canada and have certain supporting business functions located in more than 10 countries in North America, Central America, Asia and Europe. Our networks, information technology, physical assets, team members, business functions, supply chain and business results may be materially impacted by exogenous threats, including:

- Fire, power loss and telecommunications failures
- Natural disasters, including seismic events, weather-related events and solar storms
- Intentional threats such as sabotage, terrorism, labour disputes, and political and civil unrest
- Our dependence on other infrastructure providers (e.g. electrical utilities)
- Cyber attacks and physical intrusions
- Public health threats such as pandemics.

We recognize that global climate change may increase the risk of certain of these threats, including the frequency and severity of weather-related events.

Although we have business continuity planning processes in place, there can be no assurance that specific events or a combination of events will not disrupt our operations or materially impact our financial results.

Risk mitigation: Our business continuity commitment focuses on the following priorities: ensuring the safety of our team members, minimizing the impacts of a threat to our facilities and business operations, maintaining the highest possible level of service to our customers, and keeping our communities connected. These priorities have been demonstrated in a number of disruptive events, including the devastating floods in Southern Alberta in the summer of 2013.

Our commitment is supported by an enterprise-wide business continuity program with executive sponsorship and resources to develop, maintain and continuously improve our business continuity capabilities. The program is comprehensive, encompassing mitigation, preparedness, response and recovery, and leverages the resiliency afforded by our national and international geographic diversity and by the redundancy of our operations, IT network and telecom infrastructure.

We take an impact-based approach to continuity planning, focusing on the impacts of a disruption to our facilities, workforce, systems and supply chain. A business continuity management system supports our business continuity planning and capability. It is aligned with standards and industry practices, and includes strategies and plans based on clear recovery objectives, an Emergency Operations Centre with demonstrated expertise and effectiveness, and trained and exercised response and recovery teams, as well as a program that promotes business continuity awareness across the organization (both Canadian and international operations) and personal preparedness for team members.

Optimizing disaster recovery capability for our IT and telecommunications network assets is a key focus for preventing outages and reducing their durations for our key systems and applications, as well as for driving closer alignment of IT and network recovery capability with business demands.

Security

We have a number of assets that are subject to vandalism and/or theft, including public payphones, copper cable, corporate stores, and network and telephone switch centres. We also operate IT systems and networks that are subject to cyber attacks, which are intentional attempts to gain unauthorized access to our information systems and networks for unlawful or improper purposes. Cyber attacks or other breaches of network or IT systems security may cause disruptions to our operations.

Cyber attackers may use a range of techniques, from manipulating people to using sophisticated malicious software and hardware on a single or distributed basis. Some cyber attacks use a combination of techniques in their attempt to evade safeguards, such as the firewalls, intrusion prevention systems and antivirus software found in our systems and networks. The risk and consequences of cyber attacks can surpass traditional physical security risk due to the rapidly evolving scope and sophistication of these threats.

A successful attack on our or our suppliers' or others' systems, networks and infrastructure may prevent us from providing reliable service, may allow for the unauthorized interception, destruction, use or dissemination of our customers' or our information, and may prevent us from operating our networks. Such events could cause us to lose customers, lose revenue, incur expenses, suffer reputational and goodwill damages, and subject us to litigation or governmental investigation. The costs of such events could include liability for information loss, repairs to infrastructure and systems, and incentives offered to customers and business partners to retain their business. Our insurance may not cover, or be adequate to fully reimburse us for, these costs and losses. While TELUS has reasonable physical security and cybersecurity programs in place, there can be no assurance that specific security threats will not materially impact our operations and financial results.

Risk mitigation: We have implemented measures and processes that mitigate against the risk of physical and cyber attacks. We have policies, controls and monitoring systems that protect our assets and our team members, considering such factors as asset importance, exposure risks and potential costs incurred should a particular asset be damaged or stolen. We also use cyber threat intelligence, testing, intrusion prevention/detection, and incident response capabilities to help identify possible cyber threats and adjust our security measures accordingly. As an additional level of risk management, we have established a Chief Security Office which centralizes responsibility for physical and cyber security and works with law enforcement and other agencies. The Chief Security Office encourages legislative changes to address the ongoing threats of cyber attacks.

10.12 Economic growth and fluctuations

Slow or uneven economic growth may adversely impact us

We estimate economic growth in Canada will be approximately 2.4% in 2014 (see *Section 1.2*), but the strength and persistence of this growth may be influenced by economic developments outside of Canada. In addition, macroeconomic risks in Canada include concerns about high levels of consumer and mortgage debt, which may cause consumers to reduce discretionary spending even in a growing economy, particularly in the event of rising interest rates.

Economic uncertainty and rising interest rates may cause consumers and business customers to delay new service purchases, reduce volumes of use, discontinue use of services or seek lower-priced alternatives. A significant economic downturn or recession could adversely impact our revenue, profitability and free cash flow, potentially requiring us to record impairments to the carrying value of our assets including, but not limited to, our intangible assets with indefinite lives (spectrum licences) and goodwill. Impairments to the carrying value of assets would result in a charge to earnings and a reduction in owners' equity, but would not affect cash flow.

Risk mitigation: While economic risks cannot be completely mitigated, in 2010 we introduced the customers first commitments as the number one corporate priority to enhance customer experiences. We also continue to pursue cost reduction and efficiency initiatives (see discussions in *Section 2.2 Strategic imperatives* and *Section 3: Key performance drivers*). See *Section 4.3 Liquidity and capital resources* for our capital structure financial policies and plans.

Pension funding

Economic and capital market fluctuations could adversely impact the funding and expense associated with the defined benefit pension plans that we sponsor.

Our pension funding obligations are based on certain actuarial assumptions relating to expected plan asset returns, salary escalation, retirement ages, life expectancy, the performance of the financial markets and future interest rates.

The employee defined benefit pension plans, in aggregate, were in a nominal surplus position at December 31, 2013. There can be no assurance that our pension expense and funding of our defined benefit pension plans will not increase in the future and thereby negatively impact earnings and/or cash flow. Defined benefit funding risks may arise if total pension liabilities exceed the total value of the respective plan assets in trust funds. Unfunded differences may arise from lower than expected investment returns, reductions in the discount rate used to value pension liabilities, changes to statutory funding requirements and actuarial losses. Employee defined benefit pension plans re-measurements will cause fluctuations in Other comprehensive income, and these will never be subsequently reclassified to income.

Risk mitigation: We seek to mitigate this risk through the application of policies and procedures designed to control investment risk and through ongoing monitoring of our funding position. Our best estimate of cash contributions to our defined benefit pension plans is $105 million in 2014 ($198 million in 2013).

11 Definitions and reconciliations

11.1 Non-GAAP financial measures

We have issued guidance on and report certain non-GAAP measures that are used to evaluate the performance of TELUS and its segments, as well as to determine compliance with debt covenants and to manage the capital structure. As non-GAAP measures generally do not have a standardized meaning, they may not be comparable to similar measures presented by other issuers. Securities regulations require such measures to be clearly defined, qualified and reconciled with their nearest GAAP measure.

Capital intensity: This measure is calculated as capital expenditures (excluding spectrum licences) divided by total operating revenues. This measure provides a basis for comparing the level of capital expenditures to those of other companies of varying size within the same industry.

Dividend payout ratio: This basic measure is defined as the quarterly dividend declared per share for the most recently completed quarter, as reported in the Consolidated financial statements, multiplied by four and divided by the sum of basic earnings per share for the most recent four quarters for interim reporting periods (divided by annual basic earnings per share for fiscal years).

Calculation of Dividend payout ratio

Years ended December 31 ($)	2013	2012
Numerator – Annualized fourth quarter dividend declared per equity share(1)	1.44	1.28
Denominator – Net income per equity share(1)	2.02	1.85
Ratio (%)	71	69

(1) Reflects the two-for-one stock split effective April 16, 2013.

Dividend payout ratio of adjusted net earnings: More representative of a sustainable calculation is the historical ratio based on reported earnings per share adjusted to exclude income tax-related adjustments, long-term debt prepayment premiums, the impacts of a net-cash settlement feature from 2007 to 2012, and items adjusted for in EBITDA. Our policy guideline for the annual dividend payout ratio is on a prospective basis, rather than on a trailing basis, and is 65 to 75% of sustainable earnings on a prospective basis (see *Section 4.3*).

Calculation of Dividend payout ratio of adjusted net earnings

Years ended December 31 ($)	2013	2012
Numerator – Annualized fourth quarter dividend declared per equity share(1)	1.44	1.28
Adjusted net earnings ($ millions)		
Net income attributable to equity shares	1,294	1,204
Add back long-term debt prepayment premium after income taxes	17	–
Add back unfavourable (deduct favourable) income tax-related adjustments	3	(12)
Deduct after-tax gain net of equity losses related to the TELUS Garden residential real estate partnership	–	(6)
Net-cash settlement feature (2007 to 2012)	–	(2)
	1,314	1,184
Denominator – Adjusted net earnings per share(1)	2.05	1.83
Adjusted ratio (%)	70	70

(1) Reflects the two-for-one stock split effective April 16, 2013.

Earnings coverage: This measure is defined in the Canadian Securities Administrators' National Instrument 41-101 and related instruments, and is calculated as follows:

Calculation of Earnings coverage

Years ended December 31 ($ millions, except ratio)	2013	2012
Net income attributable to equity shares	1,294	1,204
Income taxes	474	416
Borrowing costs (Interest on long-term debt + Interest on short-term borrowings and other + Long-term debt prepayment premium)	395	350
Numerator	2,163	1,970
Denominator – Borrowing costs	395	350
Ratio (times)	5.5	5.6

EBITDA (earnings before interest, income taxes, depreciation and amortization): We have issued guidance on and report EBITDA because it is a key measure used to evaluate performance at a consolidated level and the contribution of our two segments. EBITDA is commonly reported and widely used by investors and lending institutions as an indicator of a company's operating performance and ability to incur and service debt, and as a valuation metric. EBITDA should not be considered an alternative to Net income in measuring TELUS' performance, nor should it be used as an exclusive measure of cash flow. EBITDA as calculated by TELUS is equivalent to Operating revenues less the total of Goods and services purchased and Employee benefits expense.

We may also calculate an adjusted EBITDA to exclude items of an unusual nature that do not reflect our ongoing operations, that should not be considered in a valuation metric or that should not be included in an assessment of our ability to service or incur debt. In respect of the TELUS Garden residential real estate partnership, which is included in the wireline segment, we do not anticipate retaining an ownership interest in the TELUS Garden residential condominium following completion of construction. For the TELUS Garden residential real estate partnership, in 2013 we recorded equity losses of $Nil, while in 2012 we recorded a $7 million pre-tax gain net of equity losses. In 2012, EBITDA excluding this impact was $3,852 million.

EBITDA reconciliation

Years ended December 31 ($ millions)	2013	2012
Net income	1,294	1,204
Financing costs	447	374
Income taxes	474	416
Depreciation	1,380	1,422
Amortization of intangible assets	423	443
EBITDA	4,018	3,859

EBITDA – excluding restructuring and other like costs: We report this measure as a supplementary indicator of our operating performance. It is also utilized in the calculation of *Net debt to EBITDA – excluding restructuring and other like costs* and *EBITDA – excluding restructuring and other like costs interest coverage*.

Calculation of EBITDA – excluding restructuring and other like costs

Years ended December 31 ($ millions)	2013	2012
EBITDA	4,018	3,859
Restructuring and other like costs	98	48
EBITDA – excluding restructuring and other like costs	4,116	3,907

EBITDA – excluding restructuring and other like costs interest coverage: This measure is defined as EBITDA excluding restructuring and other like costs, divided by Net interest cost, calculated on a 12-month trailing basis. This measure is similar to the Coverage Ratio covenant in our credit facilities (see *Section 7.6*).

EBITDA less capital expenditures (excluding spectrum licences): We calculate this measure as a simple proxy for cash flow at a consolidated level and for our two segments. EBITDA less capital expenditures may be used for comparison to the reported results for other telecommunications companies over time and is subject to the potential comparability issues of EBITDA described above.

Calculation of EBITDA less capital expenditures (excluding spectrum licences)

Years ended December 31 ($ millions)	2013	2012
EBITDA	4,018	3,859
Capital expenditures (excluding spectrum licences)	(2,110)	(1,981)
EBITDA less capital expenditures (excluding spectrum licences)	1,908	1,878

Free cash flow: We report free cash flow because it is a key measure that we use to evaluate performance. It should not be considered an alternative to the measures in the Consolidated statements of cash flows. Free cash flow excludes certain working capital changes (such as trade receivables and trade payables), proceeds from divested assets and other sources and uses of cash, as found in the Consolidated statements of cash flows. It provides an indication of how much cash generated by operations is available after capital expenditures (excluding purchases of spectrum licences) that may be used to, among other things, pay dividends, repay debt, purchase shares under an NCIB program, or make other investments. Free cash flow may be supplemented from time to time by proceeds from divested assets or financing activities.

Free cash flow calculation

Years ended December 31 ($ millions)	2013	2012
EBITDA	4,018	3,859
Deduct gain net of equity losses related to the TELUS Garden residential real estate partnership	–	(7)
Deduct interest income received that is also recorded in Other operating income	–	(1)
Restructuring (disbursements) net of restructuring costs	9	(4)
Items from the Consolidated statements of cash flows:		
Share-based compensation	24	9
Net employee defined benefit plans expense	108	103
Employer contributions to employee defined benefit plans	(200)	(173)
Interest paid	(364)	(337)
Interest received	4	13
Capital expenditures (excluding spectrum licences)	(2,110)	(1,981)
Free cash flow before income taxes	1,489	1,481
Income taxes paid, net of refunds	(438)	(150)
Free cash flow	1,051	1,331

The following reconciles our definition of free cash flow with Cash provided by operating activities.

Free cash flow reconciliation with Cash provided by operating activities

Years ended December 31 ($ millions)	2013	2012
Free cash flow	1,051	1,331
Add back capital expenditures (excluding spectrum licences)	2,110	1,981
Adjustments to reconcile to cash provided by operating activities	85	(93)
Cash provided by operating activities	3,246	3,219

Net debt: We believe that Net debt is a useful measure because it represents the amount of short-term borrowings and long-term debt obligations that are not covered by available Cash and temporary investments. The nearest IFRS measure to net debt is Long-term debt, including Current maturities of long-term debt. Net debt is a component of the *Net debt to EBITDA – excluding restructuring and other like costs* ratio.

Calculation of Net debt

At December 31 ($ millions)	2013	2012
Long-term debt including current maturities	7,493	6,256
Debt issuance costs netted against long-term debt	35	26
Cash and temporary investments	(336)	(107)
Short-term borrowings	400	402
Net debt	7,592	6,577

Net debt to EBITDA – excluding restructuring and other like costs: This measure is defined as Net debt at the end of the period divided by 12-month trailing EBITDA – excluding restructuring and other like costs. Our long-term policy guideline for this ratio is from 1.5 to 2.0 times, which is similar to the Leverage Ratio covenant in our credit facilities (see *Section 7.6*).

Net debt to total capitalization: This is a measure of the proportion of debt used in the capital structure of TELUS.

Net interest cost: This measure is the denominator in the calculation of *EBITDA – excluding restructuring and other like costs interest coverage*. Net interest cost is defined as Financing costs, excluding employee defined benefit plans net interest and recoveries on redemption and repayment of debt, calculated on a 12-month trailing basis. No recoveries on redemption and repayment of debt were recorded in 2013 and 2012. Expenses recorded for the long-term debt prepayment premium, if any, are included in net interest cost. Net interest cost was $370 million in 2013 and $332 million in 2012.

Restructuring and other like costs: With the objective of reducing ongoing costs, we incur associated incremental, non-recurring restructuring costs. We may also incur atypical charges when undertaking major or transformational changes to our business or operating models. In addition to items such as internal and external labour, such atypical charges may include depreciation and amortization of intangible asset expenses, when property, plant, equipment and intangible assets are retired significantly prior to the end of their estimated useful lives so that other continuing formerly associated resources, such as spectrum, may be redeployed elsewhere in our business. We also include incremental external costs incurred in connection with business acquisition activity in other like costs.

Total capitalization – book value: This measure is defined and calculated as follows.

Calculation of Total capitalization – book value

At December 31 ($ millions)	2013	2012
Net debt	7,592	6,577
Owners' equity	8,015	7,686
Deduct Accumulated other comprehensive income	(31)	(40)
Total capitalization – book value	15,576	14,223

11.2 Wireless operating indicators

The following measures are industry metrics that are useful in assessing the operating performance of a wireless telecommunications entity, but do not have a standardized meaning under IFRS-IASB.

Average revenue per subscriber unit per month (ARPU) is calculated as network revenue divided by the average number of subscriber units on the network during the period and expressed as a rate per month. Data ARPU is a component of ARPU, calculated on the same basis for revenue derived from services such as text messaging, mobile computing, personal digital assistance devices, Internet browser activity and pay-per-use downloads.

Churn per month is calculated as the number of subscriber units deactivated during a given period divided by the average number of subscriber units on the network during the period, and expressed as a rate per month. A TELUS or Koodo brand prepaid subscriber is deactivated when the subscriber has no usage for 90 days following expiry of the prepaid credits.

Cost of acquisition (COA) consists of the total of the device subsidy (the device cost to TELUS less initial charge to customer), commissions, and advertising and promotion expenses related to the initial subscriber acquisition during a given period. As defined, COA excludes costs to retain existing subscribers (retention spend).

COA per gross subscriber addition is calculated as cost of acquisition divided by gross subscriber activations during the period.

Retention spend to network revenue represents direct costs associated with marketing and promotional efforts (including device subsidies and commissions) aimed at the retention of the existing subscriber base, divided by network revenue.

Subscriber unit (wireless) is defined as an active recurring revenue-generating unit (e.g. cellular phone, tablet or mobile Internet key) with a unique subscriber identifier (SIM or IMEI number) that has access to the wireless voice and/or data networks for communication. In addition, TELUS has a direct billing or support relationship with the user of each device. Our definition of subscriber units excludes M2M devices, such as those for asset tracking, remote control monitoring and meter readings, vending machines and wireless automated teller machines.

Report of management on internal control over financial reporting

Management of TELUS Corporation (TELUS) is responsible for establishing and maintaining adequate internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting.

TELUS' President and Chief Executive Officer and Executive Vice-President and Chief Financial Officer have assessed the effectiveness of the Company's internal control over financial reporting as of December 31, 2013, in accordance with the criteria established in *Internal Control – Integrated Framework (2013)* issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). Internal control over financial reporting is a process designed by, or under the supervision of, the President and Chief Executive Officer and the Executive Vice-President and Chief Financial Officer and effected by the Board of Directors, management and other personnel to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles.

Due to its inherent limitations, internal control over financial reporting may not prevent or detect misstatements on a timely basis. Also, projections of any evaluation of the effectiveness of internal control over financial reporting to future periods are subject to the risk that the controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

Based on this assessment, management has determined that the Company's internal control over financial reporting is effective as of December 31, 2013. In connection with this assessment, no material weaknesses in the Company's internal control over financial reporting were identified by management as of December 31, 2013.

Deloitte LLP, the Company's Independent Registered Public Accounting Firm, audited the Company's Consolidated financial statements for the year ended December 31, 2013, and as stated in the Report of Independent Registered Public Accounting Firm, they have expressed an unqualified opinion on the effectiveness of the Company's internal control over financial reporting as of December 31, 2013.

John R. Gossling
Executive Vice-President
and Chief Financial Officer
February 26, 2014

Darren Entwistle
President
and Chief Executive Officer
February 26, 2014

Report of independent registered public accounting firm

To the Board of Directors and Shareholders of TELUS Corporation

We have audited the accompanying consolidated financial statements of TELUS Corporation and subsidiaries (the Company), which comprise the consolidated statements of financial position as at December 31, 2013, and December 31, 2012, and the consolidated statements of income and other comprehensive income, changes in owners' equity and cash flows for the years ended December 31, 2013, and December 31, 2012, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with Canadian generally accepted auditing standards and the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained in our audits is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of TELUS Corporation and subsidiaries as at December 31, 2013, and December 31, 2012, and their financial performance and their cash flows for each of the years ended December 31, 2013, and December 31, 2012, in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board.

Emphasis of Matter

Without modifying our opinion, we draw attention to *Note 2* to the consolidated financial statements, which explains that the Company has retrospectively changed its method of accounting for pensions due to the adoption of IAS 19, *Employee Benefits* (amended 2011).

Other Matter

We have also audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the Company's internal control over financial reporting as at December 31, 2013, based on the criteria established in *Internal Control – Integrated Framework (2013)* issued by the Committee of Sponsoring Organizations of the Treadway Commission and our report dated February 26, 2014, expressed an unqualified opinion on the Company's internal control over financial reporting.

Deloitte LLP
Chartered Accountants
Vancouver, Canada
February 26, 2014

Report of independent registered public accounting firm

To the Board of Directors and Shareholders of TELUS Corporation

We have audited the internal control over financial reporting of TELUS Corporation and subsidiaries (the Company) as of December 31, 2013, based on the criteria established in *Internal Control – Integrated Framework (2013)* issued by the Committee of Sponsoring Organizations of the Treadway Commission. The Company's management is responsible for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting, included in the accompanying Report of Management on Internal Control over Financial Reporting. Our responsibility is to express an opinion on the Company's internal control over financial reporting based on our audit.

We conducted our audit in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects. Our audit included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, testing and evaluating the design and operating effectiveness of internal control based on the assessed risk, and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

A company's internal control over financial reporting is a process designed by, or under the supervision of, the company's principal executive and principal financial officers, or persons performing similar functions, and effected by the company's board of directors, management, and other personnel to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of the inherent limitations of internal control over financial reporting, including the possibility of collusion or improper management override of controls, material misstatements due to error or fraud may not be prevented or detected on a timely basis. Also, projections of any evaluation of the effectiveness of the internal control over financial reporting to future periods are subject to the risk that the controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

In our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as of December 31, 2013, based on the criteria established in *Internal Control – Integrated Framework (2013)* issued by the Committee of Sponsoring Organizations of the Treadway Commission.

We have also audited, in accordance with Canadian generally accepted auditing standards and the standards of the Public Company Accounting Oversight Board (United States), the consolidated financial statements as at and for the year ended December 31, 2013, of the Company and our report dated February 26, 2014, expressed an unqualified opinion on those financial statements and included an explanatory paragraph regarding the Company's adoption of IAS 19, *Employee Benefits* (amended 2011).

Deloitte LLP

Deloitte LLP
Chartered Accountants
Vancouver, Canada
February 26, 2014

Consolidated statements of income and other comprehensive income

Years ended December 31 (millions except per share amounts)	Note	2013	2012
			(adjusted – Note 2(a))
Operating Revenues			
Service		$ 10,601	$ 10,079
Equipment		735	773
		11,336	10,852
Other operating income	*6*	68	69
		11,404	10,921
Operating Expenses			
Goods and services purchased		4,962	4,820
Employee benefits expense	*7*	2,424	2,242
Depreciation		1,380	1,422
Amortization of intangible assets		423	443
		9,189	8,927
Operating Income		2,215	1,994
Financing costs	*8*	447	374
Income Before Income Taxes		1,768	1,620
Income taxes	*9*	474	416
Net Income		1,294	1,204
Other Comprehensive Income	*10*		
Items that may subsequently be reclassified to income			
Change in unrealized fair value of derivatives designated as cash flow hedges		–	(4)
Foreign currency translation adjustment arising from translating financial statements of foreign operations		4	–
Change in unrealized fair value of available-for-sale financial assets		(13)	33
		(9)	29
Item never subsequently reclassified to income			
Employee defined benefit plans re-measurements		998	(286)
		989	(257)
Comprehensive Income		$ 2,283	$ 947
Net Income Per Equity Share*	*11*		
Basic		$ 2.02	$ 1.85
Diluted		$ 2.01	$ 1.84
Dividends Declared Per Equity Share*	*12*	$ 1.36	$ 1.22
Total Weighted Average Equity Shares Outstanding*			
Basic		640	651
Diluted		643	655

The accompanying notes are an integral part of these consolidated financial statements.

* Amounts reflect retrospective application of April 16, 2013, stock split (see *Note 22(b)*).

Consolidated statements of financial position

As at December 31 (millions)	Note	2013	2012
			(Note 2(a))
Assets			
Current assets			
Cash and temporary investments, net		$ 336	$ 107
Accounts receivable	25(a)	1,461	1,541
Income and other taxes receivable		32	25
Inventories	25(a)	326	350
Prepaid expenses		168	178
Current derivative assets	4(h)	6	9
		2,329	2,210
Non-current assets			
Property, plant and equipment, net	16	8,428	8,165
Intangible assets, net	17	6,531	6,181
Goodwill, net	17	3,737	3,702
Real estate joint ventures	18	11	11
Other long-term assets	25(a)	530	176
		19,237	18,235
		$ 21,566	$ 20,445
Liabilities and Owners' Equity			
Current liabilities			
Short-term borrowings	19	$ 400	$ 402
Accounts payable and accrued liabilities	25(a)	1,735	1,511
Income and other taxes payable		102	102
Dividends payable	12	222	208
Advance billings and customer deposits	25(a)	729	703
Provisions	20	110	49
Current maturities of long-term debt	21	–	545
Current derivative liabilities	4(h)	1	–
		3,299	3,520
Non-current liabilities			
Provisions	20	219	222
Long-term debt	21	7,493	5,711
Other long-term liabilities	25(a)	649	1,682
Deferred income taxes	9(b)	1,891	1,624
		10,252	9,239
Liabilities		13,551	12,759
Owners' equity			
Common equity	22	8,015	7,686
		$ 21,566	$ 20,445
Commitments and Contingent Liabilities	23		

The accompanying notes are an integral part of these consolidated financial statements.

Approved by the Directors:

W.A. MacKinnon

B. A. Canfield

William A. MacKinnon
Director

Brian A. Canfield
Director

Consolidated statements of changes in owners' equity

(millions except number of shares)	Note	Common Shares Number of shares	Common Shares Share capital	Non-Voting Shares Number of shares	Non-Voting Shares Share capital
Number of shares outstanding at end of preceding period, as previously reported		174,915,546		149,933,165	
Effect of stock split	22(b)	174,915,546		149,933,165	
Balance as at January 1, 2012		349,831,092	$ 2,219	299,866,330	$ 3,337
Net income	2(a)	–	–	–	–
Other comprehensive income	2(a)	–	–	–	–
Dividends	12	–	–	–	–
Share option award expense	13	–	–	–	–
Shares issued pursuant to cash exercise of share options	13(b)	–	–	104,600	1
Shares issued pursuant to use of share option award net-equity settlement feature	13(b)	–	–	2,124,042	22
Share conversion requested by holder in accordance with Company's Articles		(10,000)	–	10,000	–
Recovery of income tax on item credited directly to contributed surplus		–	–	–	–
Balance as at December 31, 2012		349,821,092	$ 2,219	302,104,972	$ 3,360
Number of shares outstanding at end of preceding period, as previously reported		174,910,546		151,052,486	
Effect of stock split	22(b)	174,910,546		151,052,486	
Balance as at January 1, 2013		349,821,092	$ 2,219	302,104,972	$ 3,360
Net income	2(a)	–	–	–	–
Other comprehensive income	2(a)	–	–	–	–
Dividends	12	–	–	–	–
Share option award expense	13	–	–	–	–
Shares issued pursuant to cash exercise of share options	13(b)	–	–	200	–
Shares issued pursuant to use of share option award net-equity settlement feature	13(b)	2,534,586	18	152,160	2
Shareholder-approved and court-approved exchange of shares	22(c)	302,257,332	3,362	(302,257,332)	(3,362)
Costs related to share transactions		–	(19)	–	–
Normal course issuer bid purchase of Common Shares	22(d)	(31,180,612)	(266)	–	–
Liability for automatic share purchase plan commitment pursuant to the 2014 normal course issuer bid for Common Shares	22(d)	–	(18)	–	–
Balance as at December 31, 2013		623,432,398	$ 5,296	–	$ –

The accompanying notes are an integral part of these consolidated financial statements.

