

In the last several years, the Chairman has written to you about the challenges and opportunities of the unprecedented pace of change in the telecommunications industry. As a Board, we have worked hard to have a consistent set of strategic priorities focused on building on our leading position in Western Canada and creating revenue growth in the rest of Canada.

We are pleased with the progress we made in 2000 toward the achievement of these priorities, beginning with the successful mid-year conclusion of our extensive international search for a new Chief Executive Officer. We chose Darren Entwistle to lead TELUS in executing our growth ambitions. Darren has instilled in our Company the more sharply defined growth focus and full-speed-ahead approach we had promised you. This was evident in his 100-day plan and the bold acquisition of Clearnet, both of which the Board unanimously supported, given their strong strategic fit.

While the executive search was underway, the Company concluded the \$584-million acquisition of QuébecTel. This jumpstarted our entry into Québec by about two years and gave us a home team advantage in this critical market. With the purchases of Clearnet and QuébecTel, TELUS has truly become a leading national service company.

Today, TELUS is Canada's 19th largest company in terms of market value, trading on the TSE and the NYSE with a market value of more than \$11 billion, revenues of \$6.4 billion and EBITDA of \$2.5 billion. Also, in last year's report to shareholders, I declared our intention to achieve a total annualized return of 15 per cent over five years. Last year, we surpassed our goal – achieving a 22 per cent total return on investment.

The Company is focusing on the growth markets of data, the Internet and wireless. The Board of Directors stands firmly behind this vision. We will focus our energies on areas of growth and opportunities available to support the Company in its evolution to a New Economy company. We will create more value for our shareholders by ensuring this strong growth, while at the same time maintaining TELUS' financial strength.

The Board remains committed to the highest levels of corporate governance. We have aligned the interests of the Board with those of our shareholders by committing Board members to an equity ownership position with a minimum market value of \$100,000. We also report to you on our performance against the 14 Toronto Stock Exchange Corporate Governance Guidelines in the annual meeting information circular.

I extend my heartfelt thanks to the Board members who have either retired or stepped down. David Emerson, Norm Kimball, Richard LeLacheur, Harold Milavsky and Walter O'Donoghue contributed tremendous insight and value to our Company during their tenures. Going forward, the makeup of our Board will reflect our growth strategy, with an emphasis on greater geographic representation as well as having skills and knowledge suited for a New Economy company.

In closing, I want to thank each of you for your ongoing support and confidence in Team TELUS.



Brian A. Canfield
Chairman of the Board
February 14, 2001



> **Darren Entwistle** President & CEO

Since joining Team TELUS less than a year ago, I have had the honour of working with a tremendously talented group of people and being part of a dynamic, future-focused organization. This has been a year of tremendous change. We have repositioned the Company to capitalize on the growth markets of data, IP and wireless. To do that, we completed the largest telecommunications acquisition in Canadian history; we restructured the Company in three months; and we listed on the New York Stock Exchange. While working hard on all of these initiatives, we exceeded our financial targets for 2000.

Our revenues in 2000 of \$6.4 billion increased 10 per cent, as we completed two acquisitions – Clearnet and QuébecTel. EBITDA of \$2.5 billion rose six per cent from strong revenue growth and cost containment in our voice and data business partially offset by higher costs for national expansion and a digital wireless migration program. Furthermore, we are now raising the bar to significantly higher targets for 2001.

When I spoke with investors the day after I joined the Company, I promised we would put together a five-part plan to catapult TELUS to a leadership position in the Canadian market. In this letter, I will set out the components of that plan:

- our strategy for high growth;
- our culture for competitive advantage;
- our customer-centric structure;
- our people who will lead the way; and
- our challenges and priorities that will provide the Company with much-needed focus for 2001.

This year's annual report theme "One Team, One Brand, One Strategy" succinctly describes this plan and how we will execute it over the coming year.

Change is at the heart of who we are at TELUS and what we do for our customers. We are exploiting new technologies to benefit our clients. We are building strategic relationships with our customers, our suppliers and our partners. We are helping people communicate more effectively and we are keeping businesses growing.

