TELUS CORPORATION

INTERIM CONSOLIDATED FINANCIAL STATEMENTS

(UNAUDITED)

SEPTEMBER 30, 2006

interim consolidated statements of income (unaudited)

Periods ended September 30 (millions except per share amounts)	Three months 2006	Three months 2005	Nine months 2006	Nine months 2005
OPERATING REVENUES	**$ 2,210.7**	$ 2,062.8	**$ 6,426.4**	$ 6,056.0
OPERATING EXPENSES				
Operations	**1,245.8**	1,221.5	**3,654.3**	3,476.7
Restructuring and workforce reduction costs (Note 5)	**12.5**	1.6	**59.9**	18.4
Depreciation	**325.8**	335.6	**1,000.2**	996.4
Amortization of intangible assets	**57.5**	73.6	**168.3**	214.1
	1,641.6	1,632.3	**4,882.7**	4,705.6
OPERATING INCOME	**569.1**	430.5	**1,543.7**	1,350.4
Other expense, net	**4.0**	7.1	**17.9**	9.1
Financing costs (Note 6)	**116.6**	144.8	**371.1**	451.4
INCOME BEFORE INCOME TAXES AND NON-CONTROLLING INTEREST	**448.5**	278.6	**1,154.7**	889.9
Income taxes (Note 7)	**126.5**	86.9	**261.3**	263.2
Non-controlling interests	**2.4**	1.6	**7.1**	4.9
NET INCOME AND COMMON SHARE AND NON-VOTING SHARE INCOME	**$ 319.6**	$ 190.1	**$ 886.3**	$ 621.8
INCOME PER COMMON SHARE AND NON-VOTING SHARE (Note 8)				
– Basic	**$ 0.94**	$ 0.53	**$ 2.57**	$ 1.74
– Diluted	**$ 0.92**	$ 0.53	**$ 2.54**	$ 1.72
DIVIDENDS DECLARED PER COMMON SHARE AND NON-VOTING SHARE	**$ 0.275**	$ 0.20	**$ 0.825**	$ 0.60
TOTAL WEIGHTED AVERAGE COMMON SHARES AND NON-VOTING SHARES OUTSTANDING				
– Basic	**341.4**	356.8	**345.2**	358.3
– Diluted	**346.0**	361.7	**348.8**	362.1

The accompanying notes are an integral part of these interim consolidated financial statements

interim consolidated statements of retained earnings (unaudited)

Periods ended September 30 (millions)	Nine months 2006	Nine months 2005
BALANCE AT BEGINNING OF PERIOD	**$ 849.7**	$ 1,008.1
Net income	**886.3**	621.8
	1,736.0	1,629.9
Common Share and Non-Voting Share dividends paid, or payable, in cash	**(284.5)**	(215.6)
Purchase of Common Shares and Non-Voting Shares in excess of stated capital (Note 15(f))	**(376.5)**	(398.4)
Adjustment for purchase of share option awards not in excess of their fair value	**2.1**	—
Adjustment of tax treatment of items charged directly to retained earnings	**16.1**	—
Warrant proceeds used in determining intrinsic value of warrants in excess of amounts ultimately received	**—**	(2.0)
BALANCE AT END OF PERIOD (Note 15)	**$ 1,093.2**	$ 1,013.9

The accompanying notes are an integral part of these interim consolidated financial statements

interim consolidated balance sheets (unaudited)

As at (millions)	September 30, 2006	December 31, 2005
ASSETS		
Current Assets		
Cash and temporary investments, net	**$ —**	$ 8.6
Short-term investments	**98.8**	—
Accounts receivable (Notes 11, 17(b))	**739.7**	610.3
Income and other taxes receivable	**49.0**	103.7
Inventories	**144.0**	138.8
Prepaid expenses and other (Note 17(b))	**237.2**	154.7
Current portion of deferred hedging asset (Note 14(b))	**5.6**	—
Current portion of future income taxes	**—**	226.4
	1,274.3	1,242.5
Capital Assets, Net (Note 12)		
Property, plant, equipment and other	**7,457.2**	7,339.4
Intangible assets subject to amortization	**551.9**	637.5
Intangible assets with indefinite lives	**2,966.3**	2,964.6
	10,975.4	10,941.5
Other Assets		
Deferred charges (Note 17(b))	**979.6**	850.2
Investments	**32.9**	31.2
Goodwill (Note 13)	**3,192.3**	3,156.9
	4,204.8	4,038.3
	$ 16,454.5	$ 16,222.3
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current Liabilities		
Cash and temporary investments, net	**$ 25.4**	$ —
Accounts payable and accrued liabilities (Note 17(b))	**1,405.0**	1,393.7
Income and other taxes payable	**12.9**	—
Restructuring and workforce reduction accounts payable and accrued liabilities (Note 5)	**59.3**	57.1
Advance billings and customer deposits (Note 17(b))	**571.0**	571.8
Current maturities of long-term debt (Note 14)	**1,378.4**	5.0
Current portion of deferred hedging liability (Note 14(b))	**186.4**	—
Current portion of future income taxes	**119.3**	—
	3,757.7	2,027.6
Long-Term Debt (Note 14)	**3,407.6**	4,639.9
Other Long-Term Liabilities (Note 17(b))	**1,330.5**	1,635.3
Future Income Taxes	**948.5**	1,023.9
Non-Controlling Interests	**22.3**	25.6
Shareholders' Equity (Note 15)	**6,987.9**	6,870.0
	$ 16,454.5	$ 16,222.3

Commitments and Contingent Liabilities (Note 16)

The accompanying notes are an integral part of these interim consolidated financial statements

interim consolidated statements of cash flows **(unaudited)**

Periods ended September 30 (millions)	Three months 2006	Three months 2005	Nine months 2006	Nine months 2005
OPERATING ACTIVITIES				
Net income	**$ 319.6**	$ 190.1	**$ 886.3**	$ 621.8
Adjustments to reconcile net income to cash provided by operating activities:				
Depreciation and amortization	**383.3**	409.2	**1,168.5**	1,210.5
Future income taxes	**146.3**	89.2	**284.8**	284.2
Share-based compensation	**14.2**	10.3	**35.3**	21.2
Net employee defined benefit plans expense	**(1.5)**	(0.3)	**(4.4)**	0.8
Employer contributions to employee defined benefit plans	**(28.8)**	(30.1)	**(104.3)**	(89.8)
Restructuring and workforce reduction costs, net of cash payments (Note 5)	**(1.2)**	(5.7)	**2.2**	(19.0)
Amortization of deferred gains on sale-leaseback of buildings, amortization of deferred charges and other, net	**3.9**	(3.6)	**12.5**	(3.9)
Net change in non-cash working capital (Note 17(c))	**(265.4)**	34.4	**(224.4)**	83.8
Cash provided by operating activities	**570.4**	693.5	**2,056.5**	2,109.6
INVESTING ACTIVITIES				
Capital expenditures (Notes 4, 12)	**(423.9)**	(263.0)	**(1,203.2)**	(944.9)
Acquisitions	**(25.0)**	—	**(44.5)**	(29.4)
Proceeds from the sale of property and other assets	**6.9**	0.1	**14.9**	3.5
Change in non-current materials and supplies, purchase of investments and other	**(9.0)**	(0.4)	**(20.4)**	(8.7)
Cash used by investing activities	**(451.0)**	(263.3)	**(1,253.2)**	(979.5)
FINANCING ACTIVITIES				
Common Shares and Non-Voting Shares issued	**37.2**	56.3	**82.9**	200.3
Dividends to shareholders	**(93.8)**	(71.7)	**(284.5)**	(215.6)
Purchase of Common Shares and Non-Voting Shares for cancellation (Note 15(f))	**(119.7)**	(233.1)	**(600.7)**	(663.5)
Long-term debt issued (Note 14)	**499.0**	0.3	**1,341.8**	4.7
Redemptions and repayment of long-term debt (Note 14)	**(448.9)**	(1.0)	**(1,064.4)**	(21.3)
Partial payment of deferred hedging liability (Note 14(b))	**—**	—	**(309.4)**	—
Dividends paid by a subsidiary to non-controlling interests	**—**	—	**(3.0)**	(7.9)
Other	**—**	—	**—**	(1.2)
Cash used by financing activities	**(126.2)**	(249.2)	**(837.3)**	(704.5)
CASH POSITION				
Increase (decrease) in cash and temporary investments, net	**(6.8)**	181.0	**(34.0)**	425.6
Cash and temporary investments, net, beginning of period	**(18.6)**	1,141.1	**8.6**	896.5
Cash and temporary investments, net, end of period	**$ (25.4)**	$ 1,322.1	**$ (25.4)**	$ 1,322.1
SUPPLEMENTAL DISCLOSURE OF CASH FLOWS				
Interest (paid) (Note 17(c))	**$ (13.0)**	$ (12.2)	**$ (297.6)**	$ (319.1)
Interest received	**$ 0.6**	$ 9.3	**$ 23.9**	$ 34.4
Income taxes (inclusive of Investment Tax Credits (Note 7)) received (paid), net	**$ (0.6)**	$ 2.9	**$ 94.4**	$ 22.2

The accompanying notes are an integral part of these interim consolidated financial statements

SEPTEMBER 30, 2006

TELUS Corporation 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, Internet protocol, voice and wireless services to Central and Eastern Canada.

Intention to reorganize into income trust

In September 2006, the Company announced its intentions to reorganize itself, in its entirety, as an income trust. At that time, the conversion was expected to be accomplished by way of a plan of arrangement under the Business Corporations Act (British Columbia) that is subject to the approval of at least 66-2/3 per cent of the votes cast by security holders of the Company at a special meeting originally expected to be held in January 2007. An information circular describing the reorganization and detailing the proposed plan of arrangement was originally expected to be mailed to Company shareholders in December 2006 for the purpose of obtaining Company shareholder approval. In addition to the requirement for Company shareholder approval, the reorganization would be contingent on a number of other conditions including the receipt of all necessary regulatory and court approvals.

On October 31, 2006, the Federal Minister of Finance announced a new tax plan that affects the future level of taxation of income trusts and corporations. The application of the Federal Government's new tax plan would be to reduce the tax efficiency of publicly traded income trusts. The Company is assessing the impact of this unexpected development on the proposed reorganization of itself.

As a result of the announcement by the Federal Minister of Finance, there can be no assurance at this time that the Company will proceed with its proposed income trust conversion, nor can there can be no assurance at this time that if the income trust conversion were to proceed that all approvals and consents required or desirable to effect the conversion will be obtained in the time frame reflected above, or at all, and, accordingly, there can be no assurance that the conversion will be completed.

Notes to consolidated financial statements	Description
General application	
1. Interim financial statements - basis of presentation	Summary explanation of basis of presentation of interim consolidated financial statements
2. Accounting policy developments	Summary review of forthcoming generally accepted accounting principle developments that may affect the Company
3. Financial instruments	Summary schedule and review of financial instruments, including fair values thereof
Consolidated statements of income focused	
4. Segmented information	Summary disclosure of segmented information regularly reported to the Company's chief operating decision maker
5. Restructuring and workforce reduction costs	Summary continuity schedules and review of restructuring and workforce reduction costs
6. Financing costs	Summary schedule of items comprising financing costs by nature
7. Income taxes	Summary reconciliations of statutory rate income tax expense to provision for income taxes
8. Per share amounts	Summary schedules and review of numerators and denominators used in calculating per share amounts and related disclosures
9. Share-based compensation	Summary schedules and review of compensation arising from share option awards, restricted stock units and employee share purchase plan
10. Employee future benefits	Summary and review of employee future benefits and related disclosures
Consolidated balance sheets focused	
11. Accounts receivable	Summary schedule and review of arm's-length securitization trust transactions and related disclosures
12. Capital assets	Summary schedule of items comprising capital assets

Notes to consolidated financial statements	Description
Consolidated balance sheets focused (continued)	
13. Goodwill	Summary schedule of goodwill and review of reported fiscal year acquisitions from which goodwill arises
14. Long-term debt	Summary schedule of long-term debt and related disclosures
15. Shareholders' equity	Summary schedules and review of shareholders' equity and changes therein including share option price stratification and normal course issuer bid summaries
16. Commitments and contingent liabilities	Summary review of contingent liabilities, guarantees, claims and lawsuits
Other	
17. Additional financial information	Summary schedules of items comprising certain primary financial statement line items
18. Differences between Canadian and United States generally accepted accounting principles	Summary schedules and review of differences between Canadian and United States generally accepted accounting principles as they apply to the Company

1 interim financial statements – basis of presentation

The notes presented in these interim consolidated financial statements include only significant events and transactions and are not fully inclusive of all matters normally disclosed in TELUS Corporation's annual audited financial statements. As a result, these interim consolidated financial statements should be read in conjunction with the TELUS Corporation audited consolidated financial statements for the year ended December 31, 2005. These interim consolidated financial statements follow the same accounting policies and methods of their application as set out in the TELUS Corporation consolidated financial statements for the year ended December 31, 2005, including that certain of the comparative amounts have been reclassified to conform with the presentation adopted currently. Accordingly, these interim consolidated financial statements reflect all adjustments (which are of a normal recurring nature) that are, in the opinion of the Company, necessary for a fair statement of the results for the interim periods presented.

The term "Company" is used to mean TELUS Corporation and, where the context of the narrative permits or requires, its subsidiaries.

2 accounting policy developments

(a) Earnings per share; convergence with International Financial Reporting Standards

Earnings per share: Possibly commencing in the Company's 2006 fiscal year, proposed amendments to the recommendations of the Canadian Institute of Chartered Accountants ("CICA") for the calculation and disclosure of earnings per share (CICA Handbook Section 3500) may have applied to the Company. In July 2006, the typescript with the current proposed amendments was withdrawn and an announcement was made indicating that an International Financial Reporting Standards-based exposure draft would be issued by the end of 2006.

Convergence with International Reporting Standards: In early 2006, Canada's Accounting Standards Board ratified a strategic plan that will result in Canadian GAAP, as used by public companies, being converged with International Financial Reporting Standards over a transitional period. During 2006, the Accounting Standards Board is expected to develop and publish a detailed implementation plan with a transition period expected to be approximately five years. As this convergence initiative is very much in its infancy as of the date of these interim consolidated financial statements, it would be premature to currently assess the impact of the initiative, if any, on the Company.

