TELUS CORP
Form 40-F
April 28, 2003

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SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D.C. 20549
FORM 40-F

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[ ] Registration statement pursuant to section 12 of the Securities Exchange Act of 1934 Or

[X] Annual report pursuant to section 13(a) or 15(d) Of the Securities Exchange Act of 1934

For the fiscal year ended December 31, 2002
Commission File Number 000-24876

TELUS Corporation
(Exact Name of Registrant as specified in its charter)

British Columbia, Canada
(Province or other jurisdiction of incorporation or organization)

4812

(Primary Standard Industrial Classification Code Number (if applicable)

21st Floor, 3777 Kingsway
Burnaby, British Columbia V5H 3Z7, Canada
(604) 432-2044

(Address and telephone number of Registrant's principal executive offices)

CT Corporation System, 111 Eighth Avenue, 13th Floor
New York, New York 10011
(212) 590-9200

(Name, Address (including zip code) and Telephone Number of Agent for Service in the United States)

Securities registered pursuant to section 12(b) of the Act.

Title of Class	Name of each exchange On Which Registered
Non-Voting Shares	New York Stock Exchange

Securities registered or to be registered pursuant to Section 12(g) of the Act.

None
(Title of Class)

Securities for which there is a reporting obligation pursuant to Section 15(d) of the Act.

6.75% Convertible Unsecured Subordinated Debentures
Warrants to Purchase Non-Voting Shares
7.00% Notes due 2007
8.00% Notes due 2011

(Title of Class)

For annual reports, indicate by check mark the information filed with this Form:

[X] Annual information form   [X] Audited annual financial statements

Indicate the number of outstanding shares of each of the issuer's classes of capital or common stock as of December 31, 2002:

187, 271, 994 Common Voting Shares and 158, 407, 931 Non-Voting Shares.

Indicate by check mark whether the Registrant by filing the information contained in this Form is also thereby furnishing the information to the Commission pursuant to Rule 12g3-2(b) under the Securities Exchange Act of 1934 (the "Exchange Act"). If "Yes" is marked, indicate the filing number assigned to the Registrant in connection with such Rule.

Yes_____   82-_____   No__X__

Indicate by check mark whether the Registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Exchange Act during the preceding 12 months (or for such shorter period that the Registrant was required to file such reports) and (2) has been subject to such filing requirements for the past 90 days.

Yes __X__ No_____

INCORPORATION BY REFERENCE

The Exhibits to this report are incorporated by reference.

UNDERTAKING

Registrant undertakes to make available, in person or by telephone, representatives to respond to inquiries made by the Commission staff, and to furnish promptly, when requested to do so by the Commission staff, information relating to: the securities registered pursuant to Form 40-F; the securities in relation to which the obligation to file an annual report on Form 40-F arises; or transactions in said securities.

Certification of CEO and CFO, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002

Controls and Procedures

Within the 90-day period prior to the filing of this report, an evaluation was carried out under the supervision of and with the participation of the registrant's management, including our Chief Executive Officer and Chief Financial Officer who are our principal executive officer and principal financial officer respectively, of the effectiveness of our disclosure controls and procedures (as defined in Rule 13a-14(c) under the Securities Act of 1934). Based on that evaluation our Chief Executive Officer and Chief Financial Officer concluded that the design and operation of these disclosure controls and procedures were effective. No significant changes were made in our internal controls or in other factors that could significantly affect these controls subsequent to the date of their evaluation.

Certifications

I, Darren Entwistle, President and Chief Executive Officer of TELUS

Corporation, certify that:

1. I have reviewed this annual report on Form 40-F of TELUS Corporation.

2. Based on my knowledge, this annual report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this annual report.

3. Based on my knowledge, the financial statements, and other financial information included in this annual report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this annual report.

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-14 and 15d-14) for the registrant and have:

   a) designed such disclosure controls and procedures to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this annual report is being prepared;

   b) evaluated the effectiveness of the registrant's disclosure and procedures as of a date within 90 days prior to the filing date of this annual report (the "Evaluation Date"); and

   c) presented in this annual report our conclusions about the effectiveness of the disclosure controls and procedures based on our evaluation as of the Evaluation Date.

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation, to the registrant's auditors and the audit committee of registrant's board of directors (and persons performing equivalent function):

   a) all significant deficiencies in the design or operation of internal controls which could adversely affect the registrant's ability to record, process, summarize and report financial data and have identified for the registrant's auditors any material weaknesses in internal controls; and

   b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal controls.

6. The registrant's other certifying officer and I have indicated in this annual report whether there were significant changes in internal controls or in other factors that could significantly affect internal controls subsequent to the date of our most recent evaluation, including any corrective actions with regard to significant deficiencies and material weaknesses.

April 22, 2003.

"Darren Entwistle"

Darren Entwistle
President and Chief Executive Officer

Certifications

I, Robert G. McFarlane, Executive Vice President and Chief Financial Officer of TELUS Corporation, certify that:

1. I have reviewed this annual report on Form 40-F of TELUSC orporation.

2. Based on my knowledge, this annual report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this annual report.

3. Based on my knowledge, the financial statements, and other financial information included in this annual report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this annual report.

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-14 and 15d-14) for the registrant and have:

   a) designed such disclosure controls and procedures to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this annual report is being prepared;

   b) evaluated the effectiveness of the registrant's disclosure and procedures as of a date within 90 days prior to the filing date of this annual report (the "Evaluation Date"); and

   c) presented in this annual report our conclusions about the effectiveness of the disclosure controls and procedures based on our evaluation as of the Evaluation Date.

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation, to the registrant's auditors and the audit committee of registrant's board of directors (and persons performing equivalent function):

   a) all significant deficiencies in the design or operation of internal controls which could adversely affect the registrant's ability to record, process, summarize and report financial data and have identified for the registrant's auditors any material weaknesses in internal controls; and

   b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal controls.

6. The registrant's other certifying officer and I have indicated in this annual report whether there were significant changes in internal controls or in other factors that could significantly affect internal controls subsequent to the date of our most recent evaluation, including any corrective actions with regard to significant deficiencies and material weaknesses.

April 22, 2003.

"Robert G. McFarlane"

Robert G. McFarlane
Executive Vice President and Chief Financial Officer

EXHIBITS

The following documents are filed as exhibits to this Form 40-F:

Exhibit Number	Document

1. Certification of CEO and CFO, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.

2. Annual Information Form dated April 21, 2003, with Management's Discussion and Analysis for the year ended December 31, 2002, attached as Appendix A thereto.

3. Audited Consolidated Financial Statements as at and for the year ended December 31, 2002.

4. Information Circular of the Company as of March 14, 2003.

5. Consent of Auditor.

SIGNATURES Pursuant to the requirements of Section 12 of the Securities Exchange Act of 1934, the registrant certifies that it meets all of the requirements for filing on Form 40-F and has duly caused this annual report to be signed on its behalf by the undersigned, thereunto duly authorized.

TELUS Corporation

"James W. Peters"

James W. Peters
Corporate Secretary

Date: April 22, 2003.

EXHIBIT 1: Certification of CEO and CFO as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002

Certification of CEO and CFO Pursuant to
18 U.S.C. Section 1350,
as Adopted Pursuant to
Section 906 of the Sarbanes-Oxley Act of 2002

In connection with the Annual Report on Form 40-F of TELUS Corporation (the "Company") for the year ended December 31, 2002 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), Darren Entwistle], as Chief Executive Officer of the Company, and, Robert G. McFarlane, as Chief Financial Officer of the Company, each hereby certifies, pursuant to 18 U.S.C. section 1350, as adopted pursuant to section 906 of the Sarbanes-Oxley Act of 2002, that, to the best of his knowledge:

(1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

"Darren Entwistle"

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Name: Darren Entwistle
Title: President and Chief Executive Officer
Date: April 22, 2003

"Robert G. McFarlane"

____

Name: Robert G. McFarlane
Title: Executive Vice President and Chief Financial Officer
Date: April 22, 2003

This certification accompanies the Report pursuant to section 906 of the Sarbanes-Oxley Act of 2002 and shall not, except to the extent required by the Sarbanes-Oxley Act of 2002, be deemed filed by the Company for purposes of section 18 of the Securities Exchange Act of 1934, as amended.

A signed original of this written statement required by Section 906 has been provided to TELUS Corporation and will be retained by TELUS Corporation and furnished to the Securities and Exchange Commission or its staff upon request.

EXHIBIT 2: Annual Information Form dated April 21, 2003, with Management's Discussion and Analysis for the year ended December 31, 2002, attached as Appendix A thereto

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TELUS Corporation

annual information form

for the year ended December 31, 2002

April 22, 2003

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Exchange Rate Information TELUS publishes its consolidated financial statements in Canadian dollars. In this annual information form, except where otherwise indicated, all reference, to "dollars" or "$" are to Canadian dollars. The Bank of Canada noon spot exchange rate on April 22, 2003 was Cdn.$1.4471= U.S.$1.00. The following table sets forth, for the fiscal years and dates indicated, certain exchange rate information based on the noon spot rate:

December 29, 2000	1.5002
December 31, 2001	1.5926
December 31, 2002	1.5796

FORWARD LOOKING STATEMENTS

This annual information form and the management's discussion and analysis annexed hereto, contain statements about expected future events and financial and operating results of TELUS Corporation ("TELUS" or the "Company") that are forward-looking and subject to risks and uncertainties. TELUS' actual results, performance or achievement could differ materially from those expressed or implied by such statements. Such statements are qualified in their entirety by the inherent risks and uncertainties surrounding future expectations and may not reflect the potential impact of any future acquisitions, mergers or divestitures. Factors that could cause actual results to differ materially include but are not limited to: general business and economic conditions in TELUS' service territories across Canada and future demand for services; competition in wireline and wireless services, including voice, data and Internet services and within the Canadian telecommunications industry generally; re-emergence from receivership of newly restructured competitors; levels of capital expenditures; success of operational and capital efficiency programs including maintenance of customer service levels; success of integrating acquisitions; network upgrades, billing system conversions, and reliance on legacy systems; implementation of new customer relationship management software; realization of tax savings; the impact of credit rating changes; availability and cost of capital including renewal of credit facilities; financial condition and credit risk of customers affecting collectibility of receivables; ability to maintain an accounts receivable securitization program; adverse regulatory action; attraction and retention of key personnel; collective labour agreement negotiations and outcome of conciliation efforts; future costs of retirement and pension obligations and returns on invested pension assets; technological advances; the final outcome of pending or future litigation; the effect of environmental, health and safety concerns and other risk factors discussed herein and listed from time to time in TELUS' reports, comprehensive public disclosure documents, including the annual report, and in other filings with securities commissions in Canada and the U.S.

