we are

TELUS®

2001 annual report

corporate profile

TELUS Corporation is one of Canada's leading providers of data, Internet Protocol (IP), voice and wireless communications services. We provide and integrate a full range of communications products and services that connect Canadians to the world. Our strategy is to unleash the power of the Internet to deliver the best solutions to Canadians at home, in the workplace and on the move.

In 2001, we generated $7.2 billion in revenues and further strengthened our national position by successfully integrating Clearnet and rebranding as TELUS Mobility, purchasing several small data and Internet companies and completing our cross-Canada IP backbone network.

future friendly

table of contents

look for these images to see examples of future friendly TELUS solutions

Forward-Looking Disclaimer

This report contains statements about expected future events and financial and operating results of TELUS that are forward-looking and subject to risks and uncertainties. Accordingly, these statements are qualified in their entirety by the inherent risks and uncertainties surrounding future expectations. Factors that could cause actual results to differ materially include general business and economic conditions, competition, technological advances, regulatory action and taxation, as well as other risk factors that are identified in this report and from time to time in other continuous disclosure documents filed under applicable Canadian and U.S. securities laws. See page 32.

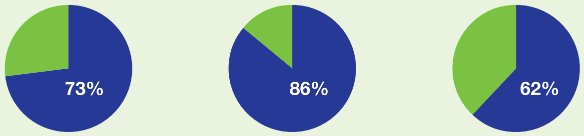
TELUS at a glance

2001 highlights

TELUS Communications

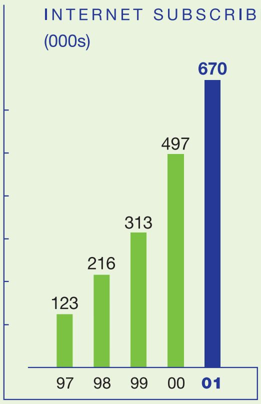
- Full-service Incumbent Local Exchange Carrier (ILEC) in Western Canada and Eastern Quebec offering local, long distance, data, Internet and other services to businesses and consumers
- Provides data, IP and voice solutions to business customers across Canada
- 5.0 million network access lines across Canada
- With 670,000 Internet subscribers:
  - we are the second largest Internet Service Provider (ISP) in Western Canada and third largest ISP in Canada
  - we grew high-speed Internet subscribers by 157% to 215,000
- In Central Canada, we focus on the small and medium business market and selectively on large corporate business:
  - won an 8-year contract worth up to $200 million with the Government of Canada to provide a managed data network across the country
- Opened two world-class *Intelligent* Internet Data Centres (IDCs) in Toronto and Calgary – became the leading managed data hosting provider in Canada with our national network of IDCs
- Lit 8,900-kilometre national IP backbone and fibre network with diversity routing and connectivity into the U.S., enabling us to provide bandwidth solutions from private line to managed wavelength services
- Partnered with Microsoft* to become the first Canadian telecommunications company to offer high-quality, simple-to-use Voice over Internet Protocol (VoIP) services
- Maintained ILEC local and long distance market shares of 98% and 79% respectively
- Focused on integrated bundles of service; sold 915,000 residential bundles, a 20% increase from 2000

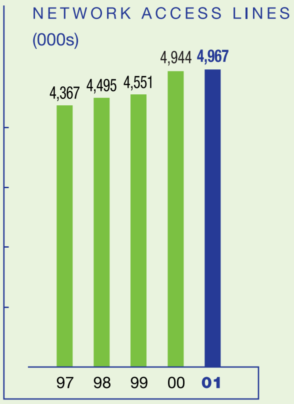
share of TELUS Consolidated – actuals



Revenue $5.3 billion | **EBITDA** $2.17 billion | **Capital Expenditures** $1.6 billion

subscriber statistics





Examples of products and services:

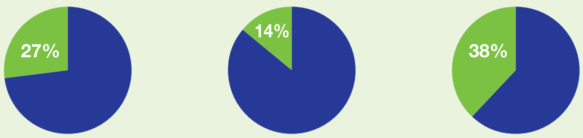
Data – private line, switched services, Internet services (dial-up and Velocity® ADSL Internet), network rental, network management (LAN, WAN) and Web hosting

Voice – basic local and long distance phone service, enhanced services such as Call Display and Call Waiting, sale and rental of telephone equipment and network rental to other service providers

TELUS Mobility

- Leading national facilities-based wireless provider:
  - 2.6 million subscribers, 31 million licensed POPs (population)
  - largest in terms of revenue
  - highest average revenue per unit (ARPU)
  - best spectrum position in Canada
  - market leader in Western Canada
- Networks:
  - licensed nationally with large digital PCS footprint
  - operates the only iDEN (Mike®) network in Canada
- Strategic relationship with Verizon Wireless
- First Canadian wireless carrier to introduce Pay Per Use Wireless Web service
- Extended and Enhanced Roaming/Resale Agreements with Bell Mobility and Aliant Telecom Wireless – to expand digital PCS service by more than 7 million POPs to cover approximately 90% of the Canadian population
- Successfully integrated Clearnet and QuébecTel Mobilité to achieve annual pro forma EBITDA growth of 105%
- Won desired PCS spectrum in auction at reasonable cost

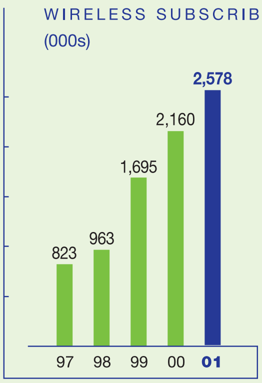
share of TELUS Consolidated – actuals

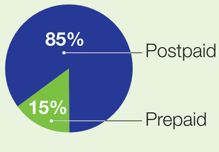


Revenue $1.9 billion | **EBITDA** $356 million | **Capital Expenditures[1]** $1.0 billion

1 – Includes $356 million for spectrum

subscriber statistics





Subscriber Mix

Examples of products and services:

Postpaid and prepaid digital PCS (TELUS Mobility PCS and Pay & Talk™), iDEN (Mike), Wireless Web services like My InBox™ and Surf Enterprise

2 – Data for 1999 is pro forma

2002 initiatives

TELUS Communications

Market-facing, customer-focused business units:

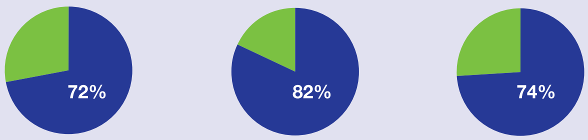
- Consumer Solutions
- Business Solutions
- Client Solutions
- TELUS Québec
- Global Trading & Partner Solutions

Business capability units:

- Technology & Operations
- Enterprise Marketing
- Business Transformation
- Human Resources
- TELUS Ventures

- Increase efficiency and effectiveness in 2002 and onward
- Leverage strong incumbent positions to maintain traditional market shares while accelerating growth in data, IP and wireless revenues
- Provide service and cost leadership including company-wide process improvement, customer self-serve on the Web and service differentiation through bundling
- Continue introducing innovative, full-service and integrated solutions
- Provide desired level of standardization, managed applications and/or customized solutions to meet the needs of customers
- Expand IT market and Internet Web hosting services
- Exploit niche wholesale opportunities based on new national IP backbone network
- Complete metro-fibre builds and migrate customer traffic on-net in Ontario and Quebec non-incumbent market
- Accelerate growth in Ontario and Quebec in the small to mid-sized business market for data services and selectively target corporate and government clients
- Expand Canadian wholesale and international customer relationships
- Leverage strategic relationships with Verizon and Genuity
- Continue to Web-enable the TELUS workplace for the benefit of employees and customers
- Reach a collective labour agreement reflecting competitive dynamics of our industry

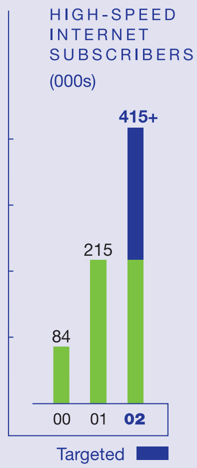
targets



Revenue	EBITDA	Capital Expenditures
$5.4 - $5.45 billion	$2.025 - $2.055 billion	$1.55 - $1.65 billion

Strong internal growth expected to be offset by adverse regulatory impact

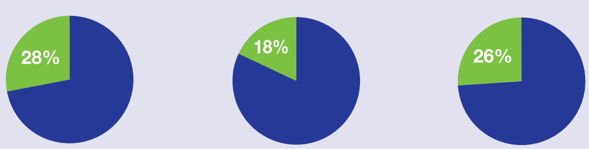
Due to continued strong demand for high-speed Internet, we expect to add 200,000 or more Velocity ADSL subscribers to reach at least 415,000 – a 93% increase.



TELUS Mobility

- Continue to focus on profitable subscriber growth – premium network revenue growth and leading EBITDA growth rather than simply leading subscriber growth
- Continue to realize cost efficiencies
- Manage churn at or below 2% by providing high client care service levels and focusing on client retention
- Continue to adopt and deliver new wireless data and m-commerce products and services to capitalize on wireless data/IP opportunities including the launch of high-speed 1XRTT network
- Implement Extended and Enhanced Roaming/Resale Agreements with Bell Mobility and Aliant Telecom Wireless – digital coverage expansion of 7 million POPs without significant incremental capital expenditures
- Expand distribution in Central and Eastern Canada
- Complete national wireless billing system integration

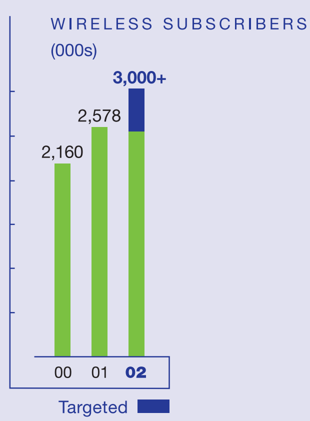
targets



Revenue	EBITDA	Capital Expenditures
$2.1 - $2.15 billion	$450 - $470 million	$560 million (approx.)

Targeting approximately 30% EBITDA growth and significantly reduced capital expenditures

The popularity of wireless is expected to continue to grow significantly in 2002. Our target is to end the year with more than 3 million subscribers, a 16 to 17% increase.



financial and operating highlights

TELUS delivers revenue and EBITDA growth

Revenues increased 18% to $7.2 billion from a combination of data, IP and wireless growth plus acquisitions. EBITDA increased a solid 9%, driven by national wireless business and incumbent operations in the West. Earnings decreased due to higher depreciation and financing costs from investing in growth and national expansion through a series of acquisitions as well as capital expenditures. This resulted in a 7% increase in total assets. Notably, wireless and Internet customer growth was strong, up 19% and 35%, respectively.

($ millions except per share amounts)	**2001**	2000	% Change
Operations			
Operating revenues	**$ 7,203**	$ 6,106	18.0
EBITDA [1]	**2,530**	2,314	9.3
Operating income	**837**	1,132	(26.1)
Net income	**454**	461	(1.5)
Basic earnings per share	**1.51**	1.85	(18.4)
Core earnings per share [2]	**0.86**	2.01	(57.2)
Operating cash flow [3]	**1,402**	1,671	(16.1)
Cash flow per share	**4.76**	6.76	(29.6)
Capital expenditures [4]	**2,605**	1,441	80.8
Financial Position			
Total assets	**$ 19,266**	$ 18,047	6.8
Net debt [5]	**8,683**	7,980	8.8
Shareholders' equity	**6,987**	6,418	8.9
Book value per common share	**22.39**	21.60	3.7
Market capitalization of equity [6]	**7,196**	11,658	(38.3)
Other Information (as at December 31)			
Access lines (000s)	**4,967**	4,944	0.5
Wireless subscribers (000s)	**2,578**	2,160	19.3
Total Internet subscribers (000s)	**670**	497	34.8
Velocity ADSL Internet subscribers (000s)	**215**	84	157.0

1 – Earnings Before Interest, Taxes, Depreciation and Amortization where earnings excludes Restructuring costs

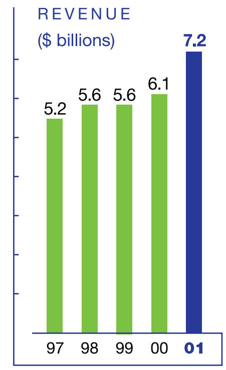
2 – Common voting share and non-voting share income before discontinued operations, amortization of acquired intangible assets net of tax, restructuring and non-recurring refinancing costs net of tax, revaluation of future income tax assets and liabilities and goodwill amortization, on a per share basis

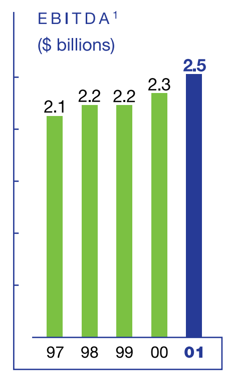
3 – Operating cash flow adjusted for restructuring costs

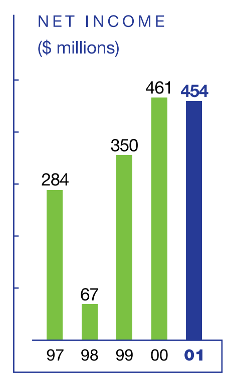
4 – Capital expenditures include $356 million in 2001 for wireless licences acquired in Industry Canada's PCS spectrum auction

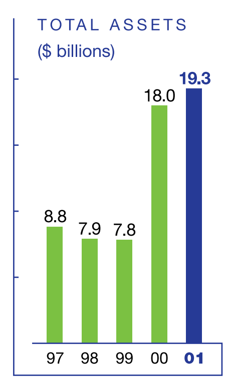
5 – Current obligations plus Long-term debt net of Cash and temporary investments and the cross-currency foreign exchange hedge related to U.S. dollar-denominated Notes

6 – Market capitalization based on year-end closing share prices and shares outstanding









why invest in TELUS

TELUS should be a key part of your investment portfolio because:

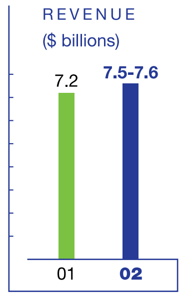
- we are executing a clear and focused telecommunications growth strategy in Canada
- we are focusing relentlessly on the high-growth areas of data, IP and wireless
- our traditional incumbent wireline business is very resilient and provides robust cash generation to fuel our growth
- we are the leading wireless business in Canada, delivering strong profitable growth
- we are expecting to double our non-incumbent wireline revenue, focusing on the business market in Central Canada
- we have a strong and stable financial position with significant liquidity based on landmark $9.2 billion financings in 2001 and healthy investment grade credit ratings
- we are establishing a solid management track record – achieved all 2001 financial targets
- we set clear financial and operating targets for investors to measure our progress
- we expect to generate strong revenue growth and to improve operational efficiencies to mitigate negative regulatory impacts, which bodes well for future profitable growth beyond 2002

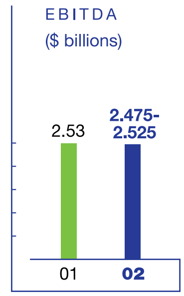
Invest in a focused pure play telecom operating company with solid potential for growth and investment upside…operating from a position of financial strength!

2002 targets

Generate $7.5 to $7.6 billion of revenue

Increase of 4 to 6% from 2001, driven by wireless, data and national growth, partially offset by expected negative impact of regulatory decisions on contribution [1]



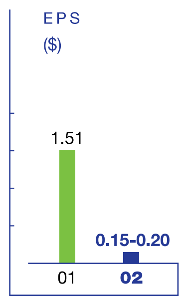


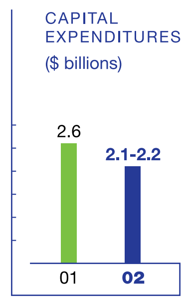
Achieve EBITDA of $2.475 to $2.525 billion

Relatively flat compared to 2001 as strong underlying growth offset by expected negative impact of regulatory decisions on contribution [2]

Realize earnings per share (EPS) of 15 to 20 cents

Lower than the 2001 reported figure of $1.51 due to significant one-time gains of $2.02 in 2001, and higher depreciation and financing costs expected in 2002



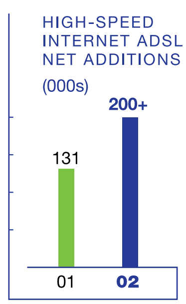


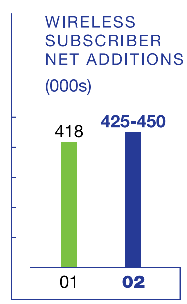
Invest $2.1 to $2.2 billion for long-term growth

A decrease of more than 15% from 2001, due to reduced wireless capital expenditures

Sign up 200,000 plus new high-speed Internet customers

An increase of more than 50% compared to 2001



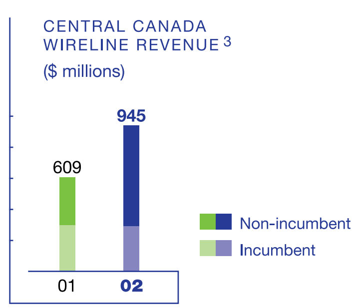


Attract 425,000 to 450,000 new wireless clients

An increase of 16 to 17% to bring our wireless subscriber base to more than 3 million

Central Canada wireline revenue to reach $945 million

Non-incumbent revenue to more than double to $650 million from $313 million



1 – Revenue in 2002 is expected to be negatively impacted by regulatory decisions relating to contribution by approximately $390 million. TELUS is currently appealing this decision. If excluded, underlying revenue growth would be 10 to 11%

2 – EBITDA in 2002 is expected to be negatively impacted by an estimated $230 million due to regulatory decisions relating to contribution. If excluded, underlying EBITDA growth would be 8 to 10%

3 – Represents wireline revenue outside of B.C. and Alberta

we

Dear Shareholder

2001 marked a year of tremendous achievements for TELUS and excellent progress against our growth strategy. Whilst we are proud of our successes, we are disappointed that they remain to be reflected in the performance of our share price. Unfortunately, our progress has been masked by exogenous impacts such as significant adverse contribution and rebanding decisions by the regulator, a soft economy, tight capital markets and a rationalization in the telecommunications sector. Moreover, TELUS is sensitive to investor concerns with respect to earnings dilution and the impact on cash flow owing to significant investments from expanding our wireless and wireline businesses nationally.

TELUS responds to these concerns by reinforcing the efficacy of our strategy, the considerable progress we have made in its execution and that we have more than sufficient liquidity to see it through to conclusion. We anticipated and planned for the financial implications to our balance sheet of expanding into Ontario and Quebec. So what do I see as the catalysts for share price growth? For starters: an improving economy and increased confidence in the capital markets; a conclusion to the shakeout in the telecommunications sector that sees strong companies like TELUS prosper whilst weaker entities fall by the wayside; and finally, continued traction from TELUS in driving top line revenue growth from data, IP and wireless solutions, and of course, translating this revenue growth into increased operating profits and free cash flow.

I am confident we have the right strategy, a talented team that delivers and with continued excellence in execution, our achievements and operating results will be reflected in our share price in due course. I thought it would be helpful if I set out below our major achievements for 2001 and the challenges for TELUS going forward.

Delivering a winning strategy and track record against targets

Despite the turbulent year for financial markets and the telecommunications industry, TELUS continued to exploit its strong market position to execute our focused growth strategy. Our achievements are transforming TELUS into the high-performance, value-creating organization we envisage.

members of the TELUS team

creating innovative solutions

JOHN MADURI
Executive Vice-President and President, Business Solutions

DAN DELALOYE
Executive Vice-President and President, Consumer Solutions

ROY OSING
Executive Vice-President, Enterprise Marketing and Chief Marketing Officer

are

TELUS' strategy remains as relevant today as it was when first introduced 18 months ago and it will continue to guide TELUS in 2002 as we execute against our objectives from a position of financial and operating strength. Our strategic intent is to *unleash the power of the Internet to deliver the best solutions to Canadians at home, in their workplace and on the move*. We are realizing this intent by leveraging the convergence of data, Internet Protocol (IP), voice and wireless communications to the benefit of our customers and our shareholders.

TELUS believes that what gets measured gets done and in 2001 we continued to demonstrate this philosophy in action by achieving our public targets. This marks the second consecutive year since the inception of our growth strategy that we met or exceeded our public guidance.

Last year TELUS achieved all of its financial targets, delivering revenue of $7.2 billion (up 18 per cent), operating earnings (EBITDA) of $2.5 billion (up nine per cent) and core earnings that were 31 per cent higher than originally targeted.

A full set of targets for 2002 is outlined on pages ii and 3. I encourage you to refer to these targets to monitor our progress.

A strong team executing against our six strategic imperatives

Our successes of 2001, and our aggressive plans this year, are driven by six strategic imperatives developed in 2000 to align and focus our efforts. These imperatives are outlined in more detail later in this annual report.

1. **We are providing integrated solutions that anticipate and meet the evolving needs of our customers and exploit highly fragmented competition in the marketplace.**

TELUS is making the move from products to solutions and key to this is implementing an organization structure that enables the realization of our strategy. We began the year with a new structure designed to bring TELUS closer to customers, with six customer-facing business units supported by teams providing business capability and enablement. Our new customer-facing organization develops and delivers needs-based solutions, driving greater differentiation through market segmentation, targeting and enhanced customer intimacy.

building financial strength

ROBERT MCFARLANE
Executive Vice-President and Chief Financial Officer

extending leadership in wireless

GEORGE COPE
President and Chief Executive Officer, TELUS Mobility

2. We are building national capabilities across data, IP, voice and wireless by leveraging our ILEC platform.

TELUS is leveraging skills, resources and customer relationships in Western Canada and Quebec to strategic advantage in entering the business market in Central Canada. Our incumbent wireline operations boast combined local and long distance market shares of 98 and 79 per cent respectively. The stable, free cash flow generated by these operations is fuelling our national growth initiatives.

In March, we activated our 8,900-kilometre national fibre IP backbone network and signed agreements to carry the data and Internet traffic of WorldCom Canada, Cable & Wireless plc and Genuity. The trans-Canada network connects cities from Vancouver to Quebec City, extends into the United States via four major points of presence, and is fully integrated with TELUS metropolitan networks in B.C. and Alberta and those being built in Toronto, Ottawa, Montreal and Quebec City. In the process, we leapt past all Canadian Internet network competitors to be top-ranked in network connectivity. This ranking is important because it determines our cost base in carrying Internet traffic and our margin in selling transit services to other Internet Service Providers (ISPs).

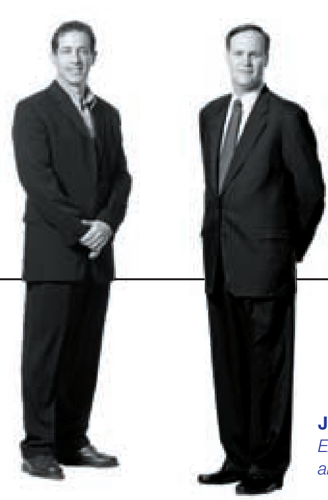
Last year we also completed and connected three state-of-the-art Internet Data Centres (IDCs) to our national IP backbone network. Our entry into the competitive business markets of Ontario and Quebec gained meaningful traction, ending the fourth quarter generating annualized revenue of more than $800 million. Through these and other efforts in 2001, TELUS is advancing towards its goal of being the premier advanced data and IP solutions to business customers across Canada.

3. We are partnering, acquiring and divesting to accelerate the implementation of our strategy and to focus our resources on our core business.

Six strategic acquisitions last year, brought us closer to our goal of becoming Canada's powerhouse in data and e.business solutions. Through these acquisitions we gained important advantages, including:

- Strengthening our competitive advantage with the addition of 1,100 new employees who bring valuable data and IP skills to Team TELUS
- Securing high-quality relationships with thousands of new customers in our chosen markets
- Increasing our operational capability in Central Canada, complementing our plans for national expansion

We are quickly realizing the potential behind these investments with half of the $500 million of annualized fourth quarter revenue from our non-incumbent operations in Ontario and Quebec being generated from our acquisitions. Much of this success can be attributed to an excellent post-acquisition process that focuses on immediately engaging new employees as members of the TELUS team in the implementation of our strategy.



partnering, acquiring and divesting

MARK SCHNARR
Executive Vice-President, TELUS Ventures

JIM PETERS
Executive Vice-President, Corporate Development and General Counsel

Our relationship with Verizon is important to achieving our strategy. The complexion of Verizon's business and the strategy it is implementing is very similar to our own, so we have a common foundation for cooperation. We formalized our partnership with Verizon Communications with the signing of a Software and Related Technology and Services Agreement. As Verizon's long distance business grows rapidly following FCC regulatory relief and as Voice over IP (VoIP) becomes more pervasive, this international traffic terminated by TELUS will make an even greater contribution to our profitability.

We are pursuing other partnerships that complement our core skills and provide innovative solutions for customers. One of many examples was TELUS' VoIP service being included with the new Microsoft Windows* XP operating system launch in Canada.

4. **We are focusing relentlessly on data, IP, voice and wireless growth with the objective of building scale and differentiation by integrating services into compelling solutions for our customers.**

Our strategy targets the high-growth areas of enhanced data solutions for business customers, high-speed Internet services and applications for consumers, and a host of wireless services for businesses and consumers across Canada.

Positioning TELUS to be the leader in data hosting in Canada, we opened two world-class *Intelligent* IDCs in Toronto and Calgary. TELUS' IDCs deliver the fastest transmission speeds available and provide a full suite of sophisticated Internet hosting services, integrated e.business applications and the highest standards available in security and performance.

High-speed ADSL was a priority for TELUS in 2001. We had some major process and provisioning challenges to meet the tremendous demand, but we faced them head-on and made significant headway. Network provisioning improvements were matched with strong marketing, an instantly recognizable advertising icon, the cheetah, and mass marketing. We enjoyed a strong fourth quarter, adding 58,000 TELUS Velocity ADSL Internet subscribers and for the full year added a remarkable 131,000 new subscribers, exceeding our public target by 38 per cent.

Our wireless business was equally productive, strengthening our leading competitive position. TELUS Mobility continues to lead the Canadian wireless industry in total revenue – $1.9 billion in 2001 – generating 22 per cent more revenue per subscriber than our closest competitor. Over the course of 2001, we successfully integrated the operations of TELUS Mobility with Clearnet and QuébecTel Mobilité into one powerful market force while doubling annual operating earnings to $356 million. Integration synergies of $230 million were realized during the year from capital savings and reduced operating expenses.

Last October, we secured an innovative network sharing agreement with Bell Mobility and Aliant Telecom Wireless that extended and enhanced our existing wireless roaming and resale agreements. TELUS will benefit from reduced capital

connecting in Central Canada

JOSEPH GRECH
Executive Vice-President and President, Global Trading & Partner Solutions

JOHN CHANG
Executive Vice-President and President, Client Solutions

HUGUES ST-PIERRE
President and Chief Executive Officer, TELUS Québec

expenditures of approximately $500 million and is now positioned to begin marketing digital PCS services to more than seven million potential new clients in 2002. Going forward, we are nearing completion of a capital efficient Third Generation (3G) national network, which will allow us to offer high-speed Wireless Web services.

5. We are going to market as one team, under a common brand, executing a single strategy.

We made significant progress in establishing a powerful and integrated national presence in 2001. The TELUS brand was introduced coast to coast with the successful rebranding of Clearnet to TELUS Mobility. We strengthened our position in Quebec, acquiring the remaining 30 per cent of QuébecTel and rebranding to TELUS Québec through the 'Allo.' advertising campaign. A poll of Quebec City and Montreal organizations indicated an outstanding 55 per cent awareness of the TELUS name in Quebec after only eight months following the rebranding.

At year-end, *Marketing Magazine* named TELUS one of the "Top Ten Marketers that Mattered" for 2001. This national honour recognizes TELUS' innovation, executional clout, leadership and influence in the market.

6. We are investing in internal capabilities – most particularly our people. We support and encourage personal growth and development as a fundamental right of every member of Team TELUS.

In support of our growth strategy, we are creating a high-performance culture for competitive advantage. Our starting point was the creation of four clear value statements that align and focus the efforts of our team members. At TELUS:

- *We embrace change and initiate opportunity*
- *We believe in spirited teamwork*
- *We have a passion for growth*
- *We have the courage to innovate*

In support of performance, we ensure achievements are recognized and rewarded through Team Machine – our innovative, online recognition and reward program that recently gained best-in-class distinction by the North American-wide National Association of Employee Recognition.

TEAM MACHINE™

Acknowledging the significant impact each and every employee contributes to our collective success, we provide a minimum of 100 stock options annually to all members of the TELUS team. While universal employee option programs are relatively rare, we believe those whose efforts create shareholder value should share in that reward.

Our internal investments are winning external acclaim. In 2001, TELUS was named the 10th best employer in Canada by *The Globe and Mail Report on Business*. This recognition validates our progress in building a performance culture and helps retain and attract the calibre of talent essential to our continued success in a complex and highly competitive industry.

investing in internal capabilities

PAUL MIRABELLE
Executive Vice-President, Business Transformation

JUDY SHUTTLEWORTH
Executive Vice-President, Human Resources

BARRY BAPTIE
Executive Vice-President, Technology & Operations

Pursuing growth from a position of financial strength

Creating superior, long-term share value through growth investments would not be possible without support from the capital markets. This support was clearly evident in the over-subscribed, landmark $9.2 billion financings completed in May 2001, facilitated by our healthy investment credit ratings. These corporate financings were the largest in Canadian history and the notes are trading at a premium to the issue price indicating our improved credit profile since May.

We also strengthened our balance sheet when we exceeded our public target for non-core asset divestitures by 25 per cent, raising almost $1.2 billion. We began to access the considerable tax shelter provided by the Clearnet acquisition and subsequent operations that allowed the $718 million of gains on divestments to be sheltered from tax. This realized $331 million of cash tax savings in 2001 and leaves another $450 to $500 million of value to be realized in future years. Indeed, TELUS realized in 2001 a cash inflow of $840 million net of its divesture and acquisition activities.

Through enhancements to our dividend reinvestment plan, which attracted 45 per cent participation, and a prudent reduction to the dividend, we reduced our future annual dividend related cash outflow from about $400 million to $100 million. The decision was not arrived at easily, but we felt it was the right one for the Company and our shareholders for the long term. The change is consistent with our strategy, helping TELUS to continue investing in attractive growth opportunities without increasing leverage.

Expecting continued excellence in execution in 2002 and beyond

We leave 2001 with demonstrable progress against a clear agenda and a tight set of priorities. Our strategic imperatives are moving us to the leadership position that will yield future success. We are establishing a strong national platform and are demonstrating leadership in data, IP and wireless. We have established a solid financial position and are relentlessly executing against our measurable public targets.

The dynamic environment within which TELUS operates presents opportunities along with challenges. In these times of intense change, the ability to anticipate and adapt is a competitive differentiator. We are building this capability by leveraging technology, embedding change management skills and developing a learning environment. TELUS is now positioned to exploit the opportunities and challenges we face. To this end, a priority this year is our program to increase operating and capital efficiency. Not only will this make us a more competitive and successful organization in the marketplace, but it will also strengthen our balance sheet and fuel our growth agenda.

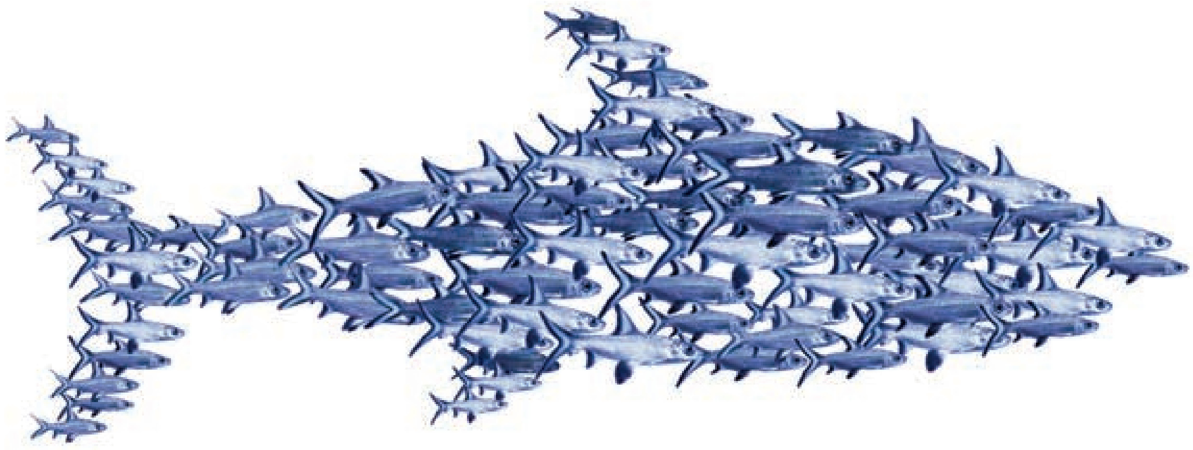
Our TELUS team is fully engaged with our strategy and high-performance values. Simply put, we are building the capabilities and executing against the objectives that yield sustainable success and long-term share value creation.

Thank you for your continued support.

Cheers,

DARREN ENTWISTLE
member of the TELUS team
February 13, 2002

1 **we are** providing integrated solutions



that anticipate and meet the evolving needs of our customers. Becoming a national total solutions provider is setting TELUS apart. In this highly fragmented marketplace, most competitors are niche players focusing on certain products, markets or geographies. TELUS stands out from the rest as the leading telecommunications company providing integrated data, IP, voice and wireless solutions.

Bundling up

In June, we launched the TELUS Total Bundle, Canada's first integrated solution for the consumer market. As part of this solution, customers receive a residential access line, a selection of Personal Call Management Services, a choice of long distance plans, a wireless service plan and a choice of one of our Internet service plans. All of these services are conveniently packaged for our customers. For our business customers, Business Solutions launched the Business Velocity Bundle that includes long distance service, domain hosting and Internet access. With these new offerings, we are strengthening our profile as a total solutions provider.

"We are winning in the consumer market by leveraging the power of integrated solutions, allowing customers to choose solutions that are right for them. An excellent example was our new Total Bundle, a first for integrating voice, Internet and wireless services."

DAN DELALOYE
Executive Vice-President and President, Consumer Solutions

Having the ability to offer integrated solutions to customers is critical in a competitive market. Integrated solutions help improve customer loyalty, reduce customer churn and generate new revenue. In 2001, we increased the sale of integrated consumer solutions by 20 per cent, to 915,000. In 2002, we will continue to explore additional innovative voice, wireless and Internet integrated solutions, such as Web-enabling our Vista screen phones so customers can view their e.mail and surf selected Web sites via their telephone.

In pursuit of innovative solutions

We're implementing a comprehensive three-year plan for developing enterprise-wide integrated solutions. The plan defines the high-potential solutions we intend to bring to market. The plan also provides a blueprint for developing our people and systems to make the right-angle turn from simply selling products to providing solutions.

JOHN MADURI
Executive Vice-President and President, Business Solutions

"Maintaining all the necessary internal resources to fully leverage the Internet is difficult for many companies in the general business market. We help our customers address their business challenges through integrated data, Internet, wireless and voice solutions, freeing them to focus on their customers and their core business."

For people on the go

To meet the evolving needs of our increasingly mobile customers, a number of innovative integrated solutions have been developed and rolled out to consumers.

- **Talk & Surf™**
  In April, we launched the Talk & Surf card, one of our first consumer products to integrate Internet and voice. This gives customers the ability to make long distance calls and/or surf the Internet.

- **Talking Call Waiting**
  Consumers in Alberta and B.C. were introduced to TELUS' Talking Call Waiting service. The new service lets customers know who is calling when the Call Waiting signal is heard on their phone line. By translating existing Calling Line ID names (used for Call Display) from "text to speech," TELUS lets customers hear the name of the waiting caller. It's another tool to manage their incoming calls and save time.

- **Cool phones, fresh applications**
  TELUS Mobility provides its clients with messaging, mailbox and other integrated communications tools that leverage our leadership in wireless Web and data services. We offer our business and consumer clients a wealth of options that let them stay in touch at home, at the office and on the road. These options include tools that link mobile workers to corporate servers, such as Surf Enterprise and Office InBox; wireless e.mailbox services such as My InBox; and services that combine wireless and landline messaging functionality, such as Combined Voice Mail.

Toll-free calling just a click away

We launched One-Click Calling in August, a Web-based service for business customers. One-Click Calling is an integrated voice and IP service that enables real-time voice communication between businesses and their customers. While browsing a business Web site, customers simply click on the One-Click Calling icon to set up a toll-free call through the Internet to the business. It's an effective way for businesses to support simultaneous Web browsing and customer care to ensure higher sales and customer satisfaction.

Compelling solutions for large business customers

We are also focused on fulfilling the communications needs of larger Canadian companies in a comprehensive way, including providing them with outsourcing services. For example, TELUS Business Solutions signed a five-year multi-service agreement with Northstar Energy Corporation worth $5 million. Under this agreement, TELUS will supply Northstar with Internet access services, national long distance and local access services, national wide-area data communication, wireless services, consolidated billing and LAN/WAN management services.