(b) Comprehensive income

Commencing with the Company's 2007 fiscal year, the new recommendations of the CICA for accounting for comprehensive income (CICA Handbook Section 1530), for the recognition and measurement of financial instruments (CICA Handbook Section 3855) and for hedges (CICA Handbook Section 3865) will apply to the Company. In the Company's specific instance, the transitional rules for these sections require implementation at the beginning of a fiscal year; the Company will not be implementing these recommendations in its 2006 fiscal year. The concept of comprehensive income for purposes of Canadian GAAP will be to include changes in shareholders' equity arising from unrealized changes in the values of financial instruments.

Comprehensive income as prescribed by U.S. GAAP, and which is disclosed in Note 18(h), is largely aligned with comprehensive income as prescribed by Canadian GAAP, including the impacts of the new recommendations for the recognition and measurement of financial instruments and for hedges. In the Company's specific instance, however, there is currently a difference in other comprehensive income in that U.S. GAAP includes the concept of minimum pension liabilities and Canadian GAAP does not. In the first half of 2006, the Financial Accounting Standards Board exposed a number of draft changes in respect of accounting for defined benefit pension plans; one of the changes proposed would result in minimum pension liabilities no longer being recognized within U.S. GAAP other comprehensive income.

(c) Accounting changes

Commencing with the Company's 2007 fiscal year, the new recommendations of the CICA for accounting changes (CICA Handbook Section 1506) will apply to the Company. Most significantly, the new recommendations stipulate that voluntary changes in accounting policy are made only if they result in the financial statements providing reliable and more relevant information and that new disclosures are required in respect of changes in accounting policies, changes in accounting estimates and correction of errors. The Company is not currently materially affected by the new recommendations.

(d) Business combinations

Possibly commencing in the Company's 2007 fiscal year, the proposed amended recommendations of the CICA for accounting for business combinations will apply to the Company's business combinations, if any, with an acquisition date subsequent to the amended recommendations coming into force. Whether the Company would be materially affected by the proposed amended recommendations would depend upon the specific facts of the business combinations, if any, occurring subsequent to the amended recommendations coming into force. Generally, the proposed recommendations will result in measuring business acquisitions at the fair value of the acquired entities and a prospectively applied shift from a parent company conceptual view of consolidation theory (which results in the parent company recording the book values attributable to non-controlling interests) to an entity conceptual view (which results in the parent company recording the fair values attributable to non-controlling interests).

3 financial instruments

During the first quarter of 2006, the Company entered into a hedging relationship that fixes the Company's compensation cost arising from a specific grant of restricted stock units; hedge accounting has been applied to this relationship. Restricted stock units are further described in Note 9(c).

During the second quarter of 2006, as further discussed in Note 14(b), the Company terminated a number of cross currency interest rate swap agreements and entered into new cross currency interest rate swap agreements in respect of the Company's U.S. Dollar Notes maturing in June 2007. The Company entered into these agreements to reduce or eliminate exposure to interest rate and foreign currency risk. Hedge accounting has been applied to the new cross currency interest rate swap agreements.

As at September 30, 2006, the Company had entered into foreign currency forward contracts that have the effect of fixing the exchange rate on U.S.$49 million of fiscal 2006 purchase commitments; hedge accounting has been applied to these foreign currency forward contracts, all of which relate to the Wireless segment.

In contemplation of the planned refinancing of the debt maturing June 1, 2007, as set out in Note 14, the Company has entered into forward starting interest rate swap agreements during 2006 that, as at September 30, 2006, have the effect of fixing the underlying interest rate on up to $500 million of replacement debt. Hedge accounting has been applied to these forward starting interest rate swap agreements.

Fair value: The carrying value of cash and temporary investments, short-term investments, accounts receivable, accounts payable, restructuring and workforce reduction accounts payable, dividends payable and short-term obligations approximates their fair values due to the immediate or short-term maturity of these financial instruments. The carrying values of the Company's non-current investments accounted for using the cost method would not exceed their fair values.

The fair values of the Company's long-term debt are estimated based on quoted market prices for the same or similar issues or on the current rates offered to the Company for debt of the same maturity as well as the use of discounted future cash flows using current rates for similar financial instruments subject to similar risks and maturities. The fair values of the Company's derivative financial instruments used to manage exposure to interest rate and currency risks are estimated similarly.

As at		September 30, 2006		December 31, 2005	
(millions)	Hedging item maximum maturity date	Carrying amount	Fair value	Carrying amount	Fair value
Assets					
Derivatives[1][2] used to manage changes in compensation costs arising from restricted stock units (Note 9(c))	November 2008	**$ 34.7**	**$ 48.2**	$ 12.2	$ 19.5
Derivatives[1][2] used to manage currency risks arising from U.S. dollar denominated purchases					
- To which hedge accounting is applied	December 2006	**$ —**	**$ 0.3**	$ —	$ —
- To which hedge accounting is not applied	September 2007	**$ —**	**$ 0.4**	$ —	$ —
Liabilities					
Derivatives[1][2] used to manage interest rate risk associated with planned refinancing of debt maturing June 1, 2007	June 2007	**$ —**	**$ 7.5**	$ —	$ —
Long-term debt					
Principal (Note 14)		**$ 4,786.0**	**$ 5,424.1**	$ 4,644.9	$ 5,371.6
Derivatives[1][2] used to manage interest rate and currency risks associated with U.S. dollar denominated debt, net	June 2011	**982.8**	**1,292.7**	1,154.3	1,470.5
		$ 5,768.8	**$ 6,716.8**	$ 5,799.2	$ 6,842.1
Derivatives[1][2] used to manage currency risks arising from U.S. dollar denominated purchases					
- To which hedge accounting is applied	June 2006	**$ —**	**$ —**	$ —	$ 0.1
- To which hedge accounting is not applied	March 2006	**$ —**	**$ —**	$ —	$ 0.4

(1) Notional amount of all derivative financial instruments outstanding is $5,125.4 (December 31, 2005 – $4,904.8).
(2) Designated as cash flow hedging items.

4 segmented information

The Company's reportable segments are Wireline and Wireless. The Wireline segment includes voice local, voice long distance, data and other telecommunication services excluding wireless. The Wireless segment includes digital personal communications services, equipment sales and wireless Internet services. Segmentation is based on similarities in technology, the technical expertise required to deliver the products and services, the distribution channels used and regulatory treatment. Intersegment sales are recorded at the exchange value, which is the amount agreed to by the parties. The following segmented information is regularly reported to the Company's Chief Executive Officer (the Company's chief operating decision maker).

Three-month periods ended September 30 (millions)	Wireline		Wireless		Eliminations		Consolidated	
	2006	2005	**2006**	2005	**2006**	2005	**2006**	2005
Operating revenues								
External revenue	**$ 1,200.3**	$ 1,198.6	**$ 1,010.4**	$ 864.2	**$ —**	$ —	**$ 2,210.7**	$ 2,062.8
Intersegment revenue	**23.5**	23.6	**6.0**	5.7	**(29.5)**	(29.3)	**—**	—
	1,223.8	1,222.2	**1,016.4**	869.9	**(29.5)**	(29.3)	**2,210.7**	2,062.8
Operating expenses								
Operations expense	**742.5**	794.5	**532.8**	456.3	**(29.5)**	(29.3)	**1,245.8**	1,221.5
Restructuring and work-force reduction costs	**11.7**	1.6	**0.8**	—	**—**	—	**12.5**	1.6
	754.2	796.1	**533.6**	456.3	**(29.5)**	(29.3)	**1,258.3**	1,223.1
EBITDA[(1)]	**$ 469.6**	$ 426.1	**$ 482.8**	$ 413.6	**$ —**	$ —	**$ 952.4**	$ 839.7
CAPEX[(2)]	**$ 311.4**	$ 176.5	**$ 112.5**	$ 86.5	**$ —**	$ —	**$ 423.9**	$ 263.0
EBITDA less CAPEX	**$ 158.2**	$ 249.6	**$ 370.3**	$ 327.1	**$ —**	$ —	**$ 528.5**	$ 576.7

	2006	2005
EBITDA (from above)	**$ 952.4**	$ 839.7
Depreciation	**325.8**	335.6
Amortization	**57.5**	73.6
Operating income	**569.1**	430.5
Other expense, net	**4.0**	7.1
Financing costs	**116.6**	144.8
Income before income taxes and non-controlling interests	**448.5**	278.6
Income taxes	**126.5**	86.9
Non-controlling interests	**2.4**	1.6
Net income	**$ 319.6**	$ 190.1

Nine-month periods ended September 30 (millions)	Wireline		Wireless		Eliminations		Consolidated	
	2006	2005	**2006**	2005	**2006**	2005	**2006**	2005
Operating revenues								
External revenue	**$ 3,588.8**	$ 3,637.3	**$ 2,837.6**	$ 2,418.7	**$ —**	$ —	**$ 6,426.4**	$ 6,056.0
Intersegment revenue	**71.8**	67.4	**17.1**	17.2	**(88.9)**	(84.6)	**—**	—
	3,660.6	3,704.7	**2,854.7**	2,435.9	**(88.9)**	(84.6)	**6,426.4**	6,056.0
Operating expenses								
Operations expense	**2,211.5**	2,242.9	**1,531.7**	1,318.4	**(88.9)**	(84.6)	**3,654.3**	3,476.7
Restructuring and work-force reduction costs	**56.4**	18.4	**3.5**	—	**—**	—	**59.9**	18.4
	2,267.9	2,261.3	**1,535.2**	1,318.4	**(88.9)**	(84.6)	**3,714.2**	3,495.1
EBITDA[(1)]	**$ 1,392.7**	$ 1,443.4	**$ 1,319.5**	$ 1,117.5	**$ —**	$ —	**$ 2,712.2**	$ 2,560.9
CAPEX[(2)]	**$ 881.8**	$ 684.0	**$ 321.4**	$ 260.9	**$ —**	$ —	**$ 1,203.2**	$ 944.9
EBITDA less CAPEX	**$ 510.9**	$ 759.4	**$ 998.1**	$ 856.6	**$ —**	$ —	**$ 1,509.0**	$ 1,616.0

	2006	2005
EBITDA (from above)	**$ 2,712.2**	$ 2,560.9
Depreciation	**1,000.2**	996.4
Amortization	**168.3**	214.1
Operating income	**1,543.7**	1,350.4
Other expense, net	**17.9**	9.1
Financing costs	**371.1**	451.4
Income before income taxes and non-controlling interests	**1,154.7**	889.9
Income taxes	**261.3**	263.2
Non-controlling interests	**7.1**	4.9
Net income	**$ 886.3**	$ 621.8

(1) Earnings Before Interest, Taxes, Depreciation and Amortization (“EBITDA”) is a measure that does not have any standardized meaning prescribed by GAAP and is therefore unlikely to be comparable to similar measures presented by other issuers; EBITDA is defined by the Company as operating revenues less operations expense and restructuring and workforce reduction costs. The Company has issued guidance on, and reports, EBITDA because it is a key measure used by management to evaluate performance of its business segments and is utilized in measuring compliance with certain debt covenants.

(2) Total capital expenditures (“CAPEX”).

5 restructuring and workforce reduction costs

(a) Overview

Three-month periods ended September 30 (millions)	2006				2005
	General programs initiated in 2006	Office closures and contracting out	General programs initiated prior to 2006	Total	Total
Restructuring and workforce reduction costs					
Workforce reduction					
Voluntary	$ 6.9	$ —	$ —	**$ 6.9**	$ 0.3
Involuntary	4.5	0.5	—	**5.0**	1.1
Lease termination	—	0.1	—	**0.1**	—
Other	0.5	—	—	**0.5**	0.2
	11.9	0.6	—	**12.5**	1.6
Disbursements					
Workforce reduction					
Voluntary[(1)]	4.6	—	—	**4.6**	0.2
Involuntary and other	5.0	0.6	2.7	**8.3**	6.6
Lease termination	—	0.1	0.2	**0.3**	0.3
Other	0.5	—	—	**0.5**	0.2
	10.1	0.7	2.9	**13.7**	7.3
Expenses greater than (less than) disbursements	1.8	(0.1)	(2.9)	**(1.2)**	(5.7)
Restructuring and workforce reduction accounts payable and accrued liabilities					
Balance, beginning of period	29.1	15.5	15.9	**60.5**	57.4
Balance, end of period	$ 30.9	$ 15.4	$ 13.0	**$ 59.3**	$ 51.7

Nine-month periods ended September 30 (millions)	2006				2005
	General programs initiated in 2006	Office closures and contracting out	General programs initiated prior to 2006	Total	Total
Restructuring and workforce reduction costs					
Workforce reduction					
Voluntary	$ 25.2	$ 3.5	$ —	**$ 28.7**	$ 0.6
Involuntary	25.2	3.7	—	**28.9**	15.3
Lease termination	—	0.1	—	**0.1**	1.5
Other	1.7	0.5	—	**2.2**	1.0
	52.1	7.8	—	**59.9**	18.4
Disbursements					
Workforce reduction					
Voluntary[(1)]	5.1	15.2	—	**20.3**	2.1
Involuntary and other	14.4	2.1	18.0	**34.5**	33.6
Lease termination	—	0.1	0.6	**0.7**	3.8
Other	1.7	0.5	—	**2.2**	1.0
	21.2	17.9	18.6	**57.7**	40.5
Expenses greater than (less than) disbursements	30.9	(10.1)	(18.6)	**2.2**	(22.1)
Other	—	—	—	**—**	3.1
Change in restructuring and workforce reduction accounts payable and accrued liabilities	30.9	(10.1)	(18.6)	**2.2**	(19.0)
Balance, beginning of period	—	25.5	31.6	**57.1**	70.7
Balance, end of period	$ 30.9	$ 15.4	$ 13.0	**$ 59.3**	$ 51.7

(1) Early Retirement Incentive Plan, Voluntary Departure Incentive Plan and other.

(b) Programs initiated prior to 2006

General: In 2005, the Company undertook a number of smaller initiatives, such as operational consolidation, rationalization and integrations. These initiatives aimed to improve the Company's operating and capital productivity. As at September 30, 2006, no future expenses remain to be accrued or recorded under the smaller initiatives, but variances from estimates currently recorded may be recorded in subsequent periods.

Office closures and contracting out: In connection with the collective agreement signed in the fourth quarter of 2005, an accompanying letter of agreement set out the planned closure, on February 10, 2006, of a number of offices in British Columbia. This initiative is a component of the Company's competitive efficiency program and is aimed at improving the Company's operating and capital productivity. The approximately 250 bargaining unit employees affected by these office closures were offered the option of redeployment or participation in a voluntary departure program (either the Early Retirement Incentive Plan or the Voluntary Departure Incentive Plan).

As at September 30, 2006, no future expenses remain to be accrued or recorded under the letter of agreement setting out the planned closure of a number of offices in British Columbia, but variances from estimates currently recorded may be recorded in subsequent periods. Other costs, such as other employee departures and those associated with real estate, will be incurred and recorded subsequent to September 30, 2006.