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

TELUS

TELUS was incorporated under the Company Act (British Columbia) (the "BC Company Act") on October 26, 1998 under the name BCT.TELUS Communications Inc. ("BCT"). On January 31, 1999, pursuant to a court-approved plan of arrangement under the Canada Business Corporations Act ("CBCA") among BCT, BC TELECOM Inc. ("BC TELECOM") and TELUS Corporation ("TC"), BCT acquired all of the shares of each of BC TELECOM and TC in exchange for common shares and non-voting shares of BCT and BC TELECOM was dissolved. On May 3, 2000, BCT changed its name to TELUS Corporation. TELUS maintains its registered office at Floor 21, 3777 Kingsway, Burnaby, B.C. and its executive office at Floor 8, 555 Robson, Vancouver, B.C.

Subsidiaries of TELUS

The only material subsidiaries of TELUS are TELUS Communications Inc. ("TCI") and TELE-MOBILE Company ("TELUS Mobility"), each owning assets which constitute more than 10 per cent of the consolidated assets of TELUS as at December 31, 2002 and each generating sales and operating revenues which exceed 10 per cent of the consolidated sales and operating revenues of TELUS for the year ended December 31, 2002. TELUS owns 100 per cent of the voting shares in TCI directly, and 100 per cent of the partnership interests in TELUS Mobility indirectly.

In addition, TELUS Quebec Inc. ("TELUS (Quebec)") through its wholly-owned subsidiary, TELUS Communications (Quebec) Inc. ("TELUS Communications (Quebec)") and TELUS Enterprise Solutions Partnership ("TELUS Enterprise Partnership"), also provide communication services that form part of the TELUS Communications business segment.

The following organization chart sets forth these TELUS subsidiaries and partnerships, as well as their respective jurisdictions of incorporation or establishment and TELUS ownership:

[Organization Graph]

(1) There are outstanding preference and preferred shares of TCI, with no voting rights, which are listed and trading publicly. TCI issued two special redeemable subordinate preferred shares to TELUS Corporation on January 1, 2003.

In this annual information form, references to "TELUS" are to TELUS Corporation and all of its subsidiaries and partnerships as a whole, except where it is clear that these terms mean only TELUS Corporation. References to "TELUS Quebec" mean TELUS (Quebec) and, where the context requires, its subsidiaries.

GENERAL DEVELOPMENT OF TELUS AND ITS SUBSIDIARIES

General development and operations of TELUS

TELUS currently provides data, Internet protocol ("IP"), high-speed Internet and portals and local and long-distance voice services primarily through TCI and TELUS Quebec; information technology outsourcing and e-business solutions services primarily through TELUS Enterprises Partnership; and wireless data, IP, and voice services through TELUS Mobility. (See "Operations and organization of TELUS")

On October 20, 2000, TELUS acquired over 95 per cent of the outstanding shares of Clearnet Communications Inc. ("Clearnet Communications") pursuant to a take-over bid. The remaining Clearnet Communications shares not tendered pursuant to the takeover bid were acquired by TELUS through the compulsory acquisition procedures of the CBCA in January 2001. The purchase consideration for the Clearnet Communications shares was approximately $4.1 billion, which was satisfied by the payment of $2.2 billion in cash and the balance through the issuance of non-voting shares of TELUS.

On January 1, 2001, TELUS Communications (B.C.) Inc., TELUS Communications Inc., TELUS Mobility Cellular Inc. and 3759709 Canada Inc. amalgamated to form TELUS Communications Inc.

On July 1, 2001, through an internal reorganization, the wireless operations of TELUS Communications Inc. in Alberta and British Columbia ("B.C."), the wireless operations of TELUS Solutions (Quebec) Inc. in Quebec and the wireless operations of Clearnet PCS Inc. were transferred to TELUS Mobility. This effectively consolidated all of TELUS wireless operations into a single entity, TELUS Mobility.

On September 1, 2001, Clearnet PCS Inc. amalgamated with TELUS Communications Inc. pursuant to an internal reorganization to form TCI. On December 30, 2001, predecessor Clearnet Inc. and Clearnet Communications amalgamated to form Clearnet Inc. ("Clearnet"). On September 30, 2002, Clearnet was wound up into TCI.

As of December 31, 2002, TCI holds an approximate 99 per cent partnership interest and 3817873 Canada Inc., a subsidiary of TCI, holds less than a 1 per cent partnership interest, in TELUS Mobility.

OPERATIONS AND ORGANIZATION OF TELUS

TELUS is the largest telecommunications company in Western Canada and the second largest telecommunications company in Canada. TELUS is a leading Canadian telecommunications provider whose subsidiaries provide a full range of communication products and services. TELUS provides its communications services through two business segments: TELUS Communications and TELUS Mobility.

TELUS Communications is a full-service incumbent local exchange carrier ("ILEC") in Western Canada and Eastern Quebec offering local, long-distance, data, Internet and other services to consumers and businesses. TELUS Communications provides comprehensive local and long distance wireline services, data, IP, and managed services, and telecommunications equipment sales nationally. TELUS Mobility is a national facilities-based wireless provider with approximately three million subscribers. The business of TELUS Mobility includes the provision of digital Personal Communications Services ("PCS"), Enhanced Specialized Mobile Radio ("ESMR") services, wireless Internet and analogue cellular services.

The customer facing business units within the TELUS Communications segment are:

* Consumer Solutions, which provides Internet, voice and entertainment services to households and individuals in Alberta and B.C.;

* Business Solutions, which delivers innovative wireline, data, IP, and voice solutions to small and medium-sized businesses and entrepreneurs;

* Client Solutions, which brings customized wireline, voice, data, IP,

Information Technology ("IT") and e.business solutions to large multinational, corporate and public sector customers;

* TELUS Quebec, which focuses on the unique needs of the Quebec marketplace by offering targeted businesses and consumers comprehensive and integrated wireline telecommunications solutions, including data, Internet and voice; and

* Partner Solutions, which targets the wireline needs of wholesale customers, including telecommunications carriers, resellers, Internet service providers, wireless communications companies, competitive local access providers and cable TV operators.

The TELUS Communications customer facing business units receive essential support from the business capabilities units comprised of Business Transformation, Enterprise Marketing, Human Resources, Technology and Operations and TELUS Ventures, as well as, from the business enabling units comprised of Corporate Strategy, Corporate Affairs and Finance.

TELUS Mobility receives essential support for employee services, engineering, finance, information systems, legal, sales and marketing, operations, and regulatory from departments within TELUS Mobility.

TELUS' national growth strategy

Since the January 1999 merger transaction between BC TELECOM and TC, the Company has been pursuing a national wireline and wireless growth strategy outside Alberta and B.C. into the rest of Canada, most particularly into Central Canada. This is being implemented by both organic start-up operations and through a series of acquisitions.

On June 1, 2000, TELUS acquired approximately 70 per cent of the shares of The QuebecTel Group Inc., the second largest telecommunications provider in Quebec. It was subsequently renamed TELUS Quebec. On June 29, 2001, TELUS acquired the remaining 30 per cent of TELUS Quebec. TELUS Quebec provides TELUS with a regional full service presence in the province of Quebec and an established foundation of management, employees, systems and customer relationships with which to execute an expansion strategy targeted at businesses.

The acquisition of Clearnet Communications in October 2000 provided TELUS with two separate national digital wireless communications networks and subscribers, experienced management, employees, infrastructure and sales distribution system in Central and Eastern Canada. It also provided TELUS Mobility with PCS and wireless spectrum nationally.

In 2001, TELUS opened two world-class Intelligent Internet Data Centres ("IDCs") in Calgary and Toronto and completed six strategic acquisitions primarily focused on the provision of data and IP in Central Canada. The acquisitions added new customer relationships, skilled employees and a third IDC located in Toronto. TELUS has become a leading managed data hosting provider in Canada with TELUS' national network of IDCs.

That same year, the Company also activated its 10,000 kilometre coast-to-coast backbone fibre optic network, which interconnects cities between Halifax and Vancouver and extends into the United States ("U.S.") via points of presence in Albany, Buffalo, Chicago, Detroit, Seattle and New York City. This network is fully integrated with TELUS' extensive metropolitan networks in Alberta and B.C. and connects into networks under construction in Montreal, Ottawa, Toronto and other cities.

In 2002, TELUS Communications continued to expand its organic start-up operations in Central Canada by signing numerous long-term data, IP and long distance contracts worth more than $210 million. In addition, the Company has begun transforming its network to IP-based technology.

In addition, the Company sold non-core assets in 2000 and 2001 for proceeds of approximately $1.3 billion. These dispositions included the sale of real estate and the directory information, and exit from the equipment leasing business.

In 2001, TELUS Mobility extended wireless service into Winnipeg, Manitoba. In 2001 and 2002, TELUS completed the successful integration of the TELUS wireless operations in Alberta and B.C. with Clearnet Communications and QuebecTel Mobilite. In conjunction with the ongoing buildout of TELUS' wireless networks, in 2002, TELUS Mobility entered into certain enhanced and extended roaming/resale agreements with Bell Mobility and its affiliates and Aliant Wireless, a division of Aliant Telecom Inc. ("the Roaming/Resale Agreements"). These agreements expanded TELUS Mobility's ability to address the digital PCS market.

In 2002, TELUS Mobility launched a new next generation 1X wireless data network across Canada, and became Verizon Wireless' preferred roaming partner in Canada.

DESCRIPTION OF THE BUSINESS

TELUS is one of Canada's largest telecommunications companies, providing a full range of telecommunications products and services. The Company is the largest incumbent telecommunications service provider in Western Canada and provides data, IP, voice and wireless services to Central and Eastern Canada. The Company earns the majority of its revenue (voice local, voice contribution, voice long distance, data and mobility network) from access to, and usage of, the Company's telecommunication infrastructure. The majority of the balance of the Company's revenue (other and mobility equipment) arises from providing products that facilitate access to, and usage of, the Company's telecommunication infrastructure.

The wireline business segment is operated in TELUS Communications and the wireless business segment is operated in TELUS Mobility.

TELUS Communications - wireline business segment

TELUS Communications is an ILEC in Alberta, B.C. and Eastern Quebec where it provides comprehensive local, long distance, data, Internet and information services in its incumbent or ILEC territories and is a competitive local exchange carrier ("CLEC") offering services primarily in Central Canada through its non-incumbent or non-ILEC operations. TELUS Communications' ILEC operations service a population of approximately 7.2 million in its incumbent Western Canada service territory, and a population of approximately 544,000 in its incumbent Eastern Quebec territory. On a combined basis, the services of TELUS Communications accounted for revenue of $4,989.3 million for the year ended December 31, 2002, representing 71.2 per cent of the total revenue of TELUS for 2002.

In 2002, as part of its national growth strategy, TELUS continued to expand the provision of data and Internet and other services in its non-ILEC operations. In response to the changing environment since early 2002, TELUS made the improvement in profitability for its non-ILEC operations a priority. Efforts to advance TELUS' coast-to-coast network infrastructure continued through 2002. In June 2002, the TELUS Quebec Internet backbone was integrated into TELUS' national Internet backbone, thereby improving routing, connectivity and reliability for all of TELUS' Internet users. Also in June 2002, TELUS launched the Next Generation Network ("NGN") project, which could eventually support increased volumes of data transmissions and new applications like voice over

Internet Protocol ("VoIP"). The NGN is expected to provide a variety of next generation capabilities and services to both residential and business customers, and to eventually eliminate the need for separate networks for voice, data and video services. TELUS successfully migrated business long distance and toll-free (such as 1-800) customers, and all calling card customers, to a new national long distance enhanced services platform.

