

staying ahead

2005 business review



staying ahead

Profile

TELUS Corporation is the largest telecommunications company in Western Canada and the second largest in the country. We provide a wide range of wireline and wireless telecommunications products and services including data, Internet protocol (IP), voice, video and entertainment services. The company is staying ahead through a consistent strategy focused on national wireless, data and IP growth.

In 2005, we generated \$8.1 billion in revenues, and were a top-quartile global leader among major telecom companies in growth of revenue, operating earnings, earnings per share and cash flow.

We are staying ahead for consumers and business.

- Our two state-of-the-art national digital wireless networks cover 30.6 million people across Canada and provide wireless services to 4.5 million subscribers
- Our new wireless high-speed data network, launched in 2005 in major centres across Canada, enables wireless data transfers at least six times faster than previous TELUS services
- Our strong incumbent market position in Western Canada and Eastern Quebec, including 4.7 million network access lines and 1.0 million Internet subscribers, provides a wireline platform for innovative TELUS Future Friendly® Home services such as TELUS TV®
- Our national wireline IP-based network offers advanced IP-based applications to business customers across Canada.

Strategic intent

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

Social responsibility

We are committed to becoming Canada's premier corporate citizen by making a difference in the communities where we live, work and serve.

inside

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For detailed financial information, refer to the TELUS 2005 annual report – financial review. This annual report in its entirety can also be viewed anytime online at telus.com/annualreport. All financial information is reported in Canadian dollars unless otherwise specified.

Forward-looking statements summary

This document contains statements about expected future events and financial and operating results of TELUS that are forward-looking. By their nature, forward-looking statements require the Company to make assumptions and are subject to inherent risks and uncertainties. There is significant risk that the forward-looking statements will not prove to be accurate. Readers are cautioned not to place undue reliance on forward-looking statements as a number of factors could cause actual future results and events to differ materially from that expressed in the forward-looking statements. Accordingly this document is subject to the disclaimer and qualified in its entirety by the assumptions (including assumptions for 2006 targets), qualifications and risk factors referred to in the Management's discussion and analysis starting on page 15 of the TELUS 2005 annual report – financial review.

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why invest in TELUS

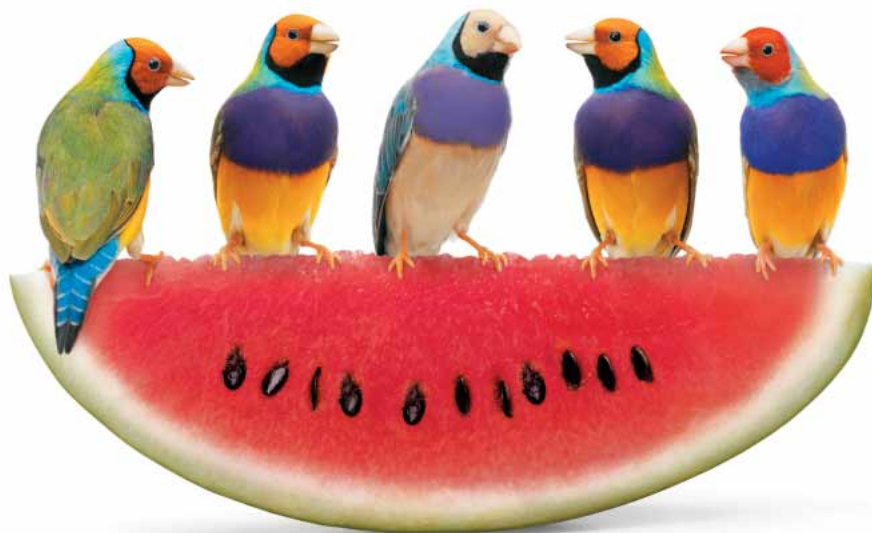
Invest in a focused, pure play Canadian telecom operating company with significant and growing wireless exposure and potential investment upside from earnings growth, strong free cash flow generation and a track record of returning capital to investors.

We are staying ahead:

- By delivering a consistent and focused communications growth strategy in Canada
- With a track record for setting and achieving the vast majority of our financial and operating targets
- With large exposure on a consolidated basis to the fast-growing Canadian wireless market
- By leveraging our competitive advantage with a strong brand and a full suite of innovative wireline and wireless services
- As a top-performing telco in North America
- With a strong balance sheet and solid credit ratings
- With a public dividend payout ratio guideline of 45 to 55% of sustainable net earnings, which led to a 38% increase in the quarterly dividend beginning January 1, 2006
- Through a second share buy-back program for up to 24 million shares
- With recognition for corporate governance best practices and 11 years of award-winning financial reporting and disclosure



2005 highlights



financial and operating highlights

- Achieved all consolidated 2005 revenue, profitability and cash flow targets – despite a four-month labour disruption – largely driven by our national wireless business and positive earnings in non-incumbent operations in Central Canada
- Increased net income and earnings per share by 24% due to strong wireless operating earnings
- Improved free cash flow by 13% as a result of solid EBITDA growth and reduced restructuring payments
- Significantly decreased our net debt to EBITDA ratio to 1.7 in 2005, consistent with our long-term leverage target ratio of 1.5 to 2.0
- Generated double-digit growth in wireless subscribers

(\$ in millions except per share amounts)	2005	2004	% change
Operations			
Operating revenues	\$ 8,143	\$ 7,581	7.4
EBITDA ¹	\$ 3,295	\$ 3,091	6.6
Operating income	\$ 1,672	\$ 1,448	15.5
Net income	\$ 700	\$ 566	23.7
Basic earnings per share	\$ 1.96	\$ 1.58	24.1
Dividends declared per share	\$ 0.875	\$ 0.65	34.6
Dividend payout ratio (%) ²	56	51	–
Return on common equity (%)	9.9	8.4	–
Cash from operations ³	\$ 2,915	\$ 2,538	14.9
Capital expenditures	\$ 1,319	\$ 1,319	0.0
Financial position			
Total assets	\$ 16,222	\$ 17,838	(9.1)
Net debt ⁴	\$ 5,794	\$ 6,478	(10.6)
Net debt to EBITDA ratio ⁵	1.7	2.1	–
Free cash flow ⁶	\$ 1,466	\$ 1,297	13.0
Shareholders' equity	\$ 6,870	\$ 7,026	(2.2)
Market capitalization of equity ⁷	\$ 16,557	\$ 12,741	30.0
Other information (as at December 31)			
Wireless subscribers (000s)	4,521	3,936	14.9
Network access lines (000s)	4,691	4,808	(2.4)
Total Internet subscribers (000s)	999	971	2.9

1 Operating revenues less Operations expense less Restructuring and workforce reduction costs.

2 Last quarterly dividend declared per share, in the respective reporting period, annualized, divided by the sum of Basic earnings per share reported in the most recent four quarters.

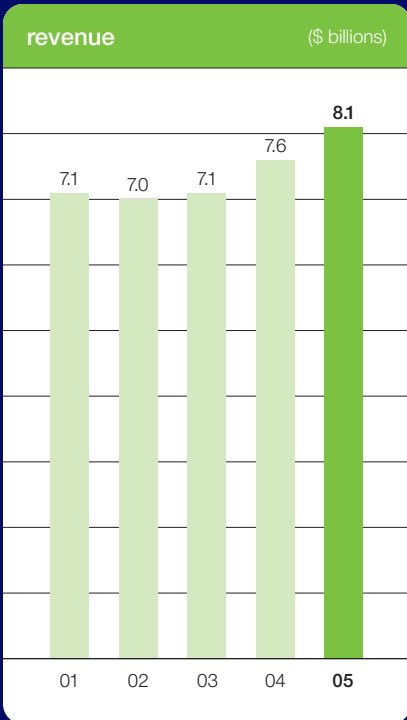
3 Cash provided by operating activities.

4 Long-term debt plus current maturities of Long-term debt and cheques outstanding less Cash and temporary investments plus cross currency foreign exchange hedge liability (less cross currency foreign exchange hedge asset) related to U.S. dollar notes.

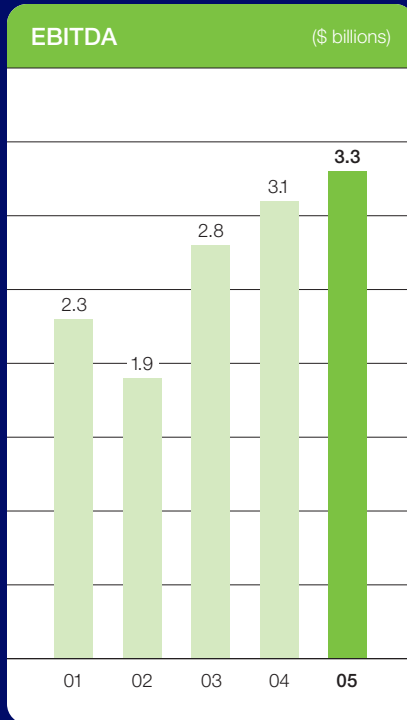
5 Net debt to EBITDA, where EBITDA excludes Restructuring and workforce reduction costs.

6 EBITDA, adding Restructuring and workforce reduction costs, cash interest received and excess of share compensation expense over share compensation payments, subtracting cash interest paid, cash taxes, capital expenditures, and cash restructuring payments.

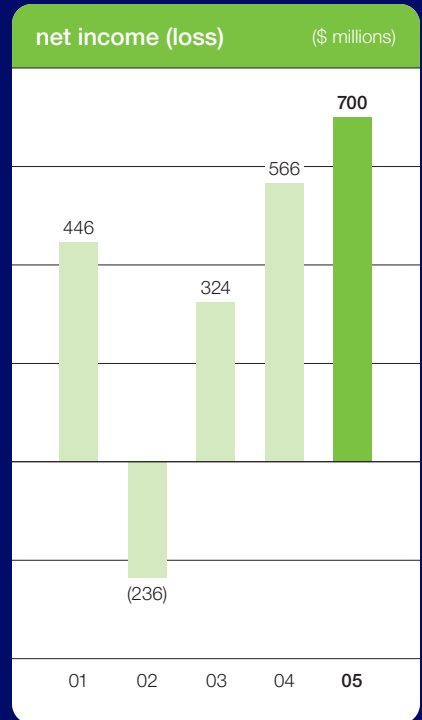
7 Market capitalization based on year-end closing share prices and shares outstanding.



