

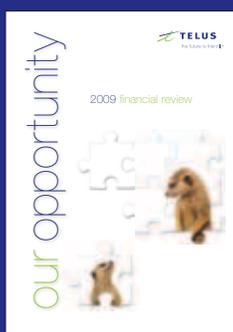
our opportunity

2009 corporate review



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For detailed financial information, investor information and our commitment to ethics and corporate governance, refer to the TELUS 2009 annual report – financial review or visit [telus.com/annualreport](http://telus.com/annualreport).



For information on our commitment to economic, social and environmental sustainability, refer to the TELUS 2009 corporate social responsibility report or visit [telus.com/csr](http://telus.com/csr).

#### **Caution regarding forward-looking statements summary**

This document contains statements about expected future events and financial and operating performance of TELUS that are forward-looking. By their nature, forward-looking statements require the Company to make assumptions and are subject to inherent risks and uncertainties. There is significant risk that the 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 assumptions, 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 in its entirety by the assumptions (including assumptions for 2010 targets), qualifications and risk factors referred to in the Management's discussion and analysis starting on page 12 of the TELUS 2009 annual report – financial review and in other TELUS public disclosure documents and filings with securities commissions in Canada (on SEDAR at [sedar.com](http://sedar.com)) and in the United States (on EDGAR at [sec.gov](http://sec.gov)). TELUS disclaims any intention or obligation to update or revise forward-looking statements, except as required by law, and reserves the right to change, at any time at its sole discretion, its current practice of updating annual targets and guidance.

All financial information is reported in Canadian dollars unless otherwise specified.

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# our value

## why invest in TELUS

Invest in a Canadian telecommunications company focused on wireless and data whose consistent growth strategy is generating significant cash flows from operations. Supported by our powerful brand, financial strength and operational capabilities, TELUS is leveraging our opportunities to create long-term value for investors.

### We are creating opportunities for growth and value by:

- Advancing our wireless competitive position with Canada's fastest and biggest<sup>1</sup> next generation 3G+ high-speed packet access (HSPA+) network
- Driving wireless customer and data revenue growth with access to the world's leading 3G+ smartphones and mobile Internet keys
- Improving our wireline competitive position through broadband network expansion that continues to enhance our consumer and business offerings
- Achieving significant cost savings from ongoing operational efficiency initiatives
- Offering our investors an attractive dividend and a new three per cent share price discount in our dividend reinvestment program
- Providing global leadership in financial reporting and disclosure, corporate governance, social responsibility and sustainability.



<sup>1</sup> Comparing HSPA/HSPA+ national networks as of January 2010: "fastest" according to tests of data throughput speeds in large Canadian urban centres and "biggest" based on geographic coverage and population covered.

# our highlights



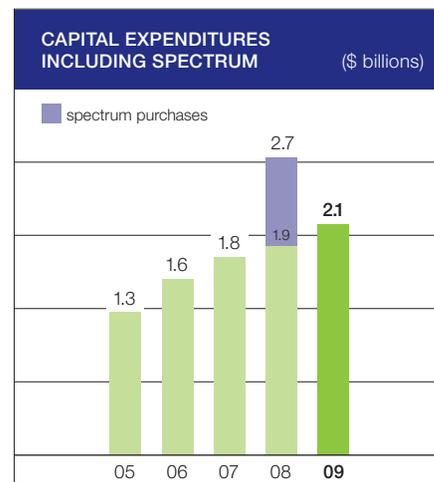
Operating revenues decreased slightly due to recessionary impacts and continued competitive intensity



EBITDA decreased by 7.6% largely due to higher restructuring costs and pension expense



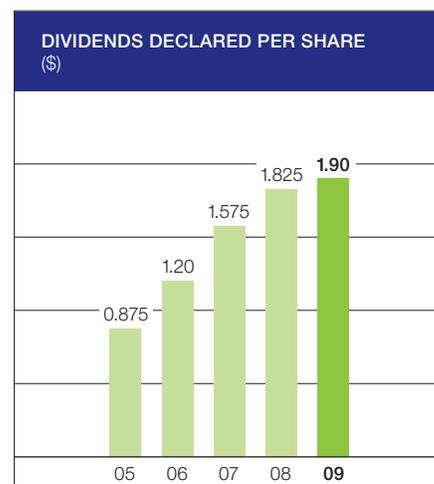
EPS decreased by 11% in 2009 due primarily to lower EBITDA and loss on early debt redemption, partially offset by positive income tax-related adjustments



Excluding spectrum, capital expenditures increased by 13% primarily due to investments to support the early launch of our 3G+ wireless network



Free cash flow increased by \$139 million mainly from lower capital expenditures including spectrum, partially offset by lower EBITDA and higher income tax payments



Dividends in 2009 were \$1.90 per share, up 4.1% over 2008

# 2009 financial and operating highlights

(\$ in millions except per share amounts)	2009	2008	% change 2009 to 2008	2007	% change 2009 to 2007
<b>Operations</b>					
Operating revenues	\$ 9,606	\$ 9,653	(0.5)	\$ 9,074	5.9
EBITDA <sup>1</sup>	\$ 3,491	\$ 3,779	(7.6)	\$ 3,589	(2.7)
EBITDA as adjusted <sup>2</sup>	\$ 3,491	\$ 3,779	(7.6)	\$ 3,758	(7.1)
Operating income	\$ 1,769	\$ 2,066	(14.4)	\$ 1,974	(10.4)
Net income attributable to common and non-voting shares	\$ 998	\$ 1,128	(11.5)	\$ 1,258	(20.7)
Earnings per share (EPS) – basic	\$ 3.14	\$ 3.52	(10.8)	\$ 3.79	(17.2)
EPS – basic, as adjusted <sup>2,3</sup>	\$ 3.36	\$ 3.52	(4.5)	\$ 4.11	(18.2)
EPS – basic, as adjusted <sup>2,3</sup> (excluding income tax-related adjustments)	\$ 2.81	\$ 3.37	(16.6)	\$ 3.33	(15.6)
Dividends declared per share	\$ 1.90	\$ 1.825	4.1	\$ 1.575	20.6
Dividend payout ratio (%) <sup>4</sup>	61	54	–	47	–
Return on common equity (%)	13.4	16.0	–	18.4	–
Cash from operations	\$ 2,904	\$ 2,819	3.0	\$ 3,172	(8.4)
Capital expenditures	\$ 2,103	\$ 1,859	13.1	\$ 1,770	18.8
Payment for wireless spectrum	\$ –	\$ 882	–	\$ –	–
<b>Financial position</b>					
Total assets	\$ 19,219	\$ 19,021	1.0	\$ 16,849	14.1
Net debt <sup>5</sup>	\$ 7,312	\$ 7,286	0.4	\$ 6,141	19.1
Net debt to EBITDA ratio <sup>6</sup>	2.0	1.9	–	1.7	–
Free cash flow <sup>7</sup>	\$ 500	\$ 361	38.5	\$ 1,388	(64.0)
Owners' equity	\$ 7,575	\$ 7,108	6.6	\$ 6,855	10.5
Market capitalization of equity <sup>8</sup>	\$ 10,642	\$ 11,483	(7.3)	\$ 15,823	(32.7)
<b>Other information</b> (as at December 31)					
Wireless subscribers (000s)	6,524	6,129	6.4	5,568	17.2
Network access lines (000s)	4,048	4,246	(4.7)	4,404	(8.1)
Internet subscribers (000s)	1,215	1,220	(0.4)	1,175	3.4
TV subscribers (000s) <sup>9</sup>	170	78	117.9	35	385.7
Total customer connections (000s)	11,957	11,673	2.4	11,182	6.9

1 Earnings before interest, taxes, depreciation and amortization, calculated as Operating revenues less Operations expense and Restructuring costs.

2 Excludes a \$169 million incremental charge in 2007, which did not result in an immediate cash outflow, relating to the introduction of a net-cash settlement feature for share option awards granted prior to 2005.

3 Excludes debt redemption losses of 22 cents per share in 2009.

4 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.

5 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, and proceeds from securitized accounts receivable, less Cash and temporary investments.

6 Net debt to EBITDA, where EBITDA excludes Restructuring costs.

7 EBITDA, adding Restructuring costs, net employee defined benefit plans expense, the excess of share compensation expense over share compensation payments and interest received; and deducting restructuring payments, employer contributions to employee defined benefit plans, interest paid, cash income taxes, capital expenditures, payment for wireless spectrum, donations, and securitization fees.

8 Market value based on year-end closing share prices and shares outstanding.

9 TV subscribers consists of TELUS IP TV and TELUS Satellite TV.

Note: Certain comparative information has been restated to conform with the 2009 presentation.

## 2009 scorecard

At TELUS, we believe in setting annual financial targets. This scorecard summarizes TELUS' 2009 performance against our original consolidated targets.

Failure to achieve our targets in 2009 reflects an underestimation of the full impact of the recession in Canada on the company's wireless customers and the acceleration of efficiency initiatives that resulted in higher restructuring costs. Capital expenditures were slightly higher due to early completion of the 3G+ wireless network.

Consolidated	2009 results	2009 original targets	Result
Revenues	\$9.606 billion	\$10.025 to \$10.275 billion	✘
EBITDA	\$3.491 billion	\$3.75 to \$3.9 billion	✘
Earnings per share (EPS)			
EPS – basic	\$3.14	–	–
EPS – basic (excluding income tax-related adjustments and loss on redemption of long-term debt) <sup>1</sup>	\$2.81	\$3.40 to \$3.70	✘
Capital expenditures	\$2.103 billion	\$2.05 billion approximately	✔

<sup>1</sup> Excludes 55 cents per share of positive income tax-related adjustments and 22 cents per share for a loss on early partial redemption of long-term debt, which were not contemplated in setting 2009 targets.

✔ Met target ✘ Did not meet target

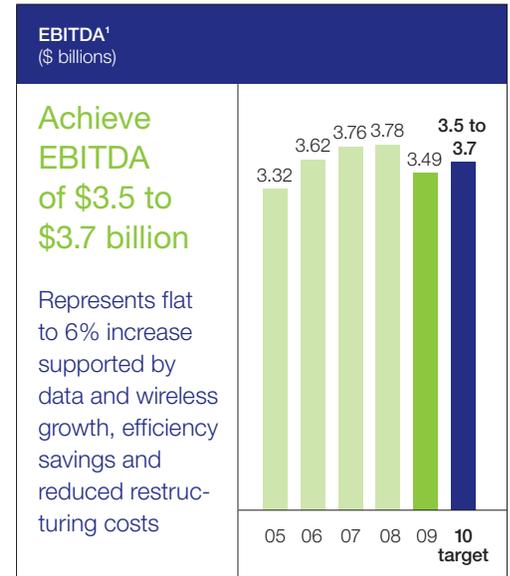
For further information, see Section 1.4 of the Management's discussion and analysis in the TELUS 2009 annual report – financial review.