Strong teamwork from various TELUS business units led to York University in Toronto choosing TELUS to provide an innovative integrated communications solution. TELUS proposed a suite of services to simplify York University's communications supply chain and integrate its communications requirements to better serve the University. The agreement between York University and TELUS Client Solutions spans five years and represents approximately $8 million in revenue. Services include local access, long distance service, a modem pool, a WAN, an upgrade and maintenance program for the SL100 PBX system, calling cards, student prepaid cards, campus pay telephones, a corporate cellular plan, retail cellular services for faculty and staff, and the installation of a cellular site on campus to provide superior coverage.

A friendly future brought to you through integrated solutions

In searching for a new communications partner, BTI Canada, a leader in corporate travel management services and solutions, needed a company that could strategically and economically deliver technologically advanced solutions. *"We're a customer-driven business with call centres across the country; we are committed to continually invest in technology solutions to meet evolving customer needs," explains Patrick Brooker, senior vice-president, finance & shared services, BTI Canada. "It was TELUS' approach to business – from people and processes to their understanding of our business – that won us over and resulted in our decision to partner with them."*

TELUS proved it had the business solution BTI Canada needed. BTI Canada's strategic vision includes outsourcing non-core business processes to improve its focus on its core competence of travel management solutions. TELUS delivered an IT solution that has enabled BTI Canada to be more competitive, both strategically and economically by outsourcing its IT function to TELUS.

TELUS provides BTI Canada with an integrated communications solution composed of IT outsourcing and management services, including help desk support, desktop and network management, managed voice and infrastructure services.

"Our partnership with TELUS has resulted in a strong value proposition for us, a higher level of service and a much more robust operating platform," says Brooker. "TELUS, I believe, is an extension of our company."

PATRICK BROOKER
BTI Canada

GLENN KNOWLES
TELUS team member

2 we are building national capabilities

across data, IP, voice and mobility. Investing in national capabilities is opening the doors to new opportunities. As we continue to expand nationally, we're also expanding our ability to connect our customers – across Canada, into the U.S. and globally.

Creating a national wireless powerhouse

We integrated the wireless operations of TELUS, Clearnet and QuébecTel Mobilité into a leading national wireless company – TELUS Mobility.

- Our national digital network coverage will increase from 78 per cent of the Canadian population to approximately 90 per cent, thanks to Extended and Enhanced Roaming/Resale Agreements with Bell Mobility and Aliant Telecom Wireless
- We have 2.6 million clients, representing a 19 per cent increase during 2001, and are targeting an additional 16 to 17 per cent increase in our client base in 2002
- At more than $1.9 billion, TELUS Mobility has the highest revenue, as well as the highest ARPU, of any Canadian wireless carrier in the Canadian wireless industry
- We firmly established the future is friendly® TELUS Mobility brand from coast to coast

Lighting up Canada

In 2001, we lit our national IP backbone network, with diverse routing and connectivity into strategic centres in the U.S. On this national backbone, TELUS also provides flexible bandwidth solutions, supporting services from national private line to managed IP wavelengths. These services have been well received, as we signed agreements to carry data and Internet traffic for WorldCom Canada, Cable & Wireless, and Genuity – three of the world's leading Tier 1 Internet providers.

Our trans-Canada IP backbone and fibre network now connect Vancouver, Calgary, Edmonton, Winnipeg, Toronto, Ottawa, Montreal, Quebec City and Halifax, and extend into the U.S. via major points of presence in Seattle, Chicago, Detroit, Buffalo, Albany and New York City. The backbone is fully integrated with TELUS' extensive metropolitan networks in B.C. and Alberta and connects into similar networks under construction in Toronto, Ottawa, Montreal, Quebec City and other cities. (See map on the inside back cover.)

Independent network analyst Netconfigs Ltd. has rated the TELUS national IP backbone as the top Canadian national fibre-optic network in terms of connectivity.

"TELUS' ranking as the number one Canadian Internet backbone puts us in an enviable position in what we can deliver to our data and IP customers. This demonstrates that we provide the fastest connectivity to Internet content and our customers get the best experience – period."

JOSEPH GRECH
Executive Vice-President and President, Global Trading & Partner Solutions

Connecting to Central Canada

We are increasing our presence in Central and Eastern Canada with significant new facilities. We added seven new data and aggregation points of presence in Canada, for a total of 20 distribution and aggregation points, and four new peering points of presence (where we seamlessly interconnect to international IP carriers) in the U.S. These locations were connected together with 8,900 kilometres of high-capacity fibre cable.

Establishing connectivity in Ontario is a key enabler to our national strategy. With the national backbone in place, we now offer customers across Canada a full range of business advantages including voice, data, Internet, video, high-speed bandwidth, IT outsourcing capabilities, Internet connectivity and Canada-wide access to TELUS products and services.

Our national capabilities have also given us a significant presence with many large organizations, including the Government of Canada. Last May, we won an eight-year contract worth up to $200 million to provide a managed data network to Government of Canada departments and agencies across the country. This includes the design, implementation and maintenance of network services, as well as an advanced network and application monitoring solution. We were also approved as a supplier for the federal government's Government On-Line (GOL) initiatives, opening the door for future opportunities.

"In 2001, we added new facilities, doubled our sales force, established a vast indirect distribution network, and tripled our business clientele in the major markets. With these large investments, our dedicated people and quality customer service, TELUS Québec is becoming the strongest alternative to Bell in the province."

HUGUES ST-PIERRE
President and Chief Executive Officer, TELUS Québec

Bolstering presence in Quebec

Efforts to aggressively expand our Quebec presence are well underway. Last February, we began a three-year $200-million initiative to expand the TELUS Québec fibre network, switching equipment and data/IP infrastructure.

As part of this initiative, we acquired 15 co-location facilities from a receivership situation at advantageous prices in August. The transaction, which advances our Quebec development plan by about one year, allows TELUS Québec to provide coverage to 70 per cent of the business communities in greater Montreal and Quebec City. Also, TELUS Québec placed into service a Nortel DMS-500 switch that significantly increases the capacity and robustness of our network in downtown Montreal.

Wireless agreements: reaping big benefits

TELUS Mobility and two leading wireless carriers in Central and Eastern Canada signed landmark Extended and Enhanced Roaming/Resale Agreements that went into effect on January 1, 2002. This gives TELUS Mobility cost-effective access to more than seven million potential new clients and allows us to avoid spending hundreds of millions of dollars in capital and operating expenditures. The 10-year reciprocal agreements, finalized in October 2001 with Bell Mobility and its affiliates and Aliant Telecom Wireless, greatly reduce the wholesale pricing for wireless roaming/resale services and encourage the use of existing digital CDMA (code division multiple access) wireless infrastructure in smaller centres and rural areas.

Combined with our extensive urban coverage across Central and Eastern Canada, these new agreements will allow TELUS Mobility to accelerate wireless penetration in smaller population centres across Ontario, Quebec and Atlantic Canada. TELUS Mobility reaps numerous benefits from the agreements:

- Our national digital wireless coverage grows from 78 per cent to approximately 90 per cent of the Canadian population under the terms of these agreements, significantly increasing our addressable market
- We avoid capital expenditures of more than $800 million that would have been required to build comparable network coverage across Central and Eastern Canada
- We are able to more quickly accelerate the cost-effective introduction of high-speed 3G wireless services right across Canada

Building financial strength

In May, we confirmed our financial strength with a record $9.2 billion financing, with very strong North American demand for the $6.7 billion investment grade U.S. and Canadian dollar-denominated Notes issued with maturities of five, six and 10 years. This provides TELUS with significantly improved financial flexibility, fixed rates and significantly reduced financial risk. This was the largest public debt issue ever completed by a Canadian corporation.

ROBERT MCFARLANE
Executive Vice-President and Chief Financial Officer

"The $6.7 billion issue of unsecured investment grade notes and $2.5 billion bank facilities placed into North American financial markets were landmark transactions. They demonstrated financial market endorsement of our strategy and ensured our financial strength and flexibility to continue executing our national growth strategy."

3 we are partnering, acquiring and divesting

as necessary to accelerate the implementation of our strategy and focus our resources on core business. We recognize the value of building, buying and partnering as innovative ways to build our capabilities with speed. Through these transactions, we can focus on our core business and accelerate the implementation of our national data, IP and wireless growth strategy.

Buying strategically

During 2001, we made several new acquisitions and, in June, completed the purchase of the remaining 30 per cent interest in TELUS Québec from Verizon Communications. Acquisitions included:

- The data network and facilities management division of NWD Systems (Calgary). Renamed TELUS Managed Technology Solutions, the group provides local area network monitoring, virtual private networking, Web hosting and client server consulting
- Columbus Group, an Internet professional services company with offices in Toronto and Vancouver
- Williams Communications Canada, a national company that sells, services and installs communications equipment in the business customer market. The company now operates as TELUS National Systems
- Daedalian eSolutions, a Toronto-based Internet professional services company

- Arqana Technologies, an Ontario information technology infrastructure solutions provider
- The Canadian assets of PSINet, an Internet services and network provider. Included in the assets is another world-class Internet Data Centre in Toronto, further strengthening our position as Canada's leader in Internet hosting solutions

JIM PETERS
Executive Vice-President, Corporate Development and General Counsel

"We have a balanced approach to growth. We are complementing our organic investments with selective acquisitions to accelerate our growth, particularly in Central Canada and targeted to data and the Internet."

In completing these acquisitions, we used a balance of cash and TELUS shares. Taking into account the successful 2001 divestiture program of non-core assets, TELUS enjoyed a net cash inflow of approximately $840 million even after the acquisitions and buyout of the remaining minority interest of TELUS Québec.

Collectively, these acquisitions bring us closer to being Canada's powerhouse in data and e.business solutions. We strengthened our competitive advantage with the addition of more than 1,100 new employees who bring valuable data and IP skills to the team. We also secured high-quality relationships with thousands of new customers in our chosen markets. Throughout 2002, efforts will continue to successfully integrate these acquired companies into the related TELUS business units.

PAUL MIRABELLE
Executive Vice-President, Business Transformation

"Our post-acquisition integration team and process is second to none. We recognize we are also acquiring talent to supplement our team and that deriving value requires a sustained and focused effort – closing the deal simply marks the beginning of a long-term benefit."

Growing with partners

A key component of achieving our growth strategy is the development of innovative partnerships and alliances.

- We formalized our partnership with Verizon Communications when we signed a Software and Related Technology and Services Agreement. This helps us meet the multinational requirements of our customers. We will continue building alliance capabilities with Verizon through the term of this agreement to 2008.
- We established an ongoing partnership with Microsoft Canada to deliver world-class application service provider (ASP) software to TELUS business customers. Another partnership was established to make voice calls over the Internet from any PC to virtually any phone number in the world. The new offering, called "TELUS Voice over Internet Service" is available to Microsoft Windows XP (and Windows Messenger) users across Canada who are connected to the Internet. TELUS is the first full-service telecommunications company in Canada to offer this service.
- During 2001, TELUS focused on a range of investments that enhances our current core product offerings. For example, we formed a partnership with Jamcracker, Inc., a Web services company in California, enabling us to offer services like online data backup, Web conferencing, and time and expense management. This partnership allows us to enter the Canadian ASP market 18 months earlier than planned and is expected to provide TELUS with revenue of more than $50 million over the next three years.

Additionally, TELUS, CIBC and VeriSign Inc. joined forces to form Soltrus Inc., a Canadian e.commerce digital trust services provider. Soltrus enables businesses and consumers to communicate and transact on our digital networks with confidence. It also allows us to enhance our data offering to include a key customer requirement concerning security. And late in 2001, we also invested in Hostopia, the industry leader in the provision of automated Web hosting, e.mail and e.commerce services.

"Our focus is on investments in the high-growth sectors of enhanced data, IP and wireless where we can fill capability gaps for TELUS business units while supporting the development of these innovative new companies."

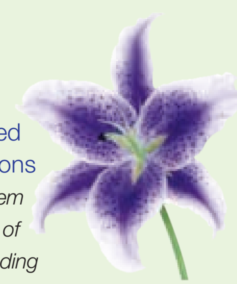
MARK SCHNARR
Executive Vice-President, TELUS Ventures

Sticking to our knitting

The sale of non-core businesses frees up additional capital and allows TELUS to reduce our debt level and reinvest in the national expansion of our company in our chosen areas of growth. In 2001, the program was highly successful, raising almost $1.2 billion in pre-tax proceeds, exceeding the original target of between $900 million and $1 billion.

- We continued our exit from the real estate business, raising $228 million from office tower sales and leasebacks.
- We sold our TELUS Advertising Services directory business to Dominion Information Services, a subsidiary of Verizon, for $810 million, reporting a gain on sale of $711 million. The transaction included all of TELUS' Canadian directory information services assets, an initial 30-year publishing agreement, and an obligation for Dominion to provide online directory services to TELUS' Internet portal network.
- We exited the equipment leasing business by selling Telecom Leasing Canada, a wholly owned subsidiary of TELUS for $147 million.

A friendly future brought to you through innovation



Tourism Vancouver has enjoyed a distinct advantage ever since the former Columbus Group Communications joined TELUS. The advantage? One partner that brings the right people to the table to deliver the perfect communications solution. *"We've had a successful relationship with the Columbus Group team since 1997 when we began working with them to develop our Web site," says Jayne Venu, information technology manager at Tourism Vancouver. "Now that they're part of TELUS, we've noticed very positive benefits…TELUS has exposed us to a suite of powerful communications solutions including back-end data migration, portal, e.commerce, database expertise and wireless applications."*

The recent evolution of Tourism Vancouver's Web site to a sophisticated extranet that boasts numerous user features is one example of how tapping into the larger TELUS talent pool enables Tourism Vancouver to deliver on its marketing objectives.

Tourism Vancouver's customer base of 1,050 industry suppliers consists of about 80 per cent small businesses that don't have the resources or budget to develop an e.business application on their own. Understanding this, Tourism Vancouver's goal was for its customers to grow with them. TELUS pulled a team of Web experts together who transformed Tourism Vancouver's extranet into a state-of-the-art, secure extranet equipped with customization technology.

Customers will soon be introduced to the benefits of expanded extranet features on Tourism Vancouver's site including the ability to renew and pay memberships, market products and share information online.

As Venu attests, "TELUS has opened new doors for us."

CHRIS ENNS
TELUS team member

JAYNE VENU
Tourism Vancouver

4 we are focusing relentlessly on data, IP and wireless growth

to build scale and differentiation. We have made significant progress on aggressively pursuing the pillars of TELUS' future growth – data, IP and wireless technologies. Over the next three years, Canada's enhanced data, consumer ISP and wireless markets are expected to grow on average by 25, 17 and 13 per cent per annum, respectively. We intend to continue leading the way in this arena.

Firing up the high-speed Internet growth engine

The popularity of the Internet continues to grow among consumers and businesses alike and demand for high-speed Internet has never been greater.

To capitalize on this growth opportunity, we are committing the necessary capital and resources to expand our TELUS Velocity ADSL Internet services nationally. In 2002, we are expanding our investment in Internet deployment in the West for all users and in Central Canada for select business markets.

- **Meeting consumer demand**
  On the consumer front, in Alberta and B.C., we are speeding up our high-speed Internet rollout plan by two years. TELUS Velocity ADSL Internet service will be available to virtually every (more than 95 per cent) home and workplace

in 38 key communities by the end of 2003. We invested over $200 million toward this aggressive rollout in 2001 and plan to invest more than $300 million in 2002.

To scale up our service delivery capacity, we overhauled our marketing and provisioning processes in 2001. Every aspect, from marketing and sales through installation, was re-engineered. We reduced typical customer wait time for installation from several weeks to several days. An attractive option has been our QuickConnect™ kit, which allows customers to install Velocity ADSL Internet service at their convenience. We just introduced a new installation "wizard" that automates virtually the entire PC configuration process, greatly simplifying installation.

In 2002, we will continue expanding our ADSL footprint in Alberta and B.C. through the expansion of our serving areas. We are targeting an additional 200,000 or more new subscribers in 2002.

"In 2001, we dedicated extensive time, effort and talent to re-vector our network build and customer delivery resources to successfully meet enormous customer demand for TELUS Velocity ADSL Internet service."

BARRY BAPTIE
Executive Vice-President, Technology & Operations

- **Canada's business Internet leader**
  On the business front, efforts are focused on being Canada's business Internet leader. In 2001, we launched an exciting portfolio of business Internet products designed specifically for the national business market. With these services, business customers get their own domain name, up to five e.mail addresses and faster Internet access. This provides a good platform to move onto more advanced services, such as applications and hosting.

  To help business customers take greater advantage of the Internet, we also introduced TELUS Biz Essentials, a powerful package of Internet and marketing tools that enable businesses to build their own Web site or Web store, easily and quickly. Additional innovative solutions for business customers are underway.

Leading the Canadian wireless industry

TELUS Mobility is constantly expanding its national wireless leadership position through the introduction of innovative and integrated digital wireless solutions. As the carrier with the best spectrum position and highest revenue in Canada, and the only one with two distinct and state-of-the-art digital wireless networks, TELUS Mobility is set to accelerate that leadership, particularly in wireless data and Internet access services.

- We are building out a national high-speed 3G wireless network based on the cost-effective 1XRTT platform, which will offer our business and consumer clients high-speed wireless data and Internet access by mid-2002.

- We have grown our roster of content partners to more than 100, including leading providers in the online messaging, news, financial services, m-commerce and gaming sectors. In 2001, we introduced Surf Business and Surf Enterprise, two powerful Wireless Web services aimed at business clients, and will grow our business-specific offerings in 2002 with new messaging, information, point-of-sale and mobile productivity tools.

- TELUS Mobility became the first wireless carrier in Canada to introduce Pay Per Use (PPU) service for the wireless Web. A value-based approach that allows clients to pay for the specific services they want and use the most, PPU will allow TELUS Mobility to greatly expand our premium Wireless Web content offering in 2002.

GEORGE COPE
President and Chief Executive Officer,
TELUS Mobility

"With our national build-out of high-speed 3G wireless services and greatly expanded Central and Eastern Canada coverage, TELUS Mobility is well positioned to extend our leadership in the wireless data and Internet access sector."

Leading Web-hosting service provider

In 2001, we opened two world-class *Intelligent* IDCs in Toronto and Calgary, providing a full suite of sophisticated Internet hosting services, integrated e.business applications and the highest standards available in security and performance. We now have IDCs located in Vancouver, Calgary, Toronto and Montreal, all connected to our high-bandwidth, national IP backbone network. TELUS is Canada's ultimate Web-hosting service provider and is now firmly positioned as the leader in Canada in this fast-growing space.

JOHN CHANG
Executive Vice-President and President,
Client Solutions

"Without a doubt, the introduction of Web hosting services allows TELUS the unique capability to offer integrated solutions to our business customers, nationally."

The gateway to new opportunities

Through ongoing efforts to further develop our Web portals, we are building smart, integrated solutions through the convergence of data, IP and wireless technologies. TELUS currently operates a leading national Web portal network that includes myBC.com, Alberta.com, myTO.com and Globetrotter.net (the online French-language TELUS Québec portal). Alberta.com and myBC.com hold market share of 36 and 32 per cent, respectively. These portals act as a point of entry to the Internet and generate traffic to support local merchant advertising and e.commerce.

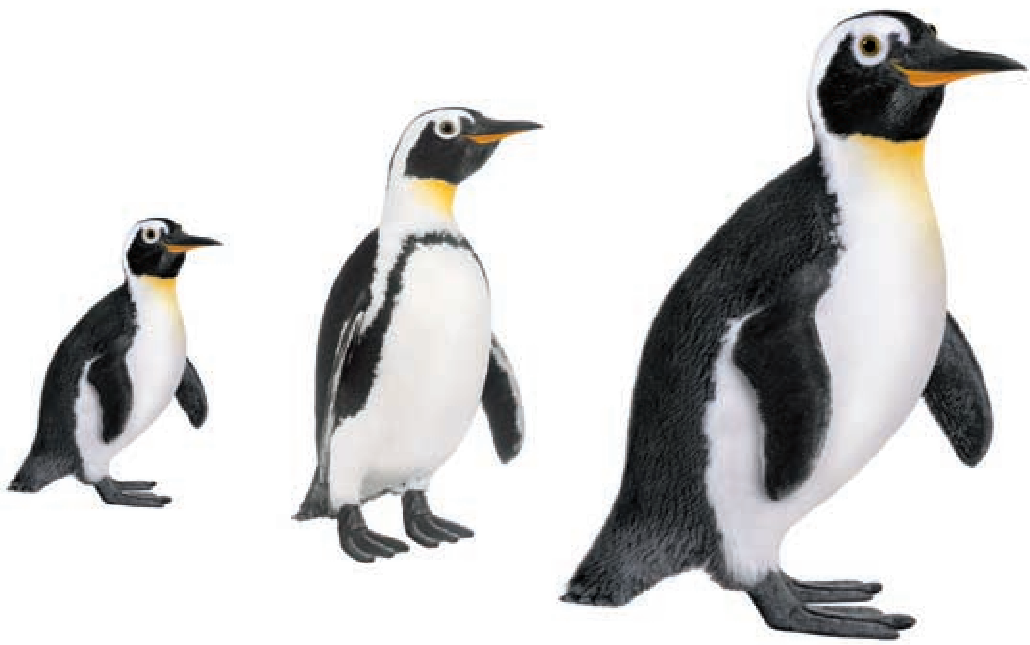
In June, we launched the TELUS Mortgage Centres on the portals, giving consumers the ability to plan and purchase their mortgage through the convenience of the Internet and Web-enabled cell phones. We are the first ISP in Canada to offer live, integrated mortgage services. We are also the first in Canada to conduct a technology trial of a voice portal service that delivers location-based information to people on the go. Using content provided by TELUS Web portals, coupled with recorded audio and text-to-speech technology, the service provides callers with information on topics such as local businesses, restaurants, movies and directions.

Connecting around the world

In 2001, building on our partnership with Genuity, we were able to provide our customers with dedicated and roaming Internet access to the United States and around the world. We offer the world-class Virtual Private Network service to unleash the power of the Internet, enabling our customers' data communications and driving the success of their businesses.

In July, we entered the global data carrier arena with the launch of four products – On Net Private Line, Cross-Border and International Private Line, International Frame Relay and International Shaped Ethernet Service. These enable us to offer TELUS solutions for cross-border and international connectivity to business customers across Canada.

5 we are going to market as one team



under a common brand, executing a single strategy. Establishing a single TELUS identity in the market has strengthened our presence and reinforced our leadership position across Canada. In the eyes of our customers, we are one team – bound by a common brand and set of values, and executing a singular strategy.

One brand, one voice

In the first quarter of 2001, a comprehensive rebranding effort artfully combined TELUS Mobility, Clearnet and QuébecTel Mobilité in the minds of consumers across Canada. All wireless operations were rebranded nationally as TELUS Mobility using the widely recognized nature-based theme established by Clearnet. As part of these efforts, we launched a new Web site – www.telusmobility.com – that integrates our wireless sales and marketing and online sales and activation services in a single future friendly location.

In April, QuébecTel became TELUS Québec, further strengthening our presence and brand in Quebec. We also converted our newly acquired companies to a single identity to enhance the visibility of the TELUS brand across Canada.

Our strategic marketing glue

Recognizing the inherent value in building and maintaining a common brand and strategy, we established the role of chief marketing officer to lead a cross-functional team that acts as the marketing "glue" across TELUS. This Marketing Executive Team (MET) champions enterprise-wide marketing activities to ensure our marketing is cohesive and instantly identifiable.

In 2001, we made great strides in moving advertising toward a consistent look that has been adopted by all business units. We have also developed a new Enterprise Product Primeship (EPP) model that defines roles for product management and customer marketing, and enhances delivery of integrated solutions.

ROY OSING
Executive Vice-President, Enterprise Marketing and Chief Marketing Officer

"Our strong team of world-class marketers has made enormous strides in a very short time to establish a strong, unified brand in the market for TELUS' many diverse services. This has been recognized by Marketing Magazine, *which named TELUS as one of the top ten marketers in Canada."*

Top honours

Marketing Magazine has selected TELUS as one of Canada's "Ten Marketers That Mattered." This national honour recognizes marketplace innovation, executional clout, leadership and influence. The magazine stated, "TELUS is now speaking with one clear voice" and commended the fresh marketing approach used in the future is friendly campaign.

In May, George Cope, president and CEO of TELUS Mobility, received the *American Marketing Association*'s "Marketer of the Year" award, which recognizes outstanding Canadian marketing approaches and the people who shape them.

A friendly future brought to you through collaboration

The mission of the Agence métropolitaine de transport (AMT) is to improve the efficiency of public transit services in Montreal's metropolitan area while promoting increased use of public transportation. One of AMT's responsibilities is managing the entire commuter train network, which represents over 12 million trips a year. *In light of this figure, AMT needed an innovative solution that would modernize its commuter train communication system.*

As Gérald Lauzé, assistant coordinator for the commuter train network operations at AMT explains, "It's critical for us to know the location of our trains at all times so we can quickly identify service-affecting problems or changes and quickly communicate information to our customers. That's what brought us to TELUS Mobility, whose expertise was a well established fact."

AVL Systems in Calgary developed the Global Positioning Satellite (GPS) systems installed in the commuter trains. TELUS Mobility added a wireless solution consisting of an IP and packet data transmitting component. This technology enables the transfer of data from the trains' GPS systems to AMT's downtown office through TELUS' network. The data is then compiled and communicated to passengers via electronic display panels located in train stations.

AMT now uses the new wireless data service to provide passengers with the latest information, such as train delays and schedule changes.

GÉRALD LAUZÉ *Agence métropolitaine de transport*
JOSÉE ROY *Agence métropolitaine de transport*
PIERRE LESPÉRANCE *TELUS team member*

6 we are investing in internal capabilities

most particularly our people, who are at the heart of our growth strategy. The aligned efforts of Team TELUS members across the country are ensuring we retain our existing customer base, while we identify and exploit new opportunities for growth.

Building a performance culture

The potential of TELUS is intimately linked to the potential of the entire team. Personal growth and development is supported and encouraged as a fundamental right of every member of the TELUS team. More than 22,000 employees now have customized development plans, clearly defining their path for personal growth and professional development. These plans support the high-performance culture we are achieving, ensuring our people remain our greatest competitive advantage.

"The heart of the New Economy is not hardware or even software, it is people. People have never been more important to our success than they are right now. At the end of the day, it is our people who make TELUS successful."

DARREN ENTWISTLE
Member of the TELUS Team

Employees are keenly focused on creating shareholder value. Respect for this contribution compelled us to ensure team members share more directly in the value they are helping to create. Earlier in 2001, we extended stock options to all employees. TELUS is one of just six per cent of Canadian companies that provides universal stock options. With 70 per cent of TELUS employees actively purchasing shares every two weeks through the employee share plan, our team members are the sixth largest shareholder, owning more than eight million shares.

A great place to work

TELUS was distinguished as one of Canada's top 10 companies to work for in 2001, by *The Globe and Mail's Report on Business* magazine. We have also been named in the 2002 edition of *Canada's Top 100 Employers* as a leader for our working conditions, benefits and opportunities for advancement. This national recognition demonstrates our cultural transformation to a high-performance team. Having a reputation as a great place to work supports our strategy of retaining and attracting the very best talent to the TELUS team, which is critical to our competitive advantage in the marketplace.

JUDY SHUTTLEWORTH
Executive Vice-President, Human Resources

"We want to retain and attract the best talent Canada has to offer. Being named as one of the top 10 employers in Canada, and the only telecommunications company to be recognized in the Report on Business *survey, is external validation that TELUS is a great place to work and is key to those considering membership on the TELUS team."*

Web enabling TELUS to improve productivity and customer satisfaction

At TELUS, we are aggressively transforming the way we work to enhance our ability to meet customer needs. In successfully applying the innovations of Web enablement to our workplace, we are investing in the efficiency and effectiveness of our team. In December, we launched a leading-edge employee portal, providing each employee with a personal doorway to the central hub of TELUS' corporate knowledge. We also introduced e.Buy, e.Travel and new e.learning capabilities through these sophisticated systems. Web development will continue in 2002 with enhancements supporting customer service (e.Customer), procurement activities (e.Demand), team management and administration (e.Workforce), and additional Web-based learning and development. By adopting innovative technologies within TELUS, we empower our employees and lead by example for our customers.

A friendly future brought to you through leadership

Through an initiative called e.Workforce, part of a larger enterprise Web-enable program, TELUS is putting Web technology in the hands of its employees. *"e.Workforce is about exploiting Web-based technology to profoundly change the way we work and how we interact with each other," says Bob Reczka, vice-president of e.Business Transformation, TELUS.*

The teamTELUS portal, e.Travel and Service Express are just a few examples of e.Workforce initiatives that demonstrate how TELUS is investing in its people.

Introduced in December, the teamTELUS portal is a robust tool that will pave the way for team collaboration and information sharing. It will also provide employees with effortless access to essential systems and information they need to serve TELUS customers.

TELUS is leading the way with its recently launched e.Travel program. TELUS took the initiative to make online travel booking mandatory to achieve its goal of 100 per cent adoption within weeks of e.Travel's rollout. TELUS employees are using the new e.Travel tool for all their business travel, from car rental bookings to flight and hotel reservations.

Additionally, a new Service Express initiative will soon be rolled out to enable TELUS' field forces to order materials and supplies right from their trucks using Web-based technology. As field technician Barry Sideroff says, "During a recent Service Express trial, I enjoyed the convenience of ordering through the Web; I found the tools I needed to do my job easily and quickly without having to make numerous phone calls."

BARRY SIDEROFF
TELUS team member

frequently asked questions

Q Why did TELUS' share price decline in 2001?

A Given the complexity of stock markets, and the many factors that influence stock prices on a daily basis, it is difficult to say with precision why the TELUS share price declined but several factors stand out.

Stock markets generally faced a volatile year in 2001, ending the year with significant overall losses. The Toronto Stock Exchange 300 Index was down 14%, while the Dow Jones Industrial Index was down 7%. Stock prices were impacted by a variety of concerns including a softening global economy, September 11th terrorist attacks on the U.S. and the ongoing war on terrorism.

The telecom sector specifically experienced considerable difficulty. More discriminating capital markets reduced the funding available to early-stage, capital intensive firms with unproven business plans. Many new entrant telecom firms, which lacked balance sheet strength and liquidity, sought bankruptcy protection or went out of business. Against this background, telecommunications companies in general have faced intense scrutiny over their balance sheets and liquidity, as well as generally declining equity valuations. Share prices of telecom firms as indicated by the NASDAQ Telecom Index declined 49% in 2001.

The share price of TELUS declined significantly in 2001, particularly post-April, despite TELUS being a healthy incumbent phone company that attained good operating results in 2001 against our targets, while significantly improving our balance sheet with a landmark refinancing program and maintaining an investment grade credit rating.

In addition to negative market and sector trends, the share price of TELUS was impacted by two notable factors which deserve some comment. The first is the April 2001 announcement by the CRTC of adverse regulatory decisions on contribution to be implemented in 2002 (see page 53). These regulatory decisions are currently estimated to reduce underlying revenue growth of 10 to 11%, to 4 to 6%. The estimated impact on consolidated EBITDA is to reduce underlying EBITDA growth of 7 to 9% to zero growth in 2002. So the anticipated 2002 regulatory impact likely was a significant firm-specific cause of a declining TELUS share price. In addition, the uncertainty regarding the potential reduction of the TELUS quarterly dividend was widely commented on in analyst reports and the media beginning in April on the release of our Annual Report. This was also likely a factor affecting TELUS share price in the market up to October.

Q Why did TELUS reduce its dividend by 57% starting in 2002? Was the decision due to financial difficulty?

A The October 2001 decision to reduce the dividend of TELUS from 35 cents to 15 cents per quarter is consistent with the Company's current business profile and focused growth strategy. The reduction of our dividend reflects our view that the best allocation of capital for TELUS is to increase the proportion of internally generated funds reinvested into our growth operations. The decision was made from a position of financial strength as TELUS experienced good operating results in 2001, has strong liquidity and maintains a healthy investment grade credit rating.

The dividend reduction, in combination with the enhancement of the dividend reinvestment plan, reduces the outflow of cash from approximately $400 million annually to $100 million. So the reduced dividend enables TELUS to reinvest a greater proportion of cash flow from our traditional telecom (ILEC) operations into our fast-growing national data, IP and wireless businesses while maintaining a strong balance sheet.

The possibility of a dividend reduction was disclosed in last year's annual report and became widely expected by investors. The announcement of the dividend change provided desired clarity on the issue while the dividend yield remained attractive relative to industry norms. As a result, TELUS shares traded up on the announcement on October 25 of the reduction, in contrast to the typical result for firms who reduce a dividend for reasons of business failure and financial difficulty.

Q Does TELUS foresee the ability to reduce its level of future capital expenditures?

A Yes, capital expenditures in 2002 are planned to be about $2.1 to $2.2 billion which is a decrease of more than 15% from 2001. This reduction is due to reduced wireless investment as well as a non-recurring $356 million purchase of wireless spectrum in 2001. We also expect to continue to experience a declining level of capital expenditures in subsequent years for reasons explained below.

A significant portion of capital expenditures in the years 2001 and 2002 are related to investment in non-ILEC expansion in Ontario and Quebec as well as in high-speed ADSL Internet service in incumbent regions. These growth related investments masked the fact that capital expenditures in our traditional incumbent wireline business actually decreased in 2001. As we near the end of our initial ADSL and non-ILEC network expansion build-outs, it is expected that capital expenditures related to these initiatives will significantly reduce and become more success based in relation to future capacity requirements to satisfy demand.

In 2001 we extended and enhanced our roaming and resale agreements with Bell Mobility and its affiliates, and Aliant Telecom Wireless. To be implemented in mid-2002, these new arrangements are expected to allow TELUS to extend its digital CDMA wireless coverage and addressable market to areas of Canada containing over seven million people without incurring significant capital outlays. As a result, we expect to avoid wireless capital expenditures of approximately $800 million over the next several years that otherwise would result from building out network coverage to these regions.

Q Over the past two years TELUS acquired numerous companies. Does TELUS expect to continue to make acquisitions in 2002 and if so, why?

A Consistent with our strategic imperatives, TELUS has made a number of acquisitions to support our strategic focus on national expansion in the high-growth areas of data, IP and wireless. The largest of these included Clearnet Communications and QuébecTel. The acquisition of Clearnet transformed TELUS into a fast-growing national wireless provider, while the acquisition of QuébecTel provided TELUS a bridgehead into the attractive Quebec market. The successful future implementation of our strategy is not dependent on additional large-sized acquisitions.

Tighter capital markets faced by smaller, often new entrant, companies in 2001 presented well-capitalized companies like TELUS a tremendous opportunity to expand through acquisitions. In 2001, TELUS seized this opportunity to enhance our competitive position in the data and IP space by completing a series of smaller acquisitions such as Arqana Technologies Inc., Daedalian eSolutions Inc. and PSINet Canada. These data-related acquisitions have complemented organic, ground-up, greenfield investments, such as the construction of our national fibre backbone and local fibre loops in major Central Canadian cities. The result has been to significantly accelerate the progress of our market entry in Central Canada by developing scale and differentiated capability in the data/IP space, as well as adding valuable new customer relationships and more than 1,100 new, skilled employees in 2001. For instance, the acquisition of PSINet helped TELUS become the Canadian leader in managed Web hosting.

In 2002, we may continue to selectively exploit smaller acquisition opportunities that may arise to the extent they fill remaining capability gaps and are consistent with our data and IP focused national expansion strategy.

Q How strong is the financial position of TELUS?

A TELUS has an investment grade credit rating and significant liquidity. In June 2001, TELUS completed a landmark $9.2 billion financing that included a new $2.5 billion bank credit facility and $6.7 billion of fixed rate 7.5% and 8% Notes with maturities ranging between 5, 6 and 10 years. This new funding refinanced existing floating rate demand bank indebtedness as well as expensive high yield notes assumed as a result of the Clearnet acquisition in late 2000. As a result of this May refinancing, TELUS has significantly improved its average term to maturity and reduced its exposure to interest rate risk. At the end of 2001, the average term to maturity was 7.6 years as compared to only 3.0 years at the end of 2000. This significantly extended average term to maturity and high proportion of fixed rate debt provides TELUS with vastly enhanced financial stability.

TELUS believes that a capital structure where net debt to total capitalization is approximately 50% represents the most efficient use of capital. This is a long-term guideline and actual leverage does vary from this in the short term. TELUS' current 55.4% debt to capital ratio is largely a short-term result of the Clearnet and QuébecTel acquisitions and implementation of the Company's national expansion program to ensure high rates of long-term growth.