				Common equity
Equity share capital (Note 22)	Equity contributed			
Total	Contributed surplus	Retained earnings	Accumulated other comprehensive income	Total
$ 5,556	$ 166	$ 1,780	$ 11	$ 7,513
–	–	1,204	–	1,204
–	–	(286)	29	(257)
–	–	(794)	–	(794)
–	9	–	–	9
1	–	–	–	1
22	(22)	–	–	–
–	–	–	–	–
–	10	–	–	10
$ 5,579	$ 163	$ 1,904	$ 40	$ 7,686
$ 5,579	$ 163	$ 1,904	$ 40	$ 7,686
–	–	1,294	–	1,294
–	–	998	(9)	989
–	–	(866)	–	(866)
–	6	–	–	6
–	–	–	–	–
20	(20)	–	–	–
–	–	–	–	–
(19)	–	–	–	(19)
(266)	–	(734)	–	(1,000)
(18)	–	(57)	–	(75)
$ 5,296	$ 149	$ 2,539	$ 31	$ 8,015

Consolidated statements of cash flows

Years ended December 31 (millions)	Note	2013	2012 (adjusted – Note 2(a))
Operating Activities			
Net income		$ 1,294	$ 1,204
Adjustments to reconcile net income to cash provided by operating activities:			
Depreciation and amortization		1,803	1,865
Deferred income taxes		21	122
Share-based compensation expense	13(a)	24	9
Net employee defined benefit plans expense	14(b)-(c)	108	103
Employer contributions to employee defined benefit plans		(200)	(173)
Other		9	37
Net change in non-cash operating working capital	25(b)	187	52
Cash provided by operating activities		3,246	3,219
Investing Activities			
Cash payments for capital assets, excluding spectrum licences	25(b)	(2,035)	(1,950)
Cash payments for spectrum licences		(67)	–
Cash payments for acquisitions and related investments	25(b)	(261)	(53)
Real estate joint ventures advances and contributions	18(c)	(24)	(73)
Real estate joint ventures receipts	18(c)	1	47
Proceeds on dispositions	25(b)	12	20
Other		(15)	(49)
Cash used by investing activities		(2,389)	(2,058)
Financing Activities			
Non-Voting Shares issued	22(c)	–	1
Dividends paid to holders of equity shares	25(b)	(852)	(774)
Purchase of Common Shares for cancellation	22(d)	(1,000)	–
Issuance and repayment of short-term borrowings	19	(2)	(2)
Long-term debt issued	21, 25(b)	4,630	5,988
Redemptions and repayment of long-term debt	21, 25(b)	(3,375)	(6,309)
Other		(29)	(4)
Cash used by financing activities		(628)	(1,100)
Cash Position			
Increase in cash and temporary investments, net		229	61
Cash and temporary investments, net, beginning of period		107	46
Cash and temporary investments, net, end of period		$ 336	$ 107
Supplemental Disclosure of Operating Cash Flows			
Interest paid	25(b)	$ (364)	$ (337)
Interest received		$ 4	$ 13
Income taxes paid, net	9	$ (438)	$ (150)

The accompanying notes are an integral part of these consolidated financial statements.

Notes to consolidated financial statements

December 31, 2013

TELUS Corporation is one of Canada's largest telecommunications companies, providing a wide range of telecommunications services and products, including wireless and wireline voice and data. Data services include: Internet protocol; television; hosting, managed information technology and cloud-based services; and healthcare solutions.

TELUS Corporation was incorporated under the *Company Act* (British Columbia) on October 26, 1998, under the name BCT.TELUS Communications Inc. (BCT). On January 31, 1999, pursuant to a court-approved plan of arrangement under the *Canada Business Corporations Act* among BCT, BC TELECOM Inc. and the former Alberta-based TELUS Corporation (TC), BCT acquired all of the shares of BC TELECOM Inc. and TC in exchange for Common Shares and Non-Voting Shares of BCT, and BC TELECOM Inc. was dissolved. On May 3, 2000, BCT changed its name to TELUS Corporation and in February 2005, TELUS Corporation transitioned under the *Business Corporations Act* (British Columbia), successor to the *Company Act* (British Columbia). TELUS Corporation maintains its registered office at Floor 5, 3777 Kingsway, Burnaby, British Columbia, V5H 3Z7.

The terms "TELUS", "we", "us", "our" or "ourselves" are used to refer to TELUS Corporation and, where the context of the narrative permits, or requires, its subsidiaries.

1 Summary of significant accounting policies

The accompanying consolidated financial statements are expressed in Canadian dollars. The generally accepted accounting principles we use are International Financial Reporting Standards as issued by the International Accounting Standards Board (IFRS-IASB) and these consolidated financial statements comply with IFRS-IASB and Canadian generally accepted accounting principles. The date of our transition to IFRS-IASB was January 1, 2010, and the date of our adoption was January 1, 2011.

Our consolidated financial statements for the years ended December 31, 2013 and 2012, were authorized by our Board of Directors for issue on February 26, 2014.

(a) Consolidation

Our consolidated financial statements include our accounts and the accounts of all of our subsidiaries, the principal one of which is TELUS Communications Inc. Currently, through the TELUS Communications Company partnership and the TELE-MOBILE COMPANY partnership, TELUS Communications Inc. includes substantially all of our Wireless and Wireline segments' operations.

Our financing arrangements and those of our subsidiaries do not impose restrictions on inter-corporate dividends.

On a continuing basis, we review our corporate organization and effect changes as appropriate so as to enhance the value of TELUS Corporation. This process can, and does, affect which of our subsidiaries are considered principal subsidiaries at any particular point in time.

(b) Use of estimates and judgments

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates, assumptions and judgments that affect: the reported amounts of assets and liabilities at the date of the financial statements; the disclosure of contingent assets and liabilities at the date of the financial statements; and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Estimates

Examples of the significant estimates and assumptions that we make include:

- the allowance for doubtful accounts;
- the allowance for inventory obsolescence;
- the estimated useful lives of assets;
- the recoverability of tangible and intangible assets subject to amortization;
- the recoverability of intangible assets with indefinite lives (see *Note 17(d)* for discussion of key assumptions);
- the recoverability of goodwill (see *Note 17(d)* for discussion of key assumptions);
- the recoverability of long-term investments;
- the amount and composition of income tax assets and income tax liabilities, including the amount of unrecognized tax benefits; and
- certain actuarial and economic assumptions used in determining defined benefit pension costs, accrued pension benefit obligations and pension plan assets (see *Note 14(f)* for discussion of key assumptions).

Judgments

Examples of our significant judgments, apart from those involving estimation, include:

- Assessments about whether line items are sufficiently material to warrant separate presentation in the primary financial statements and, if not, whether they are sufficiently material to warrant separate presentation in the financial statement notes.
- The decision to depreciate and amortize any property, plant, equipment and intangible assets that are subject to amortization on a straight-line basis, as we believe that this method reflects the consumption of resources related to the economic lifespan of those assets better than an accelerated method and is more representative of the economic substance of the underlying use of those assets.
- The preparation of financial statements in accordance with generally accepted accounting principles requires management to make judgments that affect the financial statement disclosure of information regularly reviewed by our chief operating decision-maker used to make resource allocation decisions and to assess performance (segmented information). A significant judgment we make is that our wireless and wireline operations and cash flows are sufficiently distinct to be considered operating segments and reportable segments, notwithstanding the convergence our wireless and wireline telecommunications infrastructure technology and operations have experienced to date. If our wireless and wireline telecommunications infrastructure technology and operations continue to converge, it may become impractical, if not impossible, to objectively distinguish between our wireless and wireline operations and cash flows; if sufficient convergence were to occur, our wireless and wireline operations would no longer be individual components of the business or discrete operating segments; rather, they could each become a group of similar products and services.

  As well, if it becomes impractical to distinguish our wireless and wireline cash flows, which would be evidence of their interdependence, this could result in the unification of the wireless cash-generating unit and the wireline cash-generating unit as a single cash-generating unit for impairment testing purposes.

- The view that our spectrum licences granted by Industry Canada will likely be renewed by Industry Canada; that we intend to renew them; that we believe we have the financial and operational ability to renew them and, thus, they are deemed to have an indefinite life, as discussed further in *Note 17(c)*.
- In connection with the annual impairment testing of intangible assets with indefinite lives and goodwill, there are instances where we need to exercise judgment in the allocation of our net assets, including shared corporate and administrative assets, to our cash-generating units when determining their carrying amounts. These judgments are necessary due to the convergence of our wireless and wireline telecommunications infrastructure technology and operations that we have experienced to date, and because of our general corporate development. There are instances where similar judgments must also be made in respect of future capital expenditures in support of both wireless and wireline operations, which are a component of the discounted cash flow projections that are used in the annual impairment testing, as discussed further in *Note 17(d)*.
- In respect of claims and lawsuits, as discussed further in *Note 23(c)*, the determination of whether an item is a contingent liability or whether an outflow of resources is probable and thus needs to be accounted for as a provision.

(c) Financial instruments – recognition and measurement

In respect of the recognition and measurement of financial instruments, we have adopted the following policies:

	Accounting classification				
Financial instrument	Fair value through net income(1)(2)	Loans and receivables	Available-for-sale(3)	Amortized cost	Part of a cash flow hedging relationship(3)
Measured at amortized cost					
Accounts receivable		X			
Construction credit facilities advances to real estate joint venture		X			
Short-term obligations				X	
Accounts payable				X	
Provisions				X	
Long-term debt				X	
Measured at fair value					
Cash and temporary investments	X				
Short-term investments	X				
Long-term investments (not subject to significant influence)(4)			X		
Foreign exchange derivatives	X				X
Share-based compensation derivatives	X				X

(1) Classification includes financial instruments held for trading. Certain qualifying financial instruments that are not required to be classified as held for trading may be classified as held for trading if we so choose.
(2) *Unrealized* changes in the fair values of financial instruments are included in net income.
(3) *Unrealized* changes in the fair values of financial instruments classified as available-for-sale, or the effective portion of *unrealized* changes in the fair values of financial instruments held for hedging, are included in other comprehensive income.
(4) Long-term investments over which we do not have significant influence are classified as available-for-sale. In respect of investments in securities for which the fair values can be reliably measured, we determine the classification on an instrument-by-instrument basis at the time of initial recognition.

- Trade receivables that may be sold to an arm's-length securitization trust are accounted for as loans and receivables. We have selected this classification as the benefits that would have been expected to arise from selecting the available-for-sale classification were not expected to exceed the costs of selecting and implementing that classification.
- Short-term marketable securities investments are accounted for as held for trading and thus are measured at fair value through net income. Long-term investments over which we do not have significant influence are accounted for as available-for-sale. We have selected these classifications as we believe that they better reflect management's investment intentions.
- Derivatives that are part of an established and documented cash flow hedging relationship are accounted for as held for hedging. We believe that classification as held for hedging results in a better matching of the change in the fair value of the derivative financial instrument with the risk exposure being hedged.

  In respect of hedges of anticipated transactions, which in our specific instance currently relate to inventory purchase commitments, hedge gains/losses will be included in the cost of the inventory and will be expensed when the inventory is sold. We have selected this method as we believe that it results in a better matching with the risk exposure being hedged.

  Derivatives that are not part of a documented cash flow hedging relationship are accounted for as held for trading and thus are measured at fair value through net income.
- Regular-way purchases or sales of financial assets or financial liabilities (those which require actual delivery of financial assets or financial liabilities) are recognized on the settlement date. We have selected this method as the benefits that would have been expected to arise from using the trade date method were not expected to exceed the costs of selecting and implementing that method.
- Transaction costs, other than in respect of held for trading items, are added to the initial fair value of the acquired financial asset or financial liability. We have selected this method as we believe that it results in a better matching of the transaction costs with the periods benefiting from the transaction costs.

(d) Hedge accounting

General

We apply hedge accounting to the financial instruments used to:

- establish designated currency hedging relationships for certain U.S. dollar denominated future purchase commitments, as set out in *Note 4(d)*; and
- fix the compensation cost arising from specific grants of restricted stock units, as set out in *Note 4(f)* and further discussed in *Note 13(c)*.

Hedge accounting

The purpose of hedge accounting, in respect of our designated hedging relationships, is to ensure that counterbalancing gains and losses are recognized in the same periods. We chose to apply hedge accounting as we believe this is more representative of the economic substance of the underlying transactions.

In order to apply hedge accounting, a high correlation (which indicates effectiveness) is required in the offsetting changes in the values of the financial instruments (the hedging items) used to establish the designated hedging relationships and all, or a part, of the asset, liability or transaction having an identified risk exposure that we have taken steps to modify (the hedged items). We assess the anticipated effectiveness of designated hedging relationships at inception and actual effectiveness for each reporting period thereafter. We consider a designated hedging relationship to be effective if the following critical terms match between the hedging item and the hedged item: the notional amount of the hedging item and the principal amount of the hedged item; maturity dates; payment dates; and interest rate index (if, and as, applicable). As set out in *Note 4(i)*, any ineffectiveness, such as would result from a difference between the notional amount of the hedging item and the principal of the hedged item, or from a previously effective designated hedging relationship becoming ineffective, is reflected in the Consolidated Statements of Income and Other Comprehensive Income as Financing costs if in respect of long-term debt, as Goods and services purchased if in respect of U.S. dollar denominated future purchase commitments or as Employee benefits expense if in respect of share-based compensation.

Hedging assets and liabilities

In the application of hedge accounting, an amount (the hedge value) is recorded on the Consolidated Statements of Financial Position in respect of the fair value of the hedging items. The net difference, if any, between the amounts recognized in the determination of net income and the amounts necessary to reflect the fair value of the designated cash flow hedging items on the Consolidated Statements of Financial Position is recognized as a component of other comprehensive income, as set out in *Note 10*.

In the application of hedge accounting to the compensation cost arising from share-based compensation, the amount recognized in the determination of net income is the amount that counterbalances the difference between the quoted market price of our equity shares at the statement of financial position date and the price of our equity shares in the hedging items.

(e) Revenue recognition

General

We earn the majority of our revenue (wireless: voice and data; wireline: data (including: Internet protocol; television; hosting, managed information technology and cloud-based services; and healthcare solutions), voice local and voice long distance) from access to, and usage of, our telecommunications infrastructure. The majority of the balance of our revenue (wireless equipment and other) arises from providing services and products facilitating access to, and usage of, our telecommunications infrastructure.

We offer complete and integrated solutions to meet our customers' needs. These solutions may involve the delivery of multiple services and products occurring at different points in time and/or over different periods of time. As appropriate, these multiple element arrangements are separated into their component accounting units, consideration is measured and allocated among the accounting units based upon their relative fair values (derived using Company-specific objective evidence) and then our relevant revenue recognition policies are applied to the accounting units. (We estimate that more than two-thirds of our revenues arise from multiple element arrangements.) A limitation cap restricts the consideration allocated to services or products currently transferred in multiple element arrangements to an amount that is not contingent upon either delivering additional items or meeting other specified performance conditions. Our view is that the limitation cap results in a faithful depiction of the transfer of services and products, as it reflects the telecommunications industry's generally accepted understanding of the transfer of services and products as well as reflecting the related cash flows; however, an imminent, new revenue accounting standard is expected to prohibit the use of a limitation cap, as discussed further in *Note 2(c)*.

Multiple contracts with a single customer are normally accounted for as separate arrangements. In instances where multiple contracts are entered into with a customer in a short period of time, they are reviewed as a group to ensure that, as with multiple element arrangements, relative fair values are appropriate.

Lease accounting is applied to an accounting unit if it conveys the right to use a specific asset to a customer but does not convey the risks and/or benefits of ownership.

Our revenues are recorded net of any value-added, sales and/or use taxes billed to the customer concurrent with a revenue-producing transaction.

When we receive no identifiable, separable benefit for consideration given to a customer (e.g. discounts and rebates), the consideration is recorded as a reduction of revenue rather than as an expense.

Voice and data

We recognize revenues on an accrual basis and include an estimate of revenues earned but unbilled. Wireless and wireline service revenues are recognized based upon access to, and usage of, our telecommunications infrastructure and upon contract fees.

Advance billings are recorded when billing occurs prior to provision of the associated service; such advance billings are recognized as revenue in the period in which the services are provided. Similarly, and as appropriate, upfront customer activation and connection fees are deferred and recognized over the average expected term of the customer relationship.

We follow the liability method of accounting for the amounts of our quality of service rate rebates that arise from the jurisdiction of the Canadian Radio-television and Telecommunications Commission (CRTC).

The CRTC has established a mechanism to subsidize local exchange carriers, such as ourselves, that provide residential basic telephone service to high cost serving areas. The CRTC has determined the per network access line/per band subsidy rate for all local exchange carriers. We recognize the subsidy on an accrual basis by applying the subsidy rate to the number of residential network access lines we have in high cost serving areas, as further discussed in *Note 6*. Differences, if any, between interim and final subsidy rates set by the CRTC are accounted for as a change in estimate in the period in which the CRTC finalizes the subsidy rate.

Other and wireless equipment

We recognize product revenues, including amounts related to wireless handsets sold to re-sellers and customer premises equipment, when the products are delivered and accepted by the end-user customers. With respect to wireless handsets sold to re-sellers, we consider ourselves to be the principal and primary obligor to the end-user customer. Revenues from operating leases of equipment are recognized on a systematic and rational basis (normally a straight-line basis) over the term of the lease.

Non-high cost serving area deferral account

In 2002 the CRTC issued Decisions 2002-34 and 2002-43 which affected regulated services in our Wireline segment. In an effort to foster competition for residential basic service in non-high cost serving areas, the concept of a deferral account mechanism was introduced by the CRTC, as an alternative to mandating price reductions.

The deferral account arises from the CRTC requiring us to defer the statement of income recognition of a portion of the monies received in respect of residential basic services provided to non-high cost serving areas. We have adopted the liability method of accounting for the deferral account. As a result, we recorded incremental liability amounts, subject to reductions for the mitigating activities, during the Decisions' four-year price cap periods. The deferral account balance also reflects an interest expense component based on our applicable short-term cost of borrowing, such expense being included in the Consolidated Statements of Income and Other Comprehensive Income as Financing costs.

We discharge the deferral account liability by undertaking qualifying actions, including providing broadband services to rural and remote communities and enhancing the accessibility to telecommunications services for individuals with disabilities, with the balance having been provided in customer rebates. We recognize the drawdown and amortization (over a period no longer than three years) of a proportionate share of the deferral account as qualifying actions are completed. Such amortization is included as a component of government assistance in Other operating income, as set out in *Note 6*.

(f) Government assistance

We recognize government assistance on an accrual basis as the subsidized services are provided or as the subsidized costs are incurred. As set out in *Note 6*, government assistance is included in the Consolidated Statements of Income and Other Comprehensive Income as Other operating income.

(g) Cost of acquisition and advertising costs

Costs of acquiring customers that are expensed as incurred include the total cost of hardware sold to customers and any commissions, advertising and promotion related to the initial customer acquisition. Costs of acquiring customers that are capitalized as incurred include the cost of hardware we own that is situated at customers' premises and associated installation costs. Costs of acquisition that are expensed are included in the Consolidated Statements of Income and Other Comprehensive Income as a component of Goods and services purchased except for amounts paid to our employees, which are included as Employee benefits expense. Costs of advertising production, advertising airtime and advertising space are expensed as incurred.

(h) Research and development

Research and development costs are expensed except in cases where development costs meet certain identifiable criteria for capitalization. Capitalized development costs are amortized over the life of the related commercial production, or in the case of serviceable property, plant and equipment, are included in the appropriate property group and are depreciated over its estimated useful life.

(i) Leases

Leases are classified as finance or operating depending upon the terms and conditions of the contracts.

Where we are the lessee, asset values recorded under finance leases are amortized on a straight-line basis over the period of expected use. Obligations recorded under finance leases are reduced by lease payments net of imputed interest.

For the year ended December 31, 2013, real estate and vehicle operating lease expenses, which are net of the amortization of the deferred gains on the sale-leaseback of buildings, were $290 million (2012 – $283 million). The unamortized balances of the deferred gains on the sale-leaseback of buildings are set out in *Note 25(a)*.

(j) Depreciation, amortization and impairment

Depreciation and amortization

Assets are depreciated on a straight-line basis over their estimated useful lives as determined by a continuing program of asset life studies. Depreciation includes amortization of assets under finance leases and amortization of leasehold improvements. Leasehold improvements are normally amortized over the lesser of their expected average service life or the term of the lease. Intangible assets with finite lives (intangible assets subject to amortization) are amortized on a straight-line basis over their estimated useful lives; estimated useful lives are reviewed at least annually and are adjusted as appropriate.

Estimated useful lives for the majority of our property, plant and equipment subject to depreciation are as follows:

	Estimated useful lives[(1)]
Network assets	
Outside plant	17 to 40 years
Inside plant	4 to 16 years
Wireless site equipment	6.5 to 10 years
Balance of depreciable property, plant and equipment	3 to 40 years

(1) The composite depreciation rate for the year ended December 31, 2013, was 4.8% (2012 – 5.1%). The rate is calculated by dividing depreciation expense by an average gross book value of depreciable assets for the reporting period.

Estimated useful lives for the majority of our intangible assets subject to amortization are as follows:

	Estimated useful lives
Wireline subscriber base	25 years
Customer contracts, related customer relationships and leasehold interests	6 to 10 years
Software	3 to 5 years
Access to rights-of-way and other	5 to 30 years

Impairment – general

Impairment testing compares the carrying values of the assets or cash-generating units being tested with their recoverable amounts (the recoverable amount being the greater of an asset's or a cash-generating unit's value in use or its fair value less costs to sell). Impairment losses are immediately recognized to the extent that the asset or cash-generating unit carrying value exceeds its recoverable amount. Should the recoverable amounts for previously impaired assets or cash-generating units subsequently increase, the impairment losses previously recognized (other than in respect of goodwill) may be reversed to the extent that the reversal is not a result of "unwinding of the discount" and that the resulting carrying values do not exceed the carrying values that would have been the result if no impairment losses had been previously recognized.

Impairment – property, plant and equipment; intangible assets subject to amortization

The continuing program of asset life studies considers such items as timing of technological obsolescence, competitive pressures and future infrastructure utilization plans; such considerations could also indicate that the carrying value of an asset may not be recoverable. If the carrying value of an asset were not considered recoverable, an impairment loss would be recorded.

Impairment – intangible assets with indefinite lives; goodwill

The carrying values of intangible assets with indefinite lives and goodwill are periodically tested for impairment. The frequency of the impairment tests generally is the reciprocal of the stability of the relevant events and circumstances, but intangible assets with indefinite lives and goodwill must, at a minimum, be tested annually; we have selected December as our annual test date.

We assess our intangible assets with indefinite lives by comparing the recoverable amounts of our cash-generating units to the carrying amounts of our cash-generating units (including the intangible assets with indefinite lives allocated to the cash-generating unit, but excluding any goodwill allocated to the cash-generating unit). To the extent that the carrying amount of the cash-generating unit (including the intangible assets with indefinite lives allocated to the cash-generating unit, but excluding any goodwill allocated to the cash-generating unit) exceeds its recoverable amount, the excess would be recorded as a reduction in the carrying amount of intangible assets with indefinite lives.

Subsequent to assessing our intangible assets with indefinite lives, we then assess our goodwill by comparing the recoverable amounts of our cash-generating units to the carrying amounts of our cash-generating units (including the intangible assets with indefinite lives and the goodwill allocated to the cash-generating unit). To the extent that the carrying amount of the cash-generating unit (including the intangible assets with indefinite lives and the goodwill allocated to the cash-generating unit) exceeds its recoverable amount, the excess would first be recorded as a reduction in the carrying value of goodwill and any remainder would be recorded as a reduction in the carrying values of the assets of the cash-generating unit on a pro-rated basis.

We have determined that our current cash-generating units are our currently reportable segments, Wireless and Wireline, as the reportable segments are the smallest identifiable groups of assets that generate net cash inflows that are largely independent of each other.

(k) Translation of foreign currencies

Trade transactions completed in foreign currencies are translated into Canadian dollars at the rates of exchange prevailing at the time of the transactions. Monetary assets and liabilities denominated in foreign currencies are translated into Canadian dollars at the rate of exchange in effect at the statement of financial position date, with any resulting gain or loss being included in the Consolidated Statements of Income and Other Comprehensive Income as a component of Financing costs, as set out in *Note 8*. Hedge accounting is applied in specific instances as further discussed in *(d)* preceding.

We have minor foreign subsidiaries that do not have the Canadian dollar as their functional currency. Accordingly, foreign exchange gains and losses arising from the translation of the minor foreign subsidiaries' accounts into Canadian dollars subsequent to, or on, January 1, 2010, the date of our transition to IFRS-IASB, are reported as a component of other comprehensive income, as set out in *Note 10*. The cumulative foreign currency translation difference balance at January 1, 2010, was recognized directly in retained earnings at the transition date to, and as permitted by, IFRS-IASB.

(l) Income and other taxes

We follow the liability method of accounting for income taxes. Under this method, current income taxes are recognized for the estimated income taxes payable for the current year. Deferred income tax assets and liabilities are recognized for temporary differences between the tax and accounting bases of assets and liabilities, as well as for the benefit of losses and Investment Tax Credits available to be carried forward to future years for tax purposes that are more likely than not to be realized. The amounts recognized in respect of deferred income tax assets and liabilities are based upon the expected timing of the reversal of temporary differences or usage of tax losses and application of the substantively enacted tax rates at the time of reversal or usage.

We account for any changes in substantively enacted income tax rates affecting deferred income tax assets and liabilities in full in the period in which the changes are substantively enacted. We account for changes in the estimates of prior year(s) tax balances as estimate revisions in the period in which the changes in estimates arise; we have selected this method as its emphasis on the statement of financial position is more consistent with the liability method of accounting for income taxes.

Our operations are complex and the related tax interpretations, regulations and legislation are continually changing. As a result, there are usually some tax matters in question that result in uncertain tax positions. We only recognize the income tax benefit of an uncertain tax position when it is more likely than not that the ultimate determination of the tax treatment of the position will result in that benefit being realized. We accrue for interest charges on current tax liabilities that have not been funded, which would include interest and penalties arising from uncertain tax positions. We include such charges in the Consolidated Statements of Income and Other Comprehensive Income as a component of Financing costs.

Our research and development activities may be eligible to earn Investment Tax Credits, for which the determination of eligibility is a complex matter. We only recognize Investment Tax Credits when there is reasonable assurance that the ultimate determination of the eligibility of our research and development activities will result in the Investment Tax Credits being received, at which time they are accounted for using the cost reduction method, whereby such credits are deducted from the expenditures or assets to which they relate, as set out in *Note 9*.

(m) Share-based compensation

General

When share-based compensation vests in its entirety at one future point in time (cliff vesting), we recognize the expense on a straight-line basis over the vesting period. When share-based compensation vests in tranches (graded vesting), we recognize the expense using the accelerated expense attribution method. An estimate of forfeitures during the vesting period is made at the date of grant; this estimate is adjusted for actual experience.

Share option awards

For share option awards granted after 2001, a fair value is determined at the date of grant and that fair value is recognized in the financial statements. Proceeds arising from the exercise of share option awards are credited to share capital, as are the recognized grant-date fair values of the exercised share option awards.

Share option awards that have a net-equity settlement feature, as set out in *Note 13(b)*, and which do *not* also have a net-cash settlement feature, are accounted for as equity instruments. We have selected the equity instrument fair value method of accounting for the net-equity settlement feature as it is consistent with the accounting treatment afforded to the associated share option awards.

Share option awards which had a net-cash settlement feature, as set out in *Note 13(b)*, were accounted for as liability instruments. If share option awards which had the net-cash settlement feature and which were granted subsequent to 2001 were settled using other than the net-cash settlement feature, they were accounted for as equity instruments. As at December 31, 2012 and 2013, no share option awards with the net-cash settlement feature remained outstanding.

Restricted stock units

In respect of restricted stock units, as set out in *Note 13(c)*, we accrue a liability equal to the product of the vesting restricted stock units multiplied by the fair market value of the corresponding shares at the end of the reporting period (unless hedge accounting is applied, as set out in *(d)* preceding). The expense for restricted stock units that do not ultimately vest is reversed against the expense that was previously recorded in their respect.

(n) Employee future benefit plans

Defined benefit plans

We accrue for our obligations under employee defined benefit plans, and the related costs, net of plan assets. The cost of pensions and other retirement benefits earned by employees is actuarially determined using the projected benefit method pro-rated on service and management's best estimates of salary escalation and retirement ages of employees. In the determination of net income, net interest for each plan, which is the product of the plan's surplus (deficit) multiplied by the discount rate, is included as a component of Financing costs, as set out in *Note 8*. The effect of differences between the discount rate and the actual rate of return on plan assets is included as a component of employee defined benefit plan re-measurements within Other comprehensive income, as set out in *Note 10* and *Note 14*.

On an annual basis, at a minimum, the defined benefit plan key assumptions are assessed and revised as appropriate. When the defined benefit plan key assumptions fluctuate significantly relative to their immediately preceding year-end values, actuarial gains (losses) arising from such significant fluctuations are recognized on an interim basis.

Defined contribution plans

We use defined contribution accounting for the Telecommunication Workers Pension Plan and the British Columbia Public Service Pension Plan, which cover certain of our employees and provide defined benefits to their members. In the absence of any regulations governing the calculation of the share of the underlying financial position and plan performance attributable to each employer-participant, and in the absence of contractual agreements between the plans and the employer-participants related to the financing of any shortfall (or distribution of any surplus), we treat these plans as defined contribution plans in accordance with International Accounting Standard 19, *Employee Benefits*.

(o) Cash and temporary investments, net

Cash and temporary investments, which may include investments in money market instruments that are purchased three months or less from maturity, are presented net of outstanding items, including cheques written but not cleared by the bank as at the statement of financial position date. Cash and temporary investments, net, are classified as a liability in the statement of financial position when the amount of the cheques written but not cleared by the bank exceeds the amount of cash and temporary investments. When cash and temporary investments, net, are classified as a liability, they may also include overdraft amounts drawn on our bilateral bank facilities, which revolve daily and are discussed further in *Note 19*.

(p) Sales of trade receivables

Sales of trade receivables in securitization transactions are recognized as collateralized short-term borrowings and thus do not result in our derecognition of the trade receivables sold.

(q) Inventories

Our inventories consist primarily of wireless handsets, parts and accessories and communications equipment held for resale. Inventories are valued at the lower of cost and net realizable value, with cost being determined on an average cost basis. Previous write-downs to net realizable value are reversed if there is a subsequent increase in the value of the related inventories.