Similarly, an additional accompanying letter of agreement set out that the Company intends to contract out specific non-core functions over the term of the collective agreement. This initiative is a component of the Company's competitive efficiency program and is aimed at allowing the Company to focus its resources on those core functions that differentiate the Company for its customers. The approximately 250 bargaining unit employees currently affected by contracting out initiatives were offered the option of redeployment or participation in the voluntary departure program (either the Early Retirement Incentive Plan or the Voluntary Departure Incentive Plan.)

As at September 30, 2006, no future expenses remain to be accrued or recorded under the letter agreement setting out the contracting out of specific non-core functions, in respect of the approximately 250 bargaining unit employees currently affected, but variances from estimates currently recorded may be recorded in subsequent periods. Future costs will be incurred as the initiative continues.

Integration of Wireline and Wireless operations: On November 24, 2005, the Company announced the integration of its Wireline and Wireless operations, an initiative that will continue into future years and that is a component of the Company's competitive efficiency program.

(c) Programs initiated in 2006

General: In the first quarter of 2006, arising from its competitive efficiency program, the Company undertook a number of smaller initiatives, such as operational consolidation, rationalization and integration. These initiatives are aimed to improve the Company's operating productivity and competitiveness.

Also arising from its competitive efficiency program, the Company undertook an initiative for a departmental reorganization and reconfiguration, resulting in integration and consolidation. In the first quarter of 2006, approximately 600 bargaining unit employees were offered the option of redeployment or participation in a voluntary departure program (either the Early Retirement Incentive Plan or the Voluntary Departure Incentive Plan). As affected employees were not required to select an option until after March 31, 2006, the associated expenses were not eligible for recording prior to the second quarter of 2006. In the second quarter of 2006, approximately 275 bargaining unit employees accepted either the option of redeployment or participation in a voluntary departure program. For the three-month and nine-month periods ended September 30, 2006, $0.3 million and $18.1 million, respectively, of restructuring and workforce reduction costs were recorded in respect of this initiative and were included with general programs initiated in 2006. As at September 30, 2006, no future expenses remain to be accrued or recorded under this initiative, but variances from estimates currently recorded may be recorded in subsequent periods.

Continuing with its competitive efficiency program for integration of Wireline and Wireless operations, for the three-month and nine-month periods ended September 30, 2006, $1.2 million and $8.0 million, respectively, of restructuring and workforce reduction costs were recorded in respect of this initiative and were included with general programs initiated in 2006.

The Company's estimate of restructuring and workforce reduction costs in 2006, arising from its competitive efficiency program, which includes the office closures and contracting out and integration of Wireline and Wireless operations, is not currently expected to exceed $80 million.

6 financing costs

Periods ended September 30 (millions)	Three months 2006	Three months 2005	Nine months 2006	Nine months 2005
Interest on long-term debt	**$ 125.3**	$ 155.8	**$ 375.2**	$ 489.5
Interest on short-term obligations and other	**0.3**	1.4	**2.9**	5.2
Foreign exchange[(1)]	**(0.3)**	(0.1)	**4.5**	3.0
	125.3	157.1	**382.6**	497.7
Interest income				
Interest on tax refunds	**(7.9)**	(3.2)	**(9.2)**	(20.7)
Other interest income	**(0.8)**	(9.1)	**(2.3)**	(25.6)
	(8.7)	(12.3)	**(11.5)**	(46.3)
	$ 116.6	$ 144.8	**$ 371.1**	$ 451.4

(1) For the three-month and nine-month periods ended September 30, 2006, these amounts include gains of NIL (2005 – $0.2) and $0.1 (2005 – $0.1), respectively, in respect of cash flow hedge ineffectiveness.

7 income taxes

Periods ended September 30 (millions)	Three months 2006	Three months 2005	Nine months 2006	Nine months 2005
Current	**$ (19.8)**	$ (2.3)	**$ (23.5)**	$ (21.0)
Future	**146.3**	89.2	**284.8**	284.2
	$ 126.5	$ 86.9	**$ 261.3**	$ 263.2

The Company's income tax expense differs from that calculated by applying statutory rates for the following reasons:

Three-month periods ended September 30 ($ in millions)	2006	2006 %	2005	2005 %
Basic blended federal and provincial tax at statutory income tax rates	**$ 150.7**	**33.6%**	$ 93.6	33.6%
Revaluation of future income tax liability for change in statutory income tax rates	**—**		(12.8)	
Tax rate differential on, and consequential adjustments from, reassessment of prior year tax issues	**(24.9)**		(0.7)	
Share option award compensation	**1.8**		1.4	
Change in estimates of available deductible differences in prior years	**—**		(1.5)	
Other	**(1.1)**		2.8	
	126.5	**28.2%**	82.8	29.7%
Large corporations tax	**—**		4.1	
Income tax expense per Consolidated Statements of Income	**$ 126.5**	**28.2%**	$ 86.9	31.2%

Nine-month periods ended September 30 ($ in millions)	2006	2006 %	2005	2005 %
Basic blended federal and provincial tax at statutory income tax rates	**$ 388.0**	**33.6%**	$ 304.8	34.2%
Revaluation of future income tax liability for change in statutory income tax rates	**(107.0)**		(12.8)	
Tax rate differential on, and consequential adjustments from, reassessment of prior year tax issues	**(23.9)**		(12.0)	
Share option award compensation	**4.9**		3.5	
Change in estimates of available deductible differences in prior years	**—**		(37.5)	
Other	**(0.7)**		4.0	
	261.3	**22.6%**	250.0	28.1%
Large corporations tax	**—**		13.2	
Income tax expense per Consolidated Statements of Income	**$ 261.3**	**22.6%**	$ 263.2	29.6%

The Company conducts research and development activities, which are eligible to earn Investment Tax Credits. During the three-month and nine-month periods ended September 30, 2006, the Company recorded Investment Tax Credits of NIL (2005 – $0.4 million) and $12.6 million (2005 – $0.4 million), respectively, all of which was recorded as a reduction of capital (2005 – all of which was recorded as reduction of “Operations expense”).

8 per share amounts

Basic income per Common Share and Non-Voting Share is calculated by dividing Common Share and Non-Voting Share income by the total weighted average Common Shares and Non-Voting Shares outstanding during the period. Diluted income per Common Share and Non-Voting Share is calculated to give effect to share option awards and, in the comparative period, warrants.

The following table presents the reconciliations of the denominators of the basic and diluted per share computations. Net income equaled diluted Common Share and Non-Voting Share income for all periods presented.

	Three months		Nine months	
Periods ended September 30 (millions)	**2006**	2005	**2006**	2005
Basic total weighted average Common Shares and Non-Voting Shares outstanding	**341.4**	356.8	**345.2**	358.3
Effect of dilutive securities				
Exercise of share option awards	**4.6**	4.9	**3.6**	3.8
Diluted total weighted average Common Shares and Non-Voting Shares outstanding	**346.0**	361.7	**348.8**	362.1

For the three-month and nine-month periods ended September 30, 2006, certain outstanding share option awards, in the amount of NIL (2005 – 0.1 million) and 0.3 million (2005 – 0.4 million), respectively, were not included in the computation of diluted income per Common Share and Non-Voting Share because the share option awards’ exercise prices were greater than the average market price of the Common Shares and Non-Voting Shares during the reported periods.

9 share-based compensation

(a) Details of share-based compensation expense

Reflected in the Consolidated Statements of Income as “Operations expense” are the following share-based compensation amounts:

	Three months		Nine months	
Periods ended September 30 (millions)	**2006**	2005	**2006**	2005
Share option awards	**$ 5.2**	$ 4.1	**$ 14.5**	$ 10.4
Restricted stock units	**9.6**	6.1	**23.9**	15.0
Employee share purchase plan	**8.6**	12.0	**25.0**	26.0
Amounts recognized as Operations expense in consolidated statements of income	**23.4**	22.2	**63.4**	51.4
Less – Income tax benefit arising from share-based compensation (see Note 7)	**6.1**	6.2	**16.5**	14.0
	$ 17.3	$ 16.0	**$ 46.9**	$ 37.4

(b) Share option awards

The Company applies the fair value based method of accounting for share-based compensation awards granted to employees. Share option awards typically vest over a three-year period (the requisite service period), but may vest over periods of up to five years. The vesting method of share option awards, which is determined at the date of grant, may be either cliff or graded; all share option awards granted subsequent to 2004 have been cliff-vesting awards.

Some share option awards have a net-equity settlement feature. As discussed further in Note 15(e), it is at the Company’s option whether the exercise of a share option is settled as a share option or using the net-equity settlement feature. So as to align with the accounting treatment that is afforded to the associated share options, the Company has selected the equity instrument fair value method of accounting for the net-equity settlement feature.

The weighted average fair value of share option awards granted, and the weighted average assumptions used in the fair value estimation at the time of grant, using the Black-Scholes model (a closed-form option pricing model), are as follows:

	Three months		Nine months	
Periods ended September 30	**2006**	2005	**2006**	2005
Share option award fair value (per share option)	**$ 11.96**	$ 13.84	**$ 12.35**	$ 11.33
Risk free interest rate	**4.2%**	3.5%	**4.0%**	3.7%
Expected lives[(1)] (years)	**4.5**	4.5	**4.6**	4.5
Expected volatility	**30.0%**	40.0%	**35.9%**	40.0%
Dividend yield	**2.3%**	1.9%	**2.6%**	2.2%

(1) The maximum contractual term of the share option awards granted in 2006 and 2005 was seven years.

The risk free interest rate used in determining the fair value of the share option awards is based on a Government of Canada yield curve that is current at the time of grant. The expected lives of the share option awards are based on historical share option award exercise data of the Company. Similarly, expected volatility considers the historical volatility of the Company's Non-Voting Shares. The dividend yield is the annualized dividend current at the date of grant divided by the share option award exercise price. Dividends are not paid on unexercised share option awards and are not subject to vesting.

(c) Restricted stock units

The Company uses restricted stock units as a form of incentive compensation. Each restricted stock unit is equal in value to one Non-Voting Share and the dividends that would have arisen thereon had it been an issued and outstanding Non-Voting Share; the notional dividends are recorded as additional issuances of restricted stock units during the life of the restricted stock unit. The restricted stock units become payable as they vest over their lives. Typically, the restricted stock units vest over a period of 33 months. The vesting method, which is determined at the date of grant, may be either cliff or graded.

The following table presents a summary of the activity related to the Company's restricted stock units.

Periods ended September 30, 2006	Three months			Nine months		
	Number of restricted stock units		Weighted average grant date fair value	Number of restricted stock units		Weighted average grant date fair value
	Non-vested	Vested		Non-vested	Vested	
Outstanding, beginning of period						
Non-vested	2,246,755	—	$ 35.40	1,645,530	—	$ 32.16
Vested	—	11,799	15.51	—	62,437	26.43
Issued						
Initial allocation	7,875	—	47.09	611,829	—	43.89
In lieu of dividends	14,406	—	62.48	54,002	—	49.52
Vested	(16,171)	16,171	31.31	(21,827)	21,827	31.30
Settled in cash	—	(16,171)	31.31	—	(72,465)	30.01
Forfeited and cancelled	(21,122)	—	33.04	(57,791)	—	32.01
Outstanding, end of period						
Non-vested	2,231,743	—	35.52	2,231,743	—	35.52
Vested	—	11,799	$ 15.51	—	11,799	$ 15.51

With respect to certain issuances of restricted stock units, the Company entered into cash-settled equity forward agreements that fix the cost to the Company; that information, as well as a schedule of the Company's non-vested restricted stock units outstanding as at September 30, 2006, is set out in the following table:

	Number of fixed-cost restricted stock units	Cost fixed to the Company per restricted stock unit	Number of variable-cost restricted stock units	Total number of non-vested restricted stock units
Vesting in years ending December 31:				
2006	652,550	$ 26.61	26,967	679,517
2007	600,000	$ 40.91	89,811	689,811
2008	160,000	$ 50.91		
	440,000	$ 50.02		
	600,000		262,415	862,415
	1,852,550		379,193	2,231,743

(d) Employee share purchase plan

The Company has an employee share purchase plan under which eligible employees can purchase Common Shares through regular payroll deductions by contributing between 1% and 10% of their pay. The Company contributes 45%, for the employee population up to a certain job classification, for every dollar contributed by an employee, to a maximum of 6% of employee pay; for more highly compensated job classifications, the Company contributes 40%. There are no vesting requirements and the Company records its contributions as a component of operating expenses.

	Three months		Nine months	
Periods ended September 30 (millions)	**2006**	2005	**2006**	2005
Employee contributions	**$ 20.4**	$ 16.0	**$ 59.2**	$ 48.7
Company contributions	**8.6**	12.0	**25.0**	26.0
	$ 29.0	$ 28.0	**$ 84.2**	$ 74.7

Under this plan, the Company has the option of offering shares from Treasury or having the trustee acquire shares in the stock market. Prior to February 2001 and subsequent to November 1, 2004, all Common Shares issued to employees under the plan were purchased on the market at normal trading prices; in the intervening period, shares were also issued from Treasury.

(e) Unrecognized, non-vested share-based compensation

As at September 30, 2006, compensation cost related to non-vested share-based compensation that has not yet been recognized is set out in the following table and is expected to be recognized over a weighted average period of 1.3 years (December 31, 2005 – 2.3 years).

As at (millions) (1)	**September 30, 2006**	December 31, 2005
Share option awards	**$ 29.2**	$ 27.1
Restricted stock units(2)	**48.7**	31.8
	$ 77.9	$ 58.9

(1) These disclosures are not likely to be representative of the effects on reported net income for future periods for the following reasons: these amounts reflect an estimate of forfeitures; these amounts do not reflect any provision for future awards; these amounts do not reflect any provision changes in the intrinsic value for vested restricted stock units; and for non-vested restricted stock units, these amounts reflect intrinsic values as at the balance sheet dates.

(2) The compensation cost that has not yet been recognized in respect of non-vested restricted stock units is calculated based upon the intrinsic value of the non-vested restricted stock units as at the balance sheet dates, net of the impacts of associated cash-settled equity forward agreements.