# our goals

## 2010 targets

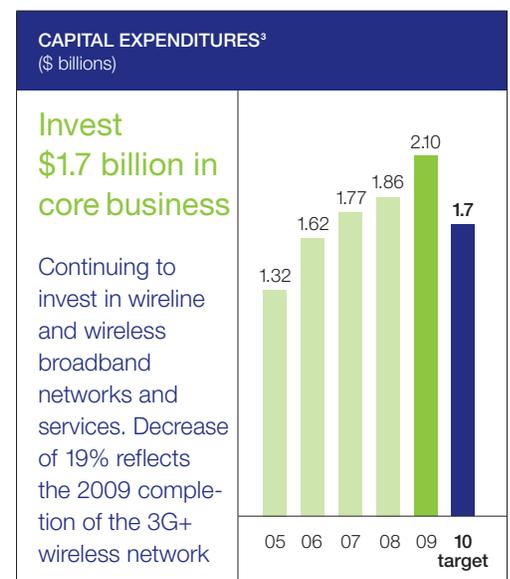
For additional information and a complete set of 2010 financial targets, see Sections 1.4 and 1.5 of the Management's discussion and analysis in the TELUS 2009 annual report – financial review.



<sup>1</sup> 2007 EBITDA excludes \$169 million net-cash settlement feature expense for past options.



<sup>2</sup> Basic EPS as adjusted, excluding favourable income tax-related adjustments. Also, in 2007, excluding 32 cents for a net-cash settlement feature and, in 2009, excluding 22 cents for early debt redemption cost.



<sup>3</sup> Excluding wireless spectrum costs of \$882 million in 2008.

The 2010 targets shown on this page and in the following sections are qualified in their entirety by the Caution regarding forward-looking statements on page 12 of the TELUS 2009 annual report – financial review.



# wireless

We provide integrated digital wireless voice, data and Internet services on our three nationwide wireless networks – 3G+ (HSPA+), 3G (CDMA) and TELUS Push to Talk® services with Mike® (iDEN). We are unique in the Canadian market with our multi-network strategy offering customers the widest choice of wireless solutions to best meet their needs.

Canada's fastest and biggest<sup>1</sup> 3G+ network, reaching **93%** of the population

**World-class selection** of smartphones and mobile Internet keys

Added **406,000** wireless subscribers in 2009, with 93% on postpaid plans

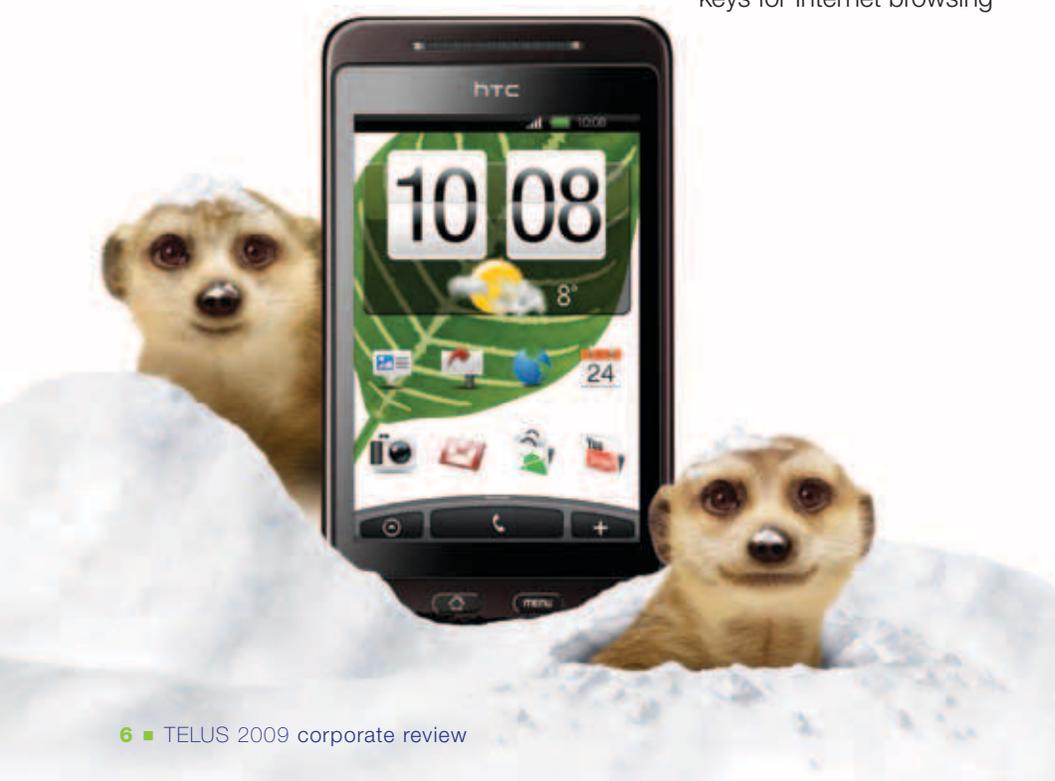
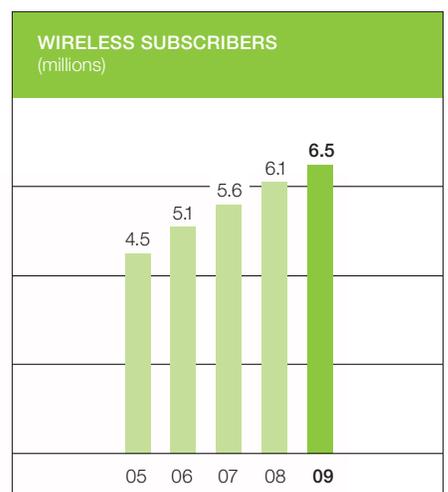
Generated **\$1.2 billion** in cash flow from wireless operations

## what we offer

**Digital voice** – postpaid, Pay & Talk® prepaid and Mike all-in-one services covering 98% of Canadians, and international roaming to over 200 countries on our 3G+ network

**Internet and data** – web browsing, social networking, instant messaging, text messaging, picture and video messaging, images, ringtones, TELUS Mobile TV®, video on demand, TELUS Mobile Radio®, downloadable music and the latest wireless mobile applications

**Devices** – including a full range of smartphones and mobile Internet keys for Internet browsing



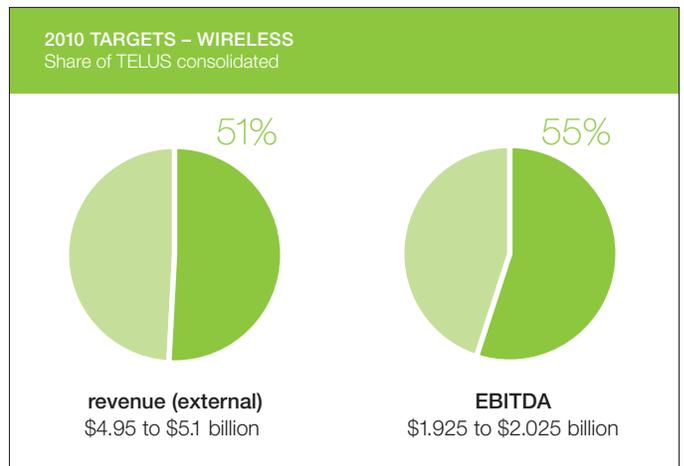
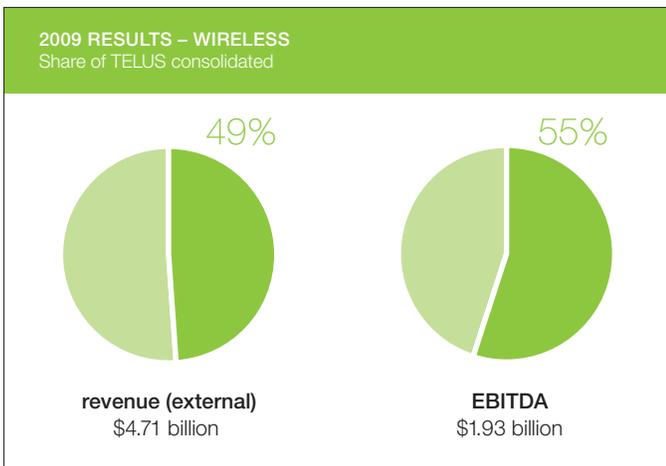
<sup>1</sup> Comparing HSPA/HSPA+ national networks as of January 2010: "fastest" according to tests of data throughput speeds in large Canadian urban centres and "biggest" based on geographic coverage and population covered.  
<sup>2</sup> Current capability of HSPA+ network technology based on manufacturers' ratings.

# 2009

- Invested in wireless broadband capabilities and launched Canada's fastest and biggest next generation HSPA 3G+ network offering increased wireless data download speeds of up to 21 megabits per second (Mbps)<sup>2</sup> with typical download speeds of four to six Mbps, plus international roaming to more than 200 countries
- Introduced an array of new innovative HSPA smartphones, including the Apple iPhone 3GS
- Reduced pricing complexity with the launch of new Clear and Simple™ rate plans with no system access or carrier 911 fees and fewer rate plan options, which better positions TELUS to attract and retain customers
- Extended our exclusive points of wireless distribution to more than 1,100 with the addition of 113 premium Black's Photo locations, 72% of which are in Ontario
- Expanded Koodo Mobile® distribution channels and achieved more than 75% brand awareness nationally
- Achieved a 30% increase in wireless data revenue due to the acceleration of sales of smartphones and mobile Internet keys.

# 2010

- Focusing on customer retention through our commitment to customer service excellence, supported by TELUS' future friendly® brand promise that highlights our dependable networks, exceptional client care and innovative new devices
- Leveraging our next generation HSPA 3G+ network to offer innovative new wireless data devices and applications for businesses and consumers across Canada
- Growing wireless data revenue by increasing sales and usage of smartphones and mobile Internet keys
- Capitalizing on the flexibility of our basic Koodo® service to target various customer segments while continuing to complement the full-service TELUS brand in the marketplace
- Generating up to \$2.0 billion in EBITDA from our wireless operations.