TELUS maintains strong liquidity with undrawn bank credit facilities of more than $2.0 billion versus projected cash requirements in 2002 of approximately $500 million, not including the impact of funds from any potential asset sales. Furthermore, TELUS expects to be free cash flow positive (cash from operating less investing activities) by no later than 2004 and is committed to containing debt at levels consistent with our objective of maintaining our existing investment grade ratings and de-leveraging in line with our target capital structure.

Q As a growth company, TELUS has talked about generating annual revenue and EBITDA growth in excess of 10% over the next three years. Why, then, is the company expecting 4 to 6% revenue growth and flat EBITDA growth in 2002?

A TELUS' revenue and EBITDA are expected to be significantly impacted by the effect of the CRTC regulatory decisions on contribution in 2002 (see page 53). This development, which was arguably outside of the company's control, is estimated to negatively impact 2002 revenues by approximately $390 million and 2002 EBITDA by approximately $230 million unless our current appeal is successful.

If one normalizes or excludes the impact of the contribution decision, TELUS' revenue target for 2002 would represent 10 to 11% growth while our 2002 EBITDA target would represent 7 to 9% growth. Excluding the negative impact of the contribution decision, on a three-year basis, TELUS expects underlying revenue and EBITDA to grow at a CAGR of more than 10% per annum from 2001 to 2004.

Q What progress has TELUS made providing enhanced data and IP service offerings?

A In 2001, TELUS made tremendous progress in strengthening our data and IP service offerings and capabilities. Many new services were added to our portfolio.

New network services based on Ethernet, Frame Relay and Private Line, including cross-border offerings, were introduced during the year. Private Network Gateway services, introduced in 2001, allow TELUS customers to establish secure extranets and communities of interest with their business partners to benefit from the growing IP-based business to business (B2B) market. Other new network services introduced include Business Internet Access over ADSL in Central Canada, Digital Dial Backup to improve customer options for increased business continuity assurance, and a next generation IP-based Point of Sale service.

TELUS opened two new world-class *Intelligent* Internet Data Centres (IDCs) in Toronto and Calgary during the year, making TELUS the Canadian leader in managed Web hosting. These IDCs provide security, reliability and performance for outsourced Internet infrastructure, and allow TELUS to offer an unsurpassed array of alternatives for Canadian customers seeking a trusted hosting service provider. Services range from managed hosting to co-location, plus industry-leading shared Web and e.mail hosting services. Value-added hosting services introduced in 2001 included media streaming, local and global load balancing, enterprise storage, and intrusion detection services. Our data centres have proven to be key in attracting customers to other IP and data network and application-related services offered by TELUS.

In 2001, TELUS introduced the first of its expanding portfolio of innovative hosted IP-based Application Service Provider (ASP) services. These industry-leading offerings allow customers to enjoy all the functionality and productivity of software applications without having to deal with the complexity of procuring, implementing and operating the software and infrastructure themselves. ASP services launched included hosted Microsoft Exchange, Unified Communications, and TELUS Central provided jointly with Web services company Jamcracker – an integrated Web service platform. Other applications introduced in 2001 include online backup, Web conferencing, expense management, sales force automation and professional services automation.

TELUS also joined forces with Microsoft to deliver TELUS Voice over Internet Service (VoIP), included as part of the Windows Messenger service in Windows XP launched in October. This innovative service enables Canadians to make voice calls over the Internet – from any personal computer running Windows XP to virtually any phone number. It is representative of the leading-edge range of communications opportunities in the converging worlds of computing, telephony and wireless.

As evidence to the increasing strength and capability of TELUS as a leading data and IP service provider, TELUS was ranked the number one Canadian Internet Backbone Network by independent UK-based firm NetConfigs in 2001. TELUS will build on the success of 2001 as we bolster our leading data and IP position with even more innovative services, capabilities and satisfied customers.

Q Why did TELUS add so many high-speed Internet subscribers in 2001, and why do you expect to add even more in 2002?

A The Internet is a key strategic focus for TELUS. Investments in high-speed Internet technology of over $200 million in 2001 allowed us to significantly improve our high-speed Internet infrastructure and provisioning capability in order to meet growing demand for high-speed Internet. As a result, we added over 131,000 new high-speed Internet subscribers, a 130% increase compared to the 55,400 added in 2000, exceeding our beginning-of-year target of 95,000 net additions for 2001 by 38%.

Investments made in 2001 resulted in numerous accomplishments:

- TELUS increased the number of port builds by 300% to reach 270,000 ports at the end of 2001 (customers are connected to ADSL equipment through these ports). This enabled us to expand our high-speed Internet service areas from 180 to over 250, and significantly reduced the waiting list for service.
- We implemented new internal IT systems that allow us to create high-speed Internet orders, and assign and activate these orders much more quickly and efficiently. In the key fourth-quarter period, for the first time we matched the cable competitors in share of sales.

In 2002, we are targeting the addition of 200,000 or more new high-speed Internet subscribers. This is an aggressive goal which we believe is achievable due to growing demand and the new enhanced services associated with it (i.e. video-on-demand, VoIP, downloadable movies) and through our continued investments in high-speed Internet technology. Some examples include:

- The introduction of TELUS Velocity® Install Wizard, designed by broadband software specialists BroadJump, to automate the set-up and installation of high-speed Internet. This simplifies and shortens the installation process.
- We are testing Extended Reach ADSL (ERA) technology allowing TELUS to extend high-speed Internet service to customers located more than four kilometres away from a TELUS switch or central office. Previously, high-speed Internet service was most effective only up to four kilometres away. ERA gives TELUS the potential to deliver service to thousands more customers in Alberta and B.C.

Our continuing focus on capital investment in high-speed Internet places TELUS in a strong position to benefit from the growing demand for high-speed Internet service.

Q What can TELUS Mobility's wireless clients expect in terms of Wireless Web services going forward?

A We will continue to expand our rich variety of browser-based Wireless Web services in 2002. TELUS Mobility provides Wireless Web and data services, via its digital PCS and Mike networks, to business and consumer clients across Canada. Our roster of online content partners grew to more than 100 in 2001 – including e.mail, news and financial services, online shopping and games, as well as e.mail and server-based Wireless Web services for business clients.

In 2001, TELUS Mobility became the first company in Canada to implement a Pay Per Use (PPU) billing system for the wireless Web, a value-based approach that bills clients for the specific services they want and use the most. Because PPU allows TELUS Mobility to provide a dependable revenue stream to content partners for their very best online content, we will be able to offer numerous new and unique premium Wireless Web services in 2002. For example, premium games services are popular with our clients, and TELUS Mobility is expanding these offerings and promotional efforts in 2002.

Growth in wireless e.mail and messaging will also be a focus in 2002. TELUS Mobility is preparing new Short Message Service (SMS) text messaging, including inter-carrier message capability, and Instant Messaging services. In keeping with TELUS Mobility's focus on providing "cool" and exclusive phones, clients can also look forward to a variety of new Web-ready digital PCS and Mike handsets with larger colour screens, enhanced user interfaces and other Web-enabling features.

The overlay of high-speed Third Generation (3G) wireless on TELUS Mobility's national network is nearing completion in preparation for commercial 3G launch in the first half of 2002. This is based on the CDMA2000 1XRTT standard, which is the evolution of the leading North American wireless technology standard, CDMA (code division multiple access). The capital-efficient 1XRTT platform offers not only high-speed packet data and Web access services, but also greatly increases network voice capacity and extends battery life on clients' digital phones. TELUS Mobility is preparing both business and consumer service offerings built around 3G wireless modem cards supplied by partner Sierra Wireless.

community investment

Investing in a responsible and sustainable company

TELUS is ranked as one of the best in the world! In 2001, Dow Jones' research partner, the Sustainability Asset Management (SAM) Group, completed a study that identified companies around the world that lead the field in "corporate sustainability." Successful candidates are included in the Dow Jones Sustainability Indexes (DJSI).

What is corporate sustainability? It is a measurement of a company's business approach in creating long-term shareholder value by embracing opportunities and managing risks derived from economic, environmental and social developments. The quality of a company's strategy and management, along with its performance in dealing with opportunities and risks, are quantified and used to identify and select leading companies for investment purposes. Top-ranking sustainability companies lead their industries in setting industry-wide best practices in strategy, innovation, governance, and relations with shareholders, employees and other stakeholders.

02 Member of Dow Jones Sustainability Indexes DJSI

In the telecommunications industry, we are able to offer services such as telecommuting and video conferencing, which can help improve work practices and lifestyles, and diminish environmental impacts. Of the 25 telecommunications companies assessed worldwide, TELUS was the only North American company to be included in this index.

Investing in our communities

TELUS has the ability and responsibility to positively influence the quality of life in communities where our customers and employees live and work. Our commitment is demonstrated by direct financial contributions and sponsorships with charitable and non-profit organizations, and by support for the volunteer and charitable-giving activities of our employees.

We contributed $11 million in financial and in-kind assistance to health, education, arts and charitable organizations across Canada in 2001. As part of our community investment program, we conduct an employee charitable-giving campaign each fall, during which employees have the opportunity to make donations to the charities of their choice. We then match those contributions dollar for dollar. As a result of last fall's campaign, TELUS and its employees are donating $4.8 million for 2,400 registered Canadian charities in 2002.

TELUS is proud to be an Imagine Caring Company, a designation that means we contribute at least one per cent of our pre-tax profits each year to charitable and non-profit organizations.

Imagine
A New Spirit of Community
Un nouvel esprit communautaire

For more information about our community involvement, view our annual social responsibility report online in April 2002 at www.telus.com

forward-looking statements

This document and the management discussion and analysis contains statements about expected future events and financial and operating results that are forward-looking and subject to risks and uncertainties. TELUS' actual results, performance, or achievement could differ materially from those expressed or implied by such statements. Such statements are qualified in their entirety by the inherent risks and uncertainties surrounding future expectations and may not reflect the potential impact of any future acquisitions, mergers or divestitures. Factors that could cause actual results to differ materially include but are not limited to the following: general business and economic conditions in TELUS' service territories across Canada; competition in wireline and wireless services, including voice, data and Internet services and within the Canadian telecommunications industry generally; levels of capital expenditures; corporate restructurings; successful integration of acquisitions; capital and operating expense savings; adverse regulatory action; collective labour agreement negotiations; technological advances; the effect of health and safety concerns and other risk factors described in Risks and Uncertainties on pages 50 to 54, and listed from time to time in the Company's reports, TELUS' comprehensive public disclosure documents, including the Annual Information Form, and in other filings with securities commissions in Canada and the U.S.

TELUS disclaims any intention or obligation to update or revise any forward-looking statements, whether as a result of new information, future events or otherwise.

financials

table of contents

segmented statistics – annual and quarterly

Annual	2001	2000	1999	1998	1997	1996	1995	1994
Communications [1]								
Network access lines in service (000s)	**4,967**	4,944	4,551	4,495	4,367	4,198	4,042	3,498
Long distance market share, revenue based	**79%**	77%	—	—	—	—	—	—
Local market share	**98%**	98%	98%	99%	—	—	—	—
Net adds dial-up Internet subscribers (000s) [2]	**41.8**	125.5	75.6	89.2	62.3	55.3	5.3	—
Dial-up Internet subscribers (000s) [2]	**455.1**	413.2	287.7	212.1	122.9	60.6	5.3	—
Net adds high-speed Internet subscribers (000s) [3]	**131.2**	57.9	21.0	4.3	—	—	—	—
High-speed Internet subscribers (000s) [3]	**214.8**	83.6	25.7	4.3	—	—	—	—
Mobility [4]								
Net additions (000s)	**418**	474	396	140	188	173	199	—
Gross additions (000s)	**985**	924	668	279	287	269	219	122
Wireless subscribers (000s) [5]	**2,578**	2,160	1,695	963	823	635	462	263
Penetration rate [6]	**10.5%**	9.1%	7.4%	15.1%	13.1%	10.6%	8.0%	5.6%
Wireless market share	**24.1%**	24.5%	25.0%	62.0%	64.0%	64.0%	63.0%	59.0%
Average monthly revenue per subscriber (ARPU) [5]	**$ 57**	$ 59	$ 61	$ 70	$ 76	$ 81	$ 84	$ 90
Average minutes per subscriber per month (MOU)	**270**	271	238	219	200	199	178	168
Cost of acquisition, per gross addition [5]	**$ 502**	$ 537	$ 502	$ 412	$ 338	$ 319	$ 320	—
Monthly deactivations (churn rate) [5]	**2.0%**	2.0%	1.6%	1.3%	1.2%	1.6%	1.6%	1.4%
Digital population coverage (millions)	**24.2**	22.6	21.3	3.2	3.2	—	—	—
Total population coverage (millions)	**24.6**	23.7	22.8	6.4	6.3	6.0	5.8	4.7

Quarterly	Q4 2001	Q3 2001	Q2 2001	Q1 2001	Q4 2000	Q3 2000	Q2 2000	Q1 2000
Communications [1]								
Network access lines in service (000s)	**4,967**	**4,973**	**4,957**	**4,951**	4,944	4,924	4,893	4,589
Net adds dial-up Internet subscribers (000s) [2]	**6.4**	**8.2**	**4.9**	**22.2**	11.8	14.4	83.9	15.4
Dial-up Internet subscribers (000s) [2]	**455.1**	**448.6**	**440.4**	**435.5**	413.2	401.4	387.0	303.1
Net adds high-speed Internet subscribers (000s) [3]	**57.6**	**30.2**	**22.9**	**20.5**	20.4	15.5	14.5	7.5
High-speed Internet subscribers (000s) [3]	**214.8**	**157.2**	**127.0**	**104.1**	83.6	63.2	47.7	33.2
Mobility [4]								
Net additions (000s)	**160**	**78**	**76**	**103**	166	116	107	85
Gross additions (000s)	**315**	**232**	**214**	**224**	287	234	225	178
Wireless subscribers (000s) [5]	**2,578**	**2,417**	**2,339**	**2,263**	2,160	2,003	1,887	1,780
Average monthly revenue per subscriber (ARPU) [5]	**$ 56**	**$ 60**	**$ 56**	**$ 57**	$ 58	$ 60	$ 60	$ 59
Average minutes per subscriber per month (MOU)	**276**	**272**	**265**	**265**	279	276	268	253
Cost of acquisition, per gross addition [5]	**$ 509**	**$ 482**	**$ 478**	**$ 535**	$ 531	$ 581	$ 522	$ 505
Monthly deactivations (churn rate) [5]	**2.1%**	**2.2%**	**2.0%**	**1.9%**	2.0%	2.0%	2.1%	1.8%

Notes

1 – Data for 1994 to 1999 do not include QuébecTel wireline results and represent B.C. and Alberta only

2 – Includes approximately 34,000 dial-up subscribers from PSINet and CADVision and a reduction of approximately 12,100 dial-up subscribers to remove internal and inactive accounts in Q4 2001, and approximately 51,000 acquired QuébecTel subscribers in Q2 2000

3 – Includes approximately 2,600 high-speed internet subscribers from PSINet and CADVision in Q4 2001

4 – Data for 1999 and 2000 are pro forma. Data for 1994 to 1998 do not include Clearnet and QuébecTel Mobilité results and represent B.C. and Alberta only

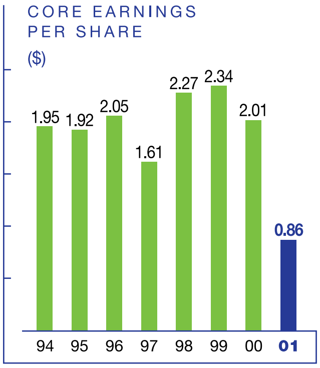
5 – Subscribers, churn, average monthly revenue per subscriber and marketing cost of acquisition per gross addition for 1999 and 2000 have been adjusted to reflect definitional alignment between TELUS Mobility (pre-acquisitions), Clearnet and QuébecTel Mobilité. This includes a decrease of approximately 13,100 to the December 31, 2000 postpaid subscriber total partly offset by an increase of 4,100 to reflect inclusion of Cellular Digital Packet Data (CDPD) subscribers not previously counted. Marketing cost of acquisition as adjusted includes rebranding, retention and migration costs

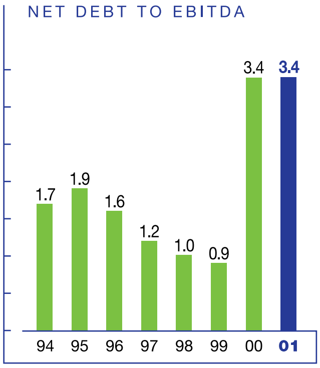
6 – Subscribers divided by population coverage

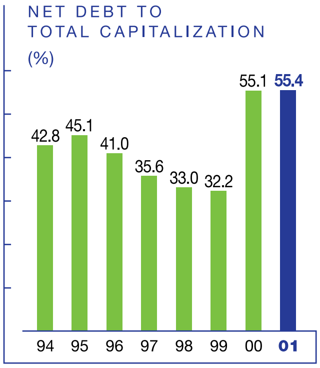
annual operating statistics

Consolidated [1]	2001	2000	1999	1998	1997	1996	1995	1994
Shares Outstanding [2]								
Average shares outstanding (millions)	**294.2**	247.0	236.6	237.0	236.6	234.2	229.2	225.3
Year-end shares outstanding (millions)	**302.2**	287.1	236.7	236.6	237.2	233.9	231.3	226.3
Per Share [2]								
Core EPS [3]	**$ 0.86**	$ 2.01	$ 2.34	$ 2.27	$ 1.61	$ 2.05	$ 1.92	$ 1.95
Basic EPS	**$ 1.51**	$ 1.85	$ 1.46	$ 0.27	$ 1.18	$ 2.04	$ 1.88	$ 1.92
Dividends declared per share	**$ 1.20**	$ 1.40	$ 1.40	$ 1.29	$ 1.27	$ 1.25	$ 1.23	$ 1.21
Cash flow per share	**$ 4.76**	$ 6.76	$ 7.34	$ 6.89	$ 6.88	$ 6.35	$ 5.70	$ 5.05
Book value per share	**$ 22.39**	$ 21.60	$ 17.91	$ 18.03	$ 19.36	$ 17.86	$ 16.95	$ 16.11
Performance Indicators								
Return on common equity	**6.9%**	9.6%	14.2%	14.0%	9.9%	11.8%	11.5%	12.3%
EBITDA interest coverage	**4.1**	10.7	11.6	10.5	8.9	6.7	6.1	7.0
Operating cash flow adjusted for restructuring costs (millions)	**$ 1,401.6**	$ 1,670.8	$ 1,735.5	$ 1,634.1	$ 1,626.4	$ 1,486.8	$ 1,307.1	$ 1,138.8
Net debt to EBITDA	**3.4**	3.4	0.9	1.0	1.2	1.6	1.9	1.7
Net debt to total capitalization	**55.4%**	55.1%	32.2%	33.0%	35.6%	41.0%	45.1%	42.8%
Capital expenditures (millions) [4]	**$ 2,605.3**	$ 1,441.3	$ 1,199.2	$ 1,093.2	$ 1,130.7	$ 1,076.0	$ 1,060.7	$ 1,048.1
Other								
Employees (regular), continuing ops	**27,765**	26,188	21,248	22,165	21,507	22,068	23,511	21,384
Total salary expense (millions), continuing ops	**$ 1,719.5**	$ 1,376.2	$ 1,330.3	$ 1,387.4	$ 1,234.1	—	—	—

Notes
1 – 1994 and 1995 have not been restated for directory discontinued operations
2 – Common voting shares and non-voting shares
3 – Common voting share and non-voting share income before discontinued operations, amortization of acquired intangible assets net of tax, restructuring and non-recurring refinancing costs net of tax, revaluation of future income tax assets and liabilities, goodwill amortization, and extraordinary losses on a per share basis
4 – Excluding $76 million non-monetary purchase of fibre assets in 2001







annual consolidated financials

Income Statement (millions)[1]	TELUS Consolidated 2001	2000	1999	TELUS and BC TELECOM Combined 1998	1997	1996	1995	1994
Operating revenues	**$ 7,202.6**	$ 6,106.4	$ 5,588.9	$ 5,560.1	$ 5,224.0	$ 4,300.7	$ 4,085.1	$ 3,671.7
Operations expense	**4,673.0**	3,792.1	3,390.0	3,367.8	3,108.4	2,443.3	2,332.0	2,064.4
EBITDA	**2,529.6**	2,314.3	2,198.9	2,192.3	2,115.6	1,857.4	1,753.1	1,607.3
Depreciation and amortization	**1,383.3**	1,157.4	1,049.6	1,010.1	1,099.7	908.3	834.4	733.0
Amortization of acquired intangible assets	**110.9**	24.6	—	—	—	—	—	—
Restructuring costs	**198.4**	—	466.3	—	—	—	—	—
Operating income	**837.0**	1,132.3	683.0	1,182.2	1,015.9	949.1	918.7	874.3
Other income (expense)	**17.0**	(8.7)	32.7	57.0	(1.2)	13.2	34.4	11.8
Financing costs	**624.5**	273.3	177.3	226.6	236.2	278.0	289.1	231.1
Refinancing charges from debt restructure	**96.5**	—	—	—	—	—	—	—
Income before income taxes, non-controlling interest, extraordinary loss and goodwill amortization	**133.0**	850.3	538.4	1,012.6	778.5	684.3	664.0	655.0
Income taxes	**93.4**	431.9	242.1	466.4	390.8	197.5	217.7	209.8
Income before non-controlling interest, extraordinary loss and goodwill amortization	**39.6**	418.4	296.3	546.2	387.7	486.8	446.3	445.2
Non-controlling interest	**3.6**	8.7	3.9	4.6	4.0	3.4	3.2	2.4
Extraordinary loss[2]	**—**	—	—	530.6	285.2	—	—	—
Goodwill amortization	**174.8**	23.4	7.5	6.9	6.9	24.5	20.5	—
Income (loss) from continuing operations	**(138.8)**	386.3	284.9	4.1	91.6	458.9	422.6	442.8
Income (loss) from discontinued operations	**592.3**	74.7	64.9	62.9	192.0	21.7	12.1	(6.7)
Net income	**453.5**	461.0	349.8	67.0	283.6	480.6	434.7	436.1
Preference and preferred share dividends and interest on convertible debentures	**10.5**	5.0	3.5	3.5	3.5	3.5	3.5	3.5
Common voting share and non-voting share income	**$ 443.0**	$ 456.0	$ 346.3	$ 63.5	$ 280.1	$ 477.1	$ 431.2	$ 432.6
Core earnings, continuing ops[3]	**$ 254.0**	$ 495.6	$ 553.8	$ 538.0	$ 380.1	$ 479.8	$ 439.5	$ 439.4

Balance Sheet (millions)	2001	2000	1999	1998	1997	1996	1995	1994
Property, plant and equipment, at cost	**$23,888.4**	$21,782.5	$14,415.5	$13,778.1	$13,316.0	$12,945.8	$12,269.9	$10,887.7
Accumulated depreciation	**11,128.6**	10,251.5	8,537.2	7,950.5	6,702.0	5,642.5	5,077.1	4,281.7
Total assets	**19,265.6**	18,046.5	7,797.1	7,860.5	8,761.9	9,167.7	9,160.0	7,939.5
Net debt[4]	**8,682.6**	7,980.4	2,055.6	2,139.1	2,572.8	2,954.4	3,257.0	2,764.9
Total capitalization[5]	**15,669.5**	14,473.1	6,375.7	6,491.7	7,224.0	7,212.0	7,217.1	6,465.9
Long-term debt	**8,651.4**	3,047.3	1,555.5	1,608.7	2,280.6	2,953.1	3,175.4	2,441.4
Total shareholders' equity	**6,986.9**	6,418.4	4,307.7	4,343.0	4,650.7	4,251.5	3,954.3	3,698.4

Notes

1 – 1994 and 1995 have not been restated for directory discontinued operations

2 – Prior to the BC TELECOM and TELUS merger in 1999, non-cash extraordinary losses were individually recorded by each company (TELUS in 1997 and BC TELECOM in 1998). These extraordinary losses were the result of change from Regulatory Accounting Principles (RAP) to Generally Accepted Accounting Principles (GAAP).

3 – Common voting share and non-voting share income before discontinued operations, amortization of acquired intangible assets net of tax, restructuring and non-recurring refinancing costs net of tax, revaluation of future income tax assets and liabilities, goodwill amortization, and extraordinary losses

4 – Current obligations plus Long-term debt net of Cash and temporary investments and the cross currency foreign exchange hedge related to U.S. dollar-denominated Notes

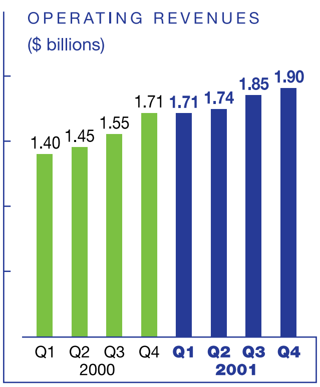
5 – Net debt, non-controlling interest and total shareholders' equity

quarterly consolidated financials

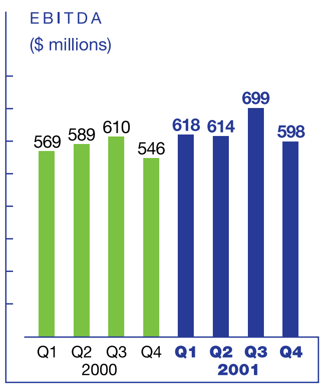
Income Statement (millions)	Q4 2001	Q3 2001	Q2 2001	Q1 2001	Q4 2000	Q3 2000	Q2 2000	Q1 2000
Operating revenues	$ 1,904.4	$ 1,849.8	$ 1,741.4	$ 1,707.0	$ 1,712.6	$ 1,546.5	$ 1,450.2	$ 1,397.1
Operations expense	1,306.1	1,150.5	1,127.1	1,089.3	1,166.3	936.2	861.5	828.1
EBITDA	598.3	699.3	614.3	617.7	546.3	610.3	588.7	569.0
Depreciation and amortization	366.3	347.4	330.7	338.9	330.4	281.8	275.1	270.1
Amortization of acquired intangible assets	28.1	28.1	27.4	27.3	24.6	—	—	—
Restructuring costs	—	—	—	198.4	—	—	—	—
Operating income	203.9	323.8	256.2	53.1	191.3	328.5	313.6	298.9
Other income	(2.6)	0.6	21.6	(2.6)	(4.6)	(1.1)	(0.7)	(2.3)
Financing costs	176.0	168.8	125.0	154.7	128.5	59.2	48.0	37.6
Refinancing charges from debt restructure	—	—	—	96.5	—	—	—	—
Income before income taxes, non-controlling interest, extraordinary loss and goodwill amortization	25.3	155.6	152.8	(200.7)	58.2	268.2	264.9	259.0
Income taxes	20.4	80.3	75.5	(82.8)	90.5	116.3	112.6	112.5
Income before non-controlling interest, extraordinary loss and goodwill amortization	4.9	75.3	77.3	(117.9)	(32.3)	151.9	152.3	146.5
Non-controlling interest	—	—	1.6	2.0	2.8	3.0	2.4	0.5
Extraordinary loss	—	—	—	—	—	—	—	—
Goodwill amortization	45.1	46.2	43.0	40.5	14.4	6.0	2.5	0.5
Income (loss) from continuing operations	(40.2)	29.1	32.7	(160.4)	(49.5)	142.9	147.4	145.5
Income (loss) from discontinued operations	(3.1)	556.7	18.7	20.0	22.1	18.1	17.6	16.9
Net income (loss)	(43.3)	585.8	51.4	(140.4)	(27.4)	161.0	165.0	162.4
Preference and preferred share dividends and interest on convertible debentures	3.2	2.2	2.6	2.5	2.3	0.9	0.9	0.9
Common voting share and non-voting share income (loss)	$ (46.5)	$ 583.6	$ 48.8	$ (142.9)	$ (29.7)	$ 160.1	$ 164.1	$ 161.5
Core earnings, continuing ops [1]	$ 19.2	$ 87.3	$ 92.5	$ 55.0	$ 45.0	$ 150.9	$ 151.8	$ 147.9

Notes

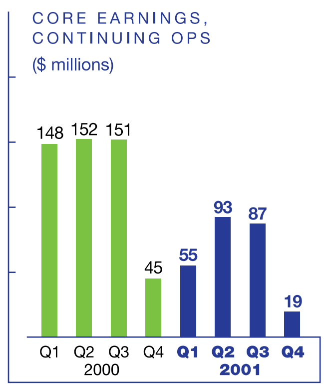
1 – Common voting share and non-voting share income before discontinued operations, amortization of acquired intangible assets net of tax, restructuring and non-recurring refinancing costs net of tax, revaluation of future income tax assets and liabilities, and goodwill amortization



OPERATING REVENUES
($ billions)



EBITDA
($ millions)



CORE EARNINGS, CONTINUING OPS
($ millions)

quarterly operating statistics

Consolidated	Q4 2001	Q3 2001	Q2 2001	Q1 2001	Q4 2000	Q3 2000	Q2 2000	Q1 2000
Shares Outstanding [1]								
Average shares outstanding (millions)	**301.8**	**297.4**	**289.2**	**288.0**	276.9	237.0	236.9	236.8
Period-end shares outstanding (millions)	**302.2**	**298.4**	**290.0**	**288.5**	287.1	237.3	237.1	236.9
Per Share [1]								
Core EPS [2]	**$ 0.06**	**$ 0.29**	**$ 0.32**	**$ 0.19**	$ 0.16	$ 0.64	$ 0.64	$ 0.62
Basic EPS	**$ (0.15)**	**$ 1.96**	**$ 0.17**	**$ (0.50)**	$ (0.11)	$ 0.68	$ 0.69	$ 0.68
Dividends declared per share	**$ 0.15**	**$ 0.35**	**$ 0.35**	**$ 0.35**	$ 0.35	$ 0.35	$ 0.35	$ 0.35
Cash flow per share	**$ 0.75**	**$ 1.59**	**$ 1.03**	**$ 1.40**	$ 0.94	$ 1.84	$ 2.04	$ 2.04
Book value per share	**$ 22.39**	**$ 22.74**	**$ 21.33**	**$ 21.05**	$ 21.59	$ 18.91	$ 18.59	$ 18.25
Performance Indicators								
Return on common equity, operations	**6.9%**	**11.0%**	**(3.4%)**	**(11.2%)**	9.6%	14.8%	15.1%	15.2%
EBITDA interest coverage [3]	**4.1**	**4.8**	**6.0**	**8.0**	10.7	—	—	—
Operating cash flow adjusted for restructuring costs (millions)	**$ 225.2**	**$ 474.1**	**$ 298.3**	**$ 404.0**	$ 269.5	$ 435.6	$ 483.2	$ 482.5
Net debt to EBITDA [4]	**3.4**	**3.3**	**3.8**	**3.7**	3.4	—	—	—
Net debt to total capitalization	**55.4%**	**54.1%**	**58.4%**	**57.7%**	55.1%	38.0%	38.0%	32.4%
Capital expenditures (millions) [5]	**$ 591.6**	**$ 587.1**	**$ 607.7**	**$ 818.9**	$ 568.0	$ 374.1	$ 315.2	$ 184.0
Other								
Employees (regular), continuing ops	**27,765**	**27,547**	**27,308**	**26,653**	26,188	23,084	23,131	21,602
Total salary expense (millions)	**$ 464.7**	**$ 421.8**	**$ 437.9**	**$ 395.1**	$ 388.7	$ 330.4	$ 328.6	$ 328.5

Notes

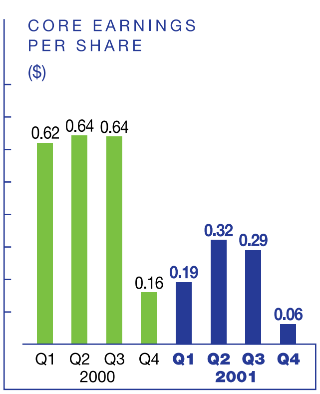
1 – Common voting shares and non-voting shares

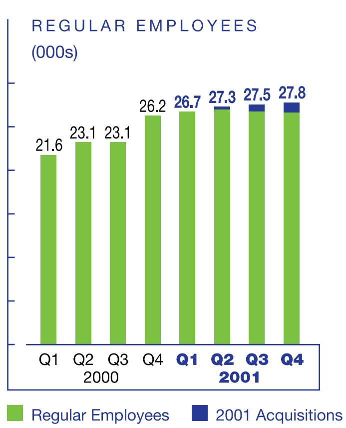
2 – Common voting share and non-voting share income before discontinued operations, amortization of acquired intangible assets net of tax, restructuring and non-recurring refinancing costs net of tax, revaluation of future income tax assets and liabilities, and goodwill amortization

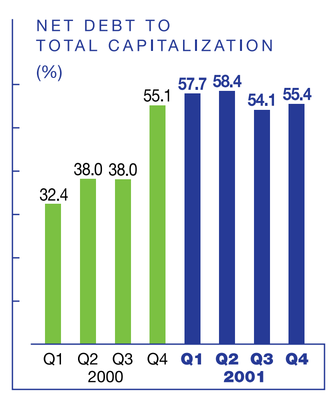
3 – EBITDA interest coverage is calculated on a 12-month rolling basis

4 – Net debt to EBITDA is calculated using a 12-month rolling EBITDA

5 – Excluding $76 million non-monetary purchase of fibre assets in 2001







management discussion and analysis

(dollar amounts in Canadian dollars unless otherwise indicated)

The following is a discussion of the consolidated financial condition and results of operations of TELUS Corporation (TELUS or the Company) for the twelve-month periods ended December 31, 2001 and 2000, and of certain factors the Company believes are likely to affect its prospective financial condition. This discussion contains forward-looking information that is qualified by reference to, and should be read in conjunction with, the Company's discussion regarding Forward-Looking Statements on page 32. The following should also be read in conjunction with the accompanying Audited Consolidated Financial Statements of TELUS and notes thereto (pages 55 through 83). The financial statements have been prepared in accordance with Canadian Generally Accepted Accounting Principles (GAAP), which differ in certain respects from U.S. GAAP. See Note 23 to the Financial Statements for a summary of the principal differences between Canadian and U.S. GAAP as they relate to TELUS.

CORPORATE BACKGROUND

TELUS Corporation was created from the 1999 merger of BC TELECOM and TELUS – two Western Canadian Incumbent Local Exchange Carriers (ILECs) – and the acquisition in 2000 of both the Eastern Quebec ILEC QuébecTel and the national digital wireless company Clearnet Communications Inc. (Clearnet). BC TELECOM and TELUS were long-established, regional full-service telecommunications companies. The new TELUS currently provides service to 7.2 million people (23% of Canada's population) in the two Western provinces of British Columbia (B.C.) and Alberta. At the time of the 1999 merger, TELUS announced its plans to provide telecommunications services in other parts of Canada. Later, ILECs from other provinces announced and proceeded with their own plans to expand into B.C. and Alberta.

From 1999 through 2001, TELUS constructed a national fibre-optic network supplemented by fibre rings in major centres in Central Canada. In 2000, TELUS began offering business voice, data, and other services outside its Western base principally in the province of Ontario, and wireless resale services in the provinces of Ontario, Manitoba and Saskatchewan. The purchase of QuébecTel (now TELUS Québec) in June 2000 allowed TELUS to accelerate its market entry into the province of Quebec. With the acquisition of Clearnet in October 2000, and the subsequent integration of mobility services, TELUS became the leading Canadian wireless service provider in terms of revenue and licensed spectrum.

Early in 2001, TELUS won bids on additional wireless spectrum in major population areas in the Industry Canada PCS spectrum auction. During the year, TELUS also sold its Directory Advertising business, exited the equipment leasing business, continued the sale of other non-core assets, and acquired several smaller data/IP, hosting and application development companies and assets.

TELUS' reportable business segments for the year 2001 were:

- TELUS Communications, which provided voice local, voice long distance, data, Internet, managed information, and other services across Canada
- TELUS Mobility, which provided digital PCS, iDEN (branded Mike) and wireless Internet services nationally.