(r) Property, plant and equipment; intangible assets

General

Property, plant and equipment and intangible assets are recorded at historical cost and, with respect to self-constructed property, plant and equipment, that includes materials, direct labour and applicable overhead costs. With respect to internally developed, internal-use software, recorded historical cost includes materials, direct labour and direct labour-related costs. Where property, plant and equipment construction projects are of a sufficient size and duration, an amount is capitalized for the cost of funds used to finance construction. The rate for calculating the capitalized financing costs is based on our weighted average cost of borrowing experienced during the reporting period.

When we sell property, plant and/or equipment, the net book value is netted against the sale proceeds and the difference, as set out in *Note 6*, is included in the Consolidated Statements of Income and Other Comprehensive Income as Other operating income.

Asset retirement obligations

Provisions for liabilities, as set out in *Note 20*, are recognized for statutory, contractual or legal obligations, normally when incurred, associated with the retirement of property, plant and equipment (primarily certain items of outside plant and wireless site equipment) when those obligations result from the acquisition, construction, development and/or normal operation of the assets. The obligations are measured initially at fair value, determined using present value methodology, and the resulting costs are capitalized into the carrying amount of the related asset. In subsequent periods, the liability is adjusted for the accretion of discount, for any changes in the market-based discount rate and for any changes in the amount or timing of the underlying future cash flows. The capitalized asset retirement cost is depreciated on the same basis as the related asset and the discount accretion, as set out in *Note 8*, is included in the Consolidated Statements of Income and Other Comprehensive Income as a component of Financing costs.

(s) Investments

We account for our investments in companies over which we have significant influence using the equity method of accounting, whereby the investments are initially recorded at cost and subsequently adjusted to recognize our share of earnings or losses of the investee companies and any earnings distributions received. The excess of the cost of an equity investment over its underlying book value at the date of acquisition, except for goodwill, is amortized over the estimated useful lives of the underlying assets to which it is attributed.

Similarly, we account for our interests in the real estate joint ventures, discussed further in *Note 18*, using the equity method of accounting. Unrealized gains and losses from transactions (including contributions) with the real estate joint ventures are deferred in proportion to our remaining interest in the real estate joint ventures.

We account for our other investments as available-for-sale at their fair values unless they are investment securities that do not have quoted market prices in an active market or do not have other clear and objective evidence of fair value. When we do not account for our available-for-sale investments at their fair values, we use the cost basis of accounting whereby the investments are initially recorded at cost and earnings from such investments are recognized only to the extent received or receivable. The costs of investments sold or amounts reclassified from other comprehensive income to earnings are determined on a specific identification basis.

Unless there is an other than temporary decline in the value of an available-for-sale investment, the carrying values of available-for-sale investments are adjusted to estimated fair values, with the amount of any such adjustment being included in the Consolidated Statements of Income and Other Comprehensive Income as a component of other comprehensive income. When there is an other than temporary decline in the value of an investment, the carrying value of any such investment accounted for using the equity, available-for-sale or cost method is reduced to estimated fair value with the amount of any such reduction being included in the Consolidated Statements of Income and Other Comprehensive Income as Other operating income.

2 Accounting policy developments

(a) Initial application of standards, interpretations and amendments to standards and interpretations in the reporting period

In December 2013, the IASB issued *Annual Improvements to IFRS: 2010-2012 Cycle* and *Annual Improvements to IFRS: 2011-2013 Cycle*, both of which are required to be applied for annual periods beginning on or after July 1, 2014, and, in our current instance, both of which had no effect on our financial performance.

The following standards are required to be applied for periods beginning on or after January 1, 2013, and, unless otherwise indicated, had no effect on our financial performance:

- IFRS 7, *Financial Instruments: Disclosures* (amended 2011)
- IFRS 10, *Consolidated Financial Statements*
- IFRS 11, *Joint Arrangements*
- IFRS 12, *Disclosure of Interests in Other Entities*
- IFRS 13, *Fair Value Measurement*
- IAS 27, *Separate Financial Statements* (amended 2011)
- IAS 28, *Investments in Associates* (amended 2011)
- IAS 19, *Employee Benefits* (amended 2011): Relative to our pre-fiscal 2013 accounting policies and presentation and disclosure practices, the key difference in the amended standard is that the expected long-term rate of return on plan assets will no longer be used for defined benefit plan expense measurement purposes. In the determination of net income in our instance, the effect is that the defined benefit plan expense concepts of "interest cost" and "return on plan assets" are replaced with the concept of "net interest". Net interest for each plan is the product of the plan's surplus (deficit) multiplied by the discount rate. The amended standard does not prescribe where in the results of operations the net interest amount is to be presented, but we now present such amount as a component of Financing costs (see *Note 8*).

  Our current view, consistent with long-term historical experience, is that the expected long-term rate of return on plan assets will exceed the discount rate (a result of targeting a significant percentage of the defined benefit plan assets for investment in equity securities); as a result, the relative effect of the amended standard is a decrease in net income and associated per share amounts. The difference between the actual rate of return on defined benefit plan assets and the discount rate, as well as the related impact of the limit on defined benefit assets, if any, is included in other comprehensive income as a re-measurement (see *Note 10*).

The amended standard affected our Consolidated Statements of Income and Other Comprehensive Income as follows:

Years ended December 31 (millions except per share amounts)	2013			2012		
	Excluding effects of amended IAS 19[(1)]	Amended IAS 19 effects	As currently reported[(2)]	Excluding effects of amended IAS 19[(1)]	Amended IAS 19 effects	As currently reported[(2)]
Operating expenses						
Employee benefits expense	$ 2,288	$ 136	$ 2,424	$ 2,129	$ 113	$ 2,242
Financing costs	$ 393	54	$ 447	$ 332	42	$ 374
Income taxes	$ 523	(49)	$ 474	$ 457	(41)	$ 416
Net income		(141)			(114)	
Other comprehensive income						
Item never subsequently reclassified to income						
Employee defined benefit plans re-measurements	$ 857	141	$ 998	$ (400)	114	$ (286)
Comprehensive income		$ –			$ –	
Net income per equity share*						
Basic	$ 2.24	$ (0.22)	$ 2.02	$ 2.02	$ (0.17)	$ 1.85
Diluted	$ 2.23	$ (0.22)	$ 2.01	$ 2.01	$ (0.17)	$ 1.84

(1) Excluding the effects of amended IAS 19 reflects an expected long-term annual rate of return on plan assets of 6.50% (2012 – 6.75%). The actual rate of return on plan assets for the year ended December 31, 2013, was 13.97% (2012 – 8.82%).
(2) As currently reported reflects an employee defined benefit plans net interest amount based upon a discount rate of 3.90% (2012 – 4.50%).

Upon our transition to IFRS-IASB on January 1, 2010, we made a permitted exemption election to recognize cumulative unamortized actuarial gains and losses, past service costs and transitional obligations, as at the transition date, as an adjustment to retained earnings; also effective upon transition to IFRS-IASB, we adopted an accounting policy of recognizing actuarial gains and losses in other comprehensive income in the period in which they arose. As a result of the exemption election made and the accounting policy selected upon our transition to IFRS-IASB, the required retrospective application of the amended standard affects neither our statement of financial position nor the balances of the components of equity therein, and therefore a January 1, 2012, statement of financial position has not been included in these consolidated financial statements.

Additionally, the amounts of cash provided (used) by operating activities, investing activities and financing activities presented in the statement of cash flows are not affected.

* Amounts reflect retrospective application of April 16, 2013, stock split (see *Note 22(b)*).

(b) Standards, interpretations and amendments to standards not yet effective and not yet applied

Based upon current facts and circumstances, we do not expect to be materially affected by the application of the following standards, unless otherwise indicated, and are currently determining which date(s) we will select for initial compliance if earlier than the required compliance dates.

- IAS 32, *Financial Instruments* (amended 2011), is required to be applied for periods beginning on or after January 1, 2014.
- IFRS 9, *Financial Instruments*, no longer has a required compliance date as the International Accounting Standards Board decided that the previous mandatory effective date of January 1, 2015, would not allow sufficient time for entities to prepare to apply the new standard because the impairment phase of the IFRS 9 project has not yet been completed. Accordingly, the International Accounting Standards Board decided that a new date should be decided upon when the entire IFRS 9 project is closer to completion.
- IFRIC 21, *Levies*, is required to be applied for periods beginning on or after January 1, 2014.

(c) Revenue from contracts with customers

The International Accounting Standards Board and the Financial Accounting Standards Board of the United States have been working on a joint project to clarify the principles for the recognition of revenue and to develop a common revenue standard. In June 2010, an exposure draft was issued and in November 2011, a revised exposure draft was issued. We are currently assessing the impacts of the draft proposals contained within the revised exposure draft.

If the finalized standard were to largely reflect the draft proposals, its effects and the materiality of those effects would vary by industry and entity. If the finalized standard, currently expected to be effective for our 2017 fiscal year, were to largely reflect the draft proposals, we, like many other telecommunications companies, currently expect to be materially affected by its application, primarily in respect of the timing of revenue recognition and in respect of capitalization of costs of acquisition and contract fulfillment costs.

The revenue recognition timing effects would be most pronounced in our Wireless segment results. Although the measurement of the total revenue recognized over the life of a Wireless contract would be largely unaffected by the draft proposals, the prohibition of the use of the limitation cap methodology (see *Note 1(e)*) would accelerate the recognition of such revenue, relative to both the associated cash inflows from customers and our current practice (using the limitation cap methodology). Although the underlying transaction economics would not differ, during periods of increases in the number of Wireless subscriber connections, assuming comparable contract-lifetime per unit cash inflows, revenue growth would appear greater than under current practice (using the limitation cap methodology).

Similarly, the measurement, over the life of a contract, of total costs of contract acquisition and contract fulfillment costs would be unaffected by the draft proposals. The draft proposals would result in such costs being capitalized and subsequently recognized as an expense over the life of a contract on a rational, systematic basis consistent with the pattern of the transfer of goods or services to which the asset relates. Although the underlying transaction economics would not differ, during periods of increases in the number of subscriber connections, assuming comparable per unit costs of acquisition and contract fulfillment, profitability measures would appear greater than under the current practice of immediate expensing of such costs.

3 Capital structure financial policies

Our objective when managing capital is to maintain a flexible capital structure that optimizes the cost and availability of capital at acceptable risk.

In the management of capital and in its definition, we include common equity (excluding accumulated other comprehensive income), long-term debt (including any associated hedging assets or liabilities, net of amounts recognized in accumulated other comprehensive income), cash and temporary investments and securitized trade receivables.

We manage our capital structure and make adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets. In order to maintain or adjust our capital structure, we may adjust the amount of dividends paid to holders of TELUS Corporation shares, purchase shares for cancellation pursuant to normal course issuer bids, issue new shares, issue new debt, issue new debt to replace existing debt with different characteristics and/or increase or decrease the amount of trade receivables sold to an arm's-length securitization trust.

We monitor capital utilizing a number of measures, including: net debt to earnings before interest, income taxes, depreciation and amortization – excluding restructuring and other like costs (EBITDA** – excluding restructuring and other like costs); and dividend payout ratios.

Net debt to EBITDA – excluding restructuring and other like costs is calculated as net debt at the end of the period divided by 12-month trailing EBITDA – excluding restructuring and other like costs. This measure, historically, is substantially similar to the leverage ratio covenant in our credit facilities. Net debt, EBITDA – excluding restructuring and other like costs and adjusted net earnings are measures that do not have any standardized meanings prescribed by IFRS-IASB and are therefore unlikely to be comparable to similar measures presented by other companies; the calculation of these measures is as set out in the following table. Net debt is one component of a ratio used to determine compliance with debt covenants.

** EBITDA does not have any standardized meaning prescribed by IFRS-IASB and is therefore unlikely to be comparable to similar measures presented by other issuers; we define EBITDA as operating revenues less goods and services purchased and employee benefits expense. We have issued guidance on, and report, EBITDA because it is a key measure that management uses to evaluate the performance of our business and is also utilized in measuring compliance with certain debt covenants.

The reported dividend payout ratio is calculated as the quarterly dividend declared per equity share, as recorded in the financial statements, multiplied by four and divided by the sum of basic earnings per share for the most recent four quarters for interim reporting periods (divided by annual basic earnings per share if the reported amount is in respect of a fiscal year); the reported dividend payout ratio of adjusted net earnings differs in that it excludes: long-term debt prepayment premium; income tax-related adjustments; TELUS Garden condominium tower effects; and the ongoing impacts of share options with the net-cash settlement feature.

During 2013, our strategy, which was unchanged from 2012, included maintaining the financial measures set out in the table below. We believe that our financial policies and guidelines, which are reviewed annually, are currently at the optimal level and, by maintaining credit ratings in the range of BBB+ to A– or the equivalent, provide reasonable access to capital.

As at, or 12-month periods ended, December 31 ($ in millions)	Measure	2013	2012
			(adjusted – Note 2(a))
Components of debt and coverage ratios			
Net debt(1)		$ 7,592	$ 6,577
EBITDA – excluding restructuring and other like costs(2)		$ 4,116	$ 3,907
Net interest cost(3)		$ 370	$ 332
Debt ratio			
Net debt to EBITDA – excluding restructuring and other like costs	1.5–2.0(4)	1.8	1.7
Coverage ratios			
Earnings coverage(5)		5.5	5.6
EBITDA – excluding restructuring and other like costs interest coverage(6)		11.1	11.8
Other measures			
Dividend payout ratio of adjusted net earnings(7)		70%	70%
Dividend payout ratio	65%–75%(8)	71%	69%

(1) Net debt is calculated as follows:

	2013	2012
Long-term debt *(Note 21)*	$ 7,493	$ 6,256
Debt issuance costs netted against long-term debt	35	26
Cash and temporary investments, net	(336)	(107)
Short-term borrowings	400	402
Net debt	$ 7,592	$ 6,577

(2) EBITDA – excluding restructuring and other like costs is calculated as follows:

	EBITDA *(Note 5)*	Restructuring and other like costs *(Note 15)*	EBITDA – excluding restructuring and other like costs
	(adjusted – Note 2(a))		
Year ended December 31, 2013	$ 4,018	$ 98	$ 4,116
Year ended December 31, 2012	$ 3,859	$ 48	$ 3,907

(3) Net interest cost is defined as financing costs, excluding employee defined benefit plans net interest and recoveries on long-term debt prepayment premium and repayment of debt, calculated on a 12-month trailing basis (expenses recorded for long-term debt prepayment premium, if any, are included in net interest cost).

(4) Our long-term policy guideline for the debt ratio is from 1.5–2.0 times.

(5) Earnings coverage is defined as net income before borrowing costs expense and income tax expense, divided by the expense for borrowing costs (interest on long-term debt; interest on short-term borrowings and other; and long-term debt prepayment premium).

(6) EBITDA – excluding restructuring and other like costs interest coverage is defined as EBITDA – excluding restructuring and other like costs divided by net interest cost. This measure is substantially similar to the coverage ratio covenant in our credit facilities.

(7) Adjusted net earnings attributable to equity shares is calculated as follows:

	2013	2012
		(adjusted – Note 2(a))
Net income	$ 1,294	$ 1,204
Long-term debt prepayment premium, after income tax	17	–
Income tax-related adjustments	3	(12)
After income tax gain net of equity losses related to the residential condominium tower component of the TELUS Garden real estate joint venture	–	(6)
Impacts of share options with the net-cash settlement feature, net of income taxes	–	(2)
Adjusted net earnings attributable to equity shares	$ 1,314	$ 1,184

(8) Our target guideline for the dividend payout ratio is 65%–75% of sustainable earnings on a prospective basis.

Net debt to EBITDA – excluding restructuring and other like costs was 1.8 times at December 31, 2013, up from 1.7 times at December 31, 2012, as the increase in net debt was only partly offset by growth in EBITDA – excluding restructuring and other like costs. The earnings coverage ratio for the twelve-month period ended December 31, 2013, was 5.5 times, down from 5.6 times a year earlier due to higher borrowing costs (including the long-term debt prepayment premium). The EBITDA – excluding restructuring and other like costs interest coverage ratio for the twelve-month period ended December 31, 2013, was 11.1 times, down from 11.8 times one year earlier; higher net interest expenses decreased the ratio by 1.3, while higher EBITDA – excluding restructuring and other like costs increased the ratio by 0.6.

4 Financial instruments

(a) Risks – overview

Our financial instruments and the nature of certain risks which they may be subject to are as set out in the following table.

	Risks				
			Market risks		
Financial instrument	Credit	Liquidity	Currency	Interest rate	Other price
Measured at amortized cost					
Accounts receivable	X		X		
Construction credit facilities advances to real estate joint venture				X	
Short-term obligations		X	X	X	
Accounts payable		X	X		
Provisions (including restructuring accounts payable)		X	X		X
Long-term debt		X	X	X	
Measured at fair value					
Cash and temporary investments	X		X	X	
Short-term investments				X	X
Long-term investments (not subject to significant influence)(1)			X		X
Foreign exchange derivatives(2)	X	X	X		
Share-based compensation derivatives(2)	X	X			X

(1) Long-term investments over which we do not have significant influence are measured at fair value if the fair values can be reliably measured.
(2) Use of derivative financial instruments is subject to a policy which requires that no derivative transaction is to be entered into for the purpose of establishing a speculative or leveraged position (the corollary being that all derivative transactions are to be entered into for risk management purposes only) and sets criteria for the creditworthiness of the transaction counterparties.

(b) Credit risk

Excluding credit risk, if any, arising from currency swaps settled on a gross basis (see *(c)*), the best representation of our maximum exposure (excluding income tax effects) to credit risk, which is a worst-case scenario and does not reflect results we expect, is as set out in the following table:

As at December 31 (millions)	2013	2012
Cash and temporary investments, net	$ 336	$ 107
Accounts receivable	1,461	1,541
Derivative assets	15	12
	$ 1,812	$ 1,660

Cash and temporary investments

Credit risk associated with cash and temporary investments is managed by ensuring that these financial assets are placed with: governments; major financial institutions that have been accorded strong investment grade ratings by a primary rating agency; and/or other creditworthy counterparties. An ongoing review is performed to evaluate changes in the status of counterparties.

Accounts receivable

Credit risk associated with accounts receivable is inherently managed by our large and diverse customer base, which includes substantially all consumer and business sectors in Canada. We follow a program of credit evaluations of customers and limit the amount of credit extended when deemed necessary.

The following table presents an analysis of the age of customer accounts receivable for which an allowance has not been made as at the dates of the Consolidated Statements of Financial Position. As at December 31, 2013, the weighted average life of customer accounts receivable was 28 days (2012 – 29 days) and the weighted average life of past-due customer accounts receivable was 61 days (2012 – 63 days). Late payment charges are levied, at an industry-based market rate, on outstanding non-current customer account balances.

As at December 31 (millions)	2013	2012
Customer accounts receivable		
net of allowance for doubtful accounts		
Less than 30 days past billing date	$ 852	$ 860
30–60 days past billing date	204	218
61–90 days past billing date	63	67
Greater than 90 days past billing date	53	72
	$ 1,172	$ 1,217
Customer accounts receivable *(Note 25(a))*	$ 1,212	$ 1,261
Allowance for doubtful accounts	(40)	(44)
	$ 1,172	$ 1,217

We maintain allowances for potential credit losses related to doubtful accounts. Current economic conditions, historical information, reasons for the accounts being past-due and line of business from which the customer accounts receivable arose are all considered when determining whether allowances should be made for past-due accounts; the same factors are considered when determining whether to write off amounts charged to the allowance for doubtful accounts against the customer accounts receivable.

The doubtful accounts expense is calculated on a specific-identification basis for customer accounts receivable over a specific balance threshold and on a statistically derived allowance basis for the remainder. No customer accounts receivable are written off directly to the doubtful accounts expense.

The following table presents a summary of the activity related to our allowance for doubtful accounts.

Years ended December 31 (millions)	2013	2012
Balance, beginning of period	$ 44	$ 36
Additions (doubtful accounts expense)	41	40
Net use	(45)	(32)
Balance, end of period	$ 40	$ 44

Derivative assets (and derivative liabilities)

Counterparties to our share-based compensation cash-settled equity forward agreements and foreign exchange derivatives are major financial institutions that have all been accorded investment grade ratings by a primary rating agency. The dollar amount of credit exposure under contracts with any one financial institution is limited and counterparties' credit ratings are monitored. We do not give or receive collateral on swap agreements and hedging items due to our credit rating and those of our counterparties. While we are exposed to potential credit losses due to the possible non-performance of our counterparties, we consider the risk of this remote. Our derivative liabilities do not have credit risk-related contingent features.

(c) Liquidity risk

As a component of our capital structure financial policies, discussed further in *Note 3*, we manage liquidity risk by:

- maintaining a daily cash pooling process that enables us to manage our liquidity surplus and liquidity requirements according to our actual needs and those of our subsidiaries;
- maintaining bilateral bank facilities *(Note 19)* and a syndicated credit facility *(Note 21(d))*;
- the sales of trade receivables to an arm's-length securitization trust *(Note 19)*;
- maintaining a commercial paper program *(Note 21(c))*;
- continuously monitoring forecast and actual cash flows; and
- managing maturity profiles of financial assets and financial liabilities.

Our debt maturities in future years are as disclosed in *Note 21(e)*. As at December 31, 2012, we had access to a shelf prospectus, in effect until November 2013, pursuant to which we could offer $2.0 billion of debt or equity securities. We offered $1.7 billion of debt securities pursuant to the November 2013 shelf prospectus during the year ended December 31, 2013. During the year ended December 31, 2013, we renewed our shelf prospectus, in effect until December 2015, pursuant to which we could offer $3.0 billion of debt or equity securities. In November 2013, we offered $800 million of debt securities pursuant to the December 2015 shelf prospectus. As at December 31, 2013, we can offer $2.2 billion of debt or equity securities pursuant to the December 2015 shelf prospectus. We believe that our investment grade credit ratings contribute to reasonable access to capital markets.

We closely match the derivative financial liability contractual maturities with those of the risk exposures they are being used to manage.

Our undiscounted financial liability expected maturities do not differ significantly from the contractual maturities, other than as noted below. Our undiscounted financial liability contractual maturities, including interest thereon (where applicable), are as set out in the following tables:

	Non-derivative				Derivative		
					Currency swap agreement amounts to be exchanged		
As at December 31, 2013 (millions)	Non-interest bearing financial liabilities	Short-term borrowings(1)	Long-term debt(1) *(Note 21)*	Construction credit facilities commitment *(Note 18(c))*(2)	(Receive)	Pay	Total
2014							
First quarter	$ 1,116	$ 2	$ 60	$ 156	$ (72)	$ 70	$ 1,332
Balance of year	525	403	313	–	(127)	124	1,238
2015	49	–	988	–	–	–	1,037
2016	5	–	922	–	–	–	927
2017	4	–	994	–	–	–	998
2018	2	–	276	–	–	–	278
Thereafter	5	–	7,505	–	–	–	7,510
Total	$ 1,706	$ 405	$ 11,058	$ 156	$ (199)	$ 194	$ 13,320

(1) Interest payment cash outflows in respect of short-term borrowings, commercial paper and amounts drawn under our credit facilities (if any) have been calculated based upon the interest rates in effect as at December 31, 2013.
(2) The drawdowns on the construction credit facilities are expected to occur as construction progresses through 2015.

As at December 31, 2012 (millions)	Non-derivative: Non-interest bearing financial liabilities	Non-derivative: Short-term borrowings(1)	Non-derivative: Long-term debt(1) *(Note 21)*	Non-derivative: Construction credit facilities commitment *(Note 18(c))*(2)	Derivative: Currency swap agreement amounts to be exchanged (Receive)	Derivative: Currency swap agreement amounts to be exchanged Pay	Total
2013							
First quarter	$ 881	$ 3	$ 297	$ 180	$ (51)	$ 51	$ 1,361
Balance of year	526	5	558	–	(90)	88	1,087
2014	5	405	997	–	–	–	1,407
2015	47	–	889	–	–	–	936
2016	2	–	824	–	–	–	826
2017	2	–	895	–	–	–	897
Thereafter	5	–	3,783	–	–	–	3,788
Total	$ 1,468	$ 413	$ 8,243	$ 180	$ (141)	$ 139	$ 10,302

(1) Interest payment cash outflows in respect of short-term borrowings, commercial paper and amounts drawn under our credit facilities (if any) have been calculated based upon the interest rates in effect as at December 31, 2012.
(2) The drawdowns on the construction credit facilities are expected to occur as construction progresses through 2015.

(d) Currency risk

Our functional currency is the Canadian dollar, but certain routine revenues and operating costs are denominated in U.S. dollars and some inventory purchases and capital asset acquisitions are sourced internationally. The U.S. dollar is the only foreign currency to which we have a significant exposure.

Our foreign exchange risk management includes the use of foreign currency forward contracts and currency options to fix the exchange rates on short-term U.S. dollar denominated transactions and commitments. Hedge accounting is applied to these short-term foreign currency forward contracts and currency options only on a limited basis.

Net income and other comprehensive income for the years ended December 31, 2013 and 2012, could have varied if Canadian dollar: U.S. dollar exchange rates varied from the actual transaction date rates. The following Canadian dollar: U.S. dollar exchange rate sensitivity analysis is based upon a hypothetical change having been applied to all relevant Consolidated Statement of Income and Other Comprehensive Income transactions in the reporting period. (This differs from the sensitivity analysis in *(g)*, which isolates the statement of financial position date hypothetical effects.) Income tax expense, which is reflected net in the sensitivity analysis, reflects the applicable weighted average statutory income tax rates for the reporting periods.

Years ended December 31 (increase (decrease) in millions)	Net income and comprehensive income **2013**	Net income and comprehensive income 2012	Capital expenditures **2013**	Capital expenditures 2012
10% change in Cdn.$: U.S.$ exchange rate(1)				
Canadian dollar appreciates	**$ 14**	$ 23	**$ (17)**	$ (20)
Canadian dollar depreciates	**$ (14)**	$ (23)	**$ 17**	$ 20

(1) These sensitivities are hypothetical and should be used with caution. Changes in net income and comprehensive income generally cannot be extrapolated because the relationship of the change in assumption to the change in net income and comprehensive income may not be linear. In this table, the effect of a variation in the Canadian dollar: U.S. dollar exchange rate on the amount of net income and comprehensive income is calculated without changing any other analysis inputs; in reality, changes in the Canadian dollar: U.S. dollar exchange rate may result in changes in another factor (for example, increased strength of the Canadian dollar may result in more favourable market interest rates), which might magnify or counteract the sensitivities.

The sensitivity analysis assumes that we would realize the changes in exchange rates; in reality, the competitive marketplace in which we operate would have an effect on this assumption. The sensitivity analysis is prepared based on the simple average of the Canadian dollar: U.S. dollar exchange rate for the period.

In respect of U.S. dollar denominated inventory purchases, the current period's purchases have been included in the sensitivity analysis by assuming that all items are sold in the period purchased. Similarly, this sensitivity analysis is based on the assumption that all U.S. dollar denominated accounts receivable and accounts payable arising in the period are collected and paid, respectively, in the period.

In respect of U.S. dollar denominated capital expenditures, the current period's expenditures have been included in the sensitivity analysis by assuming one-half period's straight-line depreciation and amortization in the year of acquisition and an estimated useful life of 10 years; no consideration has been made for U.S. dollar denominated capital expenditures made in prior periods.

(e) Interest rate risk

Changes in market interest rates will cause fluctuations in the fair value or future cash flows of temporary investments, short-term investments, construction credit facility advances made to the real estate joint venture, short-term obligations, long-term debt and interest rate swap derivatives.

When we have temporary investments, they have short maturities and fixed rates and as a result, their fair value will fluctuate with changes in market interest rates; absent monetization prior to maturity, the related future cash flows will not change due to changes in market interest rates.

If the balance of short-term investments includes debt instruments and/or dividend-paying equity instruments, we could be exposed to interest rate risks.

Due to the short-term nature of the applicable rates of interest charged, the fair value of the construction credit facilities advances made to the real estate joint venture is not materially affected by changes in market interest rates; associated cash flows representing interest payments will be affected until such advances are repaid.

As short-term obligations arising from bilateral bank facilities, which typically have variable interest rates, are rarely outstanding for periods that exceed one calendar week, interest rate risk associated with this item is not material.

Short-term borrowings arising from the sales of trade receivables to an arm's-length securitization trust are fixed-rate debt. Due to the short maturities of these borrowings, interest rate risk associated with this item is not material.

In respect of our currently outstanding long-term debt, other than for commercial paper and amounts drawn on our credit facilities *(Note 21(d))*, it is all fixed-rate debt. The fair value of fixed-rate debt fluctuates with changes in market interest rates; absent early redemption, the related future cash flows will not change. Due to the short maturities of commercial paper, its fair value is not materially affected by changes in market interest rates but the associated cash flows representing interest payments may be if the commercial paper is rolled over.

Amounts drawn on our short-term and long-term credit facilities will be affected by changes in market interest rates in a manner similar to commercial paper.

Similar to fixed-rate debt, the fair value of our interest rate swap derivatives fluctuated with changes in market interest rates as the interest rate swapped to was fixed; absent early redemption, the related future cash flows would not have changed due to changes in market interest rates.

(f) Other price risk

Provisions

We are exposed to other price risk arising from written put options provided for non-controlling interests, as discussed further in *Note 17(e)*.

Short-term investments

If the balance of the short-term investments line item on the statement of financial position includes equity instruments, we would be exposed to equity price risks.