# wireline

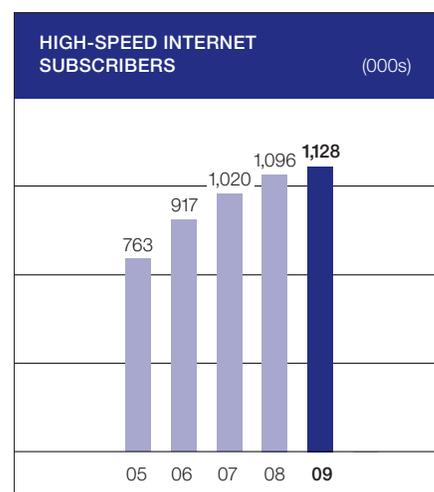
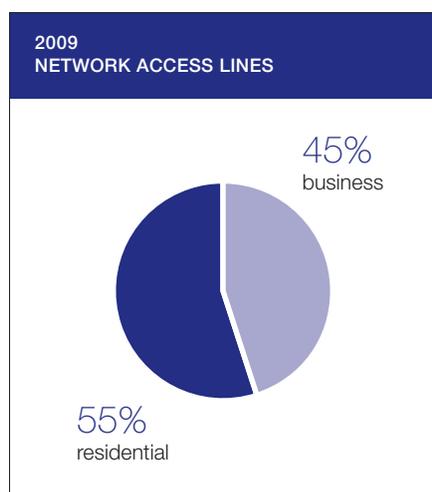
We are a full-service incumbent local exchange carrier in B.C., Alberta and Eastern Quebec offering a wide range of telecommunications products and services to consumers including local, long distance, Internet, television and entertainment services. Nationally, we provide communications and IT solutions for businesses including IP, voice, video, data and managed solutions.

**4.0 million** network access lines

**1.2 million** Internet subscribers, 93% of whom receive high-speed service

TELUS TV subscriber base up 118% to **170,000** in 2009

Exclusive provider of **PVR Anywhere** in Western Canada



## what we offer

**Voice** – reliable phone service with long distance and call management services

**Internet** – secure high-speed Internet access with a comprehensive suite of security services

**TELUS TV** – flexible high-definition (HD) entertainment service with personal video recording (PVR), HD Video on Demand and Pay Per View services – delivered by IP and satellite

**IP networks and applications** – advanced IP networks that offer converged voice, video, data and Internet services on a secure, high-performing network

**Conferencing and collaboration** – full range of equipment and application solutions to support meetings using phone, video and the web

**Contact centre and outsourcing solutions** – managed solutions providing secure, stable, low-cost and scalable infrastructure. TELUS International is a leading provider, with sophisticated centres in North America, Central America and Asia

**Hosting and managed IT** – ongoing assured availability of telecommunications, networks, servers, databases, files and applications with critical applications stored in TELUS' intelligent Internet data centres

**Healthcare** – TELUS Health Solutions provides claims management solutions, hospital-to-home technology, patient records at the point of care, and access to essential drug and medical information through information communication technology

# 2009

- Directed a large portion of our \$1.3 billion wireline investment to significantly expand and enhance coverage and capability of our broadband infrastructure to support innovative solutions for clients in B.C., Alberta and Eastern Quebec
- Launched TELUS Satellite TV™ service, which expanded TELUS TV and our wireline service bundles to more than 90% of households in Alberta and B.C., allowing for mass marketing economies of scale
- Expanded our TELUS TV service, across B.C., Alberta and Eastern Quebec, and more than doubled our TV subscriber base to 170,000 subscribers
- Invested in operational efficiency initiatives to improve the cost structure in wireline operations and help mitigate the dilutive impact of growth investments and revenue declines resulting from technological substitution and the recession
- Focused on key business verticals and invested to implement major enterprise contracts including Government of Quebec
- Expanded market share in healthcare by securing multi-million dollar contracts within the public and private sectors, and were granted an exclusive licence to host and operate Microsoft's HealthVault technology for the development of consumer-focused e-health services in Canada.

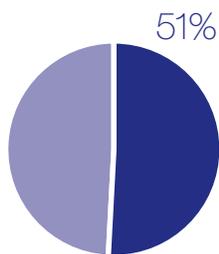


# 2010

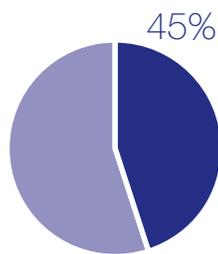
- Increasing our market for Internet-based TELUS TV by continuing our broadband expansion to reach up to 90% of households in the top 48 urban markets in B.C. and Alberta
- Doubling our broadband speeds up to 30 Mbps by upgrading to VDSL2 technology, while continuing our fibre to the home deployment in new residential areas
- Launching next generation TV service on the Microsoft Mediaroom platform with introduction of PVR Anywhere
- Leveraging a full suite of bundled services, including voice, Internet and TV, to enhance customer loyalty and retention
- Continuing to improve our cost effectiveness through ongoing operational efficiency and cost reduction initiatives
- Focusing on the small and medium business market with an integrated and regional approach to serving clients
- Generating up to \$5 billion in revenue, reflecting growth in business data, TELUS TV, TELUS International and TELUS Health Solutions, offset by declining local and long distance revenue.

## 2009 RESULTS – WIRELINE

Share of TELUS consolidated



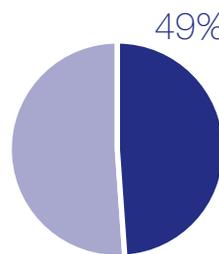
revenue (external)  
\$4.90 billion



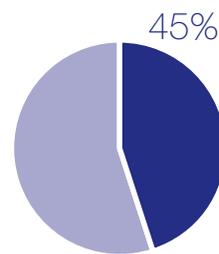
EBITDA  
\$1.56 billion

## 2010 TARGETS – WIRELINE

Share of TELUS consolidated



revenue (external)  
\$4.85 to \$5 billion



EBITDA  
\$1.575 to \$1.675 billion

# our opportunity

## letter to investors

Dear investor,

The year 2009 was one of accomplishments and challenges for TELUS. As we navigated our way through a recession, we continued to advance our national growth strategy and delivered on many significant investment and strategic projects. These achievements create a great opportunity for improved performance and growth in the coming years.



## This is our opportunity

Looking back, 2009 was a challenging year for TELUS. As the weaker than expected Canadian economy reduced our wireless revenue growth, we responded by accelerating our operational efficiency efforts, which adversely affected our financial performance. In addition, new wireless competition issues increased uncertainty for investors.

We recognize that TELUS investors were not rewarded in 2009. Whilst TELUS shares outperformed the stock market in 2008, our shares did not participate in the strong stock market recovery in 2009. The total return for the year was down by three per cent, including the dividends paid. Communications stocks across North America have underperformed the stock market and in Canada those with the highest exposure to wireless, like TELUS, were most affected.

Despite this situation and due to our strong financial resources, we continued to push forward on core investments for the future, staying true to our strategic path. Our dedicated team has successfully delivered on critical customer and operational initiatives. As shown in the table below, the perseverance of the TELUS team in executing our national growth strategy has significantly transformed TELUS over the past decade.

Indeed, as we advanced this strategy in the second half of 2009, we ended the year with strengthened confidence in our future financial performance and ability to create future shareholder value.



TELUS' support is helping to make Jeneece Place a reality. Named after the young charitable visionary Jeneece Edroff, shown here with Darren Entwistle, the new facility will be a home away from home for Vancouver Island children requiring medical treatment and their families.

## TELUS evolution from 2000 to 2009

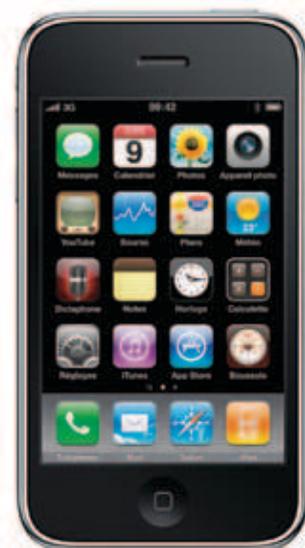
	2000 <sup>1</sup>	2009 <sup>2</sup>	% change
Revenue	\$6.0 billion	\$9.6 billion	↑ 60%
EBITDA	\$2.4 billion	\$3.5 billion	↑ 46%
Net income	\$681 million	\$1.0 billion	↑ 47%
Total customer connections	6.0 million	12.0 million	↑ 100%
Wireless subscribers	1.1 million	6.5 million	↑ 491%
Network access lines	4.5 million	4.0 million	↓ (11%)
High-speed Internet subscribers	26,000	1.1 million	↑ 4,131%
TELUS TV subscribers	–	170,000	↑ –
Enterprise value	\$10.5 billion	\$17.9 billion	↑ 70%
Dividends paid to shareholders	\$336 million	\$602 million	↑ 79%

1 Revenue, EBITDA, net income and EPS are 12 months trailing from June 30, 2000. Subscribers and enterprise value as at January 1, 2000.

2 Revenue, EBITDA, net income and EPS are 12 months trailing from December 31, 2009. Subscribers and enterprise value as at December 31, 2009.

# more choices

With the launch of our new 3G+ network, cool smartphones like the iconic Apple iPhone 3GS and Clear and Simple rate plans, there has never been a better time to choose TELUS.



## Game-changing developments create opportunity

Throughout 2009, we achieved a number of game-changing milestones that significantly improve our competitive position and prepare us for stronger future performance.

On the wireless side, your company contributed to the transformation of Canada's competitive landscape. In November, we launched Canada's fastest and biggest 3G+ wireless network, which gives more than 31 million Canadians access to advanced speeds and services. Canadians now enjoy access to one of the most advanced 3G+ networks in the world.

The network also facilitated the launch of a compelling array of new smartphones, including the iconic Apple iPhone 3GS, giving TELUS clients more choices and earlier access to the latest devices.

In addition, TELUS strengthened our competitive position by introducing a new suite of simplified rate plans that reduces the number of plan options and makes it easier for consumers and business customers to choose a plan that is right for them. We also expanded our wireless distribution with the acquisition of Black's Photo Corporation.

On the wireline side, your company made great progress in improving our position relative to the major Western-based cable-TV competitor.

We continued to build our wireline broadband infrastructure, significantly enhancing our service footprint for higher-speed Internet and high-definition (HD) TELUS TV service. Our launch of satellite TV service in July supplemented our ongoing expansion of IP-based TV service. We now reach more than 90 per cent of homes in Alberta and British Columbia with TELUS TV service, compared to only a third at the beginning of the year.

In February 2010, we launched the next phase of TELUS TV service with an upgrade to Microsoft Mediaroom.

