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TELUS CORP  
Form 6-K  
August 03, 2007  
Form 6-K

SECURITIES AND EXCHANGE COMMISSION  
Washington, D.C. 20549

Report of Foreign Issuer

Pursuant to Rule 13a - 16 or 15d - 16 of  
the Securities Exchange Act of 1934

For the month of August 2007  
(Commission File No. 000-24876)

TELUS Corporation

(Translation of registrant's name into English)

21st Floor, 3777 Kingsway  
Burnaby, British Columbia V5H 3Z7  
Canada

(Address of principal registered offices)

Indicate by check mark whether the registrant files or will file annual reports  
under cover of Form 20-F or Form 40-F:

Form 20-F  Form 40-F

Indicate by check mark whether the registrant by furnishing the information  
contained in this Form is also thereby furnishing the information to the  
Commission pursuant to Rule 12g3-2(b) under the Securities Exchange Act of  
1934.

Yes  No

This Form 6-K consists of the following:

Second Quarter Results  
dated August 3, 2007

CONSOLIDATED FINANCIAL STATEMENTS  
and  
MANAGEMENT'S DISCUSSION AND ANALYSIS

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TELUS CORPORATION

INTERIM CONSOLIDATED FINANCIAL STATEMENTS

(UNAUDITED)

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JUNE 30, 2007

interim consolidated statements of income

Periods ended June 30 (millions except per share amounts)	Three months		2006
	2007	(restated - Note 2(b))	
OPERATING REVENUES	\$ 2,228.1	\$ 2,135.2	\$ 4,4
OPERATING EXPENSES			
Operations	1,340.3	1,207.4	2,7
Restructuring costs (Note 6)	3.2	30.7	
Depreciation	318.3	335.2	6
Amortization of intangible assets	72.5	46.9	1
	1,734.3	1,620.2	3,5
OPERATING INCOME	493.8	515.0	8
Other expense, net	18.5	9.6	
Financing costs (Note 7)	127.2	127.5	2
INCOME BEFORE INCOME TAXES AND NON-CONTROLLING INTEREST	348.1	377.9	6
Income taxes (Note 8)	93.7	18.7	1
Non-controlling interests	1.3	2.6	
NET INCOME AND COMMON SHARE AND NON-VOTING SHARE INCOME	253.1	356.6	4
OTHER COMPREHENSIVE INCOME (Note 16(d))			
Change in unrealized fair value of derivatives designated as cash flow hedges	27.9	--	
Foreign currency translation adjustment arising from translating financial statements of self-sustaining foreign operations	(6.2)	0.1	
Change in unrealized fair value of available-for-sale financial assets	(0.1)	--	
	21.6	0.1	
COMPREHENSIVE INCOME	\$ 274.7	\$ 356.7	\$ 4
NET INCOME PER COMMON SHARE AND NON-VOTING SHARE (Note 9)			
- Basic	\$ 0.76	\$ 1.03	\$
- Diluted	\$ 0.75	\$ 1.02	\$
DIVIDENDS DECLARED PER COMMON SHARE AND NON-VOTING SHARE	\$ 0.375	\$ 0.275	\$
TOTAL WEIGHTED AVERAGE COMMON SHARES AND NON-VOTING SHARES OUTSTANDING			

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- Basic	333.5	344.9	3
- Diluted	336.9	348.5	3

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

TELUS (R)

interim consolidated statements of retained earnings and  
accumulated other comprehensive income (loss)

Six-month periods ended June 30

2007

(millions)

	Retained earnings	Accumulated other comprehensive income (loss)	Total	Retained earnings
		(Note 2 (b))		
BALANCE AT BEGINNING OF PERIOD	\$ 1,080.1	\$ (1.5)	\$ 1,078.6	\$ 849.7
Accumulated other comprehensive income transitional amounts (Notes 2 (b), 16 (d))	--	(176.2)	(176.2)	--
Income	1,080.1 447.9	(177.7) 51.9	902.4 499.8	849.7 566.7
Common Share and Non-Voting Share dividends paid, or payable, in cash	1,528.0 (250.9)	(125.8) --	1,402.2 (250.9)	1,416.4 (190.7)
Purchase of Common Shares and Non-Voting Shares in excess of stated capital (Note 16 (g))	(257.4)	--	(257.4)	(294.7)
Adjustment of tax treatment of items charged directly to retained earnings	--	--	--	16.1
Other	3.7	--	3.7	2.1
BALANCE AT END OF PERIOD (Note 16)	\$ 1,023.4	\$ (125.8)	\$ 897.6	\$ 949.2

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

TELUS (R)

interim consolidated balance sheets

As at (millions)

June 30, 2007

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ASSETS

Current Assets

Cash and temporary investments, net	\$ 2.2
Short-term investments	54.8
Accounts receivable (Notes 12,18(b))	571.8
Income and other taxes receivable	99.2
Inventories	158.8
Prepaid expenses and other (Note 18(b))	291.7
Current portion of derivative assets	48.7

-----  
1,227.2

Capital Assets, Net (Note 13)

Property, plant, equipment and other	7,296.7
Intangible assets subject to amortization	813.4
Intangible assets with indefinite lives	2,966.5

-----  
11,076.6

Other Assets

Deferred charges (Note 18(b))	1,064.6
Investments	30.6
Goodwill (Note 14)	3,168.8

-----  
4,264.0

-----  
\$ 16,567.8  
=====

LIABILITIES AND SHAREHOLDERS' EQUITY

Current Liabilities

Cash and temporary investments, net	\$ --
Accounts payable and accrued liabilities (Note 18(b))	1,547.9
Income and other taxes payable	6.7
Restructuring accounts payable and accrued liabilities (Note 6)	28.8
Advance billings and customer deposits (Note 18(b))	609.4
Current maturities of long-term debt (Note 15)	6.4
Current portion of derivative liabilities	10.1
Current portion of future income taxes	258.1

-----  
2,467.4

Long-Term Debt (Note 15)

-----  
4,800.5

Other Long-Term Liabilities (Note 18(b))

-----  
1,644.4

Future Income Taxes

-----  
1,018.6

Non-Controlling Interests

-----  
22.1

Shareholders' Equity (Note 16)

-----  
6,614.8

-----  
\$ 16,567.8  
=====

Commitments and Contingent Liabilities (Note 17)

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

TELUS (R)

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interim consolidated statements of cash flows  
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Periods ended June 30 (millions)	Three months	
	2007	2006
-----		
OPERATING ACTIVITIES		
Net income	\$ 253.1	\$ 356.6
Adjustments to reconcile net income to cash provided by operating activities:		
Depreciation and amortization	390.8	382.1
Future income taxes	92.5	25.4
Share-based compensation (Note 10(a))	(8.9)	12.7
Net employee defined benefit plans expense	(21.0)	(1.3)
Employer contributions to employee defined benefit plans	(14.7)	(45.0)
Restructuring costs, net of cash payments (Note 6)	(7.3)	19.0
Amortization of deferred gains on sale-leaseback of buildings, amortization of deferred charges and other, net	4.3	(7.3)
Net change in non-cash working capital (Note 18(c))	373.1	70.8
-----		
Cash provided by operating activities	1,061.9	813.0
-----		
INVESTING ACTIVITIES		
Capital expenditures (Notes 5, 13)	(481.8)	(458.8)
Acquisitions	--	(19.5)
Proceeds from the sale of property and other assets	1.3	0.6
Change in non-current materials and supplies, purchase of investments and other	2.7	(8.4)
-----		
Cash used by investing activities	(477.8)	(486.1)
-----		
FINANCING ACTIVITIES		
Common Shares and Non-Voting Shares issued	0.2	12.5
Dividends to shareholders	(125.0)	(94.8)
Purchase of Common Shares and Non-Voting Shares for cancellation (Note 16(g))	(169.5)	(249.4)
Long-term debt issued (Note 15)	993.8	662.2
Redemptions and repayment of long-term debt (Note 15)	(1,811.1)	(362.5)
Partial repayment of deferred hedging liability	--	(309.4)
Dividends paid by a subsidiary to non-controlling interests	(4.3)	(3.0)
Other	--	--
-----		
Cash used by financing activities	(1,115.9)	(344.4)
-----		
CASH POSITION		
Increase (decrease) in cash and temporary investments, net	(531.8)	(17.5)
Cash and temporary investments, net, beginning of period	534.0	(1.1)
-----		
Cash and temporary investments, net, end of period	\$ 2.2	\$ (18.6)
=====		
SUPPLEMENTAL DISCLOSURE OF CASH FLOWS		
Interest (paid) (Note 18(c))	\$ (218.5)	\$ (271.5)
=====		
Interest received	\$ 5.6	\$ 0.8
=====		

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Income taxes (inclusive of Investment Tax Credits (Note 8))	\$	(3.6)	\$	(0.7)	\$
(paid) received, net					
=====					

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

TELUS (R)

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notes to interim consolidated financial statements (unaudited)  
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JUNE 30, 2007

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.

Notes to interim consolidated financial statements	Page	Description
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General application		
-----		
1. Interim financial statements	7	Summary explanation of basis of preparation of interim consolidated financial statements
-----		
2. Accounting policy developments	7	Summary review of generally accepted accounting principles and developments that do, will, or may affect the Company's financial statements
-----		
3. Capital structure financial policies	11	Summary review of the Company's objectives and processes for managing its capital structure
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4. Financial instruments	13	Summary schedule and review of financial instruments, including fair values thereof
-----		
Consolidated statements of income focused		
-----		
5. Segmented information	15	Summary disclosure of segmented information provided to the Company's chief operating decision maker
-----		
6. Restructuring costs	17	Summary continuity schedule and restructuring costs
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7. Financing costs	17	Summary schedule of items comprising financing costs
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8. Income taxes	17	Summary reconciliations of statutory income tax expense to provision for income taxes
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9. Per share amounts	18	Summary schedule and review of numbers used in calculating per share amounts
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10. Share-based compensation	19	Summary schedules and review of compensation, including share option awards, restricted stock, and purchase plan
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11. Employee future benefits	21	Summary and review of employee future benefits disclosures

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Consolidated balance sheets focused		
-----		
12. Accounts receivable	23	Summary schedule and review of arm trust transactions and related dis
-----		
13. Capital assets	24	Summary schedule of items comprisi
-----		
14. Goodwill	25	Summary schedule of goodwill
-----		
15. Long-term debt	25	Summary schedule of long-term debt
-----		
16. Shareholders' equity	28	Summary schedules and review of sh changes therein including details income, accumulated other comprehe price stratification and normal co
-----		
17. Commitments and contingent liabilities	33	Summary review of contingent liabi and lawsuits
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Other		
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18. Additional financial information	35	Summary schedules of items compris statement line items
-----		
19. Differences between Canadian and United States generally accepted accounting principles	37	Summary schedules and review of di and United States generally accept they apply to the Company
-----		

TELUS (R)

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notes to interim consolidated financial statements (unaudited)  
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1 interim financial statements

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, 2006. 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, 2006, other than as set out in Note 2, 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 terms "TELUS" or "Company" are used to mean TELUS Corporation and, where the context of the narrative permits, or requires, its subsidiaries.

2 accounting policy developments

- (a) Convergence with International Financial Reporting Standards

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In 2006, Canada's Accounting Standards Board ratified a strategic plan that will result in Canadian generally accepted accounting principles (Canadian "GAAP"), as used by public companies, being converged with International Financial Reporting Standards over a transitional period currently expected to be complete by 2011. The precise timing of convergence will depend on an Accounting Standards Board "progress review" to be undertaken and released by March 31, 2008.

Canadian GAAP will be converged with International Financial Reporting Standards through a combination of two methods: as current joint-convergence projects of the United States' Financial Accounting Standards Board and the International Accounting Standards Board are agreed upon, they will be adopted by Canada's Accounting Standards Board and may be introduced in Canada before the complete changeover to International Financial Reporting Standards; and standards not subject to a joint-convergence project will be exposed in an omnibus manner.

As this convergence initiative is very much in its infancy as of the date of these consolidated financial statements, it is premature to currently assess the impact of the initiative, if any, on the Company.

(b) Comprehensive income; recognition and measurement of financial instruments

Overview: Commencing with the Company's 2007 fiscal year, the recommendations of the Canadian Institute of Chartered Accountants ("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) apply to the Company. Currently, the concept of comprehensive income for purposes of Canadian GAAP, in the Company's specific instance, is primarily to include changes in shareholders' equity arising from unrealized changes in the fair values of certain financial instruments.

The majority of the impact on the Company of adopting the other comprehensive income and related standards currently arises from the Company's cross currency interest rate swap agreements, as discussed further in Note 15(b) and, to a lesser extent, the cash-settled equity forward agreements that the Company entered into in respect of share-based compensation, as discussed further in Note 10(c).

In the application of hedge accounting to U.S. Dollar denominated long-term debt future cash outflows, an amount (the "hedge value") is recorded in the Consolidated Balance Sheets in respect of the value of the hedging items. The difference between the hedge value that would be recorded on the consolidated balance sheet subsequent to, and prior to, the adoption of the newly applied CICA recommendations, in respect of the U.S. Dollar denominated long-term debt future cash flows, is the difference between the fair value of the hedging items and the hedging asset or liability necessary to recognize the Canadian dollar equivalent of the value of the hedged items at the rate of exchange in the hedging items. This is illustrated in the following table:

TELUS (R)

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notes to interim consolidated financial statements  
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As at (millions)

June 30, 2007

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2011 Notes

2007 Notes

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Canadian dollar equivalent of principal at rates of exchange in hedging items	\$ 2,950.5	\$ 1,483.3	\$
Canadian dollar equivalent of principal at balance sheet date rate of exchange	2,047.0	1,357.9	
Hedge value necessary to reflect rates of exchange in hedging items	903.5	125.4	
Difference arising from newly applied CICA recommendations(1)	178.3	14.2	
Fair value of hedging items	\$ 1,081.8	\$ 139.6	\$

(1) The amounts as at December 31, 2006, are included in the transitional adjustments set out in

Comprehensive income as prescribed by U.S. GAAP, and which is disclosed in Note 19(g), is largely aligned with comprehensive income as prescribed by Canadian GAAP, other than for pension accounting impacts. In the Company's specific instance, U.S. GAAP includes, in respect of pension and other defined benefit plans, the difference between the net funded states of the plans and the net accrued benefit asset or liability.

Implementation and application: In the Company's specific instance, the transitional rules for these sections generally require prospective implementation at the beginning of a fiscal year (the exception being in respect of the cumulative foreign currency translation adjustment, which is retrospectively adjusted for at the beginning of the fiscal year of adoption).

Costs of issuing debt securities, less amortization, are now netted against the debt security from which they arose. This resulted in a consolidated balance sheet reclassification from deferred charges to long-term debt of \$19.9 million as at December 31, 2006. Prior to 2007, costs of issuing debt securities were amortized on a straight-line basis, such costs are now required to be amortized using the effective interest method; the Company was not materially affected by the change in amortization method, which was prospectively applied.

In the further implementation of these recommendations, the Company has chosen to recognize as an asset or liability all embedded derivative instruments that exist as at January 1, 2007, and that are required to be separated from their host contract. The Company has selected this method so that there is no unnecessary difference from the application of U.S. GAAP.

In the ongoing application of these recommendations, the Company was required to select from a number of pertinent alternative acceptable accounting principles and methods and the Company has made the following selections:

Financial instrument	Classified as available-for-sale or held as part of a hedging relationship(1)	Classified as held for trading (1) (2)	Company's rea
o Short-term marketable security investments(3) held as at January 1, 2007		X	o The Compan better ref intentions

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- |  |   |  |
|--|---|--|
| o Long-term investments(3) held as at January 1, 2007  | X | o The Company available-management               |
| <hr/>  |   |  |
| o Stand-alone derivatives which are a part of an established and documented hedging relationship | X | o The Company as held for matching of with the r |
| <hr/>  |   |  |

- (1) The distinction between classification as available-for-sale (or held as part of a hedging relationship) or held for trading is that unrealized changes in the fair values of financial instruments classified as available-for-sale, or held for hedging, are included in other comprehensive income and unrealized changes in the fair values of financial instruments classified as held for trading are included in net income.
- (2) Certain financial instruments that are not required to be classified as held for trading, may be classified as held for trading if the Company so chooses.
- (3) In respect of investments in securities for which the fair values can be reliably measured, Company determines the classification on an instrument-by-instrument basis at time of initial recognition.

- o Accounts receivable available-for-sale to an arm's-length securitization trust are accounted for as loans and receivables. The Company has selected this method for accounting efficiency.
- o Regular-way purchases or sales, which are those that are not net-settled, of financial assets or financial liabilities are recognized on the trade date. The Company has selected this method as it is consistent with the mandatory trade-date accounting required for derivative instruments.

TELUS (R)

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notes to interim consolidated financial statements (unaudited)  
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- o Transaction costs, other than in respect of held for trading items, are added to the initial fair value of the acquired financial asset or financial liability. The Company has selected this method as it believes that this results in a better matching of the transaction costs with the periods benefiting from the transaction costs.
- o In respect of hedges of anticipated transactions, which in the Company's specific instance currently relates to inventory purchase commitments, hedge gains/losses which will be included in the cost of the inventory and will be expensed when the inventory is sold. The Company has selected this method as it believes that a better matching with the risk exposure being hedged is achieved.