Long-term investments

We are exposed to equity price risks arising from investments classified as available-for-sale. Such investments are held for strategic rather than trading purposes.

Share-based compensation derivatives

We are exposed to other price risk arising from cash-settled share-based compensation (appreciating equity share prices increase both the expense and the potential cash outflow). Certain cash-settled equity swap agreements had been entered into that established a cap on our cost associated with our net-cash settled share options *(Note 13(b))* and others have been entered into that fix the cost associated with our restricted stock units *(Note 13(c))*.

(g) Market risk

Net income and other comprehensive income for the years ended December 31, 2013 and 2012, could have varied if the Canadian dollar: U.S. dollar exchange rates, market interest rates and our equity shares' prices varied by reasonably possible amounts from their actual statement of financial position date values.

The sensitivity analysis of our exposure to currency risk at the reporting date has been determined based upon a hypothetical change taking place at the relevant statement of financial position date (as contrasted with applying the hypothetical change to all relevant transactions during the reported periods – see *(d)*). The U.S. dollar denominated balances and derivative financial instrument notional amounts as at the statement of financial position dates have been used in the calculations.

The sensitivity analysis of our exposure to interest rate risk at the reporting date has been determined based upon a hypothetical change taking place at the beginning of the relevant fiscal year and being held constant through to the statement of financial position date. The relevant principal amounts and notional amounts at the statement of financial position date have been used in the calculations.

The sensitivity analysis of our exposure to other price risk arising from share-based compensation at the reporting date has been determined based upon a hypothetical change taking place at the relevant statement of financial position date. The relevant notional number of shares at the statement of financial position date, which includes those in the cash-settled equity swap agreements, has been used in the calculations.

Income tax expense, which is reflected net in the sensitivity analysis, reflects the applicable weighted average statutory income tax rates for the reporting periods.

Years ended December 31 (increase (decrease) in millions)	Net income		Other comprehensive income		Comprehensive income	
	2013	2012	**2013**	2012	**2013**	2012
Reasonably possible changes in market risks(1)						
10% change in Cdn.$: U.S.$ exchange rate						
Canadian dollar appreciates	**$ (10)**	$ (6)	**$ (4)**	$ (4)	**$ (14)**	$ (10)
Canadian dollar depreciates	**$ 6**	$ 6	**$ 4**	$ 4	**$ 10**	$ 10
25 basis point change in market interest rate						
Rate increases	**$ (1)**	$ (1)	**$ –**	$ –	**$ (1)**	$ (1)
Rate decreases	**$ 1**	$ 1	**$ –**	$ –	**$ 1**	$ 1
25%(2)(3) change in equity share price(4)						
Price increases	**$ (4)**	$ (3)	**$ 11**	$ 7	**$ 7**	$ 4
Price decreases	**$ 4**	$ 3	**$ (11)**	$ (7)	**$ (7)**	$ (4)

(1) These sensitivities are hypothetical and should be used with caution. Changes in net income and/or other comprehensive income generally cannot be extrapolated because the relationship of the change in assumption to the change in net income and/or other comprehensive income may not be linear. In this table, the effect of a variation in a particular assumption on the amount of net income and/or other comprehensive income is calculated without changing any other assumption; in reality, changes in one factor may result in changes in another (for example, increases in market interest rates may result in more favourable foreign exchange rates (increased strength of the Canadian dollar)), which might magnify or counteract the sensitivities.

The sensitivity analysis assumes that we would realize the changes in exchange rates and market interest rates; in reality, the competitive marketplace in which we operate would have an effect on this assumption.

No consideration has been made for a difference in the notional number of shares associated with share-based compensation awards made during the reporting period that may have arisen due to a difference in the equity share price.

(2) See *Note 13(b)-(c)* for further information about the change in the equity instruments underlying share-based compensation.

(3) To facilitate ongoing comparison of sensitivities, a constant variance of approximate magnitude has been used. Reflecting a 4.75-year data period and calculated on a monthly basis, which is consistent with the current assumptions and methodology, the volatility of our Common Share price as at December 31, 2013, was 16.5% (2012 – Non-Voting Share price, 20.4%); reflecting the twelve-month data period ended December 31, 2013, the volatility was 20.0% (2012 – Non-Voting Share price, 8.5%).

(4) The hypothetical effects of changes in the prices of our equity shares are restricted to those which would arise from our share-based compensation items that are accounted for as liability instruments and the associated cash-settled equity swap agreements.

(h) Fair values

General

The carrying values of cash and temporary investments, accounts receivable, short-term obligations, short-term borrowings, accounts payable and certain provisions (including restructuring accounts payable) approximate their fair values due to the immediate or short-term maturity of these financial instruments. The carrying values of short-term investments, if any, equals their fair value as they are classified as held for trading. The fair value is determined directly by reference to quoted market prices in active markets.

The carrying values of our investments accounted for using the cost method do not exceed their fair values. The fair value of our investments accounted for as available-for-sale is based on quoted market prices in active markets or other clear and objective evidence of fair value.

The fair value of our long-term debt is based on quoted market prices in active markets.

The fair values of the derivative financial instruments we use to manage exposure to currency risks are estimated based upon quoted market prices in active markets for the same or similar financial instruments or on the current rates offered to us for financial instruments of the same maturity, as well as the use of discounted future cash flows using current rates for similar financial instruments subject to similar risks and maturities (such fair values being largely based on Canadian dollar: U.S. dollar forward exchange rates as at the statement of financial position dates).

The fair values of the derivative financial instruments we use to manage our exposure to increases in compensation costs arising from certain forms of share-based compensation are based upon fair value estimates of the related cash-settled equity forward agreements provided by the counterparty to the transactions (such fair value estimates being largely based upon our equity share price as at the statement of financial position dates).

The financial instruments that we measure at fair value on a recurring basis in periods subsequent to initial recognition and the level within the fair value hierarchy used to measure them are as set out in the following table.

			Fair value measurements at reporting date using					
	Carrying value		Quoted prices in active markets for identical items (Level 1)		Significant other observable inputs (Level 2)		Significant unobservable inputs (Level 3)	
As at December 31 (millions)	**2013**	2012	**2013**	2012	**2013**	2012	**2013**	2012
Assets								
Foreign exchange derivatives	**$ 5**	$ 2	**$ –**	$ –	**$ 5**	$ 2	**$ –**	$ –
Share-based compensation derivatives	**10**	10	**–**	–	**10**	10	**–**	–
Available-for-sale portfolio investments	**30**	45	**11**	29	**19**	16	**–**	–
	$ 45	$ 57	**$ 11**	$ 29	**$ 34**	$ 28	**$ –**	$ –
Liabilities								
Foreign exchange derivatives	**$ 1**	$ –	**$ –**	$ –	**$ 1**	$ –	**$ –**	$ –

Derivative

The derivative financial instruments that we measure at fair value on a recurring basis subsequent to initial recognition are as set out in the following table.

As at December 31 (millions)			2013		2012	
	Designation	Maximum maturity date	Notional amount	Fair value and carrying amount	Notional amount	Fair value and carrying amount
Current Assets[1]						
Derivatives used to manage						
Currency risks arising from U.S. dollar denominated purchases	HFT[2]	2014	$ 104	$ 3	$ 59	$ 1
Currency risks arising from U.S. dollar denominated purchases	HFH[3]	2014	$ 57	2	$ 59	1
Currency risks arising from Euro denominated purchases	HFT[2]	2014	$ 1	–	$ –	–
Changes in share-based compensation costs *(Note 13(c))*	HFH[3]	2014	$ 4	1	$ 24	7
				$ 6		$ 9
Other Long-Term Assets[1]						
Derivatives used to manage						
Changes in share-based compensation costs *(Note 13(c))*	HFH[3]	2015	$ 88	$ 9	$ 31	$ 3
Current Liabilities[1]						
Derivatives used to manage						
Currency risks arising from U.S. dollar revenues	HFT[2]	2014	$ 32	$ 1	$ 20	$ –

(1) Derivative financial assets and liabilities are not set off.
(2) Designated as held for trading (HFT) upon initial recognition; hedge accounting is not applied.
(3) Designated as held for hedging (HFH) upon initial recognition (cash flow hedging item); hedge accounting is applied.

Non-derivative

Our long-term debt, which is measured at amortized cost, and the fair value thereof, are as set out in the following table.

As at December 31 (millions)	2013		2012	
	Carrying amount	Fair value	Carrying amount	Fair value
Long-term debt	$ 7,493	$ 7,935	$ 6,256	$ 7,109

(i) Recognition of derivative gains and losses

The following table sets out the gains and losses, excluding income tax effects, on derivative instruments classified as cash flow hedging items and their location within the Consolidated Statements of Income and Other Comprehensive Income; there was no ineffective portion of derivative instruments classified as cash flow hedging items for the periods presented.

	Amount of gain (loss) recognized in other comprehensive income (effective portion) *(Note 10)*		Gain reclassified from other comprehensive income to income (effective portion) *(Note 10)*		
				Amount	
Years ended December 31 (millions)	2013	2012	Location	2013	2012
Derivatives used to manage:					
Currency risks arising from U.S. dollar denominated purchases	$ 6	$ –	Goods and services purchased	$ 5	$ 2
Changes in share-based compensation costs *(Note 13(c))*	12	13	Employee benefits expense	12	14
Interest rate risk associated with possible future debt issuance	–	(3)	Financing costs	–	–
	$ 18	$ 10		$ 17	$ 16

The following table sets out the gains and losses arising from derivative instruments that are classified as held for trading and that are not designated as being in a hedging relationship, and their location within the Consolidated Statements of Income and Other Comprehensive Income.

	Gain recognized in income on derivatives		
Years ended December 31 (millions)	Location	2013	2012
Derivatives used to manage currency risks	Financing costs	$ 11	$ 2
Derivatives used to manage changes in share-based compensation costs	Employee benefits expense	–	1
		$ 11	$ 3

5 Segmented information

General

Our operating segments regularly reported to our Chief Executive Officer (our chief operating decision-maker) are Wireless and Wireline. Operating segments are components of an entity that engage in business activities from which they earn revenues and incur expenses (including revenues and expenses related to transactions with the other component(s)) and whose operating results are regularly reviewed by a chief operating decision-maker to make resource allocation decisions and to assess performance.

As we do not currently aggregate operating segments, our reportable segments are also Wireless and Wireline. The Wireless segment includes voice, data and equipment sales. The Wireline segment includes data (which includes Internet protocol; television; hosting, managed information technology and cloud-based services; and healthcare solutions), voice local, voice long distance, and other telecommunications services excluding wireless. Segmentation is based on similarities in technology, the technical expertise required to deliver the services and products, customer characteristics, the distribution channels used and regulatory treatment. Intersegment sales are recorded at the exchange value, which is the amount agreed to by the parties.

The following segmented information is regularly reported to our chief operating decision-maker.

	Wireless		Wireline		Eliminations		Consolidated	
Years ended December 31 (millions)	**2013**	2012	**2013**	2012	**2013**	2012	**2013**	2012
		(adjusted – Note 2(a))		*(adjusted – Note 2(a))*				*(adjusted – Note 2(a))*
Operating revenues								
External revenue	$ 6,130	$ 5,845	$ 5,274	$ 5,076	$ –	$ –	$ 11,404	$ 10,921
Intersegment revenue	47	41	169	170	(216)	(211)	–	–
	$ 6,177	$ 5,886	$ 5,443	$ 5,246	$ (216)	$ (211)	$ 11,404	$ 10,921
EBITDA(1)	$ 2,604	$ 2,458	$ 1,414	$ 1,401	$ –	$ –	$ 4,018	$ 3,859
CAPEX, excluding spectrum licences(2)	$ 712	$ 711	$ 1,398	$ 1,270	$ –	$ –	$ 2,110	$ 1,981
EBITDA less CAPEX, excluding spectrum licences	$ 1,892	$ 1,747	$ 16	$ 131	$ –	$ –	$ 1,908	$ 1,878

	2013	2012
Operating revenues (above)	$ 11,404	$ 10,921
Goods and services purchased	4,962	4,820
Employee benefits expense	2,424	2,242
EBITDA (above)	4,018	3,859
Depreciation	1,380	1,422
Amortization	423	443
Operating income	2,215	1,994
Financing costs	447	374
Income before income taxes	$ 1,768	$ 1,620

(1) Earnings before interest, income taxes, depreciation and amortization (EBITDA) does not have any standardized meaning prescribed by IFRS-IASB and is therefore unlikely to be comparable to similar measures presented by other issuers; we define EBITDA as operating revenues less goods and services purchased and employee benefits expense. We have issued guidance on, and report, EBITDA because it is a key measure that management uses to evaluate the performance of our business and is also utilized in measuring compliance with certain debt covenants.

(2) Total capital expenditures (CAPEX); see *Note 25(b)* for a reconciliation of capital expenditures excluding spectrum licences to cash payments for capital assets, excluding spectrum licences reported on the Consolidated Statement of Cash Flows.

Geographical information

We attribute revenues from external customers to individual countries on the basis of the location of where the goods and/or services are provided. We do not have material revenues that we attribute to countries other than Canada (our country of domicile), nor do we have material amounts of property, plant, equipment, intangible assets and/or goodwill located outside of Canada; information about such non-material amounts is not regularly reported to our chief operating decision-maker.

6 Other operating income

Years ended December 31 (millions)	Note	2013	2012
Government assistance, including deferral account amortization		$ 55	$ 58
Investment income (loss)		(1)	–
Interest income	*18(c)*	2	1
Gain on disposal of assets and other		12	10
		$ 68	$ 69

We receive government assistance, as defined by IFRS-IASB, from a number of sources and include such receipts in Other operating income.

CRTC subsidy

Local exchange carriers' costs of providing the level of residential basic telephone services that the CRTC requires to be provided in high cost serving areas are greater than the amounts the CRTC allows the local exchange carriers to charge for the level of service. To ameliorate the situation, the CRTC directs the collection of contribution payments, in a central fund, from all registered Canadian telecommunications service providers (including voice, data and wireless service providers) that are then disbursed to incumbent local exchange carriers as subsidy payments to subsidize the costs of providing residential basic telephone services in non-forborne high cost serving areas. The subsidy payments are based upon a total subsidy requirement calculated on a per network access line/per band subsidy rate. For the year ended December 31, 2013, our subsidy receipts were $24 million (2012 – $27 million).

The CRTC currently determines, at a national level, the total annual contribution requirement necessary to pay the subsidies and then collects contribution payments from the Canadian telecommunications service providers, calculated as a percentage of their CRTC-defined telecommunications service revenue. The final contribution expense rate for 2013 was 0.53% and the interim rate for 2014 has been similarly set at 0.53%. For the year ended December 31, 2013, our contributions to the central fund, which are accounted for as goods and services purchased, were $29 million (2012 – $36 million).

Government of Québec

Salaries for qualifying employment positions in the province of Québec, mainly in the information technology sector, are eligible for tax credits. In respect of such tax credits, for the year ended December 31, 2013, we recorded $7 million (2012 – $11 million).

7 Employee benefits expense

Years ended December 31 (millions)	Note	2013	2012 *(adjusted – Note 2(a))*
Employee benefits expense – gross			
Wages and salaries		$ 2,321	$ 2,211
Share-based compensation	*13*	105	74
Pensions – defined benefit	*14(b)*	108	103
Pensions – defined contribution	*14(g)*	77	70
Restructuring costs	*15(b)*	71	38
Other		151	129
		2,833	2,625
Capitalized internal labour costs			
Property, plant and equipment		(286)	(266)
Intangible assets subject to amortization		(123)	(117)
		(409)	(383)
		$ 2,424	$ 2,242

8 Financing costs

Years ended December 31 (millions)	Note	2013	2012
			(adjusted – Note 2(a))
Interest expense[(1)]			
Interest on long-term debt		$ 363	$ 338
Interest on short-term borrowings and other		9	12
Interest accretion on provisions	*20*	8	5
Long-term debt prepayment premium	*21(b)*	23	–
		403	355
Employee defined benefit plans net interest	*14(b)-(c)*	54	42
Foreign exchange		(2)	(8)
		455	389
Interest income			
Interest on income tax refunds		(4)	(14)
Other		(4)	(1)
		(8)	(15)
		$ 447	$ 374

(1) No financing costs were capitalized to property, plant, equipment and/or intangible assets during the years ended December 31, 2013 and 2012.

9 Income taxes

(a) Expense composition and rate reconciliation

Years ended December 31 (millions)	2013	2012
		(adjusted – Note 2(a))
Current income tax expense (recovery)		
For current reporting period	$ 457	$ 331
Consequential adjustments from reassessment of prior year income tax issues	(4)	(37)
	453	294
Deferred income tax expense (recovery)		
Arising from the origination and reversal of temporary differences	9	86
Revaluation of deferred income tax liability to reflect future statutory income tax rates	22	12
Consequential adjustments from reassessment of prior year income tax issues	(10)	24
	21	122
	$ 474	$ 416

Our income tax expense differs from that calculated by applying statutory rates for the following reasons:

Years ended December 31 ($ in millions)	2013		2012	
			(adjusted – Note 2(a))	
Basic blended income tax at weighted average statutory income tax rates	$ 461	26.1%	$ 415	25.7%
Revaluation of deferred income tax liability to reflect future statutory income tax rates	22		12	
Income tax rate differential on, and consequential adjustments from, reassessment of prior year income tax issues	(14)		(13)	
Other	5		2	
Income tax expense per Consolidated Statements of Income and Other Comprehensive Income	$ 474	26.8%	$ 416	25.7%

Our basic blended weighted average statutory income tax rate is the aggregate of the following:

Years ended December 31	2013	2012
Basic federal rate	14.7%	14.7%
Weighted average provincial rate	10.8	10.3
Other income tax jurisdictions	0.6	0.7
	26.1%	25.7%

(b) Temporary differences

We must make significant estimates in respect of the composition of our deferred income tax liability. Our operations are complex and the related income tax interpretations, regulations and legislation are continually changing. As a result, there are usually some income tax matters in question.

Temporary differences comprising the net deferred income tax liability and the amounts of deferred income tax expense recognized in the Consolidated Statements of Income and Other Comprehensive Income for each temporary difference are estimated as follows:

(millions)	Property, plant and equipment and intangible assets subject to amortization	Intangible assets with indefinite lives	Partnership income unallocated for income tax purposes	Net pension and share-based compensation amounts	Reserves not currently deductible	Losses available to be carried forward[1]	Other	Net deferred income tax liability
				(adjusted – Note 2(a))				*(adjusted – Note 2(a))*
As at January 1, 2012	$ 394	$ 1,113	$ 421	$ (246)	$ (86)	$ (35)	$ 39	$ 1,600
Recognized in								
Net income	62	40	35	8	(11)	2	(14)	122
Other comprehensive income	–	–	–	(104)	–	–	3	(101)
Business acquisitions and other	–	2	–	–	–	–	1	3
As at December 31, 2012	456	1,155	456	(342)	(97)	(33)	29	1,624
Recognized in								
Net income	84	35	(58)	(18)	11	(3)	(30)	21
Other comprehensive income	–	–	–	342	–	–	(1)	341
Business acquisitions and other	–	45	–	–	(4)	(118)	(18)	(95)
As at December 31, 2013	$ 540	$ 1,235	$ 398	$ (18)	$ (90)	$ (154)	$ (20)	$ 1,891

(1) We expect to be able to utilize our non-capital losses prior to expiry.

IFRS-IASB requires the separate disclosure of temporary differences arising from the carrying value of the investment in subsidiaries and partnerships exceeding their tax base and for which no deferred income tax liabilities have been recognized. In our specific instance this is relevant to our investment in Canadian subsidiaries and Canadian partnerships. We are not required to recognize such deferred income tax liabilities as we are in a position to control the timing and manner of the reversal of the temporary differences, which would not be expected to be exigible to income tax, and it is probable that such differences will not reverse in the foreseeable future. Although we are in a position to control the timing and reversal of temporary differences in respect of our non-Canadian subsidiaries, and it is not probable that such differences will reverse in the foreseeable future, we do recognize all potential taxes for repatriation of substantially all unremitted earnings of our non-Canadian subsidiaries.

(c) Other

We have net capital losses and such losses may only be applied against realized taxable capital gains. We expect to include a net capital loss carry-forward of $4 million (2012 – $4 million) in our Canadian income tax returns. During the year ended December 31, 2013, we recognized the benefit of $NIL (2012 – $1 million) in net capital losses.

We conduct research and development activities, which are eligible to earn Investment Tax Credits. During the year ended December 31, 2013, we recorded Investment Tax Credits of $9 million (2012 – $8 million). Of the Investment Tax Credits we recorded during the year ended December 31, 2013, $5 million (2012 – $5 million) was recorded as a reduction of property, plant and equipment and/or intangible assets and the balance was recorded as a reduction of Goods and services purchased.

10 Other comprehensive income

Years ended December 31 (millions)	Items that may subsequently be reclassified to income						Item never reclassified to income	
	Change in unrealized fair value of derivatives designated as cash flow hedges *(Note 4(i))*							
	Gains arising in current period	Prior period (gains) transferred to net income in the current period	Total	Cumulative foreign currency translation adjustment	Change in unrealized fair value of available-for-sale financial assets	Accumulated other comprehensive income	Employee defined benefit plan re-measurements[1]	Other comprehensive income
							(adjusted – Note 2(a))	
Accumulated balance as at January 1, 2012			$ 7	$ 4	$ –	$ 11		
Other comprehensive income (loss)								
Amount arising	$ 10	$ (16)	(6)	–	38	32	$ (390)	$ (358)
Income taxes	$ 2	$ (4)	(2)	–	5	3	(104)	(101)
Net			(4)	–	33	29	$ (286)	$ (257)
Accumulated balance as at December 31, 2012			3	4	33	40		
Other comprehensive income (loss)								
Amount arising	**$ 18**	**$ (17)**	**1**	**4**	**(15)**	**(10)**	**$ 1,340**	**$ 1,330**
Income taxes	**$ 5**	**$ (4)**	**1**	**–**	**(2)**	**(1)**	**342**	**341**
Net			**–**	**4**	**(13)**	**(9)**	**$ 998**	**$ 989**
Accumulated balance as at December 31, 2013			**$ 3**	**$ 8**	**$ 20**	**$ 31**		

(1) The amounts arising presented as employee defined benefit plan re-measurements are comprised as follows:

Years ended December 31	**2013**			2012		
	Defined benefit pension plans *(Note 14(b))*	**Other defined benefit plans *(Note 14(c))***	**Total**	Defined benefit pension plans *(Note 14(b))*	Other defined benefit plans *(Note 14(c))*	Total
Actual return on plan assets greater (less) than discount rate	**$ 717**	**$ –**	**$ 717**	$ 266	$ (1)	$ 265
Re-measurements arising from:						
Demographic assumptions	**(299)**	**(1)**	**(300)**	7	7	14
Financial assumptions	**973**	**2**	**975**	(667)	(2)	(669)
Changes in the effect of limiting the net defined benefit assets to the asset ceiling	**(54)**	**2**	**(52)**	–	–	–
	$ 1,337	**$ 3**	**$ 1,340**	$ (394)	$ 4	$ (390)

As at December 31, 2013, our estimate of the net amount of existing gains arising from the unrealized fair value of derivatives designated as cash flow hedges that are reported in accumulated other comprehensive income and are expected to be reclassified to net income in the next twelve months, excluding income tax effects, is $NIL.

11 Per share amounts

Basic net income per equity share is calculated by dividing net income by the total weighted average number of equity shares outstanding during the period. Diluted net income per equity share is calculated to give effect to share option awards and restricted stock units.

The following table presents the reconciliations of the denominators of the basic and diluted per share computations. Net income equalled diluted net income for all periods presented.

Years ended December 31 (millions*)	2013	2012
Basic total weighted average number of equity shares outstanding	640	651
Effect of dilutive securities		
Share option awards	3	4
Diluted total weighted average number of equity shares outstanding	643	655

For the year ended December 31, 2013, certain outstanding share option awards, in the amount of NIL (2012 – 1 million*), were not included in the computation of diluted net income per equity share because the share option awards' exercise prices were greater than the average market price of the equity shares during the reported periods.

12 Dividends per share

(a) Dividends declared

Years ended December 31 (millions except per share amounts)	2013				2012			
	Declared				Declared			
Equity share dividends	Effective	Per share*	Paid to shareholders	Total	Effective	Per share*	Paid to shareholders	Total
Quarter 1 dividend	Mar. 11, 2013	$ 0.32	Apr. 1, 2013	$ 209	Mar. 9, 2012	$ 0.290	Apr. 2, 2012	$ 189
Quarter 2 dividend	June 10, 2013	0.34	July 2, 2013	222	June 8, 2012	0.305	July 3, 2012	198
Quarter 3 dividend	Sep. 10, 2013	0.34	Oct. 1, 2013	213	Sep. 10, 2012	0.305	Oct. 1, 2012	199
Quarter 4 dividend	Dec. 11, 2013	0.36	Jan. 2, 2014	222	Dec. 11, 2012	0.320	Jan. 2, 2013	208
		$ 1.36		$ 866		$ 1.220		$ 794

On February 12, 2014, the Board of Directors declared a quarterly dividend of $0.36 per share on our issued and outstanding Common Shares payable on April 1, 2014, to holders of record at the close of business on March 11, 2014. The final amount of the dividend payment depends upon the number of Common Shares issued and outstanding at the close of business on March 11, 2014.

(b) Dividend Reinvestment and Share Purchase Plan

General

We have a Dividend Reinvestment and Share Purchase Plan under which eligible holders of equity shares may acquire equity shares by reinvesting dividends and by making additional optional cash payments to the trustee. Under this Plan, we have the option of offering shares from Treasury or having the trustee acquire shares in the stock market.

Reinvestment of dividends

We may, at our discretion, offer the equity shares at a discount of up to 5% from the market price. We opted to have the trustee acquire the equity shares in the stock market with no discount offered. In respect of equity share dividends declared during the year ended December 31, 2013, $50 million (2012 – $32 million) was to be reinvested in equity shares.

Optional cash payments

Under the share purchase feature of the Plan, eligible shareholders can, on a monthly basis, make optional cash payments and purchase our Common Shares at market price without brokerage commissions or service charges; such purchases are subject to a minimum investment of $100 per transaction and a maximum investment of $20,000 per calendar year.

* Amounts reflect retrospective application of April 16, 2013, stock split (see *Note 22(b)*).

13 Share-based compensation

(a) Details of share-based compensation expense

Reflected in the Consolidated Statements of Income and Other Comprehensive Income as employee benefits expense and in the Consolidated Statements of Cash Flows are the following share-based compensation amounts:

Years ended December 31			2013			2012
(millions)	**Employee benefits expense**	**Associated operating cash outflows**	**Statement of cash flows adjustment**	Employee benefits expense	Associated operating cash outflows	Statement of cash flows adjustment
Share option awards	**$ 6**	**$ –**	**$ 6**	$ 6	$ –	$ 6
Restricted stock units[(1)]	**65**	**(47)**	**18**	37	(34)	3
Employee share purchase plan	**34**	**(34)**	**–**	31	(31)	–
	$ 105	**$ (81)**	**$ 24**	$ 74	$ (65)	$ 9

(1) The expense arising from restricted stock units was net of cash-settled equity swap agreement effects *(see Note 4(i))*.

For the year ended December 31, 2013, the associated operating cash outflows in respect of restricted stock units are net of cash inflows arising from the cash-settled equity swap agreements of $15 million (2012 – $14 million). For the year ended December 31, 2013, the income tax benefit arising from share-based compensation was $26 million (2012 – $17 million).

(b) Share option awards

General

We use share option awards as a form of retention and incentive compensation. Employees may receive options to purchase equity shares at a price equal to the fair market value at the time of grant. Share option awards granted under the plans may be exercised over specific periods not to exceed seven years from the time of grant; prior to 2003, share option awards were granted with exercise periods not to exceed 10 years.

We apply the fair value method of accounting for share-based compensation awards granted to officers and other employees. Share option awards typically have a three-year vesting period (the requisite service period), but may vest over periods of up to five years. The vesting method of share option awards, which is determined on or before the date of grant, may be either cliff or graded; all share option awards granted subsequent to 2004 have been cliff-vesting awards.

The following table presents a summary of the activity related to our share option plans.

Years ended December 31		2013		2012
	Number of share options*	**Weighted average share option price***	Number of share options*	Weighted average share option price*
Outstanding, beginning of period	**14,541,378**	**$ 21.52**	19,147,402	$ 19.71
Granted	**–**	**$ –**	2,144,144	$ 29.19
Exercised[(1)]	**(6,011,649)**	**$ 19.26**	(6,191,574)	$ 18.73
Forfeited	**(369,386)**	**$ 24.97**	(497,252)	$ 20.40
Expired	**(58,490)**	**$ 21.57**	(61,342)	$ 14.75
Outstanding, end of period	**8,101,853**	**$ 23.03**	14,541,378	$ 21.52

(1) The total intrinsic value of share option awards exercised for the year ended December 31, 2013, was $94 million (2012 – $65 million) (reflecting a weighted average price at the dates of exercise of $34.98 per share* (2012 – $29.22 per share*)).

The following table reconciles the number of share options exercised and the associated number of equity shares issued.