> Our Strategy is Clear

The new TELUS will exploit the convergence of data, IP, voice and wireless communications to the benefit of our customers.

Simply put, we are unleashing the power of the Internet to deliver the best solutions to Canadians at home, at work and on the move.

No one will do it better or faster than TELUS. We identified six strategic imperatives after a rigorous analysis of our strategic context, which included the regulatory environment, industry economics, the competitive landscape, customer requirements and TELUS' core competencies.

> TELUS' Strategic Imperatives

1. *We will offer integrated solutions* that anticipate and meet the evolving needs of our customers. Our solutions will exploit a highly fragmented marketplace where we face different competitors across a diverse set of products, markets and geographies.

We have restructured the Company to better meet our customers' need for integrated solutions. I'll provide more details in the pages to come. Here are some recent examples of integrated solutions we have created for our customers:

- We designed an end-to-end wireless field service solution for BC Gas, combined with long distance, terminal equipment and digital access services.
- TELUS successfully implemented a 20-year, \$120-million Strategic Alliance Agreement with the Calgary Airport Authority. This enterprise-wide agreement provides an integrated array of TELUS solutions.

2. *We will build national capabilities* across data, IP, voice and mobility by leveraging the skills, resources and customer relationships in our home markets of Western Canada and Québec. We will use these strategic advantages as a springboard to attack the business market in Central Canada. The market opportunity to expand in Central Canada is key to our growth strategy. Customers are demanding national services, and scale is essential to be competitive.

- We will light our newly constructed, cross-Canada IP backbone at the end of March 2001. It serves both wholesale customers on a national basis and significantly enhances our retail capability. Our network will span the nation – from Vancouver to Québec City, through Edmonton, Calgary, Winnipeg, Toronto, Ottawa, and Montréal.
- In 2001, TELUS will complete the first phase of its metropolitan fibre build in the Greater Toronto Area. This fibre will allow TELUS to offer high bandwidth services within the Toronto core. It will be integrated with our national IP backbone and our extensive facilities in British Columbia, Alberta, and Québec.
- This upcoming summer we will open two world-class Internet hosting centres that will be located on our national fibre backbone and will provide Canadian businesses with Internet hosting capabilities that will be second to none. They will be located in Toronto and Calgary, and will provide the extreme reliability, security, scalability and high performance demanded by our customers for their mission-critical e-business solutions. These premier Internet hosting centres will form the new "switching fabric" upon which the business of the new millennium will be based.

3. *We will partner, acquire and divest* as appropriate to focus on our "core" business and to accelerate the implementation of our strategy in a financially prudent manner. It is not necessary to own and/or build all of our capabilities. Discriminating capital markets since late 2000 means that the financial strength of TELUS presents us with an attractive window of opportunity relative to smaller undercapitalized competitors.

- We acquired national digital wireless company Clearnet in October 2000, becoming the leading wireless provider in the country, and enabling TELUS to own the convergence of data, IP and wireless. This acquisition provided TELUS with a national wireless footprint and growth platform overnight and enabled us to accomplish one of our key priorities within two months of setting the corporate strategy.
- We are also expanding our data and Internet capabilities by working in partnership with Genuity. We are committed to becoming a leading provider of Web hosting, e-commerce and Voice-over-IP (VoIP) solutions.
- More recently, in January 2001, we acquired the data network and facilities management business of NWD Systems (Calgary) Inc. NWD provides local area network (LAN) monitoring, virtual private networking (VPN), Web hosting and client server consulting.
- We are exploring the potential sale of TELUS Advertising Services and other assets and businesses that do not directly support our strategy of becoming a leading national data, Internet and wireless growth company.
- Late last year, we announced the sale and lease-back of three of TELUS' major office buildings for a combined total of \$192 million.

4. *We will focus relentlessly on data, IP and wireless growth markets* with the objective of building scale and differentiation by integrating our services into compelling solutions for our customers. As the leading telecommunications company in Western Canada, TELUS will build on its base to aggressively expand into Central Canada. We will concentrate on the business market, offering data, IP and wireless solutions for customers on a national basis. To be a growth company, TELUS must focus on growth markets. Over the next three years, Canada's wireless and data markets are expected to grow 17 per cent per annum and 31 per cent per annum respectively, whereas local and long distance voice revenues are anticipated to remain relatively flat.