Effects disclosure: The effects of the application of HB 1530, HB 3855 and HB 3865, on the Company's results of operations for the three-month and six-month periods ended June 30, 2007, are as set out in the following table:

Periods ended June 30, 2007 (millions except per share amounts)	Three months
--	--------------

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	Excluding effect of application of HB 1530, HB 3855 and HB 3865	Incremental effect of application of HB 1530, HB 3855 and HB 3865	As currently reported	Excluding effect of application of HB 1530, HB 3855 and HB 3865
Operating revenues	\$ 2,228.1	\$ --	\$ 2,228.1	\$ 4,433.7
Operating expenses	1,734.3	--	1,734.3	3,542.9
Operating income	493.8	--	493.8	890.8
Other expenses, net	17.9	0.6	18.5	22.2
Financing costs	127.7	(0.5)	127.2	249.8
Income before income taxes and non-controlling interest	348.2	(0.1)	348.1	618.8
Income taxes	93.7	--	93.7	171.3
Non-controlling interests	1.3	--	1.3	2.8
Net income and Common Share and Non-Voting Share income	253.2	(0.1)	253.1	444.7
Other comprehensive income				
Change in unrealized fair value of derivatives designated as cash flow hedges	--	27.9	27.9	--
Foreign currency translation adjustment arising from translating financial statements of self-sustaining foreign operations	--	(6.2)	(6.2)	--
Change in unrealized fair value of available-for-sale financial assets	--	(0.1)	(0.1)	--
	--	21.6	21.6	--
Comprehensive income	\$ 253.2	\$ 21.5	\$ 274.7	\$ 444.7
Net income per Common Share and Non-Voting Share				
- Basic	\$ 0.76	\$ --	\$ 0.76	\$ 1.33
- Diluted	\$ 0.75	\$ --	\$ 0.75	\$ 1.31

The effects of the application of HB 1530, HB 3855 and HB 3865, on the Company's retained earnings for the six-month period ended June 30, 2007, are as set out in the following table:

Six-month period ended June 30, 2007 (millions)	Excluding effect of application of HB 1530, HB 3855 and HB 3865	Incremental effect of application of HB 1530, HB 3855 and HB 3865
Balance at beginning of period	\$ 1,080.1	\$ --
Income	444.7	3.2
	1,524.8	3.2

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Common Share and Non-Voting Share dividends paid, or payable, in cash	(250.9)	--
Purchase of Common Shares and Non-Voting Shares in excess of stated capital	(257.4)	--
Other	3.7	--
-----	-----	-----
Balance at end of period	\$ 1,020.2	\$ 3.2
=====	=====	=====

TELUS (R)

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notes to interim consolidated financial statements (unaudited)  
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The effects of the application of HB 1530, HB 3855 and HB 3865, on the Company's financial position as at June 30, 2007, are as set out in the following table:

As at June 30, 2007 (millions)	Excluding effect of application of HB 1530, HB 3855 and HB 3865	Increase of appl HB 153 and
-----	-----	-----
Assets		
Current assets		
Cash and temporary investments, net	\$ 2.2	\$
Short-term investments	54.9	(
Accounts receivable	571.8	
Income and other taxes receivable	99.2	
Inventories	158.8	
Prepaid expenses and other	291.7	
Derivative assets	48.0	
-----	-----	-----
	1,226.6	
-----	-----	-----
Capital assets, net	11,076.6	
-----	-----	-----
Other assets		
Deferred charges	1,086.3	(2
Investments	29.0	
Goodwill	3,168.8	
-----	-----	-----
	4,284.1	(2
-----	-----	-----
	\$ 16,587.3	\$ (1
=====	=====	=====
Liabilities and Shareholders' Equity		
Current liabilities		
Accounts payable and accrued liabilities	\$ 1,547.9	\$
Income and other taxes payable	6.7	
Restructuring accounts payable and accrued liabilities	28.8	
Advance billings and customer deposits	609.4	
Current maturities of long-term debt	6.4	
Current portion of derivative liabilities	4.8	
Current portion of future income taxes	258.1	

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	2,462.1	
Long-term debt	4,833.0	(3)
Other long-term liabilities	1,465.2	17
Future income taxes	1,072.8	(5)
Non-controlling interests	22.1	
Shareholders' equity		
Common Shares	2,235.3	
Non-Voting Shares	3,337.9	
	5,573.2	
Cumulative foreign currency translation adjustment	(5.3)	
Retained earnings and accumulated other comprehensive income		
Retained earnings	1,020.2	
Accumulated other comprehensive income (loss)	--	(12)
	1,020.2	(12)
Contributed surplus	144.0	
	6,732.1	(11)
	\$ 16,587.3	\$ (1)

(c) Income taxes arising from partnership income

In mid-2006, Canada's Accounting Standards Board's Emerging Issues Committee issued a Draft Abstract ("D59") regarding the accounting for income taxes related to entities that consolidate partnership interests that have a different year end than the consolidating entity. The Company has applied the guidance therein contained through its 2006 year end. In March 2007, the Emerging Issues Committee issued a revised Draft Abstract ("RD59") which changed the

TELUS (R)

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notes to interim consolidated financial statements (unaudited)

approach to determination of the classification of future income taxes between "current" and "non-current". In May 2007, the Emerging Issues Committee removed this issue from its agenda.

Given the absence of specific guidance on the issue, the Company has adopted the policy of accounting for the current portion of the future income tax liability for partnerships to include the tax effect of differences between the accounting and tax bases of current assets and current liabilities and the tax on partnership income to be allocated during the next twelve months. The Company has retrospectively applied this policy, which has, in the Company's specific current instance, the net effect of increasing the current portion of future income tax liabilities. The consolidated balance sheet reclassification

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is as set out in the following table:

As at (millions)	June 30, 2007			
	Pro forma, reflecting D59 application	Incremental effect of application of policy	As currently reported	As previous reported reflecting applicati
Current liabilities				
Current portion of future income taxes	\$ 223.1	\$ 35.0	\$ 258.1	\$ 93.2
Future Income Taxes	\$ 1,053.6	\$ (35.0)	\$ 1,018.6	\$ 1,067.3

### (d) Financial instruments - disclosure

Commencing with the Company's 2008 fiscal year, the new recommendations of the CICA for financial instrument disclosures (CICA Handbook Section 3862) will apply to the Company. The new recommendations will result in incremental disclosures, relative to those currently, with an emphasis on risks associated with both recognized and unrecognized financial instruments to which an entity is exposed during the period and at the balance sheet date, and how an entity manages those risks. The Company is assessing how it will be affected by these new recommendations.

### 3 capital structure financial policies

The Company's objectives when managing capital are: (i) to maintain a flexible capital structure which optimizes the cost of capital at acceptable risk; and (ii) to manage capital in a manner which balances the interests of equity and debt holders.

In the management of capital, the Company includes shareholders' equity (excluding accumulated other comprehensive income), long-term debt (including any associated hedging assets or liabilities, net of amounts recognized in accumulated other comprehensive income), cash and temporary investments and securitized accounts receivable in the definition of capital.

The Company manages the capital structure and makes adjustments to it in the light of changes in economic conditions and the risk characteristics of the underlying assets. In order to maintain or adjust the capital structure, the Company may adjust the amount of dividends paid to shareholders, purchase shares for cancellation pursuant to normal course issuer bids, issue new shares, issue new debt, issue new debt to replace existing debt with different characteristics and/or increase or decrease the amount of sales of trade receivables to an arm's-length securitization trust.

The Company monitors capital using a number of metrics, including: net debt to total capitalization; net debt to Earnings Before Interest, Taxes, Depreciation and Amortization - excluding restructuring costs ("EBITDA - excluding restructuring costs"); and dividend payout ratio of sustainable net earnings.

Net debt to total capitalization is calculated as net debt divided by total capitalization. Net debt is a non-GAAP measure, whose nearest GAAP measure is long-term debt; the calculation of net debt is as set out in the following schedule. Net debt is one component of a ratio used to determine compliance with debt covenants. Total capitalization is defined as the sum of net debt,

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non-controlling interest and shareholders' equity (excluding accumulated other comprehensive income).

Net debt to EBITDA - excluding restructuring costs is calculated as net debt at the end of the period divided by twelve-month trailing EBITDA - excluding restructuring costs. The calculation of EBITDA - excluding restructuring costs is a non-GAAP measure whose nearest GAAP measure is net income; the calculation of EBITDA - excluding restructuring costs is as set out in the following schedule. This measure, historically, is substantially the same as the leverage ratio covenant in the Company's credit facilities.

Dividend payout ratio of sustainable net earnings is calculated as the most recent quarterly dividend declared per share multiplied by four and divided by basic earnings per share for the twelve-month trailing period.

During 2007, the Company's strategy, which was unchanged from 2006, was to maintain the financial policies and guidelines set out in the following schedule. The Company believes that these financial policies and guidelines, which are

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notes to interim consolidated financial statements (unaudited)  
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reviewed annually, are currently at the optimal level and provide access to capital at a reasonable cost by maintaining credit ratings in the range of BBB+ to A-, or the equivalent.

As at, or twelve-month periods ended, June 30 (\$ in millions)	Metrics	20
-----		
Components of debt and coverage ratios		
Net debt (including securitized accounts receivable) (1)		\$ 6,23
Total capitalization - book value		\$ 13,00
EBITDA - excluding restructuring costs (2)		\$ 3,50
Net interest cost (3)		\$ 49
Debt ratios		
Net debt to total capitalization	45 - 50%	4
Net debt to EBITDA - excluding restructuring costs	1.5:1 - 2.0:1	
Coverage ratios		
Interest coverage on long-term debt (4)		
EBITDA - excluding restructuring costs interest coverage (5)		
Other measures		
Dividend payout ratio of sustainable net earnings	45 - 55%	5
-----		

(1) Net debt is calculated as follows:

As at June 30		20
-----		
Long-term debt (Note 15)		\$ 4,80
Debt issuance costs netted against long-term debt		3
Derivative liabilities, net		1,08

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Accumulated other comprehensive income amounts arising from financial instruments used to manage interest rate and currency risks associated with U.S. Dollar denominated debt	(17)
Cash and temporary investments, net	(
Securitized accounts receivable (Note 12)	50
-----	
Net debt	\$ 6,23
=====	

(2) EBITDA - excluding restructuring costs is calculated as follows:

Twelve-month periods ended June 30	2007					
	Period-to-date: add (deduct)				Period-to-d	
	Comparative quarter	Prior fiscal year	Current quarter	Total	Comparative quarter	fi
-----						
EBITDA (Note 5)	\$(1,759.8)	\$3,590.3	\$1,648.9	\$3,479.4	\$(1,721.2)	\$3
Restructuring costs (Note 6)	(47.4)	67.8	7.9	28.3	(16.8)	
-----						
EBITDA - excluding restructuring costs	\$(1,807.2)	\$3,658.1	\$1,656.8	\$3,507.7	\$(1,738.0)	\$3
=====						

- (3) Net interest cost is defined as financing costs before gains on redemption and repayment of debt, calculated on a twelve-month trailing basis (losses recorded on the redemption of long-term debt are included in net interest cost).
- (4) Interest coverage on long-term debt is defined as net income before interest expense on long-term debt and income tax expense, divided by interest expense on long-term debt (including losses recorded on the redemption of long-term debt).
- (5) EBITDA - excluding restructuring costs interest coverage is defined as EBITDA - excluding restructuring costs divided by net interest cost. This measure is substantially the same as the coverage ratio covenant in the Company's credit facilities.

Total capitalization decreased because of lower net debt and share capital, partly offset by higher retained earnings.

Net debt and twelve-month trailing EBITDA - excluding restructuring costs did not have a significant impact on the net debt to EBITDA - excluding restructuring costs ratio measured at June 30, 2007, when compared to one year earlier.

Interest coverage on long-term debt improved by 0.4 because of lower interest expenses and improved by 0.5 because of increased income before taxes and interest expense. The EBITDA - excluding restructuring costs interest coverage ratio improved by 0.9 due to lower net interest cost and improved by 0.2 due to higher EBITDA - excluding restructuring costs.

The dividend payout ratio for the twelve-month period ended June 30, 2007, was at the midpoint of the target guideline (45 to 55% for sustainable net earnings). The dividend payout ratio was 48% when the impacts of tax-related adjustments and the charge for adding the net-cash settlement feature for share options granted prior to 2005 in the first quarter of 2007 are excluded from



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earnings.

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notes to interim consolidated financial statements (unaudited)  
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4 financial instruments

The Company's financial instruments consist of cash and temporary investments, accounts receivable, investments accounted for using the cost method, accounts payable, restructuring accounts payable, short-term obligations, long-term debt, interest rate swap agreements, share-based compensation cost hedges, as further discussed in Note 10(b)-(c), and foreign exchange hedges.

Fair value: The carrying value of cash and temporary investments, accounts receivable, accounts payable, restructuring accounts 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 investments accounted for using the cost method would not exceed their fair values.

The carrying value of short-term investments equals their fair value as they are classified as held for trading. The fair value is determined directly by reference to quoted market prices.

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.

The fair values of the Company's derivative financial instruments used to manage exposure to increases in compensation costs arising from certain forms of share-based compensation are estimated based upon fair value estimates of the related cash-settled equity forward agreements provided by the counterparty to the transactions.

As at (millions)

June 30, 2007

	Hedging item maximum maturity date	Notional amount	Carrying amount	Fair value	Not am
Assets					
Financial assets designated as held for trading upon initial recognition					
- Short-term investments			\$ 54.8	\$ 54.8	
- Derivatives used to manage currency risks arising from U.S. Dollar denominated revenues to which hedge accounting is not applied	2007	\$ 3.2	--	--	\$
			\$ 54.8	\$ 54.8	

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Derivatives used to manage changes in share-based compensation costs and classified as held for					
- Trading (Note 10(b))	2012	\$ 258.6	\$ 35.4		\$
- Net amounts due from counterparties			0.2		
			35.6	\$ 35.6	
- Hedging(1) (Note 10(c))	2009	\$ 71.3	25.2		\$
- Net amounts due from counterparties			0.6		
			25.8	25.8	
			\$ 61.4	\$ 61.4	
Long-term investments designated as available-for-sale upon initial recognition			\$ 30.6	\$ 30.6	
TELUS (R)					

notes to interim consolidated financial statements

As at (millions)

June 30, 2007

	Hedging item maximum maturity date	Notional amount	Carrying amount	Fair value	Not am
<b>Liabilities</b>					
<b>Long-term debt</b>					
Principal (Note 15)			\$4,806.9	\$5,154.4	
Derivatives(1) classified as held for hedging and used to manage interest rate and currency risks associated with U.S. Dollar denominated debt (Note 15(b))					
- Derivative asset	2007	\$ --	--		\$ 8
- Derivative liability - Current	2007	\$ --	--		\$ 6
- Non-current	2011	\$2,950.5	1,081.8		\$2,9
			1,081.8		
- Interest payable			7.3		
Net			1,089.1	1,089.1	
Derivatives(1) used to manage interest rate risk associated with planned refinancing of debt maturing June 1, 2007	2007	\$ --	--	--	\$ 5
			\$5,896.0	\$6,243.5	
Derivatives(1) classified as held for hedging					

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and used to manage currency risks arising from U.S. Dollar denominated purchases to which hedge accounting is applied

2007 \$ 115.9 \$ 5.3 \$ 5.3 \$

Financial liabilities designated as held for trading upon initial recognition  
 - Derivatives used to manage currency risks arising from U.S. Dollar denominated purchases to which hedge accounting is not applied

2007 \$ 105.8 \$ 4.8 \$ 4.8 \$ 1

(1) Designated as cash flow hedging items.

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5 segmented information

The Company's reportable segments are Wireline and Wireless. The Wireline segment includes voice local, voice long distance, data and other telecommunications 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 June 30 (millions)	Wireline		Wireless		Eliminations	
	2007	2006	2007	2006	2007	2006
Operating revenues						
External revenue	\$1,180.1	\$1,189.9	\$1,048.0	\$ 945.3	\$ --	\$ --
Intersegment revenue	28.7	24.8	6.7	5.2	(35.4)	(30.0)
	1,208.8	1,214.7	1,054.7	950.5	(35.4)	(30.0)
Operating expenses						
Operations expense	772.1	728.6	603.6	508.8	(35.4)	(30.0)
Restructuring costs	2.8	29.8	0.4	0.9	--	--
	774.9	758.4	604.0	509.7	(35.4)	(30.0)
EBITDA (1)	\$ 433.9	\$ 456.3	\$ 450.7	\$ 440.8	\$ --	\$ --
CAPEX (2)	\$ 308.7	\$ 311.4	\$ 173.1	\$ 147.4	\$ --	\$ --
EBITDA less CAPEX	\$ 125.2	\$ 144.9	\$ 277.6	\$ 293.4	\$ --	\$ --
Operating expenses (as adjusted) (3) Operations expense						

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(as adjusted) (3)	772.1	728.6	601.8	508.8	(35.4)	(30.0)
Restructuring costs	2.8	29.8	0.4	0.9	--	--
-----	-----	-----	-----	-----	-----	-----
	774.9	758.4	602.2	509.7	(35.4)	(30.0)
-----	-----	-----	-----	-----	-----	-----
EBITDA						
(as adjusted) (3)	\$ 433.9	\$ 456.3	\$ 452.5	\$ 440.8	\$ --	\$ --
=====	=====	=====	=====	=====	=====	=====
CAPEX (2)	\$ 308.7	\$ 311.4	\$ 173.1	\$ 147.4	\$ --	\$ --
=====	=====	=====	=====	=====	=====	=====
EBITDA (as adjusted)						
less CAPEX	\$ 125.2	\$ 144.9	\$ 279.4	\$ 293.4	\$ --	\$ --
=====	=====	=====	=====	=====	=====	=====
					EBITDA (as adjusted)	
					(from above)	
					Incremental charge (3)	
					-----	
					EBITDA (from above)	
					Depreciation	
					Amortization	
					-----	
					Operating income	
					Other expense, net	
					Financing costs	
					-----	
					Income before income	
					taxes and non-	
					controlling interest	
					Income taxes	
					Non-controlling	
					interests	
					-----	
					Net income	
					=====	

(1) Earnings Before Interest, Taxes, Depreciation and Amortization ("EBITDA") is a measure that has no 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 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").

(3) Substantially all of the Company's share option awards that were granted prior to January 1, 2007, which were outstanding on January 1, 2007, were amended by adding a net-cash settlement feature. The amendment resulted in an incremental charge to operations of \$1.8 and did not result in an incremental cash outflow. In respect of 2007 results provided to the Company's chief operating decision maker, operations expense and EBITDA are being presented both with, and without, the impact of such amendment.

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notes to interim consolidated financial statements

Six-month periods ended

Wireline

Wireless

Eliminations

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June 30 (millions)	2007	2006	2007	2006	2007	2006
Operating revenues						
External revenue	\$2,385.7	\$2,388.5	\$2,048.0	\$1,827.2	\$ --	\$ --
Intersegment revenue	53.8	48.3	13.0	11.1	(66.8)	(59.4)
	2,439.5	2,436.8	2,061.0	1,838.3	(66.8)	(59.4)
Operating expenses						
Operations expense	1,677.5	1,469.0	1,166.2	998.9	(66.8)	(59.4)
Restructuring costs	7.2	44.7	0.7	2.7	--	--
	1,684.7	1,513.7	1,166.9	1,001.6	(66.8)	(59.4)
EBITDA(1)	\$ 754.8	\$ 923.1	\$ 894.1	\$ 836.7	\$ --	\$ --
CAPEX(2)	\$ 579.4	\$ 570.4	\$ 284.3	\$ 208.9	\$ --	\$ --
EBITDA less CAPEX	\$ 175.4	\$ 352.7	\$ 609.8	\$ 627.8	\$ --	\$ --
Operating expenses (as adjusted) (3)						
Operations expense (as adjusted) (3)	1,524.4	1,469.0	1,144.0	998.9	(66.8)	(59.4)
Restructuring costs	7.2	44.7	0.7	2.7	--	--
	1,531.6	1,513.7	1,144.7	1,001.6	(66.8)	(59.4)
EBITDA (as adjusted) (3)	\$ 907.9	\$ 923.1	\$ 916.3	\$ 836.7	\$ --	\$ --
CAPEX(2)	\$ 579.4	\$ 570.4	\$ 284.3	\$ 208.9	\$ --	\$ --
EBITDA (as adjusted) less CAPEX	\$ 328.5	\$ 352.7	\$ 632.0	\$ 627.8	\$ --	\$ --
					EBITDA (as adjusted) (from above)	
					Incremental charge(3)	
					EBITDA (from above)	
					Depreciation	
					Amortization	
					Operating income	
					Other expense, net	
					Financing costs	
					Income before income taxes and non- controlling interest	
					Income taxes	
					Non-controlling interests	
					Net income	

(1) Earnings Before Interest, Taxes, Depreciation and Amortization ("EBITDA") is a measure that 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

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operations expense and restructuring costs. The Company has issued guidance on, and reports, because it is a key measure used by management to evaluate performance of its business segments utilized in measuring compliance with certain debt covenants.