10 employee future benefits

(a) Defined benefit plans

The Company's net defined benefit plan costs were as follows:

Three-month periods ended September 30 (millions)	**2006**			2005		
	Incurred in period	Matching adjustments(1)	Recognized in period	Incurred in period	Matching adjustments(1)	Recognized in period
Pension benefit plans						
Current service cost (employer portion)	**$ 24.3**	**$ —**	**$ 24.3**	$ 17.0	$ —	$ 17.0
Interest cost	**79.0**	**—**	**79.0**	79.9	—	79.9
Return on plan assets	**(170.5)**	**59.2**	**(111.3)**	(300.0)	201.9	(98.1)
Past service costs	**—**	**0.2**	**0.2**	—	0.2	0.2
Actuarial loss (gain)	**10.5**	**—**	**10.5**	5.1	—	5.1
Valuation allowance provided against accrued benefit asset	**—**	**6.5**	**6.5**	—	6.4	6.4
Amortization of transitional asset	**—**	**(11.2)**	**(11.2)**	—	(11.2)	(11.2)
	$ (56.7)	**$ (54.7)**	**$ (2.0)**	$ (198.0)	$ 197.3	$ (0.7)

(1) Accounting adjustments to allocate costs to different periods so as to recognize the long-term nature of employee future benefits.

Nine-month periods ended September 30 (millions)	**2006**			2005		
	Incurred in period	Matching adjustments(1)	Recognized in period	Incurred in period	Matching adjustments(1)	Recognized in period
Pension benefit plans						
Current service cost (employer portion)	**$ 72.9**	**$ —**	**$ 72.9**	$ 51.2	$ —	$ 51.2
Interest cost	**236.9**	**—**	**236.9**	239.6	—	239.6
Return on plan assets	**(242.6)**	**(91.3)**	**(333.9)**	(608.1)	313.9	(294.2)
Past service costs	**—**	**0.5**	**0.5**	—	0.5	0.5
Actuarial loss (gain)	**31.5**	**—**	**31.5**	15.2	—	15.2
Valuation allowance provided against accrued benefit asset	**—**	**19.5**	**19.5**	—	19.1	19.1
Amortization of transitional asset	**—**	**(33.6)**	**(33.6)**	—	(33.6)	(33.6)
	$ 98.7	**$ (104.9)**	**$ (6.2)**	$ (302.1)	$ 299.9	$ (2.2)

(1) Accounting adjustments to allocate costs to different periods so as to recognize the long-term nature of employee future benefits.

Three-month periods ended September 30 (millions)	**2006**			2005		
	Incurred in period	Matching adjustments(1)	Recognized in period	Incurred in period	Matching adjustments(1)	Recognized in period
Other benefit plans						
Current service cost (employer portion)	**$ 0.8**	**$ —**	**$ 0.8**	$ 0.8	$ —	$ 0.8
Interest cost	**0.5**	**—**	**0.5**	0.5	—	0.5
Return on plan assets	**(0.6)**	**—**	**(0.6)**	(0.6)	—	(0.6)
Actuarial loss (gain)	**(0.5)**	**—**	**(0.5)**	(0.6)	—	(0.6)
Amortization of transitional obligation	**—**	**0.2**	**0.2**	—	0.2	0.2
	$ 0.2	**$ 0.2**	**$ 0.4**	$ 0.1	$ 0.2	$ 0.3

(1) Accounting adjustments to allocate costs to different periods so as to recognize the long-term nature of employee future benefits.

Nine-month periods ended September 30 (millions)	2006			2005		
	Incurred in period	Matching adjustments[(1)]	Recognized in period	Incurred in period	Matching adjustments[(1)]	Recognized in period
Other benefit plans						
Current service cost (employer portion)	**$ 2.6**	**$ —**	**$ 2.6**	$ 4.5	$ —	$ 4.5
Interest cost	**1.4**	**—**	**1.4**	1.4	—	1.4
Return on plan assets	**(1.8)**	**(0.1)**	**(1.9)**	(1.8)	(0.1)	(1.9)
Actuarial loss (gain)	**(1.4)**	**—**	**(1.4)**	(1.7)	—	(1.7)
Amortization of transitional obligation	**—**	**0.6**	**0.6**	—	0.6	0.6
	$ 0.8	**$ 0.5**	**$ 1.3**	$ 2.4	$ 0.5	$ 2.9

(1) Accounting adjustments to allocate costs to different periods so as to recognize the long-term nature of employee future benefits.

(b) Employer contributions

The best estimate of fiscal 2006 employer contributions to the Company's defined benefit pension plans has been revised to approximately $132 million (the best estimate at December 31, 2005, was $114 million).

(c) Defined contribution plans

The Company's total defined contribution pension plan costs recognized were as follows:

Periods ended September 30 (millions)	Three months 2006	Three months 2005	Nine months 2006	Nine months 2005
Union pension plan and public service pension plan contributions	**$ 8.2**	$ 4.1	**$ 24.3**	$ 23.8
Other defined contribution pension plans	**4.9**	4.1	**13.6**	11.2
	$ 13.1	$ 8.2	**$ 37.9**	$ 35.0

11 accounts receivable

On July 26, 2002, TELUS Communications Inc., a wholly-owned subsidiary of TELUS, entered into an agreement, which was amended September 30, 2002, and March 1, 2006, with an arm's-length securitization trust under which TELUS Communications Inc. is able to sell an interest in certain of its trade receivables up to a maximum of $650 million. As a result of selling the interest in certain of the trade receivables on a fully-serviced basis, a servicing liability is recognized on the date of sale and is, in turn, amortized to earnings over the expected life of the trade receivables. This "revolving-period" securitization agreement has an initial term ending July 18, 2007. TELUS Communications Inc. is required to maintain at least a BBB (low) credit rating by Dominion Bond Rating Service or the securitization trust may require the sale program to be wound down prior to the end of the initial term; at September 30, 2006, the rating was A (low).

As at (millions)	September 30, 2006	December 31, 2005
Total managed portfolio	**$ 1,095.8**	$ 1,129.3
Securitized receivables	**(403.3)**	(599.2)
Retained interest in receivables sold	**47.2**	80.2
Receivables held	**$ 739.7**	$ 610.3

For the three-month and nine-month periods ended September 30, 2006, the Company recognized losses of $0.2 million (2005 – $0.5 million) and $3.1 million (2005 – $1.2 million), respectively, on the sale of receivables arising from the securitization.

Cash flows from the securitization are as follows:

Periods ended September 30 (millions)	Three months 2006	Three months 2005	Nine months 2006	Nine months 2005
Cumulative proceeds from securitization, beginning of period	**$ 535.0**	$ 150.0	**$ 500.0**	$ 150.0
Proceeds from new securitizations	**—**	—	**260.0**	—
Securitization reduction payments	**(185.0)**	—	**(410.0)**	—
Cumulative proceeds from securitization, end of period	**$ 350.0**	$ 150.0	**$ 350.0**	$ 150.0
Proceeds from collections reinvested in revolving-period securitizations	**$ 1,080.0**	$ 352.8	**$ 2,910.6**	$ 1,067.4
Proceeds from collections pertaining to retained interest	**$ 138.7**	$ 58.7	**$ 384.8**	$ 171.6

12 capital assets

(a) Capital assets, net

As at (millions)	Cost	Accumulated Depreciation and Amortization	Net Book Value September 30, 2006	Net Book Value December 31, 2005
Property, plant, equipment and other				
Telecommunications assets	$ 17,827.8	$ 12,540.0	**$ 5,287.8**	$ 5,378.2
Assets leased to customers	684.3	538.4	**145.9**	176.1
Buildings and leasehold improvements	1,822.8	996.1	**826.7**	838.0
Office equipment and furniture	1,014.4	768.1	**246.3**	263.1
Assets under capital lease	18.4	8.5	**9.9**	12.4
Other	337.2	254.5	**82.7**	84.9
Land	46.0	—	**46.0**	46.7
Assets under construction	779.9	—	**779.9**	516.4
Materials and supplies	32.0	—	**32.0**	23.6
	22,562.8	15,105.6	**7,457.2**	7,339.4
Intangible assets subject to amortization				
Subscriber base	362.9	132.6	**230.3**	246.7
Software	1,254.1	996.6	**257.5**	322.7
Access to rights-of-way and other	122.0	57.9	**64.1**	68.1
	1,739.0	1,187.1	**551.9**	637.5
Intangible assets with indefinite lives				
Spectrum licences(1)	3,984.8	1,018.5	**2,966.3**	2,964.6
	$ 28,286.6	$ 17,311.2	**$ 10,975.4**	$ 10,941.5

(1) Accumulated amortization of spectrum licences is amortization recorded prior to 2002 and the transitional impairment amount.

The following table presents items included in capital expenditures.

Periods ended September 30 (millions)	Three months **2006**	Three months 2005	Nine months **2006**	Nine months 2005
Additions of intangible assets				
– Subject to amortization	**$ 33.5**	$ 30.2	**$ 82.5**	$ 116.2
– With indefinite lives	**—**	—	**1.7**	8.8
	$ 33.5	$ 30.2	**$ 84.2**	$ 125.0

The following table presents items included in capital expenditures.

Periods ended September 30 (millions)	Three months **2006**	Three months 2005	Nine months **2006**	Nine months 2005
Capitalized internal labour costs	**$ 73.2**	$ 32.3	**$ 224.7**	$ 170.7

(b) Intangible assets subject to amortization

Estimated aggregate amortization expense for intangible assets subject to amortization, calculated upon such assets held as at September 30, 2006, for each of the next five fiscal years is as follows:

Years ending December 31 (millions)	
2006 (balance of year)	**$ 54.9**
2007	**159.0**
2008	**71.2**
2009	**21.3**
2010	**12.8**

13 goodwill

Periods ended September 30, 2006 (millions)	Three months	Nine months
Balance, beginning of period	$ **3,172.3**	$ **3,156.9**
Goodwill arising from acquisition	**20.0**	**37.5**
Foreign exchange on goodwill of self-sustaining foreign operations	**—**	**(0.1)**
Other	**—**	**(2.0)**
Balance, end of period	$ **3,192.3**	$ **3,192.3**

FSC Internet Corp.: Of the 2006 goodwill addition, $17.5 million, none of which is expected to be deductible for tax purposes, arose from the April 7, 2006, cash acquisition of FSC Internet Corp., operating as Assurent Secure Technologies, a provider of information technology security services and products. The investment was made with a view to the ongoing advancement of the Company's existing suite of security solutions. The primary factor that contributed to a purchase price that resulted in the recognition of goodwill is the low degree of net tangible assets relative to the earnings capacity of the acquired business. Effective the acquisition date, the acquired company's results are included in the Company's Consolidated Statements of Income and are included in the Company's Wireline segment.

Ambergris Solutions Inc.: In 2005, the Company acquired control of Ambergris Solutions Inc., a business process outsourcing company. In the third quarter of 2006, the Company increased its total effective economic interest in the entity from 52.5% to 91.3%, resulting in a 2006 goodwill addition of $20.0 million, none of which is expected to be deductible for tax purposes. The primary factor that contributed to a purchase price that resulted in the recognition of goodwill is the low degree of net tangible assets in the industry relative to the market value of established Asian operations. Ambergris Solutions Inc.'s results have been included in the Company's Consolidated Statements of Income and the Company's Wireline segment since the acquisition of control on February 15, 2005.

14 long-term debt

(a) Details of long-term debt

As at ($ in millions)

Series	*Rate of interest*	*Maturity*	**September 30, 2006**	December 31, 2005
TELUS Corporation Notes				
U.S. [2]	7.50%[1]	June 2007	**$ 1,302.8**	$ 1,354.4
U.S. [3]	8.00%[1]	June 2011	**2,144.4**	2,230.6
CB	5.00%[1]	June 2013	**299.7**	—
			3,746.9	3,585.0
TELUS Corporation Credit Facilities	5.01%	May 2008	**125.0**	142.0
TELUS Communications Inc. Debentures				
1	12.00%[1]	May 2010	**50.0**	50.0
2	11.90%[1]	November 2015	**125.0**	125.0
3	10.65%[1]	June 2021	**175.0**	175.0
5	9.65%[1]	April 2022	**249.0**	249.0
B	8.80%[1]	September 2025	**200.0**	200.0
			799.0	799.0
TELUS Communications Inc. First Mortgage Bonds				
U	11.50%[1]	July 2010	**30.0**	30.0
TELUS Communications Inc. Medium Term Notes				
1	7.10%[1]	February 2007	**70.0**	70.0
Capital leases issued at varying rates of interest from 4.1% to 16.7% and maturing on various dates up to 2013			**9.9**	12.5
Other			**5.2**	6.4
Long-Term Debt			**4,786.0**	4,644.9
Less – current maturities			**1,378.4**	5.0
Long-Term Debt – non-current			**$ 3,407.6**	$ 4,639.9

(1) Interest is payable semi-annually.
(2) Principal face value of notes is U.S.$1,166.5 million (December 31, 2005 – U.S.$1,166.5 million).
(3) Principal face value of notes is U.S.$1,925.0 million (December 31, 2005 – U.S.$1,925.0 million).

(b) TELUS Corporation notes

The notes are senior, unsecured and unsubordinated obligations of the Company and rank equally in right of payment with all existing and future unsecured, unsubordinated obligations of the Company, are senior in right of payment to all existing and future subordinated indebtedness of the Company, and are effectively subordinated to all existing and future obligations of, or guaranteed by, the Company's subsidiaries.

The indentures governing the notes contain certain covenants which, among other things, place limitations on the ability of TELUS and certain of its subsidiaries to: grant security in respect of indebtedness, enter into sale and lease-back transactions and incur new indebtedness.

2007 and 2011 (U.S. Dollar) Notes: In May 2001, the Company publicly issued U.S.$1.3 billion 2007 Notes at a price of U.S.$995.06 per U.S.$1,000.00 of principal and U.S.$2.0 billion 2011 Notes at a price of U.S.$994.78 per U.S.$1,000.00 of principal. The notes are redeemable at the option of the Company, in whole at any time, or in part from time to time, on not fewer than 30 nor more than 60 days' prior notice, at a redemption price equal to the greater of (i) the present value of the notes discounted at the Adjusted Treasury Rate plus 25 basis points in the case of the 2007 Notes and 30 basis points in the case of the 2011 Notes, or (ii) 100% of the principal amount thereof. In addition, accrued and unpaid interest, if any, will be paid to the date fixed for redemption.

2007 and 2011 Cross Currency Interest Rate Swap Agreements: With respect to the 2007 and 2011 (U.S. Dollar) Notes, U.S.$3.1 billion (December 31, 2005 – U.S.$3.1 billion) in aggregate, the Company entered into cross currency interest rate swap agreements which effectively convert the principal repayments and interest obligations to Canadian dollar obligations with effective fixed interest rates and fixed economic exchange rates.