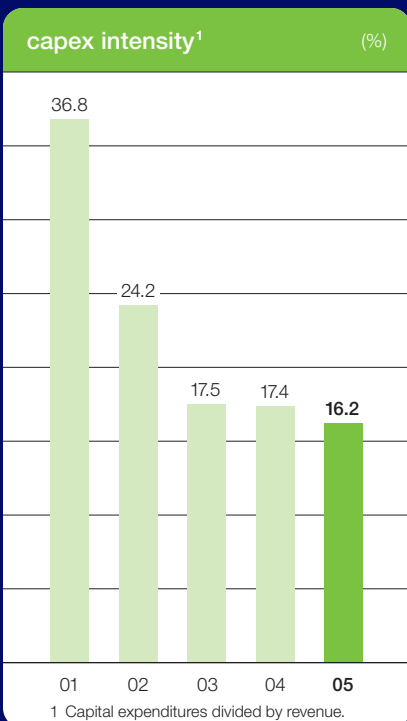
Revenue increased by 7%, due to strong growth in both wireless revenue and wireline data revenue



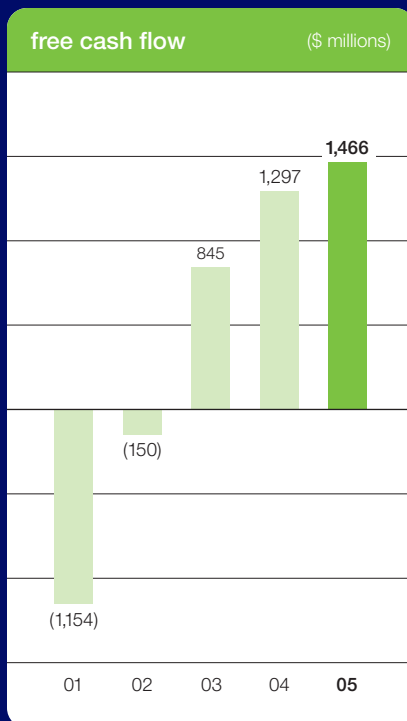
EBITDA grew by 7%, driven by strong wireless growth, partly offset by \$133 million of net labour disruption expenses



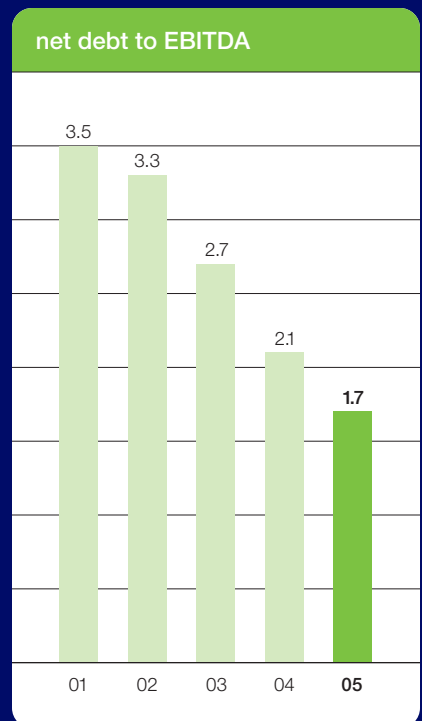
Net income increased by 24%, driven by growth in EBITDA



Capex intensity declined due to revenue growth and stable capital expenditures as some capital investments were deferred to 2006



Free cash flow grew by \$169 million due to higher EBITDA and lower cash restructuring payments



Net debt to EBITDA ratio continued to decrease in 2005, ending the year at 1.7

TELUS wireless



our products and services



digital voice – PCS (postpaid and Pay & Talk® prepaid) and Mike all-in-one (iDEN); Push To Talk capability on both Mike (Direct Connect™) and PCS (Instant Talk)

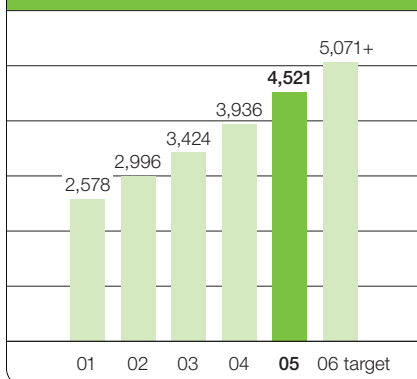
Internet – wireless web, text, picture and video messaging, music, ringtone, image and game downloads, Wi-Fi Hotspots and TELUS mobile TV™

data – wireless high-speed (EVDO), 1X, Mike packet data and personal digital assistants (PDAs), such as BlackBerry available on both PCS and Mike

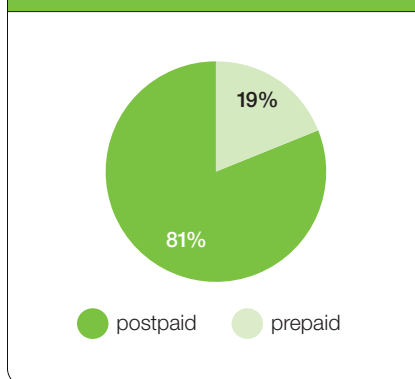
who we are

- A national wireless provider with 4.5 million consumer and business subscribers, and extensive digital coverage to 94% of Canada's population
- A North American industry leader in cash flow yield, operating margins and churn rate, with an average revenue per unit approximately 20% higher than our major Canadian peers
- A national provider of integrated digital wireless voice, data and Internet services, including innovative Push To Talk™ (PTT) services with Mike®, Canada's only iDEN network, and Instant Talk®, a national CDMA PTT service
- A leader in network performance with nationwide digital PCS (CDMA) service, including 1X data and newly launched wireless high-speed (EVDO) service

wireless subscribers (000s)



2005 subscriber mix



share of TELUS consolidated

in 2005, we delivered by...

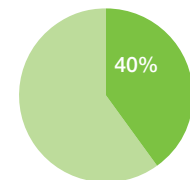
- Providing best-in-class coverage, customer service and retention, as evidenced by achieving a top-quartile North American subscriber churn rate of only 1.4% per month
- Increasing combined digital PCS and Mike coverage to 30.6 million POPs, or 94% of the Canadian population, including 1X data network coverage to 92% of the population
- Introducing Instant Talk, a new PTT service on our PCS network that enables customers to communicate instantly, at the push of a button
- Helping customers stay in touch around the world by launching both the Motorola A840 World Phone and a global system for mobile (GSM) global roaming card, and expanding our international roaming capabilities to more than 120 countries
- Launching our national wireless high-speed (EVDO) data network in five cities, enabling data transfers at least six times faster than previous TELUS services
- Introducing TELUS mobile TV service, which offers customers real-time access to live television programming on their wireless phones

in 2006, we are staying ahead with...

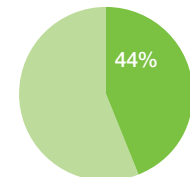
- A continued focus on profitable subscriber growth through EBITDA and cash flow generation, as well as world-class operating performance
- A target of \$1.25 billion to \$1.3 billion in cash flow (EBITDA less capital expenditures) from our wireless operations, a 20 to 25% increase
- A rigorous focus on customer retention and on maintaining top-quartile North American churn levels through premium customer service, which is being further facilitated by the integration of our wireless and wireline operations
- New wireless data products and services that leverage our 1X, EVDO and iDEN networks
- Ongoing expansion of our national points of distribution
- Enhanced coverage in North America and expanded international roaming with other carriers
- Expansion of the largest PTT services base in Canada with both Mike Direct Connect and PCS Instant Talk



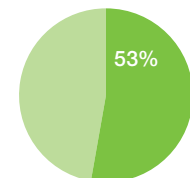
2005 results – wireless



revenue \$3.3 billion

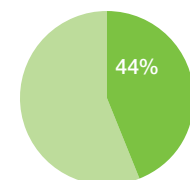


EBITDA \$1.44 billion

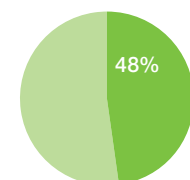


cash flow* \$1.04 billion

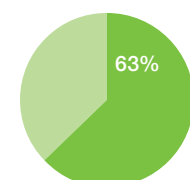
2006 targets – wireless



revenue \$3.775 to \$3.825 billion



EBITDA \$1.70 to \$1.75 billion



cash flow* \$1.25 to \$1.30 billion

*EBITDA less capital expenditures.

TELUS wireline

our products and services



voice – local and long distance phone service, personal call management services such as Call Display and Call Waiting, sale and rental of telephone equipment, and network wholesale rental to other service providers

data – IP networks, private line, switched services, network wholesale, network management for local and wide area networks (LAN and WAN), and hosting

Internet – TELUS high-speed or dial-up Internet services with available security features (Firewall, Anti-Virus, Parental Control, Anti-Spyware and Spam Control)

IP-based solutions – TELUS IP-One Innovation® and TELUS IP-One Evolution®, advanced IP applications for business customers

managed IT services – a suite of managed IT solutions and infrastructure delivered nationally through TELUS' wireline and wireless IP networks connected to TELUS' state-of-the-art Internet Data Centres

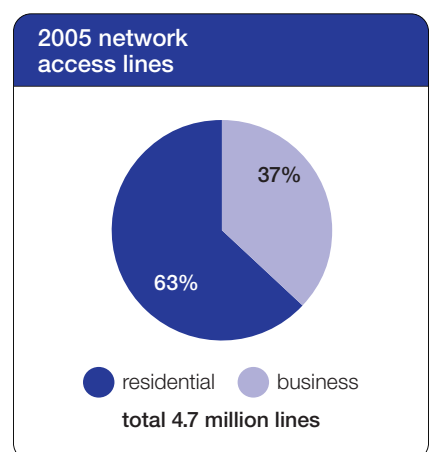
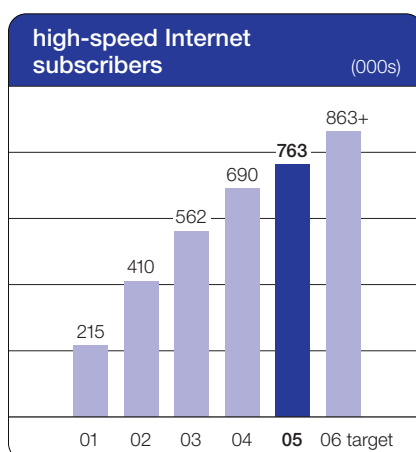
outsourcing solutions – contact centre and human resource and occupational health and safety solutions

TELUS Future Friendly Home – a suite of leading-edge digital residential services that include TELUS Home Networking (wireless LAN), TELUS HomeSitter® and TELUS TV



who we are

- A full-service incumbent local exchange carrier in Western Canada and Eastern Quebec offering local, long distance, data, Internet, video, entertainment and other services to consumers and businesses
- A national provider of data, IP and voice solutions focusing on the business market, including non-incumbent operations located in urban centres in Central Canada
- A provider of 4.7 million network access lines
- The second largest Internet service provider in Western Canada with 1.0 million Internet subscribers, 76% of whom are high-speed



in 2005, we delivered by...

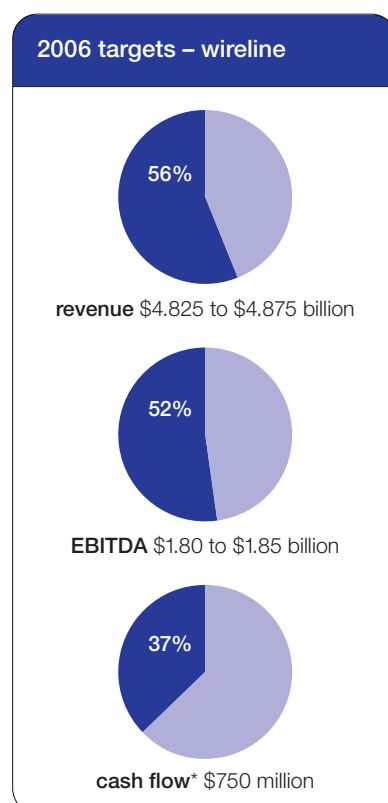
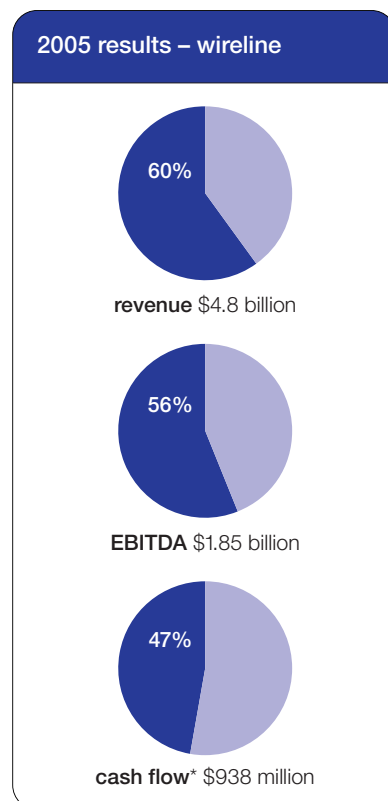
- Finalizing a five-year collective agreement with our unionized team members that reflects the competitive realities of the telecom industry
- Successfully implementing a number of large IP contracts as part of our business market expansion into Central Canada
- Winning major multi-year contracts including the Government of Quebec, Intrawest Corporation and Best Buy Canada
- Providing leading-edge HR outsourcing services and expertise through TELUS Sourcing Solutions and signing long-term contracts with the Calgary Board of Education and Hamilton Health Sciences
- Launching CallCentreAnywhere, Canada's first fully integrated on-demand hosted contact centre service, for business customers
- Offering TELUS TV, our innovative digital consumer entertainment solution, with targeted commercial launches in Calgary and Edmonton, Alberta

in 2006, we are staying ahead with...