Local

Local wireline services allow customers to complete calls in their local calling areas and to access long distance networks, wireless networks and the Internet. Virtually all homes and businesses in the TELUS Communications incumbent service area have access to some or all of its local services. In addition to local calling, local services generally include enhanced calling features, such as call display, call waiting, call forwarding and voice mail; Centrex for business customers; public pay telephones; and competitive long distance carrier access. Local access or exchange service is the largest component of local wireline service, and is generally provided on a monthly flat rate basis.

TELUS Communications is competing outside its incumbent territory as a CLEC and has obtained approval to operate as a CLEC in certain targeted markets in Central Canada where it concentrates on providing business wireline services. TELUS is continuing to pursue CLEC status in other areas in Central and Eastern Canada.

CLECs operating in Canada provide service to their customers over facilities they have constructed or leased from ILECs in a given region or by reselling the local services of the ILECs (e.g. TELUS Communications). CLECs that use their own facilities or facilities leased from TELUS Communications are eligible to receive a subsidy when they provide service to residential customers living in areas where TELUS Communications, as an ILEC, receives a subsidy. (see "Regulation - Regulation of Local Services")

Long distance

Wireline long distance services interconnect customers in different local calling areas, and also provide domestic and international connectivity. TELUS Communications offers its residential and business customers a range of long distance savings plans, billing options, and call options. The largest component of wireline long distance services is message toll services, which are transmitted through fibre optic cables, microwave radio systems, cable carrier systems and satellite channels. Message toll services are subject to revenue settlement arrangements with other communications carriers. National and international wireline long distance services are provided through TELUS Communications' new national network and by way of interconnection with the networks of other facilities-based carriers and resellers.

Data, Internet and information services

TELUS Communications provides both "traditional" data services and "enhanced" data services. Traditional data services include circuit switched, packet switched and dedicated private lines. Enhanced data services are data services with greater functionality and growth potential than the traditional services. The major enhanced data services offered by TELUS Communications are Internet access, private intranets, wide area network outsourcing and electronic commerce. Customers may choose from a wide range of data services to suit the complexity of their requirements, including required speed and volume. TELUS Communications is the second largest Internet service provider in Alberta, B.C. and Quebec and is the third largest wireline Internet service provider in Canada. As at December 31, 2002, TELUS had 801,700 Internet subscribers, including 410,000 asymmetrical digital subscriber line ("ADSL") high-speed subscribers. The number of ADSL subscribers increased 91 per cent from 214,800 at the end of 2001. TELUS Communications has seen an increase in the use of data services such as business Intranets by business customers and in the use of personal computer access, Internet access and facsimile transmission by residential customers. TELUS also offers a range of advanced intelligent network services - services that can be customized to meet the specific needs of individual customers through software changes to network switches. These services include special number services such as toll free 1-800 and 1-900 and enhanced call routing.

TELUS Communications provides businesses with information technology services such as IT outsourcing, application development and sustainment and national IT consulting. As a leader in Web hosting services, TELUS Communications also offers managed hosting, co-location including shared Web and e-mail hosting services, media streaming, data storage and security services. In addition, TELUS Communications offers managed applications services and software such as online backup Web conferencing, expense management, customer relationship management and sales force automation. These services are available across Canada and can be enhanced by connection with TELUS Communications' infrastructure through points of presence in Regina, Saskatoon, Winnipeg, Burlington, Chatham, Hamilton, Kitchener, London, Mississauga, Oshawa, Ottawa, Toronto and Windsor, and throughout Alberta and B.C.

The following table sets forth certain statistical information with respect to TELUS Communications:

TELUS Communications	December 31	
	2002	2001
Network access lines (000's)	4,911	4,967
Long distance ILEC market share, revenue based	78%	79%
Local ILEC market share, access lines based	97%	98%
Dial-up Internet net additions (000's) (1)	(63.4)	41.8
Dial-up Internet subscribers (000's) (1)	391.7	455.1
High-speed Internet net additions (000s) (2)	195.2	131.2
High-speed Internet subscribers (000's) (2)	410.0	214.8
Employees (3)	18,677	23,247

TELUS Communications' network

TELUS Communications' network includes the Alberta and B.C. portion of the transcontinental high-density fibre optic transmission system used by the various ILECs across Canada. As part of TELUS' national strategy, TELUS Communications has also built its own national inter-city fibre optic backbone network that interconnects its existing Alberta/B.C. network with major centres in Ontario and Quebec. This fibre optic network commenced operations at the end of the first quarter of 2001, and is supplemented by new local fibre optic networks in 28 CLEC metropolitan areas. TELUS Communications' network also interconnects with the networks of Verizon Communications Inc. ("Verizon") and other carriers in the U.S. for the exchange of U.S. and international traffic.

TELUS Mobility - wireless business segment

TELUS Mobility is a major Canadian facilities based wireless service provider and offers a number of wireless services nationally as well as various services on a regional basis. TELUS Mobility is licensed to operate a national PCS network and analogue/digital cellular facilities in Alberta, B.C., and Eastern Quebec. TELUS Mobility also operates Canada's only national ESMR network. TELUS Mobility offers wireless voice and data services to consumers and businesses nationally on both the ESMR and the PCS/cellular networks, and competes in the prepaid and postpaid markets with three other major carriers in Canada. Together with TELUS' previous spectrum holdings, the acquisition of Clearnet and the provisional purchase of additional spectrum in the PCS spectrum auction held in early 2001, TELUS Mobility holds the leading mobile spectrum position of all wireless carriers within Canada. TELUS Mobility is also the leading wireless communications service provider in Canada in terms of ARPU, churn, and operating cash flow based on publicly available information. For the year ended December 31, 2002, TELUS Mobility accounted for revenue of $2,017.4 million, representing 28.8 per cent of the total revenue of TELUS for 2002.

In October 2001, TELUS Mobility entered into the Roaming/Resale Agreements, which extended and enhanced then existing roaming and resale arrangements by, among other things, reducing the wholesale pricing for such services to encourage the use of existing digital code division multiple access ("CDMA") networks. The implementation in 2002 of these agreements expanded TELUS Mobility's addressable PCS market by approximately 6 million people to over 27 million while allowing TELUS Mobility to avoid capital expenditures of approximately $800 million over the 10-year term of the agreements. In November 2002, these Roaming/Resale Agreements were amended to include 1X network services.

The following table sets forth certain statistical information with respect to TELUS Mobility:

TELUS Mobility - pro forma (1)	December 31	
	2002	2001
Net subscriber additions (000's)	418	418
Gross subscriber additions (000's)	1,017	985
Wireless subscribers (000's) (2)	2,996	2,578
Penetration rate (3)	10.9%	10.5%
Wireless market share, subscriber based	25.0%	24.1%
Average monthly revenue per subscriber unit ("ARPU") (2)	$55	$57
Minutes of use per subscriber per month ("MOU")	290	270
Cost of acquisition, per gross addition (2)	$497	$502
Monthly deactivations (churn rate) (2)	1.8%	2.0%
Digital population coverage (millions) (4)	27.4	24.2
Total population coverage (millions) (4)	27.5	24.6
Employees (5)	4,941	4,518

TELUS Mobility networks

TELUS Mobility owns and operates a national digital PCS network, and analogue and digital cellular networks in Alberta, B.C., and Eastern Quebec, with 45 MHz of spectrum throughout all major population regions of Canada. TELUS has combined these networks and markets under one brand. Substantially all of TELUS

Mobility's digital subscribers are provided extended coverage in Canada, the U.S. and various other countries through analogue and digital roaming arrangements with other carriers by means of dual-mode or tri-mode, dual-band handsets.

TELUS Mobility also owns and operates an ESMR digital wireless business communications service under the MikeTM trademark using the integrated digital enhanced network ("iDEN") technology. The Mike network covers the larger population centers and surrounding areas in Alberta, B.C., Manitoba, Ontario and Quebec (including Montreal and Toronto), and many non-urban areas in Ontario, Quebec and Western Canada. The Mike network utilizes frequencies in the 800 MHz range which have propagation advantages over higher frequencies such as those used in digital 1900 MHz PCS networks, resulting in more cost effective geographic coverage. While the amount of 800 MHz spectrum licensed to TELUS Mobility varies by region, TELUS Mobility has in excess of 10 MHz of spectrum available for its Mike network in Montreal, Toronto and Vancouver, Canada's three most populous metropolitan areas. The Mike service is marketed primarily through independent and corporate-owned dealers to businesses and other organizations as a digital PCS-like service with the added unique benefit of Mike's Direct Connect functionality, which provides low-cost instant connectivity for work groups.

TELUS Mobility also operates analogue specialized mobile radio ("SMR") systems in most major urban centres in Canada. TELUS Mobility operates paging networks in Alberta, B.C., and Eastern Quebec.

EMPLOYEE RELATIONS

As at December 31, 2002, TELUS had a total of approximately 25,750 [A1]employees, of which 23,620 were regular full-time or regular part-time employees and the balance were temporary employees. Approximately 14,200 employees were unionized of which approximately 12,870 unionized employees were part of the TELUS Communications business segment and approximately 1,330 unionized employees were employed through TELE-MOBILE Company's wholly-owned subsidiary, TM Mobile Inc. and were part of the TELUS Mobility business segment. In 2002, the Company continued its Operational Efficiency Program ("OEP"), which included a focus on reducing staff. During the year approximately 5,000 staff departed the Company, including approximately 3,100 unionized employees by way of early retirement and early departure voluntary incentive plans. (see Management's Discussion and Analysis - Restructuring and workforce reduction costs")

TELUS Communications

The Telecommunications Workers Union ("TWU") represents approximately 11,330 unionized employees in TELUS Communications in Alberta and B.C.

Prior to the establishment of a single consolidated bargaining unit of TELUS Communications' unionized employees with the TWU as bargaining agent, bargaining unit employees in Alberta and B.C. were included in four separate bargaining units, each with a separate collective agreement. These collective agreements all expired on or before December 31, 2000 and collective bargaining between TELUS Communications and the TWU has been in progress since November 2000. The parties are currently working with federal conciliators appointed by the Minister of Labour at TELUS' request. Until a new collective agreement is concluded between TELUS Communications and the TWU, the terms and conditions of the expired collective agreements continue to apply, subject to the outcome of the TWU reconsideration application (see "Management's Discussion and Analysis - Status of labour negotiations" and - "Management's Discussion and Analysis - Risks and Uncertainties - Human Resources").

TELUS Quebec

Approximately 1,540 unionized employees of TELUS Quebec are represented by two bargaining agents. The two unionized groups are:

* Approximately 1,029 office, clerical and technical employees, represented by the Syndicat Quebecois des employes de TELUS. The collective agreements relating to these employees are in effect until December 31, 2005.