The cross currency interest rate swap agreements contain an optional early termination provision which states that either party could elect to terminate these swap agreements on May 30, 2006, if (i) the highest of the long-term

unsecured unsubordinated debt ratings of the Company falls below BBB as determined by Standard & Poor's Rating Services or Baa2 as determined by Moody's Investors Service or (ii) in the case of these two ratings having a difference of two or more rating increments, the lower of the two ratings is below BBB- or Baa3 or (iii) the rating for the Company's counterparties fall below A or A2.

In contemplation of the planned refinancing of the 2007 (U.S. Dollar) Notes, in May 2006 the Company replaced approximately 63% of the notional value of the existing cross currency interest rate swap agreements with a like amount of new cross currency interest rate swap agreements which have a lower effective fixed interest rate and a lower effective fixed exchange rate. This replacement happened concurrent with the issuance of the 2013 (Canadian Dollar) Notes (see below); the two transactions had the composite effect of deferring, from June 2007 to June 2013, the payment of $300 million, representing a portion of the amount that would have been due either under the cross currency interest rate swap agreements or to the 2007 (U.S. Dollar) Note holders (to whom the amounts would ultimately have been paid would depend upon changes in interest and foreign exchange rates over the period to maturity of the underlying debt).

To terminate the previous cross currency interest rate swap agreements, the Company made a payment of $354.6 million, including $14.0 million in respect of hedging of current period interest payments, to the counterparties. The remaining $340.6 million portion of the payment made to the counterparties of the previous cross currency interest rate swap agreements exceeded the associated amount of the deferred hedging liability, such excess being $25.8 million and which will be deferred and amortized over the remainder of the life of the 2007 (U.S. Dollar) Notes.

The following table sets out the composition of the payments made to the counterparties to the cross currency interest rate swap agreements and the related accounting amounts.

	At date of early termination of cross currency interest rate swap agreements		Amounts to be deferred and amortized over remainder of life of 2007 (U.S. Dollar) Notes[2]
(millions)	Amounts paid in advance[1]	Hedging amounts recorded	
In respect of principal	$ 309.4	$ 314.8	$ (5.4)
In respect of interest that would have been incurred subsequent to termination date and prior to maturity of 2007 (U.S. Dollar) Notes	31.2	—	31.2
	340.6	314.8	25.8
In respect of hedge accounting affecting accrued interest to date of early termination of cross currency interest rate swap agreements	14.0	14.0	—
	$ 354.6	$ 328.8	25.8
	Amortization for:		
	- the three-month period ended June 30, 2006		(3.1)
	- the three-month period ended September 30, 2006		(6.2)
	- the nine-month period ended September 30, 2006		(9.3)
	Prepaid expense arising from early termination of cross currency interest rate swap agreements, September 30, 2006		$ 16.5

(1) Amounts paid in advance represent present value of cash flows, at early termination date, which would have arisen pursuant to early terminated cross currency interest rate swap agreements.

(2) Had the early terminated cross currency interest rate swap agreements matured in the normal course, the associated period amounts that would have been recorded would equal the future value of the amounts to currently be deferred and amortized (assuming that the associated future exchange and interest rates over the period to maturity of the 2007 (U.S. Dollar) Notes would be equal to those at the date of early termination of the cross currency interest rate swap agreements).

The weighted average effective fixed interest rates and effective fixed exchange rates arising from the cross currency interest rate swap agreements are summarized in the following table:

As at	**September 30, 2006**		December 31, 2005	
	Effective fixed interest rate	Effective fixed exchange rate ($: U.S.$1.00)	Effective fixed interest rate	Effective fixed exchange rate ($: U.S.$1.00)
2007 (U.S. Dollar) Notes	**7.046%**	**$ 1.2716**	8.109%	$ 1.5414
2011 (U.S. Dollar) Notes	**8.493%**	**$ 1.5327**	8.493%	$ 1.5327

The counterparties of the swap agreements are highly rated financial institutions and the Company does not anticipate any non-performance. TELUS has not required collateral or other security from the counterparties due to its assessment of their creditworthiness.

The Company translates items such as the U.S. Dollar notes into equivalent Canadian dollars at the rate of exchange in effect at the balance sheet date. The swap agreements at September 30, 2006, comprised a net deferred hedging liability of $982.8 million (December 31, 2005 – $1,154.3 million). The asset value of the swap agreements increases (decreases) when the balance sheet date exchange rate increases (decreases) the Canadian dollar equivalent of the U.S. Dollar notes.

2013 (Canadian Dollar) Notes: In May 2006, the Company publicly issued $300 million 5.00%, Series CB, Notes at a price of $998.80 per $1,000.00 of principal. The notes are redeemable at the option of the Company, in whole at any time, or in part from time to time, on not fewer than 30 and not more than 60 days' prior notice, at a redemption price equal to the greater of (i) the present value of the notes discounted at the Government of Canada yield plus 16 basis points, or (ii) 100% of the principal amount thereof. In addition, accrued and unpaid interest, if any, will be paid to the date fixed for redemption.

(c) Long-term debt maturities

Anticipated requirements to meet long-term debt repayments, including related hedge amounts and calculated upon such long-term debts owing as at September 30, 2006, during each of the five years ending December 31 are as follows:

(millions)	Principal[(1)]	Deferred hedging liability, net	Total
2006 (balance of year)	**$ 1.4**	**$ —**	**$ 1.4**
2007	**1,377.5**	**180.8**	**1,558.3**
2008	**130.5**	**—**	**130.5**
2009	**1.5**	**—**	**1.5**
2010	**81.7**	**—**	**81.7**

(1) Where applicable, principal repayments reflect foreign exchange rates at September 30, 2006.

15 shareholders' equity

(a) Details of shareholders' equity

As at ($ in millions)		September 30, 2006	December 31, 2005
Preferred equity			
Authorized	Amount		
First Preferred Shares	1,000,000,000		
Second Preferred Shares	1,000,000,000		
Common equity			
Share capital			
Shares			
Authorized	Amount		
Common Shares	1,000,000,000		
Non-Voting Shares	1,000,000,000		
Issued			
Common Shares (b)		**$ 2,262.6**	$ 2,311.6
Non-Voting Shares (b)		**3,474.1**	3,556.7
		5,736.7	5,868.3
Options (c)		**0.8**	5.9
Cumulative foreign currency translation adjustment		**(6.1)**	(7.3)
Retained earnings		**1,093.2**	849.7
Contributed surplus (d)		**163.3**	153.4
Total Shareholders' Equity		**$ 6,987.9**	$ 6,870.0

(b) Changes in Common Shares and Non-Voting Shares

Periods ended September 30, 2006 ($ in millions)	Three months		Nine months	
	Number of shares	Share capital	Number of shares	Share capital
Common Shares				
Beginning of period	**179,077,554**	**$ 2,260.9**	**183,530,655**	**$ 2,311.6**
Common Shares issued pursuant to exercise of share options (e)	**323,188**	**11.1**	**566,987**	**19.5**
Purchase of shares for cancellation pursuant to normal course issuer bid (f)	**(743,700)**	**(9.4)**	**(5,440,600)**	**(68.5)**
End of period	**178,657,042**	**$ 2,262.6**	**178,657,042**	**$ 2,262.6**
Non-Voting Shares				
Beginning of period	**162,202,578**	**$ 3,470.9**	**166,566,504**	**$ 3,556.7**
Non-Voting Shares issued pursuant to exercise of share options (e)	**956,617**	**30.4**	**2,462,225**	**71.1**
Non-Voting Shares issued pursuant to use of share option award net-equity settlement feature (e)	**202,619**	**1.3**	**310,885**	**2.0**
Purchase of shares for cancellation pursuant to normal course issuer bid (f)	**(1,328,600)**	**(28.5)**	**(7,306,400)**	**(155.7)**
End of period	**162,033,214**	**$ 3,474.1**	**162,033,214**	**$ 3,474.1**

Amounts credited to the Common Share capital account upon exercise of share options is cash received. Amounts credited to the Non-Voting Share capital account are comprised as follows:

Periods ended September 30, 2006 (millions)	Three months	Nine months
Non-Voting Shares issued pursuant to exercising of share options		
Cash received from exercise of share options	**$ 26.0**	**$ 63.4**
Amounts credited to share capital arising from intrinsic value accounting applied to former Clearnet Communications Inc. options (c)	**4.2**	**5.0**
Share option award expense reclassified from contributed surplus upon exercise of share options (d)	**0.2**	**2.7**
	$ 30.4	**$ 71.1**

(c) Options
Upon its acquisition of Clearnet Communications Inc. in 2000, the Company was required to record the intrinsic value of Clearnet Communications Inc. options outstanding at that time. As these options are exercised, the corresponding intrinsic values are reclassified to share capital. As these options are forfeited, or as they expire, the corresponding intrinsic values are reclassified to contributed surplus. Proceeds arising from the exercise of these options are credited to share capital.

(d) Contributed surplus
The following table presents a summary of the activity related to the Company's contributed surplus for the three-month and nine-month periods ended September 30.

Periods ended September 30, 2006 (millions)	Three months	Nine months
Balance, beginning of period	$ 159.6	$ 153.4
Share option award expense		
- Recognized in period (Note 9)	5.2	14.5
- Reclassified to Non-Voting Share capital account		
- Upon exercise of share options	(0.2)	(2.7)
- Upon use of share option award net-equity settlement feature	(1.3)	(2.0)
Amounts credited to contributed surplus arising from intrinsic value accounting applied to former Clearnet Communications Inc. options (c)	—	0.1
Balance, end of period	$ 163.3	$ 163.3

(e) Share option plans
The Company has a number of share option plans under which officers and other employees may receive options to purchase Non-Voting Shares at a price equal to the fair market value at the time of grant; prior to 2001, options were also similarly awarded in respect of Common Shares. Prior to 2002, directors were also awarded options to purchase Non-Voting Shares and Common Shares at a price equal to the fair market value at the time of grant. Option awards currently granted under the plans may be exercised over specific periods not to exceed seven years from the time of grant; prior to 2003, share option awards were granted with exercise periods not to exceed ten years.

The following table presents a summary of the activity related to the Company's share option plans for the three-month and nine-month periods ended September 30.

Periods ended September 30, 2006	Three months		Nine months	
	Number of share options	Weighted average share option price	Number of share options	Weighted average share option price
Outstanding, beginning of period	13,171,559	$ 30.34	13,894,601	$ 28.14
Granted	18,155	47.22	1,543,737	43.12
Exercised[1]	(1,578,599)	26.54	(3,493,284)	25.86
Forfeited	(138,937)	30.85	(472,876)	27.41
Outstanding, end of period	11,472,178	$ 30.89	11,472,178	$ 30.89

(1) The total intrinsic values of share option awards exercised for the three-month and nine-month periods ended September 30, 2006, were $40.1 million and $79.9 million, respectively.

In 2006, certain outstanding grants of share option awards, which were made after 2001, had a net-equity settlement feature applied to them. This event does not result in the optionees receiving incremental value and therefore modification accounting is not required. The optionee does not have the choice of exercising the net-equity settlement feature. It is at the Company's discretion whether an exercise of the share option award is settled as a share option or using the net-equity settlement feature.

The following table reconciles the number of share options exercised and the associated number of Common Shares and Non-Voting Shares issued.

Periods ended September 30, 2006	Three months	Nine months
Non-Voting Shares issued pursuant to exercise of share option awards	956,617	2,462,225
Non-Voting Shares issued pursuant to use of share option award net-equity settlement feature	202,619	310,885
Impact of Company choosing to settle share option award exercises using net-equity settlement feature	96,175	153,187
Non-Voting Shares issuable pursuant to exercising of share option awards	1,255,411	2,926,297
Common Shares issued and issuable pursuant to exercise of share option awards	323,188	566,987
Share option awards exercised	1,578,599	3,493,284

The following is a life and exercise price stratification of the Company's share options outstanding as at September 30, 2006.

Options outstanding[1]						Total	Options exercisable	
Range of option prices							Number of shares	Weighted average price
Low	$ 5.95	$ 9.14	$ 14.63	$ 21.99	$ 34.88	$ 5.95		
High	$ 8.43	$ 13.56	$ 19.92	$ 32.83	$ 47.22	$ 47.22		
Year of expiry and number of shares:								
2007	2,959	5,908	—	38,266	—	47,133	47,133	$ 26.81
2008	3,272	—	—	45,360	118,300	166,932	166,932	$ 41.52
2009	—	4,462	604,424	128,849	138,182	875,917	875,917	$ 21.23
2010	—	—	128,826	2,049,334	462,229	2,640,389	806,965	$ 30.94
2011	—	—	5,566	2,476,742	1,561,763	4,044,071	2,531,382	$ 30.78
2012	23,566	9,267	240,033	75,000	1,808,602	2,156,468	347,866	$ 17.17
2013	—	—	—	—	1,541,268	1,541,268	—	$ —
	29,797	19,637	978,849	4,813,551	5,630,344	11,472,178	4,776,195	$ 28.40
Weighted average remaining contractual life (years)	4.9	3.8	4.0	4.4	5.2	4.8		
Weighted average price	$ 8.00	$ 10.53	$ 16.03	$ 24.56	$ 39.07	$ 30.89		
Aggregate intrinsic value[2] (millions)	$ 1.6	$ 1.0	$ 45.6	$ 183.2	$ 132.7	$ 364.1		
Options exercisable								
Number of shares	29,797	19,637	978,849	1,467,438	2,280,474	4,776,195		
Weighted average remaining contractual life (years)	4.9	3.8	4.0	4.5	4.0	4.2		
Weighted average price	$ 8.00	$ 10.53	$ 16.03	$ 24.96	$ 36.34	$ 28.40		
Aggregate intrinsic value[2] (millions)	$ 1.6	$ 1.0	$ 45.6	$ 55.3	$ 60.1	$ 163.6		

(1) As at September 30, 2006, 11,278,654 share options, with a weighted average remaining contractual life of 4.7 years, a weighted average price of $30.68 and an aggregate intrinsic value of $360.3 million, are vested or were expected to vest.
(2) The aggregate intrinsic value is calculated upon September 30, 2006, per share prices of $62.90 for Common Shares and $62.60 for Non-Voting Shares.

As at September 30, 2006, 0.9 million Common Shares and 19.3 million Non-Voting Shares were reserved for issuance, from Treasury, under the share option plans.

(f) Purchase of shares for cancellation pursuant to normal course issuer bid

The Company purchased, for cancellation, Common Shares and Non-Voting Shares pursuant to a normal course issuer bid that runs for a twelve-month period ending December 19, 2006, for up to 12.0 million Common Shares and 12.0 million Non-Voting Shares. The excess of the purchase price over the average stated value of shares purchased for cancellation was charged to retained earnings. The Company ceases to consider shares outstanding on the date of the Company's purchase of its shares although the actual cancellation of the shares by the transfer agent and registrar occurs on a timely basis on a date shortly thereafter. As at September 30, 2006, 210,000 Non-Voting Shares had been purchased and not yet cancelled.

