

annual consolidated financials

Consolidated					
Income statement (millions)	2005	2004	2003	2002	2001
Operating revenues	\$ 8,142.7	\$ 7,581.2	\$ 7,146.0	\$ 7,006.7	\$ 7,080.5
Operations expense	4,793.5	4,438.0	4,301.9	4,488.1	4,550.9
Restructuring and workforce reduction costs	53.9	52.6	28.3	569.9	198.4
EBITDA ¹	3,295.3	3,090.6	2,815.8	1,948.7	2,331.2
Depreciation and amortization	1,623.7	1,643.1	1,652.8	1,570.3	1,494.2
Operating income from continuing operations	1,671.6	1,447.5	1,163.0	378.4	837.0
Other expense (income), net	18.4	8.7	23.3	42.7	(17.0)
Financing costs	623.1	613.3	639.3	615.3	636.8
Refinancing charge from debt restructuring	–	–	–	–	96.5
Income (loss) from continuing operations before income taxes, non-controlling interest and goodwill amortization	1,030.1	825.5	500.4	(279.6)	120.7
Income taxes (recovery)	322.0	255.1	172.7	(46.9)	88.1
Non-controlling interest	7.8	4.6	3.3	3.1	3.6
Goodwill amortization	–	–	–	–	174.8
Income (loss) from continuing operations	700.3	565.8	324.4	(235.8)	(145.8)
Income from discontinued operations	–	–	–	–	592.3
Net income (loss)	700.3	565.8	324.4	(235.8)	446.5
Preference and preferred share dividends	–	1.8	3.5	3.5	3.5
Common share and non-voting share income (loss)	\$ 700.3	\$ 564.0	\$ 320.9	\$ (239.3)	\$ 443.0

Share information ²	2005	2004	2003	2002	2001
Basic weighted average shares outstanding (millions)	357.1	355.3	349.3	317.9	294.2
Year-end shares outstanding (millions)	350.1	358.5	351.8	345.7	302.2
Basic earnings per share	\$ 1.96	\$ 1.58	\$ 0.92	\$ (0.75)	\$ 1.51
Dividends declared per share	0.875	0.65	0.60	0.60	1.20

Balance sheet (millions)	2005	2004	2003	2002	2001
Capital assets, at cost	\$ 27,455.7	\$ 26,631.9	\$ 25,778.2	\$ 25,037.3	\$ 23,888.4
Accumulated depreciation and amortization	16,514.2	15,410.9	14,214.6	13,062.8	11,128.6
Total assets	16,222.3	17,838.0	17,477.5	18,219.8	19,265.6
Total capitalization ³	12,690.0	13,516.4	14,102.4	14,713.7	15,677.5
Net debt ⁴	5,794.4	6,477.7	7,570.5	8,409.1	8,823.4
Long-term debt	4,639.9	6,332.2	6,609.8	8,336.6	8,792.2
Total shareholders' equity	6,870.0	7,025.6	6,521.2	6,293.4	6,846.1

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

2 Common shares and non-voting shares.

3 Net debt plus Non-controlling interest and Shareholders' equity.

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.

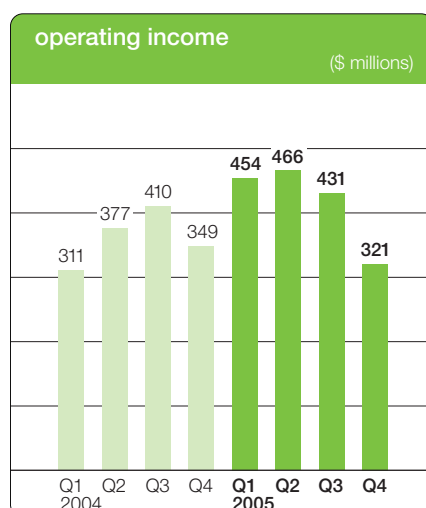
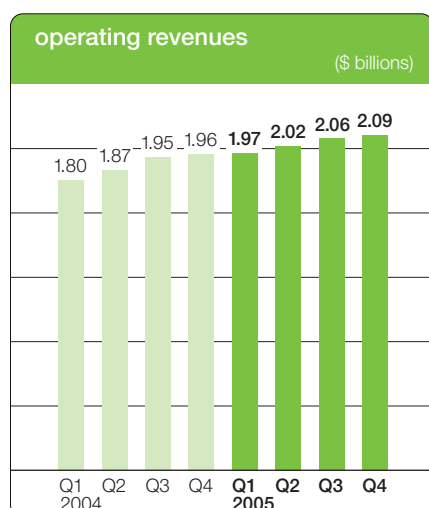
Note: Certain comparative financial information has been reclassified to conform with the 2005 presentation. The five-year financial history presented reflects the significant acquisitions of Clearnet in October 2000 and QuébecTel in June 2000.