OVERVIEW OF 2001 RESULTS RELATIVE TO GUIDANCE

	2001 Results	2000 Annual Report Targets for 2001	Met	Revised Guidance for 2001	Met
Consolidated revenues	**$7.2 billion or 18% increase on continuing operations**	17 to 19% increase on total operations	n.a.	$7.1 to $7.3 billion [1]	✓
EBITDA	**$2.53 billion or 9% increase on continuing operations**	11 to 13% increase or more than $2.7 billion on total operations	n.a.	$2.5 to $2.6 billion [1] approx. $2.5 billion [2]	✓ ✓
Segmented EBITDA					
• TELUS Communications	**$2.17 billion from continuing operations**	$2.4 to $2.45 billion from total operations	n.a.	approx. $2.15 billion from continuing operations [2]	✓
• TELUS Mobility	**$356 million**	approximately $330 million	✓	approx. $340 million [2]	✓
Core Earnings	**$254 million from continuing operations**	$270 to $290 million from total operations	n.a.	approx. $180 to $200 million [1]	✓
Core EPS (continuing operations)	**$0.86**	$0.93 to $1.00 from total operations	n.a.	$0.62 to $0.69 [1] approx. $0.75 [2] approx. $0.85 [3]	✓ ✓ ✓
Capital expenditures	**$2.2 billion plus $356 million for wireless spectrum**	$2.0 to $2.2 billion plus $356 million for wireless spectrum	✓	approx. $2.2 billion plus $356 million for wireless spectrum [2]	✓
Proceeds from divestitures	**$1.185 billion**	$900 million to $1 billion	✓	no change	✓
Net wireless subscriber additions	**417.5 K**	approx. 500 K	✗	475 to 500 K [2] 400 to 440 K [3]	✗ ✓
Net high-speed Internet subscriber additions	**131.2 K**	95 K	✓	120 to 140 K [2]	✓

1 – Original 2001 guidance adjusted for Discontinued operations
2 – Issued with second quarter results
3 – Issued with third quarter results

TELUS met all, but one, of its original operational objectives and financial guidance for 2001 that were published in the 2000 Annual Report (subsequently adjusted for Discontinued operations), as well as all of the operational and financial guidance issued with the third quarter results. The expectation for net wireless subscriber additions was revised to reflect TELUS Mobility's continuing pursuit of a national strategy focused on strong revenue and EBITDA growth. The 9% growth in Consolidated EBITDA compares favourably with the growth rates observed for recent years, which were 5% in 2000, 0% in 1999 and 4% in 1998 for a three-year compound annual growth rate of 3% on continuing operations. TELUS revised its expectation upward for high-speed Internet subscriber net additions as the Company accelerated its capital investment for high-speed Internet capacity. The expectation for Core EPS was revised upward twice to reflect financing and other gains. Guidance for capital expenditures was achieved at the high end of the range with slightly more spending on the Communications Segment and slightly less on the Mobility Segment than projected in the 2000 Annual Report.

Other major financial events and trends for 2001 were:

1. Reduced earnings due to increased depreciation, amortization and financing costs as the Company invested for future growth through capital expenditures and acquisitions.
2. Successful completion of the 2001 Financing Plan, including:
   - Refinancing of the $6.25 billion bridge bank facility arranged in October 2000.
   - Completion of an offer to repay $1.75 billion Clearnet Senior Discount Notes which had coupon rates ranging from 10.125% to 11.75%.
3. Reduction in the quarterly dividend in the fourth quarter from 35 cents to 15 cents to fund future growth.
4. More than 40% of 2001 capital expenditures were directed toward national expansion.
5. Divestiture of two businesses and acquisition of several businesses and the remaining 30% of TELUS Québec, as described below.

During 2001, TELUS sold its directory advertising business, exited the equipment leasing business and completed a number of additional acquisitions. The sale of the directory business was completed on July 31, 2001 and a $546.3 million net gain on disposition was recorded. On September 30, 2001, TELUS exited the equipment leasing business and subsequently recorded $3.9 million net gain on disposition. These gains on disposition, together with the pre-disposition operating results of the directory advertising business and the equipment leasing business, are included in Discontinued operations on the Consolidated Statements of Income.

These 2001 transactions, combined with the sale of administrative buildings, provided pre-tax cash proceeds of almost $1.2 billion, exceeding the Company's 2001 divestiture target of $900 million to $1 billion. During the year, TELUS also made several acquisitions focusing on data/IP, hosting and application development. These purchases included Columbus Group Communications Inc., Williams Communications Canada Inc., Arqana Technologies Inc., Daedalian eSolutions Inc., the remaining 30% of TELUS Québec, and PSINet's Canadian assets – for total cash consideration of approximately $345 million and 6.5 million shares of TELUS non-voting stock. The net cash inflow from divestitures with the application of related tax shelters exceeded cash outflows for acquisitions by approximately $840 million.

RESULTS OF OPERATIONS

($ millions except per share amounts)	**2001**	2000	Change	%
Twelve Months ended December 31				
Operating revenues	**7,202.6**	6,106.4	1,096.2	18.0
EBITDA [1]	**2,529.6**	2,314.3	215.3	9.3
Core earnings [2 3]	**254.0**	495.6	(241.6)	(48.7)
Common voting share and non-voting share income (loss)	**443.0**	456.0	(13.0)	(2.9)
Earnings Per Share (EPS)				
Core earnings, continuing ops	**0.86**	2.01	(1.15)	(57.2)
Basic (Common voting share and non-voting share income)	**1.51**	1.85	(0.34)	(18.4)
Cash flow [4]	**1,401.6**	1,670.8	(269.2)	(16.1)
Cash flow per share	**4.76**	6.76	(2.00)	(29.6)
Capital expenditures				
– wireless spectrum	**355.9**	n.a.	n.a.	n.a.
– general [5]	**2,249.4**	1,441.3	808.1	56.1

1 – Earnings Before Interest, Taxes, Depreciation and Amortization, where earnings excludes Restructuring costs

2 – Common voting share and non-voting share income before discontinued operations, amortization of acquired intangible assets net of tax, restructuring and non-recurring refinancing costs net of tax, revaluation of future income tax assets and liabilities, and goodwill amortization

3 – See reconciliation of Core earnings with Common voting share and non-voting share income and Core EPS with EPS on page 45

4 – Operating cash flow adjusted for restructuring costs

5 – Excluding a $76 million non-monetary purchase of fibre assets in 2001

The discussion below is presented on a segmented basis for external revenues and total operations expenses. See the Segmented Disclosure in the Audited TELUS Consolidated Financial Statements (see Note 21).

Operating revenues – TELUS Communications

($ millions)	**2001**	2000	Increase	%
Twelve Months ended December 31	**5,272.0**	4,849.4	422.6	8.7

The increase in revenues in the twelve-month period ending December 31, 2001 reflects the inclusion of the cumulative subscriber base and related revenues from the acquisition of QuébecTel in June 2000. The following revenue analysis is presented on a pro forma basis (information has been normalized to include QuébecTel wireline operations for the first 5 months of 2000, prior to its acquisition by TELUS).

Operating revenues (pro forma) – TELUS Communications

($ millions)	**2001**	2000	Change	%
Twelve Months ended December 31				
Voice local	**2,547.7**	2,473.6	74.1	3.0
Voice long distance	**1,094.6**	1,164.9	(70.3)	(6.0)
Data	**1,138.4**	960.0	178.4	18.6
Other	**491.3**	387.2	104.1	26.9
Total operating revenues	**5,272.0**	4,985.7	286.3	5.7

Voice local revenues, which were comprised of local enhanced services and local access revenues, increased by $74.1 million. Local enhanced services revenues (call management services such as call display, personal voice mail and call waiting) increased by $48.5 million due to higher sales of calling features combined with increased prices. The growth in total access lines, combined with growth in Centrex features, increased access revenues by $25.8 million. Rate increases contributed $40.7 million, while portable subsidy revenues and other local services increased by $2.0 million. This was partly offset by a $42.9 million reclassification of the local portion of Megalink* revenues to data, on a go-forward basis in 2001.

Business network access lines increased by 19,000 or 1.1% in 2001 as the gain in business access lines from non-ILEC territories exceeded losses to competitors in ILEC territories.

Residential lines grew by 4,000 or 0.1% in 2001. The growth in residential access lines was flat mainly because of rapid growth in households with high-speed Internet (with TELUS and with competitors) and the related removal of additional access lines that previously may have been dedicated to dial-up Internet. Losses of ILEC residential lines to competitors have been minimal. Overall local market share remained unchanged at an estimated 98% at the end of 2001 and 2000.

Voice long distance revenues decreased by $70.3 million, despite increasing revenue-based market share estimated at 79% at December 31, 2001 (77% one year earlier). The decline was due to lower revenues from domestic traffic and substitution to alternative technologies including Internet and wireless, partially offset by higher international inbound rates for international minutes. As a result of capping of monthly minutes in certain consumer long distance plans at the end of May, the Company decreased the rate of erosion in long distance revenues in the second half of the year.

Data revenues increased by $178.4 million. Enhanced data and Internet revenues increased by $89.3 million due mainly to significant year-over-year growth in both high-speed and dial-up Internet subscribers, and an increase in managed business services such as internetworking (LAN/WAN connectivity), Internet connectivity and hosting services. Net additions in TELUS Velocity high-speed Internet subscribers were 131,200 for the year and 57,600 in the fourth quarter. Dial-up Internet subscribers increased by 41,800 for the year largely due to acquired subscribers. Mainstream and other data revenues increased by $89.1 million due to increased digital private line and data access services, increased packet switched service volumes, non-recurring information services revenues of $18.0 million, and the reclassification of Megalink revenues from local voice – partly offset by lower data settlement revenues ($23.0 million). The lower settlement revenue resulted from a decrease in the termination of other carriers' data traffic on TELUS' network as competitors shifted some of their traffic to their own networks. Excluding reclassified Megalink revenues and the $18.0 million non-recurring revenues, year-over-year growth in data revenues was $117.5 million or 12.2%.

Other revenues increased by $104.1 million due mainly to increased voice customer premises equipment sales and rentals — particularly in Central Canada. The acquisition of Williams Communications (now operating as TELUS National Systems) effective May 31, 2001 was primarily responsible for this growth.

Of the total year-over-year revenue growth discussed above, approximately $229 million was attributable to expansion in non-ILEC areas, primarily in Central Canada. Total non-ILEC revenues were approximately $313 million in 2001.

Key operating indicators – TELUS Communications

(000s)	**2001**	2000	Change	%
Twelve Months ended December 31				
Network access lines	**4,967**	4,944	23	0.5
Total Internet subscribers	**669.9**	496.8	173.1	34.8
Dial-up Internet net additions (pro forma) [1]	**41.8**	58.8	(17.0)	(28.9)
High-speed Internet net additions (pro forma) [2]	**131.2**	57.1	74.1	129.8

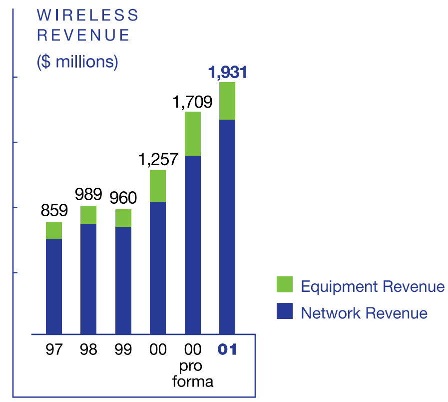
1 – Included approximately 34,000 dial-up subscribers from PSINet and CADVision in 2001 and a reduction of approximately 12,100 dial-up subscribers to remove internal and inactive accounts in 2001

2 – Included approximately 2,600 high-speed Internet subscribers from PSINet and CADVision in 2001

Operating revenues – TELUS Mobility

($ millions)	**2001**	2000	Increase	%
Twelve Months ended December 31	**1,930.6**	1,257.0	673.6	53.6

The increase in revenues reflected the inclusion of the cumulative subscriber bases and related revenues from the acquisitions of Clearnet and QuébecTel Mobilité. The following revenue analysis is presented on a pro forma basis (information has been normalized to include Clearnet operations prior to October 20, 2000 and QuébecTel Mobilité operations for the first 5 months of 2000).



Operating revenues (pro forma) – TELUS Mobility

Twelve Months ended December 31

($ millions)	**2001**	2000	Change	%
Network	**1,644.9**	1,396.0	248.9	17.8
Equipment	**285.7**	312.8	(27.1)	(8.7)
Total operating revenues	**1,930.6**	1,708.8	221.8	13.0

TELUS Mobility Network revenue is generated from monthly billings for access fees, incremental airtime charges, prepaid time consumed or expired and fees for value-added services. Network revenue increased by $248.9 million when compared to one year earlier. TELUS Mobility Network revenue grew with the expansion of its subscriber base by 19.3% to 2.6 million subscribers from 2.2 million one year ago. Net additions of 417,500 decreased from the comparable period last year despite increased gross additions. The decrease in net additions for the year reflected the impact of competitive handset pricing, more competitive service rate plans in the wireless market, an increased prepaid subscriber base, an increase in churn and a larger cumulative subscriber base.

Blended postpaid and prepaid churn averaged 2.04% per month for the twelve months ended December 31, 2001 as compared to 1.98% for the same period one year earlier. The increase in churn was due to a higher prepaid mix and continued competitive pricing pressures.

Average revenue per subscriber unit per month (ARPU) was $57 as compared to $59 last year. The overall decline was primarily due to a higher mix of prepaid clients, more competitive rate plans, special promotions and retention offers.

Equipment sales, rental and service revenues were $285.7 million compared with $312.8 million for the same period last year. The overall decrease was principally due to sales of lower-priced handsets.

Key operating indicators – TELUS Mobility (pro forma)

(000s for subscribers and additions)	**2001**	2000	Change	%
Twelve Months ended December 31				
Net subscriber additions	**417.5**	474.1	(56.6)	(11.9)
Subscribers end of period [1]	**2,577.7**	2,160.2	417.5	19.3
Churn, per month (%)	**2.04**	1.98	0.06	3.0
Cost of Acquisition (COA) per gross addition ($)	**502**	537	(35)	(6.5)
ARPU ($)	**57**	59	(2)	(3.4)
Digital POPs covered (millions)	**24.2**	22.6	1.6	7.1

1 – Cumulative subscribers for the year 2000 have been adjusted to include 4,100 Cellular Digital Packet Data (CDPD) subscribers previously not reported

Operations expense – TELUS Communications

($ millions)	**2001**	2000	Increase	%
Twelve Months ended December 31	**3,185.7**	2,912.4	273.3	9.4

The increase in expenses included the impact of the acquisition of QuébecTel. The following expense analysis is presented on a pro forma basis (information has been normalized to include QuébecTel wireline operations for the first 5 months of 2000, prior to its acquisition by TELUS).

Operations expense (pro forma) – TELUS Communications

($ millions)	**2001**	2000	Increase	%
Twelve Months ended December 31	**3,185.7**	3,013.1	172.6	5.7

Operations expenses increased by $172.6 million in 2001. Expenses for non-ILEC operations increased by approximately $279 million to $458 million, while expenses for ILEC operations decreased by $106.4 million.

ILEC operations expense changes were due to the following factors:

- Expenses for 2001 acquisitions (ILEC component) were $28.6 million. Bad debt expense increased by $24.8 million due to the economic slowdown and bankruptcies of wholesale customers. Lease expenses, net of amortization of deferred gains, increased by $36.8 million due to the sale of buildings under leaseback arrangements. Consumer Internet cost of sales increased by $15.9 million to $30.0 million due to the increased subscriber additions.
- Offsetting these increases in part were lower revenue tax payments resulting from the CRTC decision to change from a per minute mechanism in 2000 to a revenue tax mechanism beginning in 2001 ($121.5 million), lower advertising and promotions expense ($24.0 million), and an $8.0 million recovery of municipal tax payments by TELUS Québec. Other general expense reductions, including operational efficiency improvements, were $59.0 million.

Operations expense – TELUS Mobility

($ millions)	**2001**	2000	Increase	%
Twelve Months ended December 31	**1,592.2**	965.7	626.5	64.9

The significant increase in expenses reflected the acquisitions of Clearnet and QuébecTel Mobilité as well as a change in calculation methodology as regulated by the CRTC for contribution revenue taxes, which was applied commencing in 2001. The effect of this change was $60.1 million. The following expense analysis is presented on a pro forma basis (information has been normalized to include Clearnet operations prior to October 20, 2000 and QuébecTel Mobilité operations for the first 5 months of 2000).

Operations expense (pro forma) – TELUS Mobility

($ millions)	**2001**	2000	Increase	%
Twelve Months ended December 31	**1,592.2**	1,551.8	40.4	2.6

Operations expense increased by $40.4 million or 2.6% mainly due to the unfavourable impact of contribution revenue taxes. Operating expenses before the contribution expense declined by $19.7 million as compared with the same period one year earlier. This was due to improved economies of scale, merger efficiencies and strong cost control despite the increase in the subscriber base and network revenues of 19.3% and 17.8%, respectively.

Expenses with respect to equipment sales have decreased in 2001 from $443.5 million to $394.0 million. Lower digital handset unit costs were the principal contributing factor to these favourable trends. These costs included any subsidy portion and were included in the marketing cost of acquisition (COA).

Marketing expenses increased $18.7 million due to increased dealer compensation and marketing credits associated with retention, offset partially by reduced advertising spending.

Marketing COA per gross subscriber addition (including retention and rebranding costs) was $502 as compared to $537 for last year. COA for 2001 included both rebranding costs of $12.2 million reflected in the restructuring charge and retention and migration costs of $55.3 million. In addition, there were also $3.3 million of retention costs offset against network revenue. COA was $489 excluding the rebranding and $433 excluding rebranding, retention and migration costs. This compares to $537 and $478 respectively in 2000. The improvement was attributed to reduced handset subsidies as well as lower advertising and promotion spending.

Network service expenses increased $85.4 million. Network service expenses consist of site-related expenses, transmission costs, spectrum licence fees, contribution charges, and other direct costs related to Network operations. Contributing to the increased expenses were the contribution revenue taxes effective in 2001 of $60.1 million. Also, network service expenses increased due to the growth in the number of cell sites in service and expanded geographic coverage of TELUS Mobility's digital networks. Total digital population coverage as of December 2001 was approximately 24.2 million as compared to 22.6 million one year earlier.

General and Administrative (G&A) expenses were $458.9 million compared with $473.1 million in the same period in 2000. G&A expenses consisted of employee, facilities, bad debt and various other general and operating expenses. These expenses decreased as a result of improved efficiencies of the new integrated Mobility operations.

Earnings[1] Before Interest, Taxes, Depreciation and Amortization (EBITDA) by segment

($ millions)	**2001**	2000 Pro forma	2000 Actual	Pro forma Increase	Pro forma %
Twelve Months ended December 31					
TELUS Communications	**2,173.8**	2,044.5	2,006.9	129.3	6.3
TELUS Mobility	**355.8**	173.4	307.4	182.4	105.2
TELUS Consolidated	**2,529.6**	2,217.9	2,314.3	311.7	14.1

1 – excluding Restructuring costs

On a pro forma basis, TELUS Communications EBITDA improved when compared to last year due to increased data/IP, other revenues associated with acquisitions, and operational efficiencies in ILEC operations, partly offset by higher expenses driven by expansion in our Central Canadian non-ILEC operations.

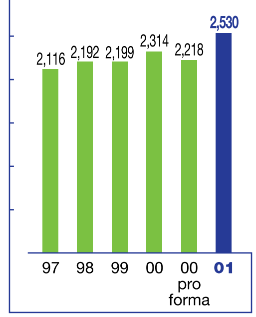
On a pro forma basis, TELUS Mobility EBITDA showed sustained growth, increasing $182.4 million over the same period one year earlier, principally due to increased Network revenue and improved operating efficiencies.

EBITDA margin[1] by segment (%)

Twelve Months ended December 31	**2001**	2000 Pro forma	2000 Actual
TELUS Communications	**40.6**	40.4	40.8
TELUS Mobility	**18.3**	10.1	24.1
TELUS Consolidated	**35.1**	33.1	37.9

1 – EBITDA divided by total revenue

CONSOLIDATED EBITDA
($ millions)



Depreciation and amortization

($ millions)	**2001**	2000	Increase	%
Twelve Months ended December 31				
Depreciation and amortization	**1,383.3**	1,157.4	225.9	19.5
Amortization of acquired intangible assets	**110.9**	24.6	86.3	350.8

The majority of the increase in depreciation and amortization was due to inclusion of additional depreciation from the former Clearnet and QuébecTel ($249.4 million). Other depreciation and amortization decreased by $86.6 million due to service life adjustments based on engineering studies for network assets and the sale of buildings, offset by $63.1 million higher depreciation expense primarily from the growth in data network capital assets and administrative software.

The amortization expense recorded for acquired subscriber and wireless spectrum intangible assets was based on the purchase price allocation to identifiable assets of Clearnet and QuébecTel. Spectrum licences and wireline subscriber bases were amortized over 40 years and wireless subscriber bases were amortized over 7 to 10 years. The amortization expense for spectrum licences was $89.6 million in 2001.

Restructuring costs

($ millions)	**2001**	2000	Increase	%
Twelve Months ended December 31	**198.4**	0.0	198.4	—

A restructuring charge of $198.4 million was recorded in the first quarter for the expected costs in 2001 and 2002 to complete merger-related restructuring activities in TELUS Mobility and reorganization costs for TELUS Communications.

Other income (expenses)

($ millions)	**2001**	2000	Change	%
Twelve Months ended December 31	**17.0**	(8.7)	25.7	—

Other income increased due mainly to a pre-tax gain of $24.5 million recorded for the sale of a fibre asset (see Note 19).

Financing costs

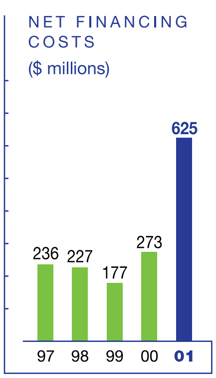
($ millions)	**2001**	2000	Increase	%
Twelve Months ended December 31	**624.5**	273.3	351.2	128.5

Financing costs, net of interest income and capitalized interest, increased mainly due to the acquisitions of Clearnet and QuébecTel and the subsequent replacement of short-term floating rate debt with higher cost long-term fixed rate debt (see table below for a numerical summary of changes). Financing costs for Clearnet operations (before a refinancing gain in 2001 and non-cash interest accretion on long-term debt), combined with financing costs for TELUS Québec operations, were estimated to have increased by $173 million. Non-cash interest accretion on long-term debt was $12.7 million higher in 2001. Other net increases in financing costs of $231.4 million were primarily due to higher debt levels from acquisitions and increased capital investments.

Offsetting the increases described above was a $65.9 million gain resulting from the redemption of Clearnet Senior Discount Notes that was recognized in the second and third quarters of 2001. This gain was comprised of two parts: a $41.2 million foreign exchange gain related to unwinding hedges on the Clearnet US$-denominated notes; and a $24.7 million gain recognized on all Clearnet notes redeemed due to the actual redemption price paid being less than the book value of such debt.

Financing cost changes, year-over-year

($ millions)	Change
Estimated financing for former Clearnet and TELUS Québec operations	173.0
Non-cash interest accretion on Clearnet Senior Discount Notes	12.7
Gain on redemption of Clearnet Senior Discount Notes	(65.9)
Other, mainly financing of acquisitions and increased capital investments	231.4
Total change	351.2



Refinancing charge from debt restructuring

($ millions)	**2001**	2000	Increase	%
Twelve Months ended December 31	**96.5**	0.0	96.5	—

Due to the negotiation of new senior unsecured credit facilities in March 2001, a non-cash refinancing charge of $96.5 million was recorded to expense fees related to interim bridge financing for the acquisition of Clearnet, which were paid and deferred in 2000.

Income taxes

($ millions)	**2001**	2000	Decrease	%
Twelve Months ended December 31	**93.4**	431.9	(338.5)	(78.4)

Lower income before income taxes resulted in lower income tax expense of approximately $298.0 million. The income tax expense was further reduced for two reasons:

- lower corporate income tax rates that reduced the income tax expense by $31.0 million, and
- the net effects of adjustments to future income tax assets and liabilities resulting from prospective changes in income tax rates.

Non-controlling interest

($ millions)	**2001**	2000	Decrease	%
Twelve Months ended December 31	**3.6**	8.7	(5.1)	(58.6)

The non-controlling interest in 2001 represented Verizon's 30% interest in TELUS Québec's earnings until June 30. TELUS purchased the remaining interest in TELUS Québec from Verizon at the end of June 2001. Non-controlling interest in 2000 represented a former co-owner's 25% interest in ISM-BC's earnings until August 2000, and Verizon's 30% interest in TELUS Québec from June to December 2000.

Goodwill amortization

($ millions)	**2001**	2000	Increase	%
Twelve Months ended December 31	**174.8**	23.4	151.4	647.0

Goodwill amortization increased mainly due to the acquisition of Clearnet ($133.4 million). The remaining increase was mainly due to the acquisition of TELUS Québec (70% in June 2000; the remaining 30% in June 2001), purchases of the Columbus Group, Williams Communications Canada and Daedalian eSolutions in the second quarter 2001, and the purchase of the remaining 25% interest in ISM-BC in August 2000.

With the new CICA Handbook Section 3062 – Goodwill and Other Intangible Assets coming into effect for fiscal years beginning January 1, 2002, goodwill will no longer be systematically amortized, but will be periodically tested for impairment (see Note 3(a)). Under Section 3062 transitional accounting rules, goodwill resulting from business combinations made after June 30, 2001 was not amortized. This included goodwill arising from the acquisition of Arqana and PSINet.

Discontinued operations

($ millions)	2001	2000	Increase	%
Twelve Months ended December 31	592.3	74.7	517.6	692.9

On July 31, 2001, TELUS closed the sale of TELUS Advertising Services B.C., Alberta, and Ontario directory businesses and TELUS Québec directory business to Verizon's Dominion Information Services for total pre-tax proceeds of $810 million. TELUS was able to apply non-capital losses to offset cash taxes on the gain. TELUS also exited the equipment leasing business effective September 30, 2001, and entered into a long-term agreement with GE Capital Vendor Financial Services to become the preferred provider of future equipment financing for TELUS customers. TELUS received pre-tax proceeds of $147 million in connection with this transaction in October.

Discontinued operations reflected a $550.2 million combined gain, net of income taxes, for the two discontinued businesses, as well as the operations of the directory business for seven months and the operations of the equipment leasing business for nine months (see Note 8). At this time, TELUS continues to pursue the sale of its U.S. directory operations.

Preferred dividends

($ millions)	2001	2000	Change	%
Twelve Months ended December 31	3.5	3.5	0.0	—

There were no changes to the quarterly preferred dividend.

Interest on convertible debentures

($ millions)	2001	2000	Increase	%
Twelve Months ended December 31	7.0	1.5	5.5	366.7

Early in 2001, TELUS completed an exchange offer for the outstanding Clearnet 6.75% Convertible Debentures, exchanging them into TELUS Corporation 6.75% Convertible Debentures. The interest on the TELUS and Clearnet convertible debentures was recorded net of related taxes. These debentures are convertible into non-voting shares and are classified as equity on the balance sheet, and therefore, related interest is recorded as a charge to retained earnings. The $1.5 million net expense recorded in 2000 represented the net interest payments made by Clearnet after its acquisition by TELUS.

Common voting share and non-voting share income and Earnings per share

Common voting share and non-voting share income decreased by $13.0 million when compared with last year due to the increase in financing costs associated with acquisitions and related amortizations of goodwill and intangible assets. These were partly offset by recognition of the $550.2 million gain and other income from the sale of two businesses and increased EBITDA.

Common voting share and non-voting share income per share decreased by 34 cents in 2001 due to the same impacts noted above, as well as the impact of diluting earnings over a larger average number of outstanding shares (294.2 million in 2001 versus 247.0 million in 2000).

Core earnings and Core EPS were defined to help provide a measure of earnings from core and continuing operations that were unaffected by restructuring costs, non-cash amortizations related to acquisitions, and non-cash future tax asset revaluations due to changes in corporate income tax rates. The following tables reconcile Core earnings with Common voting share and non-voting share income, and Core EPS with EPS.

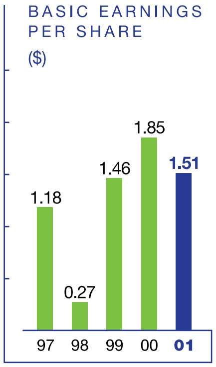
Core earnings per share decreased when compared with last year due to increased financing costs associated with the Clearnet and QuébecTel purchases, and the impact of diluting earnings over a larger average number of shares outstanding, partly offset by increased EBITDA.

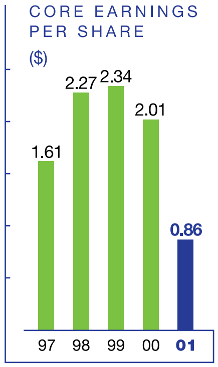
Reconciliation of core earnings with common voting share and non-voting share income

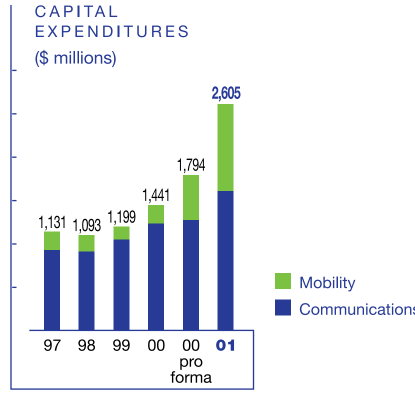
($ millions)	2001	2000
Common voting share and non-voting share income	443.0	456.0
Deduct Discontinued operations	592.3	74.7
	(149.3)	381.3
Add Amortization of acquired intangible assets	110.9	24.6
Goodwill amortization	174.8	23.4
Tax related to intangible assets	(48.0)	—
Non-recurring refinancing and restructuring charges net of tax	167.4	—
Revaluation of future income tax assets and liabilities	(1.8)	66.3
Core Earnings	254.0	495.6

Reconciliation of core EPS and EPS

($)	2001	2000
EPS	1.51	1.85
Adjustments for:		
Discontinued operations	(2.02)	(0.30)
Amortization of acquired intangible assets	0.38	0.10
Goodwill amortization	0.59	0.09
Tax related to intangible assets	(0.16)	—
Non-recurring refinancing and restructuring charges net of tax	0.57	—
Revaluation of future income tax assets and liabilities	(0.01)	0.27
Core EPS	0.86	2.01







LIQUIDITY AND CAPITAL RESOURCES

Cash provided by operating activities

($ millions)	**2001**	2000	Decrease	%
Twelve Months ended December 31	**1,398.6**	1,617.8	(219.2)	(13.5)

Cash provided by operating activities decreased in 2001 when compared with last year due mainly to increased financing costs ($351.2 million), a decrease in cash provided by discontinued operations ($132.6 million) and partly offset by higher EBITDA from continuing operations of $215.3 million, lower current income taxes of $37.4 million and other cash flow increases of $11.9 million.

Cash used by investing activities

($ millions)	**2001**	2000	Decrease	%
Twelve Months ended December 31	**1,821.3**	3,831.1	(2,009.8)	(52.5)

Cash used by investing activities significantly decreased in 2001 when compared with one year ago. This was due to the lower cash requirement for acquisitions ($2,088.6 million), combined with $939.6 million proceeds from the divestiture of the directory and equipment leasing businesses and $131.5 million increased proceeds from the sale of property, partly offset by increased capital expenditures.

Capital expenditures by segment

Twelve Months ended December 31

($ millions)	**2001**	2000	Increase	%
TELUS Communications	**1,605.8**	1,218.4	387.4	31.8
TELUS Mobility	**643.6**	222.9	420.7	188.7
Capital expenditures	**2,249.4**	1,441.3	808.1	56.1
TELUS Mobility – wireless spectrum	**355.9**	0.0	355.9	n.a.
Total Capital Expenditures	**2,605.3**	1,441.3	1,164.0	80.8

Communications capital expenditures

Capital expenditures increased due to accelerated spending in high-speed Internet capacity and data services ($197.0 million), the purchase of software licences and trademark licences from Verizon ($199.3 million), and higher spending for non-ILEC expansion ($40.9 million). Expenditures for other ILEC growth and modernization projects decreased by $49.8 million. In addition, a fibre asset was purchased from a third party for non-cash consideration of $76.0 million. As this was a non-cash purchase, it is not reflected in Capital expenditures on the Consolidated Statements of Cash Flows.

Mobility pro forma capital expenditures, excluding wireless spectrum

($ millions)	**2001**	2000	Increase	%
Twelve Months ended December 31	**643.6**	533.7	109.9	20.6

On a pro forma basis, before the payment for spectrum, Mobility capital expenditures increased primarily for the expansion of digital cellular coverage, digitization of the analog network and implementation of the 1XRTT data network. This is the first phase of 3G technology, which offers high-speed packet data mobile wireless Internet access and multimedia communications.

Cash provided by financing activities

($ millions)	**2001**	2000	Decrease	%
Twelve Months ended December 31	**339.6**	2,345.8	(2,006.2)	(85.5)

Early in 2001, TELUS completed the compulsory acquisition of remaining Clearnet Class A Non-Voting shares outstanding. TELUS also successfully completed exchange offers for the outstanding Clearnet 6.75% Convertible Debentures, and the outstanding Clearnet Warrants. These were exchanged for TELUS Corporation 6.75% Convertible Debentures and TELUS Warrants respectively.

A number of significant debt refinancing activities were completed in Q2 2001. On May 30, TELUS closed offerings for Canadian and U.S. dollar unsecured notes for proceeds of $6.7 billion, and bank credit facilities with total availability of $2.5 billion. Gross proceeds of the

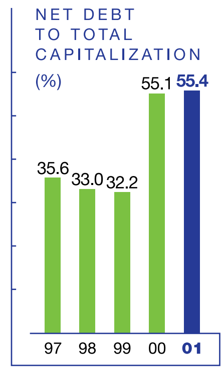
Canadian dollar 7.5% Notes due June 1, 2006 were $1.6 billion. Gross proceeds of the U.S. dollar 7.5% Notes due June 1, 2007 and U.S. dollar 8.0% Notes due June 1, 2011 were U.S. $1.3 billion and U.S. $2.0 billion respectively. To reduce foreign exchange risk, the U.S. liabilities have been fully hedged into Canadian dollars. On the Consolidated Balance Sheets, the value of U.S. dollar-denominated Notes has been translated into Canadian dollars, and a related cross-currency foreign exchange hedge asset has been recorded in Deferred charges (see Note 12). As a result of increasing the size of the Notes offering due to demand, the new bank credit facility committed by the Toronto-Dominion Bank and syndicated to a group of financial institutions in the amount of $2.5 billion was $2.0 billion less than originally announced in March 2001.

On June 12, TELUS and its wholly owned subsidiary Clearnet completed an offer to repay all of the outstanding Senior Discount Notes of Clearnet. Total consideration was approximately $1.74 billion for the 99.92% of the Notes that were tendered. Notes that were not tendered will remain outstanding, but will be subject to the modified terms of Supplemental Indentures applicable to each series. These Notes had coupon rates ranging from 10.125% to 11.75%.

In the third quarter 2001, TELUS retired the remaining hedges on Clearnet U.S. dollar discounted Notes. Short-term obligations were reduced by $949.6 million primarily through the use of proceeds from the divestitures.

As a result of these financing activities in 2001, $7.2 billion of long-term debt was issued, $1.9 billion of long-term debt was redeemed, and short-term debt obligations were reduced by $4.7 billion. At year-end, the average term to maturity was about 7.6 years, compared with 3.0 years at the end of 2000.

Common share capital increased in 2001 due to the issue of shares from Treasury under employee share purchase plans, exercised options and warrants, and additional shares purchased by Verizon. Dividends paid per common voting share and non-voting share were unchanged at $1.40. However, in October 2001, TELUS announced a reduction in dividend payments to 15 cents per quarter or 60 cents annually effective for the January 1, 2002 dividend. Total cash dividend payments to shareholders decreased by $10.5 million due mainly to the significant number of shareholders participating in the dividend reinvestment plan (about 40% of TELUS' outstanding shares at the July and October payment dates), partially offset by the increase in number of shares outstanding for the purchase of Clearnet and the additional 30% of TELUS Québec, as well as exercised options. The $46.1 million year-over-year change in other financing activities was due primarily to the $65.9 million gain related to redemption of Clearnet U.S. dollar denominated Notes and unwinding related hedges.

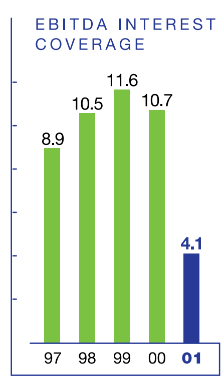


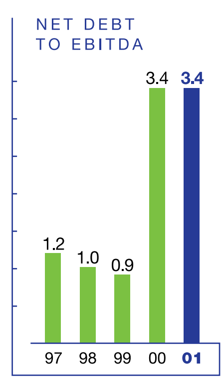
Liquidity and capital resource ratios

Year-over-year comparison	2001	2000
Net debt [1] to total capitalization (%)	**55.4**	55.1
Net debt [1] to EBITDA	**3.4**	3.4
EBITDA interest coverage [2]	**4.1**	10.7

1 – Current obligations plus Long-term debt net of Cash and temporary investments and the cross-currency foreign exchange hedge related to U.S. dollar-denominated notes
2 – EBITDA divided by Net financing cost before accreted interest and gain on redemption of debt

The Net debt to total capitalization ratio increased marginally from one year ago due to $702.2 million increase in net debt compared with a $494.2 million increase in equity (including non-controlling interest in 2000). The EBITDA interest coverage ratio decreased when compared with one year ago due to the increase in debt, partially offset by an increase in EBITDA. The EBITDA interest coverage ratio for 2000 reflected only 2.4 months of financing and negative EBITDA impacts of the purchase of Clearnet.