This software platform provides a best-in-class entertainment experience with superior picture quality, instantaneous channel changes and greater viewing control through an upgraded on-screen programming guide that features a picture-in-picture capability. Most importantly, it features PVR Anywhere, which enables clients to record and play back shows on up to six TVs in the home from a single PVR.

## Our financial performance and outlook

TELUS' results were impacted by the recession more than originally anticipated as well as by ongoing competitive intensity, which resulted in reduced wireless voice revenues as customers trimmed their wireless spending. Earnings were also affected by much higher than expected restructuring costs as management responded with accelerated efficiency initiatives. As a result, we did not achieve most of our financial targets in 2009.

Revenue was down slightly in 2009 to \$9.6 billion. Operating earnings (EBITDA) was down almost eight per cent to \$3.5 billion, with almost half the decline due to higher restructuring costs for efficiency initiatives. Net income was down \$129 million to \$1 billion due largely to lower operating earnings and early debt redemption costs incurred following a successful \$1 billion debt refinancing. As planned, capital expenditures in 2009 were higher than historical levels, ending the year at \$2.1 billion, as a result of the major wireline and wireless broadband network expansion and enhancement projects.

Free cash flow increased by 39 per cent in 2009 to \$500 million due primarily to the absence of 2008 spectrum costs, partially offset in 2009 by lower operating earnings, the increase in capital investments in our core businesses and an increase in cash taxes.

We continue to balance the interests of equity and debt holders. For example, we are maintaining the

dividend at an annualized level of \$1.90 in 2010, representing a current dividend yield of close to six per cent. We also introduced a three per cent share price discount for shareholders participating in dividend reinvestment. We have sustained strong investment grade credit ratings and successfully issued \$1.7 billion in two debt offerings during the year at attractive interest rates, demonstrating our robust access to funding in the Canadian capital markets.

The significant investments made in 2009 in broadband infrastructure expansion and efficiency initiatives are creating opportunities for 2010 and the years ahead. We expect that improving economic and revenue per customer trends will generate modest revenue growth in 2010. Earnings are expected to be positively impacted by \$135 million in cost efficiency savings to help offset the dilutive impact of wireless smartphone growth from contract device subsidies and competitive impacts. Excluding certain non-recurring items, we expect underlying earnings per share (EPS) growth of three to 17 per cent. Most encouragingly, we expect free cash flow to grow by over 50 per cent in 2010 and to continue an upward trend in 2011 and beyond. This is underpinned by a planned \$400 million reduction in capital expenditures in 2010 as spending returns to more historical levels.

### Our strategy, our opportunity

TELUS' success continues to be predicated upon the solid delivery of our long-standing strategy focused on the growth markets of data and wireless. Guiding our efforts are six strategic imperatives, which have been in place for nearly a decade, that continue to address the dynamic competitive environment in which we operate.

The following is a discussion of our performance and plans as they relate to these imperatives.

### Building national capabilities

We made tremendous progress in 2009 on two major infrastructure projects that greatly improve our competitive position and provide better services to our customers.

TELUS' nationwide high-speed packet access (HSPA) 3G+ wireless network was completed several months ahead of schedule after only one year of construction. This was an unprecedented undertaking that involved upgrading 2,000 cell sites. Through our innovative shared network build approach we achieved a speed-to-market advantage, a coverage and performance advantage over one of our major competitors and all new entrants, and meaningfully lower capital and operating costs.

This development represents a further evolution of our multi-network strategy, giving clients access to three leading wireless networks – HSPA, CDMA (code division multiple access) and iDEN (Push to Talk) – and a greater selection of devices and services.

In addition, we are strengthening our competitive position by continuing to enhance our wireline broadband network, which significantly expands the customer reach of our high-speed Internet and digital TELUS TV service. We invested in ADSL2+ technology to expand our footprint to 1.8 million households, which involved upgrading over 2,100 digital serving areas in 2009, double our best previous build rate. By the end of 2010, we expect to reach up to 90 per cent of the top 48 communities in Alberta and B.C. As a next step, we have also started deploying VDSL2 technology, which will bring customers even faster network speeds of up to 30 megabits per second when the upgrade is largely complete by the end of 2011.

In the wireline business market, we maintained our focus on five key business verticals – the public sector, healthcare, financial services, energy and telecom wholesale – and

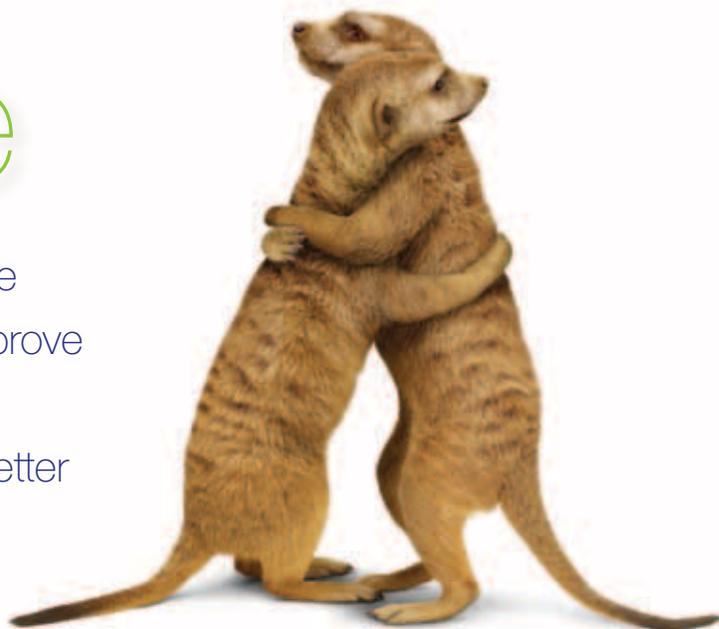


# more fun

With TELUS' growing entertainment portfolio, customers can now enjoy a wide selection of services – TELUS TV, HD Video on Demand, Pay Per View, TELUS Mobile TV, TELUS Mobile Radio and TELUS Mobile Music.

# better healthcare

TELUS' focus on transforming healthcare is delivering innovative solutions that improve information accuracy, provide real-time access to patient records and enable better health management.



continued to implement several multi-year, managed enterprise business contracts in 2009. These contracts present an opportunity to ramp up revenue and decrease operating costs as we move from implementation to full service. This includes the seven-to-10-year contract with the Government of Quebec, worth up to \$900 million, that we were awarded in late 2008.

## Focusing on data and wireless growth

Wireless and data revenues now account for 71 per cent of total revenue, compared to 28 per cent in 2000. Whilst TELUS experienced good wireless subscriber growth in 2009, this was largely offset by significantly decreased revenue per subscriber, resulting in wireless revenue growth of two per cent for the year.

Our new 3G+ wireless network enables us to benefit from the future global ecosystem, economies of scale and enhanced roaming revenues. Canadians also benefit from a compelling selection of innovative HSPA smartphones and devices including the Apple iPhone 3GS, the BlackBerry Bold and the Android-powered HTC Hero. Whilst smartphones require an upfront investment and present near-term earnings dilution, they also represent significant opportunities for data revenue growth. As well, they enable us to participate in markets and revenue opportunities to which we have previously not had full access such as global roaming.

Based on consumer research, we launched new Clear Choice™ rate plans, which offer customers simplified pricing and eliminate the system access and carrier

911 charges. We expect that these rate plans will improve our competitive position, increase subscriber loading and reduce churn, whilst supporting enhanced efficiency.

We also implemented significant improvements on [telusmobility.com](http://telusmobility.com) to enhance our clients' online experience. For example, the revamped Your Account section gives clients easy online access to manage their services and billing, and the innovative Smartfit self-service tool helps customers find a smartphone that perfectly matches their specific needs.

## Partnering, acquiring and divesting

We acted on two beneficial business opportunities with Bell Canada, and, at the same time, continued to vigorously compete with Bell. We leveraged our network sharing agreement with Bell to build Canada's fastest and biggest 3G+ wireless network, which delivered an early launch at approximately half the cost. We also entered into an agreement to offer satellite TV service, branded as TELUS, in Alberta and B.C.

As well, we entered into a network sharing agreement with SaskTel, which is expected to roll out HSPA+ coverage in Saskatchewan in 2010 and 2011 and will provide improved service for TELUS customers.

In the fall, we expanded our wireless distribution channel with the \$26 million acquisition of Black's Photo, Canada's premier national imaging and digital retailer. With 113 stores across Canada, a strong reputation for customer excellence and a loyal retail customer base, Black's is an excellent fit for the sale of TELUS camera phones. This transaction

particularly strengthened our distribution in premium mall locations and in Ontario, where 72 per cent of Black's stores are located.

Additionally, we entered into an agreement with Microsoft granting TELUS the exclusive licence to host and operate this platform for a consumer-focused e-health service in Canada. The service will be called TELUS Health Space™, powered by Microsoft HealthVault, and is expected to be launched in 2010.

### Providing integrated solutions

Customers want applications and services that simplify their lives and are less concerned with the background technology that delivers the features and benefits they want. As a communications company, we must look for opportunities that integrate technologies in innovative ways to provide future friendly solutions.

The launch of TELUS Satellite TV service in July enables us to offer more widely attractive wireline bundles of local, long distance, Internet and entertainment services. Our ongoing broadband build is expanding our IP-based TELUS TV service coverage across B.C., Alberta and Eastern Quebec, providing more HD TV channels and personal video recording capabilities. In 2009, we experienced strong subscriber growth in TELUS TV service, more than doubling the subscriber base to 170,000.

We are pursuing the fast-growing small and medium business (SMB) market by offering differentiated solutions that leverage our leadership in connectivity, security and IP-based solutions. With our new 3G+ wireless network, for example, our SMB customers now have quicker access to more robust applications and capabilities such as wireless integrated TELUS Business One®, mobile hosted exchange and mobile or at-home work options. Starting in late 2009, we are realigning and increasing our resources to take a more integrated and regional approach to improve service to SMB clients.

### Investing in internal capabilities

Our focus on operational efficiency intensified in 2009 and will continue in 2010 as we work to grow our business in the midst of intense competition and a weak economy. This has involved a concentrated effort characterized by innovative approaches to optimizing resources and in-depth analyses of the organization, including a further reduction of management spans and layers. We are continuing to implement numerous initiatives to reduce costs in areas such as benefits, travel, procurement, real estate, inventory management, and contracting and consulting. In 2009, we reduced our domestic workforce by eight per cent and are targeting a further four per cent reduction in 2010. Collectively, these efforts are expected to generate savings of \$135 million in 2010.

We recognize that 2009 was a challenging year for our team members and, accordingly, we introduced several initiatives to help create a positive work environment. For example, we advanced our flexible workplace strategy, with more than half of all team members periodically choosing mobile or at-home work options. We also established a Diversity Inclusiveness Council committed to celebrating and leveraging the great diversity of the TELUS team.