Three-month period ended September 30, 2006 ($ in millions)		Purchase price		
	Number of shares	Paid	Charged to share capital	Charged to retained earnings
Common Shares purchased for cancellation				
Prior to beginning of period	5,331,369	$ 245.1	$ 67.1	$ 178.0
During current period	743,700	42.2	9.4	32.8
Cumulative total	6,075,069	$ 287.3	$ 76.5	$ 210.8
Non-Voting Shares purchased for cancellation				
Prior to beginning of period	6,585,500	$ 293.4	$ 140.1	$ 153.3
During current period	1,328,600	77.5	28.5	49.0
Cumulative total	7,914,100	$ 370.9	$ 168.6	$ 202.3
Common Shares and Non-Voting Shares purchased for cancellation				
Prior to beginning of period	11,916,869	$ 538.5	$ 207.2	$ 331.3
During current period	2,072,300	119.7	37.9	81.8
Cumulative total	13,989,169	$ 658.2	$ 245.1	$ 413.1

Nine-month period ended September 30, 2006 ($ in millions)			Purchase price	
	Number of shares	Paid	Charged to share capital	Charged to retained earnings
Common Shares purchased for cancellation				
Prior to beginning of period	634,469	$ 29.7	$ 8.0	$ 21.7
During current period	5,440,600	257.6	68.5	189.1
Cumulative total	6,075,069	$ 287.3	$ 76.5	$ 210.8
Non-Voting Shares purchased for cancellation				
Prior to beginning of period	607,700	$ 27.8	$ 12.9	$ 14.9
During current period	7,306,400	343.1	155.7	187.4
Cumulative total	7,914,100	$ 370.9	$ 168.6	$ 202.3
Common Shares and Non-Voting Shares purchased for cancellation				
Prior to beginning of period	1,242,169	$ 57.5	$ 20.9	$ 36.6
During current period	12,747,000	600.7	224.2	376.5
Cumulative total	13,989,169	$ 658.2	$ 245.1	$ 413.1

(g) Dividend Reinvestment and Share Purchase Plan

The Company has a Dividend Reinvestment and Share Purchase Plan under which eligible shareholders may acquire Non-Voting Shares through the reinvestment of dividends and additional optional cash payments. Excluding Non-Voting Shares purchased by way of additional optional cash payments, the Company, at its discretion, may offer the Non-Voting Shares at up to a 5% discount from the market price. During the three-month period and nine-month periods ended September 30, 2006, the Company did not offer Non-Voting Shares at a discount. Shares purchased through optional cash payments are subject to a minimum investment of $100 per transaction and a maximum investment of $20,000 per calendar year.

Under this Plan, the Company has the option of offering shares from Treasury or having the trustee acquire shares in the stock market. Prior to July 1, 2001, when the acquisition of shares from Treasury commenced, all Non-Voting Shares were acquired in the market at normal trading prices; acquisition in the market at normal trading prices recommenced on January 1, 2005.

In respect of Common Share and Non-Voting Share dividends declared during the three-month and nine-month periods ended September 30, 2006, $4.1 million (2005 – $0.8 million) and $8.6 million (2005 – $4.8 million), respectively, were to be reinvested in Non-Voting Shares.

16 commitments and contingent liabilities

(a) Canadian Radio-television Telecommunications Commission Decisions 2002-34, 2002-43 and 2006-9 deferral accounts

On May 30, 2002, and on July 31, 2002, the Canadian Radio-television and Telecommunications Commission issued Decisions 2002-34 and 2002-43, respectively, and introduced the concept of a deferral account. The Company must make significant estimates and assumptions in respect of the deferral accounts given the complexity and interpretation required of Decisions 2002-34 and 2002-43. Accordingly, the Company estimates, and records, a liability of $164.8 million as at September 30, 2006 (December 31, 2005 – $158.7 million), to the extent that activities it has undertaken, other qualifying events and realized rate reductions for Competitor Services do not extinguish it. Management is required to make estimates and assumptions in respect of the offsetting nature of these items. If the Canadian Radio-television and Telecommunications Commission, upon its periodic review of the Company's deferral account, disagrees with management's estimates and assumptions, the Canadian Radio-television and Telecommunications Commission may adjust the deferral account balance and such adjustment may be material. Ultimately, this process results in the Canadian Radio-television and Telecommunications Commission determining if, and when, the deferral account liability is settled.

On March 24, 2004, the Canadian Radio-television and Telecommunications Commission issued Telecom Public Notice CRTC 2004-1 "Review and disposition of the deferral accounts for the second price cap period", which initiated a public proceeding inviting proposals on the disposition of the amounts accumulated in the incumbent local exchange carriers' deferral accounts during the first two years of the second price cap period.

On February 16, 2006, the Canadian Radio-television and Telecommunications Commission issued Decision CRTC 2006-9, “Disposition of funds in the deferral account”. In its decision the Canadian Radio-television and Telecommunications Commission determined that the majority of the accumulated liability within the respective incumbent local exchange carrier's deferral account was to be made available for initiatives to expand broadband services within their incumbent local exchange carrier operating territories to rural and remote communities where service is currently not available. In addition, a minimum of five per cent of the accumulated deferral account balance must be used for initiatives that enhance accessibility to telecommunication services for individuals with disabilities. To the extent that the deferral account balance exceeds the approved initiatives, the remaining balance will be distributed in the form of a one-time rebate to local residential service customers in non-high cost serving areas. Finally, the Canadian Radio-television and Telecommunications Commission indicated that subsequent to May 31, 2006, subject to potential Canadian Radio-television and Telecommunications Commission changes in amounts estimated by the Company as noted above, no additional amounts are to be added to the deferral account and, instead, are to be dealt with via prospective rate reductions.

In September 2006, the Federal Court of Appeal granted the Consumers Association of Canada and the National Anti-Poverty Organization leave to appeal Canadian Radio-television and Telecommunications Commission Telecom Decision 2006-9. These consumer groups are expected to file their appeal over the coming months asking the Court to direct rebates to local telephone subscribers, rather than have the accumulated deferral account funds used for purposes determined by the Canadian Radio-television and Telecommunications Commission, as noted above. Bell Canada was also granted leave to appeal Decision 2006-9 on the grounds that the Canadian Radio-television and Telecommunications Commission exceeded its jurisdiction to the extent it approves rebates from the deferral account. These matters are expected to be heard in 2007. In the event that Bell Canada is successful in its appeal, the Company may realize additional revenue equal to the amount of the deferral account that would otherwise have been rebated by the Canadian Radio-television and Telecommunications Commission. Should the consumer groups be successful in their appeals, the Company may be required to remit a one-time refund of approximately $165 million in individually small amounts to its entire local residential subscriber base. As the deferral account balance was fully provided for in previous financial statements, the potential refund will not impact the Company’s subsequent income from operations. In addition, subject to the potential outcome of this leave to appeal, the Company may need to re-address its intent to extend broadband services to uneconomic remote and rural communities. The Company supports Decision 2006-9 and its designated uses of the deferral account in order to extend high-speed broadband internet service to rural and remote communities and improve telecommunications services for people with disabilities.

Due to the Company’s use of the liability method of accounting for the deferral account, the Canadian Radio-television and Telecommunications Commission Decision 2005-6, as it relates to the Company’s provision of Competitor Digital Network services, is not expected to affect the Company’s consolidated revenues. Specifically, to the extent that the Canadian Radio-television and Telecommunications Commission Decision 2005-6 requires the Company to provide discounts on Competitor Digital Network services, through May 31, 2006, the Company drew down the deferral account by an offsetting amount; subsequent to May 31, 2006, the income statement effects did not change and the Company no longer needed to account for these amounts through the deferral account. For the three-month and nine-month periods ended September 30, 2006, the Company drew down the deferral account by NIL (2005 – $11.1 million) and $19.9 million (2005 – $40.9 million), respectively, in respect of discounts on Competitor Digital Network services.

(b) Guarantees

Canadian generally accepted accounting principles require the disclosure of certain types of guarantees and their maximum, undiscounted amounts. The maximum potential payments represent a “worst-case scenario” and do not necessarily reflect results expected by the Company. Guarantees requiring disclosure are those obligations that require payments contingent on specified types of future events. In the normal course of its operations, the Company enters into obligations that GAAP may consider to be guarantees. As defined by Canadian GAAP, guarantees subject to these disclosure guidelines do not include guarantees that relate to the future performance of the Company.

Performance guarantees: Performance guarantees contingently require a guarantor to make payments to a guaranteed party based on a third party’s failure to perform under an obligating agreement. TELUS provides sales price guarantees in respect of employees’ principal residences as part of its employee relocation policies. In the event that the Company is required to honour such guarantees, it purchases (for immediate resale) the property from the employee.

The Company has guaranteed third parties’ financial obligations as part of a facility naming rights agreement. The guarantees, in total, run through to August 31, 2008, on a declining-balance basis and are of limited recourse.

As at September 30, 2006, the Company has no liability recorded in respect of the aforementioned performance guarantees.

Financial guarantees: In conjunction with its 2001 exit from the equipment leasing business, the Company provided a guarantee to a third party with respect to certain specified telecommunication asset and vehicle leases. If the lessee were to default, the Company would be required to make a payment to the extent that the realized value of the underlying asset is insufficient to pay out the lease; in some instances, the Company could be required to pay out the lease on a gross basis and realize the underlying value of the leased asset itself. As at September 30, 2006, the Company has a liability of $0.5 million (December 31, 2005 – $0.5 million) recorded in respect of these lease guarantees.

The following table quantifies the maximum undiscounted guarantee amounts as at September 30, 2006, without regard for the likelihood of having to make such payment.

(millions)	Performance guarantees[1]	Financial guarantees[1]	Total
2006	**$ 2.7**	**$ 0.6**	**$ 3.3**
2007	**1.0**	**0.5**	**1.5**
2008	**0.5**	**0.2**	**0.7**

(1) Annual amounts for performance guarantees and financial guarantees include the maximum guarantee amounts during any year of the term of the guarantee.

Indemnification obligations: In the normal course of operations, the Company may provide indemnification in conjunction with certain transactions. The term of these indemnification obligations range in duration and often are not explicitly defined. Where appropriate, an indemnification obligation is recorded as a liability. In many cases, there is no maximum limit on these indemnification obligations and the overall maximum amount of the obligations under such indemnification obligations cannot be reasonably estimated. Other than obligations recorded as liabilities at the time of the transaction, historically the Company has not made significant payments under these indemnifications.

In connection with its 2001 disposition of TELUS' directory business, the Company agreed to bear a proportionate share of the new owner's increased directory publication costs if the increased costs were to arise from a change in the applicable Canadian Radio-television and Telecommunications Commission regulatory requirements. The Company's proportionate share would have been 80% through May 2006, declining to 40% in the next five-year period and then to 15% in the final five years. As well, should the Canadian Radio-television and Telecommunications Commission take any action which would result in the owner being prevented from carrying on the directory business as specified in the agreement, TELUS would indemnify the owner in respect of any losses that the owner incurred.

As at September 30, 2006, the Company has no liability recorded in respect of indemnification obligations.

(c) Claims and lawsuits

General: A number of claims and lawsuits seeking damages and other relief are pending against the Company. It is impossible at this time for the Company to predict with any certainty the outcome of such litigation. However, management is of the opinion, based upon legal assessment and information presently available, that it is unlikely that any liability, to the extent not provided for through insurance or otherwise, would be material in relation to the Company's consolidated financial position, excepting the items enumerated following.

Pay equity: On December 16, 1994, the Telecommunications Workers Union filed a complaint against BC TEL, a predecessor of TELUS Communications Inc., with the Canadian Human Rights Commission, alleging that wage differences between unionized male and female employees in British Columbia were contrary to the equal pay for work of equal value provisions in the *Canadian Human Rights Act*. As a term of the settlement between TELUS Communications Inc. and the Telecommunications Workers Union that resulted in the collective agreement effective November 20, 2005, the parties have agreed to settle this complaint without any admission of liability, on the basis that the Company will establish a pay equity fund of $10 million to be paid out during the term of the new collective agreement; the Telecommunications Workers Union withdrew and discontinued this complaint on December 21, 2005. During the first quarter of 2006, the Canadian Human Rights Commission advised the Company that it accepted this settlement and that it would close its file on the complaint.

TELUS Corporation Pension Plan and TELUS Edmonton Pension Plan: Two statements of claim were filed in the Alberta Court of Queen's Bench on December 31, 2001, and January 2, 2002, respectively, by plaintiffs alleging to be either members or business agents of the Telecommunications Workers Union. In one action, the three plaintiffs alleged to be suing on behalf of all current or future beneficiaries of the TELUS Corporation Pension Plan and in the other action, the two plaintiffs alleged to be suing on behalf of all current or future beneficiaries of the TELUS Edmonton Pension Plan. The statement of claim in the TELUS Corporation Pension Plan related action named the Company, certain of its affiliates and certain present and former trustees of the TELUS Corporation Pension Plan as defendants, and claims damages in the sum of $445 million. The statement of claim in the TELUS Edmonton Pension Plan related action named the Company, certain of its affiliates and certain individuals who are alleged to be trustees of the TELUS

Edmonton Pension Plan and claims damages in the sum of $15.5 million. On February 19, 2002, the Company filed statements of defence to both actions and also filed notices of motion for certain relief, including an order striking out the actions as representative or class actions. On May 17, 2002, the statements of claim were amended by the plaintiffs and include allegations, *inter alia*, that benefits provided under the TELUS Corporation Pension Plan and the TELUS Edmonton Pension Plan are less advantageous than the benefits provided under the respective former pension plans, contrary to applicable legislation, that insufficient contributions were made to the plans and contribution holidays were taken and that the defendants wrongfully used the diverted funds, and that administration fees and expenses were improperly deducted. The Company filed statements of defence to the amended statements of claim on June 3, 2002. The Company believes that it has good defences to the actions. As a term of the settlement reached between TELUS Communications Inc. and the Telecommunications Workers Union that resulted in a collective agreement effective November 20, 2005, the Telecommunications Workers Union has agreed to not provide any direct or indirect financial or other assistance to the plaintiffs in these actions, and to communicate to the plaintiffs the Telecommunications Workers Union's desire and recommendation that these proceedings be dismissed or discontinued. The Company has been advised by the Telecommunications Workers Union that the plaintiffs have not agreed to dismiss or discontinue these actions. Should the lawsuits continue because of the actions of the court, the plaintiffs or for any other reason, and their ultimate resolution differ from management's assessment and assumptions, a material adjustment to the Company's financial position and the results of its operations could result.