- More than 40 per cent of our \$2-billion-plus 2001 capital program is being spent outside the West; and 70 per cent is directed at the growth part of our business – data, IP and mobility.
- We are the largest Internet Service Provider (ISP) in Western Canada, with approximately 400,000 subscribers; we are investing \$500 million over the next five years in high-speed Internet technology, including \$190 million in 2001 alone.

5. *We will attack the market as a united team*, under one brand. Our single identity in the market is essential to our approach of providing our customers with solutions rather than stand-alone products. This single identity contrasts well against the confusing corporate structures and brand proliferation that exist in the marketplace. We will approach the market with a consistent TELUS identity and we will not duplicate resources and expertise.

- We began running our first television commercials for the new TELUS Mobility in January 2001. They blend the fresh and friendly Clearnet legacy with the strength and quality of the TELUS brand. The full ad campaign includes French-language TV, print and outdoor ads. The conversion of the Clearnet identity to TELUS Mobility will be fully implemented by April 2001.
- On April 1, 2001, QuébecTel will be renamed TELUS Québec.

6. *We will invest in internal capabilities* – most particularly our people. We will support and encourage personal growth and development because we believe this is a fundamental right of every member of Team TELUS.

- We are working to give our people the tools they need. Work is underway to Web-enable the organization. As well, we are implementing an information technology roadmap that we believe will be a key initiative that will transform our business.
- In March, the Company will launch a plan called Team TELUS options. This plan is designed to ensure that employees' personal wealth is aligned with the value of the Company. The plan grants 300 stock options over a three-year period to all TELUS Team members who do not currently participate in an existing stock option plan. Team TELUS options represent an initiative to support a more entrepreneurial team-oriented approach aligned with the interests of our shareholders.

> Our Culture and our Values will Guide our Way

Culture can be a competitive advantage in an industry characterized by fierce competition. Growth depends on performance – individually and collectively. At TELUS, a high-performance, decisive and fast-on-its-feet culture is at the heart of our growth strategy.

To develop this growth culture, our shared values underpin how we will work at TELUS and, by extension, what we achieve in the marketplace. Developed through the participation of 600 members of Team TELUS, our values govern the behaviours we believe are essential to our success. We strive to live these values each day and will continually assess our actions against these desired behaviours:

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

These values are embedded in the objectives of our management community and they are explicitly included in the contracts for each member of the executive team. We have posted these contracts on our internal Web site to enable employees to see the executive leadership team's commitment to our values. Further, I have asked each member of Team TELUS to include the values in their 2001 objectives.

Of the 2001 capital expenditures, more than



is being targeted outside the West

> **Our Market-Facing Structure Breeds Customer Intimacy**

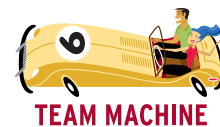
We are in the solutions business and we believe that our new market-facing structure will allow us to better deliver on that philosophy by anticipating and proactively addressing the needs of customers. More than ever before, we should be able to team up with customers to create the right combination of products and services to meet their needs.

Our new organizational structure is built for agility by empowering the people closest to our customers, markets and technology. As we consolidate and enhance our position in Western Canada, we will be aggressively pursuing market share in Central Canada. To deliver those solutions, we have structured ourselves around six market-facing, customer-focused business units.

The customer-facing business units will, by virtue of their market focus, operate as profit centres drawing essential support from the Business Capability and Enablement groups.

> **Our People Make the Difference**

The outstanding performance and extraordinary results of teams and individuals across the TELUS group of companies will be rewarded through what we expect will become one of the most progressive recognition programs in North American business. This program, which is called TELUS Team Machine, will recognize outstanding performance, extraordinary efforts and exceptional results that stem from our TELUS values.