Our many efforts in this regard earned recognition for the TELUS team. We were named one of Canada's Top 100 Employers for 2010 and one of Canada's Best Diversity Employers in 2009 by Mediacorp Canada. As well, we were named as one of Canada's 10 Most Admired Corporate Cultures of 2009 by Waterstone Human Capital.

### Going to market as one team, under a common brand

Through TELUS' brand promise – the future is friendly – we are dedicated to enhancing the lifestyles of consumers and improving the competitiveness of our clients' businesses. Our brand promise is at the heart of many initiatives to enhance client experiences. For example, our new wireless plans offer simplified pricing to both consumers and businesses – the price you see is the price you pay.

The TELUS team is dedicated to ensuring our clients' interactions are consistently positive. We are doing this by embracing a philosophy of "our customers, our business, our team, my responsibility."



In 2009, TELUS was included in Brand Finance's Global 500 listing of the world's most valuable brands. According to this independent global valuation, the TELUS brand was worth \$1.5 billion.

### Our opportunity to give where we live

At TELUS, we believe that to do well in business, we must do good in the communities where we live, work and serve. Indeed, it is a symbiotic relationship between our company, our people and our communities.

Despite cash demands emanating from major strategic projects coupled with a year marked by recessionary impacts and the downsizing of our workforce, your company honoured its philosophy to give where we live. In 2009, TELUS, our team members and retirees contributed \$21 million to charitable and not-for-profit organizations whilst volunteering 466,000 hours of personal time.

Our innovative community boards and TELUS Day of Service truly embody our philanthropic approach.

The TELUS Community Boards provide funding to local grassroots organizations that often do not have the resources or expertise to access corporate funding. Since their inception, the nine community boards, located from Victoria to Atlantic Canada, have allocated \$21 million to local charities and not-for-profit organizations and supported over 1,500 community projects.

More than 9,100 team members, retirees, family and friends joined together on the fourth annual TELUS Day of

Service to make a difference across Canada. In addition, 1,550 team members participated in the third TELUS International Day of Service in the Philippines and 1,000 volunteers took part in the first Day of Service in our Central American locations.

We continued our support of the Juvenile Diabetes Research Foundation with the second annual TELUS Walk to Cure Diabetes. More than 45,000 people participated in the walk in 76 communities across Canada, raising over \$7 million.

For the ninth consecutive year, the Dow Jones Sustainability World Index ranked TELUS among the world's leading companies in terms of corporate social responsibility. In Canada, we were also recognized for social responsibility by Jantzi-Maclean's and Corporate Knights.

Importantly, TELUS received the 2010 Freeman Philanthropic Services Award as the most outstanding corporation in the world from the Association of Fundraising Professionals.

### Future challenges

I believe TELUS is well positioned to take advantage of future opportunities. As we diligently pursue our growth strategy, we do so in a competitive environment coupled with ongoing uncertainty regarding the pace of the economic recovery. TELUS will answer the challenges and opportunities ahead by executing at the top of our game.

# most giving

TELUS is the first Canadian company to be named the most outstanding philanthropic corporation by the Association of Fundraising Professionals. We were deeply honoured to be recognized for our culture of giving with this global award in early 2010.

Every day, the TELUS team demonstrates a tremendous spirit of generosity and willingness to help those in need.



## 2010 corporate priorities

Each year, we establish corporate priorities to further advance our proven strategy and deliver the future success of your company. In 2010, the corporate priorities are to:

- Capitalize on the full potential of TELUS' leading wireless and wireline broadband networks
- Enhance TELUS' position in the small and medium business market
- Ensure TELUS delivers its future friendly brand promise to clients
- Continue to improve TELUS' operational efficiency to effectively compete in the market and fund future growth
- Increase TELUS team engagement and live our culture of personal responsibility and customer service.



One challenge is the entry of new regional wireless companies that are launching their operations in 2010. We have been actively preparing for this eventuality since 2008, and now with Canada's fastest and biggest 3G+ network, innovative devices, Clear and Simple rate plans, expanded wireless distribution and our Koodo brand and service, we are well prepared to compete.

Another challenge is to ensure the delivery of exceptional customer service despite reduced resources. We must achieve this by being ever more efficient, using better tools and processes, and having team members take personal ownership of honouring our brand promise with clients.

We have identified five corporate priorities for 2010, shown in the sidebar, that are guiding our actions to effectively address these challenges in the months ahead.

### Our opportunity

As we move into 2010, we have confidence in the future. We have built a great platform for success through our infrastructure and efficiency investments over the past year and are positioned to capitalize on the opportunities we see for revenue and earnings growth.

I am confident in the opportunity that TELUS has to create sustainable economic value for our many stakeholders. Accordingly, to demonstrate my conviction in the positive future prospects of TELUS, I am taking the entirety of my 2010 annual cash salary compensation in TELUS shares.

Inspired by the strength of our team, I am certain we will be creating future long-term value for our shareholders, debt holders, team members, clients and the communities we serve.

Thank you for your continued support.

A handwritten signature in black ink that reads "Darren". The signature is stylized and cursive.

Darren Entwistle  
Member of the TELUS Team  
President and Chief Executive Officer  
February 25, 2010

# our responsibility

## we give where we live

Through TELUS' community investment philosophy – we give where we live – we are committed to making a meaningful difference in our communities. Our efforts focus on arts and culture, education and sport, and health and well-being in our environment. We invest in innovative programs that support youth and showcase technology. We are embracing our opportunity to...

### ...give locally

TELUS Community Boards bring together community leaders with TELUS team members to ensure funds go to local grassroots charities that have a lasting community impact. In 2009, these boards donated \$4.1 million in support of 341 local projects primarily focused on youth.

Our nine community boards are located in Victoria, Vancouver, Edmonton, Calgary, Toronto, Ottawa, Montreal, Rimouski and Atlantic Canada. Since inception, these boards have allocated \$21 million to local charities and non-profit organizations and supported 1,546 community projects.

### ...volunteer for the community

In May, more than 9,100 team members, retirees, family and friends came together for the fourth annual TELUS Day of Service, donating over 28,000 volunteer hours. The team took part in 175 community and environmental activities across Canada, such as planting trees, building and painting Habitat for Humanity homes, assembling Kits for Kids to provide student supplies in inner city schools, and preparing and serving meals for those in need.

At the third annual TELUS International Day of Service in Manila, Philippines, more than 1,550 team members helped to build homes for the homeless, planted trees and treated underprivileged children to a day of fun. In partnership with Gawad Kalinga (GK), team members helped to build homes for those in need in the TELUS GK Village. Since 2007, 42 homes have been built, with 29 more homes to be built in 2010.

For the first year, Day of Service activities took place at TELUS International locations throughout Central America. About 1,000 volunteers built and equipped three classrooms in Guatemala for 160 local families and renovated an education centre in El Salvador that serves 1,200 children.



### ...help kids with diabetes

The 2009 TELUS Walk to Cure Diabetes took place with 3,750 team members, retirees, friends and family participating in 48 communities and raising more than \$430,000 in support of finding a cure for type 1 diabetes. Overall, more than 45,000 people participated in the TELUS Walk, raising over \$7 million for the Juvenile Diabetes Research Foundation.

### ...donate our time and money

The culture of giving is deeply rooted within TELUS. During this economic downturn, our team members continue to demonstrate their commitment to helping those in need. TELUS remains an Imagine Caring Company, donating more than one per cent of our pre-tax profits to charitable organizations each year.

Through the TELUS Employee Charitable Giving program, team members, retirees, board members and retail dealers support causes they are passionate about, and TELUS matches their donations dollar for dollar. In 2009, we donated \$7.1 million through this program to 2,900 charities across Canada. In the latest campaign, combined with TELUS' match, we will donate \$7.2 million in 2010 to support 2,865 organizations.

The Dollars for Doers program recognizes team members' volunteer efforts with a donation to their charity of choice. In 2009, TELUS donated over \$735,000 to Canadian charities in recognition of the 2,368 team members and retirees who volunteered more than 50 hours of their personal time. Collectively, our team members and retirees volunteered 466,000 hours in 2009.

### ...support our ambassadors

Across Canada, the TELUS Community Ambassadors®, which consist of TELUS retirees and team members, provide volunteer resources and care items for people in need. In 2009, ambassadors from our 20 clubs contributed 58,700 care items such as heart and lung pillows, school supplies for those less fortunate and comfort kits filled with personal hygiene products for women's shelters.

### ...lend a hand

The TELUS team rallied together during times of crisis to help fellow team members and communities in need.

In July, when forest fires raged in Kelowna, B.C., our team significantly increased wireless capacity in the area, protected communications infrastructure and established a donation system to collect funds and essential items for those affected.

In September and October, when the Philippines were devastated by typhoons and flooding, our team collected donations of food, shelter and blankets. TELUS also provided transportation and cash advances to team members affected by the disaster.

In January 2010, when Haiti was hit by a devastating earthquake, TELUS immediately donated \$25,000 to each of the Salvation Army and the Red Cross. As well, TELUS used mobile device technology to enable customers to text donations to relief agencies, which when matched by the federal government totalled \$234,000.

### ...be socially responsible

At TELUS, we believe true sustainable leadership requires the integration of corporate social responsibility (CSR) into our strategy, values and decision-making. We strive to conduct our business with a triple bottom line approach, balancing economic, environmental and social sustainability practices.

For the ninth consecutive year, the Dow Jones Sustainability World Index (DJSI World) ranked TELUS among the world's economic, environmental and social leaders. TELUS is the only North American telecommunications company and one of just 11 Canadian businesses in the global index. Nationally, we ranked eighth in the Corporate Knights Best 50 Corporate Citizens and were named by Jantzi-Maclean's as one of Canada's 50 Most Socially Responsible Corporations.



Visit [telus.com/csr](http://telus.com/csr) for the complete CSR story. Charitable organizations can apply for funding at [telus.com/community](http://telus.com/community).

## the TELUS team gives where we live

TELUS was named the most outstanding philanthropic company for 2010 by the Association of Fundraising Professionals. This is the first time a Canadian company has won this global award, which honours the commitment of TELUS, its team members and retirees to their communities through charitable giving and volunteerism.

## frequently asked questions



**Q** Why did the TELUS share price underperform the stock market in 2009, and what factors can be expected to help improve the situation in 2010?