Years ended December 31	**2013***	2012*
Equity shares issued pursuant to exercise of share options	**200**	104,800
Equity shares issued or issuable pursuant to use of share option award net-equity settlement feature	**2,686,746**	2,124,042
Impact of our choosing to settle share option award exercises using net-equity settlement feature	**3,324,703**	3,962,732
Share options exercised	**6,011,649**	6,191,574

* Amounts reflect retrospective application of April 16, 2013, stock split (see *Note 22(b)*).

The following is a life and exercise price stratification of our share options outstanding, all of which are for Common Shares, as at December 31, 2013.

Options outstanding						Options exercisable	
Range of option prices*					Total		
Low	$ 14.91	$ 20.78	$ 25.01	$ 30.15	$ 14.91		
High	$ 19.84	$ 24.63	$ 29.48	$ 32.32	$ 32.32		Weighted
Year of expiry and number of shares*						Number of shares*	average price*
2014	–	3,460	399,041	19,510	422,011	422,011	$ 28.40
2015	3,260	951,155	–	–	954,415	954,415	$ 21.95
2016	744,368	–	–	–	744,368	744,368	$ 15.32
2017	1,256,631	75,260	–	–	1,331,891	1,321,151	$ 16.66
2018	–	2,577,774	93,650	–	2,671,424	–	$ –
2019	–	–	1,961,254	16,490	1,977,744	–	$ –
	2,004,259	3,607,649	2,453,945	36,000	8,101,853	3,441,945	
Weighted average remaining contractual life (years)	2.8	3.4	4.5	2.8	3.6		
Weighted average price*	$ 16.00	$ 22.87	$ 28.88	$ 31.88	$ 23.03		
Aggregate intrinsic value(1) (millions)	$ 41	$ 49	$ 19	$ –	$ 109		
Options exercisable							
Number of shares*	2,004,259	1,019,135	399,041	19,510	3,441,945		
Weighted average remaining contractual life (years)	2.8	1.3	0.2	0.4	2.0		
Weighted average price*	$ 16.00	$ 21.96	$ 28.28	$ 32.04	$ 19.28		
Aggregate intrinsic value(1) (millions)	$ 41	$ 15	$ 3	$ –	$ 59		

(1) The aggregate intrinsic value is calculated based on the December 31, 2013, price of $36.56 per Common Share.

Share option awards accounted for as equity instruments

The weighted average fair value of share option awards granted, and the weighted average assumptions used in the fair value estimation at the time of grant, calculated by using the Black-Scholes model (a closed-form option pricing model), are as follows:

Years ended December 31	2012
Share option award fair value (per share option)*	$ 3.68
Risk free interest rate	1.7%
Expected lives(1) (years)	4.75
Expected volatility	22.9%
Dividend yield	4.2%

(1) The maximum contractual term of the share option awards granted in 2012 was seven years.

The risk free interest rate used in determining the fair value of the share option awards is based on a Government of Canada yield curve that is current at the time of grant. The expected lives of the share option awards are based on our historical share option award exercise data. Similarly, expected volatility considers the historical volatility in the price of our Non-Voting Shares. The dividend yield is the annualized dividend current at the date of grant divided by the share option award exercise price. Dividends are not paid on unexercised share option awards and are not subject to vesting.

Some share option awards have a net-equity settlement feature. The optionee does not have the choice of exercising the net-equity settlement feature; it is at our option whether the exercise of a share option award is settled as a share option or settled using the net-equity settlement feature.

Share option awards accounted for as liability instruments

Substantially all of our outstanding share option awards that were granted prior to January 1, 2005, had a net-cash settlement feature; the optionee had the choice of exercising such a share option award using the net-cash settlement feature. The outstanding share option awards with this feature largely took on the characteristics of liability instruments rather than equity instruments. For the outstanding share option awards that were amended and were granted subsequent to 2001, the minimum expense recognized was their grant-date fair values.

We entered into a cash-settled equity swap agreement that established a cap on our cost associated with substantially all of the outstanding share option awards with this feature.

As at December 31, 2012, all share option awards with the net-cash settlement feature had been exercised, forfeited or had expired and thus none remained outstanding.

* Amounts reflect retrospective application of April 16, 2013, stock split (see *Note 22(b)*).

(c) Restricted stock units

We use restricted stock units as a form of retention and incentive compensation. Each restricted stock unit is nominally equal in value to one equity share and is nominally entitled to the dividends that would have arisen thereon had it been an issued and outstanding equity share; the notional dividends are recorded as additional issuances of restricted stock units during the life of the restricted stock unit. Due to the notional dividend mechanism, the grant-date fair value of restricted stock units equals the fair market value of the corresponding shares at the grant date. The restricted stock units generally become payable when vesting is completed. The restricted stock units typically vest over a period of 33 months (the requisite service period). The vesting method of restricted stock units, which is determined on or before the date of grant, may be either cliff or graded; the majority of restricted stock units outstanding have cliff vesting. The associated liability is normally cash-settled.

The following table presents a summary of the activity related to our restricted stock units.

Years ended December 31	2013			2012		
	Number of restricted stock units*		Weighted average grant-date fair value*	Number of restricted stock units*		Weighted average grant-date fair value*
	Non-vested	Vested		Non-vested	Vested	
Outstanding, beginning of period						
Non-vested	2,937,872	–	$ 26.29	2,943,672	–	$ 20.30
Vested	–	24,864	$ 24.10	–	31,902	$ 19.19
Issued						
Initial award	2,523,819	–	$ 34.78	1,462,912	–	$ 29.15
In lieu of dividends	192,553	287	$ 34.15	144,226	174	$ 30.26
Vested	(1,674,511)	1,674,511	$ 24.57	(1,501,202)	1,501,202	$ 17.45
Settled in cash	–	(1,680,903)	$ 24.41	–	(1,508,372)	$ 17.36
Forfeited and cancelled	(146,436)	–	$ 29.31	(111,736)	(42)	$ 20.97
Outstanding, end of period						
Non-vested	3,833,297	–	$ 32.73	2,937,872	–	$ 26.29
Vested	–	18,759	$ 32.47	–	24,864	$ 24.10

With respect to certain issuances of restricted stock units, we have entered into cash-settled equity forward agreements that fix our cost; that information, as well as a schedule of our non-vested restricted stock units outstanding as at December 31, 2013, is set out in the following table.

Vesting in years ending December 31	Number of fixed-cost restricted stock units*	Our fixed cost per restricted stock unit*	Number of variable-cost restricted stock units*	Total number of non-vested restricted stock units*
2014	130,000	$ 33.30	185,201	315,201
2015	2,642,000	$ 34.63	876,096	3,518,096
	2,772,000		1,061,297	3,833,297

(d) Employee share purchase plan

We have an employee share purchase plan under which eligible employees up to a certain job classification can purchase our Common Shares through regular payroll deductions by contributing between 1% and 10% of their pay; for more highly compensated job classifications, employees may contribute between 1% and 55% of their pay. For every dollar contributed by an employee, up to a maximum of 6% of eligible employee pay, we are required to contribute a percentage between 20% and 40% as designated by us. For the years ended December 31, 2013 and 2012, we contributed 40% for employees up to a certain job classification; for more highly compensated job classifications, we contributed 35%. We record our contributions as a component of Employee benefits expense and our contribution vests on the earlier of a plan participant's last day in our employ or the last business day of the calendar year of our contribution, unless the plan participant's employment is terminated with cause, in which case the plan participant will forfeit any in-year contribution from us.

Years ended December 31 (millions)	2013	2012
Employee contributions	$ 93	$ 84
Employer contributions	34	31
	$ 127	$ 115

Under this plan, we have the option of offering shares from Treasury or having the trustee acquire shares in the stock market. For the years ended December 31, 2013 and 2012, all Common Shares issued to employees under the plan were purchased in the stock market at normal trading prices.

* Amounts reflect retrospective application of April 16, 2013, stock split (see *Note 22(b)*).

14 Employee future benefits

We have a number of defined benefit and defined contribution plans providing pension and other retirement and post-employment benefits to most of our employees. As at December 31, 2013 and 2012, all registered defined benefit pension plans are closed to substantially all new participants and substantially all benefits have vested. Other employee benefit plans include a TELUS Québec Inc. retiree healthcare plan. The benefit plan(s) in which an employee is a participant is a reflection of developments in our corporate history.

TELUS Corporation Pension Plan
Management and professional employees in Alberta who joined us prior to January 1, 2001, and certain unionized employees who joined us prior to June 9, 2011, are covered by this contributory defined benefit pension plan, which comprises slightly more than one-half of our total accrued benefit obligations. The plan contains a supplemental benefit account which may provide indexation up to 70% of the annual change of a specified cost-of-living index. Pensionable remuneration is determined by the average of the best five years in the last ten years preceding retirement.

Pension Plan for Management and Professional Employees of TELUS Corporation
This defined benefit pension plan which, subject to certain limited exceptions, ceased accepting new participants on January 1, 2006, and which comprises approximately one-quarter of our total accrued benefit obligation, provides a non-contributory base level of pension benefits. Additionally, on a contributory basis, employees annually can choose increased and/or enhanced levels of pension benefits over the base level of pension benefits. At an enhanced level of pension benefits, the defined benefit pension plan has indexation of 100% of a specified cost-of-living index, to an annual maximum of 2%. Pensionable remuneration is determined by the annualized average of the best 60 consecutive months.

TELUS Québec Defined Benefit Pension Plan
This contributory defined benefit pension plan, which ceased accepting new participants on April 14, 2009, covers any employee not governed by a collective agreement in Quebec who joined us prior to April 1, 2006, any non-supervisory employee governed by a collective agreement who joined us prior to September 6, 2006, and certain other unionized employees. The plan comprises approximately one-tenth of our total accrued benefit obligation. The plan has no indexation and pensionable remuneration is determined by the average of the best four years.

TELUS Edmonton Pension Plan
This contributory defined benefit pension plan ceased accepting new participants on January 1, 1998. Indexation is 60% of the annual change of a specified cost-of-living index and pensionable remuneration is determined by the annualized average of the best 60 consecutive months. The plan comprises less than one-tenth of our total accrued benefit obligation.

Other defined benefit pension plans
In addition to the foregoing plans, we have non-registered, non-contributory supplementary defined benefit pension plans which have the effect of maintaining the earned pension benefit once the allowable maximums in the registered plans are attained. As is common with non-registered plans of this nature, these plans are primarily funded only as benefits are paid. These plans comprise less than 5% of our total accrued benefit obligation.

We have three contributory, non-indexed defined benefit pension plans arising from a pre-merger acquisition, which comprise less than 1% of our total accrued benefit obligation; these plans ceased accepting new participants in September 1989.

Other defined benefit plans
Other defined benefit plans, which are all non-contributory, are comprised of a healthcare plan for retired employees and a life insurance plan; a disability income plan was settled during fiscal 2013. The healthcare plan for retired employees and the life insurance plan ceased accepting new participants effective January 1, 1997. The disability income plan settled in fiscal 2013 provided payments to previously approved claimants and qualified eligible employees.

Telecommunication Workers Pension Plan
Certain employees in British Columbia are covered by a negotiated-cost, target-benefit union pension plan. Our contributions are determined in accordance with provisions of negotiated labour contracts, the current one of which is in effect until December 31, 2015, and are generally based on employee gross earnings. We are not required to guarantee the benefits or assure the solvency of the plan and are not liable to the plan for other participating employers' obligations. For the years ended December 31, 2013 and 2012, our contributions comprised a significant proportion of the employer contributions to the union pension plan; similarly, a significant proportion of the plan participants were our active and retired employee participants.

British Columbia Public Service Pension Plan
Certain employees in British Columbia are covered by a public service pension plan. Contributions are determined in accordance with provisions of labour contracts negotiated by the Province of British Columbia and are generally based on employee gross earnings.

Defined contribution pension plans
We offer three defined contribution pension plans, which are contributory, and are the pension plans that we sponsor that are available to non-unionized and certain unionized employees. Generally, employees annually can choose to contribute to the plans at a rate of between 3% and 6% of their pensionable earnings. Generally, we match 100% of the contributions of employees up to 5% of their pensionable earnings and match 80% of employee contributions greater than that. Generally, membership in a defined contribution pension plan is voluntary until an employee's third-year service anniversary. In the event that annual contributions exceed allowable maximums, excess amounts are in certain cases contributed to a non-registered supplementary defined contribution pension plan.

(a) Defined benefit plans – funded status overview

Information concerning our defined benefit plans, in aggregate, is as follows:

	Pension benefit plans		Other benefit plans	
(millions)	**2013**	2012	**2013**	2012
		(adjusted – Note 2(a))		
Accrued benefit obligation:				
Balance at beginning of year	$ 8,511	$ 7,748	$ 67	$ 75
Current service cost	131	124	–	–
Past service cost	1	3	–	–
Interest cost	329	345	2	2
Actuarial loss (gain) arising from:				
Demographic assumptions	299	(7)	1	(7)
Financial assumptions	(973)	667	(2)	2
Settlements	–	–	(21)	–
Benefits paid	(388)	(369)	(5)	(5)
Balance at end of year	7,910	8,511	42	67
Plan assets:				
Fair value at beginning of year	7,147	6,751	23	26
Return on plan assets				
Notional interest income on plan assets at discount rate	276	304	1	1
Actual return on plan assets greater (less) than discount rate	717	266	–	(1)
Settlements	–	–	(21)	–
Contributions				
Employer contributions *(e)*	198	171	2	2
Employees' contributions	29	30	–	–
Benefits paid	(388)	(369)	(5)	(5)
Administrative fees	(5)	(6)	–	–
Fair value at end of year	7,974	7,147	–	23
Effect of asset ceiling limit				
Beginning of year	(5)	(5)	(2)	(2)
Change	(54)	–	2	–
End of year	(59)	(5)	–	(2)
Fair value of plan assets at end of year, net of asset ceiling limit	7,915	7,142	–	21
Funded status – plan surplus (deficit)	$ 5	$ (1,369)	$ (42)	$ (46)

The plan surplus (deficit) is reflected in the Consolidated Statements of Financial Position as follows:

As at December 31 (millions)	Note	**2013**	2012
Funded status – plan surplus (deficit)			
Pension benefit plans		$ 5	$ (1,369)
Other benefit plans		(42)	(46)
		$ (37)	$ (1,415)
Presented in the Consolidated Statements of Financial Position as:			
Other long-term assets	*25(a)*	$ 325	$ –
Other long-term liabilities	*25(a)*	(362)	(1,415)
		$ (37)	$ (1,415)

The measurement date used to determine the plan assets and accrued benefit obligations was December 31.

(b) Defined benefit pension plans – details

Expense

Our defined benefit pension plan expense (recovery) was as follows:

Years ended December 31 (millions)	2013				2012			
Recognized in	Employee benefits expense *(Note 7)*	Financing costs *(Note 8)*	Other comprehensive income *(Note 10)*	Total	Employee benefits expense *(Note 7)*	Financing costs *(Note 8)*	Other comprehensive income *(Note 10)*	Total
						(adjusted – Note 2(a))		
Current service cost	$ 102	$ –	$ –	$ 102	$ 94	$ –	$ –	$ 94
Past service cost	1	–	–	1	3	–	–	3
Net interest; return on plan assets								
Interest expense arising from accrued benefit obligations	–	329	–	329	–	345	–	345
Return, including interest income, on plan assets[(1)]	–	(276)	(717)	(993)	–	(304)	(266)	(570)
	–	53	(717)	(664)	–	41	(266)	(225)
Administrative fees	5	–	–	5	6	–	–	6
Re-measurements arising from:								
Demographic assumptions	–	–	299	299	–	–	(7)	(7)
Financial assumptions	–	–	(973)	(973)	–	–	667	667
	–	–	(674)	(674)	–	–	660	660
Changes in the effect of limiting net defined benefit assets to the asset ceiling	–	–	54	54	–	–	–	–
	$ 108	$ 53	$ (1,337)	$ (1,176)	$ 103	$ 41	$ 394	$ 538

(1) The interest income on plan assets included in the employee defined benefit plans net interest amount included in Financing costs reflects a rate of return on plan assets equal to the discount rate used in determining the accrued benefit obligations.

Disaggregation of defined benefit pension plan funding status

Accrued benefit obligations are the actuarial present values of benefits attributed to employee services rendered to a particular date. Our disaggregation of defined benefit pension plan surpluses and deficits at year-end is as follows:

As at December 31 (millions)	2013			2012		
	Accrued benefit obligations	Plan assets	Funded status – plan surplus (deficit)	Accrued benefit obligations	Plan assets	Funded status – plan surplus (deficit)
Pension plans that have plan assets in excess of accrued benefit obligations	$ 6,893	$ 7,218	$ 325	$ 21	$ 21	$ –
Pension plans that have accrued benefit obligations in excess of plan assets						
Funded	761	697	(64)	8,218	7,121	(1,097)
Unfunded	256	–	(256)	272	–	(272)
	1,017	697	(320)	8,490	7,121	(1,369)
	$ 7,910	$ 7,915	$ 5	$ 8,511	$ 7,142	$ (1,369)

As at December 31, 2013 and 2012, undrawn letters of credit secured certain of the unfunded defined benefit pension plans.

Accumulated pension benefit obligations

Accumulated benefit obligations are based upon a hypothetical assumption that the plans would be terminated as at the date of the statement of financial position and thus differ from accrued benefit obligations in that accumulated benefit obligations do not include assumptions about future compensation levels. Our disaggregation of defined benefit pension plan accumulated benefit obligations and plan assets at year-end is as follows:

As at December 31 (millions)			2013			2012
	Accumulated benefit obligations	**Plan assets**	**Difference**	Accumulated benefit obligations	Plan assets	Difference
Pension plans that have plan assets in excess of accumulated benefit obligations	**$ 6,597**	**$ 7,218**	**$ 621**	$ 562	$ 577	$ 15
Pension plans that have accumulated benefit obligations in excess of plan assets						
Funded	**707**	**697**	**(10)**	7,308	6,565	(743)
Unfunded	**232**	**–**	**(232)**	248	–	(248)
	939	**697**	**(242)**	7,556	6,565	(991)
	$ 7,536	**$ 7,915**	**$ 379**	$ 8,118	$ 7,142	$ (976)

Future benefit payments

Estimated future benefit payments from our defined benefit pension plans, calculated as at December 31, 2013, are as follows:

Years ending December 31 (millions)	
2014	$ 403
2015	417
2016	431
2017	445
2018	457
2019–2023	2,403

Fair value measurements

Information about the fair value measurements of our defined benefit pension plan assets, in aggregate, is as follows:

			Fair value measurements at reporting date using			
	Total		Quoted prices in active markets for identical items		Other	
As at December 31 (millions)	**2013**	2012	**2013**	2012	**2013**	2012
Asset class						
Equity securities						
Canadian	**$ 2,394**	$ 2,151	**$ 1,724**	$ 1,602	**$ 670**	$ 549
Foreign	**2,491**	2,076	**1,938**	1,481	**553**	595
Debt securities						
Issued by national, provincial or local governments	**1,309**	1,081	**1,023**	814	**286**	267
Corporate debt securities	**790**	967	**–**	–	**790**	967
Asset-backed securities	**31**	38	**–**	–	**31**	38
Commercial mortgages	**319**	195	**–**	–	**319**	195
Cash and cash equivalents	**182**	222	**6**	2	**176**	220
Real estate	**458**	417	**27**	33	**431**	384
	7,974	7,147	**$ 4,718**	$ 3,932	**$ 3,256**	$ 3,215
Effect of asset ceiling limit	**(59)**	(5)				
	$ 7,915	$ 7,142				

As at December 31, 2013, we administered pension benefit trusts that held TELUS Corporation shares and debt with fair values of approximately $NIL (2012 – $2 million) and $9 million (2012 – $9 million), respectively. As at December 31, 2013 and 2012, pension benefit trusts that we administered did not lease real estate to us.

(c) Other defined benefit plans – details

Expense

Our other defined benefit plan expense was as follows:

Years ended December 31 (millions)	2013			2012		
Recognized in	Financing costs *(Note 8)*	Other comprehensive income *(Note 10)*	Total	Financing costs *(Note 8)*	Other comprehensive income *(Note 10)*	Total
				(adjusted – Note 2(a))		
Net interest; return on plan assets						
Interest expense arising from accrued benefit obligations	$ 2	$ –	$ 2	$ 2	$ –	$ 2
Return, including interest income, on plan assets[1]	(1)	–	(1)	(1)	1	–
	1	–	1	1	1	2
Re-measurements arising from:						
Demographic assumptions	–	1	1	–	(7)	(7)
Financial assumptions	–	(2)	(2)	–	2	2
	–	(1)	(1)	–	(5)	(5)
Change in the effect of limiting net defined benefit assets to the asset ceiling	–	(2)	(2)	–	–	–
	$ 1	$ (3)	$ (2)	$ 1	$ (4)	$ (3)

(1) The interest income on plan assets included in the employee defined benefit plans net interest amount included in Financing costs reflects a rate of return on plan assets equal to the discount rate used in determining the accrued benefit obligations.

Disaggregation of other defined benefit plan funding status

Accrued benefit obligations are the actuarial present values of benefits attributed to employee services rendered to a particular date. Our disaggregation of other defined benefit plan surpluses and deficits at year-end is as follows:

As at December 31 (millions)	2013			2012		
	Accrued benefit obligations	Plan assets	Funded status – plan surplus (deficit)	Accrued benefit obligations	Plan assets	Funded status – plan surplus (deficit)
Other benefit plan that has plan assets in excess of accrued benefit obligations	$ –	$ –	$ –	$ 21	$ 21	$ –
Unfunded other benefit plans that have accrued benefit obligations in excess of plan assets	42	–	(42)	46	–	(46)
	$ 42	$ –	$ (42)	$ 67	$ 21	$ (46)

Future benefit payments

Estimated future benefit payments from our other defined benefit plans, calculated as at December 31, 2013, are as follows:

Years ending December 31 (millions)	
2014	$ 2
2015	2
2016	2
2017	2
2018	2
2019–2023	9

Fair value measurements

As at December 31, 2012, we had only one other funded defined benefit plan and it had only one asset, an experience-related underwriting agreement, which does not have a fair value determinable by reference to a quoted price in an active market for an identical item; during the year ended December 31, 2013, this plan was settled.

(d) Plan investment strategies and policies

Our primary goal for the defined benefit pension plans is to ensure the security of the retirement income and other benefits of the plan members and their beneficiaries. A secondary goal is to maximize the long-term rate of return on the defined benefit plans' assets within a level of risk acceptable to us.

Risk management

We consider absolute risk (the risk of contribution increases, inadequate plan surplus and unfunded obligations) to be more important than relative return risk. Accordingly, the defined benefit plans' designs, the nature and maturity of defined benefit obligations and the characteristics of the plans' memberships significantly influence investment strategies and policies. We manage risk through specifying allowable and prohibited investment types, setting diversification strategies and determining target asset allocations.

Allowable and prohibited investment types

Allowable and prohibited investment types, along with associated guidelines and limits, are set out in each fund's required Statement of Investment Policies and Procedures (SIP&P), which is reviewed and approved annually by the designated governing body. The SIP&P guidelines and limits are further governed by the *Pension Benefits Standards Regulations, 1985*'s permitted investments and lending limits. As well as conventional investments, each fund's SIP&P may provide for the use of derivative products to facilitate investment operations and to manage risk, provided that no short position is taken, no use of leverage is made and there is no violation of guidelines and limits established in the SIP&P. Internally managed funds are prohibited from increasing grandfathered investments in our securities; grandfathered investments were made prior to the merger of BC TELECOM Inc. and TELUS Corporation, our predecessors. Externally managed funds are permitted to invest in our securities, provided that the investments are consistent with the funds' mandate and are in compliance with the relevant SIP&P.

Diversification

Our strategy for investments in equity securities is to be broadly diversified across individual securities, industry sectors and geographical regions. A meaningful portion (20–30% of total plan assets) of the investment in equity securities is allocated to foreign equity securities with the intent of further increasing the diversification of plan assets. Debt securities may include a meaningful allocation to mortgages with the objective of enhancing cash flow and providing greater scope for the management of the bond component of the plan assets. Debt securities also may include real return bonds to provide inflation protection, consistent with the indexed nature of some defined benefit obligations. Real estate investments are used to provide diversification of plan assets, hedging of potential long-term inflation and comparatively stable investment income.

Relationship between plan assets and benefit obligations

With the objective of lowering the long-term costs of our defined benefit pension plans, we purposely mismatch plan assets and benefit obligations. This mismatching is effected by including equity investments in the long-term asset mix as well as fixed income securities and mortgages with durations that differ from the benefit obligations.

As at December 31, 2013, the present value-weighted average timing of obligation estimated cash flows (duration) of the defined benefit pension plans was 13.0 years (2012 – 13.9 years) and of the other defined benefit plans was 8.1 years (2012 – 7.1 years).

Compensation for liquidity issues that may have otherwise arisen from the mismatching of plan assets and benefit obligations comes from broadly diversified investment holdings (including cash and short-term investments) and cash flows from dividends, interest and rents from diversified investment holdings.

Asset allocations

Our defined benefit plans' target asset allocations and actual asset allocations are as follows:

	Pension benefit plans			Other benefit plans(1)
	Target allocation	Percentage of plan assets at end of year		
	2014	**2013**	2012	2012
Equity securities	45–60%	**61%**	59%	–
Debt securities	35–45%	**33%**	35%	–
Real estate	4–8%	**6%**	6%	–
Other	0–2%	**–**	–	100%
		100%	100%	100%

(1) As at December 31, 2013, we only had unfunded other benefit plans, therefore there were no assets in these plans as at that date and there is no target allocation for 2014.

(e) Employer contributions

The determination of the minimum funding amounts necessary for substantially all of our registered defined benefit pension plans is governed by the *Pension Benefits Standards Act, 1985*, which requires that, in addition to current service costs being funded, both going-concern and solvency valuations be performed on a specified periodic basis.

- Any excess of plan assets over plan liabilities determined in the going-concern valuation reduces our minimum funding requirement for current service costs, but may not reduce the requirement to an amount less than the employees' contributions. The going-concern valuation generally determines the excess (if any) of a plan's assets over its liabilities, determined on a projected benefit basis.
- As of the date of these consolidated financial statements, the solvency valuation generally requires that a plan's liabilities, determined on the basis that the plan is terminated on the valuation date, in excess of its assets (if any) be funded, at a minimum, in equal annual amounts over a period not exceeding five years.

The best estimates of fiscal 2014 employer contributions to our defined benefit plans are approximately $105 million for defined benefit pension plans and $1 million for other defined benefit plans. These estimates are based upon the mid-year 2013 annual funding reports that were prepared by actuaries using December 31, 2012, actuarial valuations. The funding reports are based on the pension plans' fiscal years, which are calendar years. The next annual funding valuations are expected to be prepared mid-year 2014.

(f) Assumptions

Management is required to make significant estimates about certain actuarial and economic assumptions that are used in determining defined benefit pension costs, accrued benefit obligations and pension plan assets. These significant estimates are of a long-term nature, which is consistent with the nature of employee future benefits.

Demographic assumptions

In determining the defined benefit pension expense recognized in net income for the years ended December 31, 2013 and 2012, we utilized the 1994 Uninsured Pensioner Mortality Table (UP94 Table) with generational projection for future mortality improvements using Mortality Table Projection Scale AA.

Financial assumptions

The discount rate, which is used to determine a plan's accrued benefit obligations, is based upon the yield on long-term, high-quality fixed term investments, and is set annually. The rate of future increases in compensation is based upon the current benefits policies and economic forecasts.

The significant weighted average actuarial assumptions arising from these estimates and adopted in measuring our accrued benefit obligations are as follows:

	Pension benefit plans		Other benefit plans	
	2013	2012	**2013**	2012
Discount rate used to determine:				
Net benefit costs for the year ended December 31	**3.90%**	4.50%	**3.90%**	4.50%
Accrued benefit obligations as at December 31	**4.75%**	3.90%	**4.75%**	3.90%
Rate of future increases in compensation used to determine:				
Net benefit costs for the year ended December 31	**3.00%**	3.00%	**–**	–
Accrued benefit obligations as at December 31	**3.00%**	3.00%	**–**	–

Sensitivity of key assumptions

The sensitivity of our key assumptions was as follows:

	Pension benefit plans				Other benefit plans			
Years ended, or as at, December 31	**2013**		2012		**2013**		2012	
Increase (decrease) (in millions)	**Change in obligations**	**Change in expense**	Change in obligations	Change in expense	**Change in obligations**	**Change in expense**	Change in obligations	Change in expense
Sensitivity of key assumptions to a hypothetical 25 basis point decrease[(1)] in:								
Discount rate	**$ 268**	**$ 16**	$ 306	$ (1)	**$ –**	**$ –**	$ 1	$ –
Rate of future increases in compensation	**$ (23)**	**$ (4)**	$ (31)	$ (3)	**$ –**	**$ –**	$ –	$ –

(1) These sensitivities are hypothetical and should be used with caution. Favourable hypothetical changes in the assumptions result in decreased amounts, and unfavourable hypothetical changes in the assumptions result in increased amounts, of the obligations and expenses. Changes in amounts based on a 25 basis point variation in assumptions generally cannot be extrapolated because the relationship of the change in assumption to the change in amounts may not be linear. Also, in this table, the effect of a variation in a particular assumption on the change in obligation or change in expense is calculated without changing any other assumption; in reality, changes in one factor may result in changes in another (for example, increases in discount rates may result in increased expectations about the rate of future changes in compensation), which might magnify or counteract the sensitivities.