quarterly consolidated financials

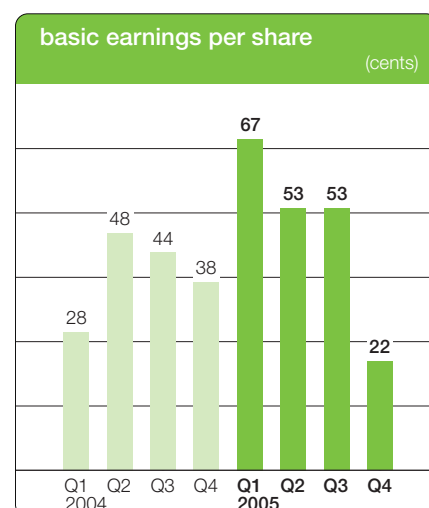
Consolidated								
Income statement (millions)	Q4 2005	Q3 2005	Q2 2005	Q1 2005	Q4 2004	Q3 2004	Q2 2004	Q1 2004
Operating revenues	\$ 2,086.7	\$ 2,062.8	\$ 2,018.5	\$ 1,974.7	\$ 1,964.9	\$ 1,946.9	\$ 1,865.6	\$ 1,803.8
Operations expense	1,316.8	1,221.5	1,146.1	1,109.1	1,178.5	1,112.8	1,080.1	1,066.6
Restructuring and workforce reduction costs	35.5	1.6	7.4	9.4	19.8	16.2	0.7	15.9
EBITDA ¹	734.4	839.7	865.0	856.2	766.6	817.9	784.8	721.3
Depreciation and amortization	413.2	409.2	399.1	402.2	417.5	407.6	407.6	410.4
Operating income	321.2	430.5	465.9	454.0	349.1	410.3	377.2	310.9
Other expense (income), net	9.3	7.1	0.5	1.5	8.7	(3.2)	2.0	1.2
Financing costs	171.7	144.8	168.2	138.4	152.8	158.6	156.9	145.0
Income before income taxes and non-controlling interest	140.2	278.6	297.2	314.1	187.6	254.9	218.3	164.7
Income taxes	58.8	86.9	106.0	70.3	50.4	97.2	44.9	62.6
Non-controlling interest	2.9	1.6	1.7	1.6	1.6	1.1	1.1	0.8
Net income	78.5	190.1	189.5	242.2	135.6	156.6	172.3	101.3
Preference and preferred share dividends	-	-	-	-	-	0.1	0.8	0.9
Common share and non-voting share income	\$ 78.5	\$ 190.1	\$ 189.5	\$ 242.2	\$ 135.6	\$ 156.5	\$ 171.5	\$ 100.4

Share information ²	Q4 2005	Q3 2005	Q2 2005	Q1 2005	Q4 2004	Q3 2004	Q2 2004	Q1 2004
Basic weighted average shares outstanding (millions)	353.4	356.8	358.1	360.2	358.0	355.7	354.3	353.1
Period-end shares outstanding (millions)	350.1	354.4	357.4	358.4	358.5	356.3	354.7	353.7
Basic earnings per share	\$ 0.22	\$ 0.53	\$ 0.53	\$ 0.67	\$ 0.38	\$ 0.44	\$ 0.48	\$ 0.28
Dividends declared per share	0.275	0.20	0.20	0.20	0.20	0.15	0.15	0.15

Note: Certain comparative financial information has been reclassified to conform with the 2005 presentation.



Decline in the third and fourth quarters of 2005 was primarily due to increased temporary expenses resulting from the labour disruption that ended in November.



The 2005 fourth quarter decline was mainly due to increased temporary labour disruption expenses, higher restructuring costs and higher financing costs resulting from an early bond redemption.

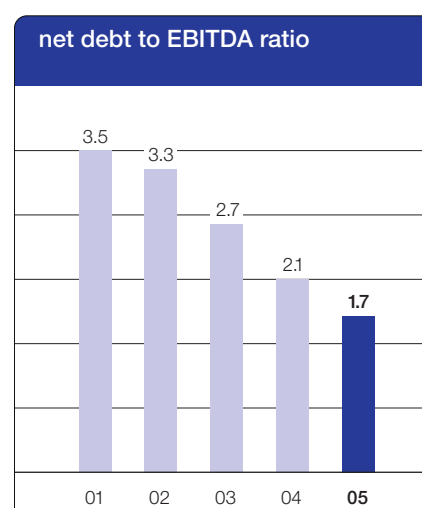
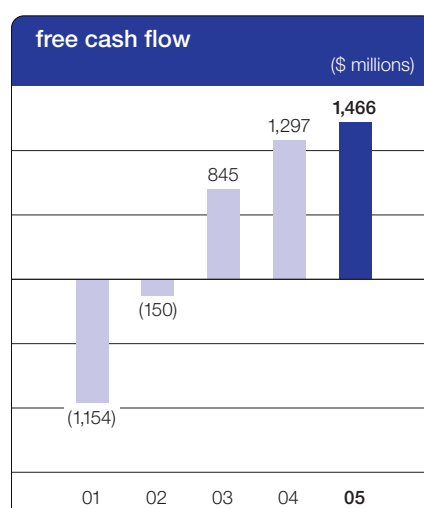
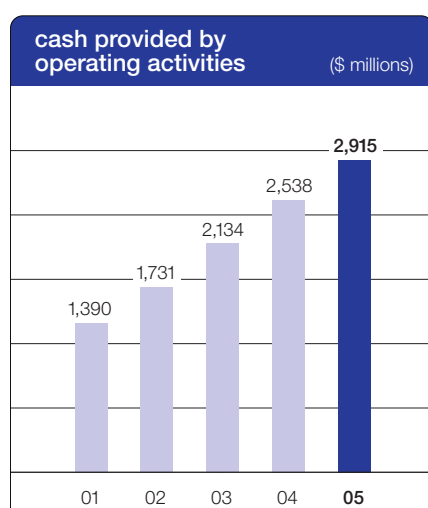
annual operating statistics