- Additional efforts to drive operating efficiency and effectiveness through the integration of our wireless and wireline operations
- An increase in our high-speed Internet subscriber base and continued network upgrades to increase broadband capacity and expand our addressable market
- The expansion of our innovative Future Friendly Home suite of services with the further geographic roll-out of TELUS TV
- Improvements in productivity and customer service excellence, achieved by capturing value from TELUS' investments in technology and streamlining operating systems and processes
- An increase in non-incumbent revenue and profitability in Central Canada
- The creation of additional managed solutions for our business customers that enhance their competitiveness and their commitment to TELUS

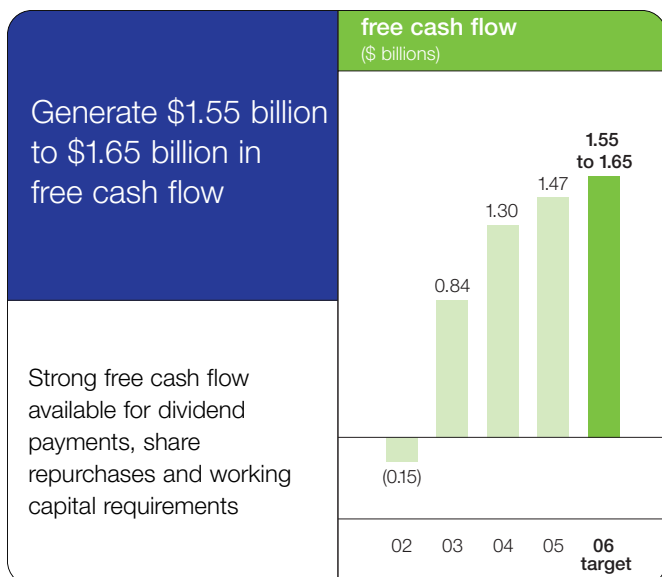
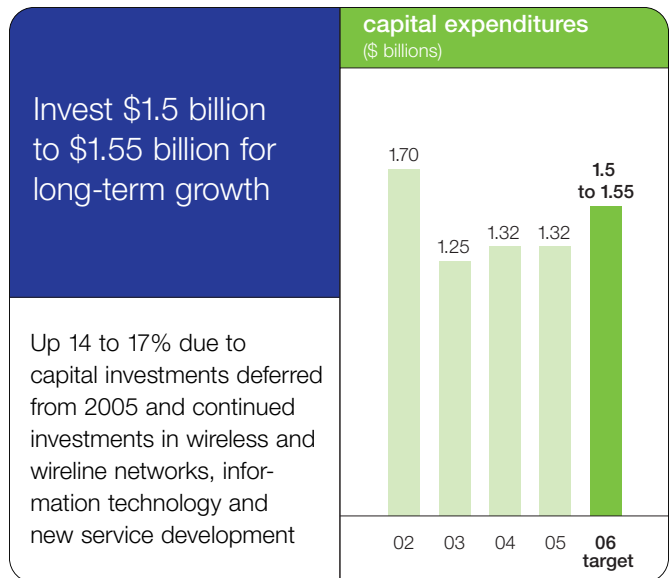
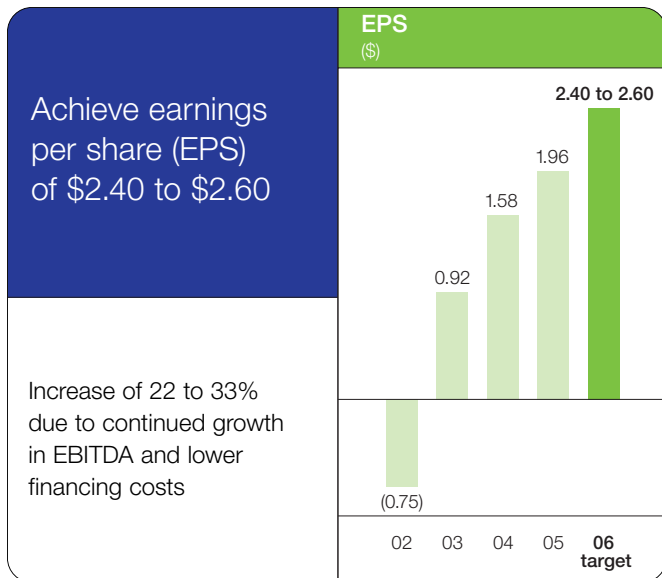
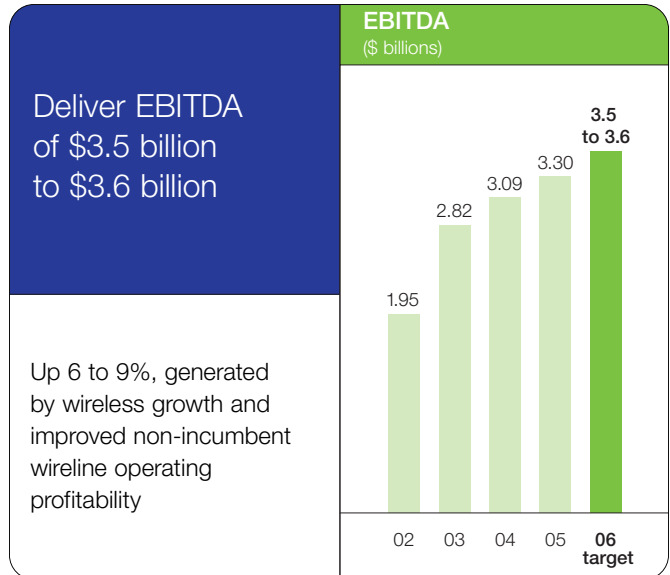
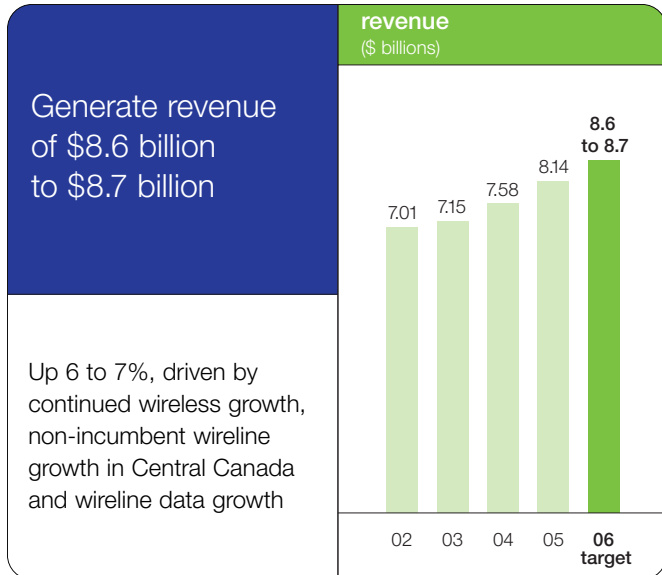


share of TELUS consolidated



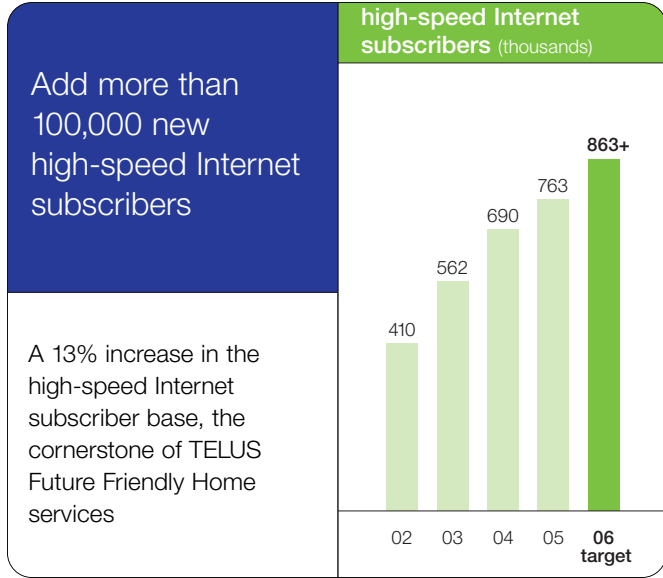
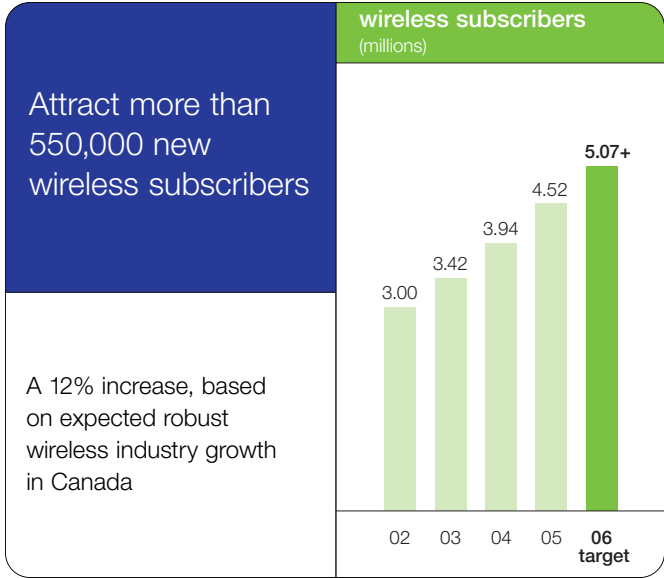
*EBITDA less capital expenditures.

2006 targets



For a complete set of 2006 financial and operating targets, see page 47 of the 2005 annual report – financial review.

These 2006 targets are qualified in their entirety by the Forward-looking statements on page 15 of the TELUS 2005 annual report – financial review. By their nature, forward-looking statements require the company to make assumptions and are subject to inherent risks and uncertainties and there is significant risk that the statements will not be accurate.



staying ahead

Dear fellow investor



Darren Entwistle
Member of the TELUS Team

For TELUS, 2005 was a remarkable year – a year when we delivered on our strategic priorities and met our operational and financial goals whilst overcoming the challenge of a four-month labour disruption. Now, with a strong business and financial foundation, a united team in place and a growing portfolio of innovative solutions, we

are staying ahead of our competition for the benefit of our shareholders, customers and team members. Please permit me to explain how.



spirited teamwork

With the integration of wireless and wireline operations and a new collective agreement in place, our newly united team is embracing a philosophy of “our business, our customers, our team, my responsibility.”

One team, one brand, one strategy

In 2005, TELUS made significant progress in its drive to improve its position as a national provider of integrated telecommunications solutions. For more than five years, we have remained true to our growth strategy and maintained a steadfast focus on data, Internet protocol (IP) and wireless services. Indeed, there is little doubt that our ability to relentlessly pursue this objective has resulted in TELUS maintaining a leadership position in the global telecommunications industry.

TELUS' six strategic imperatives, in place since the year 2000, continue to guide our actions. These are as follows:

- Building national capabilities across data, IP, voice and wireless
- Providing integrated solutions that differentiate TELUS from our competitors
- Partnering, acquiring and divesting to accelerate the implementation of our strategy and focus our resources on core business
- Focusing relentlessly on growth markets of data, IP and wireless
- Going to market as one team, under a common brand, executing a single strategy
- Investing in internal capabilities to build a high-performance culture and efficient operation.

A significant advancement of this strategy is the recent merger of our wireless and wireline operations into a single operating structure. Effectively integrating these operations in 2006 will better differentiate TELUS in the marketplace and enable us to deliver innovative communications solutions, under one brand and defined by a common strategy. The integration improves our economies of scale and combines the talents, innovation and infrastructure of our wireless and wireline businesses to improve the effectiveness of TELUS' business operations in the market. Moreover, TELUS is now strongly positioned to leverage the ongoing convergence of wireline and wireless technology.

Another important objective was achieved in November with the realization of a new five-year collective agreement with unionized team members primarily based in Western Canada. This landmark agreement reflects the competitive industry in which we operate and establishes a new era for TELUS. It also delivers unprecedented opportunities to materially enhance TELUS' productivity, flexibility and competitiveness. Moreover, this progressive agreement recognizes the importance we place on our most valuable assets – our team members – by providing best-in-class remuneration, employment security and career development opportunities. Our entire team – more than 29,000 strong – can now fully focus on effectively serving our customers and continuing to grow value for our shareholders.