Uncertified class action: A class action was brought August 9, 2004, under the Class Actions Act (Saskatchewan), against a number of past and present wireless service providers including the Company. The claim alleges that each of the carriers is in breach of contract and has violated competition, trade practices and consumer protection legislation across Canada in connection with the collection of system access fees, and seeks to recover direct and punitive damages in an unspecified amount. Similar proceedings have also been filed by, or on behalf of, plaintiffs' counsel in other provincial jurisdictions. On July 18, 2006, the Saskatchewan court declined to certify the action as a class action, but granted the plaintiffs leave to renew their application in order to further address certain statutory requirements respecting class actions. The Company believes that it has good defences to the action. Should the ultimate resolution of this action differ from management's assessments and assumptions, a material adjustment to the Company's financial position and the results of its operations could result.

17 additional financial information

(a) Income statement

	Three months		Nine months	
Periods ended September 30 (millions)	**2006**	2005	**2006**	2005
Operations expense[(1)]:				
Cost of sales and service	**$ 683.9**	$ 689.7	**$ 2,012.5**	$ 1,923.8
Selling, general and administrative	**561.9**	531.8	**1,641.8**	1,552.9
	$ 1,245.8	$ 1,221.5	**$ 3,654.3**	$ 3,476.7
Advertising expense	**$ 64.2**	$ 44.5	**$ 174.3**	$ 124.8

(1) Cost of sales and service include cost of goods sold and costs to operate and maintain access to and usage of the Company's telecommunication infrastructure. Selling, general and administrative costs include sales and marketing costs (including commissions), customer care, bad debt expense, real estate costs and corporate overhead costs such as information technology, finance (including billing services, credit and collection), legal, human resources and external affairs.

Employee salaries, benefits and related costs are included in one of the two components of operations expense to the extent that the costs are related to the component functions.

(b) Balance sheet

As at (millions)	**September 30, 2006**	December 31, 2005
Accounts receivable		
Customer accounts receivable	**$ 549.8**	$ 451.1
Accrued receivables – customer	**127.2**	113.2
Allowance for doubtful accounts	**(55.0)**	(57.2)
	622.0	507.1
Accrued receivables – other	**110.7**	94.3
Other	**7.0**	8.9
	$ 739.7	$ 610.3

As at (millions)	September 30, 2006	December 31, 2005
Prepaid expense and other		
Prepaid expenses	**$ 142.4**	$ 87.7
Deferred customer activation and connection costs	**58.3**	66.4
Prepaid expense arising from early termination of cross currency interest rate swap agreements (Note 14(b))	**16.5**	—
Other	**20.0**	0.6
	$ 237.2	$ 154.7
Deferred charges		
Recognized transitional pension assets and pension plan contributions in excess of charges to income	**$ 803.5**	$ 687.9
Deferred customer activation and connection costs	**114.1**	104.4
Cost of issuing debt securities, less amortization	**21.5**	23.5
Other	**40.5**	34.4
	$ 979.6	$ 850.2
Accounts payable and accrued liabilities		
Accrued liabilities	**$ 464.4**	$ 508.6
Payroll and other employee-related liabilities	**381.2**	388.7
Asset retirement obligations	**4.1**	4.1
	849.7	901.4
Trade accounts payable	**363.4**	394.4
Interest payable	**150.6**	54.8
Other	**41.3**	43.1
	$ 1,405.0	$ 1,393.7
Advance billings and customer deposits		
Advance billings	**$ 329.5**	$ 322.4
Regulatory deferral accounts (Note 16(a))	**164.8**	158.7
Deferred customer activation and connection fees	**58.3**	66.4
Customer deposits	**18.4**	24.3
	$ 571.0	$ 571.8
Other Long-Term Liabilities		
Deferred hedging liability (Note 14(b))	**$ 802.0**	$ 1,154.3
Pension and other post-retirement liabilities	**195.9**	189.1
Other	**115.7**	77.5
	1,113.6	1,420.9
Deferred customer activation and connection fees	**114.1**	104.4
Deferred gain on sale-leaseback of buildings	**73.9**	81.1
Asset retirement obligations	**28.9**	28.9
	$ 1,330.5	$ 1,635.3

(c) Supplementary cash flow information

	Three months		Nine months	
Periods ended September 30 (millions)	**2006**	2005	**2006**	2005
Net change in non-cash working capital				
Short-term investments	**$ (98.8)**	$ —	**$ (98.8)**	$ —
Accounts receivable	**(225.6)**	(47.2)	**(128.1)**	(20.5)
Inventories	**(28.2)**	26.9	**(5.2)**	31.2
Prepaid expenses and other	**54.0**	47.6	**(63.1)**	(28.4)
Accounts payable and accrued liabilities	**66.3**	12.7	**(8.2)**	105.7
Income and other taxes receivable and payable, net	**(21.5)**	(4.3)	**79.8**	(17.8)
Advance billings and customer deposits	**(11.6)**	(1.3)	**(0.8)**	13.6
	$ (265.4)	$ 34.4	**$ (224.4)**	$ 83.8

Periods ended September 30 (millions)	Three months 2006	Three months 2005	Nine months 2006	Nine months 2005
Interest (paid)				
Amount (paid) in respect of interest expense	**$ (13.0)**	$ (12.2)	**$ (266.4)**	$ (319.1)
Interest related portion of cross currency interest rate swap agreement termination payments (Note 14(b))	**—**	—	**(31.2)**	—
	$ (13.0)	$ (12.2)	**$ (297.6)**	$ (319.1)

18 differences between Canadian and United States generally accepted accounting principles

The consolidated financial statements have been prepared in accordance with Canadian GAAP. The principles adopted in these financial statements conform in all material respects to those generally accepted in the United States except as summarized below. Significant differences between Canadian GAAP and U.S. GAAP would have the following effect on reported net income of the Company:

Periods ended September 30 (millions except per share amounts)	Three months 2006	Three months 2005 (as adjusted – (b))	Nine months 2006	Nine months 2005 (as adjusted – (b))
Net income in accordance with Canadian GAAP	**$ 319.6**	$ 190.1	**$ 886.3**	$ 621.8
Adjustments:				
Operating expenses				
Operations (b)	**(4.2)**	(4.2)	**(12.7)**	(12.7)
Amortization of intangible assets (c)	**(12.5)**	(20.5)	**(38.2)**	(61.4)
Financing costs (e)	**—**	0.6	**—**	5.1
Accounting for derivatives (f)	**1.7**	(3.3)	**1.1**	1.4
Change in statutory income tax rates substantively enacted, but not enacted	**—**	(15.1)	**—**	(15.1)
Taxes on the above adjustments and tax rate changes (g)	**5.0**	9.8	**72.5**	24.8
Net income in accordance with U.S. GAAP	**309.6**	157.4	**909.0**	563.9
Other comprehensive income (loss) (h)				
Foreign currency translation adjustment	**0.4**	(2.2)	**1.2**	(4.1)
Change in unrealized fair value of derivatives designated as cash flow hedges	**(33.1)**	(23.8)	**3.0**	(135.0)
Change in minimum pension liability	**(0.7)**	(0.7)	**(3.6)**	(2.0)
	(33.4)	(26.7)	**0.6**	(141.1)
Comprehensive income in accordance with U.S. GAAP	**$ 276.2**	$ 130.7	**$ 909.6**	$ 422.8
Net income in accordance with U.S. GAAP per Common Share and Non-Voting Share				
- Basic	**$ 0.91**	$ 0.44	**$ 2.63**	$ 1.57
- Diluted	**$ 0.90**	$ 0.44	**$ 2.61**	$ 1.56

The following is an analysis of retained earnings (deficit) reflecting the application of U.S. GAAP:

Periods ended September 30 (millions)	Nine months 2006	Nine months 2005 (as adjusted – (b))
Schedule of retained earnings (deficit) under U.S. GAAP		
Balance at beginning of period	**$ (785.5)**	$ (590.2)
Transitional amount for share-based compensation arising from share option awards (b)	**—**	(185.5)
Adjusted opening balance	**(785.5)**	(775.7)
Net income in accordance with U.S. GAAP	**909.0**	563.9
	123.5	(211.8)
Common Share and Non-Voting Share dividends paid, or payable, in cash	**(284.5)**	(215.6)
Purchase of Common Shares and Non-Voting Shares in excess of stated capital	**(267.1)**	(241.1)
Adjustment to purchase of share option awards not in excess of their fair value	**2.1**	—
Warrant proceeds used in determining intrinsic value of warrants in excess of amounts ultimately received	**—**	(2.0)
Balance at end of period	**$ (426.0)**	$ (670.5)

The following is an analysis of major balance sheet categories reflecting the application of U.S. GAAP:

As at (millions)	September 30, 2006	December 31, 2005
Current Assets	**$ 1,274.3**	$ 1,242.5
Capital Assets		
Property, plant, equipment and other	**7,457.2**	7,339.4
Intangible assets subject to amortization	**2,171.4**	2,295.2
Intangible assets with indefinite lives	**2,966.3**	2,964.6
Goodwill	**3,594.8**	3,575.5
Other Assets	**800.5**	736.3
	$ 18,264.5	$ 18,153.5
Current Liabilities	**$ 3,757.7**	$ 2,027.5
Long-Term Debt	**3,407.6**	4,639.9
Other Long-Term Liabilities	**1,662.4**	2,024.9
Deferred Income Taxes	**1,265.8**	1,410.8
Non-Controlling Interest	**22.3**	25.6
Shareholders' Equity	**8,148.7**	8,024.8
	$ 18,264.5	$ 18,153.5

The following is a reconciliation of shareholders' equity incorporating the differences between Canadian and U.S. GAAP:

	Shareholders' Equity							
As at September 30, 2006 (millions)	Common Shares	Non-Voting Shares	Options	Retained earnings (deficit)	Cumulative foreign currency translation adjustment	Accumulated other comprehensive income (loss)	Contributed surplus	Total
Under Canadian GAAP	$ 2,262.6	$ 3,474.1	$ 0.8	$ 1,093.2	$ (6.1)	$ —	$ 163.3	$ 6,987.9
Adjustments:								
Merger of BC TELECOM and TELUS (a), (c), (d)	1,770.6	1,017.7	—	(1,382.5)	—	—	—	1,405.8
Share-based compensation (b)	10.2	63.3	—	(133.3)	—	—	59.8	—
Acquisition of Clearnet Communications Inc.								
Goodwill (d)	—	131.4	—	(7.9)	—	—	—	123.5
Convertible debentures	—	(2.9)	—	4.1	—	—	(1.2)	—
Accounting for derivatives (f)	—	—	—	0.4	—	—	—	0.4
Accumulated other comprehensive income (loss) (h)	—	—	—	—	6.1	(375.0)	—	(368.9)
Under U.S. GAAP	$ 4,043.4	$ 4,683.6	$ 0.8	$ (426.0)	$ —	$ (375.0)	$ 221.9	$ 8,148.7

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	Shareholders' Equity (as adjusted – (b))							
As at December 31, 2005 (millions)	Common Shares (b)	Non-Voting Shares (b)	Options	Retained earnings (deficit) (b)	Cumulative foreign currency translation adjustment	Accumulated other comprehensive income (loss)	Contributed surplus (b)	Total
Under Canadian GAAP	$ 2,311.6	$ 3,556.7	$ 5.9	$ 849.7	$ (7.3)	$ —	$ 153.4	$ 6,870.0
Adjustments:								
Merger of BC TELECOM and TELUS (a), (c) – (e)	1,824.8	1,069.0	—	(1,493.9)	—	—	—	1,399.9
Share-based compensation (b)	7.4	50.3	—	(137.2)	—	—	79.5	—
Acquisition of Clearnet Communications Inc.								
Goodwill (d)	—	131.4	—	(7.9)	—	—	—	123.5
Convertible debentures	—	(2.9)	—	4.1	—	—	(1.2)	—
Accounting for derivatives (f)	—	—	—	(0.3)	—	—	—	(0.3)
Accumulated other comprehensive income (loss) (h)	—	—	—	—	7.3	(375.6)	—	(368.3)
Under U.S. GAAP	$ 4,143.8	$ 4,804.5	$ 5.9	$ (785.5)	$ —	$ (375.6)	$ 231.7	$ 8,024.8

(a) Merger of BC TELECOM and TELUS

The business combination between BC TELECOM and TELUS Corporation (renamed TELUS Holdings Inc., which was wound up June 1, 2001) was accounted for using the pooling of interests method under Canadian GAAP. Under Canadian GAAP, the application of the pooling of interests method of accounting for the merger of BC TELECOM and TELUS Holdings Inc. resulted in a restatement of prior periods as if the two companies had always been combined. Under U.S. GAAP, the merger is accounted for using the purchase method. Use of the purchase method results in TELUS (TELUS Holdings Inc.) being acquired by BC TELECOM for $4,662.4 million (including merger related costs of $51.9 million) effective January 31, 1999.

(b) Operating expenses – Operations

	Three months		Nine months	
Periods ended September 30 (millions)	**2006**	2005	**2006**	2005
Future employee benefits	**$ (4.2)**	$ (4.2)	**$ (12.7)**	$ (12.7)

Future employee benefits: Under U.S. GAAP, TELUS' future employee benefit assets and obligations have been recorded at their fair values on acquisition. Accounting for future employee benefits under Canadian GAAP changed to become more consistent with U.S. GAAP effective January 1, 2000. Canadian GAAP provides that the transitional balances can be accounted for prospectively. Therefore, to conform to U.S. GAAP, the amortization of the transitional amount needs to be removed from the future employee benefit expense.

Share-based compensation: Effective January 1, 2004, Canadian GAAP required the adoption of the fair value method of accounting for share-based compensation for awards made after 2001. The Canadian GAAP disclosures for share-based compensation awards are set out in Note 9.

Effective January 1, 2006, U.S. GAAP required the adoption of the fair value method of accounting for share-based compensation for awards made after 1994. Prior to the adoption of the fair value method of accounting, the intrinsic value based method was used to account for share option awards granted to employees. The Company has selected the modified-retrospective transition method and such method results in share option award expense being recognized in net income in accordance with U.S. GAAP in fiscal years prior to 2006. The share option award expense that is recognized in fiscal years subsequent to 2005 is in respect of share option awards granted after 1994 and vesting in fiscal periods subsequent to 2005.