* Approximately 500 professional and supervisory employees, represented by the Syndicat des agents de maitrise de Quebec-Telephone. The collective agreements relating to these employees are in effect until March 31, 2005.

TELE-MOBILE Company

Approximately 1,330 unionized employees of TELE-MOBILE Company are represented by three bargaining agents in the provinces of Alberta, B.C., and Quebec. The unionized employees of TELE-MOBILE Company are employed by its wholly-owned subsidiary, TM Mobile Inc. TELE-MOBILE Company, through TM Mobile Inc., is currently in collective bargaining for renewal agreements for their wireless clerical and professional employees in Rimouski, Quebec. Negotiations with the TWU are pending for the unionized employees in the wireless operations in Alberta and B.C. The TELE-MOBILE employees formerly employed by Clearnet remain non-unionized. All of these relationships remain subject to the outcome of Canada Industrial Relations Board ("CIRB") proceedings brought by the TWU (see "Management's Discussion and Analysis - Risks and Uncertainties - Human Resources").

The unionized groups are:

* Approximately 662 former BC TEL Mobility employees represented by the TWU and who continue to be covered by the terms of the BC TEL/TWU collective agreement, which expired in December 2000.

* Approximately 577 former TELUS Mobility (Alberta) employees represented by the TWU and who continue to be covered by the terms of the Communications Energy & Paperworker Union/former TELUS Mobility (Alberta) collective agreement, which expired in December 2000.

* Approximately 65 former QuebecTel Mobilite employees represented by the Syndicat Quebecois des employes de TELUS and who continue to be covered by the terms of a collective agreement which expired in December 2000 and was further extended by agreement with the union to December 2002. Until a new collective agreement is concluded, the terms and conditions of the expired collective agreement continue to apply.

* Approximately 23 former QuebecTel Mobilite professional and supervisory employees represented by the Syndicat des Agents de Maitrise de Quebec-Telephone and who are covered by the terms of a collective agreement which expired in March 2002. A renewal agreement is currently being negotiated. Until a new collective agreement is concluded, the terms and conditions of the expired collective agreement continue to apply.

CAPITAL ASSETS AND GOODWILL

As at December 31, 2002, the total investment of TELUS in capital assets and goodwill was recorded at a net book value of $15.1 billion on a consolidated basis.

Capital assets and goodwill

The principal capital assets of TELUS consist of telecommunications property, plant and equipment and intangible assets and do not lend themselves to description by exact location. As at December 31, 2002, the total investment of TELUS in capital assets was recorded at a net book value of $12.0 billion on a consolidated basis. Such assets, located principally in Alberta, B.C., Ontario and Quebec, include network facilities, relay and transmission towers, switching equipment, terminal devices, computers, motor vehicles, tools and test equipment, furniture, office equipment and intangible assets. Spectrum licenses, which had a net book value of $3.0 billion, as at December 31, 2002, comprise the majority of intangible assets.

With the exception of terminal devices located at customer premises, most of the Company's communications plant and equipment are located on land owned or on rights-of-way obtained by TELUS.

The properties of TELUS include: (i) office space; (ii) work centres for field service and materials management personnel; and (iii) space for exchange, toll and mobile radio equipment. A small number of buildings are constructed on leasehold land and the majority of the relay stations for TELUS Mobility's public service radio-telephone network located in remote areas of B.C. are situated on Crown lands held under licenses from the province of B.C. for varying terms. Some buildings, switch centres and relay stations for TELUS Mobility's public mobile network are situated on land held under long-term leases. The network facilities of TELUS are constructed under or along streets or highways pursuant to rights-of-way granted by the owners of land including municipalities and on land owned by the Crown or on freehold land owned by subsidiaries of TELUS. Other communications property, plant and equipment consist of plant under construction and materials and supplies used for construction and repair purposes. Intangible assets include wireless spectrum licenses, subscriber base and computer software.

TELUS monitors its operations for compliance with applicable environmental requirements and standards, and implements preventative and remedial actions as required. TELUS' business of telecommunications services does not generate significant waste products that would be considered hazardous. For these reasons, remedial action has not been significant to the ongoing operations and expenditures of TELUS. As at December 31, 2002, goodwill had a net book value of $3.1 billion. Goodwill represents the excess of cost of acquired businesses over the fair value attributed to the net identifiable assets.

Value of intangible assets and goodwill

TELUS conducted an impairment review of intangible assets and goodwill in the first quarter of 2002, pursuant to the new accounting and reporting standards in respect of goodwill and intangible assets. Under this new standard, intangible assets, to the extent they have been determined to have an indefinite life, will no longer be subject to amortization but will be subject to a fair-value-based impairment test at least annually. Similarly, goodwill is no longer subject to amortization over its estimated useful life. Rather, goodwill will be subjected to at least an annual assessment for impairment by applying a fair-value-based test at the reporting unit level. Intangible assets with finite lives ("intangible assets subject to amortization") are amortized on a straight-line basis over their estimated lives, which are annually reviewed.

TELUS assessed its intangible assets with indefinite lives, which are its spectrum licences, in the first quarter of 2002 and recorded a transitional impairment amount of $595.2 million ($910.0 million before tax).

TELUS also assessed its goodwill in the first quarter of 2002 and determined that there was no goodwill transitional impairment amount.

The Company's annual review of impairment for intangible assets with indefinite lives and goodwill is conducted in December of each year starting in December 2002. No impairment was recorded as a result of the December 2002 review.

ALLIANCES

Long-term Relationship Agreement with Verizon

TELUS and certain Verizon subsidiaries are parties to the Long Term Relationship Agreement dated January 31, 1999. This agreement was entered into at the time of the merger of BC TELECOM Inc. with predecessor TELUS Corporation, and has a 10-year term. The agreement contains restrictions on Verizon's ability to acquire or sell TELUS shares beyond specified thresholds, and its ability to solicit or initiate business combinations involving TELUS. It also provides Verizon with anti-dilution rights, the right to designate (proportionate to its ownership of voting shares) nominees who will become part of the management slate proposed for election to the TELUS Board, and representation on TELUS Board committees. In particular, subject to certain exceptions and foreign ownership rules, except with the prior approval of a majority of the independent directors on the TELUS Board, Verizon and its subsidiaries may not own or control more than approximately 34.2% of TELUS shares or voting shares, or less than approximately 19.9% of TELUS shares. As at March 31, 2003, Verizon, through Anglo-Canadian Telephone Company, owned 48,551,972 TELUS common shares (25.8 per cent of the TELUS common shares) and 24,908,020 TELUS non-voting shares (15.7 per cent of the TELUS non-voting shares) or approximately 21.2 per cent of the outstanding TELUS shares (19.5 per cent on a fully diluted basis).

Verizon software and related technology and services

Verizon has adopted, with certain changes, the February 1, 1999 agreement made between TELUS and a predecessor to Verizon, GTE Corporation (the "GTE Agreement") with respect to certain GTE intellectual property rights and services. The agreement between TELUS and Verizon (the "Verizon Agreement") was made effective January 1, 2001 and contains provisions which, subject to existing third party rights and certain other exceptions and conditions, give TELUS and its affiliates certain rights to purchase exclusive licences of Verizon software and other technology, trademarks and service marks as specified by TELUS, and to use exclusively the remaining Verizon software and other technology, trademarks and service marks, in each instance in connection with the provision of Telecommunications Services (as defined in the Verizon Agreement) in Canada. Telecommunications Services do not include the provision of content for broadcasting, video, cable or Internet services, or the sale, publication or provision of directories. If Verizon proposes to transfer all or a substantial portion of the software and other technology underlying the intellectual property rights sold or licensed to TELUS to a third party unrelated to Verizon, and the transferred software and other technology were in fact used in the U.S. (excluding Puerto Rico) by Verizon at the time of transfer or in Canada, Verizon must use commercially reasonable efforts to obtain for TELUS substantially the same rights obtained by Verizon to use all upgrades, enhancements, additions and modifications to the transferred software and other technology developed by the third party transferee.

Verizon's obligation to provide intellectual property rights, or any other right, service or product called for in the Verizon Agreement is subject to compliance with U.S. regulatory requirements by Verizon and its affiliates.

The Verizon Agreement requires Verizon to provide certain functional and consulting services to TELUS as requested by TELUS. The parties have also agreed, subject to existing obligations, to use reasonable efforts to provide services and products that are seamless with each other and each has agreed to use reasonable efforts to purchase for itself and its customers the Telecommunications Services of the other party in that party's territory. The Verizon Agreement also contains certain joint marketing and non-competition provisions, which do not apply to Verizon Wireless or TELUS Mobility.

The Verizon Agreement applies to Verizon and its American and Canadian affiliates, but specifically excludes Verizon Wireless. Independent of the Verizon Agreement, TELUS Mobility and Verizon Wireless have negotiated and implemented mutually beneficial changes to their reciprocal existing roaming arrangements.

The initial term of the Verizon Agreement was for one year ending December 31, 2001. The term is renewable annually for successive one-year periods at TELUS' sole discretion with a last renewal right for a term ending December 31, 2008. Any renewal beyond December 31, 2008 requires the mutual agreement of the parties. TELUS has renewed the Verizon Agreement for 2003.

The Verizon Agreement provides for the following annual payments to be made by TELUS (including both licence purchase prices and fees to be paid for all other property rights and services provided or granted to TELUS under the Verizon Agreement): U.S. $155 million during the initial term, U.S. $100 million in the first renewal term (2002), U.S. $20 million in 2003 and in each subsequent annual renewal term up to December 31, 2008. In the event of termination, there will be in most instances a two-year transition period and TELUS will have a licence to use the then current software and other technology on a non-exclusive basis, allowing TELUS to properly manage the transition to new technology.

Genuity software and related technology and services

In order to obtain regulatory approvals for the merger between GTE and Bell Atlantic, GTE transferred substantially all of its Internet business into a separate public corporation known as Genuity Inc. (formerly GTE Internetworking) prior to the closing of the merger.

Effective June 30, 2000, Genuity, Genuity Solutions Inc. (a subsidiary of Genuity), and TELUS entered into a Brand, Technology and Co-Marketing Agreement (the "Genuity Agreement"). Similar to the GTE Agreement, and subject to existing third party rights and certain exceptions and conditions, the Genuity Agreement gives TELUS and its affiliates the exclusive right to use Genuity's software and other technology in connection with the provision of Telecommunications Services in Canada, and the exclusive right to use Genuity's trademarks and service marks in connection with the provision of Telecommunications Services in Canada where the Telecommunications Services are based on or use Genuity software and other technology or are in lines of business in which Genuity has been or is engaged. Genuity has agreed to provide certain functional and consulting services to TELUS as requested. The parties have also agreed, subject to existing obligations, to use reasonable efforts to provide services and products that are seamless with each other and each has agreed to use reasonable efforts to purchase for itself and its customers the Telecommunications Services of the other party in that party's territory, with Genuity being the first preferred supplier to TELUS over Verizon on IP (as defined in the Genuity Agreement) services and Verizon being the first preferred supplier to TELUS over Genuity on the remaining Telecommunications Services. The Genuity Agreement also contains certain joint marketing and non-competition provisions.