Strong performance in 2005 bodes well for 2006

Your company generated excellent financial and operating results in 2005. For the third consecutive year, TELUS shares were one of the best-performing telecom stocks in the world. In 2005, our common share price increased by 32 per cent, compared to a 12 per cent decrease for telecom stocks globally. Indeed, an investment in TELUS five years ago is worth 82 per cent more than a similar investment in our global peers.

For the third year in a row, TELUS produced top-quartile results among our global telecom peers in growth of revenue, operating earnings (EBITDA), cash flow and earnings per share. Revenue and EBITDA were up seven per cent, and net income was up 24 per cent to \$700 million. Free cash flow also increased by 13 per cent to \$1.5 billion. These results were achieved despite the four-month labour disruption.

Greater exposure to wireless revenue growth at TELUS was an important driver of this performance in 2005. In fact, 42 per cent of TELUS' revenue in the fourth quarter of 2005 was derived from wireless services. Growth in the wireless segment is expected to continue, particularly since the penetration rate for wireless phones across Canada, which stood at 52 per cent at year-end, accelerated in 2005. It should be noted that Canada's wireless penetration rate is one of the lowest in the world, leaving ample growth opportunities for years to come.

passion for growth

TELUS' new national wireless high-speed network gives customers access to the Internet at speeds as fast as wireline high-speed technology, and opens the door to new mobile applications.

Consistent with increased competition, especially from cable telephony, network access lines continued to erode and long distance revenue declined in 2005 as expected. However, TELUS wireline revenue was resilient in 2005, increasing slightly due to growth in data services and our national expansion into the Ontario and Quebec business markets.

The notable financial performance in TELUS' wireline business, in the face of competitive intrusion, a restrictive regulatory environment and an extended labour disruption, allowed TELUS to reflect the full strength of our significant exposure to wireless in our consolidated financial results.

Our leading share price performance is also a product of our ongoing and public commitment to return cash to investors. The company undertook the following initiatives in 2005, returning cash to shareholders by:

- Increasing the quarterly dividend for January 2006 by 37.5 per cent
- Repurchasing 20.8 million shares for \$892 million
- Announcing a second share repurchase program for up to 24 million shares by December 2006
- Redeeming \$1.6 billion of debt six months ahead of schedule.

Our excellence in financial disclosure and corporate governance was externally recognized in 2005 by many organizations, including the Canadian Institute of Chartered Accountants.

Achieving our 2005 corporate priorities

Each year, we focus our efforts on corporate priorities that drive the collective efforts of our team in support of our growth strategy and the underlying strategic imperatives that define it. What follows is a summary of our performance against these priorities.

1

Enhancing our leadership position in wireless

Our wireless operations continued to excel in 2005, leading the industry in many areas and significantly contributing to TELUS' overall growth in revenue and earnings. In fact, TELUS has been ranked as the best-performing wireless operator in North America in an independent assessment by N. Moore Capital and Associates out of New York.

Your company's wireless division exceeded expectations in 2005, generating a record number of new subscribers (584,000) and achieving 17 per cent revenue growth. Our wireless segment's excellence in marketing operations, client care and network performance has led to an industry-leading average revenue per customer, operating profit growth and cash flow yield, as well as one of the best customer loyalty and retention rates in the global wireless industry.

In August, we introduced TELUS mobile TV, giving customers access to television on their wireless handsets. We also introduced a new national wireless high-speed network, based on the EVDO (evolution data optimized) standard, which offers business customers the ability to transfer data at speeds at least six times faster than the previous TELUS transmission rate. Innovative solutions like these are a catalyst for continued wireless data growth.

2

Leveraging our investments in high-speed Internet technology

High-speed Internet continues to be the platform for TELUS' Future Friendly Home services, providing secure connectivity to the world. In 2005, we added 73,000 high-speed Internet subscribers, bringing our total Internet base to 1.0 million. Whilst these results were hindered by the labour disruption, TELUS expects to regain momentum in 2006 and we expect to add more than 100,000 high-speed customers in 2006.

In 2005, TELUS expanded its suite of Future Friendly Home services from mobility and security to entertainment. TELUS TV delivers differentiated customer choice without resorting to price discounting. We began a phased neighbourhood roll-out in Edmonton and Calgary of our innovative TELUS TV service, ushering in an exciting area of growth for our company. Further expansion of TELUS TV will continue on a targeted basis through 2006.

We entered into a \$110 million agreement with the Government of British Columbia to connect 119 communities to high-speed Internet and to expand broadband services. In addition, we secured a new master services agreement with the Government of British Columbia, our largest customer, and its Crown corporations. The agreement is projected at \$245 million over four years, with options for three more years.

3**Accelerating wireline performance in Ontario and Quebec business markets**

We continue to pursue the significant growth opportunity that exists in the Ontario and Quebec business markets. Our leading-edge IP network and managed data and IP solutions provide business customers with new and tailored solutions to meet their business needs. Our non-incumbent business revenues increased by 13 per cent to \$632 million in 2005 and, for the first time, generated positive full-year EBITDA of \$21 million.

During the 2005 financial year, your company gained a number of new large multi-year customers including Hamilton Health Sciences, Government of Quebec, Intrawest Corporation and Best Buy Canada.

4**Growing brand value by delivering a superior customer experience**

Delivering exceptional customer care continues to be of paramount importance. In our wireless business, we have consistently achieved high levels of customer satisfaction as evidenced by our very low churn rate of only 1.4 per cent in 2005. Moreover, TELUS' performance in customer loyalty and retention has been at, or near, best-in-class in the North American wireless industry consistently for the past five years.

In our wireline business, customer service levels remained higher than expected during the labour disruption due to the strength of your company's contingency plans and the dedication of our team members. Given the flexibility the new collective agreement has established and a united focus on serving customers, TELUS is positioned to deliver superior customer service going forward.

5**Reaching a new collective agreement**

Reaching a collective agreement after a four-month labour disruption was a significant milestone for TELUS and heralds a new constructive era for our team.

The new five-year agreement provides increased operating flexibility and productivity, focuses team members on our core business, and facilitates better service for customers in an increasingly competitive marketplace. It fosters a culture of high performance with universal variable pay, which rewards team members when certain performance metrics are met, and encourages advancement based on merit as well as seniority.

The agreement also establishes a new paradigm for labour relations. For example, the company and the union have agreed to work together to withdraw various legal proceedings between the parties. As well, a Common Interest Forum has been established as a mechanism for cooperation and dialogue.

6**Driving continual improvements in productivity**

TELUS' continual drive towards operational efficiency and effectiveness was impacted in the second half of the year due to the labour disruption. Our original 2005 goal of investing \$100 million in restructuring costs was halved in 2005 and the goal was reset for 2006 to the aforementioned amount.

The new collective agreement put in place in November and the recent integration of our wireline and wireless operations provide TELUS with opportunities for productivity and cost efficiencies going forward. For example, we can institute best practices, contract out non-core activities and continue to consolidate operations.

making homes future friendly with TELUS TV

In 2005, TELUS extended its Future Friendly Home strategy with the targeted launch of an innovative all-digital television service in Edmonton and Calgary. TELUS TV offers differentiated and tailored entertainment solutions for our customers.



Looking ahead

While TELUS enjoyed considerable success in 2005, there are challenges on the horizon that must be answered effectively. The following are some of the key tasks and challenges we are addressing to ensure we grow value for our shareholders.

- Effectively competing with local phone competitors, especially cable-TV providers, and addressing the resulting increased erosion of network access lines
- Minimizing any loss of momentum from completing the merger of our wireless and wireline operations
- Re-engaging our team members, engendering a renewed sense of spirited teamwork and fully educating managers to apply and realize the benefits of the new collective agreement
- Ensuring new product launches, such as TELUS TV and wireless data services, are executed effectively, differentiating TELUS from our competition through innovation rather than price.

focus for 2006

To stay ahead and support the ongoing success of our national growth strategy, we have set the following corporate priorities for 2006.

1 Advance TELUS' leadership position in the consumer market through:

- TELUS' future friendly suite of data applications for customers at home and on the move
- Best-in-class customer loyalty through cost-effective customer experience
- Expanding TELUS' channel partner relationships to strengthen our distribution

2 Advance TELUS' position in the business market through:

- Innovative solutions that enhance the competitiveness of our customers and deepen their loyalty to TELUS
- Increasing our share in the business market by leveraging our mobile solutions, such as high-speed data
- Improving delivery of managed solutions to small business customers

3 Advance TELUS' position in the wholesale market through:

- Strengthening our North American reach through innovative IP solutions
- Establishing creative and preferred partnerships to grow our national customer base
- Optimizing the use of partner networks to complement TELUS' network investments

4 Drive improvements in productivity and service excellence by:

- Realizing efficiencies from the integration of wireline and wireless operations
- Driving improvements in enterprise-wide productivity and customer service excellence to increase competitiveness
- Capturing value from TELUS' investments in technology and innovation to streamline our operations

5 Strengthen the spirit of the TELUS team and brand, and develop the best talent in the global communications industry by:

- Continuing to leverage best practices across the company
- Cultivating a business ownership culture that embraces a philosophy of "our business, our customers, our team, my responsibility"
 - Capitalizing on TELUS' reputation as a progressive, high-performance company to attract and retain the best team in Canada
 - Providing team members innovative opportunities for growth, development and employment options.



embrace change, initiate opportunity

Seven new TELUS Community Boards have been established across Canada with key community leaders actively involved in allocating \$3.5 million annually to local communities.

Creating a friendly future

TELUS and its team members continue to support the communities in which we live, work and serve. Through a strong commitment to economic, social and environmental responsibility, we are working hard to realize our vision of becoming Canada's premier corporate citizen.

To ensure we provide support in a meaningful way, we are actively engaging the communities we serve through seven TELUS Community Boards established in 2005. Consisting of distinguished community representatives complemented by senior team members from TELUS, the boards are responsible for allocating \$3.5 million annually to local charities.

Your company also supports philanthropic donations made by our team members, most significantly by matching their Employee Charitable Giving Campaign donations dollar-for-dollar. In 2005, when the campaign was postponed due to the labour disruption, we provided the full funding – \$2 million – to eligible charities across Canada to ensure those who needed help would not be left short. Over the last five years, TELUS and its team members have contributed more than \$62 million of financial and in-kind assistance to charitable organizations across Canada.

Our community efforts have brought recognition for excellence in corporate social responsibility. In 2005, TELUS ranked as the seventh best corporate citizen in Canada in the Corporate Knights annual ranking of the Best 50 Corporate Citizens. For the fifth consecutive year, your company was named to the global Dow Jones Sustainability Index as an economic, environmental and social leader. Once again, TELUS was the only North American telecommunications company to be recognized and one of only 12 Canadian companies to make the list in 2005.

Staying ahead in 2006

As we enter 2006, the future looks friendly for our investors, customers and team members. Building on the momentum from TELUS' record of success over the past five years, we are well positioned to further execute our proven strategy.

With our strong financial position and the enhanced customer focus of TELUS team members, your company is well equipped to compete successfully in the Canadian marketplace. In 2006 and beyond, we aim to stay ahead as the leading telecommunications provider with innovative solutions that improve the competitiveness of our business customers and enhance the lifestyle of consumers. By again working to attain our 15 public financial and operating targets for 2006, whilst remaining committed to being Canada's leading corporate citizen, we expect to stay ahead for all TELUS stakeholders.

Thank you for your continued support.



Darren Entwistle
President and Chief Executive Officer
February 24, 2006



staying ahead for communities

At TELUS, delivering a friendly future extends beyond our traditional business and the services we provide to ensuring we deliver on our corporate social responsibilities. In support of our vision to become Canada's premier corporate citizen, we are committed to improving the economic, social and environmental well-being of the communities in which we live, work and serve. We are staying ahead...