Consolidated	2005	2004	2003	2002	2001
Cash flow statement information					
Cash provided by operating activities (millions)	\$ 2,914.6	\$ 2,538.1	\$ 2,133.8	\$ 1,730.8	\$ 1,390.2
Cash used by investing activities (millions)	(1,355.2)	(1,299.5)	(1,197.8)	(1,691.1)	(1,821.3)
Cash provided (used) by financing activities (millions)	(2,447.3)	(348.3)	(920.8)	(65.8)	348.0
Performance indicators					
Net income (loss) (millions)	\$ 700.3	\$ 565.8	\$ 324.4	\$ (235.8)	\$ 446.5
Dividend payout ¹	56%	51%	65%	n.m.	79%
Return on common equity ²	9.9%	8.4%	5.1%	(3.8%)	6.9%
Return on assets ³	18.0%	14.2%	12.2%	9.5%	7.2%
EBITDA interest coverage ratio ⁴	5.4	5.1	4.4	3.6	4.0
Free cash flow (millions) ⁵	\$ 1,465.5	\$ 1,297.3	\$ 844.9	\$ (149.7)	\$(1,154.0)
Net debt to EBITDA ratio ⁶	1.7	2.1	2.7	3.3	3.5
Net debt to total capitalization	45.7%	47.9%	53.7%	57.2%	56.3%
Capital expenditures (millions)	\$ 1,319.0	\$ 1,319.0	\$ 1,252.7	\$ 1,697.9	\$ 2,605.3
Capex intensity ⁷	16.2%	17.4%	17.5%	24.2%	36.8%
Other					
Total employees, continuing operations	29,819	25,798	24,719	25,752	30,701
Full-time equivalent (FTE) employees ⁸	n.m.	24,754	23,817	24,829	–
EBITDA per average FTE employee (000s) ^{8a}	n.m.	\$ 128.9	\$ 117.8	\$ 89.9	–
Total salaries and benefits (millions)	\$ 1,921.4	\$ 1,938.2	\$ 1,883.2	\$ 1,995.7	\$ 1,954.4

n.m. – not meaningful

- 1 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.
- 2 Common share and non-voting share income over the average quarterly common equity for the 12-month period. Quarterly ratios are calculated on a 12-month trailing basis.
- 3 Cash provided by operating activities divided by total assets. Quarterly ratios are based on a 12-month trailing cash flow provided by operating activities.
- 4 EBITDA excluding Restructuring and workforce reduction costs, divided by Financing costs before gains on redemption and repayment of debt, calculated on a 12-month trailing basis.
- 5 EBITDA, adding Restructuring and workforce reduction costs, cash interest received and excess of share compensation expense over share compensation payments, less cash interest paid, cash taxes, capital expenditures, and cash restructuring payments.
- 6 Net debt at the end of the period divided by 12-month trailing EBITDA (excluding restructuring).
- 7 Capital expenditures divided by Operating revenues.
- 8 The measure of full-time equivalent employees is not reported for the third quarter, fourth quarter and annual 2005, as it does not factor in effective overtime hours on staff equivalents because of the labour disruption.
- 9 EBITDA excluding Restructuring and workforce reduction costs, divided by average FTE employees. Quarterly ratios are annualized.

Note: Certain comparative financial information has been reclassified to conform with the 2005 presentation.



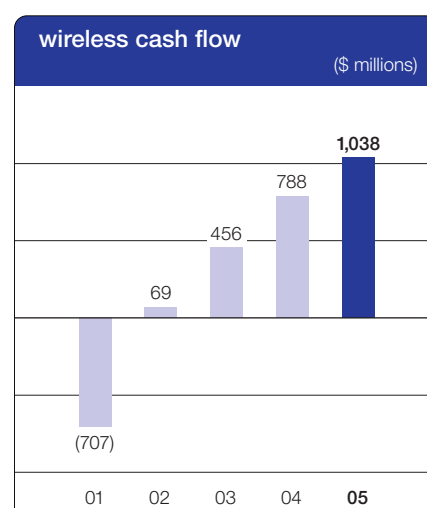
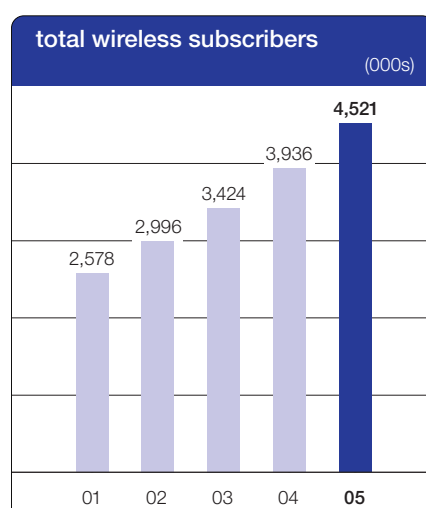
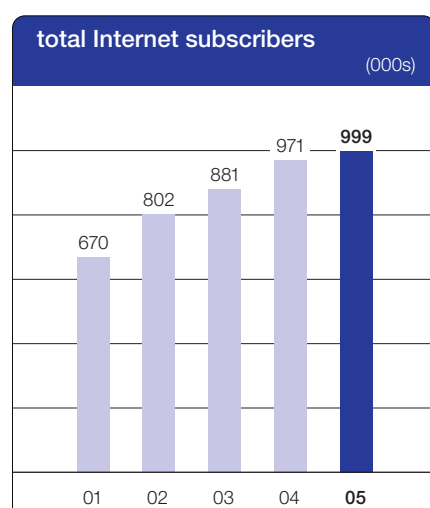
quarterly operating statistics