The initial term of the Genuity Agreement expires on January 31, 2009, subject to rights of early termination in certain instances including the reacquisition of control of Genuity by Verizon, the termination of the Verizon Agreement, and the termination of the agreement between Verizon and Genuity (the

"Verizon-Genuity Agreement") which provides, among other things, for the payment of consideration for the Genuity Agreement. The term is renewable for five years at the end of each term unless written notice to renegotiate is exchanged between the parties two years prior to the end of the term. During the initial term, TELUS is not required to make any royalty payments directly to Genuity and TELUS' royalty payments to Verizon under the Verizon Agreement constitute sufficient consideration in that regard. In the event of termination, TELUS will have a licence to use the then current software and other technology on a non-exclusive basis, allowing TELUS to properly manage the transition to new technology.

On or about July 24, 2002, Verizon announced that it would not exercise its right to reacquire control of Genuity Inc. On November 27, 2002, Genuity Inc., together with Genuity Solutions Inc. and certain other affiliates (collectively, the "Debtors") filed a voluntary petition for relief under Chapter 11 of the U.S. Bankruptcy Code. On February 4, 2003, the Debtors sold substantially all of their assets and operations to Level 3 Communications Inc. and certain of its subsidiaries ("Level 3"). In late February 2003, Verizon informed Level 3 and TELUS that the Verizon-Genuity Agreement has ended in 2002 in accordance with its terms. That termination, if effective, would result in the termination of the Genuity Agreement. Level 3 has until three months following the closing date of its purchase to decide whether to assume the Genuity Agreement (should it remain in effect) or any replacement or reinstated agreement. TELUS intends to continue discussions with Level 3 and Verizon as to the nature of their possible relationships during that three-month period. At this time, the Debtors have not given notice to TELUS as to whether they wish to assume and assign to Level 3 the Genuity Agreement (should it remain in effect) or any replacement or reinstated agreement.

TELUS has negotiated wholesale agreements with Genuity, including agreements to route traffic onto Verizon's and Genuity's U.S. and international network. This can, but does not yet include, cross-Canada traffic based on the October 1998 CRTC decision that removed routing restrictions. The Debtors have notified TELUS that they may wish to assume and assign to Level 3 certain TELUS agreements, but have not given notice to TELUS as to their intentions regarding the remaining wholesale agreements.

Directory Business

In 2001, TELUS sold its directory information services business to Verizon Information Services - Canada Inc. ("VIS"), a subsidiary of Verizon. At the same time, various TELUS subsidiaries and VIS entered into a series of commercial arrangements whereby VIS acquired the exclusive right to publish TELUS directories and provide on-line directories on TELUS portals, in Canada and within 40 miles of the Canada-U.S. border, for an initial term of 30 years with certain renewal rights thereafter, and TELUS agreed not to compete with VIS in the business during those 30 years.

Agreements with Canadian carriers

Effective January 1, 2000, the major Canadian wireline telecommunication companies replaced the then existing connecting agreement, which expired on December 31, 1999, with a series of bilateral connecting and support services agreements that set out the terms and conditions of the interconnection of members' networks, the terms and conditions associated with the provisions of certain services on such networks, and the method of settlement of revenues from certain communications services. As TCI has developed its own national network, services and processes it has progressively been limiting its reliance on the arrangements described in these agreements.

LEGAL PROCEEDINGS

On May 8, 1998, an action was commenced against BC TEL (now TCI) by certain holders of the $117.75 million principal amount of First Mortgage Bonds, 11.35 per cent Series AL (the "Bonds") which were redeemed by it on December 30, 1997. The action alleged that the Bonds were improperly redeemed and claimed damages as a result thereof. TELUS successfully defended the action, which was dismissed by the Ontario Superior Court of Justice in January 2003. On February 19, 2003, the plaintiffs filed a notice of appeal to the Ontario Court of Appeal.

On December 16, 1994, the TWU filed a complaint with the Canadian Human Rights Commission (the "CHRC"), alleging wage differences between unionized male and female employees were contrary to the equal pay for work of equal value provisions in the Canadian Human Rights Act. In December 1998, the CHRC advised it would commence its own investigation of the TWU complaint. The CHRC's investigation has been in the preliminary stages since 2000. TELUS believes that it has good defences to the complaint and has taken the position that the TWU's complaint should be dismissed.

In January 2002, TELUS became aware of two statements of claim filed in the Alberta Court of Queen's Bench on December 31, 2001 and January 2, 2002 by plaintiffs alleging to be either members or business agents of the TWU. In one action, the three plaintiffs alleged to be suing on behalf of all current or future beneficiaries of the TELUS Corporation Pension Plan ("TCPP"), and in the other action, the two plaintiffs allege to be suing on behalf of all current or future beneficiaries of the TELUS Edmonton Pension Plan ("TEPP"). The statement of claim in the TCPP-related action named TELUS, certain of its affiliates and certain present and former trustees of the TCPP as defendants, and claims damages in the sum of $445 million. The statement of claim in the TEPP-related action named TELUS, certain of its affiliates and certain individuals who are alleged to be trustees of the TEPP and claims damages in the sum of $15.5 million. Each statement of claim also seeks other relief, for, inter alia, alleged contribution holidays and surplus withdrawals by TELUS from the TCPP and TEPP, respectively. On February 19, 2002, TELUS filed statements of defence to both actions and also filed notices of motion for summary judgment dismissing the claims in each action on the basis that they do not disclose either a cause of action or a serious issue to be tried, or in the alternative, seeking an order striking out the actions as a representative or a class action. On May 17, 2002, the statements of claim were amended by the plaintiffs to include allegations, inter alia, that benefits provided under the TCPP and TEPP are less advantageous than the benefits provided under the respective former pension plans, contrary to applicable legislation, that the individual defendants permitted the corporate defendants to make insufficient contributions to the plans, and that administration fees and expenses were improperly deducted. TELUS filed statements of defence to the amended statements of claim on June 3, 2002. The notices of motion have been adjourned pending various interlocutory matters. TELUS believes it has good defences to the actions.

On March 26, 2003, TELUS commenced a legal action in the Supreme Court of British Columbia against the TWU, its president and research director, claiming that the defendants have persistently defamed and conspired to injure TELUS in an ongoing public campaign. The defendants have filed an appearance signifying their intention to defend this action.

FOREIGN OWNERSHIP RESTRICTIONS

Each of TCI, TELUS Communications (Quebec) and TELUS Enterprise Solutions (Quebec) Inc. (the "Canadian Carriers") is required by the Telecommunications Act (Canada) (the "Telecommunications Act") and the regulations thereunder to be a Canadian-owned and controlled corporation incorporated or continued under the laws of Canada or a province of Canada. Similar rules apply to TELUS Mobility as a partnership under the Radiocommunication Act (Canada) (the "Radiocommunication Act"). Each of the Canadian Carriers is considered, under the Telecommunications Act, to be Canadian-owned and controlled as long as: (a) not less than 80 per cent of the members of its board of directors are individual Canadians; (b) Canadians beneficially own not less than 80 per cent of its issued and outstanding voting shares; and (c) it is not otherwise controlled in fact by persons who are not Canadians. TELUS intends that each will remain controlled by TELUS and that it will ensure that each remains "Canadian" for the purposes of these ownership requirements.

Also, the Telecommunications Act provides that, in order for a company which holds shares in a carrier to be considered Canadian, not less than 66-2/3 per cent of the issued and outstanding voting shares of that company must be owned by Canadians and that company must not otherwise be controlled in fact by non-Canadians. Accordingly, not less than 66-2/3 per cent of the issued and outstanding voting shares of TELUS must be owned by Canadians and TELUS must not otherwise be controlled in fact by non-Canadians. To the best of TELUS' knowledge, Canadians beneficially own and control in the aggregate not less than 66-2/3 per cent of the issued and outstanding common shares and TELUS is not otherwise controlled in fact by non-Canadians.

The regulations under the Telecommunications Act provide Canadian carriers and carrier holding companies, such as TELUS, with the time and ability to rectify ineligibility resulting from insufficient Canadian ownership of voting shares. Under these regulations, such companies may restrict the issue, transfer and ownership of shares, if necessary, to ensure that they and their subsidiaries remain qualified under such legislation. For such purposes, in particular but without limitation, a company may, in accordance with the provision contained in such regulations:

(i) refuse to accept any subscription for any voting shares;

(ii) refuse to allow any transfer of voting shares to be recorded in its share register;

(iii) suspend the rights of a holder of voting shares to vote at a meeting of its shareholders; and

(iv) sell, repurchase or redeem any voting shares.

To ensure that TELUS remains Canadian and that any subsidiary of TELUS is and continues to be eligible to operate as a telecommunications common carrier under the Telecommunications Act, to be issued radio authorizations or radio licences as a radiocommunications carrier under the Radiocommunication Act, or to act as a Broadcast Distribution Undertaking under the Broadcasting Act, provisions substantially similar to the foregoing have been incorporated into TELUS' Articles permitting the directors to make determinations to effect any of the foregoing actions.

As part of Industry Canada's Innovation Strategy, in November 2002, Industry Minister Allan Rock announced a review of the foreign investment restrictions in the Canadian telecommunications industry through the House of Commons Standing Committee on Industry, Science and Technology. TELUS has made representations to the Committeein support for eliminating or relaxing the Canadian foreign ownership limits, subject to the following:

* Foreign ownership limits must be symmetrical for all Canadian telecom companies; and,
* Foreign ownership rules for both telecommunications and broadcasting distribution must be in complete harmony.

The Standing Committee is expected to issue its report to the Government of Canada for consideration by June 2003. The final position that will be adopted by the Government of Canada on this major policy issue may not be made public prior to the upcoming round of World Trade Organization multilateral trade negotiations scheduled to take place in September 2003.

REGULATION

General

The provision of telecommunications service in Canada is regulated by the Canadian Radio-television and Telecommunications Commission (the "CRTC") pursuant to the Telecommunications Act. In addition, the provision of cellular and other wireless services using radio spectrum is subject to regulation and licencing by Industry Canada pursuant to the Radiocommunication Act.

The Telecommunications Act gives the CRTC the power to forbear from regulating certain services or classes of services if it finds that the service or class of service is subject to a degree of competition which is sufficient to protect the interests of users. In December 1996, the CRTC confirmed an earlier decision to forbear from regulating the rates for cellular, ESMR digital and PCS digital services. These services continue to be subject to CRTC regulation for certain matters, including network access and interconnection issues. Other wireless services, such as paging, are subject to unconditional forbearance from CRTC regulation. Although the CRTC has also forborne from regulation of a number of wireline services, such as long distance services and certain data services, wireline services are in general subject to a much greater degree of regulation than wireless services.