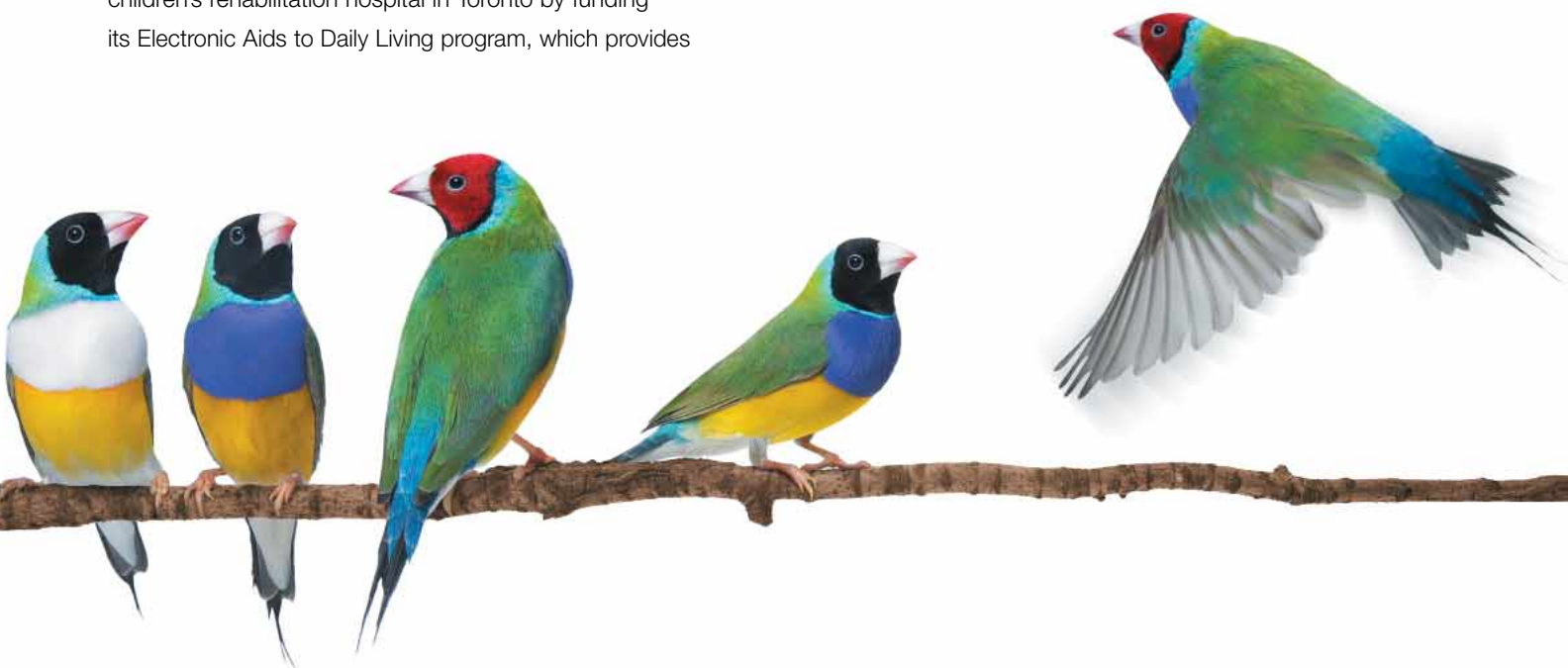
...by supporting our communities

With a focus on young Canadians, we look for opportunities to use our technology and expertise in ways that positively influence communities. To ensure our support has the greatest impact, our community investment efforts are focused in three areas – arts and culture, education and sport, and health and wellness. Below are some examples of our 2005 initiatives.

- **TELUS Tour for the Cure** – TELUS partnered with the Canadian Breast Cancer Foundation to bring this tour to 26 communities and 200,000 people in British Columbia. The goal of the program is to save lives through interactive education and prevention awareness programs.
- **Science Alberta Foundation** – TELUS supported special Alberta centennial education programs through leading organizations like the Science Alberta Foundation.
- **Bloorview Kids Rehab** – TELUS supported this leading children's rehabilitation hospital in Toronto by funding its Electronic Aids to Daily Living program, which provides

the customized tools and cutting-edge technology needed to enable young Canadians to lead richer, independent lives.

- **Share the Warmth Foundation** – In Montreal, TELUS partnered with this Foundation to help youth overcome hunger and poverty. We supported the Foundation's Build the Future project to raise funds for food, better educational programming and recreational programs for marginalized youth.
- **National Arts Centre Trust** – TELUS is the founding partner of the National Youth and Education Trust, which provides funding for the National Arts Centre. Our support helps develop programs that nurture the creative talent of young people in the Ottawa region and across Canada.



corporate social responsibility

To ensure our support has the greatest impact, our community investment efforts are focused on arts and culture, education and sport, and health and wellness. To find out more about our efforts in these areas, visit telus.com/socialresponsibility.

...by encouraging life-long learning

TELUS WORLD of SCIENCE

TELUS formed partnerships with five science centres across Canada to help promote technological innovation and learning in science

and technology. Over the next 20 years, we are investing \$43 million in the TELUS World of Science® centres in Vancouver, Calgary and Edmonton, and the Ontario and Montreal Science Centres. These partnerships will help foster educational opportunities for young Canadians through the innovative use of technology and ensure these facilities remain leading-edge for future generations.

...by actively listening to our stakeholders

In 2005, we established seven TELUS Community Boards – in Vancouver, Edmonton, Calgary, Toronto, Ottawa, Montreal and Rimouski. The boards, which include key community representatives and senior team members from TELUS, meet quarterly to discuss local giving opportunities and strategically allocate approximately \$3.5 million annually to local charities. In doing so, the boards help TELUS determine where and how to invest resources to best optimize the benefits that flow to the communities.

...by making a difference through giving

At TELUS, we have a long history of giving. Since 1995, TELUS has been an Imagine Caring Company, a designation by the Canadian Centre for Philanthropy that means we donate more than one per cent of our pre-tax profits to charitable organizations each year. Over the past five years, TELUS and its team members have contributed more than \$62 million of financial and in-kind assistance to charitable organizations across Canada. In 2005, TELUS and its team members contributed more than \$11 million of financial and in-kind assistance to charitable organizations.



Each fall, we normally launch an Employee Charitable Giving Campaign, where TELUS matches team members' charitable donations dollar-for-dollar. To ensure the Canadian charitable organizations were not affected by the labour disruption, TELUS provided 100 per cent of the funding, \$2 million, in lieu of the 2005 campaign.

Through the TELUS Volunteer Involvement Fund, TELUS donated \$160,200 to Canadian charitable organizations in recognition of the 801 team members who volunteered a minimum of 60 hours of their personal time.

...with a dedication to social responsibility

TELUS maintains a long-standing commitment toward social responsibility and to operating in an economically, socially and environmentally sustainable manner. With a focus on being a good corporate citizen, we are implementing business practices that support long-term sustainable growth while protecting the environment and improving the quality of life in the communities we serve.



For the fifth consecutive year, TELUS was named to the global Dow Jones Sustainability Index (DJSI), a worldwide corporate sustainability ranking that recognizes economic, environmental

and social leaders. TELUS was once again the only North American telecommunications company, and one of only 12 Canadian companies, to make this international list.



TELUS was recognized as Canada's seventh best corporate citizen in the Corporate Knights' annual ranking of the Best 50 Corporate Citizens in Canada, up from 39th place in 2004.

staying ahead for consumers

TELUS continued to unleash the power of the Internet for consumers in 2005, and set the stage for more to come in 2006. With innovative and compelling wireless and wireline solutions, first-class networks, and enhanced customer care, Canadians are benefiting at home, in the workplace and on the move. For consumers, we are staying ahead...

...with growing Internet services

In 2005, we continued to grow our national Internet subscriber base. In Alberta, British Columbia and Eastern Quebec, we now serve 1.0 million Internet subscribers, 76 per cent of whom are high-speed subscribers. Our extensive high-speed Internet infrastructure provides a platform for launching new telecommunications solutions for consumers.

Starting in May, we began promoting two additional varieties of high-speed Internet service. TELUS High-Speed Lite Internet offers speeds five times faster than dial-up Internet, does not tie up the phone line and is suitable for consumers wanting to surf the Internet and access e-mail. TELUS High-Speed Enhanced Internet offers more speed than our regular high-speed Internet service and is ideal for online gaming and downloading large files.

TELUS IP Messaging was introduced in 2005, bringing new voice mail management features to customers. IP Messaging allows consumers to forward their messages to e-mail, create and manage distribution lists visually, send alerts to a mobile phone, BlackBerry or e-mail, and even send voice messages to people who do not have voice mail service.

...with compelling solutions at home

As the platform for the TELUS Future Friendly Home, high-speed Internet is opening the door to a wide variety of new and fun opportunities for consumers.

For example, we expanded our suite of Future Friendly Home services to include entertainment with the introduction of TELUS TV. In November, we began a targeted launch of our innovative all-digital television service in Calgary and Edmonton, Alberta. Further expansion of TELUS TV service is planned for 2006 through a phased neighbourhood roll-out. It is a differentiated service, for example offering more

programming choice to customers as compared to cable-TV offerings, and is marketed as a premium-priced service.

Plans are underway to take Future Friendly Home services in new and exciting directions. For example, we have begun an employee trial of a voice over IP (VoIP) offering. By focusing on integration and simplification, TELUS' VoIP services should bring telephone and Internet services together for the convenience of consumers.

...with innovative wireless data solutions

Today more than ever, wireless phones are becoming powerful mobile multimedia and entertainment tools for consumers. With this in mind, in August we introduced TELUS mobile TV and a broad selection of content. Customers can conveniently



watch live streaming television programming including news, weather and shopping channels on their wireless phones.

The use of multimedia messaging services (MMS) increased exponentially in 2005 as text, picture and video messaging grew in popularity. In fact, Canadians sent well over a billion text messages last year. Messaging growth was fuelled by the introduction of inter-carrier MMS services in July, enabling customers with MMS-capable phones to send and receive messages, regardless of their wireless carrier.

...with unique phones that do more

Our goal is to lead the industry with unique, feature-rich phones that combine communication, productivity and entertainment tools in a single device. For example, the multi-functional (CDMA and GSM) Motorola A840 World Phone offers PCS customers roaming in more than 120 countries, along with a built-in digital camera, MP3 player and speakerphone. And, the LG 535, a multimedia phone powerhouse, packs video and camera capabilities alongside an integrated MP3 player and speakers.

The launch of Instant Talk early in 2005 gave PCS customers access to instant Push To Talk (PTT) communications for the first time in Canada. Instant Talk enables customers to communicate with colleagues, friends and family across North America, at the push of a button. As Canada's PTT leader, TELUS now offers instant communication on both our PCS and Mike networks.

...with enhanced distribution

In 2005, we opened 19 new corporate retail stores. In total, our national distribution network consists of more than 2,000 retail

locations across Canada, including approximately 140 corporate stores, as well as some 7,000 points of distribution for Pay & Talk airtime cards.

...with a firm commitment to customer care

Delivering customer service excellence remains a key priority for all areas of TELUS. Our strong focus on customer care and loyalty and retention programs in our wireless business resulted in a disconnect rate or "churn" of 1.4 per cent, among the lowest in the global wireless industry.

In our wireline operations, we intensified our customer service efforts. In April, TELUS launched SmartCall, a program for contact centre agents to support TELUS Internet customers. SmartCall complements TELUS e.Care, a technical support tool for Internet customers, by helping call centre agents resolve Internet connectivity problems quickly and effectively.

In June, TELUS was named the top national directory assistance provider in Canada for the second time in a row by The Paisley Group Ltd., a directory assistance and operator services consulting company that conducts semi-annual surveys. In 2005, TELUS handled more than 64 million directory assistance calls.

The 16-week labour disruption in Alberta and British Columbia impacted customer service levels in the second half of 2005. While we exceeded service expectations in areas such as call centre performance, areas such as new installations were negatively impacted. With the return to work of 8,000 unionized team members, there has been a renewed focus on customer service going into 2006.

tune in to TV

With TELUS mobile TV, wireless customers are tuning in to live streaming television on their phones – anytime and anywhere. Combined with messaging, game playing and surfing the web, there's a lot more you can do with a wireless handset than just talk.



staying ahead for business

TELUS is committed to offering integrated solutions that give our business customers a competitive edge through superior end-to-end customer service. From industry-leading IP telephony and security solutions, to mobile high-speed Internet access and instant communications, we provide businesses with reliable integrated data, IP, voice and wireless solutions that meet their needs. For business customers, we are staying ahead...