In 2009, the Canadian and U.S. telecom and cable-TV sectors underperformed the broader market averages as investors increased their appetite for risk and looked to other sectors to boost their returns. On a total return basis, including reinvestment of the 47.5 cent quarterly dividend, TELUS voting and non-voting shares provided a negative return of three per cent and 0.4 per cent, respectively, in 2009.

In comparison, the Toronto Stock Exchange S&P/TSX total return index recovered by 35 per cent led by strong gains in the financial services and energy sectors. These two sectors, representing close to a 60 per cent weighting in the S&P/TSX composite index, dropped significantly in 2008 and were largely responsible for the strong rebound in the index in 2009.

The major factors influencing TELUS' stock performance were the economic recession, reduction in wireless revenue and operating earnings, and industry-wide uncertainty about the impact of new wireless entrants. As a result, communication companies with higher exposure to wireless in their asset mix underperformed.

In addition, TELUS generated below average cash flow in 2009 due primarily to peak capital expenditure levels resulting from our wireless and wireline broadband network build programs, and increased cash tax payments, restructuring costs and pension funding. To maintain our financial strength and stay within our leverage policies, we prudently decided not to buy back TELUS shares in 2009.

TELUS' share price declines in April and May 2009 were attributed to the early disclosure of disappointing first quarter wireless metrics in April and the significant reduction in our 2009 financial guidance outlook in May. This is when it became clear that we had underestimated the extent of the erosion in average revenue per customer (ARPU) due to the recession. ARPU dropped 5.6 per cent at the time and 6.8 per cent for the year. Unfortunately, this largely offset network revenue growth associated with the 6.4 per cent increase in our wireless subscriber base.

Later in the year, TELUS lowered its earnings expectations principally due to declining wireless revenue growth and higher restructuring costs from an acceleration in efficiency initiatives that management instituted in response to the weaker than anticipated results.

More recently, TELUS shares have reacted positively to the early completion of our HSPA 3G+ wireless network with expanded capabilities and device offerings, and our future outlook including a significant increase in free cash flow. However, wireless ARPU erosion, risks associated with potential new wireless entrants, and high smartphone subsidy costs continue to create uncertainty across the industry.

Importantly, TELUS' stock price is supported by our \$1.90 annual dividend. Investors should react favourably to the improvement in free cash flow we expect in 2010. Despite peak cash taxes, cash flow should benefit from a significant reduction in capital expenditures, efficiency savings, reduced restructuring costs, operating earnings growth and lower pension funding.



**Robert McFarlane**  
Executive Vice-President and Chief Financial Officer

## Q What are TELUS' plans to improve its competitive position and achieve profitable growth in wireless?



In late 2009, TELUS made a number of investments that significantly improved our competitive position in wireless.

In November, after a rapid 12-month build-out, TELUS launched Canada's fastest and biggest 3G+ network, providing 93 per cent of Canadians access to technology-enabling increased wireless data download speeds of up to 21 megabits per second and international roaming in more than 200 countries.

Our new 3G+ network gives TELUS immediate access to the world's best wireless devices from companies such as Apple, HTC, Huawei, LG, Nokia, RIM, Samsung, Motorola, Sierra Wireless and others, including new devices powered by the Google Android operating system. This enables us to offer customers a better selection of devices, services and applications. In addition, TELUS will continue to offer a full suite of devices running on our CDMA and iDEN networks, thereby providing the widest choice of wireless solutions to best meet our customers' needs and enhancing our ability to compete for new customers.

While we will incur a short-term impact on profitability due to the higher costs of acquisition and retention related to increased sales of these more expensive smartphone devices, we expect to benefit from loading higher-ARPU clients with greater data and lifetime revenues. We realize that we must manage wireless costs effectively to benefit from the tremendous opportunity for profitable growth that these devices provide.

We also announced a new suite of Clear and Simple pricing plans with fewer rate plan options that make it easier for our clients to choose the plan that is right for them. In addition, we eliminated system access and carrier 911 fees so that the price you see is the price you pay. This improves our ability to attract and retain customers, but increases the risk of downward ARPU pressure, which underlines the importance of continuing to improve our cost structure. By reducing both the complexity and the number of plans, we have made it easier for customers to deal with TELUS and for us to reduce costs through enhanced self-service and lower call volumes to our client care centres.

Through this and other initiatives, we are striving to achieve a neutral impact on profit margins.

Our desire to optimize TELUS' future friendly brand experience for our customers led to a number of enhancements on [telusmobility.com](http://telusmobility.com). We created an online Smartfit self-service tool to help customers choose the device that is right for them. We also introduced online and in-store Learning Centres to provide tips that help customers get the most out of their smartphones.

In November, TELUS expanded its distribution capabilities through the acquisition of Black's Photo with 113 retail stores across Canada. This transaction was focused on strengthening our wireless sales distribution, a key competitive factor, in premium mall locations primarily in Ontario.

Our Koodo value brand, launched in 2008 with lower price points and associated costs, continues to perform well. The strong awareness and success of Koodo positions TELUS to continue attracting clients in select market segments and to compete against new entrants.

While 2009 was a challenging year, given the recession and increased unemployment, wireless revenues are expected to benefit as the economy rebounds. Additionally, with these investments in place, we have undoubtedly improved our competitive position and ability to attract and retain customers. This is expected to support revenue growth and, combined with our focus on cost efficiency, earnings growth in our wireless segment in 2010 and beyond.

**Joe Natale**  
Executive Vice-President and President,  
TELUS Consumer Solutions



## Q Why is TELUS investing so heavily to maintain and enhance its wireline broadband network and related service offerings?



Over the past several years, TELUS has invested more than \$1.5 billion towards enhancing the speed, service capabilities and reach of our

wireline broadband network, which supports both businesses and consumers. Specifically, this investment supports TELUS' Future Friendly Home® strategy, enabling us to create exciting new bundled product offerings for our residential customers.

In 2010, TELUS intends to continue the expansion of its broadband network and IP TV service offerings in B.C., Alberta and Eastern Quebec, leveraging the significant investments made so far. TELUS' network investment this year will bring ADSL2+ coverage, offering broadband speeds of 15 megabits per second (Mbps), to up to 90 per cent of households in the 48 largest urban areas in Western Canada. Over the next two years, we are also undertaking a cost-effective upgrade to VDSL2 technology, which increases bandwidth to the home to up to 30 Mbps. This amount of bandwidth allows TELUS to deliver a compelling high-speed Internet service as well as multiple streams of high-definition (HD) TV signals to our customers' homes.

Looking ahead, TELUS' fibre to the home (FTTH) program provides even greater bandwidth and a path to the future. Over the past several years, TELUS has been deploying gigabit passive optical network (GPON) based fibre optic capabilities in all new residential subdivisions in the 48 largest urban areas in Alberta and B.C. In addition to incredibly high-speed Internet service, soon TELUS is expected to offer home phone service over the fibre connection, avoiding the extra cost of installing copper telephone lines to these same homes.

Excitingly, after a year of testing in our labs and trials with team members, TELUS announced the upgrade of its IP TV middleware to next generation Microsoft Mediaroom this year. Microsoft Mediaroom is an award-winning television software platform powering a new generation of TV services that connects users to the programming they love and gives them control over when and where they watch. With the new platform, TELUS TV can now offer an array of services and features such as PVR Anywhere, the best available in the marketplace today, which enables TELUS customers to record up to three shows simultaneously from any room in the house. Our new service also allows customers to connect TELUS TV on up to six televisions in their home

with multiple HD streams, change channels instantaneously, pause a recorded program in one room and pick it up from the same spot in a different room, and access HD programming from any television in the house. This is expected to provide TELUS with significant product differentiation over our cable-TV competitors.

To complement our IP TV service, in June 2009, TELUS began offering satellite TV service in Alberta and B.C., expanding the addressable market for TELUS TV to more than 90 per cent of households in those provinces. TELUS Satellite TV service enables the company to more effectively and economically serve those households in non-urban areas that are not currently on the TELUS IP TV network footprint and leverage our strong distribution and mass marketing presence.

By combining wireline local and long distance, wireless, high-speed Internet and entertainment services, TELUS is offering bundled products to achieve competitive differentiation with an integrated set of services that provides customers more freedom, flexibility and choice. Through our network investments, TELUS is increasingly well positioned to grow wallet share with consumers, while enhancing retention and loyalty through multiple service offerings.



**Eros Spadotto**  
Executive Vice-President, Technology Strategy

## Q What is TELUS' approach to the business market?



TELUS continues to pursue growth in the business market by offering clients of all sizes differentiated solutions, leveraging TELUS' leadership

in wireline and wireless connectivity, security, collaboration tools and IP-based solutions.

The ongoing implementation of large multi-year contracts, focused on key industry verticals such as the public sector and healthcare, leverages TELUS' past capital investments and customer service capabilities in complex managed data solutions. We expect to see improved revenue and operating earnings in 2010 as key implementations such as those with the Government of Ontario and the Department of National Defence progress to steady-state services. TELUS' large contracts with the Government of Quebec and City of Montreal should follow suit in 2011.

We continue to secure long-term data agreements, most notably with existing enterprise customers, building on our track record of customer service. However, given the significant resources required to deploy new contracts, we are being increasingly discerning in our bid selection process while simultaneously realigning resources to increase our concentration on the small and medium business (SMB) market.

The SMB communications market in Canada (organizations with under 100 employees) is estimated to be worth close to \$6 billion annually and is becoming increasingly competitive as cable-TV companies move into this space. Recognizing this, TELUS continues to be innovative in meeting the needs of SMB customers with an enhanced offering of affordable, reliable and hassle-free solutions. Our vision is to be the premier provider of information and communication services to small and medium businesses in Canada.

TELUS' new 3G+ wireless network offers SMB customers strengthened value through industry-leading wireless data speeds that increase the effectiveness of business applications, a larger selection of smartphones and devices, as well as expanded international roaming to more than 200 countries. Complementing this, we now have a business-friendly value proposition based on our new Clear and Simple pricing, self-optimizing cost assured rate plans, premium 24/7 dedicated business support, device insurance and technology refresh programs. We are able to provide enhanced customer service with superior integrated wireless and wireline business solutions.

In 2009, TELUS launched a number of new solutions including: Mobile Hosted Exchange, Secure IP, TELUS Alert and Assist for mobile worker safety, and TELUS MobileCare™. We also have a complete small business solution platform called TELUS Business One®, which includes connectivity (data and voice, wireline and mobility), security, conferencing and other tools. This platform provides a consistent end-to-end customer experience, allowing TELUS to serve small business owners through a simple, reliable and flexible bundled solution, which in turn allows our clients to focus on what truly matters to them – their customers and their business.