- (2) Total capital expenditures ("CAPEX").
- (3) Substantially all of the Company's share option awards that were granted prior to January 1, which were outstanding on January 1, 2007, were amended by adding a net-cash settlement feature. The amendment resulted in an incremental charge to operations of \$175.3 and did not result in a net cash outflow. In respect of 2007 results provided to the Company's chief operating decision maker, operations expense and EBITDA are being presented both with, and without, the impact of such

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notes to interim consolidated financial statements  
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### 6 restructuring costs

Periods ended June 30 (millions)	Three months		2007	2006	2005
Restructuring costs					
Workforce					
Voluntary	\$	0.6	\$	21.5	\$
Involuntary		1.7		8.1	
Other		0.9		1.1	
		3.2		30.7	
Disbursements					
Workforce					
Voluntary		4.9		0.3	
Involuntary and other		4.7		10.2	
Other		0.9		1.2	
		10.5		11.7	
Expenses greater than (less than) disbursements		(7.3)		19.0	
Restructuring accounts payable and accrued liabilities					
Balance, beginning of period		36.1		41.5	
		\$ 28.8		\$ 60.5	\$

In the first half of 2007, 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. The Company's estimate of restructuring costs in 2007 is not currently expected to exceed \$35 million.

### 7 financing costs

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Periods ended June 30 (millions)	Three months		
	2007	2006	
Interest on long-term debt	\$ 126.5	\$ 124.5	\$
Interest on short-term obligations and other	0.3	1.0	
Foreign exchange(1)	5.7	3.7	
	132.5	129.2	
Interest income			
Interest on tax refunds	--	(1.3)	
Other interest income	(5.3)	(0.4)	
	(5.3)	(1.7)	
	\$ 127.2	\$ 127.5	\$

(1) For the three-month and six-month periods ended June 30, 2007, these amounts include gains of \$0.1 and \$0.3 (2006 - \$0.1), respectively, in respect of cash flow hedge ineffectiveness.

8 income taxes

Periods ended June 30 (millions)	Three months		
	2007	2006	
Current	\$ 1.2	\$ (6.7)	\$
Future	92.5	25.4	
	\$ 93.7	\$ 18.7	\$

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notes to interim consolidated financial statements

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

Three-month periods ended June 30 (\$ in millions)	2007	
Basic blended federal and provincial tax at statutory income tax rates	\$ 116.9	33.6
Revaluation of future income tax liability to reflect future statutory income tax rates	(24.2)	
Share option award compensation	1.2	
Tax rate differential on, and consequential adjustments from, reassessment of prior year tax issues	--	
Other	(0.2)	

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Large corporations tax	93.7	26.9
	--	
Income tax expense per Consolidated Statements of Income	\$ 93.7	26.9

Six-month periods ended June 30 (\$ in millions)		2007
Basic blended federal and provincial tax at statutory income tax rates	\$ 209.2	33.5
Revaluation of future income tax liability to reflect future statutory income tax rates	(27.9)	
Share option award compensation	(6.5)	
Tax rate differential on, and consequential adjustments from, reassessment of prior year tax issues	--	
Other	(1.8)	
Income tax expense per Consolidated Statements of Income	\$ 173.0	27.7

The Company conducts research and development activities, which are eligible to earn Investment Tax Credits. During the three-month and six-month periods ended June 30, 2007, the Company recorded Investment Tax Credits of \$1.1 million (2006 - \$12.6 million) and \$10.6 million (2006 - \$12.6 million), respectively, \$1.1 million (2006 - \$12.6 million) and \$9.2 million (2006 - \$12.6 million) of which was recorded as a reduction of capital and the balance of which was recorded as a reduction of Operations expense.

9 per share amounts

Basic net 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.

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.

Periods ended June 30 (millions)	Three months	
	2007	2006
Basic total weighted average Common Shares and Non-Voting Shares outstanding	333.5	344
Effect of dilutive securities		
Exercise of share option awards	3.4	3
Diluted total weighted average Common Shares and Non-Voting Shares outstanding	336.9	348

For the three-month and six-month periods ended June 30, 2007, certain outstanding share option awards, in the amount of 0.1 million (2006 - 0.3 million) and 0.4 million (2006 - 0.7 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.

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10 share-based compensation

(a) Details of share-based compensation expense

Reflected in the Consolidated Statements of Income as "Operations expense" and the Consolidated Statements of Cash Flows are the following share-based compensation amounts:

Three-month periods ended June 30	2007			
(millions)	Operations expense	Associated operating cash outflows	Statement of cash flows adjustment	Operations expense
Share option awards(1)	\$ 5.9	\$ (24.3)	\$ (18.4)	\$ 4.8
Restricted stock units	9.6	(0.1)	9.5	8.1
Employee share purchase plan	7.1	(7.1)	--	6.7
	\$ 22.6	\$ (31.5)	\$ (8.9)	\$ 19.6

(1) For the three-month period ended June 30, 2007, the expense arising from share options with settlement feature, net of hedging effects, was \$1.9 (2006 - NIL).

Six-month periods ended June 30	2007			
(millions)	Operations expense	Associated operating cash outflows	Statement of cash flows adjustment	Operations expense
Share option awards(1)	\$ 183.2	\$ (67.3)	\$ 115.9	\$ 9.3
Restricted stock units	15.9	(2.1)	13.8	14.3
Employee share purchase plan	17.7	(17.7)	--	16.4
	\$ 216.8	\$ (87.1)	\$ 129.7	\$ 40.0

(1) For the six-month period ended June 30, 2007, the expense arising from share options with the settlement feature, net of hedging effects, was \$175.6 (2006 - NIL).

For the three-month and six-month periods ended June 30, 2007, the associated operating cash outflows in respect of share option awards are net of cash inflows from the cash-settled equity swap agreements of \$8.3 million (2006

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- NIL) and \$8.9 million (2006 - NIL), respectively. For the three-month and six-month periods ended June 30, 2007, the income tax benefit arising from share-based compensation was \$6.2 million (2006 - \$5.0 million) and \$77.7 million (2006 - \$10.4 million), respectively; as disclosed in Note 8, not all share-based compensation amounts are deductible for income tax purposes.

### (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 on or before the date of grant, may be either cliff or graded; all share option awards granted subsequent to 2004 have been cliff-vesting awards.

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:

Periods ended June 30	Three months		Six months	
	2007	2006	2007	2006
Share option award				
fair value (per share option)	\$ 15.06	\$ 12.41	\$ 12.50	\$ 12.36
Risk free interest rate	4.5%	4.3%	4.1%	4.0%
Expected lives(1) (years)	4.7	4.5	4.5	4.6
Expected volatility	26.1%	32.0%	26.5%	36.0%
Dividend yield	2.3%	2.4%	2.6%	2.6%

(1) The maximum contractual term of the share option awards granted in 2007 and 2006 was seven years.

### Other

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

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divided by the share option award exercise price. Dividends are not paid on unexercised share option awards and are not subject to vesting.

Some share option awards have a net-equity settlement feature. As discussed further in Note 16(f), 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.

In 2007, the Company amended substantially all of its share option awards that were granted prior to January 1, 2005, and which were outstanding on

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January 1, 2007, by adding a net-cash settlement feature; the optionee has the choice of exercising the net-cash settlement feature. The result of such amendment is that the affected outstanding share option awards largely take on the characteristics of liability instruments rather than equity instruments. For the outstanding share option awards that were amended and which were granted subsequent to 2001, the minimum expense recognized for them will be their grant-date fair values.

In conjunction with the amendment, the Company entered into a cash-settled equity swap agreement that establishes a cap on the Company's cost associated with the affected outstanding share option awards.

As at June 30, 2007 (\$ per affected outstanding share option award)

	Affected share option awards granted for			
	Common Shares		Non-Voting Shares	
	prior to 2002		after 2001	
Weighted average exercise price	\$ 36.10	\$ 30.39	\$ 21.94	\$
Weighted average grant date fair value	--	--	6.74	
	36.10	30.39	28.68	
Weighted average incremental share-based compensation award expense arising from net-cash settlement feature	18.16	24.76	26.47	
Exercise date fair value capped by cash-settled equity swap agreement	\$ 54.26	\$ 55.15	\$ 55.15	\$
Affected share option awards outstanding	539,155	1,805,769	2,353,520	

### (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 on or before 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 June 30, 2007	Three months		
	Number of restricted stock units		Weighted average grant date fair value
	Non-vested	Vested	

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Outstanding, beginning of period				
Non-vested	2,010,875	--	\$ 44.85	1,518,613
Vested	--	3,389	39.48	--
Issued				
Initial allocation	19,204	--	63.11	520,561
In lieu of dividends	12,185	--	62.31	25,201
Vested	(2,995)	2,995	40.73	(4,829)
Settled in cash	--	(2,995)	40.73	--
Forfeited and cancelled	(5,622)	--	43.18	(25,899)
-----	-----	-----	-----	-----
Outstanding, end of period				
Non-vested	2,033,647	--	44.99	2,033,647
Vested	--	3,389	\$ 39.48	--
=====	=====	=====	=====	=====

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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 June 30, 2007, 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-co restricted st units
-----	-----	-----	-----
Vesting in years ending December 31:			
2007	600,000	\$ 40.91	69,725
2008	160,000	\$ 50.91	
	440,000	\$ 50.02	
	-----		
	600,000		263,675
	-----		
2009	400,000	\$ 64.26	100,247
	-----		
	1,600,000		433,647
=====	=====	=====	=====

(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.

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Periods ended June 30 (millions)	Three months		
	2007	2006	2007
Employee contributions	\$ 16.8	\$ 15.9	\$ 42.0
Company contributions	7.1	6.7	17.7
	\$ 23.9	\$ 22.6	\$ 59.7

Under this plan, the Company has the option of offering shares from Treasury or having the trustee acquire shares in the stock market. For the six-month periods ended June 30, 2007 and 2006, all Common Shares issued to employees under the plan were purchased on the market at normal trading prices.

11 employee future benefits

(a) Defined benefit plans - cost (recovery)

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

Three-month periods ended June 30 (millions)	2007			
	Incurred in period	Matching adjustments (1)	Recognized in period	Incurred in period
Pension benefit plans				
Current service cost (employer portion)	\$ 24.9	\$ --	\$ 24.9	\$ 24.3
Interest cost	81.7	--	81.7	79.0
Return on plan assets	(128.8)	6.4	(122.4)	195.0
Past service costs	--	0.2	0.2	--
Actuarial loss (gain)	2.7	--	2.7	10.5
Valuation allowance provided against accrued benefit asset	--	--	--	--
Amortization of transitional asset	--	(11.1)	(11.1)	--
	\$ (19.5)	\$ (4.5)	\$ (24.0)	\$ 308.8

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

TELUS (R)

notes to interim consolidated financial statements

Six-month periods ended June 30 (millions)	2007			
	Incurred in period	Matching adjustments (1)	Recognized in period	Incurred in period

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Pension benefit plans				
Current service cost (employer portion)	\$ 49.8	\$ --	\$ 49.8	\$ 48.6
Interest cost	163.2	--	163.2	157.9
Return on plan assets	(237.5)	(7.2)	(244.7)	(72.1)
Past service costs	--	0.4	0.4	--
Actuarial loss (gain)	5.4	--	5.4	21.0
Valuation allowance provided against accrued benefit asset	--	--	--	--
Amortization of transitional asset	--	(22.1)	(22.1)	--
	\$ (19.1)	\$ (28.9)	\$ (48.0)	\$ 155.4

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

Three-month periods ended June 30	2007			
(millions)	Incurred in period	Matching adjustments (1)	Recognized in period	Incurred in period
Other benefit plans				
Current service cost (employer portion)	\$ --	\$ --	\$ --	\$ 0.9
Interest cost	0.7	--	0.7	0.4
Return on plan assets	(0.3)	--	(0.3)	(0.6)
Actuarial loss (gain)	(0.5)	--	(0.5)	(0.4)
Amortization of transitional obligation	--	0.2	0.2	--
	\$ (0.1)	\$ 0.2	\$ 0.1	\$ 0.3

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

Six-month periods ended June 30	2007			
(millions)	Incurred in period	Matching adjustments (1)	Recognized in period	Incurred in period
Other benefit plans				
Current service cost (employer portion)	\$ --	\$ --	\$ --	\$ 1.8
Interest cost	1.3	--	1.3	0.9
Return on plan assets	(0.6)	--	(0.6)	(1.2)
Actuarial loss (gain)	(1.2)	--	(1.2)	(0.9)
Amortization of transitional obligation	--	0.4	0.4	--
	\$ (0.5)	\$ 0.4	\$ (0.1)	\$ 0.6

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

(b) Employer contributions

The best estimate of fiscal 2007 employer contributions to the Company's defined benefit pension plans has been revised to approximately \$92 million (the best estimate at December 31, 2006 was \$111 million).

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(c) Defined contribution plans

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

Periods ended June 30 (millions)	Three months	
	2007	2006
Union pension plan and public service pension plan contributions	\$ 7.2	\$ 7.4
Other defined contribution pension plans	5.5	3.8
	\$ 12.7	\$ 11.2

TELUS (R)

notes to interim consolidated financial statements (unaudited)

12 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, March 1, 2006, and November 30, 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 had an initial term ending July 18, 2007; the November 30, 2006, amendment resulted in the term being extended to July 18, 2008. 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 term; at June 30, 2007, the rating was A (low).

As at (millions)	June 30,
Total managed portfolio	\$ 1,080.
Securitized receivables	(567.)
Retained interest in receivables sold	58.
Receivables held	\$ 571.

For the three-month and six-month periods ended June 30, 2007, the Company recognized composite losses of \$4.9 million (2006 - \$5.6 million) and \$8.1 million (2006 - \$8.7 million), respectively, on the sale of receivables arising from the securitization.

Cash flows from the securitization are as follows:

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Periods ended June 30 (millions)	Three months		
	2007	2006	2005
Cumulative proceeds from securitization, beginning of period	\$ 150.0	\$ 400.0	\$ 500.0
Proceeds from new securitizations	400.0	185.0	400.0
Securitization reduction payments	(50.0)	(50.0)	(400.0)
Cumulative proceeds from securitization, end of period	\$ 500.0	\$ 535.0	\$ 500.0
Proceeds from collections reinvested in revolving-period securitizations	\$ 672.6	\$ 940.6	\$ 1,774.6
Proceeds from collections pertaining to retained interest	\$ 78.7	\$ 119.4	\$ 208.7

TELUS (R)

notes to interim consolidated financial statements (unaudited)

13 capital assets

(a) Capital assets, net

As at (millions)	June 30, 2007			
	Cost	Accumulated depreciation and amortization	Net book value	Cost
Property, plant, equipment and other				
Telecommunications assets	\$18,499.9	\$13,197.3	\$ 5,302.6	\$18,061.8
Assets leased to customers	725.6	580.9	144.7	693.3
Buildings and leasehold improvements	1,881.9	1,059.1	822.8	1,852.5
Office equipment and furniture	1,133.3	877.7	255.6	1,110.6
Assets under capital lease	18.5	11.1	7.4	18.5
Other	340.2	264.3	75.9	340.6
Land	48.8	--	48.8	48.9
Assets under construction	603.8	--	603.8	725.4
Materials and supplies	35.1	--	35.1	33.6
	23,287.1	15,990.4	7,296.7	22,885.2
Intangible assets subject to amortization				
Subscriber base	362.9	149.1	213.8	362.9
Software	1,655.4	1,127.3	528.1	1,306.0
Access to rights-of-way and other	136.8	65.3	71.5	122.3



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	2,155.1	1,341.7	813.4	1,791.2
Intangible assets with indefinite lives				
Spectrum licences(1)	3,985.0	1,018.5	2,966.5	3,984.9
	\$29,427.2	\$18,350.6	\$11,076.6	\$28,661.3

(1) Accumulated amortization of spectrum licences is amortization recorded prior to 2002.

The following table presents items included in capital expenditures. Additions of intangible assets subject to amortization include amounts reclassified from assets under construction.

Periods ended June 30 (millions)	Three months		
	2007	2006	2007
Additions of intangible assets			
- Subject to amortization	\$ 52.0	\$ 31.4	\$ 394.1
- With indefinite lives	--	0.5	0.1
	\$ 52.0	\$ 31.9	\$ 394.2

The following table presents items included in capital expenditures.

Periods ended June 30 (millions)	Three months		
	2007	2006	2007
Capitalized internal labour costs	\$ 82.3	\$ 82.7	\$ 161.8

(b) Intangible assets subject to amortization

Estimated aggregate amortization expense for intangible assets subject to amortization, calculated upon such assets held as at June 30, 2007, for each of the next five fiscal years is as follows:

Years ending December 31 (millions)	
2007 (balance of year)	\$ 132.5
2008	193.1
2009	136.6
2010	68.0
2011	49.6

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14 goodwill

Periods ended June 30, 2007 (millions)	Three months
Balance, beginning of period	\$ 3,169.6
Foreign exchange on goodwill of self-sustaining foreign operations	(0.8)
Balance, end of period	\$ 3,168.8

15 long-term debt

(a) Details of long-term debt

As at (\$ in millions) Series	Rate of interest	Maturity	June 30 2007
TELUS Corporation Notes			
U.S. (2)	7.50% (1)	June 2007	\$ --
U.S. (3)	8.00% (1)	June 2011	2,032.7
CB	5.00% (1)	June 2013	298.0
CC	4.50% (1)	March 2012	298.7
CD	4.95% (1)	March 2017	686.5
			3,315.9
-----			
TELUS Corporation Commercial Paper	4.48%	Through October 2007	660.9
-----			
TELUS Corporation Credit Facility	--%	May 2012	--
-----			
TELUS Communications Inc. Debentures			
1	12.00% (1)	May 2010	49.7
2	11.90% (1)	November 2015	124.0
3	10.65% (1)	June 2021	173.3
5	9.65% (1)	April 2022	244.5
B	8.80% (1)	September 2025	197.4
			788.9
-----			
TELUS Communications Inc. First Mortgage Bonds			
U	11.50% (1)	July 2010	29.9
-----			
TELUS Communications Inc. Medium Term Notes			
1	7.10% (1)	February 2007	--
-----			
Capital leases issued at varying rates of interest from 4.1% to 16.0% and maturing on various dates up to 2013			7.6
-----			
Other			3.7
-----			
Long-Term Debt			4,806.9

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Less: Current maturities	6.4
-----	
Long-Term Debt - non-current	\$ 4,800.5
=====	

- (1) Interest is payable semi-annually.
- (2) Principal face value of notes at December 31, 2006 - U.S.\$1,166.5 million.
- (3) Principal face value of notes is U.S.\$1,925.0 million (December 31, 2006 - 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.

TELUS (R)

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notes to interim consolidated financial statements (unaudited)  
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Series	Issued	Issue price	Principal face amount	
			Originally issued	Outstanding
7.50% (U.S. Dollar) Notes due 2007	May 2001	U.S.\$995.06	U.S.\$1.3 billion	--
8.00% (U.S. Dollar) Notes due 2011	May 2001	U.S.\$994.78	U.S.\$2.0 billion	U.S.\$1.9 billion
5.00% Notes, Series CB	May 2006	\$998.80	\$300 million	\$300 million
4.50% Notes, Series CC	March 2007	\$999.91	\$300 million	\$300 million
4.95% Notes, Series CD	March 2007	\$999.53	\$700 million	\$700 million

- (1) 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. The redemption price is the greater of (i) the present value of the notes discounted at the Adjusted Treasury Rate (in respect of U.S. Dollar denominated notes) or the Government of Canada yield (in respect of the Canadian dollar denominated notes) plus the redemption present value spread, 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 2011 (U.S. Dollar) Notes, U.S.\$1.9 billion (with respect to the 2007 and 2011 (U.S. Dollar) Notes, December 31, 2006 - 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.