...with powerful mobile computing applications

With the launch of TELUS' national wireless high-speed network in November 2005, customers have access to Internet, e-mail and other networks at download speeds comparable to wireline high-speed. The EVDO network offers high-speed access to customers in Vancouver, Calgary, Edmonton, Toronto and Montreal, with plans to expand to other urban centres in 2006.

To accompany the new network, TELUS continued to introduce exciting new data devices. The BlackBerry 7130e offers fast access to data networks along with powerful e-mail and productivity tools. It also serves as a wireless high-speed modem for customers connecting their laptop computers to the Internet.

TELUS also launched both the Sierra Wireless AirCard 580 and Kyocera Passport KPC650, PC cards that offer customers mobile high-speed access from their portable computers. We expect that the higher speeds, additional handsets and new devices will result in more effective mobile business customer applications, such as the mobile desktop.

...by enhancing our IP-based integrated solutions

Building on our leadership position in IP telephony, in 2005 we expanded our suite of advanced IP-based network applications with TELUS IP-One Evolution. This hosted and managed IP service enables business customers to migrate from their existing Centrex system to IP telephony at a pace that suits their needs. In addition to utilizing the benefits of Centrex, customers gain the productive power of IP with converged voice, data and Internet applications such as integrated messaging and remote activation of services.

TELUS continued to enhance its national presence through the addition of new large contracts with business customers throughout 2005. In March, we announced an eight-year, \$30 million agreement with Intrawest Corporation to be the

exclusive supplier of certain IP and telecommunications services for Intrawest resorts across Canada. In late 2005, we signed a five-year agreement with Best Buy Canada to carry voice, video and data for 169 Best Buy and Future Shop stores across Canada through TELUS' innovative IP network.

...by securing new business in the West

TELUS partnered with the Government of B.C. in April to consolidate about 340 existing competitive telecommunications services contracts into a master agreement and to invest \$110 million to bring high-speed Internet access to 119 communities



helping businesses communicate

CallCentreAnywhere enables businesses to benefit from leading technology without large investments of time and money. This innovative solution streamlines customer contact and communication through a single IP-based system. In 2005, TELUS secured more than \$12 million in contracts for CallCentreAnywhere from customers including the Canadian Red Cross and Canada Post.



and to expand broadband services. This agreement secures a large share of provincial government business projected at more than \$245 million over four years, with options for three more years, and positions TELUS for new revenue growth opportunities from both the agreement and our investment in broadband.

...with leading Push To Talk solutions

We continued to enhance our leadership position in wireless Push To Talk (PTT) solutions, which enable users to communicate at the touch of a button.

In April, we launched the BlackBerry 7520, powered by Mike, maintaining our position as the only Canadian carrier to offer the powerful combination of BlackBerry with the Mike Direct Connect walkie talkie service. Direct Connect service enables customers to speak instantly with other PTT users across Canada, the United States, Mexico and South America. The BlackBerry 7520 also features global positioning system (GPS) capabilities that support location-based services like fleet management.

We introduced Push To View® picture messaging on several new Mike phones in August, enabling Mike customers to send picture messages and other data, such as stored contact information.

...with advanced communications solutions

In 2005, TELUS introduced innovative communications solutions for business, such as CallCentreAnywhere.

We also enhanced our conferencing services, enabling businesses to effectively share information, no matter where they are located. Through TELUS Collaboration Solutions, business customers can benefit from leading audio, web and video conferencing services managed by TELUS.

TELUS Camp-in-a-Box™, a communications solution for the energy sector, gained popularity in the market and generated \$40 million in new contracts in 2005. Camp-in-a-Box provides everything needed to set up and run field operations, from

business processes and workplace safety requirements to entertainment services for workers.

...with state-of-the-art security solutions

In response to one of the most critical concerns of business customers, we enhanced our suite of security applications during 2005 by developing and offering cutting-edge comprehensive end-to-end network protection to businesses and governments across Canada.

In March, we launched Distributed Denial of Service, the first in Canada, which constantly monitors network traffic and eliminates attacks before they can have an impact. In May, we introduced TELUS End Point Enforcement™, which provides protection against worms and viruses for network workstations, including – for the first time – laptops for remote workers. In October, we introduced End Point Security Agent, becoming the first to market a fully managed solution that monitors computer behaviour, rather than applications like e-mail, to identify suspicious actions and protect networks against viruses and worms.

...with IP and human resources expertise

Leveraging TELUS' innovative IP and human resources (HR) expertise, TELUS Sourcing Solutions delivers world-class HR and occupational health and safety solutions to public sector organizations across Canada.

In October, TELUS Sourcing Solutions announced a 10-year, \$65 million contract with the Calgary Board of Education for the delivery of a portion of its HR services. In November, TELUS announced a 15-year, \$137 million agreement with Hamilton Health Sciences to provide the process and information technology components, including the day-to-day management and delivery, of its HR services. As part of the agreement, the TELUS Centre of Excellence will be established for further development and testing of innovative HR system solutions.

board of directors

R.H. (Dick) Auchinleck 1

Residence: Calgary, AB
Principal occupation: Director
Director since: 2003

Education:

- Bachelor of Applied Science (Chemical Engineering), University of British Columbia 1976

Other Boards: Conoco-Phillips Inc., Enbridge Commercial Trust, and Red Mile Entertainment

TELUS Committees: Corporate Governance, and Human Resources and Compensation

A. Charles Baillie 1

Residence: Toronto, ON
Principal occupation: Director
Director since: 2003

Education:

- Honours Bachelor of Arts (Political Science & Economics), Trinity College, University of Toronto 1962
- MBA, Harvard Business School 1964
- Honorary Doctorate of Laws, Queen's University 2000

Other Boards: Dana Corporation, Ballard Power Systems Inc., Canadian National Railway Company, and George Weston Limited; President of The Art Gallery of Ontario; Chancellor of Queen's University; Chair of Canadian Council of Chief Executives, and Co-chair of Capital Campaign of the Nature Conservatory of Canada

TELUS Committee: Audit

Micheline Bouchard 1

Residence: Montreal, QC
Principal occupation: President and CEO, ART Advanced Research Technologies
Director since: 2004

Education:

- Bachelor of Applied Science (Engineering Physics), École Polytechnique 1969
- Master of Applied Science (Electrical Engineering), École Polytechnique 1978
- Honorary Doctorate in Business, Université de Montréal (HEC) 2000
- Honorary Doctorate in Engineering, University of Waterloo 2002, University of Ottawa 2001, and Ryerson Polytechnic University 1998
- Honorary Doctorate of Laws, McMaster University 1999

Other Boards and affiliations: Conference Board of Canada, and IWF Leadership Foundation; and Member of the Order of Canada

TELUS Committee: Audit

R. John Butler, Q.C. 1

Residence: Edmonton, AB
Principal occupation: Counsel, Bryan & Company
Director since: 1995

Education:

- Bachelor of Arts, University of Alberta 1965
- Bachelor of Laws, University of Alberta 1968
- Called to Alberta Bar 1969

Other Boards: Trans Global Insurance Company, Trans Global Life Insurance Company, and Liquor Stores Income Trust

TELUS Committees: Chair, Pension, and member, Corporate Governance

Brian A. Canfield 1

Residence: Point Roberts, WA
Principal occupation: Chairman, TELUS Corporation
Director since: 1993

Education:

- Honorary Doctorate in Technology, British Columbia Institute of Technology 1997

Other Boards and affiliations: Suncor Energy Inc., Canadian Public Accountability Board, and Crawford Panel on a Single Canadian Securities Regulator; appointed to the Order of British Columbia

TELUS Committee: Pension

Pierre Ducros 1

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

Education:

- Bachelor of Arts, Université de Paris at College Stanislas, Montréal 1956
- Royal Military College of Canada 1960
- Bachelor of Engineering (Communications), McGill University 1961

Other Boards and affiliations: Manulife Financial Corporation, Cognos Incorporated, Emergis Inc., Nstein Technologies Inc., Engenuity Technologies Inc., and RONA Inc.; Member of the Order of Canada, and Officer of the Order of Belgium

TELUS Committee: Audit

Dick Auchinleck



Charles Baillie



Micheline Bouchard



John Butler



Brian Canfield



Pierre Ducros



Darren Entwistle

Residence: Vancouver, BC

Principal occupation: President and CEO, TELUS Corporation

Director since: 2000

Education:

- Bachelor of Economics (Honours), Concordia University, Montreal 1986
- MBA (Finance), McGill University 1988
- Diploma (Network Engineering), University of Toronto 1990

Other Boards: Board of Governors, International Institute of Telecommunications; TD Bank Financial Group; Leading Edge Endowment Fund; Chair of Royal Conservatory of Music's Capital Campaign; and Vancouver Symphony Orchestra

R.E.T. (Rusty) Goepel ¹

Residence: Vancouver, BC

Principal occupation: Senior Vice President, Raymond James Financial Ltd., Canadian operations

Director since: 2004

Education:

- Bachelor of Commerce, University of British Columbia 1965

Other Boards: Spur Ventures Inc., Amerigo Resources Ltd., Premium Brands Income Trust, and Baytex Energy Trust; Chairman of Business Council of British Columbia; Vancouver 2010 Olympic Organizing Committee, and Vancouver Airport Authority

TELUS Committee: Audit

John S. Lacey ¹

Residence: Thornhill, ON

Principal occupation: Chairman, Alderwoods Group, Inc.

Director since: 2000

Education:

- Program for Management Development, Harvard Business School 1976

Other Boards: Advisory Board of Tricap, Cancer Care Ontario, CIBC, Canadian Tire Corporation Limited, and Western Forest Products Ltd.; Chairman of Doncaster Racing Inc. and Doncaster Consolidated Ltd.

TELUS Committees: Chair, Human Resources and Compensation, and member, Corporate Governance

Brian F. MacNeill ¹

Residence: Calgary, AB

Principal occupation: Chairman, Petro-Canada and Dofasco Inc.

Director since: 2001

Education:

- Bachelor of Commerce, Montana State University 1965
- Certified Public Accountant (California) 1967
- Chartered Accountant (Canada) 1970
- Fellow of the Chartered Accountants of Alberta 1995

Other Boards: TD Bank Financial Group, West Fraser Timber Co. Ltd.; Chair of Board of Governors, University of Calgary; and Member of the Order of Canada

TELUS Committee: Chair, Audit

Ronald P. Triffo ¹

Residence: Edmonton, AB

Principal occupation: Chairman, Stantec Inc.

Director since: 1995

Education:

- Bachelor of Applied Science (Civil Engineering), University of Manitoba 1961
- MSc (Engineering), University of Illinois 1963
- Studies in economic theory and policy, and business management, Concordia University, Montreal, and the Banff School of Advanced Management 1970–74

Other Boards: Chairman, ATB Financial; Alberta Ingenuity Fund, Board of Governors of Junior Achievement of Northern Alberta, Alberta's Promise, and Advisory Council of the Faculty of Medicine and Dentistry at University of Alberta

TELUS Committees: Chair, Corporate Governance, and member, Pension

Donald P. Woodley ¹

Residence: Mono Township, ON

Principal occupation: CEO and President, GENNUM Corporation

Director since: 1998

Education:

- Bachelor of Commerce, University of Saskatchewan 1967
- MBA, University of Western Ontario 1970

Other Boards: DataMirror Corporation, Steam Whistle Brewing Inc., The Hospital for Sick Children Foundation, Richard Ivey School of Business at the University of Western Ontario, and GENNUM Corporation

TELUS Committees: Human Resources and Compensation, and Pension

¹ Independent director

Visit telus.com/bios for additional biographical information.