TELUS' differentiated service offerings, unique product bundles and ability to integrate wireline with wireless services allow us to foster long-lasting relationships with our business clients, both large and small, that support mutual success and solidly position TELUS for success in 2010 and beyond.



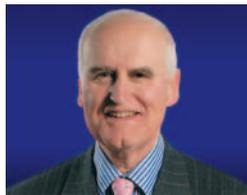
**Karen Radford**  
Executive Vice-President and President,  
TELUS Business Solutions

# board of directors



**R.H. (Dick) Auchinleck**  
**Residence:** Calgary, Alberta  
**Principal occupation:** Corporate Director  
**Director since:** 2003

**Education:** Bachelor of Applied Science (Chemical Engineering), University of British Columbia  
**Other Boards:** ConocoPhillips Inc., Enbridge Commercial Trust and EPCOR Centre for the Performing Arts  
**TELUS Committees:** Pension; and Chair, Corporate Governance  
**TELUS shareholdings:** 43,112



**A. Charles Baillie**  
**Residence:** Toronto, Ontario  
**Principal occupation:** Chair, Alberta Investment Management Corporation

**Director since:** 2003  
**Education:** Bachelor of Arts, Honours (Political Science & Economics), University of Toronto; MBA, Harvard Business School; Honorary Doctorate of Laws, Queen's University; and Fellow, Royal Conservatory of Music  
**Other Boards and affiliations:** Canadian National Railway Company and George Weston Limited; Chair of the Art Gallery of Ontario; 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:** 100,491



**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:** Harry Winston Diamond Corporation and Home Capital/Home Trust; Certified Member of the Institute of Corporate Directors; and Member of Order of Canada  
**TELUS Committees:** Pension, and Human Resources and Compensation  
**TELUS shareholdings:** 24,837



**R. John Butler, Q.C.**  
**Residence:** Edmonton, Alberta  
**Principal occupation:** Counsel, Bryan & Company  
**Director since:** 1995

**Education:** Bachelor of Arts and Bachelor of Law, University of Alberta  
**Other Boards and affiliations:** Trans Global Insurance Company and Trans Global Life Insurance Company; Trustee, Liquor Stores Income Fund; and Chair, Canadian Football League Board of Governors  
**TELUS Committees:** Corporate Governance, and Human Resources and Compensation  
**TELUS shareholdings:** 30,024  
**TELUS options:** 3,750



**Brian A. Canfield**  
**Residence:** Point Roberts, Washington  
**Principal occupation:** Chair, TELUS Corporation  
**Director since:** 1989

**Education:** Honorary Doctorate in Technology, British Columbia Institute of Technology; and Banff School of Advanced Management  
**Other Boards and affiliations:** Suncor Energy Inc.; and Member of Order of Canada and Order of British Columbia  
**TELUS Committee:** Audit  
**TELUS shareholdings:** 64,074  
**TELUS options:** 5,400



**Pierre Ducros**  
**Residence:** Montreal, Quebec  
**Principal occupation:** President, P. Ducros & Associés Inc.  
**Director since:** 2005

**Education:** Bachelor of Arts, Université de Paris at Collège Stanislas, Montréal; Royal Military College of Canada; and Bachelor of Engineering (Communications), McGill University  
**Other Boards and affiliations:** Canadian Institute for Advanced Research and Manulife Financial Corporation; and Member of Order of Canada and Officer of Order of Belgium  
**TELUS Committees:** Corporate Governance, and Human Resources and Compensation  
**TELUS shareholdings:** 22,712

TELUS shareholdings represent the total common and non-voting shares and deferred stock units (restricted stock units for Darren Entwistle) held as at December 31, 2009 for all directors.

TELUS options represent the total options for common or non-voting shares held as at December 31, 2009.



**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., Auto Canada Income Fund, Baytex Energy Trust, Spur Ventures Inc. and Vancouver Airport Authority; Chair of Vancouver 2010 Olympic Organizing Committee; and Chairman of Yellow Point Equity Partners

**TELUS Committees:** Corporate Governance, and Pension  
**TELUS shareholdings:** 36,906



**John S. Lacey**

**Residence:** Thornhill, Ontario  
**Principal occupation:** Chairman, Advisory Board of Tricap  
**Director since:** 2000  
**Education:** Program for Management Development, Harvard Business School

**Other Boards:** Ainsworth Lumber Co. Ltd., George Weston Limited and Loblaw Companies Limited; and Chairman of Doncaster Consolidated Ltd.

**TELUS Committee:** Audit  
**TELUS shareholdings:** 42,245  
**TELUS options:** 2,700



**William (Bill) A. MacKinnon**

**Residence:** Etobicoke, Ontario  
**Principal occupation:** Corporate Director  
**Director since:** 2009  
**Education:** Bachelor of Commerce (Honours), University of Manitoba; Chartered Accountant (Canada); and

Fellow of the Institute of Chartered Accountants of Ontario

**Other Boards and affiliations:** Novadaq Technologies Inc., Pioneer Petroleum Limited, Public Sector Pension Investment Board, Toronto Community Foundation, C.D. Howe Institute and Roy Thomson Hall; Vice-Chair of Canadian Institute of Chartered Accountants and of Toronto East General Hospital; and Chair of the Toronto Board of Trade

**TELUS Committee:** Audit  
**TELUS shareholdings:** 1,810



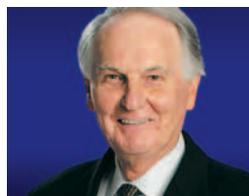
**Brian F. MacNeill**

**Residence:** Calgary, Alberta  
**Principal occupation:** Corporate Director  
**Director since:** 2001  
**Education:** Bachelor of Commerce, Montana State University; Chartered Accountant (Canada); and Fellow of the Chartered

Accountants of Alberta and the Institute of Corporate Directors

**Other Boards and affiliations:** Suncor Energy Inc., Capital Power Corp., Oilsands Quest Inc. and West Fraser Timber Co. Ltd.; and Member of Order of Canada

**TELUS Committee:** Chair, Audit  
**TELUS shareholdings:** 54,640  
**TELUS options:** 2,700



**Ronald P. Triffo**

**Residence:** Edmonton, Alberta  
**Principal occupation:** Chairman, Stantec Inc.  
**Director since:** 1995  
**Education:** Bachelor of Science (Civil Engineering), University of Manitoba;

Master of Science (Engineering), University of Illinois; and Banff School of Advanced Management

**Other Boards and affiliations:** Alberta's Promise, Board of Governors of Junior Achievement of Northern Alberta and Advisory Council of the Faculty of Medicine and Dentistry at University of Alberta; and Chairman of Alberta Innovates – Technology Futures

**TELUS Committee:** Audit  
**TELUS shareholdings:** 49,869  
**TELUS options:** 4,800



**Donald Woodley**

**Residence:** Mono Township, Ontario  
**Principal occupation:** Corporate Director  
**Director since:** 1998  
**Education:** Bachelor of Commerce, University of Saskatchewan; and MBA, Richard Ivey School of Business,

University of Western Ontario

**Other Boards:** Canada Post Corporation and Steam Whistle Brewing Inc.

**TELUS Committees:** Corporate Governance; and Chair, Pension  
**TELUS shareholdings:** 32,319  
**TELUS options:** 3,750

**Darren Entwistle**

President and Chief Executive Officer  
**Location:** Vancouver, British Columbia

**Joined TELUS:** 2000

**Executive:** 2000

**Education:** Bachelor of Economics (Honours), Concordia University; MBA (Finance), McGill University; and Diploma (Network Engineering), University of Toronto

**Other Boards:** Canadian Council of Chief Executives and McGill University

**TELUS shareholdings:** 375,999  
**TELUS options:** 614,660



Visit [telus.com/annualreport](http://telus.com/annualreport) for more background information on our Board of Directors.

# our leadership

## executive leadership team



### Josh Blair

Executive Vice-President, Human Resources

**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 committees:** Kids Health Foundation; and Vice-Chair of TELUS Vancouver Community Board and Chair of its Education Sub-committee

**TELUS shareholdings:** 24,952

**TELUS options:** 103,555



### François Côté

Executive Vice-President and President of TELUS Québec and TELUS Health Solutions

**Location:** Montreal, Quebec

**Joined TELUS:** 2008 (Emergis: 1998)

**Executive:** 2009

**Education:** Bachelor of Social Sciences (Industrial Relations), Laval University

**Boards and committees:** Montreal Heart Institute (Institut de Cardiologie de Montréal), Acti-Menu and Biotonix Inc.; and member of the Board of Governors for the Fondation de la tolérance (Conseil des Gouverneurs)

**TELUS shareholdings:** 72,707

**TELUS options:** 106,064



### Robert McFarlane

Executive Vice-President and Chief Financial Officer

**Location:** Vancouver, British Columbia

**Joined TELUS:** 2000 (Clearnet: 1994)

**Executive:** 2000

**Education:** Bachelor of Commerce (Honours), Queen's University; and MBA, University of Western Ontario

**Boards and committees:** Royal & SunAlliance Insurance Company of Canada and Chair of its Audit Committee; Vice-Chair of Business Council of British Columbia; Vancouver College and member of its Finance Committee; Queen's University Campaign Cabinet; and The Salvation Army Greater Vancouver Advisory Board – B.C. Division and The Salvation Army National Advisory Board

**TELUS shareholdings:** 134,183

**TELUS options:** 285,419



### Joe Natale

Executive Vice-President and President, Consumer Solutions

**Location:** Toronto, Ontario

**Joined TELUS:** 2003

**Executive:** 2003

**Education:** Bachelor of Applied Science (Electrical Engineering), University of Waterloo

**Boards and committees:** Royal Conservatory of Music and Soulpepper Theatre

**TELUS shareholdings:** 47,393

**TELUS options:** 237,340

TELUS shareholdings represent the total common and non-voting shares and restricted stock units held as at December 31, 2009.

TELUS options represent the total options for common or non-voting shares held as at December 31, 2009.