Consolidated	Q4 2005	Q3 2005	Q2 2005	Q1 2005	Q4 2004	Q3 2004	Q2 2004	Q1 2004
Cash flow statement information								
Cash provided by operating activities (millions)	\$ 805.0	\$ 693.5	\$ 687.7	\$ 728.4	\$ 613.8	\$ 847.2	\$ 489.0	\$ 588.1
Cash used by investing activities (millions)	(375.7)	(263.3)	(410.0)	(306.2)	(342.8)	(316.5)	(341.6)	(298.6)
Cash provided (used) by financing activities (millions)	(1,742.8)	(249.2)	(383.9)	(71.4)	3.3	(266.2)	(63.2)	(22.2)
Performance indicators								
Net income (millions)	\$ 78.5	\$ 190.1	\$ 189.5	\$ 242.2	\$ 135.6	\$ 156.6	\$ 172.3	\$ 101.3
Dividend payout ¹	56%	38%	40%	41%	51%	45%	50%	64%
Return on common equity ²	9.9%	10.8%	10.4%	10.3%	8.4%	7.2%	6.7%	5.2%
Return on assets ³	18.0%	15.1%	16.0%	14.8%	14.2%	13.2%	13.3%	13.2%
EBITDA interest coverage ratio ⁴	5.4	5.6	5.4	5.4	5.1	4.9	4.9	4.7
Free cash flow (millions) ⁵	\$ 109.8	\$ 581.3	\$ 207.8	\$ 566.6	\$ 121.9	\$ 502.6	\$ 229.5	\$ 443.3
Net debt to EBITDA ratio ⁶	1.7	1.8	1.8	1.9	2.1	2.2	2.4	2.5
Net debt to total capitalization	45.7%	45.4%	46.0%	46.2%	47.9%	49.7%	51.9%	52.7%
Capital expenditures (millions)	\$ 374.1	\$ 263.0	\$ 408.7	\$ 273.2	\$ 343.4	\$ 319.8	\$ 346.1	\$ 309.7
Capex intensity ⁷	17.9%	12.7%	20.2%	13.8%	17.5%	16.4%	18.6%	17.2%
Other								
Total employees, continuing operations	29,819	20,743	28,706	28,456	25,798	25,464	25,406	24,885
Full-time equivalent (FTE) employees ⁸	n.m.	n.m.	27,789	27,411	24,754	24,538	24,521	23,892
EBITDA per average FTE employee, annualized (000s) ^{8,9}	n.m.	n.m.	\$ 126.4	\$ 135.0	\$ 127.4	\$ 135.4	\$ 129.5	\$ 123.1
Total salaries and benefits (millions)	\$ 461.8	\$ 465.7	\$ 501.6	\$ 492.3	\$ 502.6	\$ 490.3	\$ 478.8	\$ 466.5

Note: Certain comparative financial information has been reclassified to conform with the 2005 presentation.

annual segmented statistics

	2005	2004	2003	2002	2001
Wireline segment					
Operating revenues (millions)	\$ 4,937.6	\$ 4,865.9	\$ 4,880.9	\$ 5,084.6	\$ 5,359.5
Operations expense (millions)	3,031.4	2,864.9	2,852.2	3,100.8	3,185.7
Restructuring and workforce reduction costs (millions)	53.9	52.6	28.3	563.4	135.4
EBITDA (millions)	\$ 1,852.3	\$ 1,948.4	\$ 2,000.4	\$ 1,420.4	\$ 2,038.4
Capital expenditures (millions)	\$ 914.2	\$ 964.3	\$ 892.8	\$ 1,238.2	\$ 1,605.8
Cash flow (millions) ¹	938.1	984.1	1,107.6	182.2	432.6
Network access lines in service (000s)	4,691	4,808	4,870	4,911	4,967
Net additions (losses) dial-up Internet subscribers (000s) ²	(45.5)	(38.2)	(71.9)	(63.4)	41.8
Dial-up Internet subscribers (000s) ²	236.1	281.6	319.8	391.7	455.1
Net additions high-speed Internet subscribers (000s) ²	73.4	128.1	151.6	195.2	131.2
High-speed Internet subscribers (000s) ²	763.1	689.7	561.6	410.0	214.8
Total employees, continuing operations	22,888	19,500	19,029	20,332	25,545
Full-time equivalent (FTE) employees ³	n.m.	18,839	18,430	19,668	–
EBITDA per average FTE employee (000s) ^{3,4}	n.m.	\$ 106.3	\$ 106.6	\$ 86.6	\$ –
Wireless segment					
Operating revenues (millions)	\$ 3,319.0	\$ 2,833.4	\$ 2,375.3	\$ 2,034.9	\$ 1,825.9
Operations expense (millions)	1,876.0	1,691.2	1,559.9	1,500.1	1,470.1
Restructuring and workforce reduction costs (millions)	–	–	–	6.5	63.0
EBITDA (millions)	\$ 1,443.0	\$ 1,142.2	\$ 815.4	\$ 528.3	\$ 292.8
EBITDA ⁵ excluding cost of acquisition (COA) (millions)	\$ 1,937.3	\$ 1,578.0	\$ 1,240.0	\$ 944.0	\$ 782.4
Capital expenditures (millions)	404.8	354.7	359.9	459.7	999.5
Cash flow (millions) ¹	1,038.2	787.5	455.5	68.6	(706.7)
Net additions wireless subscribers (000s) ⁶	584.3	512.4	431.1	417.8	417.5
Gross additions wireless subscribers (000s)	1,279.0	1,120.7	987.2	1,016.9	984.6
Wireless subscribers (000s) ⁸	4,520.7	3,936.4	3,424.0	2,995.5	2,577.7
Penetration rate ⁷	14.5%	12.9%	11.5%	10.9%	10.5%
Wireless market share, subscriber-based	26.9%	26.1%	25.5%	25.0%	24.1%
Average monthly revenue per subscriber unit (ARPU)	\$ 62	\$ 60	\$ 57	\$ 55	\$ 57
Average minutes per subscriber per month (MOU)	399	384	350	290	270
COA, per gross addition	\$ 386	\$ 389	\$ 430	\$ 425	\$ 446
Monthly churn rate ⁶	1.39%	1.40%	1.46%	1.80%	2.04%
Population coverage – digital (millions) ⁹	30.6	30.0	29.5	27.4	24.2
Total employees, continuing operations	6,931	6,298	5,690	5,420	5,156
Full-time equivalent (FTE) employees ³	n.m.	5,915	5,387	5,161	4,851
EBITDA per average FTE employee (000s) ^{3,4}	n.m.	\$ 205.0	\$ 159.2	\$ 104.3	\$ –