Regulation of local services

In 1997, the CRTC issued Decision 97-8. This decision, together with several later decisions and orders, effectively opened Canada's local switched services voice market to full competition, ending the historic monopoly of the ILECs in their respective territories. Additionally, in Decision 97-9 the CRTC adopted a four-year price cap regulatory regime for a number of local services provided by the ILECs, which placed price caps on the amount by which rates for these services could be increased but which also allowed the ILECs to respond more quickly and flexibly to competitive conditions in their local markets than under the previous regulatory system.

TELUS is subject to regulation as an ILEC in Alberta and B.C., and TELUS Communications (Quebec) is subject to regulation as an ILEC in its incumbent serving territory in Quebec. On July 31, 2002, the CRTC issued Decision 2002-43 adopting a price cap regulatory regime for TELUS Communications (Quebec) similar to the manner adopted on May 31, 2002 for the larger ILECs. Local competition in the operating territory of TELUS Communications (Quebec) was allowed in September 2002 following Telecom Order CRTC 2001-761.

In other areas of Canada, TELUS operates as a CLEC. TELUS has received regulatory approval to operate as a CLEC in Brampton, Cooksville, Guelph, Hamilton, Kanata, Kingston, Kitchener, London, Malton-Mississauga, Oshawa, Ottawa-Hull, St. Catherines, Toronto, Unionville, and Windsor and in other cities in the province of Quebec such as Boucherville, Chicoutimi, Chomeday, Drummondville, Lac Megantic, Longueuil, Montreal, Pont Viau, Quebec City, Riviere-du-Loup, Sherbrooke, and Trois-Rivieres.

Price cap regulation

Price cap regulation applies to a basket of local services provided by ILECs. On May 30, 2002, the CRTC issued Decision 2002-34 and established a second four-year price cap period. The CRTC modified the price cap basket structure and established multiple baskets for price capped services. In the initial four-year price cap period, there was one overall price cap basket and three sub-baskets. The new price cap basket structure has separate baskets for residential services in non high-cost service areas, residential services in high-cost service areas, business services, other capped services, competitor services, and services with frozen rates and payphones. Each of these baskets is subject to pricing constraints.

Annual price changes in residential services in the non high-cost service areas ("non-HCSAs") basket will be limited to the rate of inflation less a productivity off-set of 3.5 per cent when inflation is greater than 3.5 per cent. When inflation is less than 3.5 per cent, an amount equal to the revenue reduction required by the pricing constraint will be placed in a deferral account. The Company may recognize the deferred amounts upon undertaking qualifying actions, such as service improvement programs ("SIPs"), rate reductions including those provided to competitors and/or rebates to customers. Overall, rates in the non-HCSA basket cannot be increased when inflation is less than 3.5 per cent and annual rate increases for individual rate elements are limited to 5 per cent. When inflation is greater than 3.5 per cent, overall rate increases are limited to inflation minus 3.5 per cent.

Similarly, the overall rate increase for the basket of residential services in high-cost service areas is limited to inflation minus 3.5 per cent when inflation is greater than 3.5 per cent. However, when inflation is less than 3.5 per cent, no overall rate reduction is required for this basket.

The business service basket has an overall pricing constraint equal to inflation, and rate increases for individual rate elements in this basket are limited to 10 per cent per year. The other capped services basket (including Megaroute and Digital Network Access) is subject to an overall pricing constraint of inflation minus 3.5 per cent. The rates for services in the competitor services basket will be reduced annually by inflation minus 3.5 per cent, except services whose rates explicitly include productivity gains. The rates for most competitor services were reduced by the CRTC in the price cap decision to reflect a reduction in the mark-up from 25 per cent to 15 per cent on incremental costs used to set rates. The services with frozen rates basket freezes rates over the price cap period with respect to certain services including toll restriction and message relay service. The rates for payphone services will remain at current levels until the CRTC reviews payphone service policy issues.

TELUS Communications (Quebec) became subject to price cap regulation in 2002, after previously being regulated on a rate of return basis. In Decision 2002-43, issued on July 31, 2002, the CRTC established a regulatory framework for TELUS Communications (Quebec) that is directly comparable to the price cap regime set out in Decision 2002-34 for the large ILECs.

Local competition framework

The regulatory framework for local services competition has a number of components, the more important of which are summarized below.

Unbundling of Essential Facilities. On May 1, 1997, the CRTC determined in Decision 97-8 that all local exchange carriers (both incumbent and competitive) must be interconnected with one another's facilities in order to create a network of fully interoperable networks. In order to facilitate these objectives, ILECs must make certain "essential facilities" available to CLECs, at incremental cost plus an appropriate mark-up. Essential facilities are facilities which are monopoly controlled, required by competitors as an input to provide services and which cannot be economically or technically duplicated by competitors. The CRTC determined that essential facilities should include central office codes, subscriber listings and certain local loops in high-cost service areas. Initially, for a five-year period, the ILECs must provide certain non-essential facilities, which the CRTC deemed to be near essential, such as local loop facilities in low cost areas and transiting arrangements, at prices determined as if they were essential facilities (that is, incremental cost plus an appropriate mark-up). In Order CRTC 2001-184, the CRTC extended the period of time during which near-essential facilities in low-cost areas must be made available to competitors at mandated rates. This obligation on the part of the ILECs will continue until such time as the market for near essential loops and transiting arrangements is competitive.

Traffic termination arrangements. A "bill and keep" mechanism applies to traffic that is interchanged between local service carriers and terminated within the same exchange. Under this mechanism, all local services carriers terminate each other's traffic but do not specifically compensate each other for the traffic termination functions that they perform. Where the exchange of traffic between local exchange carriers is not balanced, a local carrier is compensated for terminating traffic in accordance with a mutual per-minute traffic termination scheme based on CRTC-approved cost based tariffs.

Mandated resale. With the exception of subscriber listings, the ILECs are required to make all of their residential local services available for resale. In contrast to regulatory decisions in the U.S., the CRTC did not mandate the provision of these services to resellers at discounted or wholesale rates, deciding, among other things, that the rates for residential local services are already priced below cost.

Regulation of CLECs. CLECs own or operate local transmission facilities, which means that they must be a "Canadian carrier" as defined in the Telecommunications Act. Canadian carriers are subject to foreign ownership restrictions. CLECs are required to file intercarrier agreements and tariffs for services provided to other local carriers but not for services that they provide to end-users. They are also subject to certain obligations, including the provision of 9-1-1 and message relay services, the protection of customer privacy, and the provision of information to their customers and the CRTC regarding their billing and payment policies.

Contribution and portable subsidies. The CRTC previously determined that contribution payments from interconnected interexchange service providers (including voice, data and wireless service providers) would be used to subsidize the costs of below-cost residential telephone services through portable subsidies available to all eligible local exchange carriers that provide residential telephone services in high-cost service areas. The calculation of this portable subsidy was based on ILEC costs and revenues, and was paid from a central fund to all eligible local exchange carriers. Although the contribution regime and the portable subsidy mechanism were to remain unchanged until the end of 2001, Decision 2000-745 made several significant changes. Effective January 1, 2001, the CRTC changed the method used to collect contribution payments from a per minute charge on long distance services to a percentage of revenue charge on all telecommunications service providers, including wireline, wireless, data and other services. Internet, paging and terminal equipment revenues are exempt from the revenue charge. The 2001 contribution requirement was based on the estimated contribution revenues that would have been collected under the per-minute mechanism and the 2001 revenue-percentage charge was 4.5 per cent. The CRTC also changed the way in which contribution was pooled for subsequent distribution from separate corporation-specific contribution pools to one national contribution pool. This change resulted in a net positive revenue impact for TELUS in 2001.

In 2002, the per cent of revenue collection method and the national pooling of contribution payments continued but the method of calculating the amount of contribution that was received by companies providing residential basic service in high-cost service areas changed. In 2002, the contribution requirement was the difference between the incremental costs to provide residential telephone services in high-cost service areas (which include a 15 per cent mark-up towards the recovery of fixed common costs) less the revenues and an implicit subsidy of $60 per year per customer from optional local services. In Decision 2001-238, the CRTC reduced the amount of contribution to be collected by excluding certain costs that can be recovered through the contribution regime. As a result, the amount of contribution to be collected has been significantly reduced and the percentage of revenue charge applied to all telecommunications service providers was reduced to 1.4 per cent on an interim basis for 2002. The result was an estimated year-over-year reduction in EBITDA of $205 million for TELUS in 2002. In December 2002, the CRTC finalized the revenue percentage charge for 2002 at 1.3 per cent and will retain the charge at 1.3 per cent on an interim basis for 2003. TELUS applied to the CRTC to review and vary Decision 2000-745 and Decision 2001-238 to reinstate a 25 per cent mark-up and to recognize TELUS' actual incremental costs in the calculation of the contribution requirement. In Decision 2002-67, the CRTC denied TELUS' review and vary application. TELUS subsequently filed a petition with the federal Cabinet, on January 22, 2003, requesting that it order the CRTC to determine rates for regulated services and the Company's subsidy requirement based on actual corporation-specific costs. The Cabinet can take up to October 2003 to respond to this petition. (see "Management's Discussion and Analysis - Regulatory changes in 2002 - Contribution decisions").

Local business contribution. Previously, the CRTC excluded local business exchange services as a source of subsidy for residential local services. The CRTC concluded that the exclusion of this subsidy source would lead to more immediate benefits from competition in the local services market since there would be more room for price competition in business local services. Since January 1, 2001, the revenue-percentage charge has been applied to local business exchange services to contribute towards the subsidy requirement of local residential service in high-cost service areas.

Co-location. Co-location is an arrangement which allows ILEC customers and competitors to place their transmission facilities in the ILECs' central offices, thereby allowing competitors to configure their networks in a more efficient manner. In Decision 97-15, the CRTC ruled that, subject to space availability, both physical and virtual co-location must be provided to "Canadian carriers" pursuant to a tariffed service or an interconnection agreement. This decision has been subsequently extended to registered ADSL providers.

Telecommunications access to public rights-of-way. On January 25, 2001, the CRTC issued Order CRTC 2001-23, which ruled on a dispute over Ledcor Industries Limited's access to rights-of-way in the city of Vancouver. In this order, the CRTC confirmed its jurisdiction over telecommunications access to public rights-of-way; determined that municipalities cannot charge carriers rent for access to, or occupancy of, rights-of-way; indicated that carriers are responsible for the out-of-pocket expenses associated with gaining access to rights-of-way; and decided that it is not appropriate for municipalities to impose upon carriers a requirement to construct additional capacity beyond their needs. The principles established in this proceeding will generally be applicable to other municipalities. However, the Federation of Canadian Municipalities appealed the CRTC's order to the Federal Court of Appeal. In its decision, the Federal Court of Appeal upheld the CRTC's order and affirmed the CRTC's jurisdiction to regulate on matters respecting access to public rights-of-way by telecommunications companies and cable-TV undertakings. On February 28 and March 3, 2003, a number of municipalities filed an application for leave to appeal the Federal Court of Appeal's decision to the Supreme Court of Canada.