Credit Facilities

In May 2001, TELUS successfully raised $9.2 billion in unsecured debt through three notes offerings and two syndicated credit facilities. The proceeds of these financing activities were used to refinance existing debt, to support commercial paper programs, and for general corporate purposes. The pricing, terms and conditions of these new credit facilities were generally more favourable than those of the previous secured credit facilities.

TELUS credit facilities at the end of December 2001, consisted of a $1.5 billion (or the U.S. dollar equivalent) three-year revolving credit facility ($485 million drawn along with $17 million in letters of credit as at December 31, 2001), a $1.0 billion (or the U.S. dollar equivalent) 364-day extendible revolving credit facility converting to a one-year non-revolving credit facility currently backing up $35 million in Commercial Paper issuances, and approximately $215 million in other bank facilities and outstanding letters of credit.

Floating Rate / Fixed Rate Debt Balance

As at December 31, 2001, the Company's fixed rate debt comprised 93.0% of its total indebtedness compared with 38.6% one year earlier.

TELUS has an objective to preserve access to capital markets at a reasonable cost by maintaining its investment grade credit ratings.

Credit Ratings

	S&P	DBRS	Moody's
TELUS Corporation			
Senior Bank Debt	BBB+	BBB(high)	Baa2
Debentures and Notes	BBB+	BBB(high)	Baa2
Medium-term Notes	BBB+	BBB(high)	—
Commercial Paper	A-1(low)	R-2(high)	—
TELUS Communications Inc. (TCI)			
Debentures	BBB+	BBB(high)	—
Medium-term Notes	BBB+	BBB(high)	—
Commercial Paper	A-1(low)	R-2(high)	—
Preferred Shares	P-2(low)	Pfd-3(high)	—
TELUS Communications (Québec) Inc. (TCQI)			
First Mortgage Bonds	A -	BBB(high)	—
Debentures	BBB+	BBB(high)	—
Medium-term Notes	BBB+	BBB(high)	—
Commercial Paper	A-1(low)	R-2(high)	—

In May 2001, Standard & Poor's (S&P), Dominion Bond Rating Service (DBRS), and Moody's assigned ratings of BBB+, BBB(high), and Baa2, respectively, to TELUS Corporation's senior unsecured Note offerings. S&P and Moody's also rated TELUS Corporation's new bank credit facility at BBB+ and Baa2, respectively. S&P's ratings for TELUS Communications (Québec) Inc. were assigned in January 2001.

On June 4, 2001, DBRS placed all TELUS Communications Inc. ("TCI" – a wholly owned subsidiary of TELUS Corporation) ratings "Under Review with Negative Implications." This review was completed July 9, 2001 with DBRS downgrading the Senior Debenture and Medium-Term Note ratings of TCI to BBB(high) from A(low), the Commercial Paper rating to R-2(high) from R-1(low), and the preferred share rating from Pfd-2(low) to Pfd-3(high) – all Stable. On July 12, 2001, DBRS also downgraded TCQI First Mortgage Bonds, Unsecured Debentures and Medium-Term Notes from A(low) to BBB(high) Stable, and its Commercial Paper from R-1(low) to R-2(high) Stable, to harmonize these ratings with those of TELUS Corporation and TCI on the announcement that TELUS had acquired the remaining 30% interest in TELUS Québec from Verizon. S&P has confirmed its BBB+ credit rating for TCI's long-term debt and its A-1(low) Canadian scale credit rating for TCI's commercial paper.

On August 9, 2001, DBRS confirmed its R-2(high) rating for TELUS Corporation Commercial Paper and its BBB(high) rating for TELUS Medium-Term Notes and Notes. On September 25, 2001, S&P announced that TELUS' divestiture of the equipment leasing business had no effect on S&P's ratings of the Company.

OUTLOOK 2002

Telecommunications industry

The Canadian telecommunications industry witnessed a tumultuous year in 2001 characterized by consolidation and slightly slower overall growth. While the demand for services continued to grow, particularly in the data and IP space, restrictive capital markets and ensuing liquidity concerns resulted in consolidation as new entrant operators scaled back expansion plans, filed for bankruptcy protection or exited the industry.

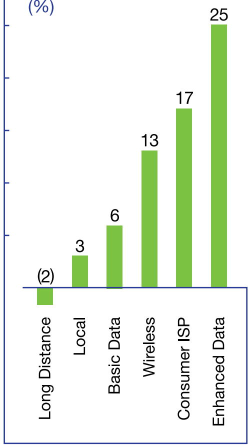
Telecommunications companies face increased scrutiny over the state of their balance sheets and investors have become more focused on cash flow. Well capitalized companies, such as TELUS, face fewer competitors and have the opportunity to acquire businesses, or their assets, at reasonable prices. However, concerns over the ability to sustain growth in a slowing economy have negatively impacted equity valuations industry-wide, limiting access to equity markets. This has resulted in greater pressure to control capital expenditures and reduce operating costs across the industry.

The Canadian telecom industry in 2001 generated revenue of approximately $33 billion, of which Bell Canada and its affiliated regional telcos controlled more than half. As a result of strong revenue growth during the year, from both organic growth and acquisitions, TELUS generated about $7.2 billion of revenue in 2001, accounting for approximately 22% of industry revenues.

The 2001 revenue growth in the Canadian telecom market was approximately 7%, slightly less than the approximate 10% growth in 2000. Growth rates varied widely among the types of service with enhanced data, Internet and wireless leading the way while long distance remains priced as a commodity. TELUS has clearly articulated its strategic intent to focus on the high-growth markets of enhanced data and wireless nationally, and high-speed Internet growth primarily in our ILEC service areas, in order to drive future revenue growth.

COMPOUNDED ANNUAL GROWTH OF CANADIAN TELECOM INDUSTRY BY COMPONENT FROM 2000 TO 2004

(%)



Source: TELUS estimates and industry analyst reports

Going into 2002, investor focus continues to be on balance sheet liquidity and cash flow alongside cost control. Industry experts generally continue to forecast increasing demand for data, IP and wireless services, but warn that a continued weak macroeconomic environment could result in a slower rate of growth than previously anticipated.

The convergence of communication applications provides new service opportunities from new data, IP and wireless applications such as managed Web hosting and wireless Internet service offerings. In addition, the complexity of telecommunications technology and services provides competitive advantage to companies that can bundle services and offer full-service, one-stop solutions. Restrictive access to capital markets means that new entrants and poorly capitalized companies continue to lay off employees and cut back capital spending to conserve cash. These factors, in concert with difficulties in raising capital, are expected to provide continued impetus to consolidation among North American telecommunications companies in 2002.

KEY PRIORITIES AND TARGETS FOR 2002

TELUS is intent on continuing to deliver on the six strategic imperatives outlined in mid-2000. See pages 10 to 25.

Financial Targets and Issues

TELUS expects 2002 financial results to be significantly impacted by the exogenous impact of the regulatory decisions on contribution. TELUS has submitted a review and variance appeal to the CRTC with a decision pending. In addition, the CRTC is expected to deliver decisions on the price cap regime and mandated resale discounts for non-ILECs. See pages 52 to 54 for a discussion of regulatory issues. For planning and guidance purposes, we have assumed the status quo, or a neutral impact, from these upcoming decisions.

See Risks and Uncertainties for details on these and other factors that could cause actual future financial and operating results to differ from those currently expected.

The following objectives were publicly announced on December 18, 2001.

	2002 Target	2001	Change
Revenues	**$7.5 to $7.6 billion**	$7.2 billion	4% to 6%
EBITDA	**$2.475 to $2.525 billion**	$2.530 billion	(2)% to 0%
Earnings Per Share [1]	**15 to 20 cents**	$1.51[2]	$ (1.36) to (1.31)[2]
Capital Expenditures	**$2.1 to $2.2 billion**	$2.6 billion [3]	(15)% to (19)% [2]
Wireless Subscriber Net Additions	**425,000 to 450,000**	417,500	2% to 8%
High-speed Internet Subscriber Net Additions	**200,000 or more**	131,200	52% or more

1 – Assumed that amortization of intangible assets with indefinite life such as wireless spectrum would cease effective January 1, 2002 under CICA Handbook Section 3062

2 – 2001 Earnings Per Share included $2.02 from Discontinued operations

3 – 2001 Capital Expenditures included $356 million for the acquisition of additional wireless spectrum

TELUS is focused on achieving solid underlying growth in revenue and EBITDA in 2002 facilitated by targeted capital investment and aggressive customer growth targets. Excluding the impact of the regulatory decision on contribution, targeted underlying revenue growth would be 10 to 11%, and underlying EBITDA growth would be between 7 and 9%.

For TELUS Communications, we are targeting revenue of between $5.4 to $5.45 billion in 2002, as compared to $5.27 billion in 2001, which implies growth of 2 to 3%. This growth is being negatively impacted by an estimated $390 million reduction in local contribution revenues. EBITDA is targeted to be $2.025 to $2.055 billion in 2002 (after negative impact of $270 million contribution) as compared to $2.17 billion for 2001, which implies a decrease of 5 to 7%. Excluding the negative impact of the contribution decision, the underlying EBITDA growth would have been 6 to 7%. Included in these targets are the emerging non-incumbent results in Ontario and Quebec, where we have targeted revenues to double to approximately $650 million and negative EBITDA of approximately $125 million, an approximate 21% improvement.

At TELUS Mobility, TELUS' wireless reporting segment, we are targeting revenue of between $2.1 to $2.15 billion in 2002, as compared to $1.93 billion in 2001, which implies growth of 9 to 11%. TELUS Mobility is targeting EBITDA of $450 to $470 million for 2002 as compared to $356 million for 2001, which implies growth of 26 to 32%. This includes an approximate $40 million favourable change in local contribution for 2002.

Consolidated capital expenditures are targeted at between $2.1 to $2.2 billion and are focused on generating long-term growth, principally in the wireless and data areas. This represents a significant decrease from $2.6 billion in 2001, which included $356 million for purchasing wireless spectrum. Capital expenditure targets by business segment are as follows:

Capital Expenditures

	2002	2001
Consolidated [1]	**$2.1 to $2.2 billion**	$2.6 billion
TELUS Communications	**$1.55 to $1.65 billion**	$1.6 billion
TELUS Mobility [1]	**$560 million**	$1 billion

1 – Included $356 million for the acquisition of additional wireless spectrum in 2001

TELUS Communications intends to increase capital investments into provisioning of high-speed Internet deployment and Central Canadian facilities expansion, while significantly reduced expenditures are planned for the national fibre and IP network given its completion in 2002 as well as capital payments to Verizon. TELUS Mobility expects to make capital investments of $560 million in 2002 to continue the expansion of advanced digital networks, increase capacity, and implement Extended and Enhanced Roaming/Resale Agreements in Central and Eastern Canada. This represents a 44% decrease as compared to $1 billion of capital investments in 2001.

2002 FINANCING PLAN

The primary focus of the 2002 financing plan is to finance net new cash requirements of approximately $520 million. This estimated financing requirement includes capital expenditures of $2.1 to $2.2 billion, interest of $700 to $725 million, cash taxes of $50 million and cash dividends of $110 million.

TELUS plans to meet this financing requirement primarily by utilizing its existing bank credit facilities. Dispositions of assets and sales of certain businesses currently carried on by TELUS may also provide an additional source of funds. Leasing, securitization transactions and quasi-equity transactions such as convertible debt and preferred shares will also be considered to meet part of the overall financing requirement and to provide further available liquidity to the Company. Equity issuances, especially in connection with acquisition activity, could form a part of the financing activities.

TELUS expects to maintain its current position of fully hedging its foreign exchange exposure. At the end of 2001, approximately 93% of TELUS' total debt was borrowed on a fixed-rate basis. Short-term obligations totalled $229.9 million at December 31, 2001 and the weighted average term to maturity of total debt was 7.6 years.

TELUS believes that its internally generated cash flow combined with its ability to access external capital provide sufficient resources to finance its cash requirements during 2002.

TELUS has an objective to preserve access to capital markets at a reasonable cost by maintaining its investment grade credit ratings.

RISKS AND UNCERTAINTIES

The following sections summarize the major risks and uncertainties that could affect TELUS' business results going forward.

Competition

Increased competition may adversely affect market shares, volumes and pricing in certain of TELUS' business segments

Competition is expected to remain intense. Competitors are primarily focusing on local access, data and e.business services in the business market and high-speed Internet and wireless services across both the consumer and business markets as these services offer the highest growth potential. Long distance is experiencing flat to negative revenue growth and voice local access has low growth. However, competitors remain intent on winning market share in the business local and long distance voice market.

Wireline voice and data

TELUS expects local access competition activity in 2002 to mainly focus on the business market. TELUS' competitors offer varying arrays of long distance, local and advanced data/IP services. TELUS' major business market competitors are increasingly bundling long distance with price-discounted local access and advanced data, Web-based and e.commerce services. TELUS' competitors, having built extensive local fibre-optic facilities throughout Western Canada over the last several years, are increasingly focusing on marketing and revenue generation, particularly in the small and medium-sized business market due to the size of this market and attractive margins. Some of these competitors may have extensive financial strength and resources.

Competition is likely to continue to increase in the large business market. TELUS was formerly a member of Stentor, an alliance of the major regional Canadian telecommunications companies established to facilitate the provision of long distance and data services that cross provincial and national boundaries, and to facilitate planning and coordination of the provision of national services. In 1998, the former Stentor members agreed to unwind existing arrangements and replace them with a new set of commercial agreements. Although these agreements contemplate an orderly wind-down over the next few years, as the former members develop their own systems and replacement products and services, competition in the large business clients' market will intensify.

TELUS has been actively building and acquiring local and cross-Canada fibre-optic facilities and Internet Data Centres in Central and Western Canada. TELUS is also building up a sales organization and introducing business-oriented data and IP products and services. However, there can be no assurance that TELUS will be successful in its efforts to expand its market share in Central Canada or that pricing will remain at reasonable levels as competition in Central Canada intensifies.

Wireless

Competition in the Canadian wireless market is expected to remain intense in 2002 and is expected to increase in Western Canada. TELUS Mobility is targeting increased subscriber additions in 2002 and there is no assurance that it will achieve its objective given the level of competition in the wireless industry. In the fall of 2001, Bell Mobility entered Western Canada and is in the process of building its own network and operational capabilities using spectrum acquired through the Industry Canada PCS spectrum auction completed in February 2001. In addition, the announcement of the Enhanced and Extended Roaming/Resale Agreements between TELUS Mobility, Bell Mobility and Aliant Telecom Wireless on October 17, 2001 will allow Bell Mobility to offer wireless services throughout Alberta and B.C. much sooner and more cost-effectively than if it had to wait to fully build-out its own duplicated networks. These agreements are expected to open up new markets containing approximately seven million people for TELUS Mobility in Central and Atlantic Canada. There is no assurance that TELUS Mobility's future marketing efforts will be as successful in the new markets as in existing coverage areas.

With up to four players, including TELUS, operating in each region in the Canadian wireless marketplace, competitive rivalry is intense. Aggressive advertising and innovative marketing approaches are expected to continue to be customary. Certain competitors have offered subsidized low or "zero" cost handsets and have lowered airtime prices in the past and may continue to do so which could increase churn rates, cause marketing cost of acquisition expenses to remain high, and lower average revenue per customer.

Wireless competition is also coming from new digital wireless technologies that deliver higher speed data/Internet services over current and next generation wireless devices. Such availability may also lead to increased re-subsidization costs related to the migration of existing subscribers to newer Web browser 3G capable handsets. There can be no assurance that new services offered by TELUS will be available on time, be as versatile or as popular as those of its competitors, or that TELUS will be able to charge incrementally for the services. (See "Technological Advances.")

Wireline Internet access

While residential dial-up Internet access competition and growth has subsided, TELUS faces significant competition from high-speed Internet services of cable TV companies. In 2001, cable TV companies continued to aggressively gain the majority of high-speed customers in B.C. and Alberta. TELUS began to close the market share gap, particularly in the last half of 2001, by extending high-speed coverage, increasing marketing and accelerating subscriber net additions, a trend which is expected to continue in 2002. In 2001, TELUS took steps to address constraints in its provisioning ability in order to satisfy demand for high-speed Internet service, and this will continue to be a key focus in 2002. It is possible that TELUS could experience future high rates of churn or subscriber deactivations unless a high quality of service is maintained. There is no assurance that TELUS will not continue to experience internal constraints in its ability to satisfy demand for high-speed Internet service, nor is there assurance that TELUS will be able to achieve its high-speed Internet subscriber growth targets. Current ADSL modem technology does not permit telecommunications companies to readily offer high-speed service to all of their service territories due to distance limitations and the condition of the lines extending from central offices to customer locations. Although extended-reach ADSL modems are now coming to market, there is no guarantee these limitations can be fully eliminated.

Voice over Internet Protocol (VoIP)

A developing service that could negatively impact TELUS' local and long distance business over the next few years continues to be Internet telephony, also referred to as VoIP. This technology has been in progress for several years and in addition, next generation cable TV modems will allow cable TV companies to begin offering VoIP over their cable networks. Although cable TV companies in Canada have announced delays in offering VoIP service, there is no guarantee that their plans will not change. TELUS launched its own VoIP initiative on October 25, 2001, however, there can be no assurance of the level of adoption for VoIP services in the market or that the provision of such service by TELUS would not cannibalize existing revenues. If significant VoIP competition develops, it could erode TELUS' existing market share of traditional local and long distance services and adversely affect future revenues and profit.

Economic Fluctuations

Economic fluctuations may adversely impact TELUS and result in high bad debt expense

In the past year, North America has experienced an economic slowdown. Monetary authorities lowered interest rates in 2001 to stimulate the economy and federal and provincial tax rates have also been reduced, but the effect of these moves, if successful, can take several quarters to stimulate the economy. During the economic slowdown, residential and business telecommunications customers may delay new service purchases, reduce volumes of use and/or discontinue use of services. In 2001, TELUS experienced significantly higher bad debt expense primarily related to economic difficulties experienced by competitive local exchange carrier (CLEC) customers, as well as, to a lesser extent, other residential and business customers.

Financing and Debt Requirements

TELUS' business plans and growth could be negatively affected if existing financing were not sufficient

In 2001, TELUS raised proceeds of $6.7 billion from an offering of three tranches of mid- to long-term investment grade unsecured notes. TELUS also established a new bank facility for $2.5 billion with a syndicate of major financial institutions. Proceeds of the financings were partially used to refinance a $6.25 billion short-term bridge bank facility and to complete a tender offer to repurchase $1.74 billion of high yield Senior Discount Notes of Clearnet Communications.

TELUS plans to finance its future capital requirements primarily with the unutilized portion of the new bank facility. Continued access to the full amount of this facility is dependent upon receiving requested extensions of the $1 billion 364-day portion of the facility and upon continued compliance with governing covenants. There can be no assurance that availability under such facility will be sufficient or, if additional financing is required, that it will be available on terms acceptable to TELUS.

Consistent with its financial policy, TELUS intends to reduce its future debt leverage. This intention could constrain the Company's ability to invest in its operations for future growth. There is no assurance TELUS will significantly reduce its debt leverage on a timely basis, if at all.

Dividend

Current dividend levels may not be maintained

In October 2001, TELUS reduced the quarterly dividend on its common voting shares and non-voting shares from 35 cents to 15 cents, effective January 1, 2002, to align the dividend level with its growth strategy and current business profile. While there is no current plan to change the dividend payout, TELUS reviews its dividend policy quarterly and there can be no assurance that a future change will not be implemented, and it is difficult to predict what effect this may have on the price of TELUS shares.

Human Resources

Outcome of outstanding labour relations issues may increase costs and reduce productivity

Negotiations are not concluded with the Telecommunications Workers Union (TWU) for new collective agreements covering approximately 15,800 employees in TELUS Communications Inc. and 1,200 employees in TELUS Mobility working in B.C. and Alberta. Existing agreements expired in December 2000. Collective bargaining with the TWU is ongoing.

TELUS received a decision from the Canada Industrial Relations Board (CIRB) in February 2001 that declined to limit the bargaining units represented by the TWU to B.C. and Alberta. TELUS is appealing this decision and a ruling is expected in mid-2002.

The TWU made an application to the CIRB in May 2001 to extend the existing bargaining unit in B.C. and Alberta to include non-unionized former Clearnet employees and unionized employees in the QuébecTel Mobilité operations. The TWU also challenges the Company's position that wireless employees in B.C. and Alberta are, for the purposes of labour relations, employed by TELE-MOBILE COMPANY (carrying on business as TELUS Mobility). In TELUS' view, by operation of law, these employees form a separate bargaining unit from TELUS Communications Inc. and collective bargaining and other matters should be conducted between TELE-MOBILE COMPANY and the TWU. Both these issues are the subject of proceedings not yet scheduled to be heard before the CIRB.

There can be no assurance for TELUS Communications Inc. or TELE-MOBILE COMPANY that the negotiated compensation expense will be as planned, or that reduced productivity and work disruptions will not occur as a result of the negotiations or CIRB decisions.

Integration of acquisitions

Restructuring and integration activities introduce potential for temporary customer service degradation

Certain systems and processes of the former Clearnet and QuébecTel Mobilité organizations continue to be integrated with those of the Western TELUS Mobility organization. In addition, TELUS must integrate the smaller acquisitions made in 2001 and any future acquisitions. Integration activities, including integrating accounting policies, employee transfers, information systems, and establishing control over distant operations, may distract the organization and negatively impact customer service levels, TELUS' competitive position and financial results.

There can be no assurance that the future operating expense, capital expenditure and tax savings and new revenues expected by management and investors in connection with these acquisitions will materialize as planned in 2002.

Technological Advances

Changing technology in data, IP and wireless may adversely affect revenues, costs and value of assets

The pace and the scope of technological advancements in the communications industry are expected to continue to accelerate in the foreseeable future. Two of the universal characteristics of technological advancements are lower unit costs and increasing flexibility. This creates opportunities for new and existing competitors to offer price reductions and service differentiation to gain market share. TELUS' future success will in part be dependent upon its ability to anticipate, invest in and implement new technologies with the levels of service and prices that its customers require. TELUS may be required to make more capital expenditures than are currently expected if a technology's performance falls short of expectations and TELUS' earnings may also be affected if technological advances shorten the useful life of certain of its existing assets.

The digital protocols and technologies utilized by TELUS Mobility may become technologically inferior, which could adversely affect TELUS

The wireless industry is in the process of adopting second (2.5G) and third generation (3G) technologies that are expected to deliver increased data speeds required to deliver many new wireless IP and data services. TELUS Mobility's Mike service uses the iDEN technology protocol and has had operational 2.5G packet data capability and service offerings for over a year. TELUS Mobility also plans to implement initial 1XRTT protocol 3G services on its digital CDMA PCS and cellular networks during 2002. While we believe TELUS Mobility's CDMA protocol has a reasonable and cost-effective migration path to future evolutions of higher speed 3G, there can be no assurance that it will be successful and timely. In addition, work is ongoing to determine an optimal migration path for iDEN to 3G but there can be no assurance that the selected path will be successful or that the operating expenses and capital expenditures will be economical.

Furthermore, there can be no assurance that the digital wireless technologies utilized by TELUS today will continue to enjoy favourable market pricing. The pricing for handsets and network infrastructure is subject to change due to world market buying patterns and as a result, there may be an adverse impact on TELUS' future expenditures.

Regulatory

Regulatory developments could have an adverse impact on TELUS' operating procedures, costs and revenues

TELUS' telecommunications services are regulated under federal legislation through the CRTC. The CRTC has taken steps to forbear from regulating prices for certain services such as long distance and some data services and does not regulate the pricing of wireless services. Major areas of regulatory review currently include the contribution payment regime, price cap regulation of local telephone rates and access issues with cities and building owners.

The outcome of the regulatory reviews, proceedings and court appeals discussed below and other regulatory developments could have an impact on TELUS' operating procedures, costs and revenues. There can be no assurance that these regulatory outcomes will not be materially adverse to TELUS.

Contribution payment calculation modified by CRTC

The CRTC requires TELUS and other regional telephone companies to provide basic residential services at below-cost rates in high-cost serving areas. The difference between the costs of providing these services and the rates charged for them is made up through higher prices from some services, such as optional local services, and through a "contribution" payment from other TELUS services and services of other telecommunications providers. Effective January 1, 2001, the CRTC changed the method used to collect contribution payments from a per minute charge on long distance services to a percentage of revenue charge on all telecommunications service providers, including wireline, wireless, data and other services. Internet, paging and terminal equipment revenues are exempt from the revenue charge. The revenue charge in 2001 was 4.5% of eligible revenues. The CRTC also changed the way in which contribution was pooled for subsequent distribution from separate company-specific contribution pools to one national contribution pool. This change resulted in a net positive revenue impact for TELUS in 2001.

In 2002, the percentage of revenue collection method and the national pooling of contribution payments will continue, but the method of calculating the amount of contribution to be received by companies providing residential basic service in high-cost areas has changed. The CRTC decision modified the basis upon which the required subsidy to fund service to high-cost areas is calculated. Rather than allowing the recovery of Company-specific costs, the CRTC reduced the costs that can be recovered through the contribution regime. As a result, the amount of contribution to be collected has been significantly reduced and the percentage of revenue charge applied to all telecommunications service providers has been reduced to 1.4% on an interim basis. The result is an estimated year-over-year reduction in EBITDA of $230 million for TELUS in 2002. The 1.4% interim revenue charge and the costs upon which it is based are currently being reviewed in a number of CRTC proceedings and could be retroactively adjusted back to January 1, 2002. TELUS is uncertain of the outcome of these proceedings and can give no assurance that TELUS' earnings will not be adversely affected.

Price cap regulation decision in 2002

Price cap regulation was introduced in 1998. This regime was a facilities-based regulatory model that encouraged competitors to invest in facilities and did not provide discounts for use of incumbent facilities. In March 2001, the CRTC began its scheduled public review of the regulatory regime for 2002 and beyond. A decision is expected late in the first quarter or early in the second quarter of 2002. TELUS and other incumbent telecommunications companies are seeking to modify the price cap regime to achieve greater pricing flexibility for regulated services. Certain CLECs are requesting certain benefits including use of incumbent facilities at a larger discount. Some parties also requested that the CRTC impose penalties on the incumbent companies for failure to meet CRTC-established quality of service indicators. Until the details of the new or modified regulatory regime are known, TELUS is uncertain of the impact and can give no assurance that TELUS' earnings will not be materially adversely affected.

Terms of access

TELUS is participating in a CRTC proceeding to establish terms of access to tenants in multi-unit dwellings such as apartment buildings and office complexes. Building owners are currently demanding substantial fees for such access. An interim decision was issued by the CRTC in September 2001 whereby local exchange carriers, such as TELUS, would "own" in-building wires in existing buildings. As for new buildings, the building proprietors would "own" the in-building wires. A further decision on this matter is expected in 2002. There can be no assurance that the outcome of this decision will not be materially adverse for TELUS.

A January 2001 decision by the CRTC on the payment of fees for access to municipal rights of way was favourable to telecommunications and cable TV companies, generally restricting payments to the municipalities' costs of construction and their lost revenues, but rejecting annual fees. However, this decision was appealed to the Federal Court of Appeal by certain cities in February 2001. A decision from the Court is expected in 2002. If annual fees are charged, the earnings of TELUS would be affected.

Radiocommunication licence regulated by Industry Canada

All wireless communications depend on the use of radio transmissions and therefore require access to radio spectrum. Under the Radiocommunication Act, Industry Canada regulates and controls the allocation of spectrum to users and licenses radio channels within various frequency bands to service providers and private users. Voice and data wireless communications via cellular, SMR, ESMR and PCS systems, among others, require such licences. In March 2001, TELUS' PCS and cellular licences were renewed for a five-year period under the same terms and conditions, such as: meeting certain performance levels, obligations regarding coverage and build-out, spending at least 2% of certain PCS and cellular revenues on research and development, annual reporting and resale to competitors. While TELUS believes that it is substantially in compliance with its licence conditions, there can be no assurance that it will be found to comply 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.

Foreign ownership restrictions

TELUS and its subsidiaries are subject to the foreign ownership restrictions imposed by the Telecommunications Act and the Radiocommunication Act. Although TELUS believes that TELUS and its subsidiaries have at all times been in compliance with the relevant legislation, there can be no assurance that a future CRTC or Industry

Canada determination or events beyond TELUS' control will not result in TELUS ceasing to comply with the relevant legislation. In addition, Industry Canada has not completed its review of TELUS Mobility's eligibility to hold the 24-38 GHz and additional PCS spectrum licences provisionally awarded to it. TELUS is responding to certain foreign ownership related issues raised by Industry Canada, and believes that TELUS Mobility has complied with all eligibility requirements. TELUS notes that Industry Canada renewed its PCS licences in March 2001, but there can be no assurance of a favourable Industry Canada determination with respect to the pending applications. Should any of the foregoing occur, the ability of TELUS' subsidiaries to operate as Canadian carriers under the Telecommunications Act or to maintain, renew or secure licences under the Radiocommunication Act could be jeopardized and TELUS' business could be materially adversely affected if TELUS becomes subject to proceedings before the CRTC or Industry Canada with respect to compliance with the relevant legislation. TELUS could be materially adversely affected, even if TELUS were ultimately successful in such a proceeding.

Value of Intangibles

Possible impairment of intangibles may cause material change to future financial statements

In 2001, the Canadian Institute of Chartered Accountants adopted a new Handbook Section 3062, "Goodwill and Other Intangible Assets." This section establishes new accounting and reporting standards in respect of goodwill and intangible assets and will have effect commencing with the Company's 2002 fiscal year. Under this new standard goodwill is no longer subject to amortization over its estimated useful life. Rather, goodwill will be subjected to at least an annual assessment for impairment by applying a fair-value-based test at the reporting unit level. Similarly, intangible assets, to the extent they have been determined to have an indefinite life, will also no longer be subject to amortization but will be subject to a similar impairment test. The Company is presently in the process of implementing this new standard and there can be no assurance that application of this standard will not result in a material impairment charge in the Company's future financial statements.

Process Risks

Billing/Revenue assurance

TELUS has acquired several companies with a variety of billing systems. The number of different billing systems at TELUS presents the risk that the systems are not sufficiently integrated, causing billing errors in customer accounts and incorrect and inaccurate information being shared. Given the volume and variety of transactions from these billing systems, there is a potential impact on our revenues, which may adversely affect the earnings of TELUS.

Efficiency

It is very important for TELUS to continue reducing costs in order to remain cost competitive. If TELUS is unable to reduce costs for any reason, we may not achieve cost competitiveness and the profitability required to be attractive to investors. Further, with the local price cap formula regime that has been in place for the last four years, there has been a decrease in certain local prices by a 4.5% productivity factor less inflation. If a similar price cap formula is continued by the CRTC in 2002 (see "Price cap regulation decision in 2002"), it will be important to have successful efficiency programs in order to avoid an adverse impact on earnings.

Health and Safety

Concerns about health and safety, particularly in the wireless business, may affect future prospects

Radio Frequency Emission Concerns

Some recent studies have asserted that radio frequency emissions from cellular telephone handsets may be linked to certain medical conditions such as cancer. However, other studies investigating the effect of such emissions performed to date for wireless telephone equipment manufacturers and independent government and other agencies have found no public health risk. TELUS believes that the handsets sold by TELUS comply with all applicable Canadian and U.S. government safety standards.

Future health studies, government regulation or public concerns could have an adverse effect on the business and prospects for TELUS' wireless business. For example, public concerns could reduce customer growth and usage or increase costs as a result of the need to modify handsets and from product liability lawsuits.

Safe Driving

TELUS promotes safe driving and recommends that driving safely should be each wireless customer's first responsibility. In 2001, the Insurance Corporation of B.C. and the University of Montreal released studies showing an increase in distraction levels for drivers using cell phones while driving. TELUS believes that current laws already adequately address careless and negligent driving and that laws that are specific to mobile phones are unnecessary and counterproductive. There can be no assurance that laws against utilization of mobile phones while driving will not be passed and that, if passed, such laws will not have a negative effect on customer growth rates, usage levels and wireless revenues.

Strategic Partners

TELUS' interests may conflict with those of our strategic partners

While strategic alliance partners such as Verizon and Genuity are expected to assist TELUS in executing its growth strategy in Canada, their interests may not always align with those of TELUS. This could potentially affect the speed and outcome of strategic and operating decisions.

Sales of substantial amounts of TELUS shares by our strategic partners may cause our share price to decline

Some of our strategic partners may decide to sell all or part of their share positions. For example, Motorola is permitted to sell its 9.7 million non-voting shares, a 3.2% economic interest. Verizon could sell part of its 71.6 million common voting and non-voting shares, a 23.7% economic interest. Sales of substantial amounts of TELUS shares, or the perception that these sales may occur, could adversely affect the market price of TELUS shares.

management's report

Management is responsible to the Board of Directors for the preparation of the consolidated financial statements of the Company and its subsidiaries. These statements have been prepared in accordance with Canadian Generally Accepted Accounting Principles and necessarily include some amounts based on estimates and judgements. Financial information presented elsewhere in this annual report is consistent with that in the consolidated financial statements.

The Company maintains a system of internal control that provides management with reasonable assurance that assets are safeguarded and that reliable financial records are maintained. This system includes written policies and procedures, an organizational structure that segregates duties and a comprehensive program of periodic audits by the internal auditors. The Company has also instituted policies and guidelines that require employees to maintain the highest ethical standards.

The external auditors of the Company, Arthur Andersen LLP, have been appointed by the shareholders to express an opinion as to whether these consolidated financial statements present fairly the Company's consolidated financial position and operating results in accordance with Canadian Generally Accepted Accounting Principles. Their report follows.

The Board of Directors has reviewed and approved these consolidated financial statements. To assist the Board in meeting its responsibility, it has appointed an audit committee that is composed entirely of outside directors. The committee meets periodically with management, the internal auditors and the external auditors to review internal controls, audit results and accounting principles and practices. The committee's terms of reference are available, on request, to shareholders.

Robert McFarlane
Executive Vice-President
and Chief Financial Officer

auditors' report

To the Shareholders of TELUS Corporation

We have audited the consolidated balance sheets of TELUS Corporation as at December 31, 2001 and 2000 and the consolidated statements of income, retained earnings and cash flows for the years then ended. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 2001 and 2000 and the results of its operations and its cash flows for the years then ended in accordance with Canadian generally accepted accounting principles. As required by the British Columbia Companies Act, we report that, in our opinion, these principles have been applied on a consistent basis.