quarterly segmented statistics

	Q4 2005	Q3 2005	Q2 2005	Q1 2005	Q4 2004	Q3 2004	Q2 2004	Q1 2004
Wireline segment								
Operating revenues (millions)	\$ 1,232.9	\$ 1,222.2	\$ 1,237.7	\$ 1,244.8	\$ 1,233.9	\$ 1,224.8	\$ 1,211.1	\$ 1,196.1
Operations expense (millions)	788.5	794.5	731.8	716.6	732.2	714.2	711.8	706.7
Restructuring and workforce reduction costs (millions)	35.5	1.6	7.4	9.4	19.8	16.2	0.7	15.9
EBITDA (millions)	\$ 408.9	\$ 426.1	\$ 498.5	\$ 518.8	\$ 481.9	\$ 494.4	\$ 498.6	\$ 473.5
Capital expenditures (millions)	\$ 230.2	\$ 176.5	\$ 293.9	\$ 213.6	\$ 220.8	\$ 216.4	\$ 267.7	\$ 259.4
Cash flow (millions) ¹	178.7	249.6	204.6	305.2	261.1	278.0	230.9	214.1
Network access lines in service (000s)	4,691	4,709	4,741	4,793	4,808	4,817	4,827	4,848
Net losses dial-up Internet subscribers (000s)	(13.7)	(10.7)	(9.9)	(11.2)	(11.1)	(8.0)	(8.4)	(10.7)
Dial-up Internet subscribers (000s)	236.1	249.8	260.5	270.4	281.6	292.7	300.7	309.1
Net additions high-speed Internet subscribers (000s)	27.0	7.1	17.1	22.2	34.8	30.6	19.1	43.6
High-speed Internet subscribers (000s)	763.1	736.1	729.0	711.9	689.7	654.9	624.3	605.2
Total employees, continuing operations	22,888	14,958	22,334	22,172	19,500	19,493	19,640	19,197
Full-time equivalent (FTE) employees ³	n.m.	n.m.	21,777	21,519	18,839	18,857	19,036	18,522
EBITDA per average FTE employee, annualized (000s) ^{3,4}	n.m.	n.m.	\$ 93.5	\$ 106.9	\$ 106.5	\$ 107.4	\$ 106.1	\$ 105.4
Wireless segment								
Operating revenues (millions)	\$ 883.1	\$ 869.9	\$ 807.7	\$ 758.3	\$ 761.9	\$ 752.0	\$ 682.2	\$ 637.3
Operations expense (millions)	557.6	456.3	441.2	420.9	477.2	428.5	396.0	389.5
EBITDA (millions)	\$ 325.5	\$ 413.6	\$ 366.5	\$ 337.4	\$ 284.7	\$ 323.5	\$ 286.2	\$ 247.8
EBITDA ⁵ excluding cost of acquisition (COA) (millions)	\$ 514.2	\$ 527.3	\$ 468.6	\$ 427.2	\$ 429.1	\$ 429.6	\$ 383.2	\$ 336.1
Capital expenditures (millions)	143.9	86.5	114.8	59.6	122.6	103.4	78.4	50.3
Cash flow (millions) ¹	181.6	327.1	251.7	277.8	162.1	220.1	207.8	197.5
Net additions wireless subscribers (000s)	235.0	138.0	131.1	80.2	186.4	136.2	113.7	76.1
Gross additions wireless subscribers (000s)	420.6	306.6	298.6	253.2	352.1	283.8	254.5	230.3
Wireless subscribers (000s)	4,520.7	4,285.7	4,147.7	4,016.6	3,936.4	3,750.0	3,613.8	3,500.1
Penetration rate ⁷	14.5%	14.0%	13.5%	13.1%	12.9%	12.4%	11.9%	11.7%
Wireless market share, subscriber-based	26.9%	26.6%	26.6%	26.5%	26.1%	26.1%	26.0%	25.6%
Average monthly revenue per subscriber unit (ARPU)	\$ 63	\$ 64	\$ 61	\$ 58	\$ 61	\$ 62	\$ 59	\$ 57
Average minutes per subscriber per month (MOU)	410	408	405	371	390	393	390	362
COA, per gross addition	\$ 449	\$ 371	\$ 342	\$ 355	\$ 410	\$ 374	\$ 381	\$ 383
Monthly churn rate	1.42%	1.33%	1.37%	1.45%	1.45%	1.34%	1.32%	1.49%
Population coverage – digital (millions) ⁸	30.6	30.2	30.2	30.2	30.0	29.7	29.7	29.5
Total employees, continuing operations	6,931	5,785	6,372	6,284	6,298	5,971	5,766	5,688
Full-time equivalent (FTE) employees ³	n.m.	n.m.	6,012	5,892	5,915	5,681	5,485	5,370
EBITDA per average FTE employee, annualized (000s) ^{3,4}	n.m.	n.m.	\$ 246.0	\$ 229.5	\$ 194.8	\$ 230.4	\$ 210.5	\$ 184.2

n.m. – not meaningful

1 EBITDA less capital expenditures.

2 As a result of a subscriber audit following a billing system conversion in the third quarter of 2002, Internet subscriber counts and net additions for the first six months of 2003 are net of reductions of approximately 13,000 dial-up subscribers and approximately 4,700 high-speed Internet subscribers.

3 The measure of full-time equivalent employees is not reported for the third quarter, fourth quarter and annual 2005, as it does not factor in effective overtime hours on staff equivalents because of the labour disruption.

4 EBITDA excluding Restructuring and workforce reduction costs, divided by average FTE employees. Quarterly ratios are annualized.

5 EBITDA excluding Restructuring and workforce reduction costs.

6 Based on an audit of the prepaid platform in the fourth quarter of 2003, a one-time adjustment was made to the prepaid subscriber base. Cumulative subscribers were reduced by approximately 7,600 in the period. Of the 7,600, net additions as recorded for 2003 reflected an adjustment of 5,000 for current year deactivations. Management believes the deactivations related to a prior period are immaterial and therefore net additions have not been restated. Furthermore, 2003 churn was calculated to reflect the 5,000 deactivations in the current year.