Darren Entwistle



Rusty Goepel



John Lacey



Brian MacNeill



Ronald Triffo



Donald Woodley



executive leadership team

Darren Entwistle

President and Chief Executive Officer

Location: Vancouver, BC

Education:

- Bachelor of Economics (Honours), Concordia University, Montreal 1986
- MBA (Finance), McGill University 1988
- Diploma (Network Engineering), University of Toronto 1990

Boards and committees: Board of Governors, International Institute of Telecommunications; TD Bank Financial Group; Leading Edge Endowment Fund; Chair of Royal Conservatory of Music's Capital Campaign; and Vancouver Symphony Orchestra

Joe Grech

Executive Vice-President,
Network Operations

Location: Vancouver, BC

Education:

- Bachelor of Applied Science (Electrical Engineering), University of Toronto 1985

Boards and committees: Vancouver Board of Trade

Robert McFarlane

Executive Vice-President and
Chief Financial Officer

Location: Vancouver, BC

Education:

- Bachelor of Commerce (Honours), Queen's University 1983
- MBA, University of Western Ontario 1985

Boards and committees: Royal & SunAlliance Insurance Company of Canada, Ascalade Communications Inc., and Vancouver Advisory Board of The Salvation Army, British Columbia Division; Vice-chair of Business Council of British Columbia and a member of its Economic Policy Committee

Joe Natale

Executive Vice-President and
President, Business Solutions

Location: Toronto, ON

Education:

- Bachelor of Applied Science (Electrical Engineering), University of Waterloo 1987

Boards and committees: Royal Conservatory of Music, Livingston International Inc., and Governing Council of Sunnybrook & Women's Health Science Centre, Toronto

Karen Radford

Executive Vice-President and
President, TELUS Québec and
TELUS Partner Solutions

Location: Montreal, QC

Education:

- Bachelor of Science, Mount Allison University 1989

■ MBA, Dalhousie University 1991
Boards and committees: President and co-founder of Women's Leadership Foundation; Alberta Children's Hospital Foundation Board; National Advisor to Youth in Motion and Women in Motion; Center for Telecom Management at the University of Southern California

Darren Entwistle



Joe Grech



Robert McFarlane



Joe Natale



Karen Radford



Kevin Salvadori

Executive Vice-President,
Business Transformation and
Chief Information Officer

Location: Vancouver, BC

Education:

- Bachelor of Applied Science (Systems Design Engineering), University of Waterloo 1993

Boards and committees: BC Technology Industries Association

Judy Shuttleworth

Executive Vice-President,
Human Resources

Location: Vancouver, BC

Education:

- Executive programs at Queen's University (1979), University of British Columbia (1997), and Verizon Executive Development (1998)

Boards and committees: Human Resources Committee of the Conference Board of Canada, Society for Human Resources Management, Telco Industrial Relations Committee, and Vice-Chair of the TELUS Vancouver Community Board

Eros Spadotto

Executive Vice-President,
Technology Strategy

Location: Toronto, ON

Education:

- Bachelor of Applied Science (Electrical Engineering), University of Windsor 1984
- MBA, Richard Ivey School of Business 1995

John Watson

Executive Vice-President and
President, Consumer Solutions

Location: Toronto, ON

Education:

- Bachelor of Business Administration, York University 1987
- MBA, York University 1990

Boards and committees: Wireless Payment Services Inc.

Janet Yale

Executive Vice-President,
Corporate Affairs

Location: Ottawa, ON

Education:

- Bachelor of Arts, McGill University 1975
- Master of Economics, University of Toronto 1976
- Bachelor of Laws, University of Toronto 1981
- Called to Ontario Bar 1983
- ICD (Institute of Corporate Directors) Director's Education Program 2004

Boards and committees: Ashbury College, Ottawa Centre for Research and Innovation, Great Canadian Theatre Company, the Ottawa Hospital, Information Technology Association of Canada (ITAC), The Council for Business and the Arts in Canada, and The Canadian Film Centre; Chair of Board of Directors, Ottawa United Way/Centraide, Chair of National Arts Centre Gala, and Chair of the TELUS Ottawa Community Board

Visit telus.com/bios for additional biographical information.

Kevin Salvadori



Judy Shuttleworth



Eros Spadotto



John Watson



Janet Yale



questions and answers



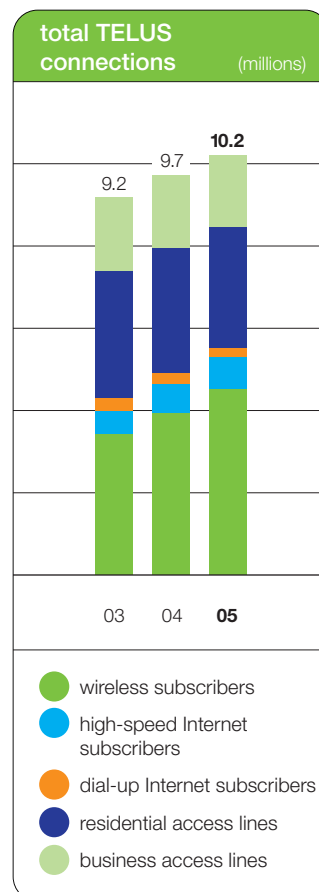
Competition is heating up for local residential telephone service with more people migrating to wireless phones as well as with the ongoing launch of IP-based cable telephony by your major cable-TV provider. What is the impact on TELUS, and how are you responding?



John Watson
Executive Vice-President
and President, Consumer Solutions
Member of the TELUS Team

Competition is indeed intensifying in the traditional local and long distance markets industry-wide. The popularity and convenience of wireless technology are persuading more Canadians to move to wireless services and give up their home phone. TELUS is also now competing with new IP telephony service providers, the most capable of which is cable-TV company Shaw Communications.

The impact of wireless substitution and IP telephony was anticipated by TELUS with an expected increase in network access line (NAL) losses and increasing pressure on local and long distance voice revenues. In 2005, the Shaw launch of cable telephony in Calgary and Edmonton, Alberta and Victoria, B.C. contributed to TELUS losing 110,000 or 3.6% of its residential lines, compared to 1.3% in 2004. With Shaw launching in the large Vancouver, B.C. market in January and potentially other smaller cities, we expect NAL erosion to moderately increase in 2006.



However, TELUS is well positioned to weather the increase in wireline competition. Since 2000, we have focused on a national strategy based on data, IP and wireless growth. By the end of 2005, data and wireless accounted for more than 59% of total revenues, compared to only 28% in 2000. We also continue to experience growth in Central Canada. The increases in wireless and data revenues are expected to be much higher than the declines we expect in local and long distance services.

In terms of wireless substitution of local phone lines, TELUS is a net beneficiary on a consolidated basis. Let me explain. In our incumbent regions, we capture a solid portion of the business that comes from customers migrating from wireline to wireless phones. In our non-incumbent regions in Canada, where the market is three times larger, we enjoy a 100% gain in customers who choose TELUS wireless as their primary phone.

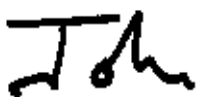
As shown in the bar chart, TELUS in the past has been successful in more than offsetting the losses in residential NALs and dial-up Internet subscribers through growth in wireless and high-speed Internet subscribers.

In the consumer wireline market, TELUS is prepared for increased competition from IP telephony. Telephony is our core business and TELUS provides a full-service package of reliable and innovative solutions. This is an integrated quadruple-play consumer offering that includes local and long distance, high-speed Internet, wireless service, and now TELUS TV in certain areas. Our Future Friendly Home products and services deliver enhanced functionality and convenience for consumers, and increased revenues and customer loyalty for TELUS. Furthermore, we expect to enhance customer service as a result of significant information technology and system investments, and the increased flexibility afforded by the new collective agreement reached in late 2005.

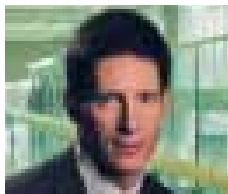
Over the past five years, TELUS has also increased operational efficiency with productivity-enhancing measures. These measures are meant to ensure costs are aligned with market pressures to maintain wireline profitability in the face of increased competition.

A silver lining in increased wireline competition is that it may lead to less regulation and give TELUS increased flexibility to market wireline services.

So, while TELUS expects continued challenges in maintaining local market share, we are confident in our wireless, data and IP growth strategy, differentiated by a full and integrated suite of services. We believe this strategy will create new revenue streams and mitigate our competitive losses.



Given debt repayments made in recent years, might TELUS become under-leveraged? What are your plans for the significant free cash flow expected in 2006?



Robert McFarlane
Executive Vice-President
and Chief Financial Officer
Member of the TELUS Team

To ensure that TELUS' balance sheet reflects an optimal financial structure, a moderate level of debt is necessary to maintain a low cost of capital. With this in mind, our Board of Directors has established long-term leverage policy targets for the net debt to EBITDA ratio in the range of 1.5 to 2.0 and net debt to total capitalization of 45 to 50%.

We have continued to fulfill our commitment to act in a manner that balances the interests of equity and debt holders. In recent years, this was best accomplished by an orderly reduction of debt to attain more modest leverage levels. This period has been characterized by strong performance by both TELUS share and debt prices, reflecting the effectiveness of our approach. More recently in 2005, we notably retired early \$1.6 billion of debt. This action is expected to generate a positive economic return to TELUS by reducing interest expense in the future and contributing to a reduction in our gross debt leverage ratios. By year-end 2005, we reported a net debt to EBITDA ratio of 1.7 and achieved our policy target range. This resulted in upgrades from all four major credit rating agencies during 2005.

Maintaining a balance between shareholder and debt holder interests in the future remains a priority for TELUS. Having achieved our long-term leverage targets, we expect to refinance our future debt maturities through the issuance of additional notes, commercial paper or other such instruments. Surplus cash flow can then be returned to shareholders.

In 2006, TELUS expects to continue to utilize a significant portion of its expected \$1.55 billion to \$1.65 billion of free cash flow to pursue further return of capital to shareholders through dividends and share repurchases.

Following a 33% dividend increase for 2005, TELUS announced a substantial 37.5% increase to the quarterly dividend effective January 1, 2006. TELUS now pays a quarterly dividend of 27.5 cents per share.

Our current implied forward dividend payout ratio, based on 2006 targeted earnings per share, is 42 to 46%, which is at the low end of the range of our dividend policy

guideline of 45 to 55% of sustainable net earnings. This indicates that, if TELUS continues to be successful in growing earnings as planned, there would be an opportunity for the Board to consider, in the future, further increases in the dividend.

TELUS also continues to return capital to shareholders through share repurchase programs. TELUS has repurchased 23 million shares for \$970 million since December 2004 under two Normal Course Issuer Bids. We are currently in the midst of a second repurchase program for up to 24 million shares, or 7% of outstanding shares, for a 12-month period ending in December 2006. We believe that share repurchases constitute an attractive investment opportunity that should enhance the value of the remaining shares.

By achieving our 2006 free cash flow target of \$1.55 billion to \$1.65 billion, TELUS should be well positioned to operate within our long-term leverage policy targets and continue to pursue future opportunities to enhance shareholder value.

Many TELUS unionized employees were involved in a four-month labour disruption in 2005. What are the advantages of the new collective bargaining agreement for TELUS' customers and investors?

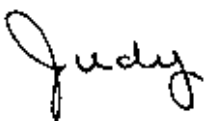


Judy Shuttleworth
Executive Vice-President,
Human Resources
Member of the TELUS Team

TELUS and its largest union achieved a landmark five-year negotiated collective agreement in November 2005. A key advantage is that we have gained labour certainty to the end of 2010, which contrasts with the uncertainty of the last several years. For our team members, the new agreement provides best-in-class compensation, growth opportunities and employment protection. For our investors and customers, the advantages of this new agreement are many as it modernizes a contract that had long impeded our ability to fully integrate our operations between B.C. and the rest of Canada to effectively and efficiently serve customers in the increasingly competitive communications market.

For example, we have increased flexibility to serve customers when they want to be served, and we have increased the company's ability to schedule employees based on customer needs and to use temporary and part-time staff to deal with fluctuating service requirements. We have increased productivity by more than 50,000 person-days a year by buying out time off (over and above vacation time) in B.C. We have made a significant step forward in our performance culture with at-risk, variable pay for all employees based on a scorecard of metrics covering financial performance, customer service, business efficiency and effectiveness, and spirited teamwork. In addition, contractual provisions have been updated to ensure that employee qualifications, experience and aptitude are taken into consideration, along with seniority, when staffing decisions are being made. We have also increased our efficiency by contracting out non-core functions, like janitorial services, to third parties so we can focus our resources on our core communications business.