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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 5.00% Notes, Series CB; 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 then-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 derivative liability, such excess being \$25.8 million and which was deferred and amortized over the remainder of the life of the 2007 (U.S. Dollar) Notes.

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	June 30, 2007		December 31, 2006	
	Effective fixed interest rate	Effective fixed exchange rate (\$: U.S.\$1.00)	Effective fixed interest rate	Effective exchange rate (\$: U.S.\$1.00)
2007 (U.S. Dollar) Notes	--	\$ --	7.046%	\$ --
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 June 30, 2007, comprised a net derivative liability of \$1,081.8 million, as set out in Note 4 (December 31, 2006 - \$835.7 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.

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 notes to interim consolidated financial statements (unaudited)  
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(c) TELUS Corporation commercial paper

On May 15, 2007, TELUS Corporation entered into an unsecured commercial paper program, which is backstopped by a portion of its credit facility, enabling it to issue commercial paper up to a maximum aggregate of \$800 million (or U.S. Dollar equivalent), to be used for general corporate purposes, including capital expenditures and investments. Commercial paper debt is due within one year but is classified as long-term debt as the amounts are fully supported, and the Company expects that they will continue to be supported, by the revolving credit facility which has no repayment requirements within the next year.

(d) TELUS Corporation credit facility

On March 2, 2007, TELUS Corporation entered into a new \$2.0 billion bank credit facility with a syndicate of financial institutions. The new credit facility consists of a \$2.0 billion (or U.S. Dollar equivalent) revolving credit facility expiring on May 1, 2012, to be used for general corporate purposes including the backstop of commercial paper. This new facility replaced the Company's pre-existing committed credit facilities prior to the availability termination dates of such facilities.

TELUS Corporation's credit facility is unsecured and bears interest at prime rate, U.S. Dollar Base Rate, a bankers' acceptance rate or London interbank offered rate ("LIBOR") (all such terms as used or defined in the credit facility), plus applicable margins. The credit facility contains customary representations, warranties and covenants including two financial quarter end financial ratio tests. The financial ratio tests are that the Company may not permit its net debt to operating cash flow ratio to exceed 4.0:1 and may not permit its operating cash flow to interest expense ratio to be less than 2.0:1, each as defined under the credit facility.

Continued access to TELUS Corporation's credit facility is not contingent on the maintenance by TELUS Corporation of a specific credit rating.

As at (millions)	June 30, 2007		December 31, 2006	
	May 1, 2012	May 7, 2008	May 4, 2010	
Revolving credit facility expiring				
Net available	\$ 1,232.8	\$ 579.9	\$ 800.0	\$
Drawn	--	120.0	--	
Outstanding, undrawn letters of credit	103.7	100.1	--	
Backstop of commercial paper	663.5	--	--	
Gross available	\$ 2,000.0	\$ 800.0	\$ 800.0	\$

(e) 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 June 30,

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2007, during each of the five years ending December 31 are as follows:

(millions)	Principal	Derivative liability	Total (1)
2007 (balance of year)	\$ 2.3	\$ --	\$ 2.3
2008	5.6	--	5.6
2009	1.5	--	1.5
2010	80.8	--	80.8
2011	2,048.1	903.5	2,951.6

(1) Where applicable, principal repayments reflect foreign exchange rates at June 30, 2007.

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notes to interim consolidated financial statements (unaudited)  
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16 shareholders' equity

(a) Details of shareholders' equity

As at (\$ in millions)

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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)

Non-Voting Shares (b)

\$

-----  
Options (c)

Retained earnings and accumulated other comprehensive income

Retained earnings

Accumulated other comprehensive income (loss) (d)

-----  
Total

-----  
Contributed surplus (e)

-----  
Total Shareholders' Equity

\$

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

Periods ended June 30, 2007 (\$ in millions)	Three months		
	Number of shares	Share capital	Number
<b>Common Shares</b>			
Beginning of period	176,696,014	\$ 2,239.5	178,
Common Shares issued pursuant to exercise of share options (f)	--	--	
Purchase of shares for cancellation pursuant to normal course issuer bid (g)	(330,000)	(4.2)	(2,
End of period	176,366,014	\$ 2,235.3	176,
<b>Non-Voting Shares</b>			
Beginning of period	157,731,460	\$ 3,388.5	159,
Non-Voting Shares issued pursuant to exercise of share options (f)	6,200	0.2	
Non-Voting Shares issued pursuant to use of share option award net-equity settlement feature (f)	3,880	--	
Purchase of shares for cancellation pursuant to normal course issuer bid (g)	(2,367,300)	(50.8)	(3,
End of period	155,374,240	\$ 3,337.9	155,

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

Periods ended June 30, 2007 (millions)	Three months
Non-Voting Shares issued pursuant to exercise of share options	
Cash received from exercise of share options	\$ 0.2
Share option award expense reclassified from contributed surplus upon exercise of share options (e)	--
	\$ 0.2

TELUS (R)

notes to interim consolidated financial statements (unaudited)

(c) Options

Upon its acquisition of Clearnet Communications Inc. in 2000, the Company was

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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 value is reclassified to contributed surplus. Proceeds arising from the exercise of these options are credited to share capital.

(d) Accumulated other comprehensive income (loss)

Three-month period ended June 30, 2007 (millions)	Other comprehensive income (loss)		
	Amount arising	Income taxes	Net
Change in unrealized fair value of derivatives designated as cash flow hedges			
Gains (losses) on derivatives designated as cash flow hedges	\$ (242.3)	\$ (29.8)	\$ (212.3)
Gains and losses on derivatives designated as cash flow hedges in prior periods transferred to net income in the current period	281.5	41.1	240.4
	39.2	11.3	27.9
Cumulative foreign currency translation adjustment	(6.2)	--	(6.2)
Change in unrealized fair value of available-for-sale financial assets	(0.1)	--	(0.1)
	\$ 32.9	\$ 11.3	\$ 21.6

Six-month period ended June 30, 2007 (millions)	Other comprehensive income (loss)			Beginning of period
	Amount arising	Income taxes	Net	
Change in unrealized fair value of derivatives designated as cash flow hedges				
Gains (losses) on derivatives designated as cash flow hedges	\$ (247.1)	\$ (30.9)	\$ (216.2)	
Gains and losses on derivatives designated as cash flow hedges in prior periods transferred to net income in the current period	328.6	56.6	272.0	
	81.5	25.7	55.8	\$ --



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Cumulative foreign currency translation adjustment	(3.8)	--	(3.8)	(1.5)
Change in unrealized fair value of available-for-sale financial assets	(0.1)	--	(0.1)	--
	\$ 77.6	\$ 25.7	\$ 51.9	\$ (1.5)

(1) The transitional adjustments arise primarily from the 2007 and 2011 cross currency interest agreements (Notes 2(b), 15(b)) and are net of income taxes on the cash flow hedges of \$81.7.

The net amount of the existing gains (losses) arising from the unrealized fair value of the 2011 cross currency interest rate swap agreements, which are derivatives that are designated as cash flow hedges, and which are reported in accumulated other comprehensive income, would be reclassified to net income if the agreements (see Note 15(b)) were early terminated; the amount of such reclassification would be dependent upon fair values and amounts of the agreements terminated. As at June 30, 2007, the Company's estimate of the net amount of existing gains (losses) arising from the unrealized fair value of derivatives designated as cash flow hedges, other than in respect of the 2011 cross currency interest rate swap agreements, which are reported in accumulated other comprehensive income and which are expected to be reclassified to net income in the next twelve months is \$2.9 million.

TELUS (R)

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notes to interim consolidated financial statements (unaudited)

(e) Contributed surplus

Periods ended June 30, 2007 (millions)	Three months
Balance, beginning of period	\$ 140.0
Share option award expense	
- Recognized in period(1) (Note 10(a))	4.0
- Reclassified to Non-Voting Share capital account	
- Upon exercise of share options	--
- Upon use of share option award net-equity settlement feature	--
- Reclassified to current liabilities upon addition of net-cash settlement feature (Note 10(b)), net of eligible awards settled other than through use of net-cash settlement feature	--
Balance, end of period	\$ 144.0

(1) This amount represents the expense for share option awards accounted for as equity instrument difference between this amount and the amount disclosed in Note 10(a) is the net expense for option awards accounted for as liability instruments.

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(f) 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 six-month periods ended June 30.

Periods ended June 30, 2007	Three months		
	Number of share options	Weighted average share option price	Number of s options
Outstanding, beginning of period	10,204,913	\$ 35.15	10,569,46
Granted	51,365	63.90	1,269,573
Exercised(1)	(927,690)	26.88	(2,453,09
Forfeited and other	13,330	37.57	(44,027)
Outstanding, end of period	9,341,918	\$ 36.13	9,341,918

(1) The total intrinsic value of share option awards exercised for the three-month and six-month periods ended June 30, 2007, was \$33.0 million and \$77.5 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 did not result in the optionees receiving incremental value and therefore modification accounting was not required for it. 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. In 2007, certain outstanding grants of share option awards had a net-cash settlement feature applied to them, as further discussed in Note 10(b); the optionee has the choice of exercising the net-cash settlement feature.

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The following table reconciles the number of share options exercised and

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the associated number of Common Shares and Non-Voting Shares issued.

Periods ended June 30, 2007	Three months			Common Shares
	Common Shares	Non-Voting Shares	Total	
Shares issued pursuant to exercise of share options	--	6,200	6,200	3,180
Impact of optionee choosing to settle share option award exercises using net-cash settlement feature	97,133	818,782	915,915	308,119
Shares issued pursuant to use of share option award net-equity settlement feature	N/A (1)	3,880	3,880	N/A (1)
Impact of Company choosing to settle share option award exercises using net-equity settlement feature	N/A (1)	1,695	1,695	N/A (1)
Share options exercised	97,133	830,557	927,690	311,299

(1) Share option awards for Common Shares do not have a net-equity settlement feature.

The following is a life and exercise price stratification of the Company's share options outstanding as at June 30, 2007.

### Options outstanding(1)

#### Range of option prices

Low	\$ 5.95	\$ 9.14	\$ 14.63	\$ 21.99	\$ 34.88	\$ 54.45
High	\$ 8.43	\$ 10.75	\$ 19.92	\$ 32.83	\$ 47.22	\$ 64.64

#### Year of expiry and number of shares

2007	--	2,454	--	--	--	--
2008	3,272	--	--	27,119	48,500	--
2009	--	2,944	386,969	105,960	76,825	--
2010	--	--	101,471	803,265	273,146	--
2011	--	--	5,166	1,598,744	1,020,309	--
2012	5,666	6,167	165,467	65,000	1,771,732	--
2013	--	--	--	--	1,531,635	66,707
2014	--	--	--	--	--	1,273,400
	8,938	11,565	659,073	2,600,088	4,722,147	1,340,107

Weighted average remaining life (years)

	3.7	3.4	3.2	3.7	4.7	6.7
--	-----	-----	-----	-----	-----	-----

Weighted average price

	\$ 7.52	\$ 10.36	\$ 16.02	\$ 24.64	\$ 39.51	\$ 56.83
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Aggregate intrinsic value(2) (millions) Options exercisable	\$ 0.5	\$ 0.6	\$ 30.8	\$ 99.2	\$ 110.2	\$ 8.0
Number of shares	8,938	11,565	659,073	2,510,538	1,418,780	--
Weighted average remaining contractual life (years)	3.7	3.4	3.2	3.7	3.3	--
Weighted average price	\$ 7.52	\$ 10.36	\$ 16.02	\$ 24.59	\$ 36.06	\$ --
Aggregate intrinsic value(2) (millions)	\$ 0.5	\$ 0.6	\$ 30.8	\$ 96.0	\$ 38.2	\$ --

- (1) As at June 30, 2007, 8,958,160 share options, with a weighted average remaining contractual years, a weighted average price of \$35.59 and an aggregate intrinsic value of \$243.9 million or were expected to vest.
- (2) The aggregate intrinsic value is calculated upon June 30, 2007, per share prices of \$63.77 for Shares and \$62.75 for Non-Voting Shares.

As at June 30, 2007, 0.5 million Common Shares and 16.4 million Non-Voting Shares were reserved for issuance, from Treasury, under the share option plans.

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

The Company purchased, for cancellation, through the facilities of the Toronto Stock Exchange, Common Shares and Non-Voting Shares pursuant to successive normal course issuer bids; the Company's most current normal course issuer bid runs for a twelve-month period ending December 19, 2007, 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 June 30, 2007, 330,000 Common Shares and 327,300 Non-Voting Shares had been purchased and not yet cancelled.

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Three-month period ended June 30, 2007 (\$ in millions)

	Number of shares	Paid	Charg share c

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Common Shares purchased for cancellation			
Prior to beginning of period	1,975,000	\$ 114.1	\$ 25.
During period	330,000	20.9	4.
Cumulative total	2,305,000	\$ 135.0	\$ 29.
Non-Voting Shares purchased for cancellation			
Prior to beginning of period	1,716,723	\$ 96.4	\$ 36.
During period	2,367,300	148.6	50.
Cumulative total	4,084,023	\$ 245.0	\$ 87.
Common Shares and Non-Voting Shares purchased for cancellation			
Prior to beginning of period	3,691,723	\$ 210.5	\$ 61.
During period	2,697,300	169.5	55.
Cumulative total	6,389,023	\$ 380.0	\$ 116.

Six-month period ended June 30, 2007 (\$ in millions)

	Number of shares	Paid	Charged share c
Common Shares purchased for cancellation			
Prior to beginning of period	--	\$ --	\$ --
During period	2,305,000	135.0	29.
Cumulative total	2,305,000	\$ 135.0	\$ 29.
Non-Voting Shares purchased for cancellation			
Prior to beginning of period	186,723	\$ 9.8	\$ 4.
During period	3,897,300	235.2	83.
Cumulative total	4,084,023	\$ 245.0	\$ 87.
Common Shares and Non-Voting Shares purchased for cancellation			
Prior to beginning of period	186,723	\$ 9.8	\$ 4.
During period	6,202,300	370.2	112.
Cumulative total	6,389,023	\$ 380.0	\$ 116.

(h) 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

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market price. During the three-month and six-month periods ended June 30, 2007, 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 six-month periods ended June 30, 2007, \$4.5 million (2006 - \$2.3 million) and \$7.7 million (2006 - \$4.5 million), respectively, was to be reinvested in Non-Voting Shares.

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### 17 commitments and contingent liabilities

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

On May 30, 2002, and on July 31, 2002, the CRTC 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, an aggregate liability of \$148.9 million as at June 30, 2007 (December 31, 2006 - \$164.8 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 CRTC, upon its periodic review of the Company's deferral account, disagrees with management's estimates and assumptions, the CRTC may adjust the deferral account balance and such adjustment may be material. Ultimately, this process results in the CRTC determining if, and when, the deferral account liability is settled.

On March 24, 2004, the CRTC 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 CRTC issued Decision CRTC 2006-9, "Disposition of funds in the deferral account". In its decision the CRTC 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 telecommunications 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

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residential service customers in non-high cost serving areas. Finally, the CRTC indicated that subsequent to May 31, 2006, 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, the National Anti-Poverty Organization and also Bell Canada leave to appeal CRTC Telecom Decision 2006-9. The consumer groups have filed their appeal asking the Court to direct rebates to local telephone subscribers, rather than have the accumulated deferral account funds used for purposes determined by the CRTC, as noted above. Bell Canada has also filed its appeal of Decision 2006-9 on the grounds that the CRTC exceeded its jurisdiction to the extent it approves rebates from the deferral account. These two appeals have been consolidated and are expected to be heard by the Federal Court of Appeal in the fourth quarter of 2007 with a judgement expected to be issued by the Federal Court of Appeal in the second quarter of 2008.

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 CRTC. Should the consumer groups be successful in their appeals, the Company may be required to remit a one-time refund of an amount up to, but not exceeding, the aggregate liability of approximately \$149 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 CRTC 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 CRTC 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 six-month periods ended June 30, 2007, the Company drew down the deferral account by \$NIL (2006 - \$7.0 million) and \$15.9 million (2006 - \$19.9 million), respectively, in respect of discounts on Competitor Digital Network services and other qualifying expenditures.

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On November 30, 2006, the CRTC issued Telecom Public Notice CRTC 2006-15, "Review of proposals to dispose of the funds accumulated in the deferral accounts", which initiated a public proceeding to consider the proposals submitted by the incumbent local exchange carriers to dispose of the funds

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accumulated in their respective deferral accounts. The Company expects the CRTC to render its decision in this matter in the latter part of 2007.

On July 6, 2007, the CRTC issued decision CRTC 2007-50, "Use of deferral account to expand broadband services to certain rural and remote communities" In this decision the CRTC approved the use of the deferral account for the purpose of expanding broadband services in a limited number of communities in British Columbia and Quebec. The Company is currently reviewing the implications of this decision in conjunction with its previously filed submission for use of the deferral account funds and, as directed by the CRTC, will file an update to the previously filed submission in September 2007.

### (b) Guarantees

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. As at June 30, 2007, the Company's maximum undiscounted guarantee amounts, without regard for the likelihood of having to make such payment, were not material.

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 CRTC 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 CRTC 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 June 30, 2007, 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.

TELUS Corporation Pension Plan and TELUS Edmonton Pension Plan: Two



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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

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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 renewed application was heard on June 18 and 19, 2007. The Company believes that

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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.