7 Subscribers divided by total population coverage.

8 Includes expanded coverage due to roaming/resale agreements, principally with Bell Mobility and Alliant Telecom Wireless, of approximately 7.5 million PCS POPs.

staying ahead

Dear fellow investor



Robert McFarlane
Member of the TELUS Team

For TELUS investors, 2005 was a year of significant reward. Continued successful execution of our strategy and attainment of our financial targets, despite a labour disruption in our Western Canadian operations, translated into significant TELUS share price gains. As we embark upon 2006, we do so from a position of financial strength with very strong cash flow generation, a proven track record for setting and achieving financial targets and policies, and a commitment to staying ahead with best practices in corporate disclosure and governance.



2005 – a positive year for investors

In 2005, TELUS' financial performance was strong with leading results as compared to most telecommunications companies worldwide. Our results clearly demonstrate TELUS' superior and growing exposure to wireless growth (42 per cent of consolidated revenue in the fourth quarter) and industry-leading performance by our wireless business segment. Remarkably, TELUS achieved all of its original 2005 financial targets, despite an extended labour disruption primarily in wireline operations in Western Canada, which had one-time net costs of \$133 million that were not contemplated in those targets.

Returning capital to investors

Also noteworthy last year was the continued progress on our long-standing commitment to balance the interests of debt and equity holders. This was illustrated by the significant return of capital to investors through a number of value-enhancing initiatives, which included:

- Increasing the quarterly dividend by 33 per cent on January 1, 2005 and 37.5 per cent on January 1, 2006
- Repurchasing 23 million shares for \$970 million since establishing our first Normal Course Issuer Bid in mid-December 2004
- Redeeming \$150 million of convertible debentures in June 2005, with 88 per cent of holders converting to "in the money" non-voting shares and the balance being redeemed for cash
- Further reducing debt through the early redemption of \$1.6 billion of Notes on December 1, 2005, six months before their scheduled maturity.

For investors, TELUS' financial performance, along with capital-returning initiatives, contributed to an outstanding 32 per cent increase in our share prices in 2005, which built on a 40 per cent increase in 2004. This is particularly notable when compared to global telecom stocks, which on average decreased by 12 per cent in 2005 and increased by 15 per cent in 2004. TELUS' equity value, or market capitalization, ended the year up 30 per cent at \$16.6 billion while our enterprise value including net debt was \$22.4 billion.

Clear financial targets and policies

With a firm belief that "What gets measured, gets done," TELUS has publicly set for seven years annual financial and operating targets, which we report against and update through the year. TELUS has a solid record for achieving these targets. In the past six years, we have achieved 88 per cent of the consolidated targets and 66 per cent of business segment targets.

Furthermore, we continue to publicly set financial policies and guidelines that provide investors with transparent information

regarding future debt or equity enhancing initiatives we are likely to pursue. These policies, as noted in the following table, are carefully set to provide financial flexibility and minimize our cost of capital in the market. Our ability to meet these policies as detailed below, while at the same time repaying debt, resulted in TELUS receiving upgrades to its investment grade credit rating from all four credit rating agencies in 2005.

The dividend payout guideline provides investors with a framework to assess the potential for future dividend increases in relation to the earnings per share (EPS) growth momentum TELUS is generating.

Policies and guidelines		
	Target	2005 actual
Net debt to capital policy	45 to 50%	46%
Net debt to EBITDA policy	1.5 to 2.0	1.7
Bond ratings policy	BBB+ to A- (or equivalent)	Three agencies at BBB+ and one at BBB
Dividend payout guideline	45 to 55% of sustainable net earnings	56% ¹ 44% ²

¹ Current dividend annualized on 2005 EPS.

² Current dividend annualized on midpoint of 2006 EPS target.

Looking ahead to 2006

Our financial outlook for 2006 is very positive. We have set clear targets that show growth across the board, as outlined below. Revenue and EBITDA are expected to benefit from strong wireless growth. As well, consolidated EBITDA is expected to benefit from an 18 to 22 per cent increase in the wireless segment, offset by an estimated \$46 million incremental investment in restructuring efforts aimed at enhancing efficiency primarily in our wireline segment. Strong growth in EPS is expected to be driven by not only EBITDA, but also reduced interest costs from the early debt redemption of \$1.6 billion in December 2005. Capital expenditures growth is expected to be somewhat higher in 2006 due to a delay in certain wireline spending last year resulting from the labour disruption. Free cash flow, after capital expenditures and before dividends, is again expected to increase to a record \$1.55 to \$1.65 billion.

Consolidated 2006 targets		
	2006 target	Change over 2005
Revenue	\$8.6 to \$8.7 billion	+ 6 to 7%
EBITDA	\$3.5 to \$3.6 billion	+ 6 to 9%
EPS	\$2.40 to \$2.60	+ 22 to 33%
Capital expenditures	\$1.5 to \$1.55 billion	+ 14 to 17%
Free cash flow	\$1.55 to \$1.65 billion	+ 5 to 12%

courage to innovate

Our ability to adapt and continuously improve has earned TELUS external recognition for financial reporting and disclosure excellence by the Canadian Institute of Chartered Accountants for 11 consecutive years.

We also recognize that the future is not without challenges. We operate in a competitive industry and face challenges from new competitors and technological change such as the recent introduction in our incumbent consumer market of voice over IP-based local telephony offerings by a number of competitors. Meanwhile, the rapidly changing wireless market saw the introduction of a series of new resale competitors. I encourage you to understand these and other risks and uncertainties facing TELUS and invite you to read a comprehensive overview starting on page 48 of this report.

A commitment to governance and disclosure

Underlying all financial and operational practices at TELUS is a fundamental belief in corporate governance excellence, full and fair disclosure, and the highest level of ethics. Our commitment to this belief is a top priority, and our accomplishment in this area has been validated by external recognition.