Arthur Andersen LLP

Arthur Andersen, LLP
Chartered Accountants
Vancouver, B.C.
February 4, 2002

consolidated statements of income

Years Ended December 31 *(millions)*		2001		2000
OPERATING REVENUES	**$**	**7,202.6**	$	6,106.4
OPERATING EXPENSES				
Operations		**4,673.0**		3,792.1
Depreciation and amortization		**1,383.3**		1,157.4
Amortization of acquired intangible assets		**110.9**		24.6
Restructuring costs (Note 5)		**198.4**		—
		6,365.6		4,974.1
OPERATING INCOME FROM CONTINUING OPERATIONS		**837.0**		1,132.3
Other income (expense), net		**17.0**		(8.7)
Financing costs (Note 6)		**624.5**		273.3
Refinancing charge from debt restructuring		**96.5**		—
INCOME FROM CONTINUING OPERATIONS BEFORE INCOME TAXES, NON-CONTROLLING INTEREST AND GOODWILL AMORTIZATION		**133.0**		850.3
Income taxes (Note 7)		**93.4**		431.9
INCOME FROM CONTINUING OPERATIONS BEFORE NON-CONTROLLING INTEREST AND GOODWILL AMORTIZATION		**39.6**		418.4
Non-controlling interest		**3.6**		8.7
INCOME FROM CONTINUING OPERATIONS BEFORE GOODWILL AMORTIZATION		**36.0**		409.7
Goodwill amortization		**174.8**		23.4
INCOME (LOSS) FROM CONTINUING OPERATIONS		**(138.8)**		386.3
Discontinued operations (Note 8)		**592.3**		74.7
NET INCOME		**453.5**		461.0
Preference and preferred share dividends		**3.5**		3.5
Interest on convertible debentures		**7.0**		1.5
COMMON VOTING SHARE AND NON-VOTING SHARE INCOME	**$**	**443.0**	$	456.0
INCOME (LOSS) PER COMMON SHARE ($) – BASIC AND DILUTED (NOTES 3(c), 9)				
Common share income (loss) – basic				
Continuing operations		**(0.51)**		1.55
Discontinued operations		**2.02**		0.30
Net income		**1.51**		1.85
Common share income (loss) – diluted				
Continuing operations		**(0.51)**		1.54
Discontinued operations		**2.02**		0.30
Net income		**1.51**		1.84
DIVIDENDS DECLARED PER COMMON VOTING SHARE AND NON-VOTING SHARE ($)		**1.20**		1.40
WEIGHTED AVERAGE COMMON SHARES INCLUDING NON-VOTING SHARES OUTSTANDING (MILLIONS) – BASIC		**294.2**		247.0
– DILUTED		**294.2**		247.9

The accompanying notes are an integral part of these consolidated financial statements

consolidated statements of retained earnings

Years Ended December 31 *(millions)*		2001		2000
BALANCE AT BEGINNING OF YEAR	**$**	**1,563.4**	$	1,457.5
Net income		**453.5**		461.0
		2,016.9		1,918.5
Less – Common voting share and non-voting share dividends paid in cash		**247.2**		349.5
– Common voting share and non-voting share dividends reinvested in shares issued from Treasury		**104.6**		—
– Preference and preferred share dividends		**3.5**		3.5
– Interest on convertible debentures (Note 16(i))		**7.0**		1.5
– Other		**(0.2)**		0.6
BALANCE AT END OF YEAR	**$**	**1,654.8**	$	1,563.4

The accompanying notes are an integral part of these consolidated financial statements

consolidated balance sheets

As At December 31 *(millions)*	**2001**	2000
ASSETS		
Current Assets		
Cash and temporary investments	**$ 17.1**	$ 100.2
Accounts receivable (Note 10)	**972.1**	1,008.5
Income taxes receivable	**7.1**	3.0
Inventories	**118.6**	151.7
Current portion of future income taxes	**147.0**	251.2
Prepaid expenses and other	**180.7**	290.0
	1,442.6	1,804.6
Capital Assets, Net (Note 11)	**12,759.8**	11,531.0
Other Assets		
Deferred charges (Note 12)	**685.2**	329.7
Future income taxes	**996.9**	1,024.4
Investments	**56.4**	17.9
Leases receivable	**—**	80.5
Goodwill (Note 2(f))	**3,320.9**	3,257.2
Other	**3.8**	1.2
	5,063.2	4,710.9
	$ 19,265.6	$ 18,046.5
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current Liabilities		
Accounts payable and accrued liabilities	**$ 1,273.9**	$ 1,295.0
Dividends payable	**45.5**	100.9
Advance billings and customer deposits	**310.8**	265.1
Short-term obligations (Note 13)	**229.9**	5,033.3
	1,860.1	6,694.3
Long-term Debt (Note 14)	**8,651.4**	3,047.3
Future Income Taxes	**1,326.6**	1,462.7
Other Long-term Liabilities (Note 15)	**440.6**	349.5
Non-controlling Interest	**—**	74.3
Shareholders' Equity (Note 16)		
Common equity	**6,767.6**	6,199.1
Convertible debentures	**149.6**	149.6
Preference and preferred shares	**69.7**	69.7
	6,986.9	6,418.4
	$ 19,265.6	$ 18,046.5

Commitments and Contingent Liabilities (Note 17)

The accompanying notes are an integral part of these consolidated financial statements

Approved by the Directors:

Director:

Iain J. Harris

Director:

Brian A. Canfield

consolidated statements of cash flows

Years Ended December 31 *(millions)*	2001	2000
OPERATING ACTIVITIES		
Income (Loss) from continuing operations	**$ (138.8)**	$ 386.3
Items not affecting cash:		
Depreciation and amortization	**1,494.2**	1,182.0
Goodwill amortization	**174.8**	23.4
Future income taxes (Note 7)	**(167.1)**	134.0
Gain on redemption of long-term debt	**(65.9)**	—
Asset write-off related to restructuring	**30.5**	—
Refinancing charge from debt restructuring	**96.5**	—
Deferred pension costs	**(91.2)**	(78.5)
Other, net	**(9.2)**	23.6
Operating cash flow	**1,323.8**	1,670.8
Provision for future restructuring costs, net of cash payments	**77.8**	—
Operating cash flow adjusted for restructuring costs	**1,401.6**	1,670.8
Net change in non-cash working capital from continuing operations (Note 18(a))	**31.9**	(150.7)
Operations and net change in non-cash working capital from discontinued operations (Note 18(b))	**(34.9)**	97.7
Cash provided by operating activities	**1,398.6**	1,617.8
INVESTING ACTIVITIES		
Capital expenditures	**(2,249.4)**	(1,441.3)
Purchase of spectrum	**(355.9)**	—
Acquisitions, net of cash acquired (Note 4)	**(375.4)**	(2,464.0)
Proceeds from the sale of property (Note 19)	**228.4**	96.9
Proceeds from divestitures (Note 8)	**939.6**	—
Investments, net	**(33.2)**	(2.1)
Other	**24.6**	(20.6)
Cash used by investing activities	**(1,821.3)**	(3,831.1)
FINANCING ACTIVITIES		
Common voting shares and non-voting shares issued	**103.1**	14.4
Dividends to shareholders	**(325.2)**	(335.7)
Long-term debt issued	**7,152.1**	234.9
Redemptions of long-term debt	**(1,878.3)**	(1,764.8)
Sinking fund withdrawals	**—**	109.5
Change in short-term obligations	**(4,733.3)**	4,112.4
Other	**21.2**	(24.9)
Cash provided by financing activities	**339.6**	2,345.8
CASH POSITION		
Increase (decrease) in cash and cash equivalents	**(83.1)**	132.5
Cash and temporary investments (bank indebtedness), beginning of year	**100.2**	(32.3)
Cash and temporary investments, end of year	**$ 17.1**	$ 100.2
SUPPLEMENTAL DISCLOSURE		
Interest paid	**$ 591.7**	$ 234.5
Income taxes paid	**$ 342.2**	$ 291.0

The accompanying notes are an integral part of these consolidated financial statements

December 31, 2001

1. ACCOUNTING ENTITY

Effective January 1, 2000, BCT.TELUS Communications Inc. and TELUS Corporation changed their names to TELUS Corporation (TELUS) and TELUS Holdings Inc., respectively. TELUS Holdings Inc. was subsequently wound-up into its parent, TELUS Corporation.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accompanying consolidated financial statements have been prepared in accordance with accounting principles generally accepted in Canada and in conformity with prevailing practices in the Canadian telecommunications industry.

The preparation of financial statements in conformity with Generally Accepted Accounting Principles requires management to make estimates and assumptions 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.

The term "Company" is used to mean TELUS Corporation and where the context of the narrative permits or requires, its subsidiaries.

(a) Consolidation

The consolidated financial statements include the accounts of the Company and all of the Company's subsidiaries, of which the principal ones are TELUS Communications Inc. (including the former TELUS Communications (B.C.) Inc. and TELUS Mobility Cellular Inc.), Clearnet Inc. (formerly Clearnet Communications Inc.), TELUS Enterprise Solutions Inc. (formerly ISM Information Systems Management (B.C.) Corporation), TELUS Services Inc., TELUS Québec Inc., TELUS National Systems Inc. and Telecom Leasing Canada (TLC) Limited (see Note 8).

(b) Revenue Recognition

The Company recognizes revenues on the accrual basis and includes an estimate of revenues earned but unbilled. Wireline and wireless service revenues are recognized based upon usage of the Company's network and facilities and upon contract fees. The Company recognizes product, including wireless handsets sold to re-sellers, and other service revenues when the products are delivered and accepted by the customers and when the related services are provided in accordance with contract terms.

Advance billings are recorded when cash payments have been received prior to rendering of the associated service; such advance billings are recognized as revenue in the period in which the services are provided. Similarly, upfront customer activation and installation fees and wireless handset revenues arising from sales to end-users, along with the corresponding direct costs not in excess of the revenues, are deferred and recognized over the average expected term of the customer relationship.

(c) Depreciation and Amortization

Assets are depreciated on a straight-line basis over their estimated useful life as determined by a continuing program of studies. The composite depreciation rate for the year ended December 31, 2001 was 7.7% (2000 – 7.5%).

Acquired intangible assets are amortized on a straight-line basis over their estimated lives. The spectrum licences and wireline subscriber bases are amortized over 40 years and wireless subscriber bases are amortized over 7 to 10 years (see Note 3(a)).

(d) Translation of Foreign Currencies

Trade transactions completed in foreign currencies are translated into Canadian dollars at the rates prevailing at the time of the transactions. Monetary assets and liabilities denominated in foreign currencies are translated into equivalent Canadian dollars at the rate of exchange in effect at the balance sheet date with any resulting gain or loss being included in the Consolidated Statements of Income (see Note 3(b)).

(e) Income Taxes

The Company and its subsidiaries 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. Future 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 available to be carried forward to future years for tax purposes that are more likely than not to be realized.

(f) Goodwill

Goodwill represents the excess of the cost of acquired businesses over the fair value attributed to the net identifiable assets. Goodwill is being amortized on a straight-line basis over 5 to 20 years (see Note 3(a)).

(g) Cash and Temporary Investments

Cash and temporary investments include investments in money market instruments, which are purchased three months or less from maturity.

(h) Inventories

The Company's inventory consists 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.

(i) Capital Assets

Property is recorded at historical cost and, with respect to self-constructed property, includes materials, direct labour and applicable overhead costs. In addition, where construction projects exceed $20 million and are of a sufficiently long duration, an amount is capitalized for the cost of funds used to finance construction (see Note 6). The rate for calculating the capitalized financing costs is based on the Company's one-year cost of borrowing.

When property, plant and equipment is sold by the Company, the historical cost less accumulated depreciation is netted against the sale proceeds and the difference is included in other income (expense).

(j) Leases

Leases are classified as capital or operating depending upon the terms and conditions of the contracts.

Where the Company is the lessee, asset values recorded under capital leases are amortized on a straight-line basis over the period of expected use. Obligations recorded under capital leases are reduced by lease payments net of imputed interest.

Revenue from operating leases of equipment is recognized when service is rendered to customers. The leased equipment is depreciated in accordance with the Company's depreciation policy.

Prior to exiting the equipment leasing business conducted through its subsidiary (see Note 8), Telecom Leasing Canada (TLC) Limited, in 2001, the Company acted as a financing intermediary in situations where TELUS was the lessor. The long-term leases receivable represented the present value of future lease payments receivable due beyond one year. Finance income derived from these financing leases was recorded so as to produce a constant rate of return over the terms of the leases.

(k) Other Long-term Liabilities – Individual Line Service Program

Included in Other Long-term Liabilities are contributions from the Government of Alberta under the Individual Line Service program, which are recognized as income on a straight-line basis over the estimated useful life of the related assets. The amount to be recognized as income within one year is included with Advance Billings and Customer Deposits in the Consolidated Balance Sheets.

(l) Employee Benefit Plans

The Company accrues its obligations under employee benefit plans and the related costs, net of plan assets, specifically:

- 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 estimate of expected plan investment performance, salary escalation and retirement ages of employees.
- For the purpose of calculating the expected return on plan assets, those assets are valued at fair value.
- The excess of the net actuarial gain (loss) over 10% of the greater of the benefit obligation and the fair value of the plan assets is amortized over the average remaining service period of active employees of the plan.

(m) Financial Instruments

The Company's financial instruments consist of cash and temporary investments, accounts receivable, leases receivable, bank indebtedness, accounts payable, dividends payable, short-term obligations, long-term debt, interest rate swaps, foreign exchange hedges and convertible debentures.

The carrying value of cash and temporary investments, bank indebtedness, accounts receivable, leases receivable, accounts payable, dividends payable and short-term obligations approximates their fair values due to the immediate or short-term maturity of these financial instruments. The fair value of the Company's long-term debt and convertible debentures are estimated based on quoted market prices for the same or similar issues or on the current rates offered to the Company for debt 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. As at December 31, 2001 the estimated fair value of long-term debt exceeded the carrying value by approximately $328.4 million (2000 – $206.6 million).

The Company is exposed to interest rate risk arising from fluctuations in interest rates on its temporary investments, short-term obligations and long-term debt.

The Company uses various financial instruments, which are not reflected on the balance sheets, to reduce or eliminate exposure to interest rate and currency risks, and as part of structured financing. These instruments are accounted for on the same basis as the underlying exposure being hedged. At December 31, 2001, the total notional amount of derivative financial instruments outstanding was $5,280.6 million (2000 – $3,968.3 million). The majority of these instruments, which were newly added during 2001, pertained to TELUS' U.S. Dollar borrowing and the instruments in place to cover the interest and currency risks of the acquired companies. The fair market value of these instruments at December 31, 2001 was $7.5 million less than their carrying value (2000 – $66.7 million). Use of these instruments is subject to a policy which requires that no derivative transaction be effected for the purpose of establishing a speculative or a levered position and sets criteria for the credit worthiness of the transaction counterparties.

The Company is exposed to credit risk with respect to its short-term deposits. Credit risk is minimized substantially by ensuring that these financial assets are placed with governments, well-capitalized financial institutions and other creditworthy counterparties. An ongoing review is performed to evaluate changes in the status of counterparties.

The Company is exposed to credit risk with respect to its accounts and leases receivable, however, this is minimized by the Company's large customer base which covers all consumer and business sectors in Canada. The Company follows a program of credit evaluations of customers and limits the amount of credit extended when deemed necessary. The Company maintains provisions for potential credit losses, and any such losses to date have been within management's expectations.

3. CHANGES IN ACCOUNTING POLICIES

(a) Intangible Assets and Goodwill

Commencing with the Company's 2002 fiscal year, the new recommendations of the Canadian Institute of Chartered Accountants (CICA) for intangible assets with an indefinite life and goodwill will apply. Rather than being systematically amortized, the carrying value of these items will be periodically tested for impairment. The frequency of the impairment testing generally would be the reciprocal of the stability of the relevant events and circumstances, but intangible assets with indefinite lives must be tested at least annually.

Both retroactive application and/or early adoption of these new principles are prohibited. Intangible assets with indefinite lives and goodwill are to be tested for impairment as at January 1, 2002. Should an impairment amount (the "transitional impairment amount") arise from the January 1, 2002 test, it would be recorded in the first quarter of 2002 to the extent it arose from intangible assets with indefinite lives and subsequent to the first quarter to the extent it arose from goodwill. Any such transitional impairment amount arising is considered to arise from a change in accounting policy and will be charged directly to opening retained earnings. The Company is currently assessing its intangible assets with indefinite lives and its goodwill.

In accordance with the new requirements, goodwill arising from business acquisitions subsequent to June 30, 2001 has not been amortized.

(b) Translation of Foreign Currencies

During the fourth quarter of 2001, the Company adopted the new recommendations of the CICA dealing with gains and losses arising from translation of non-current monetary assets and liabilities denominated in a foreign currency (CICA Handbook Section 1650). The accounting change was applied on a retroactive basis and resulted in no material change.

(c) Earnings Per Share

On January 1, 2001, the Company adopted the new recommendations of the CICA dealing with the calculation and reporting of earnings per share (CICA Handbook Section 3500). The accounting change was applied on a retroactive basis and resulted in a $0.01 decrease in the diluted earnings per share in 2000.

(d) Employee Future Benefits

On January 1, 2000, the Company adopted the new recommendations of the CICA dealing with accounting for employee future benefits (CICA Handbook Section 3461). The accounting change was applied on a prospective basis and the impact of the change was a reduction in operating expenses of approximately $58 million for the year ended December 31, 2000.

4. BUSINESS ACQUISITIONS

During the year, the Company made the following acquisitions:

- On October 12, 2001, the Company acquired PSINet's Canadian operations for fair market value of $139.9 million including acquisition costs. The total purchase price was comprised of cash. The transaction has been accounted for as an asset purchase except for the acquisition of shares in CADVision Development Corporation which was accounted for by the purchase method which resulted in the creation of $5.5 million of goodwill on the Consolidated Balance Sheets (see Note 3(a)). Effective October 12, 2001 onwards, 100% of PSINet's and CADVision's results are included in the Company's Consolidated Statements of Income. At the purchase date, the following net assets were acquired:

(millions)		
Total identifiable assets	$	138.0
Total liabilities		3.6

- On July 4, 2001, the Company acquired 100% of the outstanding shares of Arqana Technologies Inc., an information technology infrastructure services provider, for fair market value of $12.1 million including acquisition costs. The total purchase price was comprised of cash. The transaction has been accounted for using the purchase method, resulting in the creation of $11.0 million of goodwill on the Consolidated Balance Sheets (see Note 3(a)). In addition to the recorded purchase price of this acquisition, there is a total of $9.0 million of contingent consideration which would become payable upon Arqana meeting financial targets. Effective July 4, 2001 onwards, 100% of Arqana's results are included in the Company's Consolidated Statements of Income. At the purchase date, the following net assets were acquired:

(millions)		
Total identifiable assets	$	11.4
Total liabilities		10.3

- On June 1, 2000, the Company acquired 70% of the outstanding shares of TELUS Québec Inc., (formerly the QuébecTel Group), a telecommunications company, from Verizon Communications Inc., a significant shareholder, for $584.4 million cash including acquisition costs. On June 29, 2001, the Company acquired all of the remaining 30% externally-held shares of TELUS Québec Inc., from Verizon Communications Inc., a significant shareholder, for $285.0 million including acquisition costs. The June 29, 2001 purchase consideration comprised $124.9 million of cash and $160.1 million of TELUS non-voting shares. The transactions have been accounted for using the purchase method, resulting in the creation of $276.5 million and $142.4 million, respectively, of goodwill on the Consolidated Balance Sheets, which is being amortized over a period of 20 years (see Note 3(a)). Effective June 1, 2000 onwards, TELUS Québec Inc.'s results are included in the Company's Consolidated Statements of Income. At the purchase dates, the following net assets were acquired:

(millions)		June 1, 2000		June 29, 2001
Total identifiable assets	$	806.0	$	282.6
Total liabilities		431.0		140.0
Non-controlling interest		67.1		—

- The Company acquired 100% of the outstanding shares of Daedalian eSolutions Inc., an e.business solutions company (June 21, 2001), Williams Communications Canada Inc., a national data network company (May 31, 2001), and Columbus Group Communications Inc., an Internet professional services company (April 4, 2001) for a total of $94.0 million including acquisition costs. The total purchase consideration comprised of $67.1 million cash and $26.9 million of TELUS non-voting shares. The transactions have been accounted for using the purchase method, resulting in the creation of $51.2 million of goodwill on the Consolidated Balance Sheets, which is being amortized over periods ranging from 5 to 10 years (see Note 3(a)). In addition to the recorded purchase price of these acquisitions, there is a total of $1.7 million of contingent consideration which may be payable depending on revenues earned in the acquired companies and certain other criteria. Effective from the purchase dates onwards, the results of these acquisitions are included in the Company's Consolidated Statements of Income. At the purchase dates, the following total net assets were acquired:

(millions)		
Total identifiable assets	$	79.4
Total liabilities		36.6

- Effective October 19, 2000, the Company acquired 100% of the outstanding shares of Clearnet Communications Inc., a telecommunications company providing wireless communications services, for $4,133.0 million including acquisition costs. The purchase consideration comprised of $2,179.0 million cash and $1,954.0 million of TELUS non-voting shares. The transaction has been accounted for using the purchase method, resulting in the creation of $2,971.6 million of goodwill on the Consolidated Balance Sheets, which is being amortized over a period of 20 years (see Note 3(a)). Effective October 20, 2000 onwards, Clearnet's results are included in the Company's Consolidated Statements of Income. At the purchase date, the following net assets were acquired:

(millions)		
Total identifiable assets	$	5,975.8
Total liabilities		4,814.4

- On August 17, 2000, the Company acquired all of the remaining 25% externally held shares of TELUS Enterprise Solutions Inc. (formerly ISM Information Systems Management (B.C.) Corporation), an information technology company, for $12.9 million cash including acquisition costs. The transaction has been accounted for using the purchase method, resulting in the creation of $9.7 million of goodwill on the Consolidated Balance Sheets which is being amortized over a period of 10 years (see Note 3(a)). Effective August 17, 2000 onwards, 100% of TELUS Enterprise Solution Inc.'s results are included in the Company's Consolidated Statements of Income. At the purchase date, the following net assets were acquired:

(millions)		
Total identifiable assets	$	30.6
Total liabilities		27.4

5. RESTRUCTURING COSTS

A restructuring charge of $198.4 million was recorded in the first quarter of 2001 representing the expected costs to complete merger-related restructuring activities in TELUS Mobility and reorganization costs for TELUS Communications. The amount was comprised of $167.9 million for operational costs and $30.5 million represented asset related write-offs. In the Consolidated Statements of Cash Flows, the provision for future cash restructuring costs was presented net of current payments of $71.9 million and current income taxes recoverable of $18.2 million which were included in net change in non-cash working capital from continuing operations.

Approximately one-half of this charge was related to integration costs for TELUS Mobility including the write-down of redundant capital assets, handset reconfiguration costs and employee severance costs. The remaining charge in TELUS Communications included employee severance costs and capital asset impairment charges.

6. FINANCING COSTS

(millions)		**2001**		2000
Interest on long-term debt	**$**	**560.4**	$	199.7
Interest on short-term obligations and other		**145.2**		104.8
Foreign exchange loss		**0.9**		12.5
Gain on redemption of long-term debt		**(65.9)**		—
		640.6		317.0
Allowance for funds used during construction		**(3.3)**		(8.6)
Interest income		**(12.8)**		(31.0)
Sinking funds income		**—**		(4.1)
	$	**624.5**	$	273.3

7. INCOME TAXES

(millions)		**2001**		2000
Current	**$**	**260.5**	$	297.9
Future		**(167.1)**		134.0
	$	**93.4**	$	431.9

The Company's income tax expense differs from that calculated by applying statutory rates for the following reasons:

($ in millions)		**2001**			2000	
Basic blended federal and provincial tax at statutory income tax rates	**$**	**52.7**	**39.6%**	$	384.0	45.2%
Difference between current and future statutory rates expected to apply to current year's losses		**16.7**			—	
Revaluation of future tax assets and liabilities for decreases in statutory rates		**(1.8)**			66.3	
Future tax assets not previously recognized		**—**			(44.0)	
Other		**6.8**			16.7	
		74.4	**55.9%**		423.0	49.7%
Large corporations tax		**19.0**			8.9	
Income tax expense per Consolidated Statements of Income	**$**	**93.4**	**70.2%**	$	431.9	50.8%

Future income tax assets consist mainly of tax reserves not available for current deduction and undepreciated capital cost in excess of net book value of capital assets arising from the difference between the Company's depreciation rates and those prescribed for income tax purposes and losses available to be carried forward. Future income tax liabilities consist of the net book value of certain intangible assets being in excess of the corresponding tax values.

8. DISCONTINUED OPERATIONS

On June 1, 2001, the Company entered into an agreement, that closed on July 31, 2001, to sell substantially all of TELUS Advertising Services directory business and TELUS Québec directory business to Dominion Information Services Inc., a wholly owned subsidiary of Verizon Communications Inc., a significant shareholder, for total proceeds of $810 million representing fair market value. The Company recognized a gain of $546.3 million ($710.9 million before tax) on the sale.

Effective September 30, 2001, the Company exited the equipment leasing business by securitizing its equipment leasing portfolio to an arm's-length trust through a concurrent lease agreement. The equipment leasing portfolio will be financed, administered and serviced by a third party on behalf of the trust. As part of this transaction, the Company has entered into a long-term agreement whereby the third party will become the preferred provider of future equipment financing for TELUS customers. The gain and other income on the transaction was $3.9 million ($7.1 million before tax).

As a result of these transactions, the operating results of the affected directory advertising and equipment leasing operations have been included in the Consolidated Statements of Income as "discontinued operations."

Income statement disclosures for discontinued operations are as follows:

(millions)	TELUS Advertising Services 2001	2000	Equipment Leasing 2001	2000	Total 2001	2000
Revenues	**$ 190.0**	$ 314.4	**$ 9.4**	$ 12.4	**$ 199.4**	$ 326.8
Operating results to measurement date						
Income before income taxes	**$ 74.8**	$ 132.7	**$ 3.4**	$ 6.2	**$ 78.2**	$ 138.9
Income taxes	**34.5**	61.1	**1.6**	3.1	**36.1**	64.2
Income from operations to measurement date	**40.3**	71.6	**1.8**	3.1	**42.1**	74.7
Gain and other						
– Gross	**710.9**	—	**7.1**	—	**718.0**	—
– Income tax	**164.6**	—	**3.2**	—	**167.8**	—
– Net	**546.3**	—	**3.9**	—	**550.2**	—
Discontinued operations	**$ 586.6**	$ 71.6	**$ 5.7**	$ 3.1	**$ 592.3**	$ 74.7

At December 31, 2001, no material assets or liabilities of the discontinued operations remained. At December 31, 2000, the summarized balance sheets for the discontinued operations are as follows:

(millions)	TELUS Advertising Services	Equipment Leasing	2000
Current assets	$ 77.2	$ 55.1	$ 132.3
Long-term assets	27.7	86.3	114.0
Current liabilities	18.6	9.2	27.8
Long-term liabilities	0.7	—	0.7
Net assets – discontinued operations	$ 85.6	$ 132.2	$ 217.8

9. PER SHARE AMOUNTS

Basic net income (loss) from continuing operations per common share is calculated by dividing common share income (loss) from continuing operations by the weighted average number of common shares, including non-voting shares, outstanding during the year. Basic net income (loss) per common share is calculated by dividing common voting share and non-voting share income (loss) by the weighted average number of common shares, including non-voting shares, outstanding during the year. Diluted income per common share is calculated to give effect to share options and warrants and shares issuable on conversion of debentures. The convertible debentures had no dilutive effect in the periods presented. Per share amount calculations for discontinued operations employ the same number of common shares as used in the income (loss) from continuing operations calculations.

The following tables present the reconciliations of the numerators and denominators of the basic and diluted per share computations for income (loss) before discontinued operations.

(millions)	2001	2000
Income (loss) from continuing operations	**$ (138.8)**	$ 386.3
Deduct:		
Preference and preferred share dividends	**3.5**	3.5
Interest on convertible debentures	**7.0**	1.5
Basic and diluted common voting share and non-voting share income (loss) from continuing operations	**$ (149.3)**	$ 381.3

(millions)	2001	2000
Basic weighted average number of common shares including non-voting shares outstanding	**294.2**	247.0
Effect of dilutive securities		
Exercise of share options and warrants[(a)]	**—**	0.9
Diluted weighted average number of common shares including non-voting shares outstanding	**294.2**	247.9

(a) – Share options, in the amount of 0.9, and warrants, in the amount of nil, were excluded from 2001 calculations as they were anti-dilutive

Income from core operations is defined as common voting share and non-voting share income (loss) before discontinued operations, amortization of acquired intangible assets net of tax, restructuring and non-recurring refinancing costs net of tax, revaluation of future tax assets and liabilities and goodwill amortization. Income from continuing core operations for the years ended December 31, 2001 and 2000, was $254.0 million and $495.6 million, respectively. Income from discontinued operations for the years ended December 31, 2001 and 2000, was $592.3 million and $74.7 million, respectively.

	2001	2000
Income per share from Core operations		
Continuing operations	**$ 0.86**	$ 2.01
Discontinued operations	**2.02**	0.30
Common Voting Share and Non-Voting Share income	**2.88**	2.31

10. ACCOUNTS RECEIVABLE

(millions)	**2001**	2000
Trade receivables	**$ 839.4**	$ 788.3
Current portion of leases receivable	**8.9**	64.5
Other	**123.8**	155.7
	$ 972.1	$ 1,008.5

Under an agreement dated November 20, 1997, TELUS Communications Inc. (successor of TELUS Communications (B.C.) Inc.) sold, with minimal recourse, certain accounts receivable for aggregate cash proceeds of $150 million (subsequent to December 31, 2001, this amount was reduced to $140 million). Pursuant to the agreement, the purchaser will use the proceeds of collection to purchase further receivables. This agreement, which expires in November 2002, is extendable upon the Company's request.

11. CAPITAL ASSETS, NET

	Cost	Accumulated Depreciation and Amortization	Net Book Value	
(millions)			**2001**	2000
Telecommunications assets	$ 15,413.6	$ 9,008.7	**$ 6,404.9**	$ 5,594.4
Assets leased to customers	403.9	308.6	**95.3**	112.9
Buildings	1,135.4	595.7	**539.7**	575.1
Office equipment and furniture	731.7	470.5	**261.2**	233.7
Assets under capital lease	77.5	52.4	**25.1**	37.2
Intangible assets acquired through business acquisitions:				
Subscriber base	359.5	27.1	**332.4**	278.2
Spectrum licences	3,606.0	108.3	**3,497.7**	3,546.5
Other	1,505.0	557.3	**947.7**	324.6
	23,232.6	11,128.6	**12,104.0**	10,702.6
Land	89.3	—	**89.3**	85.3
Plant under construction	512.9	—	**512.9**	679.9
Materials and supplies	53.6	—	**53.6**	63.2
	$ 23,888.4	$ 11,128.6	**$ 12,759.8**	$ 11,531.0

12. DEFERRED CHARGES

(millions)		**2001**		2000
Pension plan contributions in excess of charges to income (Note 20)	**$**	**271.5**	$	165.4
Cost of issuing debt securities, less amortization		**68.7**		24.0
Deferred hedging asset (Note 14(b))		**190.1**		—
Deferred customer activation, installation and end-user wireless handset costs (Note 2(b))		**122.5**		112.6
Other		**32.4**		27.7
	$	**685.2**	$	329.7

13. SHORT-TERM OBLIGATIONS

Amounts due for redemption within one year are as follows:

(millions)		**2001**		2000
Notes payable under commercial paper programs	**$**	**35.0**	$	904.0
Bank borrowings		**49.5**		3,913.7
Current maturities of long-term debt		**145.4**		215.6
	$	**229.9**	$	5,033.3

Notes payable under commercial paper programs are unsecured. Outstanding notes payable under these programs carry a weighted average interest rate of 4.44% (2000 – 5.86%).

Bank borrowings, at December 31, 2001, are comprised primarily of amounts borrowed by TELUS Communications (Québec) Inc. and carry a weighted-average interest rate of 3.5% (2000 – 7.2%).

14. LONG-TERM DEBT

(a) Details of Long-term Debt

(millions)

Series	Rate		Maturity	2001	2000
TELUS Corporation Notes					
CA	7.5%	(b)	June 2006	$ 1,589.1	$ —
U.S.	7.5%	(b)	June 2007	2,062.1	—
U.S.	8.0%	(b)	June 2011	3,171.1	—
				6,822.3	—
TELUS Corporation Bank Facility		(c)	May 2004	485.0	—
TELUS Communications Inc. Debentures					
1	12.00%	(d)	May 2010	50.0	50.0
2	11.90%	(d)	November 2015	125.0	125.0
3	10.65%	(d)	June 2021	175.0	175.0
4	9.15%	(d)	April 2002	1.0	1.0
5	9.65%	(d)	April 2022	249.0	249.0
A	9.50%	(d)	August 2004	200.0	200.0
B	8.80%	(d)	September 2025	200.0	200.0
				1,000.0	1,000.0
TELUS Communications Inc. Medium Term Note Debentures issued at varying rates of interest up to 7.25% (2000 – 8.00%) and maturing on various dates up to 2003 (e)				325.0	395.0
TELUS Communications (Québec) Inc. First Mortgage Bonds					
T	10.80%	(f)	March 2003	30.0	30.0
U	11.50%	(f)	July 2010	30.0	30.0
				60.0	60.0
TELUS Communications (Québec) Inc. Medium Term Notes					
1	7.10%	(g)	February 2007	70.0	70.0
Clearnet Inc. Redeemable Senior Discount Notes					
2007 Notes	11.75%	(h)	August 2007	0.7	550.2
2008 Notes	10.40%	(h)	May 2008	0.4	461.4
Feb. 2009 Notes	10.75%	(h)	February 2009	0.2	149.4
May 2009 Notes	10.125%	(h)	May 2009	0.2	545.0
				1.5	1,706.0
Capital leases issued at varying rates of interest up to 10.25% and maturing on various dates up to 2005 (Note 17(c))				24.8	26.9
Other				8.2	5.0
Total debt				8,796.8	3,262.9
Less – current maturities				145.4	215.6
Long-term Debt				$ 8,651.4	$ 3,047.3

(b) TELUS Corporation Notes

The notes are senior, unsecured and unsubordinated obligations of the Company and rank equally in right of payment with all existing and future unsecured, unsubordinated obligations of the Company and are senior in right of payment to all existing and future subordinated indebtedness of the Company, and are effectively subordinated to all existing and future obligations of, or guaranteed by, the Company's subsidiaries.

The indentures governing the notes contain certain covenants which, among other things, place limitations on the ability of TELUS and certain of its subsidiaries to: grant security in respect of indebtedness, enter into sale and lease-back transactions and incur new indebtedness.

2006 (Canadian Dollar) Notes: In May 2001, the Company issued $1.6 billion Notes at a price of $992.30 per $1,000.00 of principal to the public. The notes are redeemable at the option of the Company, in whole at any time, or in part from time to time, on not fewer than 30 nor more than 60 days' prior notice, at a redemption price equal to the greater of (a) the present value of the notes discounted at the Government of Canada yield plus 35 basis points, or (b) 100% of the principal amount thereof. In addition, accrued and unpaid interest, if any, will be paid to the date fixed for redemption.

2007 and 2011 (U.S. Dollar) Notes: In May 2001, the Company issued U.S.$1.3 billion 2007 Notes at a price of U.S.$995.06 per U.S.$1,000.00 of principal to the public and U.S.$2.0 billion 2011 Notes at a price of U.S.$994.78 per U.S.$1,000.00 of principal to the public. The notes are redeemable at the option of the Company, in whole at any time, or in part from time to time, on not fewer than 30 nor more than 60 days' prior notice, at a redemption price equal to the greater of (a) the present value of the notes discounted at the Adjusted Treasury Rate plus 25 basis points in the case of the 2007 Notes and 30 basis points in the case of the 2011 Notes, or (b) 100% of the principal amount thereof. In addition, accrued and unpaid interest, if any, will be paid to the date fixed for redemption.

2007 and 2011 Cross Currency Interest Rate Swaps: With respect to the 2007 and 2011 (U.S. Dollar) Notes, U.S.$3.3 billion in aggregate, the Company entered into cross currency interest rate swap agreements which effectively convert the principal repayments and interest obligations to Canadian dollar requirements with effective fixed rates of 8.109% and 8.494%, respectively. The counterparties of the swap agreements are highly rated financial institutions and the Company does not anticipate any non-performance. TELUS has not required collateral or other security from the counterparties due to its assessment of their creditworthiness (see Note 2(m)).

As disclosed in Note 2(d), the Company translates items such as the U.S. Dollar notes into equivalent Canadian dollars at the rate of exchange in effect at the balance sheet date. The swap agreements, which at December 31, 2001 comprised a deferred hedging asset of $190.1 million (see Note 12), in addition to fixing the Company's effective interest rate, effectively fix the economic exchange rate of the U.S. Dollar notes. The asset value of the swap agreements increases (decreases) when the balance sheet date exchange rate increases (decreases) the Canadian dollar equivalent of the U.S. Dollar notes.

(c) TELUS Corporation Bank Facility

TELUS Corporation established two new unsecured bank credit facilities in May 2001: i) a three-year facility with $1.5 billion in available credit on a revolving basis to be used for general corporate purposes, and ii) a 364-day facility with $1.0 billion in available credit on a revolving basis until May 29, 2002 at which time it may be extended for an additional 364-day revolving period (given majority lender approval) or, if an extension is not granted, on a non-revolving basis for 364 days for any amounts outstanding at May 29, 2002. The 364-day facility may be used for general corporate purposes including the backstop of commercial paper issued by the Company or TELUS Communications Inc.

Given the revolving nature of the three-year facility and the May 2004 maturity date, the $485 million drawn under this facility at December 31, 2001, is classified as long-term debt. The 364-day facility was undrawn at year-end.

(d) TELUS Communications Inc. Debentures

The outstanding Series 1 through 5 debentures were issued by BC TEL, a predecessor corporation of TELUS Communications Inc., under a Trust Indenture dated May 31, 1990 and are non-redeemable.

The outstanding Series A Debentures and Series B Debentures were issued by AGT Limited, a predecessor corporation of TELUS Communications Inc., under a Trust Indenture dated August 24, 1994 and a supplemental trust indenture dated September 22, 1995 relating to Series B Debentures only. They are redeemable at the option of the Company, in whole at any time or in part from time to time, on not less than 30 days' notice at the Government of Canada Yield plus 15 basis points. During 1995 the Company terminated an interest rate swap contract relating to the Series A Debentures and realized a gain on early termination in the amount of $16.8 million which is being amortized and credited to interest expense over the remaining term of the Series A Debentures. The amortization of the gain resulted in an effective rate of interest on Series A Debentures in 2001 of 8.79% (2000 – 8.79%).