### 18 additional financial information

#### (a) Income statement

Periods ended June 30 (millions)	Three months		Six months	
	2007	2006	2007	2006
<b>Operations expense(1):</b>				
Cost of sales and service	\$ 753.7	\$ 668.2	\$ 1,477.3	\$ 1,340.3
Selling, general and administrative	586.6	539.2	1,299.6	1,207.4
	\$ 1,340.3	\$ 1,207.4	\$ 2,776.9	\$ 2,547.7
Advertising expense	\$ 74.6	\$ 56.1	\$ 140.0	\$ 138.0

(1) Cost of sales and service includes cost of goods sold and costs to operate and maintain access to and usage of the Company's telecommunications 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)	June 30, 2007	December 31, 2006
<b>Accounts receivable</b>		
Customer accounts receivable	\$ 419.3	\$ 545.6
Accrued receivables - customer	113.2	83.2
Allowance for doubtful accounts	(61.3)	(54.8)
	471.2	574.0
Accrued receivables - other	95.5	125.4
Other	5.1	7.8
	\$ 571.8	\$ 707.2
<b>Prepaid expense and other</b>		
Prepaid expenses	\$ 180.6	\$ 109.9
Deferred customer activation and connection costs	69.6	69.5
Other	41.5	15.9

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\$ 291.7 \$ 195.3

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As at (millions)	June 30, 2007	December 2006
Deferred charges (adjusted - Note 2(b))		
Recognized transitional pension assets and pension plan contributions in excess of charges to income	\$ 925.7	\$ 826.2
Deferred customer activation and connection costs	114.9	115.4
Other	24.0	15.0
	\$ 1,064.6	\$ 956.6
Accounts payable and accrued liabilities		
Accrued liabilities	\$ 471.0	\$ 449.7
Payroll and other employee-related liabilities	394.2	383.8
Accrual for net-cash settlement feature for share option awards (Note 10(b))	172.1	--
Asset retirement obligations	4.1	4.1
	1,041.4	837.6
Trade accounts payable	375.6	427.3
Interest payable	50.9	47.7
Other	80.0	51.0
	\$ 1,547.9	\$ 1,363.6
Advance billings and customer deposits		
Advance billings	\$ 360.3	\$ 348.8
Regulatory deferral accounts (Note 17(a))	148.9	164.8
Deferred customer activation and connection fees	67.0	72.3
Customer deposits	33.2	20.4
	\$ 609.4	\$ 606.3
Other long-term liabilities		
Derivative liabilities (Note 4)	\$ 1,081.8	\$ 710.3
Pension and other post-retirement liabilities	204.6	198.7
Other	143.3	128.2
	1,429.7	1,037.2
Deferred customer activation and connection fees	114.9	115.4
Deferred gain on sale-leaseback of buildings	66.7	71.6
Asset retirement obligations	33.1	33.1
	\$ 1,644.4	\$ 1,257.3

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(c) Supplementary cash flow information

Periods ended June 30 (millions)	Three months		
	2007	2006	2007
Net change in non-cash working capital			
Short-term investments	\$ 55.4	\$ --	\$ 55.4
Accounts receivable	387.5	97.5	135.4
Inventories	0.6	35.2	37.6
Prepaid expenses and other	(29.7)	(28.6)	(100.5)
Accounts payable and accrued liabilities	(34.3)	(29.4)	6.0
Income and other taxes receivable and payable, net	(6.1)	(11.1)	1.8
Advance billings and customer deposits	(0.3)	7.2	3.1
	\$ 373.1	\$ 70.8	\$ 138.8

Periods ended June 30 (millions)	Three months		
	2007	2006	2007
Interest (paid)			
Amount paid in respect of interest expense	\$ (218.5)	\$ (240.3)	\$ (231.7)
Forward starting interest rate swap agreement termination payments	--	--	(10.4)
Interest related portion of cross currency interest rate swap agreement termination payments	--	(31.2)	--
	\$ (218.5)	\$ (271.5)	\$ (242.1)

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19 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:

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Periods ended June 30 (millions except per share amounts)	Three months		
	2007	2006	
Net income in accordance with Canadian GAAP	\$ 253.1	\$ 356.6	\$ 4
Adjustments:			
Operating expenses			
Operations (b)	(4.1)	(4.3)	
Amortization of intangible assets (c)	(12.6)	(12.6)	
Accounting for derivatives (e)	--	(2.4)	
Taxes on the above adjustments and tax rate changes (f)	12.8	62.2	
Net income in accordance with U.S. GAAP	249.2	399.5	4
Other comprehensive income (loss), net of taxes (g)			
In accordance with Canadian GAAP	21.6	0.1	
Change in pension related other comprehensive income accounts	6.1	(1.5)	
Change in unrealized fair value of derivatives designated as cash flow hedges	--	59.2	
In accordance with U.S. GAAP	27.7	57.8	
Comprehensive income in accordance with U.S. GAAP	\$ 276.9	\$ 457.3	\$ 5
Net income in accordance with U.S. GAAP per Common Share and Non-Voting Share			
- Basic	\$ 0.75	\$ 1.16	\$
- Diluted	\$ 0.74	\$ 1.15	\$

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

Six-month periods ended June 30 (millions)	
Schedule of retained earnings (deficit) under U.S. GAAP	
Balance at beginning of period	\$ (4)
Net income in accordance with U.S. GAAP	4
Common Share and Non-Voting Share dividends paid, or payable, in cash	(2)
Purchase of Common Shares and Non-Voting shares in excess of stated capital	(2)
Adjustment to purchase of share option awards not in excess of their fair value	
Balance at end of period	\$ (4)

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

As at (millions)	Jun 2
Current Assets	\$ 1
Capital Assets	
Property, plant, equipment and other	7
Intangible assets subject to amortization (c)	2
Intangible assets with indefinite lives	2

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Goodwill (d)	3
Other Assets	18
-----	
	\$ 18
=====	
Current Liabilities	\$ 2
Long-Term Debt	4
Other Long-Term Liabilities	1
Deferred Income Taxes (f)	1
Non-Controlling Interest	7
Shareholders' Equity	7
-----	
	\$ 18
=====	

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

As at June 30, 2007 (millions)	Shareholders' Equity			
	Common Shares	Non-voting Shares	Retained earnings (deficit)	Accumulated ot comprehensive income (loss)
Under Canadian GAAP	\$2,235.3	\$3,337.9	\$1,023.4	\$ (125.8)
Adjustments:				
Merger of BC TELECOM and TELUS (a), (c), (d)	1,747.2	966.5	(1,334.1)	--
Share-based compensation (b)	10.5	60.9	(102.0)	--
Acquisition of Clearnet Communications Inc.				
Goodwill (d)	--	131.4	(7.9)	--
Convertible debentures	--	(2.9)	4.1	--
Accumulated other comprehensive income (loss) (g)	--	--	--	(261.7)
Under U.S. GAAP	\$3,993.0	\$4,493.8	\$ (416.5)	\$ (387.5)

As at December 31, 2006 (millions)	Shareholders' Equity (as adjusted)				
	Common Shares	Non-Voting Shares	Options	Retained earnings (deficit)	Accum oth compre income

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Under Canadian GAAP	\$2,264.4	\$3,420.8	\$ 0.8	\$1,080.1	\$ (
Adjustments:					
Merger of BC TELECOM and TELUS (a), (c), (d)	1,770.1	993.0	--	(1,368.3)	
Share-based compensation (b)	10.6	63.3	--	(131.2)	
Acquisition of Clearnet Communications Inc.					
Goodwill (d)	--	131.4	--	(7.9)	
Convertible debentures	--	(2.9)	--	4.1	
Accounting for derivatives (e)	--	--	--	3.7	
Accumulated other comprehensive income (loss) (g)	--	--	--	--	(43
-----					
Under U.S. GAAP	\$4,045.1	\$4,605.6	\$ 0.8	\$ (419.5)	\$ (43
=====					

(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 resulted 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

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. As of June 30, 2007, the amortization of this difference had been completed.

Effective as of the end of the first year ending after December 15, 2006, U.S. GAAP requires the full recognition of obligations associated with its employee future benefit plans as prescribed by Financial Accounting Standards Board Statement of Financial Accounting Standard No. 158, "Employers' Accounting for Defined Benefit Pension and other Postretirement Plans". Applying this standard, the funded status of the Company's plans is shown gross on the consolidated balance sheets and the difference between the net funded plan states and the net accrued benefit asset or liability is included as a component of accumulated other comprehensive income.

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 10.

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notes to interim consolidated financial statements

(unaudited)

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.

On a prospective basis, commencing January 1, 2006, there is no longer 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 accounted for as equity instruments. 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.

In 2007, the Company amended substantially all of its share option awards that were granted prior to January 1, 2005, and which were outstanding on January 1, 2007, by adding a net-cash settlement feature; the optionee has the choice of exercising the net-cash settlement feature. The result of such amendment is that the affected outstanding share option awards largely take on the characteristics of liability instruments rather than equity instruments; the minimum expense recognized for the affected share option awards will be their grant-date fair values. Under U.S. GAAP, the grant-date fair value of affected outstanding share option awards granted subsequent to 1994 affect the transitional amount whereas Canadian GAAP only considers grant-date fair values for affected outstanding share option awards granted subsequent to 2001; this resulted in the U.S. GAAP expense being less than the Canadian GAAP expense by \$NIL and \$26.6 million, for the three-month and six-month periods ended June 30, 2007, respectively.

(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	
			June 30,
			2007
<hr/>			
As at (millions)			
<hr/>			
Intangible assets subject to amortization			
Subscribers - wireline	\$ 1,950.0	\$ 368.1	\$ 1,581.9
Subscribers - wireless	250.0	250.0	-
			<hr/>
	2,200.0	618.1	1,581.9
<hr/>			
Intangible assets with indefinite lives			
Spectrum licences (1)	1,833.3	1,833.3	-
			<hr/>
	\$ 4,033.3	\$ 2,451.4	\$ 1,581.9



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(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 June 30, 2007, for each of the next five fiscal years is as follows:

Years ending December 31 (millions)

2007 (balance of year)	\$	157.6
2008		243.2
2009		186.7
2010		118.1
2011		99.7

(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.

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 notes to interim consolidated financial statements (unaudited)  
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(e) Accounting for derivatives

Under U.S. GAAP, all derivatives need to be recognized as either assets or liabilities and measured at fair value. Prior to January 1, 2007, this was different from the Canadian GAAP treatment for financial instruments as applied by the Company; see Note 2(b).

(f) Income taxes

		Three months		
Periods ended June 30 (millions)	2007	2006	2007	Si

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Current	\$	1.2	\$	(6.7)	\$	2.3
Deferred		79.7		(36.8)		152.3
-----						
		80.9		(43.5)		154.6
Investment Tax Credits		(1.1)		(12.6)		(10.6)
-----						
	\$	79.8	\$	(56.1)	\$	144.0
=====						

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 June 30 (\$ in millions)		2007
Basic blended federal and provincial tax at statutory income tax rates	\$	110.9
Revaluation of deferred income tax liability to reflect future statutory income tax rates		(31.3)
Share option award compensation		1.2
Tax rate differential on, and consequential adjustments from, reassessment of prior year tax issues		--
Investment Tax Credits, net of tax		(0.6)
Other		(0.4)
		79.8
Large corporations tax		--
		79.8
U.S. GAAP income tax expense (recovery)	\$	79.8
		24
		24
		24

Six-month periods ended June 30 (\$ in millions)		2007
Basic blended federal and provincial tax at statutory income tax rates	\$	203.3
Revaluation of deferred income tax liability to reflect future statutory income tax rates		(35.0)
Share option award compensation		(15.4)
Tax rate differential on, and consequential adjustments from, reassessment of prior year tax issues		--
Investment Tax Credits, net of tax		(7.0)
Other		(1.9)
		144.0
U.S. GAAP income tax expense (recovery)	\$	144.0
		23
		23
		23

The operations of the Company are complex, and related tax interpretations, regulations and legislation are continually changing. As a result, there are usually some tax matters in question.

Effective January 1, 2007 the Company adopted the method of accounting for uncertain income tax positions prescribed by Financial Accounting Standards Board Financial Interpretation No. 48, "Accounting for Uncertainty in Income Taxes". This Interpretation is intended to standardize accounting practice for

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the recognition, derecognition and measurement of tax benefits to enable consistency and comparability among reporting entities for the reporting of income tax assets and liabilities. No consequential adjustments were required in the Company's financial statements as a result of that adoption.

As at January 1, 2007, the Company had net unrecognized tax benefits totaling \$277.1 million, of which \$240.5 million would, if recognized, have impacted the effective tax rate.

During the three-month and six-month periods ended June 30, 2007, the Company recognized Canadian Investment Tax Credits arising from the Company's conduct of its scientific research and experimental development activities of \$1.1 million (\$0.7 million after applicable income tax effect) and \$10.6 million (\$7.1 million after applicable income tax effect), respectively. Investment Tax Credits of \$23.9 million (\$17.4 million after applicable income tax effect) have been abandoned and will no longer be pursued. During the three-month and six-month periods ended June 30, 2007, the

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notes to interim consolidated financial statements (unaudited)  
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Company filed additional claims for Canadian Investment Tax Credits of \$41.2 million (\$28.0 million after applicable income tax effect) that have not been recognized in the accounts.

During the three-month and six-month periods ended June 30, 2007, a tax rate reduction for 2011 was enacted which resulted in an increase in unrecognized tax benefits of \$1.9 million that would, if recognized, impact the effective tax rate.

As at June 30, 2007, the Company had net unrecognized tax benefits aggregating \$284.0 million, of which \$247.4 million would, if fully recognized, impact the effective tax rate.

In the application of both Canadian GAAP and U.S. GAAP, the Company accrues for interest charges on current tax liabilities that have not been funded, which would include interest and penalties arising from uncertain tax positions. The Company includes such charges as a component of financing costs. As at January 1, 2007, and June 30, 2007, the Company has recorded accrued interest of \$7.6 million in respect of differences between the time tax-related exposures have been funded compared to the time the tax-related exposures may have come into existence. There was no interest nor were there penalties relating to current tax liabilities charged by the Company against its income during the three-month and six-month periods ended June 30, 2007.

As at January 1, 2007, it was reasonably possible that the Company's unrecognized tax benefits (before tax) would significantly decrease, in an estimated range of between \$30 million and \$35 million, in the following twelve months for the resolution of certain Canadian Investment Tax Credits arising from the Company's conduct of its scientific research and experimental development activities.

As at January 1, 2007, and June 30, 2007, it is reasonably possible that the Company's net unrecognized tax benefits will significantly increase and decrease in the next twelve months for the following items:

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- o It is expected that Notices of Reassessment will be issued by various government authorities over the next twelve months that are expected to effectively settle a number of uncertain tax positions and result in both adjustments to the effective tax rate and the abandonment of any remaining unrecognized tax benefits. Certain presently unrecognized tax benefits pertaining to a number of items involving uncertainty as to the exact taxation period tax deductions may be claimed among periods of changing statutory tax rates are expected to be resolved within an estimated range of \$35 million to \$45 million. It is also expected that net unrecognized benefits estimated to range between \$40 million and \$50 million, that relate to issues pertaining to the eligibility of certain capital and operating costs will be concluded.
  
- o It is expected that the statute of limitations for challenge by governmental authorities will lapse for certain taxation years for which tax returns have previously been filed. Such unrecognized tax benefits are reasonably estimated at \$4 million.

As at January 1, 2007, and June 30, 2007, income tax returns pertaining to taxation years that remain subject to examination by major jurisdictions are as follows:

	Restricted to Appeals	Other
Canada	1999 - 2000	2001 - 2006
United States	N/A	2003 - 2006

(g) 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.

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notes to interim consolidated financial statements (unaudited)

Three-month periods ended June 30 (millions)	2007				2006
	Canadian GAAP other comprehensive income (loss) (1)	Pension and other benefit plans	US GAAP other comprehensive income (loss)	Canadian GAAP other comprehensive income (loss)	Pensio and oth benefi plans

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Amount arising	\$ 32.9	\$ 8.7	\$ 41.6	\$ 0.1	\$ (2.0)
Income tax expense (recovery)	11.3	2.6	13.9	--	(0.1)
Net	21.6	6.1	27.7	0.1	(1.9)
Accumulated other comprehensive income (loss), beginning of period	(147.4)	(267.8)	(415.2)	(6.6)	(169.0)
Accumulated other comprehensive income (loss), end of period	\$ (125.8)	\$ (261.7)	\$ (387.5)	\$ (6.5)	\$ (170.6)

(1) As the Canadian GAAP other comprehensive income amounts at June 30, 2007, reflect total-to-date amounts for the unrealized fair value of derivative cash flow hedges, the opening balance for U.S. GAAP is no longer required to determine the total-to-date accumulated other comprehensive income amount for U.S. GAAP purposes.

Six-month periods ended June 30 (millions)	2007			2006	
	Canadian GAAP other comprehensive income (loss) (1)	Pension and other benefit plans	US GAAP other comprehensive income (loss)	Canadian GAAP other comprehensive income (loss)	Pension and other benefit plans
Amount arising	\$ 77.6	\$ 17.4	\$ 95.0	\$ 0.8	\$ (3.0)
Income tax expense (recovery)	25.7	5.3	31.0	--	(0.1)
Net	51.9	12.1	64.0	0.8	(2.9)
Accumulated other comprehensive income (loss), beginning of period	(177.7)	(273.8)	(451.5)	(7.3)	(167.7)
Accumulated other comprehensive income (loss), end of period	\$ (125.8)	\$ (261.7)	\$ (387.5)	\$ (6.5)	\$ (170.6)

(1) As the Canadian GAAP other comprehensive income amounts at June 30, 2007, reflect total-to-date amounts for the unrealized fair value of derivative cash flow hedges, the opening balance for U.S. GAAP is no longer required to determine the total-to-date accumulated other comprehensive income amount for U.S. GAAP purposes.

(h) Recently issued accounting standards not yet implemented

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.

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TELUS Corporation  
Management's discussion and analysis - 2007 Q2

Caution regarding forward-looking statements

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This report and Management's discussion and analysis contain statements about expected future events and financial and operating results of TELUS Corporation (TELUS or the Company) that are forward-looking. By their nature, forward-looking statements require the Company to make assumptions and are subject to inherent risks and uncertainties. There is significant risk that predictions, assumptions (see below) and other forward-looking statements will not prove to be accurate. Readers are cautioned not to place undue reliance on forward-looking statements as a number of factors could cause actual future results, conditions, actions or events to differ materially from financial and operating targets, expectations, estimates or intentions expressed in the forward-looking statements.

Assumptions for 2007 guidance purposes include: economic growth consistent with recent provincial and national estimates by the Conference Board of Canada, including 2007 real GDP (gross domestic product) growth of approximately 2.5% in Canada; increased wireline competition in both business and consumer markets, particularly from cable-TV and voice over Internet Protocol (VoIP) companies; forbearance for local retail wireline services in major urban incumbent markets by the second half of 2007; no further price cap mandated consumer price reductions; a wireless industry market penetration gain of 4.5 to five percentage points; restructuring expenses not to exceed \$35 million; statutory tax rate of 33 to 34%; a discount rate of 5.0% and an expected long-term average return of 7.25% for pension accounting, unchanged from 2006; average shares outstanding of 330 to 335 million; and no prospective significant acquisitions or divestitures. Earnings per share (EPS), cash balances, net debt and common equity may be affected by the potential purchases of up to 24 million TELUS shares over a 12-month period under the normal course issuer bid that commenced December 20, 2006.

Factors that could cause actual results to differ materially include but are not limited to: competition; economic growth and fluctuations (including pension performance, funding and expenses); capital expenditure levels (including possible spectrum asset purchases); financing and debt requirements (including share repurchases); tax matters (including acceleration or deferral of required payments of significant amounts of cash taxes); human resource developments (including possible labour disruptions); technology (including reliance on systems and information technology); regulatory developments (including local forbearance, wireless number portability, the timing, rules, process and cost of future spectrum auctions, and possible changes to foreign ownership restrictions); process risks (including internal reorganizations, conversion of legacy systems and billing system integrations); health, safety and environmental developments; litigation and legal matters; business continuity events (including manmade and

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natural threats); any prospective acquisitions or divestitures; and other risk factors discussed herein and listed from time to time in TELUS' public disclosure documents including its annual report, annual information form, and other filings with securities commissions in Canada (at [www.sedar.com](http://www.sedar.com)) and filings in the United States including Form 40-F (on EDGAR at [www.sec.gov](http://www.sec.gov)).

For further information, see Section 10: Risks and risk management of TELUS' 2006 annual and 2007 first quarter Management's discussion and analyses, as well as updates reported in Section 10 of this document.