(g) Defined contribution plans

Our total defined contribution pension plan costs recognized were as follows:

Years ended December 31 (millions)	**2013**	2012
Union pension plan and public service pension plan contributions	**$ 27**	$ 27
Other defined contribution pension plans	**50**	43
	$ 77	$ 70

We expect that our 2014 union pension plan and public service pension plan contributions will be approximately $27 million.

15 Restructuring and other like costs

(a) Details of restructuring and other like costs

With the objective of reducing ongoing costs, we incur associated incremental, non-recurring restructuring costs, as discussed further in *(b)* following. We may also incur atypical charges when undertaking major or transformational changes to our business or operating models. In addition to items such as internal and external labour, such atypical charges may include depreciation and amortization of intangible asset expenses, when property, plant, equipment and intangible assets are retired significantly prior to the end of their estimated useful lives so that other continuing formerly associated resources, such as spectrum, may be redeployed elsewhere in our business. We also include incremental external costs incurred in connection with business acquisition activity in other like costs.

Restructuring and other like costs are presented in the Consolidated Statements of Income and Other Comprehensive Income as set out in the following table:

Years ended December 31 (millions)	2013	2012
Goods and services purchased	$ 27	$ 10
Employee benefits expense	71	38
	$ 98	$ 48

(b) Restructuring provisions

Employee related provisions and other provisions, as presented in *Note 20*, include amounts in respect of restructuring activities. In 2013, restructuring activities included ongoing efficiency initiatives such as: business integrations; business process outsourcing; internal offshoring and reorganizations; procurement initiatives; and consolidation of real estate.

Years ended December 31 (millions)			2013			2012
	Employee related(1)	Other(1)	Total(1)	Employee related(1)	Other(1)	Total(1)
Restructuring costs						
Addition						
Workforce						
Voluntary	$ 30	$ –	$ 30	$ 15	$ –	$ 15
Involuntary	43	–	43	25	–	25
Other	–	22	22	–	10	10
Reversal						
Workforce						
Involuntary	(2)	–	(2)	(2)	–	(2)
	71	22	93	38	10	48
Use						
Workforce						
Voluntary	31	–	31	21	–	21
Involuntary	38	–	38	20	–	20
Other	–	15	15	–	11	11
	69	15	84	41	11	52
Expenses greater (less) than disbursements	2	7	9	(3)	(1)	(4)
Restructuring accounts payable and accrued liabilities						
Balance, beginning of period	33	26	59	36	27	63
Balance, end of period	$ 35	$ 33	$ 68	$ 33	$ 26	$ 59

(1) The transactions and balances in this column are included in, and thus are a subset of, the transactions and balances in the column with the same caption in *Note 20*.

These initiatives were intended to improve our long-term operating productivity and competitiveness. We expect that substantially all of the cash outflows in respect of the balance accrued as at the financial statement date will occur within twelve months thereof.

16 Property, plant and equipment

(millions)	Network assets	Buildings and leasehold improvements	Assets under finance lease	Other	Land	Assets under construction	Total
At cost							
As at January 1, 2012	$ 23,766	$ 2,473	$ 23	$ 1,622	$ 55	$ 372	$ 28,311
Additions(1)	569	21	–	42	–	980	1,612
Additions arising from business acquisitions *(Note 17(e))*	–	–	–	2	–	–	2
Dispositions, retirements and other	(1,126)	(16)	(17)	(80)	–	–	(1,239)
Assets put into service	795	142	–	38	–	(975)	–
As at December 31, 2012	24,004	2,620	6	1,624	55	377	28,686
Additions(1)	502	17	1	46	–	1,055	1,621
Additions arising from business acquisitions *(Note 17(e))*	2	1	–	5	–	–	8
Dispositions, retirements and other	(166)	(67)	(5)	(612)	–	–	(850)
Assets put into service	777	142	–	81	–	(1,000)	–
As at December 31, 2013	**$ 25,119**	**$ 2,713**	**$ 2**	**$ 1,144**	**$ 55**	**$ 432**	**$ 29,465**
Accumulated depreciation							
As at January 1, 2012	$ 17,428	$ 1,560	$ 20	$ 1,339	$ –	$ –	$ 20,347
Depreciation	1,192	126	3	101	–	–	1,422
Dispositions, retirements and other	(1,127)	(12)	(17)	(92)	–	–	(1,248)
As at December 31, 2012	17,493	1,674	6	1,348	–	–	20,521
Depreciation	1,156	129	–	95	–	–	1,380
Dispositions, retirements and other	(171)	(69)	(4)	(620)	–	–	(864)
As at December 31, 2013	**$ 18,478**	**$ 1,734**	**$ 2**	**$ 823**	**$ –**	**$ –**	**$ 21,037**
Net book value							
As at December 31, 2012	$ 6,511	$ 946	$ –	$ 276	$ 55	$ 377	$ 8,165
As at December 31, 2013	**$ 6,641**	**$ 979**	**$ –**	**$ 321**	**$ 55**	**$ 432**	**$ 8,428**

(1) For the year ended December 31, 2013, additions include $(24) (2012 – $49) in respect of asset retirement obligations (see *Note 20*).

The gross carrying amount of fully depreciated property, plant and equipment that was still in use as at December 31, 2013, was $2.9 billion (2012 – $2.9 billion).

As at December 31, 2013, our contractual commitments for the acquisition of property, plant and equipment were $197 million over a period through to 2014 (2012 – $187 million over a period through to 2014).

17 Intangible assets and goodwill

(a) Intangible assets and goodwill, net

	Intangible assets subject to amortization						Intangible assets with indefinite lives					
(millions)	Subscriber base	Customer contracts, related customer relationships and lease-hold interests	Software	Access to rights-of-way and other	Assets under construction	Total	Spectrum licences	Acquired brand	Total	Total intangible assets	Goodwill(1)	Total intangible assets and goodwill
At cost												
As at January 1, 2012	$ 245	$ 197	$ 2,701	$ 93	$ 165	$ 3,401	$ 4,867	$ 7	$ 4,874	$ 8,275	$ 4,025	$12,300
Additions	–	–	10	3	405	418	–	–	–	418	–	418
Additions arising from business acquisitions *(e)*	–	9	33	–	–	42	–	–	–	42	41	83
Dispositions, retirements and other	–	–	(240)	(1)	–	(241)	9	–	9	(232)	–	(232)
Assets put into service	–	–	385	–	(385)	–	–	–	–	–	–	–
As at December 31, 2012	245	206	2,889	95	185	3,620	4,876	7	4,883	8,503	4,066	12,569
Additions	–	–	7	3	455	465	67	–	67	532	–	532
Additions arising from business acquisitions *(e)*	–	11	5	2	–	18	225	–	225	243	35	278
Dispositions, retirements and other	–	–	(145)	(23)	–	(168)	–	–	–	(168)	–	(168)
Assets put into service and other	–	–	451	7	(451)	7	–	(7)	(7)	–	–	–
As at December 31, 2013	**$ 245**	**$ 217**	**$ 3,207**	**$ 84**	**$ 189**	**$ 3,942**	**$ 5,168**	**$ –**	**$ 5,168**	**$ 9,110**	**$ 4,101**	**$ 13,211**
Accumulated amortization												
As at January 1, 2012	$ 64	$ 60	$ 1,936	$ 62	$ –	$ 2,122	$ –	$ –	$ –	$ 2,122	$ 364	$ 2,486
Amortization	7	21	408	7	–	443	–	–	–	443	–	443
Dispositions, retirements and other	–	–	(242)	(1)	–	(243)	–	–	–	(243)	–	(243)
As at December 31, 2012	71	81	2,102	68	–	2,322	–	–	–	2,322	364	2,686
Amortization	13	28	376	6	–	423	–	–	–	423	–	423
Dispositions, retirements and other	–	2	(143)	(25)	–	(166)	–	–	–	(166)	–	(166)
As at December 31, 2013	**$ 84**	**$ 111**	**$ 2,335**	**$ 49**	**$ –**	**$ 2,579**	**$ –**	**$ –**	**$ –**	**$ 2,579**	**$ 364**	**$ 2,943**
Net book value												
As at December 31, 2012	$ 174	$ 125	$ 787	$ 27	$ 185	$ 1,298	$ 4,876	$ 7	$ 4,883	$ 6,181	$ 3,702	$ 9,883
As at December 31, 2013	**$ 161**	**$ 106**	**$ 872**	**$ 35**	**$ 189**	**$ 1,363**	**$ 5,168**	**$ –**	**$ 5,168**	**$ 6,531**	**$ 3,737**	**$ 10,268**

(1) Accumulated amortization of goodwill is amortization recorded prior to 2002; there are no accumulated impairment losses in the accumulated amortization of goodwill.

The gross carrying amount of fully amortized intangible assets subject to amortization that were still in use as at December 31, 2013, was $751 million (2012 – $683 million).

As at December 31, 2013, our contractual commitments for the acquisition of intangible assets were $43 million over a period through to 2018 (2012 – $119 million over a period through to 2018).

Subsequent to December 31, 2013, Industry Canada's 700 MHz spectrum auction occurred. We have been advised that we were, provisionally, the successful auction participant on 30 spectrum licences. The amount for our provisionally awarded 700 MHz spectrum licences was approximately $1.14 billion. In accordance with the auction terms, 20% is to be remitted to Industry Canada prior to March 5, 2014, with the balance due April 2, 2014; we expect to fund our provisionally awarded 700 MHz spectrum licences through a combination of issuance of TELUS Corporation commercial paper (see *Note 21(c)*) and cash on hand. We do not have the right to commercially use the 30 spectrum licences until such time as Industry Canada reconfirms that we qualify as a radio communications carrier and that we comply with Canadian Ownership and Control rules.

(b) Intangible assets subject to amortization

Estimated aggregate amortization expense for intangible assets subject to amortization, calculated for such assets held as at December 31, 2013, for each of the next five fiscal years is as follows:

Years ending December 31 (millions)	
2014	$ 424
2015	323
2016	181
2017	85
2018	28

(c) Intangible assets with indefinite lives – spectrum licences

Our intangible assets with indefinite lives include spectrum licences granted by Industry Canada. Industry Canada's spectrum licence policy terms indicate that the spectrum licences will likely be renewed. We expect our spectrum licences to be renewed every 20 years following a review by Industry Canada of our compliance with licence terms. In addition to current usage, our licensed spectrum can be used for planned and new technologies. As a result of the combination of these significant factors, in our judgment, our spectrum licences are currently considered to have indefinite lives.

(d) Impairment testing of intangible assets with indefinite lives and goodwill

General

As referred to in *Note 1(j)*, the carrying values of intangible assets with indefinite lives and goodwill are periodically tested for impairment and this test represents a significant estimate for us.

The carrying amounts of intangible assets with indefinite lives and goodwill allocated to each cash-generating unit are as set out in the following table.

	Intangible assets with indefinite lives		Goodwill		Total	
As at December 31 (millions)	2013	2012	2013	2012	2013	2012
Wireless	$ 5,168	$ 4,883	$ 2,657	$ 2,644	$ 7,825	$ 7,527
Wireline	–	–	1,080	1,058	1,080	1,058
	$ 5,168	$ 4,883	$ 3,737	$ 3,702	$ 8,905	$ 8,585

The recoverable amounts of the cash-generating units' assets have been determined based on a value in use calculation. There is a material degree of uncertainty with respect to the estimates of the recoverable amounts of the cash-generating units' assets given the necessity of making key economic assumptions about the future.

We validate our value in use calculation results through a market-comparable approach and an analytical review of industry facts and facts that are specific to us. The market-comparable approach uses current (at time of test) market consensus estimates and equity trading prices for U.S. and Canadian firms in the same industry. In addition, we ensure that the combination of the valuations of the cash-generating units is reasonable based on our current (at time of test) market values.

Key assumptions

The value in use calculation uses discounted cash flow projections which employ the following key assumptions: future cash flows and growth projections (including judgment about the allocation of future capital expenditures supporting both wireless and wireline operations), associated economic risk assumptions and estimates of achieving key operating metrics and drivers; and the future weighted average cost of capital. We consider a range of reasonably possible amounts to use for key assumptions and decide upon amounts that represent management's best estimates. In the normal course, we make changes to key assumptions to reflect current (at time of test) economic conditions, updating of historical information used to develop the key assumptions and changes (if any) in our debt ratings.

The cash flow projection key assumptions are based upon our approved financial forecasts, which span a period of three years and are discounted, for December 2013 annual test purposes, at a consolidated pre-tax notional rate of 10.13% (2012 – 9.06%). For impairment testing valuation purposes, the cash flows subsequent to the three-year projection period are extrapolated, for December 2013 annual test purposes, using perpetual growth rates of 1.75% (2012 – 1.75%) for the wireless cash-generating unit and 0.50% (2012 – 0.50%) for the wireline cash-generating unit; these growth rates do not exceed the observed long-term average growth rates for the markets in which we operate.

We believe that any *reasonably possible* change in the key assumptions on which the calculation of our cash-generating units' recoverable amounts is based would not cause the cash-generating units' carrying amounts (including the intangible assets with indefinite lives and the goodwill allocated to each cash-generating unit) to exceed their recoverable amounts. If the future were to *adversely* differ from management's best estimate of key assumptions and associated cash flows were to be materially adversely affected, we could potentially experience future material impairment charges in respect of our intangible assets with indefinite lives and goodwill.

Sensitivity testing

Sensitivity testing was conducted as a part of the December 2013 annual test, a component of which was future weighted cost of capital changes. Stress testing included moderate declines in annual cash flows with all other assumptions being held constant; under this scenario as well, we would be able to recover the carrying value of our intangible assets with indefinite lives and goodwill for the foreseeable future.

(e) Business acquisitions

Public Mobile Holdings Inc.

During the year ended December 31, 2013, we entered into an agreement to acquire 100% of Public Mobile Holdings Inc., a Canadian wireless communications operator focused on the Toronto and Montreal markets. The transaction was subject to conditions that included approval by Industry Canada (such approval was received October 23, 2013) and the Competition Bureau (such approval was received November 29, 2013). The investment was made with a view to growing our Wireless segment operations, including acquiring additional spectrum licences. Public Mobile Holdings Inc.'s results of operations were included in our Wireless segment results effective November 29, 2013.

The fair values of the net identifiable assets acquired were less than the purchase price largely due to the recognition of provisions and such resulting difference was recognized as goodwill. The provisions recognized included amounts in respect of asset retirement obligations, severance, contract termination costs and onerous contracts. The amount assigned to goodwill is not expected to be deductible for income tax purposes.

Various

During the years ended December 31, 2013 and 2012, we acquired multiple businesses (including TELUS-branded wireless dealership businesses) complementary to our existing lines of business; with the exception of one acquisition of 55% of the shares of a business in 2012, all acquisitions were for 100% ownership. There was $5 million (2012 – $1 million) of contingent consideration recorded in association with the transactions, payment of which is dependent upon achieving revenue, gross customer contract growth and employee retention targets through 2015.

In respect of the 55% acquired business, we concurrently provided two written put options to the remaining selling shareholder: the first of these is for 40% of the shares and would become exercisable December 31, 2015, if certain business metrics are achieved; and the second of these is for the remaining 5% of the shares and would become exercisable no later than 18 months after the exercise of the first written put option. The first and second written put options set out that the share pricing methodology will be dependent upon the future earnings and market value, respectively, of the acquired business. The acquisition-date fair value of the puttable shares held by the non-controlling shareholder has been recorded as a provision, as further discussed in *Note 20*. Also concurrent with our acquisition of the initial 55% economic interest, the non-controlling shareholder provided us with two purchased call options, which substantially mirror the written put options except that we can exercise our first purchased call option prior to December 31, 2015, if certain business financial metrics are exceeded.

The primary factor that contributed to the recognition of goodwill was the earnings capacity of the acquired businesses in excess of the net tangible assets and net intangible assets acquired (such excess arising from: the low degree of tangible assets relative to the earnings capacity of the businesses; expected synergies; the benefits of acquiring established businesses with certain capabilities in the industry; and the geographic locations of the acquired businesses). A portion of the amount assigned to goodwill may be deductible for income tax purposes.

Acquisition-date fair values

The acquisition-date fair values assigned to assets acquired and liabilities assumed in the Public Mobile Holdings Inc. and individually immaterial acquisitions are as set out in the following table:

Years ended December 31	2013			2012
	Public Mobile Holdings Inc.[1]	Individually immaterial acquisitions[2]	Total	Individually immaterial acquisitions[2]
As at acquisition-date fair values (millions)	November 29, 2013	Various		Various
Assets				
Current assets				
Cash	$ 21	$ –	$ 21	$ 2
Accounts receivable[3]	–	1	1	4
Other	10	1	11	–
	31	2	33	6
Non-current assets				
Property, plant and equipment	5	3	8	2
Intangible assets subject to amortization[4]				
Customer contracts, customer relationships (including those related to customer contracts) and leasehold interests	–	11	11	9
Software	–	5	5	33
Other	2	–	2	–
Intangible assets with indefinite lives – spectrum licences	225	–	225	–
Deferred income taxes	92	2	94	–
	324	21	345	44
Total identifiable assets acquired	355	23	378	50
Liabilities				
Current liabilities				
Accounts payable and accrued liabilities; other	46	–	46	5
Advance billings and customer deposits	4	7	11	–
Provisions	51	–	51	–
	101	7	108	5
Non-current liabilities				
Provisions	15	–	15	–
Other	–	3	3	2
	15	3	18	2
Total liabilities assumed	116	10	126	7
Net identifiable assets acquired	239	13	252	43
Goodwill	11	24	35	41
Net assets acquired	$ 250	$ 37	$ 287	$ 84
Acquisition effected by way of:				
Cash consideration	$ 250	$ 30	$ 280	$ 46
Accounts payable and accrued liabilities	–	2	2	5
Provisions	–	5	5	31
Re-measured pre-acquisition interest at acquisition-date fair value	–	–	–	2
	$ 250	$ 37	$ 287	$ 84

(1) The purchase price allocation, specifically in respect of intangible asset valuation and provision measurement, has not been finalized as of the date of issuance of these consolidated financial statements. As is customary in a business acquisition transaction, until the time of acquisition of control, we did not have full access to Public Mobile Holdings Inc.'s books and records. Upon having sufficient time to review Public Mobile Holdings Inc.'s books and records, we expect to finalize our purchase price allocation.

(2) Includes TELUS-branded wireless dealership businesses.

(3) The fair value of the accounts receivable is equal to the gross contractual amounts receivable and reflects the best estimates at the acquisition dates of the contractual cash flows expected to be collected.

(4) Customer contracts, customer relationships (including those related to customer contracts) and leasehold interests; software; and other are expected to be amortized over periods of six years; five years; and three years, respectively.

Pro forma disclosures

The following pro forma supplemental information represents certain results of operations as if the Public Mobile Holdings Inc. transaction noted above had been completed at the beginning of the fiscal period presented; the effects of the individually immaterial acquistions are immaterial in total and have not been included.

Year ended December 31	2013	
(millions except per share amounts)	As currently reported(1)	Pro forma(2)
Operating revenues	$ 11,404	$ 11,500
Net income	$ 1,294	$ 1,247
Net income per equity share*		
Basic	$ 2.02	$ 1.95
Diluted	$ 2.01	$ 1.94

(1) Since the date of its acquisition, operating revenues and net income for the year ended December 31, 2013, include $9 and $(7), respectively, in respect of Public Mobile Holdings Inc.

(2) Pro forma amounts for the year ended December 31, 2013, reflect Public Mobile Holdings Inc.; the results of the acquired business were included in our Consolidated Statements of Income and Other Comprehensive Income effective November 29, 2013, the date of acquisition.

The pro forma supplemental information is based on estimates and assumptions which are believed to be reasonable. *The pro forma supplemental information is not necessarily indicative of our consolidated financial results in future periods or the results that would have been realized had the business acquisition been completed at the beginning of the period presented.* The pro forma supplemental information includes incremental intangible asset amortization, financing and other charges as a result of the acquisition, net of the related income tax effects and excludes business integration costs and opportunities.

18 Real estate joint ventures

(a) General

In the first quarter of 2011, we announced that we had partnered, as equals, with an arm's-length party in a residential condominium, retail and commercial real estate redevelopment project, TELUS Garden, in Vancouver, British Columbia. The project will result in us, as one of the tenants, having new national headquarters. The new-build office tower, scheduled for completion in 2014, is to be built to the 2009 Leadership in Energy and Environmental Design (LEED) Platinum standard and the neighbouring new-build residential condominium tower, scheduled for completion in 2015, is to be built to the LEED Gold standard.

In July 2013, we announced that we had partnered, as equals, with two arm's-length parties (one of which is also the TELUS Garden arm's-length partner) in a residential, retail and commercial real estate redevelopment project, TELUS Sky, in Calgary, Alberta. The new-build tower, scheduled for completion in 2017, is to be built to the LEED Platinum standard.

(b) Real estate joint ventures – summarized financial information

As at December 31 (millions)	2013	2012
Assets		
Current assets		
Cash and temporary investments, net	$ 2	$ 5
Sales contract deposits held by arm's-length trustee	46	26
Other	5	6
	53	37
Non-current assets		
Property under development		
Residential condominiums (subject to sales contracts)	70	52
Investment property	119	57
	189	109
	$ 242	$ 146

As at December 31 (millions)	2013	2012
Liabilities and owners' equity		
Current liabilities		
Accounts payable and accrued liabilities	$ 10	$ 7
Non-current liabilities		
Sales contract deposits		
Payable	19	–
Held by arm's-length trustee	46	26
Construction credit facilities	102	54
Construction holdback liabilities	5	1
Other financial liabilities(1)	18	18
Liabilities	200	106
Owners' equity – TELUS(2)	20	20
Other partners	22	20
	42	40
	$ 242	$ 146

(1) Non-current other financial liabilities are due to us; such amounts are non-interest bearing, are secured (as set out in *(c)* following), are payable in cash and are due subsequent to repayment of construction credit facilities.

(2) The equity amounts recorded by the real estate joint ventures differ from that recorded by us by the amount of the deferred gain on our real estate contributed (as set out in *(c)* following).

During the year ended December 31, 2013, the real estate joint ventures capitalized $3 million (2012 – $3 million) of financing costs.

* Amounts reflect retrospective application of April 16, 2013, stock split (see *Note 22(b)*).

(c) Our transactions with the real estate joint ventures

Years ended December 31 (millions)			2013			2012
	Loans and receivables; other	Equity	Total	Loans and receivables; other	Equity	Total
Related to real estate joint ventures' statements of income and other comprehensive income						
Comprehensive income (loss) attributable to us	$ –	$ –	$ –	$ –	$ (2)	$ (2)
Related to real estate joint ventures' statements of financial position						
Items not affecting currently reported cash flows						
Construction credit facilities financing costs charged by us	2	–	2	–	–	–
Our real estate contributed	–	–	–	11	28	39
Deferred gain on our remaining interest in our real estate contributed	–	–	–	–	(9)	(9)
Financing costs charged by us, excluding those arising from construction credit facilities	–	–	–	1	–	1
Cash flows in the currently reported period						
Construction credit facilities						
Amounts advanced	24	–	24	27	–	27
Financing costs paid to us	(1)	–	(1)	(1)	–	(1)
Funds we advanced[(1)] or contributed, excluding construction credit facilities	–	–	–	18	28	46
Cash repayment of loans and receivables, excluding construction credit facilities	–	–	–	(12)	–	(12)
Cash distribution	–	–	–	–	(18)	(18)
Cash payment arising from joint venture capital account rebalancing	–	–	–	–	(16)	(16)
	25	–	25	44	13	57
Net increase	25	–	25	44	11	55
Accounts with real estate joint ventures						
Balance, beginning of period	44	11	55	–	–	–
Balance, end of period	$ 69	$ 11	$ 80	$ 44	$ 11	$ 55
Accounts with real estate joint ventures						
Non-current assets[(2)]	$ 69	$ 11	$ 80	$ 45	$ 11	$ 56
Current and non-current liabilities	–	–	–	(1)	–	(1)
	$ 69	$ 11	$ 80	$ 44	$ 11	$ 55

(1) As security for the non-interest bearing note underlying the funds advanced during the three-month period ended June 30, 2012, we have an $18 mortgage on the residential condominium tower and such mortgage is subordinate to the construction financing security. The note is to be repaid prior to any unit sales-related distributions to the owners arising from the residential condominium tower, excepting repayment of construction credit facilities.
(2) Non-current loans and receivables are included in our Consolidated Statements of Financial Position as Other long-term assets.

(d) Commitments and contingent liabilities

Construction commitments

The TELUS Garden real estate joint venture is expected to spend a combined total of approximately $470 million on the construction of an office tower and a residential condominium tower. Construction activity has commenced on both the office tower and the residential condominium tower. As at December 31, 2013, the real estate joint venture's construction-related contractual commitments were approximately $146 million through to 2015 (2012 – $150 million through to 2015).

The TELUS Sky real estate joint venture is expected to spend a combined total of approximately $400 million on the construction of a mixed-use tower. As at December 31, 2013, the real estate joint venture's construction-related contractual commitments were approximately $8 million through to 2017.

Operating leases

We have a 20-year operating lease for our new national headquarter premises with the TELUS Garden real estate joint venture at market rates. The future minimum lease payments under the lease are as set out in *Note 23(a)*. We have also entered into an operating lease letter of intent as an anchor tenant of the office component of the TELUS Sky real estate joint venture at market rates; minimum operating lease payments for the expected initial term of 20 years are estimated to approximate $136 million.

Construction credit facilities – TELUS Garden

In the third quarter of 2012, the real estate joint venture signed definitive credit agreements with two Canadian financial institutions (as 50% lender) and TELUS Corporation (as 50% lender) to provide approximately $413 million of construction financing for the TELUS Garden project. The facilities contain customary real estate construction financing representations, warranties and covenants and are secured by demand debentures constituting first fixed and floating charge mortgages over the underlying real estate assets. The facilities are available by way of bankers' acceptance or prime loan and bear interest at rates in line with similar construction financing facilities.

As at December 31 (millions)	Note	2013	2012
Construction credit facilities commitment – TELUS Corporation			
Undrawn	*4(c)*	$ 156	$ 180
Advances	*25(a)*	51	27
		207	207
Construction credit facilities commitment – other		206	206
		$ 413	$ 413

Other – TELUS Garden

We are to receive 50% of the earnings from the sale of residential condominium tower units in excess of the first $18 million of earnings; we are to receive 25% of the first $18 million of earnings and the arm's-length co-owner is to receive 75%.

We have guaranteed the payment of 50% of the real estate joint venture's construction credit facility carrying costs and costs to complete. We have also provided an environmental indemnity in favour of the construction lenders. If we pay out under such guarantee or indemnity because the arm's-length co-owner has not paid its pro rata share of project costs, then we have recourse options available, including against the arm's-length co-owner's interest in the real estate joint venture.

As at December 31, 2013, we had no liability recorded in respect of real estate joint venture obligations and guarantees.

19 Short-term borrowings

On July 26, 2002, one of our subsidiaries, TELUS Communications Inc. (see *Note 24(a)*), entered into an agreement with an arm's-length securitization trust associated with a major Schedule I bank under which TELUS Communications Inc. is able to sell an interest in certain trade receivables up to a maximum of $500 million (2012 – $500 million). This revolving-period securitization agreement's current term ends August 1, 2014. TELUS Communications Inc. is required to maintain at least a BBB (low) credit rating by Dominion Bond Rating Service or the securitization trust may require the sale program to be wound down prior to the end of the term.

When we sell our trade receivables, we retain reserve accounts, which are retained interests in the securitized trade receivables, and servicing rights. As at December 31, 2013, we had transferred, but continued to recognize, trade receivables of $458 million (2012 – $454 million). Short-term borrowings of $400 million (2012 – $400 million) are comprised of amounts loaned to us by the arm's-length securitization trust pursuant to the sale of trade receivables.

The balance of short-term borrowings (if any) comprised amounts drawn on our bilateral bank facilities.

20 Provisions

(millions)	Asset retirement obligation	Employee related	Other	Total
As at January 1, 2012	$ 104	$ 37	$ 69	$ 210
Additions	2	40	48	90
Use	(2)	(41)	(36)	(79)
Reversal	–	(2)	–	(2)
Interest effect(1)	52	–	–	52
As at December 31, 2012	156	34	81	271
Additions(2)	27	88	78	193
Use	(1)	(71)	(31)	(103)
Reversal	–	(2)	(4)	(6)
Interest effect(1)	(27)	–	1	(26)
As at December 31, 2013	**$ 155**	**$ 49**	**$ 125**	**$ 329**
Current	$ 3	$ 33	$ 13	$ 49
Non-current	153	1	68	222
As at December 31, 2012	$ 156	$ 34	$ 81	$ 271
Current	$ 13	$ 49	$ 48	$ 110
Non-current	142	–	77	219
As at December 31, 2013	**$ 155**	**$ 49**	**$ 125**	**$ 329**

(1) The difference, if any, between the interest effect in this table and the amount disclosed in *Note 8* is in respect of any change in the discount rate applicable to the provision, such difference being included in the cost of the associated asset(s).
(2) Asset retirement obligation additions include $17, employee related additions include $15 and other additions include $34 arising from a business acquisition, as disclosed in *Note 17(e)*.