Building access. TELUS is participating in a CRTC proceeding to establish terms of access to tenants in multi-unit dwellings such as apartment buildings and office complexes. Building owners are currently demanding substantial fees for such access. An interim decision was issued by the CRTC in September 2001 whereby local exchange carriers, such as TELUS, would "own" in-building wires in existing buildings. As for new buildings, the building-proprietors would "own" the in-building wires. A further decision on this matter is expected in 2003.

Regulation of long distance services

In 1992, the CRTC issued Decision 92-12. This decision removed most of the restrictions on resale in the Canadian public long distance voice market and established the terms and conditions for entry by service providers which own and operate their own transmission facilities. This decision also established the rules which mandate the provision of equal ease of access to services of long distance carriers, the protection of competitor confidential information, the methods for interconnection by long distance carriers and resellers to the local telephone networks of local exchange carriers and the requirement for the payment of a contribution by long distance carriers and resellers to local exchange carriers which is used to subsidize the costs of providing below-cost local telephone services. In Decision 93-17, the CRTC extended the terms and conditions for long distance competition established in Decision 92-12 to the Alberta market.

In Decision 97-19, issued in December 1997, the CRTC concluded that the long distance and toll-free markets were sufficiently competitive to protect the interests of customers, and that it would be appropriate to forbear from regulation of these services. As a result, TELUS is no longer required to file and obtain CRTC approval of tariffs specifying rates for such services. However, TELUS is required to provide the CRTC, and to make publicly available, rate schedules setting out the rates for North American basic long distance service, and to update them within 14 days of any change in such rates. In addition, the CRTC has placed a cap on these schedules so that the weighted average rate for each schedule will not be allowed to increase. These conditions were reviewed and retained by the CRTC as part of the review of the price cap regulation regime that applies to TELUS.

Regulation of wireless services

The use of radio spectrum is subject to regulation and licensing by Industry Canada pursuant to the Radiocommunication Act, which is administered by Industry Canada. All of TELUS Mobility's wireless communications services depend on the use of radio frequencies.

The Minister of Industry has the authority to suspend or revoke radio spectrum licences if the licence holder has contravened the Radiocommunication Act, regulations or terms and conditions of its licence and after giving the holder of the licence a reasonable opportunity to make representations. Licence revocation is rare; licences are usually renewed upon expiration. (see "Management's Discussion and Analysis - Risks and Uncertainties - Regulatory - "Radiocommunications License Regulated by Industry Canada" and "Foreign ownership restrictions")

Radiocommunications spectrum licences

TELUS holds radiocommunication spectrum licences and authorizations for a variety of wireless services and applications, both mobile and fixed. TELUS Mobility holds significant 1.9 GHz PCS spectrum throughout Canada, is the leading holder of 800 MHz SMR/ESMR spectrum in all of the major Canadian markets, and holds 25 MHz of cellular 800 MHz spectrum in Alberta, B.C. and Eastern Quebec. In addition, TELUS Mobility holds various radio spectrum licences for paging services, analogue two-way radio services, and legacy mobile-telephone and other miscellaneous wireless services.

PCS/cellular. Including the acquisition of TELUS Quebec, but before the 2001 PCS spectrum auction and the acquisition of Clearnet Communications, TELUS Mobility held authorizations for 10 MHz of 1.9 GHz PCS spectrum and 25 MHz of cellular spectrum in Alberta, B.C. and Eastern Quebec. With the acquisition of Clearnet, TELUS acquired an additional 30 MHz national PCS licence, but was required to return 20 MHz of PCS spectrum in Alberta, B.C. and the TELUS Quebec territory to Industry Canada to comply with Industry Canada's spectrum cap limitation. In the PCS spectrum auction held in early 2001, TELUS Mobility obtained, on a provisional basis, 10 MHz of additional PCS spectrum in the Industry Canada defined tier 2 license areas of Nova Scotia and Prince Edward Island, Southern Quebec, Eastern Ontario, Southern Ontario and Manitoba. Industry Canada is reviewing TELUS Mobility's eligibility in connection with the post-auction process. (see "Management's Discussion and Analysis - Risks and Uncertainties - Regulatory - Foreign ownership restrictions")

SMR/ESMR. TELUS Mobility offers its unique digital Mike ESMR service in all major Canadian markets using 800 MHz SMR/ESMR spectrum. TELUS Mobility holds varying amounts of SMR/ESMR spectrum in different areas of Canada, but has in excess of 10 MHz of ESMR spectrum available to it in each of the major Canadian market areas.

Other. TELUS Mobility provides one-way messaging service (alpha-numeric and numeric paging) regionally and nationally with spectrum in the 150 and 931 MHz range in Alberta, B.C., the TELUS Quebec region of the province of Quebec and via roaming arrangements. TELUS Mobility currently operates a variety of other two-way radio services, including the Tango service in Alberta in the 400 MHz band. TELUS also operates the Autotel mobile telephone service in B.C. in the 150 MHz band and a number of microwave transmission links.

Licence terms and renewals. Currently, spectrum licences in Canada for PCS and cellular spectrum are renewed every five years. TELUS Mobility's PCS and cellular spectrum licenses were renewed effective April 2001. (see "Management's Discussion and Analysis - Risk and Uncertainties - Regulatory - Radiocommunications license regulated by Industry Canada" and "Foreign Ownership Restrictions") The spectrum licences for the auctioned 24/38 GHz and PCS spectrum, once issued, will have a ten year term from the date of issuance with a high expectation of renewal. Most other radiocommunications spectrum licences are renewed annually with a high expectation of renewal. (see "Management's Discussion and Analysis - Risks and Uncertainties - Regulatory - Radiocommunication licences regulated by Industry Canada").

Bundled services

In March 1998, the CRTC issued Decision 98-4, in which it removed restrictions on the joint marketing of wireless and wireline services and, subject to certain regulatory requirements, permitted telephone companies to offer bundled wireless and wireline services.

COMPETITION

TELUS expects continued strong competition within its wireline voice, data and IP, and wireless businesses within both its ILEC and non-ILEC territories. The following is a summary of TELUS' competitive position in each of its principal markets and geographic areas:

TELUS Communications - wireline business segment

Local

The rules for competition in the local services market in Canada, including all areas of Alberta and B.C., except the City of Edmonton, were established in May

1997 by the CRTC in Decision 97-8, with an effective date of January 1, 1998. The rules for local competition in the City of Edmonton became effective July 1, 1998. On May 30, 2002, the CRTC released Decision 2002-34, effective for four years beginning June 1, 2002. This Decision outlines the regulation of ILECs with respect to pricing rules for tariffed retail services and services purchased from the ILECs by competitors.

TELUS Communications has maintained an estimated 97 per cent share of the Alberta and B.C. geographic segments, as of December 31, 2002 (98 per cent as of December 31, 2001). TELUS Communications (Quebec) faced no competition for local services in its ILEC territory and continues to hold a 100 per cent share of this market within its ILEC territory as of December 31, 2002. However, competition is intense in those local geographic and product markets where competitors have entered. Market share losses in local business services are between 10 per cent and 20 per cent in major urban areas.

A number of companies operate as CLECs within TELUS' ILEC territories, competing primarily for business customers. These competitors offer local service through a combination of their own facilities and unbundled network elements provided by TELUS. In addition, resellers of primary local exchange services have been in operation in Alberta and B.C. for several years.

In its non-ILEC territories, TELUS' major competitors on local access are the incumbent carriers. In most cases these competitors are subsidiaries or affiliates of BCE Inc. In its ILEC territories, TELUS' primary local access competitors include AT&T Canada and Bell West, as well as a number of other smaller carriers. Certain of these competitors have built extensive local fibre optic networks in TELUS' traditional service territories. These competitors are increasingly integrating or bundling services in order to provide both discounted and more extensive service offerings to customers.

Over the past two years, a number of smaller competitors have ceased operations, as a result of being unable to secure sufficient funding for their business plans. Other distressed competitors, however, have been financially restructured and now operate with much stronger balance sheets.

The introduction of wireless PCS, together with new local competition rules, as a result of Decision 97-8, may result in the emergence of wireless access services being a cost-effective alternative to wireline in providing local services. Advances in technology may allow non-traditional competitors like cable TV and software companies to enter the local voice market using VoIP.

Long distance

Subsidiaries of TELUS have experienced long distance competition since 1993. In Alberta and B.C., TELUS Communications had an estimated 78 per cent combined of the long distance market in those geographic segments, based on revenue, as of December 31, 2002 (79 per cent as of December 31, 2001). TELUS Communications (Quebec) had an 83 per cent share of the long distance market in its in-franchise territory as of December 31, 2002 (85 per cent as of December 31, 2001).

Significant competitors in long distance services include Sprint Canada, AT&T Canada, Primus Telecommunications Canada and Bell West. In addition, there are a number of smaller competitors. Competitors have attempted to gain market share through various methods, including acquisitions, business alliances, construction of alternative network facilities, price reductions and repackaging of service offerings.

VoIP technology is becoming more advanced each year and may enable non-traditional competitors, such as cable TV and software companies, to become viable competitors in long distance voice services. At this time these competitors have negligible market share.

Competitors, other than the ILECs, are not required to file tariffs for review and approval by the CRTC. As such, they continue to have a regulated competitive advantage over ILECs, which must file rates with the CRTC when bundling forborne services (toll services) with tariffed services.

On October 1, 1998, the CRTC established a framework for competition in the international services market to coincide with the Government of Canada's decision to terminate the monopoly of Teleglobe Inc. over telecommunications facilities linking Canada to overseas destinations. The decision removed routing restrictions through the U.S. making it possible for Canadian companies to route Canada-Canada and Canada-overseas wireline and data transmissions through the U.S. As a result of this decision, TELUS has benefited by entering into new business arrangements for international services through a number of service providers, including subsidiaries of Verizon.

Data and Internet

TELUS Communications is also an Internet service provider in Alberta, B.C., and in parts of Ontario and Quebec. TELUS Communications had approximately 800,000 Internet consumer and business subscribers, as of December 31, 2002 (670,000 as of December 31, 2001), including 410,000 ADSL subscribers (215,000 on December 31, 2001).

In the residential sector, and to a lesser extent, the business sector, cable TV companies are also providing high-speed Internet access and represent significant competition to the ILECs. The cable TV companies, primarily Shaw Communications Inc., who compete with TELUS in the provisioning of high-speed Internet services to consumers, had approximately 65 per cent market share of this market, as at December 31, 2002 (down from 75 per cent a year earlier). TELUS Communications also provides a range of Internet and data services to consumers and businesses throughout Alberta, B.C., and parts of Ontario and Quebec. In 2002, the incumbent telecommunications company, Bell Canada, in Ontario and Quebec, together with the incumbent telecommunications company in Manitoba, Manitoba Telecom Services Inc., restructured to form a company that will be focused on the provision of a full range of telecommunications services to business customers in Alberta and B.C.