**Karen Radford**

Executive Vice-President and President,  
Business Solutions

**Location:** Calgary, Alberta

**Joined TELUS:** 1998

**Executive:** 2004

**Education:** Bachelor of Science, Mount Allison  
University; and MBA, Dalhousie University

**Boards and committees:** Alberta Children's Hospital  
Foundation Board and Loblaw Companies Limited;  
and President and co-founder of the Women's  
Leadership Foundation

**TELUS shareholdings:** 37,089

**TELUS options:** 163,060



**Eros Spadotto**

Executive Vice-President, Technology Strategy

**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

**TELUS shareholdings:** 32,798

**TELUS options:** 280,038



**Kevin Salvadori**

Executive Vice-President, Business Transformation  
and Technology Operations

**Location:** Vancouver, British Columbia

**Joined TELUS:** 2000 (Clearnet: 1995)

**Executive:** 2003

**Education:** Bachelor of Applied Science (Systems  
Design Engineering), University of Waterloo

**Boards and committees:** BC Technology Industry  
Association and Teradici Corporation

**TELUS shareholdings:** 83,133

**TELUS options:** 295,392

how we are organized

customer-facing business units

- Consumer Solutions
- Business Solutions
- TELUS Québec

enabling business units

- Business Transformation  
and Technology Operations
- Technology Strategy

supporting business units

- Finance and Corporate Strategy
- Human Resources



Visit [telus.com/annualreport](http://telus.com/annualreport) for more background information  
on our executive leadership team.

## investor information

### Stock exchanges and TELUS trading symbols

#### Toronto Stock Exchange (TSX)

common shares T  
non-voting shares T.A

#### New York Stock Exchange (NYSE)

non-voting shares TU

### Transfer agent and registrar

#### Computershare Trust Company of Canada

phone 1-800-558-0046  
(toll-free within North America)  
or +1 (514) 982-7129  
(outside North America)

email [telus@computershare.com](mailto:telus@computershare.com)

website [computershare.com](http://computershare.com)

### TELUS Investor Relations

John Wheeler

Vice-President, Investor Relations

phone 1-800-667-4871  
(toll-free within North America)  
or +1 (604) 643-4113  
(outside North America)

email [ir@telus.com](mailto:ir@telus.com)

website [telus.com/investors](http://telus.com/investors)

### TELUS general information

British Columbia (604) 432-2151  
Alberta (403) 530-4200  
Ontario (416) 507-7400  
Quebec (514) 788-8050

### Annual and special meeting of shareholders

Wednesday, May 5, 2010

10 a.m. (local time)

The Westin Bayshore

1601 Bayshore Drive

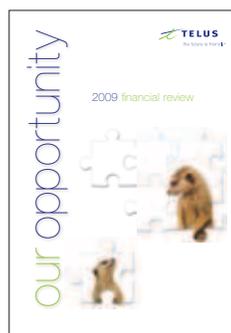
Vancouver, British Columbia

### 2010 expected dividend<sup>1</sup> and earnings release dates

	Ex-dividend dates <sup>2</sup>	Dividend record dates	Dividend payment dates	Earnings release dates
Quarter 1	March 9	March 11	April 1	May 5
Quarter 2	June 8	June 10	July 2	August 6
Quarter 3	September 8	September 10	October 1	November 5
Quarter 4	December 8	December 10	January 4, 2011	February 11, 2011

<sup>1</sup> Dividends are subject to Board of Directors' approval.

<sup>2</sup> Shares purchased on this date forward will not be entitled to the dividend payable on the corresponding dividend payment date.



### Our opportunity...available online

For the complete TELUS story, including our full annual report (corporate and financial reviews) and our corporate social responsibility report, visit us online at [telus.com/annualreport](http://telus.com/annualreport) and [telus.com/csr](http://telus.com/csr).

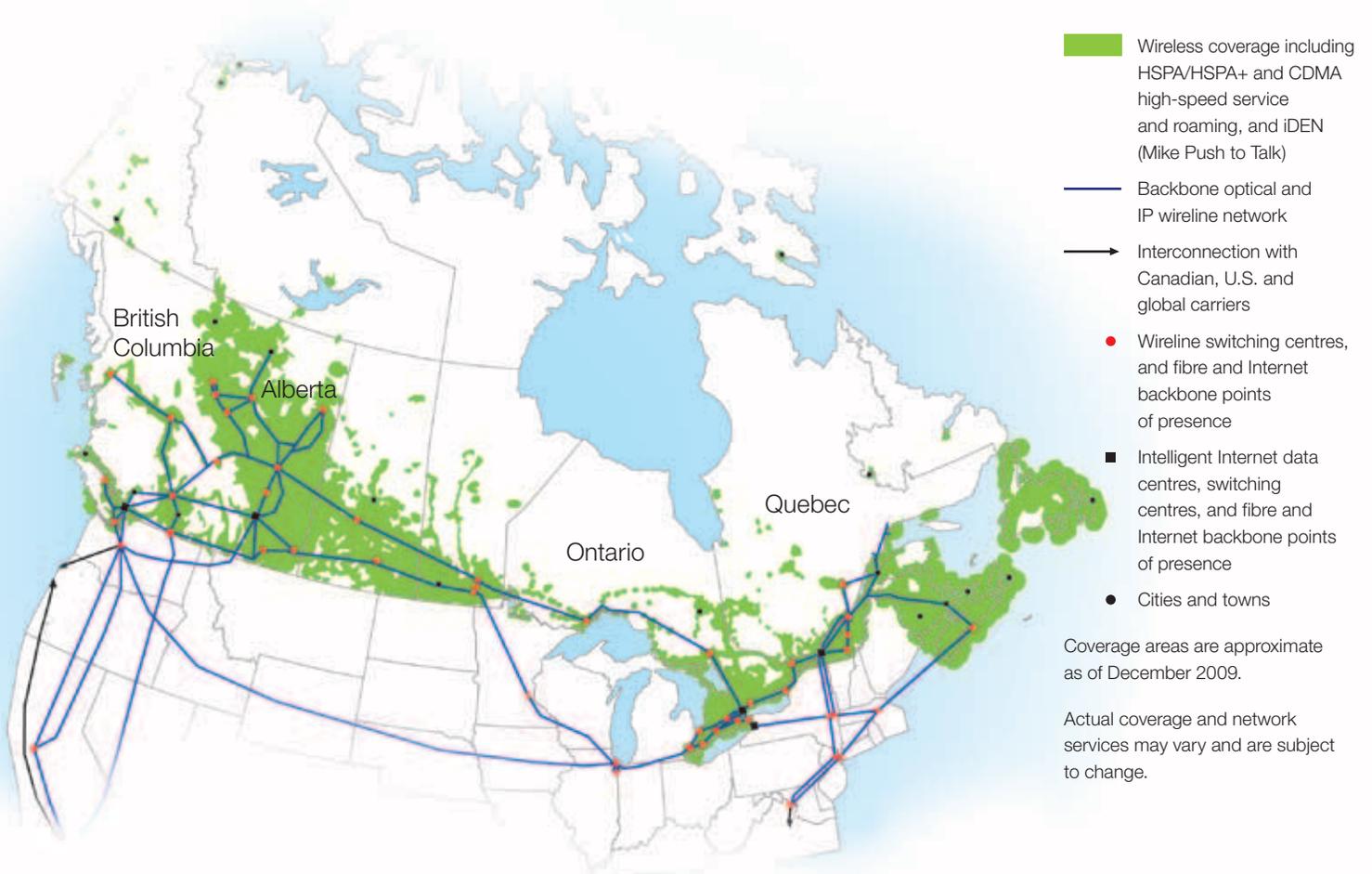
### e-delivery invitation

We encourage the electronic delivery of TELUS information and invite you to sign up by visiting [telus.com/electronicdelivery](http://telus.com/electronicdelivery).

# world of opportunity

## enhanced and expanded service

TELUS' fibre-optic and wireless networks offer Canadians a complete portfolio of communications solutions from coast to coast. More than 31 million Canadians can access advanced wireless speeds and services through our new HSPA 3G+ network, using the most innovative wireless technology available. Combined with our CDMA and iDEN networks, TELUS offers digital coverage to 98 per cent of Canadians. Our national fibre-optic backbone delivers traditional telephony, data services and IP-based solutions. We offer TELUS TV across British Columbia, Alberta and Eastern Quebec. You can buy TELUS products and services at more than 4,000 retail stores and dealer locations across Canada.



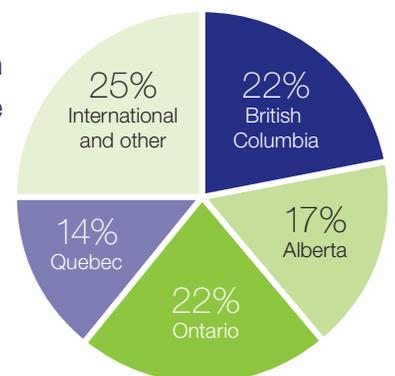
## giving where we live

Our nine TELUS Community Boards, from Victoria to Atlantic Canada, guide our local philanthropic initiatives. Led by Janet Yale, Executive Vice-President and National Chair of TELUS Community Boards, the local chairs of each Board are:

- Mel Cooper – Victoria
- Nini Baird – Vancouver
- Dr. Bob Westbury – Edmonton
- Ken King – Calgary
- Rita Burak – Toronto
- Janet Yale – Ottawa
- Bernard Lamarre – Montreal
- Hugues St-Pierre – Rimouski
- General Rick Hillier – Atlantic Canada

## our people

Now 36,400 members strong, the TELUS team has a growing presence across Canada and internationally.



# our commitment



## corporate social responsibility

TELUS maintains a strong commitment to corporate social responsibility (CSR) and to achieving long-term sustainable growth. Our triple bottom line approach to business balances economic growth with environmental and social goals.

### Our economic opportunity

We are focused on building sustainable economic growth for the benefit of our investors, customers, team members, suppliers and communities.

### Our environmental opportunity

We strive to work in an environmentally responsible manner and minimize our impact where we can.

### Our social opportunity

We support our communities and endeavour to make a positive impact on society through our business and human resources practices.

To review our commitment to CSR, please visit [telus.com/csr](http://telus.com/csr).

TELUS saved the following resources by using New Leaf Reincarnation Matte FSC paper, made with 100 per cent recycled fibre content and an average of 50 per cent post-consumer waste, processed chlorine-free, designated Ancient Forest Friendly and manufactured with electricity that is offset with Green-e certified renewable energy certificates. Only vegetable-based and low-VOC (volatile organic compound) inks have been used.

By using this paper, we are\*:

- Preserving 89 trees
- Saving 155,190 litres of wastewater
- Eliminating 1,130 kilograms of solid waste
- Preventing 3,862 kilograms of greenhouse gases
- Saving 28 million BTUs of energy.

Printed in Canada. Please recycle this annual report ♻️ (where facilities exist). This report can also be viewed at [telus.com/annualreport](http://telus.com/annualreport). Ce rapport annuel est disponible en français en ligne à [telus.com/rapportannuel](http://telus.com/rapportannuel).



\*Calculations are based on research by Environmental Defense and other members of the Paper Task Force.



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phone (604) 697-8044 fax (604) 432-9681 [telus.com](http://telus.com)