Pursuant to an amalgamation on January 1, 2001, all these 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, which had been met by the Company, including a negative pledge and a limitation on issues of additional debt subject to a debt to capitalization ratio and interest coverage test.

(e) TELUS Communications Inc. Medium Term Note Programs

At December 31, 2001, TELUS Communications Inc. had six series of extendible medium term notes outstanding. These notes were originally issued by BC TEL pursuant to the Trust Indenture date May 31, 1990 and a supplement dated October 24, 1994. In June 2000, $200 million of 6.4% notes were issued that mature in June 2003, extendible to 2030 at the option of the holder. If extended, the coupon rate increases to 7.25%. The remaining five series of medium term notes totaling $125 million have maturity dates in 2002 but are extendible at the option of TELUS

Communications Inc. on a periodic basis through 2009. Prior to December 31, 2001, TELUS Communications Inc. elected not to extend certain of these notes and as a result, $55 million was repaid on January 16, 2002.

(f) TELUS Communications (Québec) Inc. First Mortgage Bonds

The first mortgage bonds of all series are secured equally and rateably by an immovable hypothec and by a movable hypothec charging specifically certain immovable and movable property of the subsidiary TELUS Communications (Québec) Inc. (formerly Québec Telephone), such as land, buildings, equipment, apparatus, telephone lines, rights-of-way and similar rights as well as by an hypothec on all of the movable and the immovable property, present and future of TELUS Communications (Québec) Inc. The first mortgage bonds are not redeemable prior to maturity.

(g) TELUS Communications (Québec) Inc. Medium Term Note Program

The medium term notes were issued under a trust indenture dated September 1, 1994 as amended and complemented from time to time, and are unsecured and not redeemable prior to maturity. New issues of medium term notes are subject to restrictions as to debt ratio and interest coverage.

(h) Clearnet Inc. Redeemable Senior Discount Notes

The notes are senior, unsecured obligations of Clearnet Inc. (formerly Clearnet Communications Inc.). In June 2001, the indentures governing the notes were amended by supplemental indentures pursuant to an Offer to Repay and Consent Solicitation. The effect of the supplemental indentures was to remove the limitations on business activities previously imposed by restrictive covenants. The Offer to Repay resulted in the redemption of approximately 99.9% of the four series of Senior Discount Notes.

2007 Senior Discount Notes: In August 1997, Clearnet issued $566.0 million Senior Discount Notes with a combined initial value of $319.7 million and a total value of $566.0 million upon maturity. The 2007 Notes are redeemable at the option of Clearnet, at any time, in whole or in part, at the redemption price of 105.875%, 102.938% and 100% of the principal amount on or after August 13, 2002, 2003 and 2004, respectively, plus accrued and unpaid interest. The book value of these notes was increased by $79.7 million as a result of a fair market value adjustment at the date of acquisition on October 19, 2000.

2008 Senior Discount Notes: In May 1998, Clearnet issued $500.0 million Senior Discount Notes with a combined initial value of $300.6 million and a total value of $500.0 million upon maturity. The 2008 Notes are redeemable at the option of Clearnet, at any time, in whole or in part, at the redemption price of 105.2%, 102.6% and 100% of the principal amount on or after May 15, 2003, 2004 and 2005, respectively, plus accrued and unpaid interest. The book value of these notes was increased by $68.8 million as a result of a fair market value adjustment at the date of acquisition on October 19, 2000.

February 2009 Senior Discount Notes: In February 1999, Clearnet issued $169.0 million Senior Discount Notes with a combined initial value of $100.1 million and a total value of $169.0 million upon maturity. The February 2009 Notes are redeemable at the option of Clearnet, at any time, in whole or in part, at the redemption price of 105.375%, 102.688% and 100% of the principal amount on or after February 15, 2004, 2005 and 2006, respectively, plus accrued and unpaid interest. The book value of these notes was increased by $28.1 million as a result of a fair market value adjustment at the date of acquisition on October 19, 2000.

May 2009 Senior Discount Notes: In April 1999, Clearnet issued $420.0 million U.S. Senior Discount Notes with a combined initial value of U.S.$256.0 million and a total value of U.S.$420.0 million upon maturity. The May 2009 Notes are redeemable at the option of Clearnet, at any time, in whole or in part, at the redemption price of 105.063%, 102.531% and 100% of the principal amount on or after May 1, 2004, 2005 and 2006, respectively, plus accrued and unpaid interest. The book value of these notes was increased by $98.6 million as a result of a fair market value adjustment at the date of acquisition on October 19, 2000.

May 2009 Cross Currency Interest Rate Swaps: In April 1999, Clearnet entered into cross currency interest rate swap agreements which effectively convert principal repayments and interest obligations to Canadian dollar requirements with an effective fixed rate of approximately 9.9%. During 2001, these swaps were terminated and the security was released and a gain of $41.2 million was recognized in Net Income.

(i) Long-term Debt Maturities

Anticipated requirements to meet long-term debt repayments during each of the next five years from December 31, 2001 are as follows:

(millions)		
2002	$	145.4
2003		238.4
2004		202.0
2005		0.0
2006		1,600.0

15. OTHER LONG-TERM LIABILITIES

(millions)		**2001**		2000
Deferred gain on sale-leaseback of buildings (Note 19)	**$**	**121.4**	$	50.5
Pension and other post-retirement benefit liabilities		**139.1**		124.2
Deferred customer activation and installation fees and wireless handset revenues arising from sales to end-users (Note 2(b))		**122.5**		112.6
Other		**57.6**		62.2
	$	**440.6**	$	349.5

16. SHAREHOLDERS' EQUITY

(a) Details of Shareholders' Equity

($ in millions)					**2001**		2000
Common equity							
Common voting shares (c)				**$**	**2,186.4**	$	2,091.2
Non-voting shares (c)					**2,861.4**		2,537.1
Options and warrants					**57.6**		—
Retained earnings					**1,654.8**		1,563.4
Contributed surplus					**7.4**		7.4
					6,767.6		6,199.1
TELUS Communications Inc. Preference and Preferred, Cumulative							
Number of Shares			Redemption Premium				
8,090	$6.00	Preference	10.0%		**0.8**		0.8
53,000	$4.375	Preferred	4.0%		**5.3**		5.3
47,500	$4.50	Preferred	4.0%		**4.8**		4.8
71,250	$4.75	Preferred	5.0%		**7.1**		7.1
71,250	$4.75	Preferred ('56)	4.0%		**7.1**		7.1
114,700	$5.15	Preferred	5.0%		**11.5**		11.5
96,400	$5.75	Preferred	4.0%		**9.6**		9.6
42,750	$6.00	Preferred	5.0%		**4.3**		4.3
768,400	$1.21	Preferred	4.0%		**19.2**		19.2
					69.7		69.7
Convertible debentures (i)					**149.6**		149.6
Total Shareholders' Equity				**$**	**6,986.9**	$	6,418.4

(b) Authorized Capital

TELUS Corporation is authorized to issue one billion common voting shares, one billion non-voting shares, one billion first preferred shares and one billion second preferred shares. At December 31, 2001, there were no first or second preferred shares issued.

(c) Changes in Common Voting Shares and Non-Voting Shares

	2001	2001	2000	2000
	Number of Shares	**Amount (millions)**	Number of Shares	Amount (millions)
Common Voting Shares				
Beginning of Year	**178,016,680**	**$ 2,091.2**	177,521,890	$ 2,080.0
Exercise of share options (d)	**125,012**	**2.9**	494,848	11.2
Exercise of pre-emptive rights (e)	**597,023**	**18.6**	—	—
Employees' purchase of shares (f)	**2,391,569**	**66.8**	—	—
Dividends reinvested in shares	**256,026**	**6.9**	—	—
Other	**—**	**—**	(58)	—
End of Year	**181,386,310**	**$ 2,186.4**	178,016,680	$ 2,091.2
Non-Voting Shares				
Beginning of Year	**109,052,713**	**$ 2,537.1**	59,156,447	$ 693.1
Exercise of share options (d)	**304,268**	**10.8**	178,525	4.5
Exercise of pre-emptive rights (e)	**26,378**	**0.8**	—	—
Exercise of warrants (g)	**124,168**	**4.6**	—	—
Dividends reinvested in shares (h)	**3,830,515**	**84.4**	—	—
Shares issued on acquisition of Clearnet	**989,451**	**36.6**	49,717,741	1,839.5
Other acquisitions and other	**6,512,898**	**187.1**	—	—
End of Year	**120,840,391**	**$ 2,861.4**	109,052,713	$ 2,537.1

(d) Share Option Plans

The following is a summary of activity related to the Company's share option plans for the years ended December 31, 2001 and 2000.

		Outstanding as at December 31, 1999	Granted	Exercised	Forfeited	Expired	Outstanding as at December 31, 2000	Granted	Exercised	Forfeited	Expired	Outstanding as at December 31, 2001
TELUS Corporation Share Option and Compensation Plan	Number of shares	655,358	3,086,631	64,814	215,178	280	3,461,717	—	28,930	46,494	32,017	3,354,276
	Weighted average option price	$35.72	35.29	26.85	37.14	35.90	35.36	—	20.75	39.58	37.44	35.32
TELUS Share Option Plan for Former Clearnet Option Holders	Number of shares	—	2,162,740	35,231	—	—	2,127,509	—	272,245	60,287	—	1,794,977
	Weighted average option price	—	$16.03	16.15	—	—	16.03	—	13.57	13.01	—	14.37
BC TELECOM Stock Option Plan	Number of shares	1,051,431	—	35,001	98,764	8,534	909,132	—	37,700	42,167	6,000	823,265
	Weighted average option price	$33.86	—	26.59	32.50	46.75	34.23	—	27.31	43.04	31.05	34.11
BC TELECOM Long-Term Incentive Share Option Plan	Number of shares	347,817	—	81,706	3,752	—	262,359	—	45,567	5,200	—	211,592
	Weighted average option price	$22.78	—	22.47	22.47	—	22.84	—	22.54	24.69	—	22.91
TELUS Holdings Inc. Stock Option Plan	Number of shares	1,370,616	—	456,621	4,197	—	909,798	—	44,838	—	17,802	847,158
	Weighted average option price	$28.72	—	22.18	42.33	—	31.92	—	22.53	—	42.33	32.28
TELUS Corporation Amended Share Option and Compensation Plan	Number of shares	—	—	—	—	—	—	6,979,859	—	71,559	—	6,908,300
	Weighted average option price	—	—	—	—	—	—	$29.02	—	34.63	—	28.96
TELUS Employee Share Option Plan	Number of shares	—	—	—	—	—	—	5,840,900	—	112,000	100	5,728,800
	Weighted average option price	—	—	—	—	—	—	$29.42	—	34.01	34.88	29.33
Total of all Plans	Number of shares	3,425,222	5,249,371	673,373	321,891	8,814	7,670,515	12,820,759	429,280	337,707	55,919	19,668,368

TELUS Corporation Share Option and Compensation Plan

	Options outstanding			Options exercisable	
Range of option prices	Number of shares	Weighted average remaining contractual life	Weighted average option price	Number of shares	Weighted average option price
$ 12.31 – 17.82	59,422	1.3 years	$ 16.62	59,422	$ 16.62
19.22 – 27.79	516,630	7.5 years	25.61	516,630	25.61
29.90 – 41.61	2,758,376	8.1 years	37.47	994,114	35.73
44.47	19,848	8.6 years	44.47	12,504	44.47
	3,354,276			1,582,670	

TELUS Corporation had a share option plan under which directors, officers and key employees receive options to purchase common voting shares at a price equal to the fair market value of the shares at the date of granting and, therefore, no compensation expense is recognized. Options granted pursuant to the plan may be exercised over specific periods not to exceed 10 years from the date of grant. Proceeds arising from the exercise of share options are credited to share capital.

TELUS Share Option Plan for Former Clearnet Option Holders

	Options outstanding			Options exercisable	
Range of option prices	Number of shares	Weighted average remaining contractual life	Weighted average option price	Number of shares	Weighted average option price
$ 4.43 – 5.95	127,181	6.9 years	$ 5.89	127,181	$ 5.89
6.81 – 8.14	271,714	3.2 years	7.45	271,714	7.45
9.08 – 11.99	272,701	5.4 years	10.30	272,701	10.30
13.54 – 13.80	791,920	7.7 years	13.56	791,920	13.56
23.28 – 32.83	331,461	8.2 years	28.23	331,461	28.23
	1,794,977			1,794,977	

Under the terms of the arrangement to acquire Clearnet, effective October 20, 2000, TELUS Corporation exchanged the options held by former Clearnet options holders. At the date of acquisition, the fair market value of TELUS non-voting shares was $37.00 per share. Options granted in the plan may be exercised over a specified period not to exceed 10 years from the original date granted. Proceeds arising from the exercise of share options are credited to share capital.

BC TELECOM Stock Option Plans (BCTSOP)

	Options outstanding			Options exercisable	
Range of option prices	Number of shares	Weighted average remaining contractual life	Weighted average option price	Number of shares	Weighted average option price
$ 23.13 – 31.05	558,932	4.6 years	$28.22	558,932	$28.22
36.78 – 46.75	264,333	6.2 years	46.57	260,633	46.71
	823,265			819,565	

Under the terms of the BCTSOP introduced in 1995, BC TELECOM granted officers and key employees options in tandem share appreciation rights and retention options at fixed exercise prices. Effective December 8, 1998, the plan was modified to replace share appreciation rights with a stock option repurchase plan. Options granted in the plan may be exercised over specific periods not to exceed 10 years from the date granted. Options granted prior to 1999 can be exercised in a ratio of 75% common voting shares and 25% non-voting shares in TELUS Corporation. Proceeds arising from the exercise of share options are credited to share capital.

BC TELECOM Long-Term Incentive Share Option Plan

	Options outstanding			Options exercisable	
Range of option prices	Number of shares	Weighted average remaining contractual life	Weighted average option price	Number of shares	Weighted average option price
$ 19.25 – 25.25	211,592	2.3 years	$22.91	211,592	$22.91

BC TELECOM had share option plans under which officers and key employees received common share purchase options at a price equal to the fair market value of the shares at the date of granting and, therefore, no compensation expense is recognized. Options granted in the plan may be exercised over specific periods not to exceed 10 years from the date granted. These options can be exercised in a ratio of 75% common voting shares and 25% non-voting shares in TELUS Corporation. Proceeds arising from the exercise of share options are credited to share capital.

TELUS Holdings Inc. Stock Option Plans

	Options outstanding			Options exercisable	
Range of option prices	Number of shares	Weighted average remaining contractual life	Weighted average option price	Number of shares	Weighted average option price
$ 21.23 – 25.73	458,406	1.6 years	$23.70	458,406	$23.70
35.89 – 47.79	388,752	3.1 years	42.39	388,752	42.39
	847,158			847,158	

TELUS Holdings Inc. had stock option plans under which directors, officers and key employees received options to purchase common voting shares at a price equal to the fair market value of the shares at the date of granting and, therefore, no compensation expense is recognized. Options granted under the plans may be exercised over specific periods not to exceed seven years from the date of granting. These options can be exercised in a ratio of 75% common voting shares and 25% non-voting shares in TELUS Corporation. Proceeds arising from the exercise of share options are credited to share capital.

TELUS Corporation Amended Share Option and Compensation Plan

	Options outstanding			Options exercisable	
Range of option prices	Number of shares	Weighted average remaining contractual life	Weighted average option price	Number of shares	Weighted average option price
$ 19.48 – 26.16	3,716,062	9.9 years	$23.97	20,800	$24.00
31.06 – 34.88	3,192,238	9.2 years	34.77	32,000	34.60
	6,908,300			52,800	

TELUS Corporation initiated a share option plan under which employees receive options to purchase non-voting shares at a price equal to the fair market value of the shares at the date of granting and, therefore, no compensation expense is recognized. Options granted under the plan may be exercised over specific periods not to exceed 10 years from the date of granting. Proceeds arising from the exercise of share options are credited to share capital.

TELUS Employee Share Option Plan

	Options outstanding			Options exercisable	
Range of option prices	Number of shares	Weighted average remaining contractual life	Weighted average option price	Number of shares	Weighted average option price
$ 19.92 – 24.00	2,917,600	9.9 years	$23.98	—	—
34.88	2,811,200	9.2 years	34.88	28,600	$34.88
	5,728,800			28,600	

TELUS Corporation initiated a share option plan under which employees receive options to purchase non-voting shares at a price equal to the fair market value of the shares at the date of granting and, therefore, no compensation expense is recognized. Options granted under the plan may be exercised over specific periods not to exceed 10 years from the date of granting. Proceeds arising from the exercise of share options are credited to share capital.

At December 31, 2001, 26,571,268 (2000 – 9,143,984) shares remained reserved for issuance under the option plans.

(e) Pre-emptive Rights

Verizon Communications Inc., a significant shareholder, has the right to acquire, from Treasury, its pro rata share of any issue by the Company of common voting shares and non-voting shares, other than by way of grant of share options.

(f) Employee Share Purchase Plan

The Company has an employee share purchase plan under which eligible employees can purchase common voting shares through regular payroll deductions by contributing between 1% and 6% of pay. The Company contributes two dollars for every five dollars contributed by an employee. The Company records its contributions as a component of operating expenses. During 2001, the Company contributed $22.2 million (2000 – $19.9 million) to this plan. Under this plan, the Company has the option of offering shares from Treasury or having the trustee acquire shares in the stock market. Prior to February 2001, when the issuance of shares from Treasury commenced, all common voting shares issued to employees under the plan during the current year and prior year were purchased on the market at normal trading prices.

(g) Warrants

Under the terms of the arrangement to acquire Clearnet, effective January 17, 2001, TELUS Corporation exchanged the warrants held by former Clearnet warrant holders. Each warrant entitles the holder to purchase a non-voting share at a price of U.S.$10.00 per share until September 15, 2005. Proceeds arising from the exercise of the warrants are credited to share capital. At December 31, 2001, 779,434 warrants remained outstanding.

(h) Dividend Reinvestment and Share Purchase Plan

The Company has a Dividend Reinvestment and Share Purchase Plan under which eligible shareholders may acquire non-voting shares through the reinvestment of dividends and additional optional cash payments. Excluding non-voting shares purchased by way of additional optional cash payments, at the Company's discretion it may offer the non-voting shares at up to a 5% discount from the average market price. Shares purchased through optional cash payments are subject to a minimum investment of $100 and a maximum investment of $20,000 per calendar year. Under this Plan, the Company has the option of offering shares from Treasury or having the trustee acquire shares in the stock market. Prior to July 1, 2001, when the acquisition of shares from Treasury commenced, all non-voting shares were acquired on the market at normal trading prices.

(i) Convertible Debentures

The 6.75% convertible debentures are unsecured, subordinated obligations of the Company which mature on June 15, 2010, and are convertible at the holders' option into non-voting shares of the Company at a rate reflecting a share price of $39.73. The convertible debentures are not redeemable prior to June 15, 2003. Redemption in the period from June 15, 2003 through June 15, 2005 is allowed provided that the average trading price of non-voting shares for a defined period exceeds 125% of the conversion price.

The holders' conversion option is valued using the residual value approach. As the Company has the unrestricted ability to settle the interest, principal and redemption payments through the issuance of non-voting shares, the convertible debentures have been classified as equity. Accordingly, the principal amount is included in Shareholders' Equity on the Consolidated Balance Sheets. Interest payments, net of income taxes, are classified as dividends and charged directly to retained earnings.

17. COMMITMENTS AND CONTINGENT LIABILITIES

(a) The Company estimates expenditures for capital asset purchases to be $2,200 million in 2002. Substantial purchase commitments have been made in connection with these capital assets as at December 31, 2001.

(b) The Company has entered into an agreement with Verizon Communications Inc. with respect to acquiring certain rights to Verizon's software, technology, services and other benefits, thereby replacing and amending a previous agreement between the Company and GTE Corporation. The agreement is renewable annually at the Company's sole option up to December 31, 2008, and it has been renewed for 2002. Assuming renewal through to 2008, the total commitment under the agreement is U.S.$377 million for the period 2001 to 2008 and the current contractual obligation for 2002 is U.S.$100 million (see Note 22). To the extent that any of such 2002 contractual obligations related to the Verizon purchase commitments are capital in nature, they have been included in paragraph (a) above.

(c) The Company occupies leased premises in various centres and has land, buildings and equipment under operating leases.

At December 31, 2001, the future minimum lease payments under capital leases and operating leases (including occupancy costs where applicable) were:

(millions)	Capital Leases	Operating Leases
2002	$ 16.1	$ 164.3
2003	8.0	144.0
2004	2.0	133.4
2005	0.0	113.7
2006	—	103.9
Total future minimum lease payments	26.1	
Less imputed interest	1.3	
Capital lease liability	$ 24.8	

(d) A number of claims and lawsuits seeking unspecified damages and other relief are pending against the Company. It is impossible at this time for the Company to predict with any certainty the outcome of such litigation. However, management is of the opinion, based upon information presently available, that it is unlikely that any liability, to the extent not provided for through insurance or otherwise, would be material in relation to the Company's consolidated financial position.

18. NET CHANGE IN NON-CASH WORKING CAPITAL

(a) Continuing Operations

(millions)	**2001**	2000
Accounts receivable	**$ (85.9)**	$ (209.0)
Income taxes receivable	**(0.9)**	112.6
Inventories	**33.1**	(50.3)
Prepaid expenses and other	**14.5**	(58.4)
Accounts payable and accrued liabilities	**91.9**	31.4
Advance billings and customer deposits	**45.7**	23.0
Reclassification of restructuring charges	**(77.8)**	—
Other	**11.3**	—
	$ 31.9	$ (150.7)

(b) Discontinued Operations

(millions)	**2001**	2000
Operating cash flow	**$ (129.7)**	$ 99.5
Accounts receivable	**122.4**	2.0
Income taxes receivable	**(3.2)**	—
Prepaid expenses and other	**(1.7)**	(3.8)
Accounts payable and accrued liabilities	**(22.7)**	—
	$ (34.9)	$ 97.7

19. SALE OF PROPERTY AND INVESTMENTS

During 2001, the Company sold a portion of a cross-Canada fibre asset installation which TELUS recently completed construction of and was holding for disposition. Concurrently, TELUS purchased fibre asset installations for use in its own network infrastructure in the U.S. and Eastern Canada from the same third party. The fair market value of the assets involved was $73.5 million resulting in a gain on sale of $24.5 million which was included in Other Income in the Consolidated Statements of Income.

During 2001 and 2000, the Company disposed of certain selected, non-strategic property and investments including various office buildings in Vancouver, Edmonton and Calgary under the terms of sale-leaseback transactions. The pre-tax gain of $76.9 million (2000 – $50.8 million), on total proceeds of $228.4 million (2000 – $96.9 million), has been deferred and will be amortized over the various terms of the leases.

20. EMPLOYEE BENEFITS

The Company has a number of defined benefits and defined contribution plans providing pension, other retirement and post-employment benefits to most of its employees.

The total expense for the Company's defined contribution pension plans was $51.8 million (2000 – $61.0 million).

Information concerning the Company's defined benefit plans, in aggregate, is as follows:

	Pension Benefit Plans		Other Benefit Plans	
(millions)	**2001**	2000	**2001**	2000
Accrued benefit obligation:				
Balance at beginning of year	**$ 4,057.9**	$ 3,772.4	**$ 55.0**	$ 59.1
Current service cost	**105.0**	100.6	**7.7**	18.1
Interest cost	**281.8**	262.5	**4.4**	4.9
Benefits paid	**(194.2)**	(176.5)	**(8.5)**	(5.8)
Actuarial loss (gain)	**143.7**	96.8	**1.4**	(21.3)
Plan amendments	**6.3**	2.1	**—**	—
Balance at end of year	**4,400.5**	4,057.9	**60.0**	55.0
Plan assets:				
Fair value at beginning of year	**4,834.3**	4,325.2	**42.8**	34.2
Annual return on plan assets	**12.4**	604.7	**3.2**	5.7
Employer contributions	**44.5**	42.1	**4.5**	8.7
Employees' contributions	**42.0**	38.8	**—**	—
Benefits paid	**(194.2)**	(176.5)	**(8.5)**	(5.8)
Fair value at end of year	**4,739.0**	4,834.3	**42.0**	42.8
Funded status – plan surplus (deficit)	**338.5**	776.4	**(18.0)**	(12.2)
Unamortized net actuarial loss (gain)	**343.1**	(174.2)	**(20.6)**	(24.0)
Unamortized past service costs	**6.3**	0.2	**—**	—
Unamortized transitional obligation (asset)	**(457.2)**	(496.7)	**6.4**	7.2
Accrued benefit asset (liability)	**230.7**	105.7	**(32.2)**	(29.0)
Valuation allowance	**(50.8)**	(24.7)	**—**	—
Accrued benefit asset (liability), net of valuation allowance	**$ 179.9**	$ 81.0	**$ (32.2)**	$ (29.0)

Included in the above accrued benefit obligations at year-end are the following amounts in respect of plans that are not funded:

	Pension Benefit Plans		Other Benefit Plans	
(millions)	**2001**	2000	**2001**	2000
Accrued benefit obligation	**$ 137.1**	$ 121.4	**$ 20.0**	$ 18.3

Certain of the pension benefit plans which are not funded are secured by a Standby Letter of Credit Facility.

The significant actuarial assumptions adopted in measuring the Company's accrued benefit obligations are as follows (weighted average assumptions as of December 31):

	Pension Benefit Plans		Other Benefit Plans	
	2001	2000	**2001**	2000
Discount rate	**6.75%**	6.98%	**6.75%**	7.00%
Expected long-term rate of return on plan assets	**7.94%**	7.94%	**8.00%**	8.00%
Rate of compensation increase	**4.25%**	4.25%	**4.25%**	4.25%

The Company's net benefit plan expense was as follows:

(millions)	Pension Benefit Plans 2001	2000	Other Benefit Plans 2001	2000
Current service cost	**$ 63.0**	$ 61.8	**$ 7.7**	$ 18.1
Interest cost	**281.8**	262.5	**4.4**	4.9
Expected return on plan assets	**(379.7)**	(339.1)	**(3.2)**	(2.9)
Amortization of past service costs	**0.2**	1.9	**—**	—
Amortization of transitional obligation (asset)	**(44.7)**	(44.7)	**0.8**	0.8
Amortization of actuarial gain	**(1.0)**	—	**(2.1)**	—
Valuation allowance provided against accrued benefit asset	**26.1**	24.7	**—**	—
	$ (54.3)	$ (32.9)	**$ 7.6**	$ 20.9

21. SEGMENTED INFORMATION

The Company's reportable segments, which are used to manage the business, are:

- Communications – voice local, voice long distance, data and other telecommunication services excluding wireless; and
- Mobility – cellular and paging services.

Segmentation is based on similarities in technology, the technical expertise required to deliver the products and services, and the distribution channels used.

The accounting policies used for segmented reporting are the same as described in the Summary of Significant Accounting Policies, Note 2.

(millions)	Communications		Mobility		Eliminations		Consolidated	
	2001	2000	**2001**	2000	**2001**	2000	**2001**	2000
External revenue	**$ 5,272.0**	$ 4,849.4	**$ 1,930.6**	$ 1,257.0	**$ —**	$ —	**$ 7,202.6**	$ 6,106.4
Inter-segment revenue	**87.5**	69.9	**17.4**	16.1	**(104.9)**	(86.0)	**—**	—
Total operating revenue	**5,359.5**	4,919.3	**1,948.0**	1,273.1	**(104.9)**	(86.0)	**7,202.6**	6,106.4
Operations expenses	**3,185.7**	2,912.4	**1,592.2**	965.7	**(104.9)**	(86.0)	**4,673.0**	3,792.1
EBITDA	**$ 2,173.8**	$ 2,006.9	**$ 355.8**	$ 307.4	**$ —**	$ —	**$ 2,529.6**	$ 2,314.3
Capital additions	**$ 1,605.8**	$ 1,218.4	**$ 643.6**	$ 222.9	**$ —**	$ —	**$ 2,249.4**	$ 1,441.3
Purchase of spectrum	**—**	—	**355.9**	—	**—**	—	**355.9**	—
	$ 1,605.8	$ 1,218.4	**$ 999.5**	$ 222.9	**$ —**	$ —	**$ 2,605.3**	$ 1,441.3

22. RELATED PARTY TRANSACTIONS

The Company has entered into an agreement with Verizon Communications Inc., a significant shareholder, with respect to acquiring certain rights to Verizon's software, technology, services and other benefits, thereby replacing and amending a previous agreement between the Company and GTE Corporation. The agreement is renewable annually at the Company's sole option up to December 31, 2008, and it has been renewed for 2002. As of December 31, 2001, $199.3 million of specified software licences and a trademark licence have been acquired and recorded as capital assets. These assets were recorded at the transaction price, which represents fair market value as determined by an independent appraisal. In addition, $68.5 million relating to ongoing services and other benefits have been expensed during the year ended December 31, 2001. Assuming renewal through to 2008, the total commitment under the revised agreement is U.S.$377 million for the period 2001 to 2008 (see Note 17(b)).

Sales to Verizon Communications Inc. amounted to $15.3 million (2000 – $20.4 million). These transactions were conducted in the normal course of business at prices established and agreed to by both parties.

The Company purchased the former QuébecTel Group from Verizon Communications Inc. in two steps, as further described in Note 4. In 2001, the Company sold substantially all of its directory businesses to a subsidiary of Verizon Communications Inc. as further described in Note 8.

23. DIFFERENCES BETWEEN CANADIAN AND UNITED STATES GENERALLY ACCEPTED ACCOUNTING PRINCIPLES

The consolidated financial statements have been prepared in accordance with Generally Accepted Accounting Principles ("GAAP") in Canada. The principles adopted in these financial statements conform in all material respects to those generally accepted in the United States except as summarized below. Significant differences between Canadian GAAP and U.S. GAAP would have the following effect on reported net income (loss) of the Company:

(millions)	**2001**	2000
Net income (loss) from continuing operations in accordance with Canadian GAAP	**$ (138.8)**	$ 386.3
Adjustments:		
Decrease in depreciation expense (b)	**35.8**	35.8
Decrease in interest expense (c)	**37.4**	42.2
Amortization of intangible assets (d)	**(119.6)**	(119.6)
Goodwill amortization (e)	**(20.2)**	(20.2)
Asset impairment – decrease in depreciation (f)	**72.1**	72.1
Change in future employee benefits (g)	**(16.9)**	(16.9)
Amortization of additional goodwill – Clearnet purchase (h)	**(6.6)**	(1.4)
Interest on convertible debentures (i)	**(7.0)**	(1.5)
Accounting for derivatives (j)	**(1.6)**	—
Gain on redemption of long-term debt (k)	**(65.9)**	—
Taxes on the above adjustments	**8.8**	(5.6)
Revaluation of deferred income tax assets and liabilities (l)	**337.5**	66.3
Net income before extraordinary item	**115.0**	437.5
Extraordinary item (k)	**51.1**	—
Net income before discontinued operations	**166.1**	437.5
Discontinued operations	**592.3**	74.7
Net income in accordance with U.S. GAAP	**758.4**	512.2
Other comprehensive loss	**(19.9)**	—
Comprehensive income in accordance with U.S. GAAP	**$ 738.5**	$ 512.2
Earnings per share under U.S. GAAP (basic and diluted):		
Before extraordinary items	**$ 0.38**	$ 1.77
Extraordinary items	**0.17**	—
Discontinued operations	**2.02**	0.30
Net income	**$ 2.57**	$ 2.07

The following is a restatement of major balance sheet categories to reflect the application of U.S. GAAP:

(millions)	**2001**	2000
Current assets	**$ 1,410.4**	$ 1,748.8
Capital assets	**16,236.5**	15,019.4
Goodwill	**3,739.5**	3,702.5
Deferred income taxes	**1,072.1**	1,212.7
Other assets	**780.0**	542.6
	$ 23,238.5	$ 22,226.0
Current liabilities	**$ 1,827.9**	$ 6,638.5
Long-term debt	**8,829.7**	3,239.0
Other long-term liabilities	**422.6**	377.9
Deferred income taxes	**2,614.3**	3,212.6
Non-controlling interest	**—**	74.3
Shareholders' equity	**9,544.0**	8,683.7
	$ 23,238.5	$ 22,226.0

The following is a reconciliation of shareholders' equity incorporating the differences between Canadian and U.S. GAAP:

(millions)		**2001**		2000
Shareholders' Equity under Canadian GAAP	**$**	**6,986.9**	$	6,418.4
Adjustments:				
Purchase versus pooling accounting (a) – (e)		**2,685.7**		2,330.7
Asset Impairment (f)		**(79.9)**		(112.2)
Additional goodwill on Clearnet purchase (h)		**123.5**		130.1
Reclassification of convertible debentures from equity to debt (i)		**(149.6)**		(149.6)
Accounting for derivatives (j)		**(2.7)**		—
Revaluation of deferred income tax assets and liabilities (l)		**—**		66.3
Other comprehensive loss		**(19.9)**		—
Shareholders' Equity under U.S. GAAP	**$**	**9,544.0**	$	8,683.7

(a) Merger of BC TELECOM and TELUS

The business combination between BC TELECOM and TELUS Corporation (renamed TELUS Holdings Inc. which was wound up June 1, 2001) was accounted for using the pooling of interests method under Canadian GAAP. Under Canadian GAAP, the application of the pooling of interests method of accounting for the merger of BC TELECOM and TELUS Holdings Inc. resulted in a restatement of prior periods as if the two companies had always been combined. Under U.S. GAAP, the merger is accounted for using the purchase method. Use of the purchase method results in TELUS (TELUS Holdings Inc.) being acquired by BC TELECOM for $4,662.4 million (including merger related costs of $51.9 million) effective January 31, 1999. The acquisition was effected by issuing 112.3 million shares in TELUS Corporation (formerly "BCT.TELUS Communications Inc.") and 1.5 million options to replace TELUS (TELUS Holdings Inc.) options outstanding.

(b) Depreciation

Under the purchase method, TELUS' capital assets on acquisition have been recorded at fair value rather than at their underlying cost (book values) to TELUS. Therefore, depreciation of such assets based on fair values at the date of acquisition under U.S. GAAP will be different than TELUS' depreciation based on underlying cost (book values).

(c) Interest

Under the purchase method, TELUS' long-term debt on acquisition has been recorded at its fair value rather than at its underlying cost (book value) to TELUS. Therefore, interest expense calculated on the debt based on fair values at the date of acquisition under U.S. GAAP will be different than TELUS' interest expense based on underlying cost (book value).

(d) Intangible Assets

As TELUS' intangible assets on acquisition have been recorded at their fair value, amortization of such assets needs to be included under U.S. GAAP. Amortization is calculated using the straight-line method at the following rates:

	Assigned Fair Value on Acquisition	Useful Life
Subscribers – wireline	$ 1,950.0 million	40 years
Spectrum licences	$ 1,833.3 million	40 years
Subscribers – wireless	$ 250.0 million	10 years

See Note 3(a) and "Recently Issued Accounting Standards Not Yet Implemented" at the end of this Note.

(e) Goodwill

Under the purchase method of accounting, TELUS' assets and liabilities at acquisition have been recorded at their fair values with the excess purchase price being allocated to goodwill in the amount of $403.1 million. The goodwill on the acquisition of TELUS is being amortized on a straight-line basis over its estimated useful life of 20 years. See Note 3(a) and "Recently Issued Accounting Standards Not Yet Implemented" at the end of this Note.

(f) Asset Impairment

In assessing if a capital asset is impaired, estimated future net cash flows are not discounted in computing the net recoverable amount. Under Canadian GAAP, the impairment amount recorded is the excess of the carrying amount over the recoverable amount; under U.S. GAAP the impairment amount recorded is the excess of the carrying amount over the discounted estimated future net cash flows that were used to determine the net recoverable amount. Under U.S. GAAP the net of tax charge taken in 1998 would be $232.2 million higher and would not be considered an extraordinary item. The annual depreciation expense would be approximately $72 million lower subsequent to when the increased impairment charge was taken under U.S. GAAP.

(g) Future Employee Benefits

Under U.S. GAAP, TELUS' future employee benefit assets and obligations have been recorded at their fair values on acquisition. Accounting for future employee benefits under Canadian GAAP changed to become more consistent with U.S. GAAP effective January 1, 2000. Canadian GAAP provides that the transitional balances can be accounted for prospectively. Therefore, to conform to U.S. GAAP, the amortization of the transitional amount needs to be removed from the future employee benefit expense.

