

# Frequently Asked Questions

Why has the trading volume of TELUS non-voting shares, and the average share price spread between the voting and non-voting shares increased during the latter part of 2000 and into 2001?

> The average daily trading volume of TELUS' non-voting shares increased significantly due in large part to the issuance of 49.7 million TELUS non-voting shares as part of the acquisition of Clearnet, which closed on October 20. Daily average trading volume of TELUS non-voting shares for the remainder of the year was approximately 357,000, compared to approximately 133,000 before the August announcement of the Clearnet transaction. In addition, this coincided with the listing of TELUS' non-voting shares on the New York Stock Exchange (NYSE) for the first time, enhancing the visibility of TELUS shares in the U.S.

The average spread between the voting and non-voting shares for the first nine months of 2000 was \$0.73 or 2%. In the last quarter of 2000 through January 2001, the average spread increased to \$2.14, or 6%.

Three main factors contributed to this increase:

1. Increased supply of non-voting shares. With the close of the Clearnet acquisition, the total non-voting shares almost doubled with the issuance of 49.7 million new shares.
2. Temporary selling pressure from former Clearnet shareholders. Due to the proration factor between shares and cash, Clearnet shareholders who elected late in October for 100% cash, received 69% cash and 31% in TELUS non-voting shares. These shareholders had to sell shares to obtain their desired amount of cash proceeds.
3. Change in Toronto Stock Exchange (TSE) stock market indexes to include only one class of shares per company. Effective March 16, 2001, certain TSE indexes are being modified to include only TELUS voting shares rather than additionally including TELUS non-voting shares. In what is expected to be a temporary phenomenon, it is believed that index fund managers may be selling in advance non-voting shares and purchasing voting shares to align their stock portfolios with the composition of the new indexes.

Please note that both classes of TELUS common shares have the same dividends, rights, and privileges. If Canada's Telecommunications Act were amended to remove the limitation on foreign ownership, the non-voting shares would automatically convert to voting shares.

Why did TELUS acquire Clearnet Communications?

> Building a national wireless entity capable of pursuing the high-growth market for national wireless voice, data and Internet services was a strategic priority for TELUS. Acquiring Clearnet allowed us to avert the risk of having to acquire spectrum in Industry Canada sponsored auctions, as well as the risks and time to market delays associated with building a greenfield, facilities-based digital wireless operation in Central-Eastern Canada.

The acquisition of Clearnet allowed TELUS Mobility to transform itself overnight from a predominantly regional wireless service provider to the largest national wireless company in Canada in terms of revenue, revenue growth, revenue per subscriber and spectrum position. In addition, Clearnet represented an excellent fit for TELUS Mobility in areas such as distribution and technology platforms (See TELUS Mobility page 19), and offered TELUS significant potential financial synergies, including savings in capital expenditures and operating expenses, revenue synergies and the ability to benefit from Clearnet's tax loss carry-forwards.

## Q How has the integration of Clearnet and TELUS Mobility progressed to date?

A > Following TELUS' acquisition of Clearnet, which closed on October, 20, 2000, rapid progress has been made in integrating Clearnet with TELUS Mobility's Western Canadian operations and QuébecTel Mobilité to form the new TELUS Mobility. This has been led by George Cope, President and Chief Executive Officer of the new TELUS Mobility, who, along with the rest of the Clearnet executive management team, was successfully engaged to bring together and lead the new company.

TELUS Mobility has begun to operate under the solid TELUS brand name, but is being rebranded to include elements of the former Clearnet brand and image, including the renowned nature-based themes and characters, as well as some product names. Our national PCS service is now TELUS PCS, with prepaid PCS marketed as Pay & Talk. Our ESMR product will continue to be known as Mike. The new TELUS Mobility branding thus brings together the best of the TELUS and Clearnet brands.

The cross-selling of products began in November 2000, shortly after the TELUS-Clearnet transaction closed. The rationalization of points of distribution allows the new TELUS Mobility to benefit from the combination of TELUS' widely established dealer distribution network in British Columbia and Alberta, with the former Clearnet national retail and dealer distribution network and that of QuébecTel in Québec. This permits the re-allocation of resources to refine and further develop the distribution network in areas where it was previously not established or under-deployed.

Prior to the acquisition of Clearnet, TELUS Mobility operated a CDMA PCS network supplied by Nortel Networks in Alberta and British Columbia, while Clearnet's national CDMA network was supplied by Lucent. These networks are being rationalized with TELUS Mobility's national network supported by Nortel in Alberta and British Columbia, and Lucent in the rest of Canada. This permits redeployment of Lucent infrastructure for, among other possibilities, the build out of new markets in Central-Eastern Canada. As a result of network rationalization, TELUS Mobility has already negotiated supplier concessions of \$400 million over five years.