As the Company has selected the modified-retrospective transition method, it must disclose the impact on net income in accordance with U.S. GAAP, and net income in accordance with U.S. GAAP per Common Share and Non-Voting Share, as if the fair value based method of accounting for the share-based compensation had been applied in the comparative period.

On a prospective basis, commencing January 1, 2006, this will result in there no longer being a difference between Canadian GAAP and U.S. GAAP share-based compensation expense recognized in the results of operations arising from current share-based compensation awards. As share option awards granted subsequent to 1994 and prior to 2002 are captured by U.S. GAAP, but are not captured by Canadian GAAP, differences in shareholders' equity accounts arising from these awards will continue.

The application of the modified-retrospective transition method had the following effect on comparative net income amounts presented:

Periods ended September 30, 2005 (millions except per share amounts)	Three months	Nine months
Net income in accordance with U.S. GAAP		
As previously reported	$ 161.5	$ 574.3
Deduct: Share-based compensation arising from share option awards determined under fair value based method for all awards[(1)]	(4.1)	(10.4)
As currently reported	$ 157.4	$ 563.9
Net income in accordance with U.S. GAAP per Common Share and Non-Voting Share		
Basic		
As previously reported (using intrinsic value method)	$ 0.45	$ 1.60
As currently reported (using fair value method)	$ 0.44	$ 1.57
Diluted		
As previously reported (using intrinsic value method)	$ 0.45	$ 1.59
As currently reported (using fair value method)	$ 0.44	$ 1.56

(1) The effect of the fair value method of accounting for share-based compensation arising from share option awards on income before income taxes and non-controlling interest and net income does not differ. Further, the fair value method of accounting for share-based compensation arising from share option awards does not affect cash flows from operating activities nor does it affect cash flows from financing activities.

To reflect the fair value of share option awards granted subsequent to 1994, and vesting prior to 2006, certain components of shareholders' equity, reflecting the application of U.S. GAAP, as at December 31, 2005, have been adjusted as follows:

	Shareholders' Equity						
(millions)	Common Shares	Non-Voting Shares	Options	Retained earnings (deficit)	Accumulated other comprehensive income	Contributed surplus	Total
Cumulative transition adjustment for share-based compensation arising from share option awards granted in fiscal years ending December 31:							
2002 and 2003 (total Canadian GAAP transitional amounts)	$ —	$ 0.4	$ —	$ (25.1)	$ —	$ 24.7	$ —
2004 and 2005	—	25.7	—	(33.3)	—	7.6	—
Total Canadian GAAP amounts recognized as at December 31, 2005	—	26.1	—	(58.4)	—	32.3	—
Cumulative transition adjustment for share-based compensation (and associated effects) arising from share option awards granted in fiscal years ending December 31, 1995 through 2001, inclusive[(1)]	7.4	50.3	—	(137.2)	—	79.5	—
Total U.S. GAAP transitional amounts	7.4	76.4	—	(195.6)	—	111.8	—
December 31, 2005, U.S. GAAP amounts, as previously reported	4,136.4	4,728.1	5.9	(589.9)	(375.6)	119.9	8,024.8
January 1, 2006, U.S. GAAP amounts	$ 4,143.8	$ 4,804.5	$ 5.9	$ (785.5)	$ (375.6)	$ 231.7	$ 8,024.8

(1) As share option awards granted subsequent to 1994 and prior to 2002 are captured by U.S. GAAP, but are not captured by Canadian GAAP, differences in shareholders' equity accounts arising from these awards will continue.

To reflect the fair value of option awards granted subsequent to 1994, and vesting prior to 2005, certain components of shareholders' equity, reflecting the application of U.S. GAAP, as at December 31, 2004, have been adjusted as follows:

	Shareholders' Equity						
(millions)	Common Shares	Non-Voting Shares	Options, warrants and other	Retained earnings (deficit)	Accumulated other comprehensive income	Contributed surplus	Total
Cumulative transition adjustment for share-based compensation arising from share option awards granted in fiscal years ending December 31:							
2002 and 2003 (total Canadian GAAP transitional amounts)	$ —	$ 0.4	$ —	$ (25.1)	$ —	$ 24.7	$ —
2004	—	14.7	—	(19.1)	—	4.4	—
Total Canadian GAAP amounts recognized as at December 31, 2004	—	15.1	—	(44.2)	—	29.1	—
Cumulative transition adjustment for share-based compensation (and associated effects) arising from share option awards granted in fiscal years ending December 31, 1995 through 2001, inclusive[(1)]	3.4	10.5	—	(141.3)	—	127.4	—
Total U.S. GAAP transitional amounts	3.4	25.6	—	(185.5)	—	156.5	—
December 31, 2004, U.S. GAAP amounts, as previously reported	4,341.0	4,700.8	27.7	(590.2)	(249.2)	119.9	8,350.0
January 1, 2005, U.S. GAAP amounts	$ 4,344.4	$ 4,726.4	$ 27.7	$ (775.7)	$ (249.2)	$ 276.4	$ 8,350.0

(1) As share option awards granted subsequent to 1994 and prior to 2002 are captured by U.S. GAAP, but are not captured by Canadian GAAP, differences in shareholders' equity accounts arising from these awards will continue.

(c) Operating expenses – Amortization of intangible assets

As TELUS' intangible assets on acquisition have been recorded at their fair value (see (a)), amortization of such assets, other than for those with indefinite lives, needs to be included under U.S. GAAP; consistent with prior years, amortization is calculated using the straight-line method.

The incremental amounts recorded as intangible assets arising from the TELUS acquisition above are as follows:

	Cost	Accumulated Amortization	Net Book Value	
As at (millions)			**September 30, 2006**	December 31, 2005
Intangible assets subject to amortization				
Subscribers – wireline	$ 1,950.0	$ 330.5	**$ 1,619.5**	$ 1,654.2
Subscribers – wireless	250.0	250.0	**—**	3.5
	2,200.0	580.5	**1,619.5**	1,657.7
Intangible assets with indefinite lives				
Spectrum licences[(1)]	1,833.3	1,833.3	**—**	—
	$ 4,033.3	$ 2,413.8	**$ 1,619.5**	$ 1,657.7

(1) Accumulated amortization of spectrum licences is amortization recorded prior to 2002 and the transitional impairment amount.

Estimated aggregate amortization expense for intangible assets subject to amortization, calculated upon such assets held as at September 30, 2006, for each of the next five fiscal years is as follows:

Years ending December 31 (millions)	
2006 (balance of year)	**$ 67.4**
2007	**209.1**
2008	**121.3**
2009	**71.4**
2010	**62.9**

(d) Goodwill
Merger of BC TELECOM and TELUS: Under the purchase method of accounting, TELUS' assets and liabilities at acquisition (see (a)) have been recorded at their fair values with the excess purchase price being allocated to goodwill in the amount of $403.1 million. Commencing January 1, 2002, rather than being systematically amortized, the carrying value of goodwill is periodically tested for impairment.

Additional goodwill on Clearnet purchase: Under U.S. GAAP, shares issued by the acquirer to effect an acquisition are measured at the date the acquisition was announced; however, under Canadian GAAP, at the time the transaction took place, shares issued to effect an acquisition were measured at the transaction date. This results in the purchase price under U.S. GAAP being $131.4 million higher than under Canadian GAAP. The resulting difference is assigned to goodwill. Commencing January 1, 2002, rather than being systematically amortized, the carrying value of goodwill is periodically tested for impairment.

(e) Financing costs
Merger of BC TELECOM and TELUS: Under the purchase method, TELUS' long-term debt on acquisition has been recorded at its fair value rather than at its underlying cost (book value) to TELUS. Therefore, interest expense calculated on the debt based on fair values at the date of acquisition under U.S. GAAP will be different from TELUS' interest expense based on underlying cost (book value). As of December 31, 2005, the amortization of this difference had been completed.

(f) Accounting for derivatives
Under U.S. GAAP, all derivatives need to be recognized as either assets or liabilities and measured at fair value. This is different from the Canadian GAAP treatment for financial instruments. Under U.S. GAAP, derivatives which are fair value hedges, together with the financial instrument being hedged, will be marked to market with adjustments reflected in income and derivatives which are cash flow hedges will be marked to market with adjustments reflected in comprehensive income (see (h)).

(g) Income taxes

	Three months		Nine months	
Periods ended September 30 (millions)	**2006**	2005	**2006**	2005
Current	**$ (19.8)**	$ (2.3)	**$ (23.5)**	$ (21.0)
Deferred	**141.3**	94.5	**212.3**	274.5
	121.5	92.2	**188.8**	253.5
Investment Tax Credits	**—**	—	**(12.6)**	—
	$ 121.5	$ 92.2	**$ 176.2**	$ 253.5

The Company's income tax expense (recovery), for U.S. GAAP purposes, differs from that calculated by applying statutory rates for the following reasons:

Three-month periods ended September 30 ($ in millions)	**2006**		2005	
Basic blended federal and provincial tax at statutory income tax rates	**$ 145.7**	**33.6%**	$ 85.5	34.4%
Revaluation of deferred income tax liability for change in statutory income tax rates	**—**		(0.2)	
Tax rate differential on, and consequential adjustments from, reassessment of prior year tax issues	**(24.9)**		(0.7)	
Share option award compensation	**1.8**		1.4	
Change in estimates of available deductible differences in prior years	**—**		(1.5)	
Investment Tax Credits	**—**		—	
Other	**(1.1)**		3.6	
	121.5	**28.0%**	88.1	34.5%
Large corporations tax	**—**		4.1	
U.S. GAAP income tax expense (recovery)	**$ 121.5**	**28.0%**	$ 92.2	36.1%

Nine-month periods ended September 30 ($ in millions)	**2006**		2005	
Basic blended federal and provincial tax at statutory income tax rates	**$ 367.0**	**33.6%**	$ 283.7	34.5%
Revaluation of deferred income tax liability for change in statutory income tax rates	**(162.7)**		(1.4)	
Tax rate differential on, and consequential adjustments from, reassessment of prior year tax issues	**(23.9)**		(12.0)	
Share option award compensation	**4.9**		3.5	
Change in estimates of available deductible differences in prior years	**—**		(37.5)	
Investment Tax Credits	**(8.4)**		—	
Other	**(0.7)**		4.0	
	176.2	**16.1%**	240.3	28.9%
Large corporations tax	**—**		13.2	
U.S. GAAP income tax expense (recovery)	**$ 176.2**	**16.1%**	$ 253.5	30.4%

(h) Additional disclosures required under U.S. GAAP – Comprehensive income

U.S. GAAP requires that a statement of comprehensive income be displayed with the same prominence as other financial statements. Comprehensive income, which incorporates net income, includes all changes in equity during a period except those resulting from investments by and distributions to owners. There is no requirement to disclose comprehensive income under Canadian GAAP prior to fiscal periods beginning on or after January 1, 2007.

Three-month periods ended September 30 (millions)	**2006**				2005			
	Cumulative foreign currency translation adjustment	Unrealized fair value of derivative cash flow hedges	Minimum pension liability	Total	Cumulative foreign currency translation adjustment	Unrealized fair value of derivative cash flow hedges	Minimum pension liability	Total
Amount arising	**$ 0.4**	**$ (49.9)**	**$ (0.9)**	**$ (50.4)**	$ (2.2)	$ (36.5)	$ (0.9)	$ (39.6)
Income tax expense (recovery)	**—**	**(16.8)**	**(0.2)**	**(17.0)**	—	(12.7)	(0.2)	(12.9)
Net	**0.4**	**(33.1)**	**(0.7)**	**(33.4)**	(2.2)	(23.8)	(0.7)	(26.7)
Accumulated other comprehensive income (loss), beginning of period	**(6.5)**	**(164.5)**	**(170.6)**	**(341.6)**	(4.1)	(232.3)	(127.2)	(363.6)
Accumulated other comprehensive income (loss), end of period	**$ (6.1)**	**$ (197.6)**	**$ (171.3)**	**$ (375.0)**	$ (6.3)	$ (256.1)	$ (127.9)	$ (390.3)

Nine-month periods ended September 30 (millions)	**2006**				2005			
	Cumulative foreign currency translation adjustment	Unrealized fair value of derivative cash flow hedges	Minimum pension liability	Total	Cumulative foreign currency translation adjustment	Unrealized fair value of derivative cash flow hedges	Minimum pension liability	Total
Amount arising	**$ 1.2**	**$ 6.3**	**$ (3.9)**	**$ 3.6**	$ (4.1)	$ (206.0)	$ (2.8)	$ (212.9)
Income tax expense (recovery)	**—**	**3.3**	**(0.3)**	**3.0**	—	(71.0)	(0.8)	(71.8)
Net	**1.2**	**3.0**	**(3.6)**	**0.6**	(4.1)	(135.0)	(2.0)	(141.1)
Accumulated other comprehensive income (loss), beginning of period	**(7.3)**	**(200.6)**	**(167.7)**	**(375.6)**	(2.2)	(121.1)	(125.9)	(249.2)
Accumulated other comprehensive income (loss), end of period	**$ (6.1)**	**$ (197.6)**	**$ (171.3)**	**$ (375.0)**	$ (6.3)	$ (256.1)	$ (127.9)	$ (390.3)

(i) Recently issued accounting standards not yet implemented

Employee future benefit plans. Under U.S. GAAP, first effective for its annual financial statements for the year ended December 31, 2006, the Company will be required to fully recognize the obligations associated with its employee future benefit plans, as prescribed by Financial Accounting Standards Board Statement of Financial Accounting Standards No. 158, "Employers' Accounting for Defined Benefit Pension and other Postretirement Plans". Applying this standard, the funded status of the Company's plans will be shown gross on the consolidated balance sheets and the difference between the net funded plan states and the net accrued benefit asset or liability will be included as a component of other comprehensive income. Concurrently, accounting for the minimum pension liability will be discontinued. The Company continues to assess the provisions of this statement.

Uncertain income tax positions: Under U.S. GAAP, effective for its 2007 fiscal year, the Company is expected to be required to comply with accounting for uncertain income tax positions, as prescribed by Financial Accounting Standards Board Financial Interpretation No. 48, "Accounting for Uncertainty in Income Taxes". The Company continues to assess the provisions of the Interpretation.

Single definition of "fair value". Under U.S. GAAP, effective for its 2008 fiscal year, the Company is expected to be required to comply with a unified approach to fair value measurement of assets and liabilities, as prescribed by Financial Accounting Standards Board Statement of Financial Accounting Standards No. 157, "Fair Value Measurements". The Company is assessing the provisions of this statement.

Other: As would affect the Company, there are no other U.S. accounting standards currently issued and not yet implemented that would differ from Canadian accounting standards currently issued and not yet implemented.