Management's discussion and analysis

August 1, 2007

The following is a discussion of the consolidated financial condition and results of operations of TELUS Corporation for the three-month and six-month periods ended June 30, 2007 and 2006, and should be read together with TELUS' interim Consolidated financial statements. This discussion contains forward-looking information that is qualified by reference to, and should be read together with, the discussion regarding forward-looking statements above.

TELUS' interim Consolidated financial statements have been prepared in accordance with Canadian generally accepted accounting principles (GAAP), which differ in certain respects from U.S. GAAP. See Note 19 to the interim Consolidated financial statements for a summary of the principal differences between Canadian and U.S. GAAP as they relate to TELUS. The interim Consolidated financial statements and Management's discussion and analysis were reviewed by TELUS' Audit Committee and approved by TELUS' Board of Directors. All amounts are in Canadian dollars unless otherwise specified.

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

Management's discussion and analysis contents

Section	Description
1. Introduction and performance summary	A summary of TELUS' consolidated results for the second quarter and first half of 2007
2. Core business, vision and strategy	Examples of TELUS' activities in support of its six strategic imperatives
3. Key performance drivers	TELUS' 2007 priorities
4. Capability to deliver results	An update on TELUS' capability to deliver results
5. Results from operations	A detailed discussion of operating results for the second quarter and first half of 2007

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6. Financial condition	A discussion of changes in the balance sheet for the six-month period ended June 30, 2007
7. Liquidity and capital resources	A discussion of cash flow, liquidity, credit facilities and other disclosures
8. Critical accounting estimates and accounting policy developments	A description of accounting estimates and changes to accounting policies
9. Annual guidance for 2007	TELUS' revised annual guidance for 2007
10. Risks and risk management	An update of risks and uncertainties facing TELUS and how it manages these risks
11. Reconciliation of non-GAAP measures and definition of key operating indicators	A description, calculation and reconciliation of certain measures used by management

### 1. Introduction and performance summary

#### 1.1 Materiality for disclosures

Management determines whether or not information is material based on whether it believes a reasonable investor's decision to buy, sell or hold securities in the Company would likely be influenced or changed if the information were omitted or misstated.

#### 1.2 Canadian telecommunications industry developments

In mid-April 2007, Canada's largest telecommunications service provider BCE Inc. announced a strategic review process. Three consortia that included Canadian pension funds and U.S. private equity investors signed non-disclosure and standstill agreements to gain access to a BCE data room in order to enable them to potentially prepare an offer to BCE shareholders under a competitive auction process. On June 21, 2007, TELUS confirmed that it had entered into a mutual non-disclosure and standstill agreement and was pursuing non-exclusive discussions to acquire BCE. On June 26, the three consortia submitted bids to acquire BCE, while TELUS announced that inadequacies in BCE's bid process did not make it possible for TELUS to submit an offer as part of the strategic review process announced by BCE. On June 30, BCE announced that it had entered into a definitive agreement for BCE to be acquired by a consortium led by Teachers Private Capital, a division of the Ontario Teachers Pension Plan. The BCE Board recommended that their common shareholders accept the offer at an all-cash price of \$42.75 per common share. Other consortium members include Providence Equity Partners Inc. and Madison Dearborn Partners, LLC. TELUS in July continued its assessment of whether it should potentially make a competing offer for BCE. TELUS has concluded this assessment and it does not intend to submit a competing offer to acquire BCE. See Caution regarding forward-looking statements.

In July 2007, the Minister of Industry and the Minister of Finance announced the creation of a Competition Review Panel to review Canadian competition and investment legislation: the Competition Act and the Investment Canada Act. The Panel will report to the Minister of Industry by June 30, 2008. Implications for the telecommunications industry include possible change to, or removal of, the effective 47% restriction on foreign ownership for the telecom sector. See Section 10.1 Regulatory - Foreign ownership restrictions.

On July 23, a new independent telecommunications complaints commission,



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known as the Commissioner for Complaints for Telecommunications Services (CCTS), was launched to help consumers and small businesses handle un-resolved service concerns. The CCTS was created in response to a request from the Minister of Industry to telecommunications companies to work together to establish and fund this independent agency. Founding members TELUS, Bell Aliant, Bell Canada, SaskTel, MTS Allstream, Rogers, Virgin Mobile, Cogeco, Videotron, and Vonage filed a joint proposal for the structure and mandate of the new organization with the CRTC (Canadian Radio-television and Telecommunications Commission) for its consideration. The CCTS is intended to assist where the normal complaint resolution process of member companies do not resolve concerns.

### 1.3 Consolidated highlights

(\$ millions, except shares, per share amounts, subscribers and ratios)	Quarters ended June 30			Six-month periods ended June 30		
	2007	2006	Change	2007	2006	Change
----- Consolidated statements of income -----						
Operating revenues	2,228.1	2,135.2	4.4 %	4,433.7	4,215.7	5.2 %
Operating income	493.8	515.0	(4.1)%	890.8	974.6	(8.6)%
Net-cash settlement feature expense(1)	1.8	-	-	175.3	-	-
Operating income (as adjusted)	495.6	515.0	(3.8)%	1,066.1	974.6	9.4 %
Income before income taxes	348.1	377.9	(7.9)%	623.7	706.2	(11.7)%
Net-cash settlement feature expense	1.8	-	-	175.3	-	-
Income before income taxes (as adjusted)	349.9	377.9	(7.4)%	799.0	706.2	13.1 %
Net income	253.1	356.6	(29.0)%	447.9	566.7	(21.0)%
Net-cash settlement feature expense, after tax	1.3	-	-	109.0	-	-
Net income (as adjusted)	254.4	356.6	(28.7)%	556.9	566.7	(1.7)%
Earnings per share, basic (\$)	0.76	1.03	(26.2)%	1.34	1.63	(17.8)%
Net-cash settlement feature per share	-	-	-	0.33	-	-
Earnings per share, basic (as adjusted) (2) (\$)	0.76	1.03	(26.2)%	1.67	1.63	2.5 %
Earnings per share, diluted (\$)	0.75	1.02	(26.5)%	1.32	1.62	(18.5)%

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Cash dividends declared per share (\$)	0.375	0.275	36.4 %	0.75	0.55	36.4 %
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Consolidated statements of cash flows						
-----						
Cash provided by operating activities	1,061.9	813.0	30.6 %	1,522.5	1,486.1	2.4 %
Cash used by investing activities	477.8	486.1	(1.7) %	870.1	802.2	8.5 %
Capital expenditures	481.8	458.8	5.0 %	863.7	779.3	10.8 %
Cash used by financing activities	1,115.9	344.4	n.m.	638.7	711.1	(10.2) %
-----						
Subscribers and other measures						
-----						
Subscriber connections (3) (thousands) at June 30	10,885	10,404	4.6 %			
EBITDA (4)	884.6	897.1	(1.4) %	1,648.9	1,759.8	(6.3) %
Net-cash settlement feature expense	1.8	-	-	175.3	-	-
-----						
EBITDA (as adjusted) (4)	886.4	897.1	(1.2) %	1,824.2	1,759.8	3.7 %
Free cash flow (5)	161.7	191.0	(15.3) %	642.5	826.6	(22.3) %
-----						
Debt and payout ratios						
-----						
Net debt to total capitalization ratio (%) (6)	48.0	47.8	0.2 pts			
Net debt to EBITDA - excluding restructuring (6)	1.8	1.8	-			
Dividend payout ratio (%) (7)	50	46	4 pts			
-----						

TELUS' annual guidance for 2007, described in Section 9 of its 2007 first quarter Management's discussion and analysis included the expectation that a non-cash charge of approximately \$180 million would be recorded in Operations expense as a result of introducing a net-cash settlement feature for share option awards granted prior to 2005. For the six-month period ended June 30, 2007, \$175.3 million in respect of this charge was recorded in Operations expense (\$109.0 million after-tax impact in Net income or 33 cents per share).

Highlights for the second quarter and first six months of 2007, as discussed in Section 5: Results from operations, include the following:

- Subscriber connections increased by 481,000 during the 12-month period ended June 30, 2007. The number of wireless subscribers grew by 11.3% to 5.27 million, the number of Internet subscribers grew by

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8.3% to 1.135 million and the number of network access lines decreased by 3.1% to 4.48 million.

- Operating revenues increased by \$92.9 million and \$218.0 million, respectively, in the second quarter and first six months of 2007, when compared to the same periods in 2006 due primarily to growth in wireless network revenues and wireline data revenues, which more than offset declines in long distance revenue.
- Operating income decreased by \$21.2 million and \$83.8 million, respectively, in the second quarter and first six months of 2007 when compared with the same periods in 2006. When adjusted to exclude the net-cash settlement feature expense recorded in 2007, Operating income decreased by \$19.4 million in the second quarter and increased by \$91.5 million in the first six months. In the second quarter, growth in wireless EBITDA (as adjusted) and a lower depreciation expense were more than offset by lower wireline EBITDA (as adjusted) and higher amortization expense for a wireline billing and client care system put into service in March. For the six-month period, increased wireless EBITDA (as adjusted) and lower net depreciation and amortization expense exceeded erosion in wireline EBITDA (as adjusted).
- Income before income taxes decreased by \$29.8 million and \$82.5 million, respectively, in the second quarter and first six months of 2007 when compared with the same periods in 2006. Excluding the effect of the net-cash settlement feature, Income before income taxes decreased by \$28.0 million and increased by \$92.8 million, respectively, as a result of changes in adjusted operating income and a second quarter 2007 equity investment write-off, partly offset in the six-month period by lower financing costs.
- Net income included favourable tax-related adjustments of approximately \$10 million or three cents per share in the second quarter of 2007 and approximately \$14 million or four cents per share in the first six months of 2007. This compares with favourable tax adjustments of approximately \$118 million or 34 cents per share in the second quarter of 2006 and \$115 million or 33 cents per share in the first six months of 2006.
- Net income and EPS for the second quarter of 2007 decreased by \$103.5 million and 27 cents, respectively, when compared to the same period in 2006. Similarly, Net income and EPS for the first six months of 2007 decreased by \$118.8 million and 29 cents, respectively, when compared to the same period in 2006. Excluding the effect of the net-cash settlement feature for first six months of 2007, Net income (as adjusted) decreased by \$9.8 million while EPS - basic (as adjusted) increased by four cents.
- The average number of shares outstanding during second quarter and first half of 2007 were approximately 3% lower than in 2006 due to share repurchase programs and a lower number of shares issued because of the net-cash settlement feature for options.

Highlights for the second quarter and first half of 2007, as discussed in Section 7: Liquidity and capital resources, include the following:

- Cash provided by operating activities increased by \$248.9 million and \$36.4 million, respectively, in the second quarter and first six months of 2007, when compared to the same periods in 2006. Contributing to the increase was reduced interest paid. Proceeds from securitized accounts receivable increased by a net \$350 million

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during the second quarter of 2007, compared with an increase of \$135 million during the second quarter of 2006 for a comparative increase in operating cash flow of \$215 million.

- Cash used by investing activities decreased by \$8.3 million in the second quarter of 2007 and increased by \$67.9 million in the first six months of 2007, when compared to the same periods in 2006. The decrease in the second quarter was due mainly to an acquisition in 2006. Otherwise, investing activities increased because of higher capital expenditures to support new enterprise customers in Central Canada as well as network sustainment, continued enhancement of digital wireless capacity and coverage, and strategic investments in high-speed EVDO (evolution data optimized) wireless network technology.
- On May 15, 2007, TELUS' entered into an unsecured commercial paper program, which is backstopped by a portion of its credit facility, enabling it to issue commercial paper up to a maximum aggregate of \$800 million (or U.S. dollar equivalent), to be used for general corporate purposes.
- Cash used by financing activities increased by \$771.5 million in the second quarter of 2007 and decreased by \$72.4 million in the first six months of 2007, when compared to the same periods in 2006. The increase in the second quarter included the June 1, 2007 repayment of \$1,483.3 million (U.S. \$1,166.5 million) for 7.50% Notes that matured, partly offset by the net issue of \$663.5 million of commercial paper. The decrease for the six-month period included a lower amount used to repurchase shares under the normal course issuer bid (NCIB), net of increased dividend payments.
- Free cash flow decreased by \$29.3 million and \$184.1 million, respectively, in the second quarter and first six months of 2007, when compared to the same periods in 2006. The decrease for the second quarter was caused by lower EBITDA net of restructuring and share-based compensation payments, and higher capital expenditures partly offset by lower interest payments. The decrease for the first six months of 2007 was caused by lower EBITDA net of restructuring payments, higher capital expenditures, and lower recoveries of cash taxes, partly offset by share-based compensation expense in excess of payments and lower interest payments.
- Net debt to total capitalization of 48% at June 30, 2007 continued to be in the long-term target range of 45 to 50%.
- Net debt to EBITDA of 1.8 continued to be in the long-term target range of 1.5 to 2.0 times.
- The dividend payout ratio of 50%, measured as the annualized dividend declared in the second quarter divided by earnings per share for the 12-month trailing period, was at the guideline midpoint of 45 to 55% of net sustainable earnings; favourable tax-related adjustments for the trailing 12 months nearly offset the unfavourable impact of introducing the net cash settlement feature in 2007.

### 2. Core business, vision and strategy

The following discussion is qualified in its entirety by the Caution regarding forward-looking statements at the beginning of Management's discussion and analysis. It is also qualified by Section 10: Risks and risk management of TELUS' 2006 annual and 2007 first quarter Management's discussions and analyses, as well as updates reported in Section 10 of this

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document.

TELUS' core business, vision and strategy were detailed in its 2006 Management's discussion and analysis. Recent activities supporting, and events affecting, the Company's six strategic imperatives include the following:

Building national capabilities across data, IP, voice and wireless

In May, TELUS announced in that it expects to invest \$23 million in Quebec by the fall of 2007 to expand and upgrade wireless 1X digital network coverage in up to 30 additional communities, as well as enhance existing digital coverage in the greater Montreal and Quebec City areas where TELUS network traffic continues to increase. Through the expansion, 30 new communities will have access to the full suite of TELUS Spark(TM) mobile services that includes entertainment, information, messaging, downloadable music, ringtones and games.

In July, TELUS announced the availability of faster speeds on its wireless high-speed EVDO network in B.C., Alberta and Quebec. The EVDO network was upgraded to the next generation, Rev A, which has typical download speeds of 450 to 800 kilobits per second (with a maximum possible speed of 3.1 megabits per second) and typical upload speeds of 300 to 400 kilobits per second (with a maximum possible speed of 1.8 megabits per second). The speed increase helps improve the experience of streaming services and sharing of large data files such as pictures. TELUS wireless high speed services are available in areas of British Columbia, Alberta, Winnipeg, Ontario and Quebec, reaching more than 60 per cent of Canadians. When traveling in the United States, TELUS customers can roam onto EVDO Rev A networks in 242 major metropolitan areas. TELUS has a variety of EVDO Rev A-capable devices available now and more are expected. These products operate throughout the full EVDO coverage area and are backward compatible with the 1X data network, which offers coverage to 94 per cent of Canadians, when outside the EVDO coverage area.

The Company enhanced wireless international roaming for its business and consumer customers with the June launch of the BlackBerry 8830 World Edition smartphone. TELUS also expanded its global roaming services so that users of the new BlackBerry can access voice and data services internationally using GSM-based networks. In North America, coverage is provided on CDMA-based 1X and high-speed EVDO networks.

In July, TELUS launched its first Ethernet to the suite (ETTS) building - the Melville - a 42-story multi-dwelling unit tower in Vancouver. ETTS leverages the latest technology to deliver greater bandwidth and higher speeds to customers. Melville residents will have access to high-speed Internet at up to 25 Mbps (five to seven faster than average) and the opportunity to leverage the full suite of Future Friendly(R) Home products and services.

Focusing relentlessly on the growth markets of data, IP and wireless

TELUS was selected this quarter by the Department of Public Works and Government Services Canada through a competitive bid process to provide and manage the telecommunications services for the Department of National Defence (DND), including national and international locations. TELUS will provide managed telecommunications services including voice, data, video and IP solutions. The advanced telecommunications framework supports DND's goals of accessing a cost-effective infrastructure that supports their current requirements and, at the same time, provides a secure IP backbone for new services and solutions. This contract value is estimated at \$200 million over five years.

In addition, TELUS is providing the Government of Alberta with the latest multimedia technology for some 73 courtrooms in the new Calgary Courts Centre. TELUS will design, supply, install and maintain technology to provide digital recording, video-conferencing, remote witness facilitation, electronic annotation, and remote management, which is expected to improve safety and efficiency in the justice system.

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The Company was also selected to provide the TELUS Community Care Management Solution (CCMS) to Ontario-based Closing the Gap Healthcare Group. CCMS is an electronic health record and patient management system that makes patient data available to community, home care and long-term care providers, wherever their jobs take them. TELUS will implement, host and manage application software from New Zealand-based Healthphone, as well as provide network connectivity and security support, "24x7" customer service and required hardware such as personal digital assistants, mobile phones, infrastructure and servers.

Building integrated solutions that differentiate TELUS from its competitors

TELUS has introduced a number of new services in 2007. One new solution is TELUS Fleet Tracking Bundle for small businesses, which allows companies to efficiently track their mobile assets in real-time using global positioning system (GPS) technology. The bundle includes a TELUS wireless data plan, Fleet Complete GPS software from Complete Innovations and a GPS modem professionally installed by TELUS dealers or retailer Best Buy.

Another new service is a new wireless tool for Canadian financial institutions, TELUS Mobile Customer Self Service(TM). The service provides two-way interaction between financial institutions and their customers, enabling secure banking transactions that include actionable alerts (such as questionable account activity or transaction approvals), on-demand access to account information and no-hold customer service via text messaging.

Partnering, acquiring and divesting to accelerate the implementation of TELUS' strategy and focus TELUS' resources on core business

In March 2007, AMP'D Mobile Canada Inc. launched its interactive and customized mobile entertainment, information and messaging services targeting the high value, young adult (ages 18 to 35) market segment in Canada. In early June, the U.S. based parent company AMP'D Mobile, Inc. entered bankruptcy proceedings in the U.S. As a result, AMP'D Mobile sales have been discontinued in Canada. See Section 4.2 for financial impacts on TELUS results.

### 3. Key performance drivers

The following discussion is qualified in its entirety by the Caution regarding forward-looking statements at the beginning of Management's discussion and analysis. It is also qualified by Section 10: Risks and risk management of TELUS' 2006 annual and 2007 first quarter Management's discussions and analyses, as well as updates reported in Section 10 of this document.

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#### 2007 corporate priorities across wireline and wireless

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##### Advancing TELUS' leadership position in the consumer market

- Combining TELUS' suite of data applications with deregulated heritage services
- Attaining best-in-class customer loyalty and growth through unparalleled customer experiences
- Achieving customer addition targets by expanding distribution channels and addressing key market segments with new service offerings.

##### Advancing TELUS' leadership position in the business market

- Progressing further in key industry verticals with specific

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- applications that provide non-price-based differentiation
- Leveraging wireless number portability to expand TELUS' business market share in Central Canada
- Focusing on small business customer loyalty and growth with innovative solutions.