Prior to TELUS' purchase of Clearnet, TELUS Mobility customers roamed in Canada on the Bell Wireless Alliance's networks outside of Alberta and British Columbia, while Clearnet PCS customers, when outside of digital coverage, roamed nationally on the analogue network of Rogers AT&T Wireless. We expect to complete the migration of TELUS Mobility customers in Ontario and Québec onto our digital networks in the first half of 2001, and anticipate the migration of most TELUS Mobility customers to our analogue network to displace roaming shortly thereafter. In the future, all new TELUS Mobility subscribers should benefit from the same roaming partners in the U.S. In particular, we intend that Verizon Wireless, a subsidiary of Verizon Communications, which holds a 22% equity interest in TELUS Corporation, will be TELUS' Mobility's principal U.S. roaming partner on PCS and cellular.

TELUS Mobility intends to significantly integrate rate plans within the first-half of 2001, and to have its primary client base on a common billing system by the end of 2001.

Following the acquisitions of Clearnet and 70% of QuébecTel, what can we expect for acquisitions in the future?

> Possible future acquisition activity is expected to be substantially related to the expansion of the development and distribution of our data and IP capabilities on a national basis, enabling us to exploit the expected growth in Enhanced Data markets.

Any possible acquisitions in this area would likely be smaller than the QuébecTel purchase of almost \$600 million and could be funded in part with non-cash consideration.

What is TELUS' strategy to offer 3G wireless services?

> Third Generation (3G) describes next generation wireless technology that is expected to be CDMA-based and offer high-speed packet data mobile wireless Internet access and multimedia communications. Globally 3G services largely remain in the development phase and, in Canada, additional spectrum for 3G is not expected to be allocated until the 2003 to 2004 time frame.

TELUS Mobility currently offers 2G services on a digital CDMA technology platform which offers circuit data speeds of up to 14.4 kbps. While first Generation refers to analogue cellular, developed prior to 2G digital, 2.5G refers to the first implementation of packet data capability on existing digital networks, or the migration step from 2G to 3G. 3G has become synonymous with packet data rates of a minimum of 384 kbps on a mobile basis and 2.048 mbps on a fixed basis.

TELUS Mobility's ESMR Mike product, based on an iDEN technology platform supplied by Motorola, already operates on a packet data network which offers shared data speeds of up to 19.2 kbps. On its CDMA2000 based, PCS network, TELUS Mobility is in the process of implementing the first step in the CDMA2000 3G evolution path. This is known as 1XRTT which is expected to offer packet data speeds of up to 144 kbps and offer nearly double the voice capacity of its current IS-95 CDMA based systems. This service offering is dependent on the commercial availability of 1XRTT handsets. While uncertain, this is anticipated in late 2001 or early 2002.

Over 56% of TELUS Mobility's digital subscriber base is equipped with browser capable handsets. During the course of 2000, TELUS Mobility introduced wireless Internet services and continues to broaden their scope. TELUS Mobility currently offers subscribers a rich variety of wireless Internet services, such as two-way e-mail, directories, news and information services, stock quotes, and banking and financial transaction related services. While 3G is expected to enhance the range of services that we will be able to offer, such as high-speed, multimedia applications, it has not been necessary to wait for the development of 3G to begin offering a multitude of value-added Internet services. To date, TELUS Mobility's offering has been met by strong consumer response.

In addition to this solid springboard from which to introduce next generation wireless services, TELUS Mobility has already been installing base stations which adhere to the CDMA2000 3G evolution path. TELUS Mobility expects to have its switching and Internet related CDMA infrastructure upgraded by the end of 2001, and also anticipates its cell site CDMA infrastructure to be substantially 1XRTT capable by year-end.

TELUS Mobility is following a three-pronged strategy to ensure a smooth migration from 2.5G to 3G. Technology teams are very actively involved in the planning and implementation stages of this migration. We are currently working with each of our primary infrastructure vendors, Lucent, Motorola and Nortel, as well as our handset vendors, such as Motorola, Nokia, Samsung, and Sanyo, among others. TELUS Mobility also participates in various industry groups, namely the CDG (CDMA Development Group), 3GPP2 (3G Partnership Project) and the OHG (Operators' Harmonization Group). In addition, we also take advantage of industry relationships to work with other carriers, such as Verizon and Nextel, to better understand their roadmaps to 3G.

**Q** Can you explain your wireline data and IP strategy and provide some detail of the types of services?

**A** > Data and IP can be explained by looking at the three tiers. The three tiers of our data and IP strategy consist of:

1. Wide Area Network (WAN) (or bandwidth: backbone and access) – it includes traditional and newer data services, such as leased lines, ISDN, frame relay, ATM, ADSL, IP and VPN. In a converged voice and data world, extending the reach of our network gives TELUS the cost base to be competitive because we are reducing lease payments to our competitors. It also allows us to offer the quality of service guarantees that customers want. The new TELUS national network mentioned above connects into Genuity's high-speed backbone in Seattle and Detroit. By doing this, TELUS achieves costless peering as well as enhanced service quality.
2. Local Area Network (LAN) (or private networks) – here, TELUS leaps over the access layer to custom-design and manage private networks for customers, using our own engineers. Because this service does not depend on owning access, TELUS can offer it in Central Canada. As TELUS extends its fibre network, or where the customer wants a wireless option, TELUS can offer the access portion as well.
3. IP applications (includes Web hosting, e-commerce, m-commerce, Voice-over-IP (VoIP)) – this is where our Genuity partnership is key because we can tap into partnerships they have with content providers and Application Service Providers (ASPs).