Approximately 10,000 employees attended Igniter sessions in the past four months. These sessions are being held throughout the Company until the end of April 2001. Our goal is to explain the strategy, culture and new structure so that these changes can be absorbed, discussed and communicated effectively across the entire TELUS team.

Members of Team TELUS will have a personal development plan customized to their requirements. It outlines training and other development activities that will help team members achieve high performance on the job and desired career progression. The personal development plan is measurable. It represents a 50:50 responsibility between the individual and his or her line manager – and it marries the goals of the individual with the strategic direction of the Company. Personal development plans are living documents that champion the career aspirations of every member of Team TELUS.

Team TELUS options, TELUS Team Machine, the Igniter sessions and personal development plans are about commitment and investment in people, and help recruit and retain the right people.

Our executive leadership team is positioned across Canada. The executive leadership team has been designed for optimal strength, diversity and balance. It is comprised of: one-third incumbents who bring experience and continuity; one-third external appointments who bring

fresh experience and perspective; and one-third internal promotions to recognize the best talent that resides within TELUS.

One external appointment merits special mention. Bob McFarlane, TELUS' Chief Financial Officer, brings a wealth of experience from his previous role as CFO and Treasurer of Clearnet. Bob's sharp financial acumen will be invaluable as we refinance our debt, expand our investor relations effort, sell off non-core assets and vigorously pursue further acquisitions in the data/IP sector.

> Our Key Priorities for 2001 are

Investing in our People

We will invest in the personal development of our people, building a high-performance culture that enables TELUS to exploit developments in the market and technology. A key task in 2001 will be to successfully complete a new collective agreement with our unionized team members that is in keeping with the new competitive dynamic and reflects the value we place on our most important resource – our people.

Exceeding the Expectations of Customers

We will outperform competitors by creating greater awareness of TELUS' solutions and increasing customer advocacy and loyalty. Our challenge will be to keep customer satisfaction high while we implement our new customer-facing organization structure and integrate Clearnet with TELUS Mobility.

Exploiting our Leadership Position in Mobility

We will extend our leadership position in the Canadian wireless market by successfully offering the best wireless solutions for business and consumer customers across Canada.

Becoming Canada's Leader in Data and IP

TELUS needs to move quickly to develop the national data and IP capabilities that are essential to our growth strategy. We will seize the leadership position in advanced communications services, expanding aggressively our data and Internet capabilities. We will invest in our internal capabilities and consider appropriate acquisitions. We will also leverage our partnership with Genuity to provide our customers with holistic WAN/LAN/IP converged solutions which will differentiate us in the marketplace.

Completing our Evolution to a Growth Company

We believe that what gets measured, gets done. We believe that to be a growth company TELUS must generate double digit growth in revenue and EBITDA over the next three years. In 2001, we have set a number of clear and measurable targets for us to achieve, including growth in revenue of 17 to 19 per cent and in EBITDA of 11 to 13 per cent.

Improving our Financial Position and Investor Relations

In 2001, we will seek to complete a major debt refinancing and broaden our investor relations program into the United States, to build upon our recent NYSE listing.

The next twelve months will be an exciting, albeit challenging, period for our Company and our team. We are setting the stage for success to become a leader in the North American communications industry. Consider the following:

We operate as a full-service telecommunications company within an efficient and streamlined regulatory structure. We have a clear and cogent strategy, the best management team in the industry, the power of shared values, the strength of more than 26,000 highly committed people, and action-oriented priorities. We represent the largest, purest telecommunications investment in Canada and we have the financial strength to pursue our growth strategy. Moreover, we have put in place a customer-facing structure that will help build shareholder value by enhancing our ability to offer a bundle of services to each distinct customer segment.

In closing, I want to give a special word of thanks to the entire TELUS team for their hard work, dedication and focus on the customer during a year of change and challenge. I also appreciate the support of our shareholders in the last year as we completed two major acquisitions and accelerated our transformation into a growth-oriented company.

Cheers,

A handwritten signature in black ink, appearing to read "D. Entwistle". The signature is stylized and fluid.

Darren Entwistle
Member of the TELUS Team
February 14, 2001