We promote a philosophy of "Ask first, act later" whereby all team members and directors can raise questions, concerns, issues without fear of consequence. Much of our effort stems from a rigorous approach to risk management and ethics. We also actively seek opportunities for the early adoption of new disclosure requirements and follow appropriate accounting policies. For example, we include pension expense and workforce restructuring costs in EBITDA, and we use the liability method of accounting for the regulatory-related deferral account.

As well, we pay particular attention to the quality, relevance and ease of access to our disclosure with comprehensive written information (annual report, quarterly reports and news releases), an award-winning website, and value-added investor conference calls and webcasts with slides and complete question and answer sessions.

Our comprehensive corporate governance practices are available on pages 13 and 14 of this report, in the 2006 information circular and at about.telus.com/governance.

Gaining recognition

While TELUS has been recently recognized for progressive and best practices for corporate governance, we have gained tremendous recognition over the years for corporate reporting and disclosure. To name a few:

- The 2004 annual report was ranked second in the world out of 1,100 international companies reviewed in the 2005 Annual Report on Annual Reports by Corporate Essentials
- TELUS won the Canadian Institute of Chartered Accountants' Award of Excellence for Corporate Reporting in the communications and media sector for the 2004 annual report
- In January 2006, TELUS was recognized by IR Magazine as having the best 2004 annual report in Canada and the best corporate disclosure policy based on a survey of 250 Canadian investment professionals.

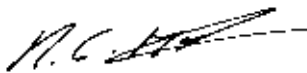
Awards and recognition for corporate governance received by TELUS are listed on page 14 of this report.

Leading the way to a friendly future

While we are pleased with our past achievements, we are working hard on your behalf to execute on our objectives for 2006 and beyond. Underpinning our actions is a commitment to staying ahead with communications transparency, clear policies and targets, full and fair disclosure, and best practices in corporate governance. We are intent on and well positioned to continue creating value for investors.

Thank you for your continued support.

Sincerely,



Robert McFarlane
Executive Vice-President and Chief Financial Officer
February 24, 2006

staying ahead with corporate reporting and governance

At TELUS, we are firmly committed to transparent and comprehensive disclosure, and to best practices in corporate governance. We take a proactive approach, often going beyond what is required by adopting, and sometimes developing, emerging best practices. Our goal is to provide first-class corporate and financial disclosure, and to empower investors with relevant and valuable information.

Enhancing our focus in 2005

Throughout 2005, we continued to enhance our focus on good corporate governance by building on our existing best practices. Notably, TELUS is in full compliance with the corporate governance standards of Canadian securities regulators and the New York Stock Exchange. Some examples of our long-standing best practices include:

- Separating the roles of Chief Executive Officer and Board Chair
- Having both the Chief Internal Auditor and the external auditor report to the Audit Committee
- Conducting quarterly in-camera sessions of the Board where the independent Directors meet without management present
- Conducting in-camera sessions at quarterly Audit Committee meetings where committee members meet with the external and internal auditors without management present
- Continuing to develop extensive disclosure controls and procedures checklists, and cascading them to senior managers and key disclosure positions.

During 2005, succession plan processes were developed for the Board Chair as well as for the Chairs of Board Committees. As well, diligent efforts were underway in preparation for Section 404 of the U.S. Sarbanes-Oxley Act regarding internal controls over financial reporting, and we are currently on track to meet the 2006 U.S. compliance deadlines. Specifically, using a top-down risk-based approach, we have conducted an extensive and comprehensive examination of those business and operating processes across the Company that have a significant impact on financial reporting. This activity also enables us to mitigate both financial reporting and business risks and identify opportunities for further improvements to internal controls over financial reporting.

Going above and beyond with voluntary practices

TELUS often exceeds compliance requirements to address more than just the letter of the law. Some examples of our voluntary practices include:

- Early adopting many of the disclosure provisions of the new equity compensation standard FAS 123(R), issued by the U.S. Financial Accounting Standards Board. These provisions will increase the insight financial statement users have of how share-based compensation affects the Company's financial position and results of operation
- Having the Chief Compliance Officer report to the Audit Committee on a quarterly basis

- Making ongoing improvements to our comprehensive enterprise risk management processes by:
 - Reviewing and updating the TELUS risk profile throughout the year to reflect dynamically changing risks, and assigning executive-level ownership for mitigation
 - Adopting a rigorous model of internal control (COSO, the Committee of Sponsoring Organizations of the Treadway Commission) to help assess the control environment across the organization
 - Further integrating top-down enterprise risk assessment with traditional bottom-up property and environment, health and safety risk approaches
- Continuing to blend the more comprehensive MD&A framework recommended by the Canadian Institute of Chartered Accountants (CICA) with the required disclosure framework of the Canadian Securities Administrators
- Making available our award-winning corporate disclosure and confidentiality of information policy
- Publicly disclosing our insider trading policy
- Publicly disclosing the entire Board policy manual including all of the Board Committees' terms of reference, not just the Audit Committee's terms of reference as is required. This information is posted on telus.com/governance.

Maintaining the highest ethical standards

Recognizing that how we work can be as important as what we do, TELUS places great emphasis on striving to ensure that the highest level of ethics and integrity is demonstrated in all business activities and decisions.

Each year, our ethics policy is reviewed and updated with the goal of keeping it current and relevant for team members. It is also used as an education and training tool to help employees when they are faced with ethical uncertainties. For example, in 2005, a policy section was added relating to ethical considerations in dealing with suppliers, contractors, consultants and agents. While ethics training was prepared for all team members in 2005, it was deferred due to the four-month labour disruption. In 2006, all team members will be again asked to review and complete the updated e.Ethics online training course.