(h) Additional Goodwill on Clearnet Purchase

Under U.S. GAAP, shares issued by the acquirer to affect an acquisition are measured at the date the acquisition was announced; however, under Canadian GAAP shares issued to effect an acquisition are measured at the transaction date. This results in the purchase price under U.S. GAAP being $131.4 million higher than under Canadian GAAP. The resulting difference is assigned to goodwill, which is being amortized on a straight-line basis over 20 years. See Note 3(a) and "Recently Issued Accounting Standards Not Yet Implemented" at the end of this Note.

(i) Convertible Debentures

Under Canadian GAAP, financial instruments such as the convertible debentures are classified as debt or equity according to their substance rather than their legal form. Accordingly, due to the substance of the transaction the convertible debentures have been classified as equity and the corresponding interest expense and the amortization of issue costs has been charged to the retained earnings rather than to the Consolidated Statements of Income. Pursuant to U.S. GAAP, the convertible debentures would be included in long-term debt. The corresponding interest expense on the convertible debentures and the amortization of issue costs are charged to the Consolidated Statements of Income.

(j) Accounting for Derivatives

On January 1, 2001, the Company adopted the provisions of FAS 133, Accounting For Derivative Instruments and Hedging Activities. This standard requires all derivatives be recognized as either assets or liabilities and measured at fair value. This is different from the Canadian GAAP treatment for financial instruments. Under U.S. GAAP, derivatives that are fair value hedges, together with the financial instrument being hedged, will be marked to market with adjustments reflected in income, and derivatives that are cash flow hedges will be marked to market with adjustments reflected in comprehensive income. As a result of adopting the statement, the Company recorded an expense arising from the cumulative effect of the change in accounting principle.

(k) Gain on Redemption of Long-term Debt

Under Canadian GAAP, gains realized as a result of the repayment of long-term debt prior to maturity are accounted for as part of income from continuing operations. Under U.S. GAAP, these amounts are considered to be extraordinary items.

(l) Revaluation of Deferred Income Tax Assets and Liabilities

Canadian GAAP requires recognition of the effects of a change in tax laws or rates when the change is "substantively enacted." Thus, recognition may precede actual enactment by a period of several months. U.S. GAAP (FAS 109) requires recognition upon actual enactment, which is the date that the tax change is signed into law.

Additional Disclosures Required under U.S. GAAP

Stock-Based Compensation

Under U.S. GAAP, a company which does not adopt the fair value method described in FAS 123 must disclose the cost of stock compensation awards, at their fair value, at the date the award is granted. The fair values of the Company's options granted in 2001 and 2000 were estimated using the Black-Scholes model with weighted average assumptions of 10-year expected terms, volatility of 29% (2000 – 21%), interest rate of 5.9% (2000 – 6.0%) and an expected dividend yield of 2.8% (2000 – 3.3%). Had compensation cost for the employee stock option plan been determined based upon fair value at the date of award, the Company's net income and earnings per share would have been reduced by approximately $37.8 million and $9.6 million or $0.13 and $0.04 per share for the years ended December 31, 2001 and 2000, respectively.

Comprehensive Income

SFAS 130, "Reporting Comprehensive Income," requires that a statement of comprehensive income be displayed with the same prominence as other financial statements. Comprehensive income, which incorporates net income, includes all changes in equity during a period except those resulting from investments by and distributions to owners. There is no requirement to disclose comprehensive income under Canadian GAAP.

Recently Issued Accounting Standards Not Yet Implemented
Under Staff Accounting Bulletin 74, the Company is required to disclose certain information related to new accounting standards which have not yet been adopted due to delayed effective dates.

Commencing with the Company's 2002 fiscal year, in Canada and the United States, the same, new Generally Accepted Accounting Principles for intangible assets with an indefinite life and goodwill apply. See Note 3(a). Under U.S. GAAP, the Company recorded goodwill amortization for the year ended December 31, 2001, of $201.6 million.

FAS 143, Accounting For Asset Retirement Obligations, and FAS 144, Accounting For the Impairment or Disposal of Long-lived Assets, have been issued. These Statements will be effective for the Company's fiscal years ending December 31, 2003 and 2002, respectively. The Company is unable to assess the impact of these standards at this time.

24. PRIOR YEAR PRESENTATION

The 2000 amounts have been reclassified, where applicable, to conform with the 2001 presentation.

executive leadership team

Additional biographical information is available at www.telus.com/bios

Name	Position	Location
Darren Entwistle	President and Chief Executive Officer, TELUS Corporation	Vancouver, BC
Barry Baptie	Executive Vice-President, Technology & Operations	Burnaby, BC
John Chang	Executive Vice-President and President, Client Solutions	Toronto, ON
George Cope	President and Chief Executive Officer, TELUS Mobility	Scarborough, ON
Dan Delaloye	Executive Vice-President and President, Consumer Solutions	Edmonton, AB
Joseph Grech	Executive Vice-President and President, Global Trading & Partner Solutions	Vancouver, BC
John Maduri	Executive Vice-President and President, Business Solutions	Calgary, AB
Robert McFarlane	Executive Vice-President and Chief Financial Officer	Vancouver, BC
Paul Mirabelle	Executive Vice-President, Business Transformation	Vancouver, BC
Roy Osing	Executive Vice-President, Enterprise Marketing and Chief Marketing Officer	Vancouver, BC
Jim Peters	Executive Vice-President, Corporate Development and General Counsel	Vancouver, BC
Mark Schnarr	Executive Vice-President, TELUS Ventures	Burnaby, BC
Judy Shuttleworth	Executive Vice-President, Human Resources	Vancouver, BC
Hugues St-Pierre	President and Chief Executive Officer, TELUS Québec	Rimouski, PQ

board of directors

Additional biographical information is contained in the Information Circular for the 2002 Annual and General Meeting or see www.telus.com/bios

Name	Residence	Principal Occupation	Director Since
R. John Butler	Edmonton, AB	Counsel to Bryan & Company	1995
Brian A. Canfield	Point Roberts, WA	Chairman, TELUS Corporation	1993
Peter D. Charbonneau	Ottawa, ON	Partner, Skypoint Capital Co.	2001
Pierre Choquette	Vancouver, BC	President and CEO, Methanex Corporation	1997
G. N. (Mel) Cooper	Victoria, BC	Chairman and CEO, Seacoast Communications Group Inc.	1993
Darren Entwistle	Vancouver, BC	President and CEO, TELUS Corporation	2000
Iain J. Harris	Vancouver, BC	Chairman and CEO, Summit Holdings Ltd.	1997
John S. Lacey	Toronto, ON	Chairman, The Alderwoods Group	2000
Brian F. MacNeill	Calgary, AB	Chairman, Petro-Canada	2001
Michael T. Masin	Greenwich, CT	Vice-Chairman and President, Verizon Communications Inc.	1995
Lawrence A. Pentland	Toronto, ON	Vice President and General Manager, Americas International, Dell Computer Corporation	2001
Fares F. Salloum	Dallas, TX	President – International, The Americas, Verizon Communications Inc.	1997
Geraldine B. Sinclair	Vancouver, BC	President, B.C. Premier's Technology Council	1998
Ronald P. Triffo	Edmonton, AB	Chairman, Stantec Inc.	1995
Donald Woodley	Orangeville, ON	President, The Fifth Line Enterprise	1998

3G: Third Generation, describes next generation wireless technology that is expected to be CDMA-based and offer high-speed packet data mobile wireless Internet access and multimedia communications. Analog cellular is considered the First Generation of wireless, while digital is Second Generation.

ADSL (asymmetric digital subscriber line): A technology that allows existing copper telephone lines to carry voice, data and video images at very high speeds.

Analog: A transmission method employing a continuous (rather than pulsed or digital) electrical signal.

ARPM (average revenue per minute): For long distance traffic.

ARPU (average revenue per unit): Average revenue per unit, or wireless subscriber, expressed as a rate per month for a given measurement period.

ASP (application service provider): A company that offers individuals or enterprises access over the Internet to applications and related services that would otherwise have to be located in their own personal or enterprise computers.

ATM (asynchronous transfer mode): A high-speed switching technology that routes voice, data and video at high speeds over the same network.

Bandwidth: The difference between the top and bottom limiting frequencies of a continuous frequency band; or indicator of the information-carrying capacity of a channel. The greater the bandwidth, the greater the information-carrying capacity.

Bundle: A group of telecommunications services, i.e. Internet, long distance and calling features that are sold together, often at a lower price than if purchased separately.

CDMA (code division multiple access): Technique 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. See also IS-95 and CDMA2000.

CDMA2000: A third-generation wireless standard adopted by the International Telecommunications Union (ITU) which prescribes an evolutionary path to 3G for IS-95 based systems. The first step in the CDMA2000 evolution after IS-95 is called 1XRTT. See also IS-95 and CDMA.

CDPD (cellular digital packet data): A specification for supporting wireless access to the Internet and other public packet-switched networks.

Cell site: Individual locations of network transmitter, receiver, antenna signalling and related base station equipment.

Cellular: The mobile radio-telephone service, licensed by Industry Canada in Canada and the FCC in the United States to utilize 50 MHz of spectrum in the 800 MHz band. There are two 25 MHz licences in each region of Canada.

Churn rate: The number of subscriber units disconnected divided by the average number of units on the network, expressed as a rate per month for a given measurement period.

CLEC (competitive local exchange carrier): A company that competes with the already established local telephone business by providing its own network and switching.

CRTC (Canadian Radio-television and Telecommunications Commission): The federal regulator for radio and television broadcasters, and cable TV and telecommunications companies in Canada.

Dial-up access: Connecting to another computer or network using a modem over a regular telephone line.

Digital: A transmission method employing a sequence of discrete, distinct pulses that represent the binary digits 0 and 1 to indicate specific information, in contrast to the continuous signal of analog. Digital networks provide improved clarity, capacity, features and privacy compared to analog systems.

EBITDA: Earnings before interest, taxes, depreciation and amortization.

e.commerce: Refers to business conducted electronically, usually via the Internet.

ESMR (enhanced specialized mobile radio): Specialized mobile radio networks that have incorporated frequency reuse and TDMA technology to increase their capacity and to provide service over very large coverage areas. An ESMR network is designed not only for the dispatch service associated with SMR, but also for mobile telephony and short messaging services as well as circuit-switched and packet data services. See also iDEN.

Ethernet: A common method of networking computers in a local area network. Ethernet will handle about 10 million bits-per-second and can be used with almost any kind of computer.

Fibre network: Transmits information by light pulses along hair-thin glass fibres. Cables of optical fibres can be made smaller and lighter than conventional cables using copper wires or coaxial cable, yet they can carry much more information, making them useful for transmitting large amounts of data between computers or many simultaneous telephone conversations.

Frame relay: A high-speed packet switching technology that has evolved to meet the LAN-to-LAN interconnection market. Frame relay is designed to provide high-speed packet transmission, very low network delay and efficient use of network bandwidth.

GAAP: Generally accepted accounting principles.

gbps (gigabits per second): Billions of bits per second, a measure of bandwidth on a digital data transmission medium such as optical fibre.

GHz: Gigahertz. See Hertz.

GSM (Global System for Mobile Communications): A TDMA-based digital communications standard that has been widely deployed in Europe and around the world in the 900 and 1800 MHz bands. A separate variant called PCS-1900 has been developed for use in the 1.9 GHz PCS frequency range in North America.

Hertz: The dimensional unit for measuring the frequency with which an electromagnetic signal cycles through the zero-value state between lowest and highest states. One hertz (Hz) equals one cycle per second. KHz (kilohertz) equals one thousand hertz. MHz (megahertz) equals one million hertz. GHz (gigahertz) equals one billion hertz.

Hosting: The business of housing, serving and maintaining files for one or more Web sites. Using a hosting service lets many companies share the cost of a fast Internet connection for serving files, as well as other Internet infrastructure and management costs. Also known as Web hosting.

iDEN (integrated digital enhanced network): An ESMR network technology developed by Motorola to utilize 800 MHz SMR channels for ESMR digital service. The digital signals offer greatly enhanced spectrum efficiency and system capacity.

ILEC (incumbent local exchange carrier): A telecommunications company providing local service in-region.

Industry Canada: The Canadian federal Department of Industry, on behalf of the Canadian Minister of Industry. Among other mandates, Industry Canada has responsibility for national telecom policy and for the regulation, management and allocation of radio spectrum in Canada and for establishing technical requirements for various wireless systems.

Internet: The global Web of networks that connects computers around the world, providing rapid access to information from multiple sources. The Internet was established by the U.S. Department of Defense during the Cold War.

Internet protocol (IP): Standards adopted by the Internet community to help with specific tasks such as transferring files between computers and sending mail.

IS-95 (Interim Standard 95): A version of CDMA specified by the Telecommunications Industry Association (TIA) that is used by TELUS Mobility and other networks around the world. IS-95 is often referred to as cdmaOne. See also CDMA.

ISDN (integrated services digital network): Switched network providing end-to-end digital connection for simultaneous transmission of voice and/or data over multiple multiplexed communication channels and employing transmission that conforms to internationally defined standards.

ISP (Internet service provider): A company that provides Internet access service to residences and/or businesses.

IT (information technology): A term that encompasses all forms of technology used to create, store, exchange and use information in its various forms (data, voice conversations, still images, motion pictures, multimedia and other forms, including those not yet conceived).

kbps (kilobits per second): Thousands of bits per second, used to describe the speed of a network connection or telecommunications medium.

LAN (local area network): A way of connecting several computers, typically either in the same room or building, so that they can share files and devices like printers and copiers.

Local loop: The transmission path between the telecommunications network and a client's terminal equipment.

mbps (megabits per second): Millions of bits per second, used to describe the speed of a network connection or telecommunications medium.

m-commerce: Mobile commerce is the buying and selling of goods and services through wireless handheld devices such as cellular telephones and personal digital assistants.

MHz: Megahertz. See Hertz.

Multimedia: The combination of various forms of media (text, graphics, animation, audio, etc.) to communicate information. The term also refers to information products that include text, audio and visual content.

Paging: Wireless text messaging services.

PCS (personal communications services): Digital wireless voice, data and text messaging services. In Canada and the United States, PCS spectrum has been allocated for use by public systems at the 1.9 GHz frequency range.

Peering: Peering is the arrangement of traffic exchange between Internet Service Providers (ISPs). Larger ISPs with their own backbone networks agree to allow traffic from other large ISPs in exchange for traffic on their backbones. They also exchange traffic with smaller ISPs so that they can reach regional end points.

Points of Presence: An access point to the Internet that has a unique Internet Protocol (IP) address. The number of points that an Internet Service Provider has is sometimes used as a measure of its size or growth rate.

POP: One person living in a population area that, in whole or in substantial part, is included in a network's coverage area.

Postpaid: A conventional method of payment for wireless service where a subscriber pays for a significant portion of services and usage in arrears, subsequent to consuming the services.

Prepaid: A method of payment for wireless service that allows a subscriber to prepay for a set amount of airtime in advance of actual usage. Generally, a subscriber's prepaid account is debited at the time of sale so that actual usage cannot exceed the prepaid amount until an additional prepayment is made.

Roaming: A service offered by wireless network operators that allows subscribers to use their radios or telephones while in the service area of another operator; requires a roaming agreement between the operators.

SONET (synchronous optical network): An optical interface standard that allows interworking of transmission products from multiple vendors.

Spectrum: The range of electromagnetic radio frequencies used in the transmission of sound, data and video.

Switch: The central computer system or systems in the wireless network responsible for mobility management, interconnection to the Public Switched Telephone Network and call detail accounting.

tbps (terabits per second): One trillion bits per second, a measurement of data transmission speed used for measuring the amount of data that is transferred in a second between two telecommunication points or within network devices.

TDMA (time division multiple access): A digital wireless transmission methodology standard used in cellular telephone, ESMR, PCS and other wireless communications systems. iDEN, GSM and PCS-1900 are examples of TDMA systems.

VoIP (Voice over Internet Protocol): The real-time transmission of voice signals over the Internet or IP network.

VPN (virtual private network): A private data network that makes use of a public telecommunication infrastructure, maintaining privacy through the use of a private secure network and security procedures.

WAN (wide area network): A data network extending a LAN (local area network) outside the building, over telecommunication lines, to link to other LANs over great distances.

WAP (wireless application protocol): An industry standard for the development of data applications and services over wireless communications networks. TELUS Mobility is a member of the WAP Forum, which is developing the open, global wireless protocol specification that works across differing wireless network technology types.

Web portal: An Internet gateway providing customers with access to online news and information, 24 hours a day, seven days a week.

Wireless Web/Internet access: Technology that provides access to the Internet through the wireless cellular network instead of the traditional wireline telephone network.

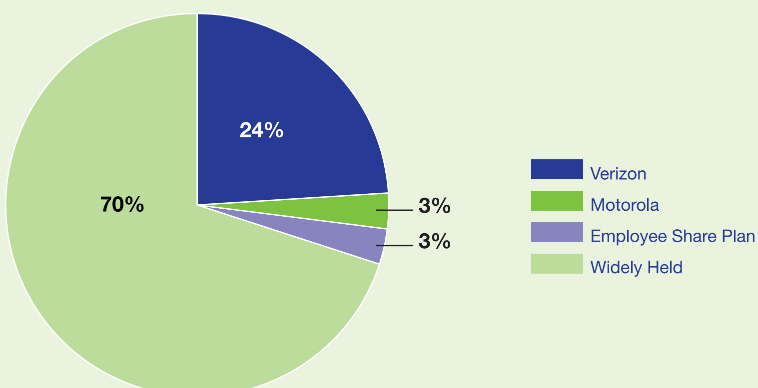
Stock Exchanges and Trading Symbols

Toronto Stock Exchange:	
TELUS common voting shares	T
TELUS non-voting shares	T.A
New York Stock Exchange:	
TELUS non-voting shares	TU

Ownership at December 31, 2001

		% of Class	% of Total
Total Outstanding Shares	**302,226,701**		
Common Voting Share Ownership			
Verizon	47,954,979	26.4%	15.9%
Widely Held	133,431,331	73.6%	44.2%
Total Outstanding	**181,386,310**	**100.0%**	
Non-Voting Share Ownership			
Verizon	23,683,480	19.6%	7.8%
Motorola	9,679,873	8.0%	3.2%
Widely Held	87,477,038	72.4%	28.9%
Total Outstanding	**120,840,391**	**100.0%**	100.0%

COMBINED SHARE OWNERSHIP
(December 31, 2001)



Under federal legislation, total non-Canadian ownership of the common voting shares of Canadian telecommunication companies, including TELUS, is limited to 33 ⅓%. To control and monitor this level, we have implemented a Reservation System. This system requires non-Canadian purchasers of common voting shares to obtain a reservation number from our Transfer Agent, Computershare Trust Company of Canada, by calling the Reservations Unit at 1-877-267-2236. The purchaser is notified within two hours if common voting shares are available for registration.

There are no ownership restrictions on the non-voting shares.

Share Prices and Volumes

TORONTO STOCK EXCHANGE

Common Voting Shares (T)

(All amounts in C$ except volume)	2001					2000				
	Q1	Q2	Q3	Q4	**Year 2001**	Q1	Q2	Q3	Q4	Year 2000
High	43.15	36.45	34.20	26.60	**43.15**	45.50	44.50	46.40	42.00	46.40
Low	32.60	30.50	17.70	18.30	**17.70**	33.75	34.25	35.80	36.45	33.75
Close	34.35	34.20	18.90	24.25	**24.25**	43.00	39.50	40.50	41.55	41.55
Volume (millions)	39.8	26.7	31.6	35.6	**133.7**	26.4	19.5	29.7	20.1	95.8
Dividend paid (per share)	0.35	0.35	0.35	0.35	**1.40**	0.35	0.35	0.35	0.35	1.40

Non-Voting Shares (T.A)

(All amounts in C$ except volume)	2001					2000				
	Q1	Q2	Q3	Q4	**Year 2001**	Q1	Q2	Q3	Q4	Year 2000
High	40.28	34.00	32.96	25.19	**40.28**	44.25	43.50	46.45	40.95	46.45
Low	30.50	28.60	16.85	17.10	**16.85**	33.00	34.60	34.10	35.30	33.00
Close	31.20	32.96	17.95	23.25	**23.25**	43.00	39.45	39.10	39.25	39.25
Volume (millions)	21.4	15.3	19.8	36.8	**93.2**	10.3	8.0	28.5	22.4	69.2
Dividend paid (per share)	0.35	0.35	0.35	0.35	**1.40**	0.35	0.35	0.35	0.35	1.40

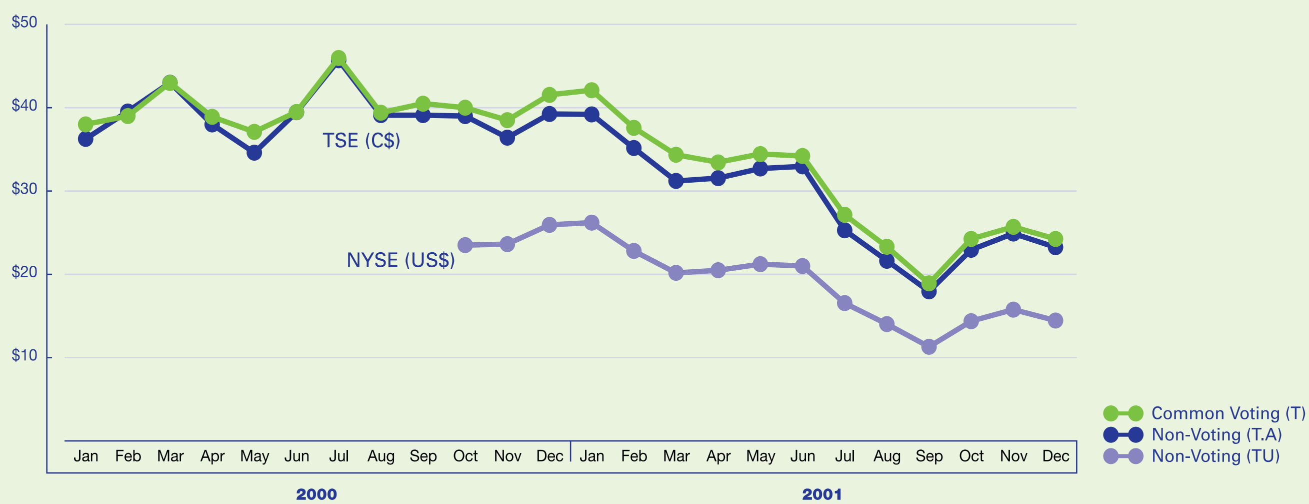
NEW YORK STOCK EXCHANGE

Non-Voting Shares (TU)

(All amounts in US$ except volume)	2001					2000 [1]				
	Q1	Q2	Q3	Q4	**Year 2001**	Q1	Q2	Q3	Q4	Year 2000
High	26.80	21.95	21.79	16.46	**26.80**	—	—	—	26.81	26.81
Low	19.44	18.79	10.65	11.00	**10.65**	—	—	—	23.25	23.25
Close	20.17	21.00	11.30	14.45	**14.45**	—	—	—	25.94	25.94
Volume (millions)	1.6	1.3	1.6	2.2	**6.7**	—	—	—	8.1	8.1
Dividend paid (per share)	0.23	0.23	0.23	0.22	**0.91**	—	—	—	n/a	n/a

1 – Listed on NYSE on October 17, 2000

2000 & 2001 Monthly Closing Prices for T, T.A and TU



Registered Shareholders[1]

	2001	2000
TELUS common voting	**43,531**	45,042
TELUS non-voting	**41,947**	43,705

1 – The Canadian Depository for Securities (CDS) represents one registration and holds securities for many institutions. At the end of 2001, it was estimated that TELUS had over 90,000 non-registered shareholders in each of the two classes of stock.

Valuation Day Prices

For capital gains purposes, the valuation dates and prices are as follows:

(C$)	Valuation Date	Price	Price when exchanged into TELUS Shares
BC TELECOM	December 22, 1971	6.375	6.375
BC TELECOM	February 22, 1994	25.25	25.25
Pre-merger TELUS	February 22, 1994	16.875	21.71

2002 Important Dates – Earnings and Dividends[1]

	Expected Dividend Record Dates	Expected Dividend Payment Dates	Expected Earnings Release Dates
Quarter 1	March 11[2]	April 1[2]	May 1
Quarter 2	June 10	July 1	July 29
Quarter 3	September 10	October 1	October 31
Quarter 4	December 11	January 1, 2003	February 2003

1 – January 1 dividend was declared on October 25, 2001 at a new reduced level of $0.15 per share
2 – April 1 dividend was declared on February 14 at $0.15 per share

If you need help with the following

- participate in Dividend Reinvestment and Share Purchase Plan
- electronic delivery of Shareholder Documents
- dividend payments or direct deposit of dividends into your Canadian bank account
- change of address
- transfer of shares
- option to receive quarterly information by mail
- loss of share certificates
- consolidation of multiple mailings to one shareholder
- estate settlements
- exchange of BC TELECOM or TELUS Corporation share certificates to the new TELUS common voting and non-voting certificates

Please contact the Transfer Agent and Registrar

- 1-800-558-0046 (toll-free within North America)
- (403) 267-6555 (outside North America)
- fax: (403) 267-6592
- e.mail: telus@computershare.com
- Web site: www.computershare.com

Computershare Trust Company of Canada

Shareholder Services
600, 530 – 8th Avenue SW
Calgary, Alberta CANADA T2P 3S8

Computershare also has offices in Vancouver, Edmonton, Winnipeg, Toronto, Montreal and Halifax.

If you need help with the following

- additional financial or statistical information
- industry and company developments
- latest news releases or investor presentations
- merger information

Please contact TELUS Investor Relations

- 1-800-667-4871* (toll-free within North America)
- (780) 493-7311 (outside North America)
- fax: (780) 493-7399
- e.mail: ir@telus.com
- Web site: www.telus.com

*fax-on-demand information available toll-free

TELUS Investor Relations

30, 10020 – 100th Street NW
Edmonton, Alberta CANADA T5J 0N5

TELUS Corporate Office

555 Robson Street
Vancouver, British Columbia CANADA V6B 3K9
Tel: (604) 432-2151
Fax: (604) 432-2984

TELUS General Information

1-888-223-0300 (toll-free within North America)

Auditors

Arthur Andersen LLP, Vancouver

Mergers and Acquisitions – Shareholder Impact

BC TELECOM and TELUS Corporation Merger

The common shares of BC TELECOM and TELUS Corporation are no longer traded on the stock exchanges. If you still have a share certificate for either company, you must have it replaced for the new TELUS common voting and non-voting share certificates. Please contact Computershare for instructions. The exchange will occur as follows:

If you are still holding BC TELECOM shares:

- 75% of your BC TELECOM common shares will be exchanged for TELUS common voting shares
- 25% of your BC TELECOM common shares will be exchanged for TELUS non-voting shares
- In each case your share exchange will be on a one-for-one basis.

If you are still holding TELUS Corporation shares (dated prior to February 1, 1999):

- 75% of your pre-merger TELUS common shares will be exchanged for new TELUS common voting shares
- 25% of your pre-merger TELUS common shares will be exchanged for new TELUS non-voting shares
- In each case your share exchange will be on a one for 0.7773 basis.

For registered shareholders, any fractional shares will be paid by cheque.

QuébecTel

TELUS acquired 70% ownership of QuébecTel on June 1, 2000. If you still hold share certificates of QuébecTel, you must tender your shares to General Trust of Canada for the payment of $23.00 per share. You may contact General Trust of Canada at 1-800-341-1419 or (514) 871-7171.

Clearnet

If you still hold share certificates for Clearnet Communications, you must tender your shares to Computershare to receive your consideration.

- Take Up Date of October 20, 2000, proration factor of 68.9557% applied to the cash portion of all cash, or cash and share combination elections; Fractional Payout $37.3103 per share; Fair Market Value of TELUS non-voting shares on October 20, $38.70.
- Take Up Date of January 12, 2001, proration factor of 67.5335% applied to the cash portion of all cash, or cash and share combination elections; Fractional Payout $38.1725; Fair Market Value of TELUS non-voting shares on January 12, $38.05.
- If you did not tender your shares under either of the above dates, your share certificates were cancelled on January 12, 2001, pending the deposit of your certificates to Computershare. Since the remaining shares will be deposited from time to time, there is no pooling of preferences possible, hence each deposit will receive the original offer of 50% cash and 50% TELUS non-voting shares. Fractional Payout $38.1725; Fair Market Value of TELUS non-voting shares on January 12, 2001, $38.05.

Daedalian eSolutions

If you still hold share certificates for Daedalian eSolutions, you must tender your shares to Computershare to receive your consideration. To calculate the number of TELUS non-voting shares you would receive, use the exchange ratio of 0.005341; Fractional Payout $31.83; Fair Market Value of TELUS non-voting shares on June 22, 2001, $30.35; Fair Market Value on July 3, 2001, $31.60.

Additional information on how your shareholdings were affected is available at www.telus.com/investors

Dividend Reinvestment and Share Purchase Plan

Shareholders wishing to acquire additional TELUS non-voting shares without fees can take advantage of this plan.

Under the Dividend Reinvestment feature, eligible shareholders can have their dividends reinvested automatically into additional non-voting shares issued from Treasury, currently at a 3% discount from the average market price.

Under the Share Purchase feature, eligible shareholders can on a monthly basis buy TELUS non-voting shares (maximum $20,000 per calendar year and minimum $100 per transaction) at 100% of the average market price without brokerage commissions or service charges.

Information booklets are available from Computershare or see our Web site at www.telus.com/investors

Electronic Delivery of Shareholder Documents

Please consider taking advantage of electronic delivery of Shareholder Documents. The benefits include:

- convenient and timely access to important company documents
- environmentally friendly
- reduces costs

To enrol, please access our Web site and follow the instructions found at www.telus.com/electronicdelivery

investor web site

Keeping in line with TELUS' value of providing innovative solutions, we have enhanced the Investors' section of the TELUS Web site to serve you better. In 2001, to provide leading-edge communication tools, we added quarterly conference call transcripts, improved Web cast functionalities, created a section focused on merger and acquisition activities, and introduced the option to receive Shareholder Documents electronically. Watch our Web site in the coming year as we continue to strive to provide you with informative, interesting and up-to-date information on TELUS.

www.telus.com > about TELUS > Investors

www.telus.com/investors

- **OVERVIEW**
  - Stock Quotes
  - News Releases
  - Events
  - Investor Fact Sheet
- **EVENTS**
- **INVESTMENT PROFILE**
  - Overview
  - Strategy
  - Executive Leadership Team
  - Corporate Profile
  - Merger & Acquisitions
  - Social Responsibility
  - Company History
  - Analyst Coverage
  - e.mail Alerts
- **SHAREHOLDER SERVICES**
  - Dividend Information
  - Electronic Delivery
  - Merger & Acquisition Impacts
  - Forms
  - Office Addresses
  - e.mail Alerts
- **FINANCIAL REPORTS**
  - Annual Reports
  - Quarterly Reports
  - Notices of Annual Meeting & Information Circulars
  - Prospectuses
  - Public Filings
- **REQUEST MATERIALS**
- **FAQS**
- **E.MAIL ALERTS**
- **CONTACT US**

annual and general meeting of shareholders

On Wednesday, May 1, 2002, a single-site meeting will be held at 10:00 am (Eastern Time) at the Four Seasons Hotel *Toronto*, 21 Avenue Road, Toronto, Ontario.

A live Internet Web cast complete with video and audio will be available to shareholders wherever they may be in Canada or elsewhere in the world. Shareholders unable to attend the meeting in person can vote by either the Internet, telephone or mail. For details, please see www.telus.com/agm

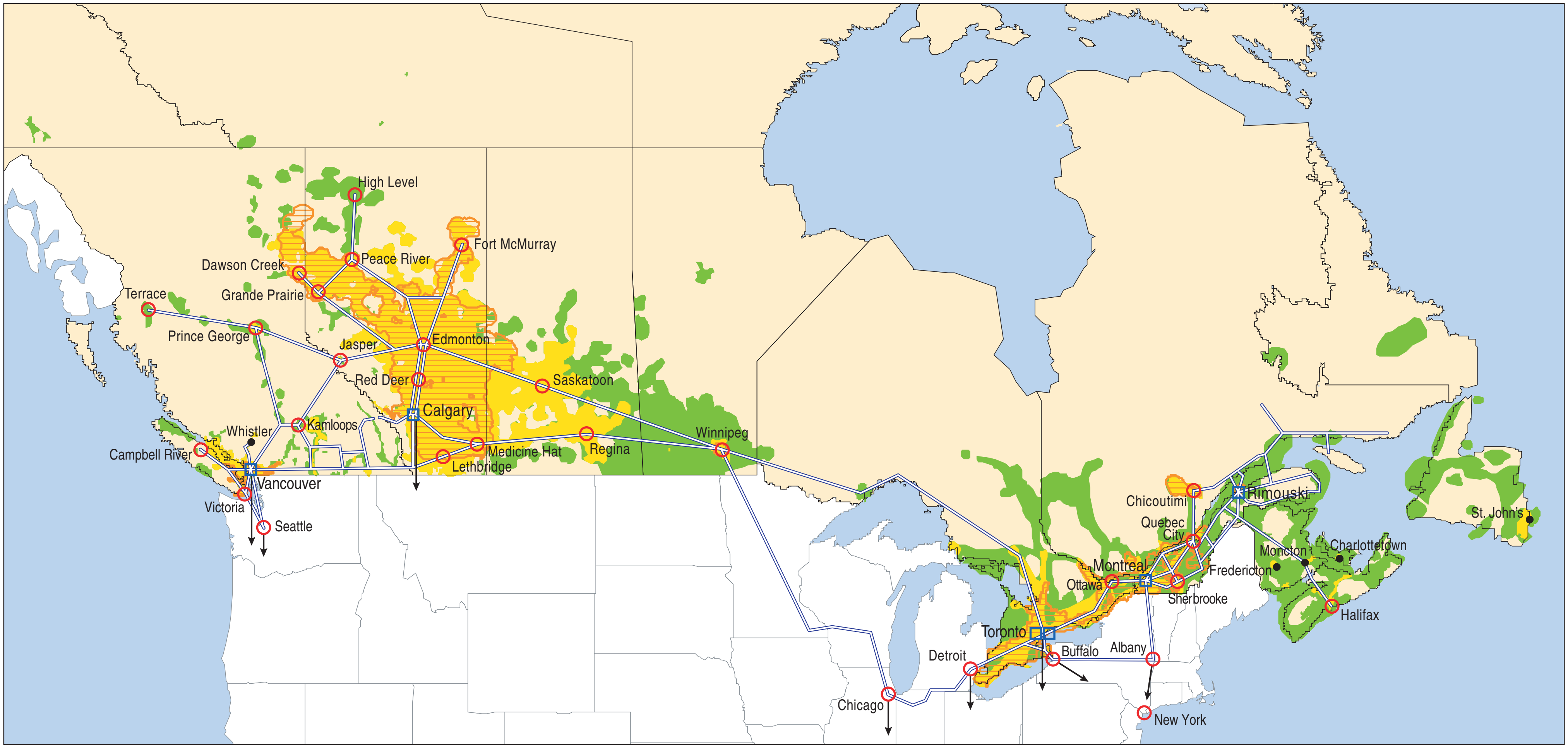
notes

BACK COVER PHOTOGRAPH: (left to right) Kathleen Kamiya, Kore Jana, Pamela Adamchuk, Chris Mallinson, Patricia Mackenzie & Steve Harding.

TELUS' National Infrastructure

TELUS MOBILITY WIRELESS COVERAGE[1]

IP BACKBONE & FIBRE NETWORK



Digital PCS (includes roaming)

Digital Mike

Analog (includes roaming)

IP Backbone & Fibre Network

Intelligent Internet Data Centres/Internet Data Centres/ Switching Centres/Fibre and Internet Backbone points of presence

Switching Centres/Fibre and Internet Backbone points of presence

Interconnection with Canadian, U.S. and global carriers including Genuity, WorldCom, Sprint, AT&T and Cable & Wireless

1- Coverage areas are approximate as of spring 2002. Actual coverage may vary and is subject to change.

Key to the integrated services provided by TELUS are its networks and wireless coverage. TELUS' Internet Protocol (IP) and fibre network carry IP and data traffic between major urban centres in Canada, and to the U.S. With this, TELUS transmits large volumes of data, enabling clients and users of both the public Internet and private corporate data networks to benefit from world-class communications technologies. TELUS now offers coast to coast digital wireless coverage to more than 24 million, or approximately 78% of the Canadian population. We expect to increase our digital wireless coverage to close to 90% of Canada's population this year with the implementation of enhanced and extended roaming/resale agreements.

TELUS®

the future is friendly®

TELUS Corporation, 555 Robson Street, Vancouver, British Columbia, Canada V6B 3K9

www.telus.com

This annual report is printed on paper containing post-consumer fibre. PRINTED IN CANADA