This combination of offering holistic WAN/LAN/IP converged solutions is what will differentiate TELUS in the marketplace.

Our strategy is to focus on this high growth data business. While the projected compounded annual growth in the Canadian telecommunications market over the next three years is 7%, enhanced data and IP service is projected to grow at 31%.

## Why have you committed up to \$500 million of capital over five years to expand your high-speed Internet services in Western Canada?

> The future of telecommunications is tied to the Internet and as demand grows and costs fall, it should soon be a profitable business. The demand for high-speed Internet from the consumer and small business markets in Alberta and British Columbia is expected to grow 45% in 2001. Over the next three years, the growth is expected to average 30%. In fact, current demand is higher than what we can supply.

Providing ADSL technology to a customer is a considerable undertaking. In order for a customer to be eligible for ADSL service, the customer's home or business must be within three to four kilometres of a Central Office that has ADSL data equipment installed. In addition, the cable connection between the Central Office and the customer must be capable of carrying ADSL. If not, additional time and equipment is necessary to make it suitable. If a customer lives more than three to four kilometers from a Central Office, a new ADSL equipment location must be created closer to the customer.

With an initial investment in 2001 of \$190 million, over the next five years, TELUS will expand its coverage by building capable facilities in 38 major communities in Alberta and B.C. This will provide over 95% of all homes and businesses in these communities, and at least 70% of the entire population in British Columbia and Alberta, access to TELUS high-speed Internet service. This aggressive high-speed Internet rollout plan is a cornerstone of TELUS' Internet, data, and wireless-focused strategy.

## How does TELUS intend to take advantage of its strategic relationships with Verizon and Genuity?

> In the global telecommunications industry that is accelerating in terms of technologies and competition, it is not feasible to own or build all capabilities. Partnerships and alliances are more important than ever. Verizon and Genuity are among the world leaders in their area of telecommunications expertise.

- Verizon is one of the world's leading providers of high-growth communications services, serving the equivalent of 95 million access lines and 25 million wireless subscribers.
- Genuity, created by a spin-off the GTE's Internet backbone operations (formerly BBN) and related data business, is a leading tier-one Internet infrastructure service provider.

Not only do we benefit from significant buying power savings from Verizon (in 2000, over \$40 million of savings were realized), but also as strategic partners, we are preferred suppliers with Verizon/Genuity in each other's territories. The relationships, managed at a strategic level, mean that TELUS and Verizon/Genuity will cooperate to exploit the provision of integrated, seamless, and coordinated telecommunications services to customers across North America and globally. During 2001, we will continue working with our partners to align products and services. As well, we are integrating network and infrastructure elements to carry these services, and we are aligning the operational structures necessary to sell, deliver, support and bill them.

Some examples include:

- The TELUS cross-Canada fibre network system, operational in early 2001, will offer our customers high-speed transport services, delivering products such as SONET, ATM, and IP services. This network connects to the Genuity fibre network in two locations.
- Web/data hosting centres, supported by the in-house expertise of Genuity.
- Joint customer bids on North American cross-border sales opportunities.

## Q How has the investment community reacted to the strategic, structural and management changes taking place at TELUS?

A > The reaction of the investment community can be measured in several ways, including investor buying and selling activity and through investment analyst commentary. We have experienced a large increase in share trading volumes and have identified a strong trend of buying by growth oriented institutional investors in reaction to the clear articulation of a growth strategy. As expected, we have seen selling by certain income oriented institutional investors.

The vast majority of investment analysts have been supportive of the strategic, structural and management changes taking place. Listed below are some selected commentaries.

“We maintain our original thesis that investors will be rewarded by TELUS’ aggressive plans to expand out-of-region into the high-growth data and IP sector...” Robert Goff, Credit Suisse First Boston

“We believe that TELUS’ new focus on Internet access service and data applications, in addition to its emerging national platform, positions it well to capture its fair share of growth in the Canadian telecom market.” Suzanne Stein, Goldman Sachs\*

“TELUS is the best positioned national group – TELUS is the only company that has national capability combined with a national wireless platform and a broad customer base. It plans to exploit these capabilities plus convergence of services to attack the fragmented competition.” Nick Strube, Canaccord Capital

“Leadership and depth in management is key and we feel that TELUS has both.” Jeremy Burge, TD Newcrest

\*TELUS Industry report dated December 13, 2000 © 2001 Goldman, Sachs & Co. All rights reserved.