Throughout 2005, we continued to monitor and resolve calls to the EthicsLine, a hotline for anonymous and confidential questions or complaints on accounting, internal controls or ethical issues.

corporate reporting and governance

Each quarter, reports regarding the status of these calls are made to the Audit Committee. In 2005, a total of 325 calls were fielded by the Ethics Office, 170 of which involved advice on ethical situations or complaints. Each complaint was investigated, resolved appropriately and reported to the Audit Committee. The Ethics Office determined that 26 breaches of the ethics policy occurred in 2005, but none involved fraud by team members with a significant role in internal controls over financial reporting. In fact, of all complaints made to our Ethics Office since its inception in 2003, no breaches of the ethics policy have involved fraudulent financial reporting.

Communicating with investors

An integral part of TELUS' corporate governance and reporting efforts is a series of significant communications activities that are intended to keep investors informed. During 2005, we held four quarterly conference calls and one 2006 targets call, which were also webcast to provide easy access for shareholders, and we made 14 conference presentations in Canada and the United States. Additionally, we conducted meetings with 228 institutional investors across Canada, the United States and Europe.

Leading with award-winning corporate governance

TELUS is widely recognized for governance excellence.

For example:

- In December, TELUS was given the Award of Excellence for Best Corporate Governance Disclosure across all industry sectors by the CICA
- In January 2006, TELUS was recognized by IR Magazine as having the best corporate disclosure policy in Canada based on a survey of 250 Canadian investment professionals
- TELUS tied for the third best board in Canada by the Canadian Business magazine's Top 25 Boards in Canada survey in August 2005.

Moody's Investors Service, in its Corporate Governance Assessment issued in December 2005, stated that "TELUS has strong corporate governance practices" and that "The company is committed to high standards of corporate governance, in our view, and clearly demonstrates this commitment in key areas such as disclosure, executive compensation and attention by the board to ensure management is focused on the long-term interests of the company." Moody's assessment indicated that TELUS' key positive attributes include its best practices approach on corporate governance, strong control structures, executive pay that appears disciplined and based on a useful mix of metrics, and notably good disclosure that extends to governance transparency.

Board committees

TELUS' Board of Directors is responsible for the stewardship of the Company and for overseeing the management of TELUS' business. The Board has appointed four committees, each of which operates under its own mandate and terms of reference. All members of the Audit, Corporate Governance, and Human Resources and Compensation Committees are independent, as is required by those committees' mandates. In addition, all members of the Pension Committee are independent, even though the Pension Committee's mandate only requires the majority of members to be independent. For full details, visit telus.com/governance or refer to the 2006 TELUS Information Circular.

In 2005, TELUS' Board of Directors met eight times and had full attendance at each meeting. (Note that TELUS Director Pierre Ducros was appointed in September 2005 and attended the three Board meetings that took place after his appointment.) Additionally during 2005, the Audit Committee met five times, the Corporate Governance Committee met six times, the Human Resources and Compensation Committee met five times, and the Pension Committee met four times.



For a full statement of TELUS' corporate governance practices, including disclosure regarding our governance practices against those required of U.S. domestic issuers by the New York Stock Exchange, visit telus.com/governance or refer to the 2006 TELUS Information Circular.

forward-looking statements

This report and Management's discussion and analysis contain statements about expected future events and financial and operating results of TELUS Corporation (TELUS or the Company) 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 predictions and other forward-looking statements will not prove to be accurate. Readers are cautioned not to place undue reliance on forward-looking statements as a number of factors could cause actual future results, conditions, actions or events to differ materially from financial and operating targets, expectations, estimates or intentions expressed in the forward-looking statements.

Assumptions for 2006 target purposes include: economic growth consistent with recent provincial and national estimates by the Conference Board of Canada that were available in 2005, including gross domestic product growth of 3.1% in Canada; increased wireline competition in both business and consumer markets; a wireless industry market penetration gain similar to the approximately five percentage point gain in 2005; approximately \$100 million restructuring and workforce reduction expenses; an effective tax rate of approximately 35%;

no prospective significant acquisitions or divestitures; no change in foreign ownership rules; and maintenance or improvement of investment-grade credit ratings.

Factors that could cause actual results to differ materially include but are not limited to: competition; technology (including reliance on systems and information technology); regulatory developments; human resources (including possible labour disruptions); business integrations and internal reorganizations; process risks (including the conversion of legacy systems and security); financing and debt requirements (including share repurchases and debt redemptions); tax matters; health, safety and environment developments; litigation and legal matters; business continuity events (including manmade and natural threats); economic growth and fluctuations; and other risk factors discussed herein and listed from time to time in TELUS' reports, public disclosure documents including the Annual Information Form, and other filings with securities commissions in Canada (filed on SEDAR at sedar.com) and the United States (filed on EDGAR at sec.gov).

For further information, see *Section 10: Risks and risk management* of Management's discussion and analysis.

management's discussion and analysis

February 24, 2006

The following is a discussion of the consolidated financial condition and results of operations of TELUS Corporation for the years ended December 31, 2005 and 2004, and should be read together with TELUS' Consolidated financial statements. This discussion contains forward-looking information that is qualified by reference to, and should be read together with, the discussion regarding forward-looking statements above.

TELUS' Consolidated financial statements have been prepared in accordance with Canadian generally accepted accounting principles (GAAP), which differ in certain respects from U.S. GAAP. See Note 21 to the Consolidated financial statements for a summary of the principal differences between Canadian and U.S. GAAP as they relate to TELUS. The Consolidated financial statements and Management's discussion and analysis were reviewed by TELUS' Audit Committee and approved by TELUS' Board of Directors. All amounts are in Canadian dollars unless otherwise specified.

The Company has issued guidance on and reports on certain non-GAAP measures that are used by management to evaluate performance of business units and segments. Non-GAAP measures are used in measuring compliance with debt covenants. Because non-GAAP measures do not have a standardized meaning, securities regulations require that non-GAAP measures be clearly defined and qualified, and reconciled with their nearest GAAP measure. For the readers' reference, the definition, calculation and reconciliation of consolidated non-GAAP measures is provided in *Section 11: Reconciliation of non-GAAP measures and definition of key operating indicators*.