Given the significant changes that were negotiated, we are training management to fully understand and administer this agreement. The company and the union have agreed to work to dismiss or withdraw various legal proceedings and establish a Common Interest Forum to constructively discuss important issues. In addition, TELUS team members have a common focus towards better serving our customers. While it is difficult to quantify all the benefits, this agreement clearly allows TELUS to be a better-performing company for the benefit of our customers, team members and investors.



What are the key regulatory issues investors should keep an eye on?



Janet Yale
Executive Vice-President,
Corporate Affairs
Member of the TELUS Team

The regulatory framework remains a part of life for TELUS and other telecommunications companies and could represent a positive or negative impact for us going forward. TELUS has certain mandated local revenue "price cap" reductions in our wireline business, and regulatory rulings will likely continue to remain somewhat unpredictable. TELUS has the advantage from our non-incumbent local exchange carrier (non-ILEC) operations, which provide a partial hedge against adverse ILEC

rulings. Overall there is increasing pressure in Canada for the federal regulatory bodies to consider greater deregulation as competition and technology convergence increases.

TELUS' telecommunications and broadcasting services are regulated under federal legislation by Industry Canada, as well as the Canadian Radio-television and Telecommunications Commission (CRTC), which reports to Parliament through the Minister of Canadian Heritage. Areas of regulatory and policy developments that TELUS investors should keep an eye on include:

- **Forbearance decision** – The CRTC's pending decision on local forbearance will signal how long it will be before, and under what conditions, ILECs obtain more freedom and flexibility to compete with cable-TV and other providers, which are not regulated. A decision is anticipated in the first half of 2006.
- **Deferral account** – A decision on how the CRTC treats the use of ILEC deferral account funds for rural wireline serving areas was released in February 2006. The decision indicated TELUS had a preliminary liability balance of \$130 million. The company is to submit applications to fund uneconomic portions of the network backbone and access infrastructure to provide broadband services to rural areas of B.C., Alberta and Eastern Quebec. After provincial consultation, projects are to be submitted to the CRTC for approval by June 30, 2006. Use of the funds to support the extension of broadband connectivity to rural areas allows customers in these areas to benefit from TELUS' high-speed Internet services, and responds to government policies to expand high-speed Internet availability. Approved projects, for example capital expenditures, will result in revenue recognition by TELUS spread over the life of the assets.
- **Price cap review** – The CRTC plans to undertake a review in 2006 of the existing price cap regime in place since 2001 to determine how local services and services provided to competitors will be regulated beyond June 2007. While the results of this review will not be applied in 2006, it will attract significant attention and speculation in 2006 as the outcome will set the regulatory framework for price-capped services for an extended period of time.
- **Wireless number portability and spectrum** – Of particular interest for the wireless business is wireless number portability (WNP). In December 2005, the CRTC set out the implementation timetable for WNP directing that full number portability must be implemented by TELUS, Rogers and Bell by March 2007 in those areas of B.C., Alberta, Ontario and Quebec where wireline local number portability is currently available. Other carriers and other regions of Canada are to follow suit by September 2007. Investors may consider what the net impact could be from increased competitive

churn compared to the benefit of being more effective in marketing to the business market in Central Canada where TELUS is under-represented.

There is a possibility that Industry Canada could ask for comments on setting up a new mobile wireless spectrum auction in the future. TELUS, at this point, has adequate spectrum for a number of years.

- **Telecom policy review** – The Telecom Policy Review Panel, formed in April 2005, is expected to report to the new Minister of Industry in the first half of 2006, and to provide recommendations to the government on many issues including foreign ownership restrictions and structural changes in the way communications companies are regulated. Observers will consider how quickly a minority federal government will be willing or able to act to create new policies and if the recommendations signal a less interventionist regulator and telecom policy moving forward.

As noted above, there are a number of regulatory issues that could affect TELUS and the telecom industry in general in 2006. TELUS supports the CRTC's facilities-based competition framework. While we are strategically focused on less regulated data and wireless growth markets on a national basis, we welcome any relief or change in regulation in our incumbent markets that may enhance our competitiveness and allow for more innovative product offerings for consumers and business.



Could the integration of TELUS' wireless and wireline operations cause the company to lose focus on the growing and competitive Canadian wireless market?



Darren Entwistle
President and Chief Executive Officer
Member of the TELUS Team

No, in fact it is quite the opposite. The integrated structure focuses our business on customer groups rather than distinct products, enhancing our focus on the expanding wireless market while strengthening our ability to deliver applications to our customers over a wired and wireless medium.

Consistent with TELUS' national growth strategy to provide integrated solutions, the merger is designed to:

- Advance our industry-leading strategy;
- Achieve meaningful commercial differentiation in the markets we serve;
- Capitalize on the technology convergence of wireless and wireline; and
- Drive continued operating efficiency and effectiveness.

Our ability to offer a full range of services, including wireless, is a competitive advantage for TELUS. Furthermore, many of the new communications solutions, like wireless home networking or TV broadcasting, increasingly involve converging wireline and wireless technologies that support the delivery of the aforementioned data applications. Bringing our wireline and wireless operations together presents another significant opportunity to harness our broad multi-product capabilities to more effectively differentiate ourselves from our telecommunications and cable-TV competitors.

Combining these customer-facing business units allows TELUS to offer a better one-stop customer experience and align our technology infrastructure. Moreover, the merger should realize increased efficiencies from a consolidated operation that support robust margins, as well as EBITDA and cash flow growth. It also facilitates improved productivity by permeating best practices and concentrating our leadership talent pool following the consolidation of our wireline and wireless operations.

Wireless remains a key value driver for TELUS and a critical growth area in both our consumer and business markets. TELUS recognizes the importance of maintaining separate wireless operating indicators and financial results to ensure strong management financial controls and, as well, to support an accurate investor valuation perspective. Therefore, TELUS' wireless and wireline operating results will continue to be reported separately in the public domain, allowing investors to properly value TELUS.

Combining TELUS' wireless and wireline operations into one operating structure is entirely consistent with TELUS' national growth strategy to provide integrated data and wireless solutions that differentiate TELUS in a meaningful way. This integration clearly strengthens our focus on being one team, united under one strategy and defined by one brand.



investor information

Stock exchanges and TELUS trading symbols

Toronto Stock Exchange (TSX)

common shares T
non-voting shares T.NV to May 12, 2006
T.A May 13, 2006
onward

New York Stock Exchange (NYSE)

non-voting shares TU

Transfer agent and registrar

Computershare Trust Company of Canada

Shareholder Services
100 University Avenue
Toronto, Ontario, Canada M5J 2Y1

phone 1-800-558-0046
(toll-free within North America)
or (514) 982-0171
(outside North America)

fax 1-888-453-0330
(toll-free within North America)
or (416) 263-9394
(outside North America)

e-mail telus@computershare.com

website computershare.com

Computershare also has offices
in Vancouver, Calgary, Montreal
and Halifax.

TELUS Investor Relations

555 Robson Street
Vancouver, British Columbia
Canada V6B 3K9

phone 1-800-667-4871
(toll-free within North America)
or (780) 493-7345
(outside North America)

fax (604) 434-6764

e-mail ir@telus.com

website telus.com/investors

TELUS executive office

555 Robson Street
Vancouver, British Columbia
Canada V6B 3K9

phone (604) 697-8044

fax (604) 432-9681

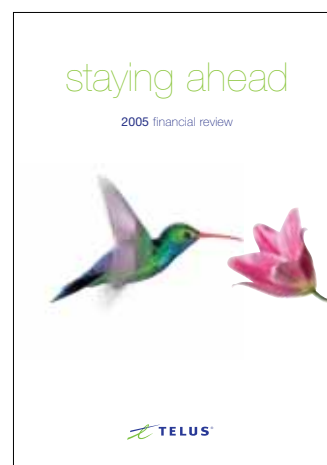
TELUS general information

British Columbia (604) 432-2151

Alberta (403) 530-4200

Ontario (416) 507-7400

Quebec (514) 788-8050



For more detailed investor
information, refer to the 2005
annual report – financial review.

2006 expected dividend¹ and earnings dates

	Ex-dividend dates ²	Dividend record dates	Dividend payment dates	Earnings release dates
Quarter 1	March 8	March 10	April 1	May 3
Quarter 2	June 7	June 9	July 1	August 4
Quarter 3	September 6	September 8	October 1	November 3
Quarter 4	December 7	December 11	January 1, 2007	February 16, 2007

¹ Dividends are subject to Board of Directors' approval.

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



Ce rapport annuel est disponible en français en ligne à telus.com/agm, auprès de l'agent des transferts ou de TELUS – Relations avec les investisseurs.

Dividend reinvestment and share purchase plan

Take advantage of automatic dividend reinvestment to acquire additional shares without fees. Information booklets and enrolment forms are available at telus.com/drisp or by contacting Computershare.

Annual general meeting of shareholders

Wednesday, May 3, 2006
11:00 a.m. (Pacific Time)
Orpheum Theatre
601 Smithe Street
Vancouver, British Columbia

Auditors

Deloitte & Touche LLP

EthicsLine hotline

As part of our ethics policy, this hotline allows employees and others to anonymously and confidentially raise accounting, internal controls and ethical inquiries or complaints.

phone 1-866-515-6333

e-mail ethicsline@telus.com

Corporate governance website

TELUS is firmly committed to full and fair financial disclosure and best practices in corporate governance for investors. We are recognized as a leader for the quality and comprehensiveness of our financial reporting and have a long history of good governance practices. Visit our corporate governance website at telus.com/governance.

e-delivery of shareholder documents

The benefits of electronic delivery (e-delivery) include access to important company documents in a convenient, timely and environmentally friendly manner, reducing printing and mailing costs.

Registered shareholders

TELUS has partnered with eTree to allow registered shareholders the opportunity to receive the annual report materials through e-delivery. As a thank you for enrolling, TELUS and the Tree Canada Foundation will plant a tree on your behalf.



Visit eTree.ca/telus to enrol and you will receive all annual report and proxy materials electronically. You will be notified by e-mail with a link to the website where documents will be available.

Beneficial shareholders

For shareholders who hold their shares with an investment dealer or financial institution, access investordeliverycanada.com or contact your investment advisor to enrol for the convenient electronic delivery service.

where we are

Fibre-optic network and wireless coverage



- Wireless coverage with digital PCS/1X/EVDO, including roaming, and digital Mike
- Backbone optical and IP network
- Interconnection with Canadian, U.S. and global carriers
- Switching centres, and fibre and Internet backbone points of presence
- Intelligent Internet data centres, switching centres, and fibre and Internet backbone points of presence

* Coverage areas are approximate as of December 2005. For detailed coverage maps, visit one of more than 2,000 retail stores and dealership locations across Canada. Actual coverage may vary and is subject to change.

Source: TELUS Geomatics

TELUS' world-class fibre-optic and wireless networks deliver integrated solutions for voice, data, Internet and video to Canadians from coast to coast. These networks support a complete portfolio of communications services and offer customers the ability to easily migrate from basic traditional services to advanced IP-based services that provide greater capabilities, flexibility and economy.

TELUS' national fibre-optic backbone delivers traditional telephony and data services as well as leading-edge IP-based integrated solutions including Internet, voice over IP, video and virtual private network services. TELUS' expanding portfolio of IP-based solutions is carried over our highly reliable and secure IP network.

Our extensive digital wireless coverage is provided via two networks – a CDMA 1X PCS network with wireless broadband EVDO in major Canadian cities, and a Mike iDEN network. Combined, our digital wireless networks cover 94 per cent of the Canadian population. Wireless roaming for PCS is available across the United States and in more than 120 countries. Wireless roaming for Mike is available in the United States, Mexico and several South American countries.

telus.com



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

TELUS is committed to working in an environmentally responsible manner. The paper used for this 2005 annual report – business review has 50% recycled fibre and includes 15% post-consumer waste. It is also acid-free and chlorine-free. All inks used are vegetable-based. Please recycle this annual report.

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