TELUS Mobility - wireless business segment

Wireless services

In the wireless service industry, there are three major competitors to TELUS: Rogers AT&T Wireless, Bell Mobility and Microcell Telecommunications. TELUS Mobility's national wireless network runs on 1X, the latest evolution of North America's highest speed wireless digital technology standard, CDMA. 1X is a highly efficient packet data network that allows always-on Internet access at speeds equal to or better than wireline dial-up Internet access technology. TELUS has entered into the Roaming and Resale Agreements allowing access to each other's 1X network outside of the urban centers. Rogers AT&T Wireless also has a national digital network but uses a different technology standard. The third and smallest competitor, Microcell Telecommunications, has recently received court approval of a recapitalization plan that will see it emerge from bankruptcy protection with significantly reduced debt.

TELUS Mobility also competes with numerous national, regional and local-paging companies for paging customers in Alberta, B.C., and Eastern Quebec. TELUS Mobility also offers a number of wireless Internet offerings using the networks noted above as well as wireless LAN services such as WiFi (802.11) in so-called "hotspots" and other areas utilizing unlicensed spectrum. In offering wireless

Internet and LAN access service, it competes, to a limited extent, with business Internet access providers. It also competes with major equipment manufacturers for private radio engineered systems.

Other emerging competitive services

Over the longer term there are a number of factors that will increase competition in the communications industry. Competition is escalating as a result of the continuing convergence of cable TV, satellite, computer, wireline and wireless technologies. The Internet is expected to facilitate the entry of additional non-network based competitors in all sectors. Competition is also escalating as TELUS continues its growth into emerging markets such as Web hosting and IP based application services.

On June 13, 2002, TCI applied to the CRTC for two broadcasting distribution undertaking licenses to provide cable television service to a number of communities in Alberta and British Columbia. These applications would allow TELUS to provide television programming to its subscribers using the Company's ADSL network, and would allow the company to provide a complete package of voice, data, Internet access and cable television services in these communities in competition with Shaw Communications, StarChoice Communications, and Bell ExpressVu. TELUS anticipates a decision on its applications by the end of 2003.

TCI has also filed a programming licence application with the CRTC to provide Video-on-Demand service. This service would be provided as part of the Company's anticipated cable television services and would also be offered over the Company's ADSL facilities.

SELECTED FINANCIAL INFORMATION

The following selected three-year consolidated financial information has been derived from and should be read in conjunction with the audited financial statements of TELUS for the year ended December 31, 2002, which are included in the TELUS 2002 Annual Report, and its annual audited consolidated financial statements for previous years. Information for 2000 and 2001 includes TELUS Quebec and Clearnet from their dates of acquisition.

Three year data	2002	2001
	(millions of dollars	except pe
Operating revenues	7,006.7	7,080.5
Operations expense	4,488.1	4,550.9
Interest and other	644.9	607.5
Restructuring costs	569.9	198.4
Income taxes	(42.5)	93.4
Income (loss) from continuing operations	(227.1)	(138.8)
Discontinued operations	(1.9)	592.3
Net income	(229.0)	453.5
Common share (1) income (loss)	(239.3)	443.0
Earnings (loss) per common share (1) - basic		

Continuing operations		$(0.75)	$(0.51)
Discontinued operations		-	$2.02
Net income		$(0.75)	$1.51
Earnings (loss) per common share(1) - diluted			
Continuing operations		$(0.75)	$(0.51)
Discontinued operations		-	$2.02
Net income		$(0.75)	$1.51
Cash dividends declared per common share (1)		$0.60	$1.20
Total assets		18,219.8	19,265.6
Short-term debt obligations		190.3	229.9
Long-term debt		8,197.4	8,651.4
Pension, post-retirement and other long-term liabilities		193.9	188.7
Total long-term financial liabilities		8,391.3	8,840.1
Future income taxes		992.3	1,326.6
Non-controlling interest		11.2	8.0
Common equity		6,214.4	6,767.6
Convertible debentures	1	48.5	147.4
Preference and preferred share capital		69.7	69.7

MANAGEMENT'S DISCUSSION AND ANALYSIS

See Appendix A attached.

DIVIDENDS DECLARED

The dividends per common share and non-voting share declared with respect to each quarter by TELUS, during the three-year period ended December 31, 2002, are shown below.

Quarter ended (1)	2002	2001
March 31	$0.15	$0.35
June 30	$0.15	$0.35
September 30	$0.15	$0.35
December 31	$0.15	$0.15

In October 2001, TELUS reduced the quarterly dividend on its common shares and non-voting shares from 35 cents to 15 cents, effective January 1, 2002, to align the dividend level with its growth strategy. (see "Management's Discussion and Analysis - Risks and Uncertainties - Dividends")

DIRECTORS AND OFFICERS

Directors

The names, municipalities of residence, principal occupations of the directors of TELUS and the date the person became a director of TELUS are as set out below. Currently, there are 13 directors on the TELUS Board. Lawrence A. Pentland has decided not to stand for re-election to the TELUS Board at the Company's annual and special general meeting in April 2003. G.N. (Mel) Cooper has reached the retirement age for the Board and also will not be standing for re-election.

Directors of TELUS

Name and municipality of residence	Director since (1)	Principal occupation
R. John Butler (4) (5-Chair) Edmonton, Alberta	1995	Counsel, Bryan & Company (law firm)
Brian A. Canfield (5) (6) Point Roberts, Washington	1993	Chairman, TELUS Corporation
Peter D. Charbonneau (2) Ottawa, Ontario	2001	Partner, Skypoint Capital Co. (venture capital)
G.N. (Mel) Cooper (4) (5) Victoria, B.C.	1993	Chairman and Chief Executive Communications Group Inc. (br
Darren Entwistle Vancouver, B.C.	2000	President and Chief Executive TELUS Corporation
Alfred C. Giammarino (2) (6) Wilton, Connecticut	2002	Senior Vice-President and Chi International and Verizon Inf of Verizon Communications Inc consolidated group of telecom
Iain J. Harris (2-Chair) Vancouver, B.C.	1997	Chairman and Chief Executive (investment and holding compa
John S. Lacey (3-Chair) (4) Toronto, Ontario	2000	Chairman, The Alderwoods Grou (funeral home operator)
Brian F. MacNeill (3) (4) Calgary, Alberta	2001	Chairman, Petro Canada (oil and gas company)
Daniel C. Petri (3) (6) Bedford, New York	2002	Group President, Internationa Verizon Communications Inc. (a holding company of consoli

		telecommunications companies)
Lawrence A. Pentland (3) Toronto, Ontario	2001	Vice President and General Ma Dell Computer Corporation (computer systems company)
Ronald P. Triffo (4) (5) Edmonton, Alberta	1995	Chairman, Stantec Inc. (engineering company)
Donald Woodley (3) (5) Orangeville, Ontario	1998	President, The Fifth Line Enterprise (strategic advisory services

All of the directors of TELUS have held the principal occupations set forth above or executive positions with the same companies or firms referred to, or with affiliates or predecessors thereof, for the past five years except as follows: Peter D. Charbonneau was Executive Vice President of March Networks Corporation from June 2000 to January 2001, Vice Chairman of Newbridge Networks Corporation from June 1998 to May 2000 and President and Chief Operating Officer of Newbridge Networks Corporation prior to May 1998; Darren Entwistle was President, Global Services of Cable & Wireless, UK & Ireland from May 2000 to July 2000, Chief Commercial Officer of Cable & Wireless, UK & Europe, from August 1999 to April 2000, Managing Director, Business of Cable & Wireless, Communications plc. from May 1997 to August 1999, Merger Director, Cable & Wireless plc. prior to May 1997; John S. Lacey was President and Chief Executive Officer of the Oshawa Group Ltd. from August 1998 to December 1998 and President and Chief Executive Officer of Western International Communications prior to July 1998; Brian F. MacNeill was President and Chief Executive Officer of Enbridge Inc. prior to January 2001; Lawrence A. Pentland was President of Dell Canada, Dell Computer Corporation from February 1999 to February 2001, Vice President, Business Development, Public & Americas International of Dell Computer Corporation from September 1998 to February 1999 and Executive Vice President of Cott Corporation prior to April 1998; and Donald P. Woodley was President of Oracle Corporation Canada Inc. from February 1997 to September 1999.

Officers

The name, municipality of residence and present and principal occupations of each of the officers of TELUS, as of March 31, 2003, are as follows:

Officers of TELUS Name and municipality of residence	Position held with TELUS
Brian A. Canfield Point Roberts, Washington	Chairman, TELUS Corporation
Darren Entwistle Vancouver, B.C.	President and Chief Executive Officer, TELUS Corporation

Christopher B. Carty Vancouver, B.C.	Executive Vice President, Corporate Strategy & Chief Marketing Officer
George A. Cope Toronto, Ontario	Executive Vice President and President and Chief Executive Officer, TELUS Mobility
Daniel H. Delaloye Edmonton, Alberta	Executive Vice President and President, Consumer Solutions
Joseph R. Grech Vancouver, B.C.	Executive Vice President and President, Partner Solutions
John M. Maduri Calgary, Alberta	Executive Vice President and President, Business Solutions
Hugues St-Pierre Rimouski, Quebec	Executive Vice President and President and Chief Executive Officer, TELUS Quebec
Barry A. Baptie Surrey, B.C.	Executive Vice President, Technology & Operations
Robert Cruickshank Vancouver, B.C.	Executive Vice President, Business Transformation
Mark W. Schnarr Port Coquitlam, B.C.	Executive Vice President, TELUS Ventures
Robert S. Gardner Vancouver, B.C.	Vice President and Treasurer
Robert G. McFarlane Vancouver, B.C.	Executive Vice President and Chief Financial Offi
James W. Peters Burnaby, B.C.	Executive Vice President, Corporate Affairs and Chief General Counsel and C
Judy A. Shuttleworth Surrey, B.C.	Executive Vice President, Human Resources

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All of the officers above have been engaged for the past five years in the specified present principal occupations or in other executive capacities with TELUS, their subsidiaries, affiliates or predecessors thereof, except as described above and as follows: Christopher B. Carty held various positions with AT&T, the last of which was Vice President Revenue Assurance Management, AT&T Business Services from January 2001 to March 2002; Robert Cruickshank was President of Mobile Data Solutions Inc. from February 1999 to April 2001; Joseph R. Grech held various executive positions with Cable & Wireless plc., the last of which was the President, Global Carrier Services of Cable & Wireless plc., from October 1999 to June 2000; and John M. Maduri was an Executive Vice President of Maxxcom Inc. and MDC Corporation from September 1999 to April 2000, Executive Vice President, Finance and Planning and Chief Financial Officer of Rogers Cantel Mobile Communications Inc. ("Rogers") from June 1996 to August 1999.

TELUS shares held by directors and officers

As at March 31, 2003, the directors and executive officers of TELUS, as a group, beneficially owned, directly or indirectly, or exercised control or direction over 117,053 common shares, which represented approximately 0.06 per cent of the outstanding common shares and 522,548 non-voting shares, which represented approximately 0.33 per cent of the outstanding non-voting shares. As of March 31, 2003, the executive officers of TELUS, as a group, beneficially owned, directly or indirectly, or exercised control or direction over 79,708 common shares, which represented appro