Advancing TELUS' leadership position in the wholesale market

- Growing in domestic and international markets through recognition that TELUS is Canada's IP leader
- Achieving excellence in customer service to support local forbearance in key incumbent markets
- Expanding the Company's markets, channels and products by focusing on strategic relationships with TELUS' partners.

Driving TELUS' technology evolution and improvements in productivity and service excellence

- Implementing technology roadmaps for Future Friendly Home and wireless service offerings that simplify TELUS' product portfolio and improve service development and execution
- Rolling out consolidated customer care systems to replace multiple legacy systems in Alberta and B.C.
- Accelerating customer service delivery dates.

Strengthening the spirit of the TELUS team and brand, and developing the best talent in the global communications industry

- Growing TELUS' business ownership culture with a team philosophy of "our business, our customers, our team, my responsibility" thereby attracting, developing and retaining great talent
  - Leading the way in corporate social responsibility as TELUS strives to be Canada's premier corporate citizen.
- 

#### 4. Capability to deliver results

The following discussion is qualified in its entirety by the Caution regarding forward-looking statements at the beginning of Management's discussion and analysis.

##### 4.1 Principal markets addressed and competitors

The principal markets addressed and competitors have not changed significantly from those described in TELUS' annual 2006 Management's discussion and analysis. Early indications are that implementing wireless number portability (WNP) in March 2007 has been a net contributing factor to increased subscriber loading (inbound porting exceeded outbound porting), but has also contributed to increased wireless customer retention costs (8.2% of network revenue in the second quarter of 2007 compared to 6.2% of network revenue in the same period in 2006) and increased subscriber churn (1.45% in the second quarter of 2007 compared to 1.30% in the same period in 2006).

##### 4.2 Operational capabilities

###### Regulation

Following the April 2007, Federal Government Order-in-Council that varied the conditions for forbearance from regulation of local services, TELUS filed forbearance applications for residential local services in Victoria, Vancouver, Calgary, Edmonton and Rimouski. TELUS later applied for deregulation of regulated business phone services in phone exchanges covering

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78 per cent of business lines in B.C. and Alberta, and 52 per cent in eastern Quebec. The CRTC granted forbearance for residential services in Fort McMurray on July 25, with additional rulings expected for Victoria, Vancouver, Calgary and Edmonton by early August. Forbearance was previously received for Fort McMurray, contingent on meeting competitor quality-of-service measures, which are now met. For further discussion, see Section 10.1 Regulatory.

Development of a new billing and client care system in the wireline segment

In late-March 2007, the Company converted more than one million wireline customers in Alberta to a new billing and client care system. The expected customer service and cost benefits of this project include streamlined and standardized processes and the elimination over time of multiple legacy information systems. During the second quarter of 2007, the transition from pilot to full scale implementation resulted in initial system difficulties that reduced order processing capability, which caused increased installation backlogs and higher than expected costs such as extra call centre resources in order to maintain service levels. The critical billing function performed as expected and at this time the backlogs have been significantly reduced and call centre operations are expected to return to normal levels. See Section 10.3 Process risks.

Transition to the new system reduced Wireline EBITDA by approximately \$29 million in the second quarter of 2007, including \$16 million of costs primarily related to additional temporary labour to perform system fixes and maintain service levels, as well as a one-time reduction of \$13 million in long distance revenue. The one-time revenue reduction resulted from system enhancements, which provided management with better data for estimating earned, but unbilled revenue.

AMP'D Mobile Canada

In early June, the U.S. based parent company AMP'D Mobile, Inc. entered bankruptcy proceedings in the U.S. As a result, AMP'D Mobile sales have been discontinued in Canada. TELUS' interim Consolidated financial statements for June 30, 2007 include a pre-tax write-off of its \$11.8 million equity investment in AMP'D Mobile, Inc. (reflected in Other expense, net) as well as pre-tax adjustments of approximately \$5 million for accelerated depreciation and approximately \$2 million in Operations expense.

### 4.3 Liquidity and capital resources

Capital structure financial policies (Note 3 of the interim Consolidated financial statements)

The Company monitors capital on a number of bases, including: net debt to total capitalization; net debt to EBITDA - excluding restructuring costs; and dividend payout ratio of sustainable net earnings. For further discussion and specific guidelines, see Section 7.4 Liquidity and capital resource measures. TELUS' 2007 financing plan was described in Section 9.3 of its 2006 Management's discussion and analysis. Progress against the financing plan is outlined below.

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TELUS' 2007 financing plan and results  
-----

Repurchase TELUS Common Shares and TELUS Non-Voting Shares under the normal course issuer bid (NCIB)

During the second quarter of 2007, a total of 2.7 million Common and Non-Voting Shares were repurchased for cancellation for an outlay of \$169.5 million. From December 20, 2004 to June 30, 2007, TELUS



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repurchased a total of 45.6 million Common and Non-Voting Shares for \$2.14 billion under three NCIB programs. See Section 7.3 Cash used by financing activities.

Pay dividends

The dividend declared in the second quarter of 2007, payable on July 1, was 37.5 cents per share, an increase of 36.4% from the dividend declared in the second quarter of 2006.

Use proceeds from securitized receivables and bank facilities, as needed, to supplement free cash flow and meet other cash requirements

During the second quarter of 2007, the balance of proceeds from securitized accounts receivable increased from \$150 million to \$550 million on May 31, and was later reduced to \$500 million at June 30. The proceeds were used for general corporate purposes including repayment of U.S. \$1,166.5 million 7.50% Notes that matured June 1.

Maintain a minimum \$1 billion in unutilized liquidity

TELUS had approximately \$1.3 billion of available liquidity from unutilized credit facilities at June 30, 2007. See Section 7.5 Credit facilities.

Maintain position of fully hedging foreign exchange exposure for indebtedness

Maintained for the 8.00% U.S. dollar Notes due 2011, the one remaining foreign currency-denominated debt issue.

Give consideration to refinancing all or a portion of U.S. dollar Notes in advance of its June 1, 2007 scheduled maturity

In March 2007, the Company publicly issued \$300 million 4.50%, Series CC, 2012 Canadian dollar Notes and \$700 million 4.95%, Series CD, 2017 Canadian dollar Notes. Proceeds from these debt issues, combined with a second quarter commercial paper issue of \$663.5 million and the second quarter increase in proceeds from securitized accounts receivable, were used for general corporate purposes and repayment of \$1,483.3 million for the June 1 maturity of U.S. \$1,166.5 million, 7.50% Notes.

Preserve access to the capital markets at a reasonable cost by maintaining investment grade credit ratings and targeting improved credit ratings in the range of BBB+ to A-, or the equivalent, in the future

At June 30, 2007, investment grade credit ratings from the four rating agencies that cover TELUS were in the desired range. Three of four credit rating agencies placed their outlooks under review on June 21, 2007, when TELUS announced that it was in non-exclusive discussions to acquire BCE. See Section 7.7 Credit Ratings.

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#### 4.4 Changes in internal control over financial reporting

There were no changes in internal control over financial reporting that have materially affected, or are reasonably likely to materially affect, the Company's internal control over financial reporting.

#### 5. Results from operations

##### 5.1 General

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The Company has two reportable segments: wireline and wireless. 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. Segmented information is regularly reported to the Company's Chief Executive Officer (the chief operating decision-maker). See Note 5 of the interim Consolidated financial statements.

### 5.2 Quarterly results summary

(\$ in millions, except per share amounts)	2007 Q2	2007 Q1	2006 Q4	2006 Q3
-----				
Segmented revenue (external)				
Wireline segment	1,180.1	1,205.6	1,234.3	1,200.3
Wireless segment	1,048.0	1,000.0	1,020.3	1,010.4
-----				
Operating revenues (consolidated)	2,228.1	2,205.6	2,254.6	2,210.7
Operations expense	1,340.3	1,436.6	1,368.6	1,245.8
Restructuring costs	3.2	4.7	7.9	12.5
-----				
EBITDA(1)	884.6	764.3	878.1	952.4
Depreciation	318.3	317.7	353.2	325.8
Amortization of intangible assets	72.5	49.6	53.9	57.5
-----				
Operating income	493.8	397.0	471.0	569.1
Other expense (income)	18.5	3.8	10.1	4.0
Financing costs	127.2	117.6	133.6	116.6
-----				
Income before income taxes and non-controlling interest	348.1	275.6	327.3	448.5
Income taxes	93.7	79.3	89.7	126.5
Non-controlling interests	1.3	1.5	1.4	2.4
-----				
Net income	253.1	194.8	236.2	319.6
=====				
Net income per Common Share and Non-Voting Share				
- basic	0.76	0.58	0.70	0.94
- diluted	0.75	0.57	0.69	0.92
Dividends declared per Common Share and Non-Voting Share	0.375	0.375	0.375	0.275
-----				

(\$ in millions, except per share amounts)	2006 Q2	2006 Q1	2005 Q4	2005 Q3
-----				
Segmented revenue (external)				
Wireline segment	1,189.9	1,198.6	1,209.9	1,198.6
Wireless segment	945.3	881.9	876.8	864.2
-----				
Operating revenues (consolidated)	2,135.2	2,080.5	2,086.7	2,062.8
Operations expense	1,207.4	1,201.1	1,316.8	1,221.5

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Restructuring costs	30.7	16.7	35.5	1.6
-----	-----	-----	-----	-----
EBITDA(1)	897.1	862.7	734.4	839.7
Depreciation	335.2	339.2	346.2	335.6
Amortization of intangible assets	46.9	63.9	67.0	73.6
-----	-----	-----	-----	-----
Operating income	515.0	459.6	321.2	430.5
Other expense (income)	9.6	4.3	9.3	7.1
Financing costs	127.5	127.0	171.7	144.8
-----	-----	-----	-----	-----
Income before income taxes and non-controlling interest	377.9	328.3	140.2	278.6
Income taxes	18.7	116.1	58.8	86.9
Non-controlling interests	2.6	2.1	2.9	1.6
-----	-----	-----	-----	-----
Net income	356.6	210.1	78.5	190.1
=====	=====	=====	=====	=====
Net income per Common Share and Non-Voting Share				
- basic	1.03	0.60	0.22	0.53
- diluted	1.02	0.60	0.22	0.53
Dividends declared per Common Share and Non-Voting Share	0.275	0.275	0.275	0.20
-----	-----	-----	-----	-----
-----	-----	-----	-----	-----

The consolidated revenue trend continues to reflect strong growth in wireless revenues generated from an increasing subscriber base and increasing average revenue per subscriber unit (ARPU). ARPU growth was due to increasing provision and adoption of wireless data services, which more than offset the declining voice component of ARPU. The consolidated revenue trend also reflected growth in wireline segment data revenue, while wireline voice local and long distance revenues continue to decrease due to substitution by wireless and Internet services, as well as competition from VoIP competitors and resellers.

Historically, there is significant fourth quarter seasonality with higher wireless subscriber additions and related acquisition costs and equipment sales, resulting in lower wireless EBITDA. The seasonality affects, to a lesser extent, the wireline high-speed Internet subscriber additions and related costs.

Operations expenses in the first and second quarter of 2007 included non-cash charges of \$173.5 million and \$1.8 million, respectively, for introducing a net-cash settlement feature for share option awards, as described earlier. Operations expenses in third and fourth quarter of 2005 were affected by temporary net labour disruption expenses of approximately \$65 million and \$52 million, respectively. Restructuring costs varied by quarter, depending on the progress of ongoing initiatives underway.

The downward trend in depreciation expense was interrupted by a fourth quarter 2006 provision of approximately \$17 million to align estimated useful lives for TELUS Quebec assets, resulting from integration of financial systems. The downward trend in Amortization of intangible assets was reversed in the second quarter 2007 with approximately \$18 million of additional amortization for a major new wireline billing and client care system being put into service in March. Amortization expenses in the second and fourth quarters of 2006 and the first quarter of 2007 were reduced by approximately \$12 million, \$5 million and \$5 million, respectively, for investment tax credits relating to assets capitalized in prior years that are now fully amortized, following a determination of eligibility by a government tax authority.

Within Financing costs shown in the table above, interest expenses

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trended lower except for the following items: (i) interest expense in respect of a court decision in a lawsuit related to a 1997 BC TEL bond redemption matter (including \$7.8 million in the fourth quarter of 2006); and (ii) a charge of \$33.5 million in the fourth quarter of 2005 for early redemption of \$1.578 billion of Notes. The early redemption of Notes on December 1, 2005, contributed to lower financing costs in the first half of 2006. Financing costs are net of varying amounts of interest income.

The generally upward trend in Net income and earnings per share reflect the items noted above as well as adjustments arising from legislated income tax changes and tax reassessments for prior years, including any related interest on reassessments.

Tax-related adjustments (\$ in millions, except EPS amounts)	2007 Q2	2007 Q1	2006 Q4	2006 Q3
Approximate Net income impact	10	4	20	30
Approximate EPS impact	0.03	0.01	0.06	0.09
Approximate basic EPS excluding tax-related impacts	0.73	0.57	0.64	0.85

Tax-related adjustments (\$ in millions, except EPS amounts)	2006 Q2	2006 Q1	2005 Q4	2005 Q3
Approximate Net income impact	118	(3)	(3)	17
Approximate EPS impact	0.34	(0.01)	(0.01)	0.05
Approximate basic EPS excluding tax-related impacts	0.69	0.61	0.23	0.48

### 5.3 Consolidated results from operations

(\$ in millions except EBITDA margin in % and Employees)	Quarters ended			Six-month periods		
	2007	2006	Change	ended June 30		
				2007	2006	Change
Operating revenues	2,228.1	2,135.2	4.4 %	4,433.7	4,215.7	5.2 %
Operations expense	1,340.3	1,207.4	11.0 %	2,776.9	2,408.5	15.3 %
Restructuring costs	3.2	30.7	(89.6) %	7.9	47.4	(83.3) %
EBITDA(1)	884.6	897.1	(1.4) %	1,648.9	1,759.8	(6.3) %
Depreciation	318.3	335.2	(5.0) %	636.0	674.4	(5.7) %
Amortization of intangible assets	72.5	46.9	54.6 %	122.1	110.8	10.2 %
Operating income	493.8	515.0	(4.1) %	890.8	974.6	(8.6) %

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Operations expense							
(as adjusted) (2)	1,338.5	1,207.4	10.9 %	2,601.6	2,408.5	8.0 %	
EBITDA							
(as adjusted) (2)	886.4	897.1	(1.2)%	1,824.2	1,759.8	3.7 %	
Operating income							
(as adjusted) (2)	495.6	515.0	(3.8)%	1,066.1	974.6	9.4 %	
EBITDA margin(3)	39.7	42.0	(2.3)pts	37.2	41.7	(4.5)pts	
EBITDA margin							
(as adjusted) (4)	39.8	42.0	(2.2)pts	41.1	41.7	(0.6)pts	
Full-time equivalent							
employees at end							
of period	32,362	29,157	11.0 %				

The following discussion is for the consolidated results of TELUS. Further detail by segment is provided for Operating revenues, Operations expense, Restructuring costs, EBITDA and Capital expenditures in Section 5.4 Wireline segment results, Section 5.5 Wireless segment results and Section 7.2 Cash used by investing activities - capital expenditures.

### Operating revenues

Consolidated Operating revenues increased by \$92.9 million and \$218.0 million, respectively, in the second quarter and first six months of 2007 when compared to the same periods in 2006. Wireless revenue and wireline data revenues continue to exceed erosion in wireline voice local and long distance revenues. In the second quarter of 2007, a one-time reduction of about \$13 million in long distance revenues resulted from billing system enhancements, which provided management with better data for estimating earned, but unbilled revenue.

### Operations expense

Consolidated Operations expense increased by \$132.9 million and \$368.4 million, respectively, in the second quarter and first six months of 2007 when compared to the same periods in 2006. The increases include non-cash charges for introducing a net-cash settlement feature for share option awards granted before 2005. Operations expense adjusted to exclude these non-cash charges increased by \$131.1 million and \$193.1 million, respectively, primarily to support the 11.3% year-over-year growth in the wireless subscriber base and growth in wireless network revenue. In addition, expenses in the wireline segment increased primarily due to billing system conversion costs and external labour costs to improve service levels. TELUS' net defined benefit pension plan expense decreased by approximately \$22 million and \$44 million, respectively, due primarily to favourable returns on plan assets in 2006.

The number of employees increased to support the wireline segment's provision of outsourcing services to TELUS' customers, including human resources outsourcing services and international call centre services, and to support the growing wireless segment subscriber base. The number of full-time equivalent employees providing outsourcing services to the Company's customers increased by about 1,049 at June 30, 2007 when compared to one year earlier, while elsewhere in the wireline segment the increase was 1,185 including temporary call centre staff to support billing system conversion. In the wireless segment, the number of full-time equivalent employees increased by 971 over the same period.

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### Restructuring costs

Restructuring costs decreased by \$27.5 million and \$39.5 million in the second quarter and first six months of 2007, respectively, when compared to the same periods in 2006. Restructuring expenses in 2007 were in respect of several smaller efficiency initiatives. The Company's estimate of restructuring costs for the full year of 2007, which arises from its competitive efficiency program, are not expected to exceed \$35 million.

### EBITDA

EBITDA decreased by \$12.5 million and \$110.9 million in the second quarter and first six months of 2007, respectively, when compared to the same periods in 2006. EBITDA adjusted to exclude the net-cash settlement feature expenses decreased by \$10.7 million in the second quarter and increased by \$64.4 million in the first six months. Wireline EBITDA (as adjusted) decreased by \$22.4 million and \$15.2 million, respectively, due to second quarter implementation impacts of a new wireline billing and client care system, including about \$13 million in reduced long distance revenues and \$16 million in conversion costs. Wireless segment EBITDA (as adjusted) increased by \$11.7 million and \$79.6 million, respectively, due to strong revenue growth partially offset by the increased cost of acquisition (COA) related to the higher gross subscriber additions, higher retention spend related to the implementation of wireless number portability, and to a lesser extent, higher operations costs to support subscriber growth.

### Depreciation and amortization expenses

Depreciation decreased by \$16.9 million and \$38.4 million in the second quarter and first six months of 2007, respectively, when compared to the same periods in 2006 primarily due to adjustments in the 2006 periods, partly offset by write-downs in 2007 for certain network equipment and accelerated depreciation of approximately \$5 million for assets related to AMP'D Mobile Canada services. Depreciation expense adjustments in 2006 included a reduction in the estimated useful service lives for computer servers and furniture as well as write-offs of certain other network assets.

Amortization of intangible assets increased by \$25.6 million and \$11.3 million in the second quarter and first six months of 2007, respectively, when compared to the same periods in 2006. The increase was mainly due to approximately \$18 million of additional expense for putting a new wireline billing and client care system into service in March 2007, partly offset by other intangible assets becoming fully amortized. In addition, amortization expenses were reduced by approximately \$5 million for the first six-months of 2007 and reduced by approximately \$12 million in the second quarter and first six months of 2006 to recognize investment tax credits relating to assets capitalized in prior years that are now fully amortized, following determination of eligibility by a government tax authority.

### Operating income

Operating income decreased by \$21.2 million and \$83.8 million in the second quarter and first six months of 2007, respectively, when compared to the same periods in 2006. When adjusted to exclude the net-cash settlement feature expense recorded in 2007, Operating income decreased by \$19.4 million in the second quarter and increased by \$91.5 million in the first six months. The decrease in the second quarter was caused mainly by lower wireline adjusted EBITDA and a higher amortization expense. The increase for the six-month period was due mainly to improved wireless adjusted EBITDA and lower net depreciation and amortization expenses.