Asset retirement obligation

We recognize liabilities associated with the retirement of property, plant and equipment when those obligations result from the acquisition, construction, development and/or normal operation of the assets. We expect that the cash outflows in respect of the balance accrued as at the financial statement date will occur proximate to the dates these long-term assets are retired.

Employee related

The employee related provisions are largely in respect of restructuring activities (as discussed further in *Note 15*) and business acquisition-related severance. The timing of the cash outflows in respect of the balance accrued as at the financial statement date is substantially short-term in nature.

Other

The provision for other includes: legal disputes; non-employee related restructuring activities (as discussed further in *Note 15*); and written put options, contract termination costs and onerous contracts related to business acquisitions. Other than as set out following, we expect that the cash outflows in respect of the balance accrued as at the financial statement date will occur over an indeterminate multi-year period.

As discussed further in *Note 23(c)*, we are involved in a number of legal disputes and are aware of certain other possible legal disputes. In respect of legal disputes, we have established provisions, when warranted, after taking into account legal assessment, information presently available, and the expected availability of insurance or other recourse. The timing of cash outflows associated with legal claims cannot be reasonably determined.

In connection with business acquisitions, we have provided for contingent consideration, written put options in respect of non-controlling interests, contract termination costs and onerous contracts acquired. Cash outflows for the written put options are not expected to occur prior to their initial exercisability in December 2015. The majority of cash outflows in respect of contract termination costs and onerous contracts acquired are expected to occur in 2014.

21 Long-term debt

(a) Details of long-term debt

As at December 31 ($ in millions)			2013	2012
Series	Rate of interest	Maturity		
TELUS Corporation Notes				
CB	5.00%(1)	June 2013	$ –	$ 300
CD	4.95%(1)	March 2017	695	693
CE	5.95%(1)	April 2015	499	499
CF	4.95%(1)	May 2014	–	699
CG	5.05%(1)	December 2019	993	992
CH	5.05%(1)	July 2020	995	994
CI	3.65%(1)	May 2016	597	596
CJ	3.35%(1)	March 2023	497	496
CK	3.35%(1)	April 2024	1,088	–
CL	4.40%(1)	April 2043	595	–
CM	3.60%(1)	January 2021	397	–
CN	5.15%(1)	November 2043	395	–
			6,751	5,269
TELUS Corporation Commercial Paper			–	245
TELUS Communications Inc. Debentures				
2	11.90%(1)	November 2015	125	125
3	10.65%(1)	June 2021	174	174
5	9.65%(1)	April 2022	245	245
B	8.80%(1)	September 2025	198	198
			742	742
Long-term debt			$ 7,493	$ 6,256
Current			$ –	$ 545
Non-current			7,493	5,711
Long-term debt			$ 7,493	$ 6,256

(1) Interest is payable semi-annually.

(b) TELUS Corporation notes

The notes are our senior, unsecured and unsubordinated obligations and rank equally in right of payment with all of our existing and future unsecured, unsubordinated obligations, are senior in right of payment to all of our existing and future subordinated indebtedness, and are effectively subordinated to all existing and future obligations of, or guaranteed by, our subsidiaries.

The indentures governing the notes contain certain covenants which, among other things, place limitations on our ability and the ability of certain of our subsidiaries to: grant security in respect of indebtedness, enter into sale-leaseback transactions and incur new indebtedness.

On April 1, 2013, we exercised our right to early redeem, on May 15, 2013, all of our publicly held 4.95% Notes, Series CF. The long-term debt prepayment premium recorded during the three-month period ended June 30, 2013, was $23 million.

Series	Issued	Maturity	Issue price	Principal face amount: Originally issued	Principal face amount: Outstanding at financial statement date	Redemption present value spread (basis points)
4.95% Notes, Series CD	March 2007	March 2017	$999.53	$700 million	$700 million	24(1)
5.95% Notes, Series CE(2)	April 2008	April 2015	$998.97	$500 million	$500 million	66(1)
5.05% Notes, Series CG(2)	December 2009	December 2019	$994.19	$1.0 billion	$1.0 billion	45.5(1)
5.05% Notes, Series CH(2)	July 2010	July 2020	$997.44	$1.0 billion	$1.0 billion	47(1)
3.65% Notes, Series CI(2)	May 2011	May 2016	$996.29	$600 million	$600 million	29.5(1)
3.35% Notes, Series CJ(2)	December 2012	March 2023	$998.83	$500 million	$500 million	40(3)
3.35% Notes, Series CK(2)	April 2013	April 2024	$994.35	$1.1 billion	$1.1 billion	36(3)
4.40% Notes, Series CL(2)	April 2013	April 2043	$997.68	$600 million	$600 million	47(3)
3.60% Notes, Series CM(2)	November 2013	January 2021	$997.15	$400 million	$400 million	35(1)
5.15% Notes, Series CN(2)	November 2013	November 2043	$995.00	$400 million	$400 million	50(3)

(1) The notes are redeemable at our option, in whole at any time, or in part from time to time, on not fewer than 30 and not more than 60 days' prior notice. The redemption price is equal to the greater of (i) the present value of the notes discounted at the Government of Canada yield plus the redemption present value spread, or (ii) 100% of the principal amount thereof. In addition, accrued and unpaid interest, if any, will be paid to the date fixed for redemption.

(2) This series of notes requires us to make an offer to repurchase the notes at a price equal to 101% of their principal amount plus accrued and unpaid interest to the date of repurchase upon the occurrence of a change in control triggering event, as defined in the supplemental trust indenture.

(3) At any time prior to December 15, 2022, January 2, 2024, October 1, 2042, and May 26, 2043, the Series CJ Notes, the Series CK Notes, the Series CL Notes and the Series CN Notes, respectively, are redeemable at our option, in whole at any time, or in part from time to time, on not fewer than 30 and not more than 60 days' prior notice. The redemption price is equal to the greater of (i) the present value of the notes discounted at the Government of Canada yield plus the redemption present value spread, or (ii) 100% of the principal amount thereof. In addition, accrued and unpaid interest, if any, will be paid to the date fixed for redemption. On or after December 15, 2022, January 2, 2024, October 1, 2042, and May 26, 2043, the Series CJ Notes, the Series CK Notes, the Series CL Notes and the Series CN Notes, respectively, are redeemable at our option, in whole, but not in part, on not fewer than 30 and not more than 60 days' prior notice, at a redemption price equal to 100% of the principal amount thereof.

(c) TELUS Corporation commercial paper

TELUS Corporation has an unsecured commercial paper program, which is backstopped by our $2.0 billion syndicated credit facility, enabling us to issue commercial paper up to a maximum aggregate amount of $1.2 billion, which is to be used for general corporate purposes, including capital expenditures and investments. Commercial paper debt is due within one year and is classified as a current portion of long-term debt as the amounts are fully supported, and we expect that they will continue to be supported, by the revolving credit facility, which has no repayment requirements within the next year.

(d) TELUS Corporation credit facility

TELUS Corporation has an unsecured, revolving $2.0 billion bank credit facility, expiring on November 3, 2016, with a syndicate of financial institutions, which is to be used for general corporate purposes, including the backstop of commercial paper.

TELUS Corporation's credit facility bears interest at prime rate, U.S. Dollar Base Rate, a bankers' acceptance rate or London interbank offered rate (LIBOR) (all such terms as used or defined in the credit facility), plus applicable margins. The credit facility contains customary representations, warranties and covenants, including two financial quarter-end financial ratio tests. The financial ratio tests are that we may not permit our net debt to operating cash flow ratio to exceed 4.0:1 and we may not permit our operating cash flow to interest expense ratio to be less than 2.0:1, each as defined under the credit facility.

Continued access to TELUS Corporation's credit facility is not contingent on TELUS Corporation maintaining a specific credit rating.

As at December 31 (millions)	2013	2012
Net available	$ 2,000	$ 1,755
Backstop of commercial paper	–	245
Gross available	$ 2,000	$ 2,000

We have letter of credit facilities of $114 million expiring mid-2014 (2012 – $120 million expiring mid-2013), of which $114 million was utilized at December 31, 2013 (2012 – $120 million); such letter of credit facilities are in addition to the ability to provide letters of credit pursuant to our $2.0 billion bank credit facility.

In addition to those mentioned in the preceding paragraph, we have arranged incremental letter of credit facilities that allowed us to participate in Industry Canada's 700 MHz auction held in 2014, as discussed further in *Note 17(a)*. Under the terms of the auction, as outlined in the *Licensing Framework of Mobile Broadband Services (MBS) – 700 MHz Band*, communications between bidders that would provide insights into bidding strategies, including reference to preferred blocks, technologies or valuations, are precluded until the deadline for final payment in the auction. Disclosure of the precise amount of our letters of credit could be interpreted as a signal of bidding intentions. The maximum amount of letters of credit that any individual participant could be required to deliver is approximately $405 million.

(e) TELUS Communications Inc. debentures

The outstanding Series 2, 3 and 5 debentures were issued by a predecessor corporation of TELUS Communications Inc., BC TEL, under a Trust Indenture dated May 31, 1990, and are non-redeemable.

The outstanding Series B Debentures were issued by a predecessor corporation of TELUS Communications Inc., AGT Limited, under a Trust Indenture dated August 24, 1994, and a supplemental trust indenture dated September 22, 1995. They are redeemable at our option, in whole at any time, or in part from time to time, on not less than 30 days' notice at the higher of par and the price calculated to provide the Government of Canada Yield plus 15 basis points.

Pursuant to an amalgamation on January 1, 2001, the Debentures became obligations of TELUS Communications Inc. The debentures are not secured by any mortgage, pledge or other charge and are governed by certain covenants, including a negative pledge and a limitation on issues of additional debt, subject to a debt to capitalization ratio and interest coverage test. Effective June 12, 2009, TELUS Corporation guaranteed the payment of the debentures' principal and interest.

(f) Long-term debt maturities

Anticipated requirements to meet long-term debt repayments, calculated upon such long-term debts owing as at December 31, 2013, for each of the next five fiscal years are as follows:

Years ending December 31 (millions)	
2014	$ –
2015	625
2016	600
2017	700
2018	–
Thereafter	5,624
Future cash outflows in respect of long-term debt principal repayments	7,549
Future cash outflows in respect of associated interest and like carrying costs(1)	3,509
Undiscounted contractual maturities *(Note 4(c))*	$ 11,058

(1) Future cash outflows in respect of associated interest and like carrying costs for commercial paper and amounts drawn under our credit facilities (if any) have been calculated based upon the rates in effect as at December 31, 2013.

22 Equity share capital

(a) General

Our authorized share capital is as follows:

As at December 31	2013	2012
First Preferred Shares	1 billion	1 billion
Second Preferred Shares	1 billion	1 billion
Common Shares	2 billion	1 billion
Non-Voting Shares	N/A(1)	1 billion

(1) At our annual and special meeting held May 9, 2013, our shareholders approved the increase of the authorized capital for Common Shares to 2 billion, the elimination of the Non-Voting Shares from our authorized share structure and the elimination of all references to Non-Voting Shares from our Articles. Non-Voting Shares had conversion rights in certain instances, such as if there were changes in Canadian telecommunications, radiocommunication and broadcasting regulations so that there was no restriction on non-Canadians owning or controlling our Common Shares. In that instance, shareholders had the right to convert their Non-Voting Shares into Common Shares on a one-for-one basis, and we had the right to require conversion on the same basis.

Only holders of Common Shares may vote at our general meetings with each holder of Common Shares being entitled to one vote per Common Share held at all such meetings. With respect to priority in payment of dividends and in the distribution of assets in the event of our liquidation, dissolution or winding-up, whether voluntary or involuntary, or any other distribution of our assets among our shareholders for the purpose of winding up our affairs, preferences are as follows: First Preferred Shares; Second Preferred Shares; and finally Common Shares.

As at December 31, 2013, approximately 50 million Common Shares were reserved for issuance, from Treasury, under a share option plan (see *Note 13(b)*).

(b) Stock split

A subdivision of our Common Shares on a two-for-one basis was effected April 16, 2013. All references, unless otherwise indicated, to the number of shares outstanding, per share amounts and share-based compensation information in these consolidated financial statements have been retrospectively restated to reflect the impact of the subdivision.

(c) Share exchange

On February 4, 2013, in accordance with the terms of a court-approved plan of arrangement, we exchanged all of our then issued and outstanding Non-Voting Shares for Common Shares on a one-for-one basis.

(d) Purchase of shares for cancellation pursuant to normal course issuer bid

As referred to in *Note 3*, we may purchase our shares for cancellation pursuant to normal course issuer bids in order to maintain or adjust our capital structure. During the year ended December 31, 2013, we purchased for cancellation, through the facilities of the Toronto Stock Exchange, the New York Stock Exchange and/or alternative trading platforms or otherwise as may be permitted by applicable securities laws and regulations, including privately negotiated block purchases, approximately 31.2 million of our Common Shares, reaching the bid maximum cost of $1 billion on September 24, 2013, pursuant to a normal course issuer bid which was to run until December 31, 2013. The excess of the purchase price over the average stated value of shares purchased for cancellation is charged to retained earnings. We cease to consider shares outstanding on the date of our purchase of the shares, although the actual cancellation of the shares by the transfer agent and registrar occurs on a timely basis on a date shortly thereafter.

On December 12, 2013, we announced that we had received approval for a normal course issuer bid to purchase and cancel up to 16 million Common Shares (up to a maximum amount of $500 million) from January 2, 2014, to December 31, 2014. Additionally, we have entered into an automatic share purchase plan with a broker for the purpose of permitting us to purchase our Common Shares under the normal course issuer bid at such times when we would not be permitted to trade in our own shares during internal blackout periods, including during regularly scheduled quarterly blackout periods. Such purchases will be determined by the broker in its sole discretion based on parameters we have established. We record a liability and charge share capital and retained earnings for purchases that may occur during such blackout periods based upon the parameters of the normal course issuer bid as at the statement of financial position date.

In respect of our 2014 normal course issuer bid, during the month ended January 31, 2014, 590,400 of our Common Shares were purchased by way of the automatic share purchase plan at a cost of $22 million.

23 Commitments and contingent liabilities

(a) Leases

We occupy leased premises in various locations and have land, buildings and equipment under operating leases. As set out in *Note 15*, we have consolidated administrative real estate and, in some instances, this has resulted in subletting land and buildings. The future minimum lease payments under operating leases are as follows:

As at December 31			2013			2012
Years ending (millions)(1)	Operating leases with arm's-length lessors	Operating lease with related party lessor(2)	Total	Operating leases with arm's-length lessors	Operating lease with related party lessor(2)	Total
1 year hence	$ 209	$ 1	$ 210	$ 196	$ –	$ 196
2 years hence	185	6	191	173	–	173
3 years hence	158	6	164	156	6	162
4 years hence	130	6	136	133	6	139
5 years hence	109	6	115	107	6	113
Thereafter	588	115	703	597	121	718
	$ 1,379	$ 140	$ 1,519	$ 1,362	$ 139	$ 1,501

(1) Immaterial amounts for minimum lease receipts from sublet land and buildings have been netted against the minimum lease payments in this table. Minimum lease payments exclude occupancy costs and thus will differ from future amounts reported for operating lease expense. As at December 31, 2013, commitments under operating leases for occupancy costs totalled $896 (2012 – $852).

(2) As set out in *Note 18(d)*, we have entered into a lease and a lease letter of intent with the real estate joint ventures. This table includes 100% of the minimum lease payment amounts due under the TELUS Garden lease; of the total, $70 (2012 – $70) is due to our economic interest in the real estate joint venture and $70 (2012 – $69) is due to our partner's economic interest in the real estate joint venture. The TELUS Sky lease letter of intent has not been included in this table.

Of the total amount above as at December 31, 2013:

- approximately 40% (2012 – 42%) of this amount was in respect of our five largest leases, all of which were for office premises over various terms, with expiry dates that range from 2024 to 2034 (2012 – range from 2022 to 2034); the weighted average length of these leases is approximately 14 years (2012 – 15 years).
- approximately 27% (2012 – 29%) of this amount was in respect of wireless site leases; the weighted average length of these leases, which have various terms, is approximately 15 years (2012 – 15 years).

(b) Indemnification obligations

In the normal course of operations, we provide indemnification in conjunction with certain transactions. The terms of these indemnification obligations range in duration. These indemnifications would require us to compensate the indemnified parties for costs incurred as a result of failure to comply with contractual obligations or litigation claims or statutory sanctions or damages that may be suffered by an indemnified party. In some cases, there is no maximum limit on these indemnification obligations. The overall maximum amount of an indemnification obligation will depend on future events and conditions and therefore cannot be reasonably estimated. Where appropriate, an indemnification obligation is recorded as a liability. Other than obligations recorded as liabilities at the time of the transaction, historically we have not made significant payments under these indemnifications.

In connection with the 2001 disposition of our directory business, we agreed to bear a proportionate share of the new owner's increased directory publication costs if the increased costs were to arise from a change in the applicable CRTC regulatory requirements. Our proportionate share is 15% through, and ending, May 2016. As well, should the CRTC take any action which would result in the owner being prevented from carrying on the directory business as specified in the agreement, TELUS would indemnify the owner in respect of any losses that the owner incurs.

See *Note 18* for details regarding our guarantees to the TELUS Garden real estate joint venture.

As at December 31, 2013, we had no liability recorded in respect of indemnification obligations.

(c) Claims and lawsuits

General

A number of claims and lawsuits (including class actions) seeking damages and other relief are pending against us. As well, we have received or are aware of certain possible claims (including intellectual property infringement claims) against us and, in some cases, numerous other wireless carriers and telecommunications service providers.

It is not currently possible for us to predict the outcome of such claims, possible claims and lawsuits due to various factors, including: the preliminary nature of some claims; uncertain damage theories and demands; an incomplete factual record; uncertainty concerning legal theories, procedures and their resolution by the courts, both at the trial and the appeal level; and the unpredictable nature of opposing parties and their demands.

However, subject to the foregoing limitations, management is of the opinion, based upon legal assessment and information presently available, that it is unlikely that any liability, to the extent not provided for through insurance or otherwise, would have a material effect on our financial position and the results of our operations, with the exception of the following items.

Certified class actions

Certified class actions against us include a 2004 class action brought in Saskatchewan, against a number of past and present wireless service providers including us and a 2012 class action brought in Quebec alleging that we improperly unilaterally amended customer contracts to increase various wireless rates for optional services. The 2004 claim alleged breach of contract, misrepresentation, unjust enrichment and violation of competition, trade practices and consumer protection legislation across Canada in connection with the collection of system access fees. In September 2007, a national class was certified by the Saskatchewan Court of Queen's Bench in relation to the unjust enrichment claim only; all appeals of this decision have now been exhausted.

We believe that we have good defences to these actions. Should the ultimate resolution of these actions differ from management's assessments and assumptions, a material adjustment to our financial position and the results of our operations could result; management's assessments and assumptions include that a reliable estimate of the exposure cannot be made considering the continued uncertainty about the cause of action.

Uncertified class actions

Uncertified class actions against us include:

1. Two 2005 class actions brought against us in B.C. and Alberta, respectively, alleging that we have engaged in deceptive trade practices in charging incoming calls from the moment the caller connects to the network, and not from the moment the incoming call is connected to the recipient;
2. A 2008 class action brought in Saskatchewan alleging that, among other things, Canadian telecommunications carriers have failed to provide proper notice of 9-1-1 charges to the public and have been deceitfully passing them off as government charges. A virtually identical class action was filed in Alberta at the same time;
3. A 2008 class action brought in Ontario alleging that we have misrepresented our practice of "rounding up" wireless airtime to the nearest minute and charging for the full minute;
4. A 2013 class action brought in British Columbia against us, other telecommunications carriers, and cellular telephone manufacturers alleging that prolonged usage of cellular telephones causes adverse health effects;
5. A number of class actions alleging various causes of action against Canadian telecommunications carriers in connection with the collection of system access fees, including:
   - Companion class actions to the certified 2004 Saskatchewan class action, filed in eight of the nine other Canadian provinces. None of these class actions has proceeded since 2004;
   - A second class action filed in 2009 in Saskatchewan by plaintiff's counsel acting in the certified 2004 Saskatchewan class action, following the enactment of opt-out class action legislation in that province. This claim makes substantially the same allegations as the certified 2004 Saskatchewan class action, and was stayed by the court in December 2009 upon an application by the defendants to dismiss it for abuse of process, conditional on possible future changes in circumstance. The plaintiff's separate applications to appeal and lift the stay were denied in 2013;
   - A class action filed in 2011 in B.C., alleging misrepresentation and unjust enrichment. In late 2013, plaintiff's counsel agreed to stay the unjust enrichment claim; and
   - A class action filed in 2013 in Alberta by plaintiff's counsel acting in the certified 2004 Saskatchewan class action.

We believe that we have good defences to these actions. Should the ultimate resolution of these actions differ from management's assessments and assumptions, a material adjustment to our financial position and the results of our operations could result. Management's assessments and assumptions include that a reliable estimate of the exposure cannot be made considering the continued uncertainty about the causes of action.

Intellectual property infringement claims

Claims and possible claims received by us include notice of one claim that certain wireless products used on our network infringe two third-party patents. We are assessing the merits of this claim but the potential for liability and magnitude of potential loss cannot be readily determined at this time.

24 Related party transactions

(a) Investments in significant controlled entities

As at December 31	Country of incorporation	2013	2012
		Per cent of equity held by immediate parent	
Parent entity			
TELUS Corporation	Canada		
Controlled entities			
TELUS Communications Inc.	Canada	100%	100%
TELE-MOBILE COMPANY	Canada	100%	100%
TELUS Communications Company	Canada	100%	100%

(b) Transactions with key management personnel

Our key management personnel have authority and responsibility for overseeing, planning, directing and controlling our activities and consist of our Board of Directors and our Executive Leadership Team.

Total compensation expense for key management personnel, and the composition thereof, is as follows:

Years ended December 31 (millions)	2013	2012
		(adjusted – Note 2(a))
Short-term benefits	$ 11	$ 11
Post-employment pension[(1)] and other benefits	4	5
Share-based compensation[(2)]	25	21
	$ 40	$ 37

(1) Our Executive Leadership Team members are either: members of our *Pension Plan for Management and Professional Employees of TELUS Corporation* and non-registered, non-contributory supplementary defined benefit pension plans; or members of one of our defined contribution pension plans.

(2) For the year ended December 31, 2013, share-based compensation is net of $5 (2012 – $4) of the effects of derivatives used to manage share-based compensation costs *(Note 13(b)-(c))*. For the year ended December 31, 2013, $5 (2012 – $5) is included in share-based compensation representing restricted stock unit and deferred share unit expense arising from changes in the fair market value of the corresponding shares, which is not affected by derivatives used to manage share-based compensation costs.

As disclosed in *Note 13*, we made awards of share-based compensation in fiscal 2013 and 2012. In respect of our key management personnel, for the year ended December 31, 2013, the total fair value, at date of grant, of restricted stock units awarded was $19 million (2012 – $16 million); no share options were awarded to our key management personnel in fiscal 2013 or 2012. As most of these awards are cliff-vesting or graded-vesting and have multi-year requisite service periods, the expense will be recognized ratably over a period of years and thus only a portion of the fiscal 2013 and 2012 awards are included in the amounts in the table above.

Reflecting the retrospective application of the April 16, 2013, stock split (see *Note 22(b)*), during the year ended December 31, 2013, key management personnel exercised 1,655,410 share options (2012 – 1,407,886 share options) which had an intrinsic value of $28 million (2012 – $17 million) at the time of exercise, reflecting a weighted average price at the date of exercise of $35.36 (2012 – $29.30).

The liability amounts accrued for share-based compensation awards to key management personnel are as follows:

As at December 31 (millions)	2013	2012
Restricted stock units	$ 20	$ 18
Deferred share units[(1)]	31	26
	$ 51	$ 44

(1) Our *Directors' Deferred Share Unit Plan* provides that, in addition to his or her annual equity grant of deferred share units, a director may elect to receive his or her annual retainer and meeting fees in deferred share units, equity shares or cash. Deferred share units entitle directors to a specified number of, or a cash payment based on the value of, our equity shares. Deferred share units are paid out when a director ceases to be a director, for any reason, at a time elected by the director in accordance with the *Directors' Deferred Share Unit Plan*; during the year ended December 31, 2013, $1 (2012 – $3) was paid out.

Our key management personnel receive telecommunications services from us, which are immaterial and domestic in nature.

Employment agreements with members of the Executive Leadership Team typically provide for severance payments if an executive's employment is terminated without cause: 18 months (24 months for the Chief Executive Officer) of base salary, benefits and accrual of pension service in lieu of notice and 50% of base salary in lieu of an annual cash bonus (other than the Chief Executive Officer, who would receive twice the average of the preceding three years' annual cash bonus). In the event of a change in control (as defined), the Executive Leadership Team members are not entitled to treatment any different than that given to our other employees with respect to unvested share-based compensation, other than the Chief Executive Officer, whose unvested share-based compensation would immediately vest.

(c) Transactions with defined benefit pension plans

During the year ended December 31, 2013, we provided management and administrative services to our defined benefit pension plans; the charges for these services were on a cost recovery basis and amounted to $5 million (2012 – $5 million).

During the years ended December 31, 2013 and 2012, we made employer contributions to our defined benefit pension plans as set out in *Note 14(a)*.

(d) Transactions with real estate joint ventures

During the years ended December 31, 2013 and 2012, we had transactions with the real estate joint ventures, which are related parties, as set out in *Note 18*.

25 Additional financial information

(a) Statements of financial position

As at December 31 (millions)	Note	2013	2012
Accounts receivable			
Customer accounts receivable		$ 1,212	$ 1,261
Accrued receivables – customer		123	114
Allowance for doubtful accounts		(40)	(44)
		1,295	1,331
Accrued receivables – other		166	210
		$ 1,461	$ 1,541
Inventories(1)			
Wireless handsets, parts and accessories		$ 286	$ 307
Other		40	43
		$ 326	$ 350
Other long-term assets			
Pension assets	*14(a)*	$ 325	$ –
Construction credit facilities advances	*18(d)*	51	27
Investments		48	58
Other		106	91
		$ 530	$ 176
Accounts payable and accrued liabilities			
Accrued liabilities		$ 759	$ 611
Payroll and other employee related liabilities		367	332
Restricted stock units liability		8	34
		1,134	977
Trade accounts payable		458	423
Interest payable		82	65
Other		61	46
		$ 1,735	$ 1,511
Advance billings and customer deposits			
Advance billings		$ 661	$ 627
Regulatory deferral accounts		25	23
Deferred customer activation and connection fees		23	26
Customer deposits		20	27
		$ 729	$ 703
Other long-term liabilities			
Pension and other post-retirement liabilities	*14(a)*	$ 362	$ 1,415
Other		122	116
Restricted stock units and deferred share units liabilities		87	38
		571	1,569
Regulatory deferral accounts		33	60
Deferred customer activation and connection fees		44	51
Deferred gain on sale-leaseback of buildings		1	2
		$ 649	$ 1,682

(1) Cost of goods sold for the year ended December 31, 2013, was $1,480 (2012 – $1,462).

(b) Statements of cash flow

Years ended December 31 (millions)	Note	2013	2012
Net change in non-cash operating working capital			
Accounts receivable		$ 81	$ (113)
Inventories		24	3
Prepaid expenses		21	(34)
Accounts payable and accrued liabilities		46	69
Income and other taxes receivable and payable, net		(7)	118
Advance billings and customer deposits		15	48
Provisions		7	(39)
		$ 187	$ 52
Cash payments for capital assets, excluding spectrum licences			
Capital asset additions, excluding spectrum licences			
Capital expenditures			
Property, plant and equipment	*16*	$ (1,645)	$ (1,563)
Intangible assets	*17(a)*	(465)	(418)
		(2,110)	(1,981)
Asset retirement obligations net effects included in additions		24	(49)
		(2,086)	(2,030)
Non-cash items included above			
Change in associated non-cash investing working capital		85	33
Non-cash change in asset retirement obligation	*20*	(34)	47
		51	80
		$ (2,035)	$ (1,950)
Cash payments for acquisitions and related investments			
Acquisitions and related investments	*17(e)*	$ (287)	$ (82)
Cash acquired		21	2
Change in associated non-cash investing working capital and non-current provisions		5	27
		$ (261)	$ (53)
Proceeds on dispositions			
Proceeds on dispositions		$ 12	$ 16
Change in associated non-cash investing working capital		–	4
		$ 12	$ 20

Years ended December 31 (millions)	Note	2013	2012
Dividends paid to holders of equity shares	*12*		
Current period dividends			
Declared		$ (866)	$ (794)
Of which was payable at end of period		222	208
		(644)	(586)
Dividends declared in a previous fiscal period, payable in current fiscal period		(208)	(188)
		$ (852)	$ (774)

Years ended December 31 (millions)	Note	2013	2012
Long-term debt issued			
TELUS Corporation Commercial Paper		$ 2,130	$ 5,488
TELUS Corporation Notes		2,500	500
		$ 4,630	$ 5,988
Redemptions and repayment of long-term debt			
TELUS Corporation Commercial Paper		$ (2,375)	$ (6,009)
TELUS Corporation Notes		(1,000)	(300)
		$ (3,375)	$ (6,309)
Interest paid			
Amount paid in respect of interest expense		$ (341)	$ (337)
Amount paid in respect of long-term debt prepayment premium	*21(b)*	(23)	–
		$ (364)	$ (337)

Glossary

3G (third generation): Describes wireless technology that offers high-speed packet data mobile wireless Internet access and multimedia capabilities. 3G commonly refers to HSPA networks.

4G (fourth generation): As defined by the International Telecommunications Union, 4G is the next generation of wireless technologies, including HSPA+ and LTE.

ADSL2+ (asymmetric digital subscriber line 2+): An IP technology that allows existing copper telephone lines to carry voice, data and video, and enables three simultaneous video streams into a home.

app: A program or application that delivers functionality to users on their mobile device, television or computer to address a specific need or purpose.

AWS (advanced wireless services) spectrum: AWS spectrum in the 1.7 and 2.1 GHz ranges that is utilized in North America for 4G services. It is commonly used in urban and suburban areas.

broadband: Telecommunications services that allow high-speed transmission of voice, data and video simultaneously at rates of 1.5 Mbps and above.

CDMA (code division multiple access): A wireless technology that spreads a signal over a frequency band that is larger than the signal to enable the use of a common band by many users and to achieve signal security and privacy.

cloud computing: A system in which software, data and services reside in data centres accessed over the Internet from any connected device.

CRTC (Canadian Radio-television and Telecommunications Commission): The federal regulator for radio and television broadcasters, and cable-TV and telecommunications companies in Canada.

EVDO (evolution data optimized): Part of the CDMA family of standards, EVDO is a wireless radio broadband protocol that delivers data download rates of up to 2.4 Mbps. EVDO Rev A increased data download rates to up to 3.1 Mbps.

fibre network: Hair-thin glass fibres along which light pulses are transmitted. Fibre networks are used to transmit large amounts of data between locations.

forbearance: Policies refraining from the regulation of telecom services, allowing for greater reliance on competition and market forces.

FTTx (fibre to the x): A collective term for any broadband network architecture using optical fibre to replace all or part of the existing copper local loops. FTTH denotes fibre to the home, while FTTN can denote node or neighbourhood.

GPON (gigabit-capable passive optical network): A fibre-based transmission technology that delivers data download rates of up to 2.5 Gbps and upload rates of up to 1.25 Gbps.

hosting: The management of data, which involves securely storing, serving and maintaining IT services and applications for customers.

HSPA+ (high-speed packet access plus): A 4G technology capable of delivering manufacturer-rated wireless data download speeds of up to 21 Mbps (typical speeds of 4 to 6 Mbps expected).

HSPA+ dual-cell technology: A 4G technology that uses advanced multiplexing techniques to combine two wireless data carriers, each capable of delivering download speeds of up to 21 Mbps, into a single carrier with manufacturer-rated download speeds of up to 42 Mbps (typical speeds of 7 to 14 Mbps expected).

IDC (Internet data centre): A facility for hosted applications and data storage and management. Through TELUS' IDCs, we manage applications and content for our customers, including email, web hosting, voice/text messaging services, e-commerce, data archiving, personal content and advanced web services.

iDEN (integrated digital enhanced network): A legacy digital network technology developed by Motorola that TELUS uses for its Mike service, which also includes PTT service.

ILEC (incumbent local exchange carrier): An established telecommunications company providing local telephone service.

IP (Internet protocol): A packet-based protocol for delivering data across networks.

IP-based network: A network designed using IP and QoS (quality of service) technology to reliably and efficiently support all types of customer traffic, including voice, data and video. An IP-based network enables a variety of IP devices and advanced applications to communicate over a single common network.

IP TV (Internet protocol television): Television service that uses a two-way digital broadcast signal sent through a switched telephone or other network by way of streamed broadband connection to a dedicated set-top box. The TELUS service is trademarked as Optik TV.

local loop: The transmission path between the telecommunications network and a customer's terminal equipment.

LTE (long-term evolution): A 4G mobile telecommunications technology, capable of advanced wireless broadband speeds, that has emerged as the leading global wireless industry standard. TELUS' 4G LTE coverage is currently capable of delivering manufacturer-rated peak download speeds of up to 75 Mbps (typical speeds of 12 to 25 Mbps expected).

M2M (machine-to-machine): Technologies and networked devices that are able to exchange information and perform actions without any human assistance.

Mbps (megabits per second): A measurement of data transmission speed, defined as the amount of data transferred in a second between two telecommunications points or within a network. Mbps is millions of bits per second and Gbps (gigabits per second) is billions.

MDU (multiple dwelling unit): An apartment or condominium.

MMS (multimedia messaging service): Allows wireless customers to send and receive messages that contain formatted text, graphics, photographs, and audio and video clips.

NCIB (normal course issuer bid): A company purchasing its own shares for cancellation through exchanges or private purchases over a set period of time.

non-ILEC (non-incumbent local exchange carrier): The telecommunications operations of TELUS outside its traditional ILEC operating territories, where TELUS competes with the incumbent telephone company (e.g. Ontario and most of Quebec).

OTT (over-the-top): Content, services and applications in a video environment where the delivery occurs through a medium other than the main video delivery infrastructure.

PCS (personal communications services): Digital wireless voice, data and text messaging services in the 1.9 GHz frequency range.

penetration: The degree, expressed as a percentage, to which a product or service has been adopted by a base of potential customers in a given geographic area or market segment.

POP: One person living in a populated area that is included in a network's coverage area.

postpaid: A conventional method of payment for service where a subscriber is billed and pays for a significant portion of services and usage in arrears, after consuming the services.

prepaid: A method of payment for wireless service that allows a customer to prepay for a set amount of airtime and/or data in advance of actual usage.

PTT (push to talk): A two-way communication service that works like a walkie-talkie using a button switch. With PTT, communication can only travel in one direction at any given moment. We provide PPT through TELUS Link over our 4G network.

PVR (personal video recorder): An interactive TV set-top box with a hard drive that records, stores and plays back video content.

roaming: A service offered by wireless network operators that allows subscribers to use their mobile phones while in the service area of another operator.

set-top box: A device that connects to a television and converts a signal into content that is displayed by the television. In IP TV, a set-top box allows two-way communications on the IP network.

SIM (subscriber identification module) card: A small electronic chip used to identify a particular wireless subscriber on the network as a legitimate user. The SIM card can store personal information, phone numbers, text messages and other data.

small cell technology: Radio access nodes that provide localized mobile services to complement and off-load wireless services from larger macrocell towers.

spectrum: The range of electromagnetic radio frequencies used in the transmission of sound, data and video. The capacity of a wireless network is in part a function of the amount of spectrum licensed and utilized by the carrier.

VDSL2 (very high bit-rate digital subscriber line 2): Fibre-to-the-node technology offering typical data download speeds of 5 to 25 Mbps, which enables four simultaneous video streams into a home. These rates can be increased further by bonding multiple lines together.

VOD (video on demand): An interactive TV technology that enables customers to access content at their convenience, allowing them to view programming in real time or download and view it later. SVOD (subscription VOD) provides customers with unlimited access to specific subscribed programming.

VoIP (voice over Internet protocol): The transmission of voice signals over the Internet or IP network.

Wi-Fi (wireless fidelity): The commercial name for networking technology that allows any user with a Wi-Fi-enabled device to connect to a wireless access point or hotspot in high-traffic public locations.

For financial definitions, see Section 11 of Management's discussion and analysis in this report.

Investor information

Stock exchanges and TELUS trading symbols

Toronto Stock Exchange (TSX)

Common shares	T	CUSIP: 87971M103

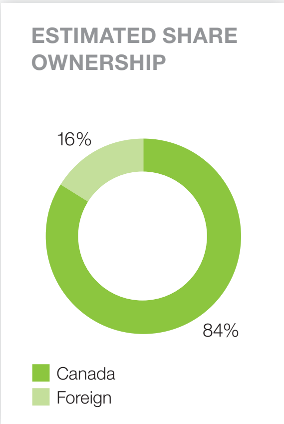
New York Stock Exchange (NYSE)

Common shares	TU	CUSIP: 87971M103 (listed on February 4, 2013)

Member of

- S&P/TSX Composite Index
- S&P/TSX 60 Index
- S&P/TSX Telecom Index
- FTSE4Good Index
- Jantzi Social Index
- MSCI World Telecom Index
- Dow Jones Sustainability North America Index

Share ownership facts as at December 31, 2013



- Total outstanding shares were 623,432,398
- TELUS team members held 15,705,917 shares in employee share plans, equivalent to 2.5% of the total number of outstanding shares, which made team members TELUS' fifth largest shareholder
- We estimate that approximately 70% of TELUS shares were held by institutional investors and 30% by retail investors
- Registered shareholders of common shares totalled 38,786.

The Canadian Depository for Securities (CDS) represents one registration and holds securities for many non-registered shareholders. We estimate that TELUS had more than 350,000 non-registered shareholders at year-end.

Normal course issuer bid programs

In September 2013, we completed our normal course issuer bid (NCIB) program, purchasing and cancelling 31.2 million common shares for $1 billion, reflecting an average price of $32.07 per share.

In December 2013, the TSX approved our NCIB program to purchase and cancel up to 16 million of our outstanding common shares valued up to $500 million in 2014 through the facilities of the TSX, the NYSE and alternative trading platforms or otherwise as may be permitted by applicable securities laws and regulations, from January 2, 2014 to December 31, 2014.

In addition, we are planning to target share purchases of up to $500 million in 2015 and 2016, for a total estimated program value of $2.5 billion, including the $1 billion in shares purchased in 2013. The share purchase programs are subject to the ongoing assessment and determination of TELUS' Board of Directors. There can be no assurance that these programs will be maintained through 2016.

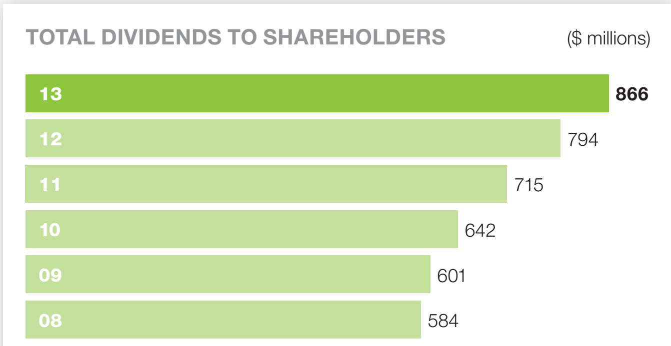
Dividend policy and dividend growth program

The January 2014 quarterly dividend paid was 36 cents or $1.44 on an annualized basis, representing a 12.5% increase over the year before.

Our long-term dividend payout ratio guideline is 65 to 75% of prospective sustainable net earnings. In May 2013, we provided shareholders with additional clarity on our intentions regarding our dividend growth program. We plan to continue with two dividend increases per year through 2016, normally announced in May and November, and are targeting the increase to continue to be circa 10% annually.

Notwithstanding this, dividend decisions continue to be dependent on earnings and free cash flow and subject to the Board's assessment and determination of TELUS' financial situation, capital requirements and economic outlook on a quarterly basis. There can be no assurance that the Company will maintain its dividend growth program through 2016.

TELUS advises that, unless noted otherwise, all quarterly dividends paid since January 2006 are eligible dividends under the *Income Tax Act*. Under this legislation, Canadian residents may be entitled to enhanced dividend tax credits that reduce the income tax otherwise payable. More information is available at telus.com/dividends.



Fourth quarter dividends are shown in the declaration year.

Dividend reinvestment and share purchase plan

Investors may take advantage of automatic dividend reinvestment to acquire additional common shares without fees. Under this feature, eligible shareholders can have their dividends reinvested automatically into additional common shares acquired at market price. Under the dividend reinvestment plan, we currently purchase TELUS common shares on the open market.

Additionally, we offer a share purchase feature, which is managed by Computershare Trust Company. Under this feature, eligible shareholders can, on a monthly basis, buy TELUS common shares (maximum $20,000 per calendar year and minimum $100 per transaction) at market price without brokerage commissions or service charges.

Visit **telus.com/drisp** or contact Computershare for information and enrolment forms.

2014 expected dividend[1] and earnings dates

	Ex-dividend dates[2]	Dividend record dates	Dividend payment dates	Earnings release dates
Quarter 1	March 7	March 11	April 1	May 8
Quarter 2	June 6	June 10	July 2	August 7
Quarter 3	September 8	September 10	October 1	November 6
Quarter 4	December 9	December 11	January 2, 2015	February 12, 2015

1 Dividends are subject to Board of Directors' approval.
2 Shares purchased on this date forward will not be entitled to the dividend payable on the corresponding dividend payment date.

Per-share data[1]

	After transition to IFRS				Prior to transition to IFRS			
	2013	2012	2011	2010	2009	2008	2007	2006
Basic earnings[2]	$ 2.02	$ 1.85	$ 1.74	$ 1.53	$ 1.57	$ 1.76	$ 1.90	$ 1.67
Dividends declared	$ 1.36	$ 1.22	$ 1.1025	$ 1.00	$ 0.95	$ 0.9125	$ 0.7875	$ 0.60
Dividends declared as per cent of basic earnings[2]	67%	66%	63%	65%	61%	52%	42%	36%
Free cash flow	$ 1.69	$ 2.04	$ 1.53	$ 1.46	$ 0.76	$ 0.57	$ 2.14	$ 2.14
Common shares								
Closing price	$ 36.56	$ 32.55	$ 28.82	$ 22.74	$ 17.06	$ 18.59	$ 24.72	$ 26.76
Dividend yield	3.7%	3.7%	3.8%	4.4%	5.6%	4.9%	3.2%	2.2%
Price to earnings ratio	18	18	17	15	11	11	13	16

1 Adjusted for the two-for-one stock split effective April 16, 2013.
2 Figures after transition to IFRS reflect application of the IAS 19 employee benefits accounting standard (amended 2011). See Section 8.2 of Management's discussion and analysis in this report.

Share prices and volumes[1]

Toronto Stock Exchange

Common shares (T)					2013					2012
(C$ except volume)	Year 2013	Q4	Q3	Q2	Q1	Year 2012	Q4	Q3	Q2	Q1
High	37.94	37.79	35.90	37.94	36.01	32.98	32.98	32.70	30.62	29.99
Low	29.52	33.57	30.38	29.52	32.03	27.60	30.57	30.13	28.56	27.60
Close	36.56	36.56	34.14	30.70	35.08	32.55	32.55	31.01	30.57	28.94
Volume (millions)	386.6	67.8	122.1	112.8	83.9	501.4	129.4	93.6	105.9	172.4
Dividend declared (per share)	1.36	0.36	0.34	0.34	0.32	1.22	0.32	0.305	0.305	0.29

New York Stock Exchange

Shares (TU)			Common shares[2]		2013			Non-voting shares		2012
(US$ except volume)	Year 2013	Q4	Q3	Q2	Q1	Year 2012	Q4	Q3	Q2	Q1
High	37.48	36.05	34.85	37.48	35.01	33.27	33.27	32.30	29.49	29.39
Low	28.15	32.55	29.32	28.15	32.12	25.78	30.61	29.08	27.55	25.78
Close	34.44	34.44	33.12	29.19	34.56	32.57	32.57	31.27	29.24	28.42
Volume (millions)	56.7	13.9	13.8	13.6	15.4	52.8	9.4	15.1	11.4	16.4
Dividend declared (per share)	1.306	0.337	0.327	0.332	0.311	1.221	0.324	0.311	0.297	0.290

1 Adjusted for the two-for-one stock split effective April 16, 2013.
2 Common shares were listed and began trading on the New York Stock Exchange on February 4, 2013.

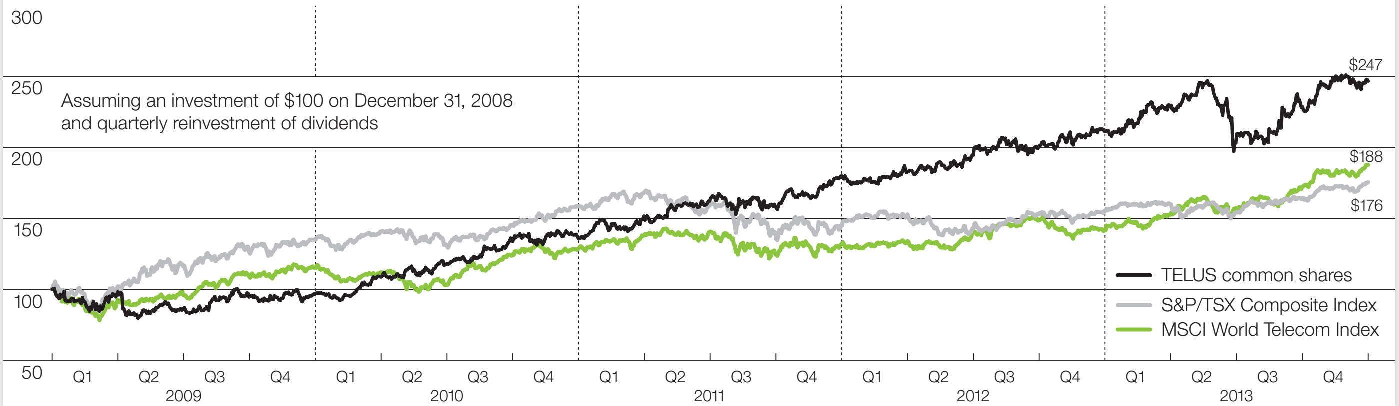
TELUS SHARES – FIVE-YEAR DAILY CLOSING PRICES[1]

($)

1 Adjusted for the two-for-one stock split effective April 16, 2013.
2 Common shares were listed and began trading on the NYSE on February 4, 2013. Prior to that, our former non-voting share class traded on the NYSE under the symbol TU.

TELUS TOTAL SHAREHOLDER RETURN COMPARISON

($)



TELUS Corporation notes

Canadian dollar Notes	Rate	Face value	Maturing
Series CE	5.95%	$500 million	April 2015
Series CI	3.65%	$600 million	May 2016
Series CD	4.95%	$700 million	March 2017
Series CG	5.05%	$1.0 billion	December 2019
Series CH	5.05%	$1.0 billion	July 2020
Series CM	3.60%	$400 million	January 2021
Series CJ	3.35%	$500 million	March 2023
Series CK	3.35%	$1.1 billion	April 2024
Series CL	4.40%	$600 million	April 2043
Series CN	5.15%	$400 million	November 2043

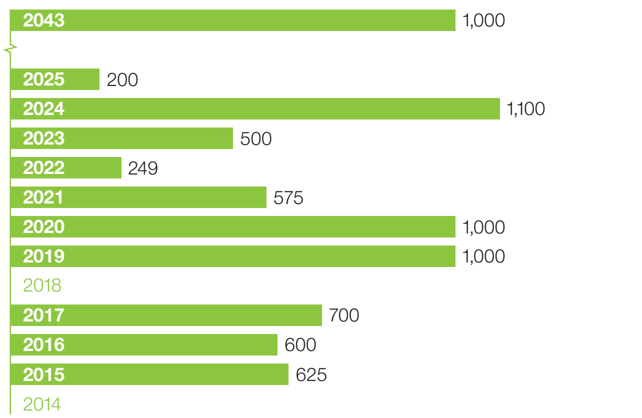
For a detailed list of long-term debt of the Company and our subsidiaries, see Note 21 of the Consolidated financial statements.

Credit rating summary

As of December 31, 2013	DBRS Ltd.	Standard & Poor's Rating Services	Moody's Investors Service	Fitch Ratings
TELUS Corporation				
Notes	A (low)	BBB+	Baa1	BBB+
Commercial paper	R-1 (low)	–	–	–
TELUS Communications Inc.				
Debentures	A (low)	BBB+	–	BBB+

LONG-TERM DEBT PRINCIPAL MATURITIES AS AT DECEMBER 31, 2013

($ millions)



TELUS has an excellent debt maturity schedule with no maturities in 2014. At the end of 2013, the average term to maturity of our debt was 9.4 years, compared to 5.5 years at the end of 2012.

Investor relations activities

Conferences and meetings	2013	2012
Conference calls with webcast:		
Quarterly earnings calls and targets call	4	4
Shareholder meetings	1	2
Investor conference presentations and tours	12	7
Investor meetings	166	137

For certain investor meetings and to reduce travel expenses and time, we use Cisco Telepresence, a high-definition video-conference service, between TELUS locations across Canada.

Key TELUS investment events

- In February, we completed our exchange of non-voting shares for common shares on a one-for-one basis, leaving TELUS with a single class of shares
- In April, we raised $1.7 billion of senior unsecured notes in two series, the first with an 11-year maturity and the second with a 30-year maturity
- On April 16, 2013, we completed our two-for-one stock split of TELUS common shares
- In May, we early redeemed our $700 million, Series CF, 4.95% notes due May 15, 2014
- We entered into an agreement to acquire wireless service provider Mobilicity on May 16, 2013. This proposed acquisition was rejected by Industry Canada in June
- In May, we commenced our NCIB to purchase up to 15 million of outstanding common shares (up to $500 million) up to December 31, 2013. This purchase amount was increased to $1 billion in July. The program was completed in September, purchasing 31.2 million shares at an average price of $32.07 per share
- We extended our dividend growth program in May by an additional three years to 2016, targeting semi-annual increases of circa 10% annually, subject to the Board's assessment and determination
- In July, we purchased 10 MHz of unused G-block spectrum in Alberta and B.C. from Novus Wireless Inc. for $67 million
- In October, we received Industry Canada approval to acquire Public Mobile. This transaction closed at the end of November following approval from the Competition Bureau.

Awards

- Captured top honours at the Corporate Reporting Awards from the Chartered Professional Accountants of Canada for the sixth time in seven years, and also received the Award of Excellence for Corporate Reporting in Communications and Media and Honourable Mentions for Excellence in Sustainable Development Reporting and in Financial Reporting Disclosure
- The TELUS annual report placed eighth in the world in the 2012 Annual Report on Annual Reports, and has now ranked in the top 10 for nine of the past 10 years
- Investor Relations Magazine Canada named TELUS as having the best crisis management and the best investor relations program in the technology sector. TELUS was ranked number three in the top investor relations programs in Canada
- Honoured for having the best executive compensation disclosure by the Canadian Coalition for Good Governance
- Recognized as having the best sustainability, ethics and environmental governance program by the Canadian Society of Corporate Secretaries
- Recognized by Mediacorp Canada as one of:
  - Canada's Top 100 Employers for the fifth year
  - Canada's Greenest Employers for the second year
  - Canada's Best Diversity Employers for the fifth year
  - Canada's Top Employers for Young People for the third year
  - Canada's Best Employers for New Canadians for the third year
- Recognized for corporate social responsibility by being included in the:
  - Dow Jones Sustainability North America Index for the 13th consecutive year
  - Carbon Disclosure Leadership Index
  - Canada's Top 50 Socially Responsible Corporations for the fifth year by Maclean's/Sustainalytics
  - Corporate Knights Best 50 Corporate Citizens in Canada for the seventh time
  - Corporate Knights Global 100 Most Sustainable Corporations for the fourth time
  - NASDAQ OMX CRD Global Sustainability Index
- Received the BEST award for excellence in employee learning and development from the American Society for Training and Development, making us one of three organizations worldwide to have received this recognition eight times.

Analyst coverage

As of February 2014, 18 equity analysts covered TELUS. For a detailed list, see the investor information section at telus.com/investors.

Information for security holders outside of Canada

Cash dividends paid to shareholders resident in countries with which Canada has an income tax convention are usually subject to Canadian non-resident withholding tax of 15%. If you have any questions, contact Computershare. For individual investors who are U.S. citizens and/or U.S. residents, quarterly dividends paid on TELUS shares are considered qualified dividends under the Internal Revenue Code and may be eligible for special U.S. tax treatment.

Foreign ownership monitoring – non-Canadian common shares

Under federal legislation, total non-Canadian ownership of common shares of Canadian telecommunications companies, including TELUS, is limited to 33⅓%.

For registered shareholders and shares trading on the TSX, a reservation system controls and monitors this level. This system requires non-Canadian purchasers of common shares to obtain a reservation number from Computershare by contacting the Reservations Unit at 1-877-267-2236 (toll-free) or telusreservations@computershare.com. The purchaser is notified within two hours if common shares are available for registration.

For shares trading on the NYSE, non-Canadian ownership is monitored by utilizing the Depository Trust & Clearing Corporation's SEG-100 Account program. All TELUS common shares held by non-Canadians must be transferred to this account (no reservation application is required).

Mergers and acquisitions – shareholder impacts

Emergis and Clearnet

If you still hold share certificates for Emergis or Clearnet, you must tender your shares to Computershare to receive consideration.

BC TELECOM, TELUS and QuébecTel

The common shares of BC TELECOM, pre-merger TELUS Corporation and QuébecTel no longer trade on any stock exchange. If you did not exchange your share certificates by the expiry dates, you ceased to have any claim against TELUS or any entitlement relating to those shares. If you have questions regarding unexchanged share certificates, please contact Computershare.

Information is also available on telus.com/m&a regarding capital gains information, valuation dates and prices for 1971 and 1994.

Visit **telus.com/m&a** for additional information on how your shareholdings have been affected by various merger and acquisition transactions.

e-delivery of shareholder documents

We invite you to sign up for electronic delivery of TELUS information by visiting telus.com/electronicdelivery. The benefits of e-delivery include access to important Company documents in a convenient, timely and environmentally friendly way that also reduces printing and mailing costs. Approximately 42,000 of our shareholders receive the annual report by e-delivery.

Annual meeting of shareholders

On Thursday, May 8, 2014, the annual meeting will be held at 10 a.m. (local time) at the Fairmont Pacific Rim located at 1038 Canada Place, Vancouver, B.C. An Internet webcast, complete with video and audio, will be available to shareholders around the world. Shareholders unable to attend the meeting in person can vote by Internet, telephone or mail. Visit telus.com/agm for details.

For more information

For questions on:

- Direct registration system (DRS) advice or accounts
- Dividend payments and the Dividend Reinvestment and Share Purchase Plan
- Change of address and e-delivery of shareholder documents
- Transfer or loss of share certificates and estate settlements
- Exchange of share certificates due to a merger or acquisition

Contact the transfer agent and registrar:

Computershare Trust Company of Canada
1-800-558-0046 or +1 (514) 982-7129 (outside North America)
email: telus@computershare.com
visit: computershare.com

For questions regarding additional financial or statistical information, industry and Company developments, or the latest news releases and investor presentations, contact:

TELUS Investor Relations

1-800-667-4871 or +1 (604) 643-4113 (outside North America)
email: ir@telus.com
visit: telus.com/investors

TELUS executive office

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phone (604) 697-8044
fax (604) 432-9681

TELUS general information

British Columbia	(604) 432-2151
Alberta	(403) 530-4200
Ontario	1-800-308-5992
Quebec	(514) 665-3050

Ethics Line

As part of our ethics policy, this hotline allows team members and others to anonymously and confidentially raise accounting, internal controls and ethical inquiries or complaints.
phone: 1-888-265-4112
visit: telus.ethicspoint.com

Auditors

Deloitte LLP

Information matters to you.
Providing what you need matters to us.

At TELUS, we are unleashing the power of the Internet to deliver the best solutions to Canadians at home, in the workplace and on the move. That is why we spend a lot of time and effort developing our websites to ensure you can find what you want, when you want it.

For our customers

We are working hard to give you the information you need online.

- How we are putting you first — telus.com/you
- Our residential products and services — telus.com
- Managing your residential account — telus.com
- Managing your wireless account — telus.com
- Get the most out of your device — telus.com/learn
- Our business solutions — telus.com/business
- News, weather, phone book, TELUS webmail and more — mytelus.com
- Healthcare solutions, resources and tools — telushealth.com

For our investors

Stay current with the latest TELUS investor information and sign up for email alerts by visiting telus.com/investors.

- Annual meeting shareholder documents and proxy materials — telus.com/agm
- TELUS annual report — telus.com/annualreport
- Dividend Reinvestment and Share Purchase Plan details — telus.com/drisp
- Signing up for e-delivery of shareholder documents — telus.com/electronicdelivery
- Latest quarterly financial documents — telus.com/quarterly

For the community

We give where we live to support our communities and help make a positive impact on society through our business and human resources practices.

- TELUS corporate social responsibility report — telus.com/csr
- How customers help us give where we live — telus.com/community
- How charitable organizations can apply for funding — telus.com/community
- TELUS WISE (wise Internet and smartphone education) — telus.com/wise

Why invest in TELUS?

Your investment matters to you.
Striving to deliver matters to us.

TELUS is creating value by:

- Delivering on our customers first priority to strengthen our competitive position and financial performance
- Driving customer and service growth with our 4G LTE wireless network and through a superior home entertainment experience with Optik TV and high-speed Internet services
- Advancing our leadership position in the business, public sector and healthcare markets through an intense focus on high-quality service implementation, economics and customer care
- Targeting 2014 growth in revenue and earnings
- Generating strong cash flow, driven by higher operating earnings, to fund investments in broadband infrastructure and wireless spectrum, while returning capital to shareholders
- Continuing to offer investors a clear dividend growth program targeting two dividend increases per year to the end of 2016 of circa 10 per cent annually, building on our strong track record of delivering 13 dividend increases since 2004
- Returning $1 billion to shareholders in 2013 as part of our multi-year share purchase program that is targeting up to $2.5 billion in purchases through 2016, subject to the TELUS Board's determination
- Adhering to our financial policies to maintain strong investment grade credit ratings, which provide ready access to capital market funding
- Providing transparent and award-winning financial, corporate governance and sustainable development disclosure.

TELUS

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