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### Other income statement items

Other expense, net (\$ millions)	Quarters ended June 30			Six-month periods ended June 30		
	2007	2006	Change	2007	2006	Change
	18.5	9.6	92.7 %	22.3	13.9	60.4 %

Other expense in the second quarter of 2007 included an equity investment write-off of \$11.8 million for AMP'D Mobile Inc. Accounts receivable securitization expenses of \$5.0 million and \$8.1 million, respectively, in the second quarter and first six months of 2007, did not change significantly from same periods in 2006 (see Section 7.6 Accounts receivable sale).

Financing costs (\$ millions)	Quarters ended June 30			Six-month periods ended June 30		
	2007	2006	Change	2007	2006	Change
Interest on long-term debt, short-term obligations and other	126.8	125.5	1.0 %	246.1	252.5	(2.5)%
Foreign exchange losses (gains)	5.7	3.7	54.1 %	7.6	4.8	58.3 %
Interest income	(5.3)	(1.7)	n.m.	(8.9)	(2.8)	n.m.
	127.2	127.5	(0.2)%	244.8	254.5	(3.8)%

Interest expenses increased by \$1.3 million in the second quarter when compared with same period in 2006 primarily due to a higher average debt balance from the March bond issue and commercial paper issue ahead of the June 1 repayment of maturing debt. This more than offset the positive impact of a slightly lower effective interest rate. The \$6.4 million decrease in interest expenses for the first six months of 2007 when compared with same period in 2006 was mainly due to an adjustment for application of the effective rate method for issue costs as required under CICA Handbook Section 3855 (recognition and measurement of financial instruments). In March 2007, forward starting interest rate swaps were terminated and prepaid interest of approximately \$10 million was deferred and is being amortized over 10 years, which is the term of the new debt.

The Company's net debt, as calculated in Section 11.4, was \$6,240 million at June 30, 2007, down slightly from \$6,275 million one year earlier.

Interest income increased by \$3.6 million and \$6.1 million, respectively, in the second quarter and first six months of 2007 when compared with the same periods in 2006, due primarily to interest earned on short-term investments in 2007.

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Income taxes (\$ millions)	Quarters ended June 30			Six-month periods ended June 30		
	2007	2006	Change	2007	2006	Change
Blended federal and provincial statutory income tax based on net income before tax	116.9	125.8	(7.1)%	209.2	237.3	(11.8)%
Revaluation of future income tax liability	(24.2)	(107.0)	77.4 %	(27.9)	(107.0)	73.9 %
Share option award compensation	1.2	1.6	(25.0)%	(6.5)	3.1	n.m.
Other	(0.2)	(1.7)	88.2 %	(1.8)	1.4	n.m.
	93.7	18.7	n.m.	173.0	134.8	28.3 %
Blended federal and provincial statutory tax rates (%)	33.6	33.3	0.3 pts	33.5	33.6	(0.1)pts
Effective tax rates (%)	26.9	4.9	22.0 pts	27.7	19.1	8.6 pts

The decrease in the blended federal and provincial statutory income tax expense in the second quarter and first six months of 2007, when compared with the same periods in 2006, relates primarily to the decreases in income before taxes of 7.9% and 11.7%, respectively. Revaluation of the future income tax liability in the second quarter of 2007 arose from further reductions to future federal income tax rates as well as future tax rates being applied to temporary differences. The effective tax rates in 2006 were lower due to revaluation of future income tax liabilities because of enacted changes in federal tax rates in the second quarter of 2006.

Based on the assumption of the continuation of the rate of TELUS earnings, the existing legal entity structure, and no substantive changes to tax regulations, the Company expects to be able to substantially utilize its non-capital losses before the end of 2007. The Company's assessment is that the risk of expiry of such non-capital losses is remote. Under the existing legal entity structure, TELUS currently expects cash tax payments to be minimal in 2007, increasing in 2008, with substantial cash tax payments in 2009. The blended federal and provincial statutory tax rate for 2007 is expected to be approximately 33 to 34%.

Non-controlling interests (\$ millions)	Quarters ended June 30			Six-month periods ended June 30		
	2007	2006	Change	2007	2006	Change
	1.3	2.6	(50.0)%	2.8	4.7	(40.4)%

Non-controlling interests represents minority shareholders' interests in several small subsidiaries.



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### Comprehensive income

As discussed in Section 8.2 Accounting policy developments, commencing with the 2007 fiscal year, the Company adopted the recommendations of the Canadian Institute of Chartered Accountants (CICA) for accounting for comprehensive income (CICA Handbook Section 1530). Currently, the concept of comprehensive income for purposes of Canadian GAAP, in the Company's specific instance, is primarily to include changes in shareholders' equity arising from unrealized changes in the fair values of financial instruments (see Section 7.8). The calculation of earnings per share is based on Net income and Common Share and Non-Voting Share income, as required by GAAP.

#### 5.4 Wireline segment results

Operating revenues - wireline segment (\$ millions)	Quarters ended June 30			Six-month periods ended June 30		
	2007	2006	Change	2007	2006	Change
Voice local(1)	515.6	523.3	(1.5)%	1,047.7	1,058.9	(1.1)%
Voice long distance(2)	167.7	205.7	(18.5)%	355.3	413.5	(14.1)%
Data(3)	434.6	403.1	7.8 %	859.4	796.7	7.9 %
Other	62.2	57.8	7.6 %	123.3	119.4	3.3 %
External operating revenue	1,180.1	1,189.9	(0.8)%	2,385.7	2,388.5	(0.1)%
Intersegment revenue	28.7	24.8	15.7 %	53.8	48.3	11.4 %
Total operating revenues	1,208.8	1,214.7	(0.5)%	2,439.5	2,436.8	0.1 %

Network access lines (000s)	As at June 30			Six-month periods ended June 30		
	2007	2006	Change	2007	2006	Change
Residential network access lines	2,685	2,848	(5.7)%			
Business network access lines	1,793	1,771	1.2 %			
Total network access lines(1)	4,478	4,619	(3.1)%			
Change in residential network access lines	(56)	(52)	(7.7)%	(90)	(80)	(12.5)%

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Change in business network access lines	8	8	- %	20	8	150.0 %
-----						
Change in total network access lines	(48)	(44)	(9.1)%	(70)	(72)	2.8 %
-----						

Internet subscribers (000s)	As at June 30		
	2007	2006	Change
-----			
High-speed Internet subscribers	962.7	830.9	15.9 %
Dial-up Internet subscribers	172.2	216.8	(20.6)%
-----			
Total Internet subscribers(1)	1,134.9	1,047.7	8.3 %

	Quarters ended			Six-month periods		
	June 30			ended June 30		
(000s)	2007	2006	Change	2007	2006	Change
-----						
High-speed Internet net additions	13.9	29.2	(52.4)%	46.0	67.8	(32.2)%
Dial-up Internet net reductions	(9.4)	(11.0)	14.5 %	(21.9)	(19.3)	(13.5)%
-----						
Total Internet subscriber net additions	4.5	18.2	(75.3)%	24.1	48.5	(50.3)%
-----						

Revenues in the Wireline segment decreased by \$5.9 million in the second quarter and increased by \$2.7 million in the first six months of 2007, when compared with the same periods in 2006.

- Voice local revenue decreased by \$7.7 million and \$11.2 million, respectively, in the second quarter and first six months of 2007, when compared with the same periods in 2006. The decrease was due primarily to lower revenues from basic access and optional enhanced services arising from increased competition for residential subscribers offset in part by growth in business local services and price increases allowed under regulation. For the first six months of 2007, this was partly offset by first quarter recoveries of approximately \$14.5 million from the price cap deferral account, which offset unfavourable mandated retroactive rate adjustments for basic data revenue pursuant to two recent CRTC (Canadian Radio-television and Telecommunications Commission) decisions and included recovery of previously incurred amounts associated with mandated local number portability and start-up costs.

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Residential line losses include the effect of increased competition from resellers and VoIP competitors (including cable-TV companies, which have expanded their geographic coverage and introduced lower-priced telephony services), as well as technological substitution to wireless services. To a lesser degree, residential second lines decreased from migration of dial-up Internet subscribers to high-speed Internet service. The net increase in business lines was experienced in the Ontario and Quebec urban non-incumbent areas.

- Voice long distance revenues decreased by \$38.0 million and \$58.2 million, respectively, in the second quarter and first six months of 2007, when compared with the same periods in 2006 due primarily to lower average per-minute rates (due to industry-wide price competition) and lower business minute volumes, partly offset by increased consumer minute volumes. In addition, a one-time reduction of about \$13 million was recorded in the second quarter of 2007 as a result of system enhancements, which provided management with better data for estimating earned, but unbilled revenue.
- Wireline segment data revenues increased by \$31.5 million and \$62.7 million, respectively, in the second quarter and first six months of 2007, when compared with the same periods in 2006. This growth was primarily due to increased Internet, enhanced data and hosting service revenues from growth in business services and high-speed Internet subscribers. High-speed Internet subscriber net additions were lower than one year earlier, reflecting competitive markets and the impact by the new billing and client care system, which temporarily reduced the Company's order processing capability in the second quarter. Monthly rates for high-speed Internet services were raised by one dollar per month in the second quarter of 2006 for those customers not on rate protection plans, which contributed to an overall increase in average revenue per subscriber. Managed data revenues from the provision of business process outsourcing services to customers also increased.

Pursuant to CRTC Decision 2007-6 (relating to digital network access link charges) and CRTC Decision 2007-10 (relating to basic service extension feature charges), retroactive rate reductions totalling approximately \$11 million in basic data services revenues the first quarter of 2007. Data revenue for the first six months of 2007 grew by approximately \$74 million or 9.3% once adjusted to exclude the impact of these two mandated retroactive competitor price reductions.

- Other revenue increased by approximately \$4 million for both the second quarter and first six months of 2007 when compared with the same periods in 2006. The increase was due mainly to a reduction in the provision for quality-of-service rate rebates (see Section 10.1 Regulatory - Quality-of-service rebate program), partly offset by lower voice equipment sales.
- Intersegment revenue represents services provided by the wireline segment to the wireless segment. These revenues are eliminated upon consolidation together with the associated expense in the wireless segment.

-----  
Operating expenses -  
wireline segment

Quarters ended

Six-month periods

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(\$ millions, except employees)	June 30			ended June 30		
	2007	2006	Change	2007	2006	Change
Salaries, benefits and other employee-related costs, before net-cash settlement feature	428.0	417.0	2.6 %	856.9	830.2	3.2 %
Net-cash settlement feature expense	-	-	-	153.1	-	-
Other operations expenses	344.1	311.6	10.4 %	667.5	638.8	4.5 %
Operations expense	772.1	728.6	6.0 %	1,677.5	1,469.0	14.2 %
Restructuring costs	2.8	29.8	(90.6) %	7.2	44.7	(83.9) %
Total operating expenses	774.9	758.4	2.2 %	1,684.7	1,513.7	11.3 %
Operations expense (as adjusted) (1)	772.1	728.6	6.0 %	1,524.4	1,469.0	3.8 %
Total operating expenses (as adjusted) (1)	774.9	758.4	2.2 %	1,531.6	1,513.7	1.2 %
Full-time equivalent employees, end of period(2)	24,786	22,552	9.9 %			

Total Wireline operating expenses increased by \$16.5 million and \$171.0 million, respectively, in the second quarter and first six months of 2007, when compared with the same periods in 2006. Expenses in the second quarter included approximately \$16 million of additional costs related to the March billing and client care system conversion (of which approximately \$5 million was recorded in salaries and benefits for customer contact centres and \$11 million was recorded in other operations expenses primarily for external labour costs), as well as \$2 million in preparation costs for expected flooding in British Columbia.

### Operations expense:

- Salaries, benefits and employee-related expenses increased by \$11.0 million and \$26.7 million, respectively, in the second quarter and first six months of 2007, when compared with the same periods in 2006. The increase was mainly due to scheduled compensation increases and increased staffing, partly offset by a lower defined benefit pension plan expense.
- A non-cash charge of \$153.1 million was recorded in the first quarter of 2007 as a result of introducing a net-cash settlement feature for share option awards granted prior to 2005.
- Other operations expenses increased by \$32.5 million and \$28.7 million, respectively, in the second quarter and first six months of 2007, when compared with the same periods in 2006. Approximately half of the increase in the second quarter was due to higher external labour costs for billing/client care system support, installation/repair activity to improve service levels, and flood

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preparation costs. The remaining second quarter increases was due to network facility costs from higher customer demand, increased cost of sales as well as inflationary increases. The increase for the six-month period also included external labour costs to help clear backlogs caused by severe winter weather on the west coast early in 2007, partly offset by: (i) increased capitalization of labour related to the higher capital expenditure activity in 2007; (ii) lower transit and termination charges due to lower per-minute rates partly offset by higher outbound minute volumes; and (iii) lower expenses arising from CRTC decisions on basic service extension features and network access link charges.

Restructuring costs in 2007 were for several small efficiency initiatives and decreased by \$27.0 million and \$37.5 million, respectively, in the second quarter and first six months of 2007, when compared with the same periods in 2006.

EBITDA (\$ millions) and EBITDA margin (%) wireline segment	Quarters ended June 30			Six-month periods ended June 30		
	2007	2006	Change	2007	2006	Change
EBITDA	433.9	456.3	(4.9)%	754.8	923.1	(18.2)%
EBITDA (as adjusted) (1)	433.9	456.3	(4.9)%	907.9	923.1	(1.6)%
EBITDA margin	35.9	37.6	(1.7)pts	30.9	37.9	(7.0)pts
EBITDA margin (as adjusted)	35.9	37.6	(1.7)pts	37.2	37.9	(0.7)pts

Wireline EBITDA decreased by \$22.4 million and \$168.3 million, respectively, in the second quarter and first six months of 2007, when compared with the same periods in 2006, while Wireline EBITDA (as adjusted) decreased by \$22.4 million and \$15.2 million, respectively. The decrease to adjusted EBITDA resulted mainly from second quarter billing system conversion impacts of about \$29 million, including increased expenses of \$16 million and a one-time long distance revenue reduction of \$13 million. In addition, increased labour costs to deal with weather-related backlogs were approximately \$2 million in the second quarter of 2007 and approximately \$4 million in the first six months of 2007.

### 5.5 Wireless segment results

Operating revenues - wireless segment (\$ millions)	Quarters ended June 30			Six-month periods ended June 30		
	2007	2006	Change	2007	2006	Change
Network revenue	989.8	884.0	12.0 %	1,934.3	1,708.7	13.2 %
Equipment revenue	58.2	61.3	(5.1)%	113.7	118.5	(4.1)%

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External operating revenue	1,048.0	945.3	10.9 %	2,048.0	1,827.2	12.1 %
Intersegment revenue	6.7	5.2	28.8 %	13.0	11.1	17.1 %
-----						
Total operating revenues	1,054.7	950.5	11.0 %	2,061.0	1,838.3	12.1 %
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Key operating indicators

- wireless segment As at June 30  
(000s) 2007 2006 Change

Subscribers - postpaid(1)	4,236.0	3,840.5	10.3 %
Subscribers - prepaid	1,036.0	896.6	15.5 %
-----			
Subscribers - total(2)	5,272.0	4,737.1	11.3 %

Digital POPs(3)  
covered including  
roaming/resale  
(millions) (4)

	Quarters ended			Six-month periods		
	June 30			ended June 30		
	2007	2006	Change	2007	2006	Change

Subscriber gross additions - postpaid	219.2	205.7	6.6 %	392.5	385.4	1.8 %
Subscriber gross additions - prepaid	134.8	100.9	33.6 %	257.5	196.0	31.4 %
-----						
Subscriber gross additions - total	354.0	306.6	15.5 %	650.0	581.4	11.8 %
Subscriber net additions - postpaid	99.2	103.3	(4.0) %	160.0	173.7	(7.9) %
Subscriber net additions - prepaid	29.0	20.6	40.8 %	58.7	42.7	37.5 %
-----						
Subscriber net additions - total	128.2	123.9	3.5 %	218.7	216.4	1.1 %
ARPU (\$) (5)	63.65	63.18	0.7 %	62.85	61.76	1.8 %
Churn, per month (%) (5)	1.45	1.30	0.15 pts	1.40	1.32	0.8 pts
Lifetime revenue per subscriber (\$) (5)	4,390	4,860	(9.7) %	4,489	4,679	(4.1) %
COA(6) per gross subscriber addition (\$) (5)	425	394	7.9 %	431	411	4.9 %

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COA per gross subscriber addition to lifetime revenue (%) (5)	9.7	8.1	1.6 pts	9.6	8.8	0.8 pts
Average minutes of use per subscriber per month (MOU)	411	412	(0.2)%	397	399	(0.5)%
EBITDA (\$ millions)	450.7	440.8	2.2 %	894.1	836.7	6.9 %
EBITDA (as adjusted) (7) (\$ millions)	452.5	440.8	2.7 %	916.3	836.7	9.5 %
EBITDA to network revenue (%)	45.5	49.9	(4.4)pts	46.2	49.0	(2.8)pts
EBITDA (as adjusted) to network revenue (%)	45.7	49.9	(4.2)pts	47.4	49.0	(1.6)pts
Retention spend to network revenue (5) (%)	8.2	6.2	2.0 pts	7.8	6.2	1.6 pts
EBITDA excluding COA (\$ millions) (5)	601.1	561.7	7.0 %	1,174.0	1,075.5	9.2 %
EBITDA (as adjusted) excluding COA (\$ millions)	602.9	561.7	7.3 %	1,196.2	1,075.5	11.2 %

Wireless segment revenues increased by \$104.2 million and \$222.7 million, respectively, in the second quarter and first six months of 2007 when compared with the same periods in 2006, due to the following:

- Network revenue increased by \$105.8 million and \$225.6 million in the second quarter and first six months of 2007, respectively, when compared with the same periods in 2006. The increase was a result of the 11.3% expansion of the subscriber base combined with increased average revenue per subscriber unit per month. ARPU increased by \$0.47 in the second quarter of 2007, when compared to the same period in 2006, representing the 18th successive quarter of year-over-year growth, as increased data usage more than offset declining voice ARPU. Voice ARPU was \$57.07 in the second quarter of 2007, a decrease of \$1.66 or 2.8% from the same period in 2006, caused mainly by a greater mix of included-minute rate plans as voice minutes of use per subscriber per month (MOU) remained relatively steady. Similarly, voice ARPU declined by \$1.24 or 2.2% to \$56.43 for the first six months of 2007.

Data revenues increased to 10.4% of Network revenue, or \$103.2 million, in the second quarter of 2007 as compared with 7.1% of Network revenues, or \$62.8 million, in the second quarter of 2006 - reflecting a growth rate of 64.3%. Similarly, data revenues for the first six months of 2007 increased to 10.3% of Network revenue, or \$199.4 million, as compared with 6.7% of Network revenue, or \$114.1 million, for the same period in 2006 - reflecting a growth rate of 74.8%. Data ARPU increased by 47.9% to \$6.58 for the second quarter and increased by 57.0% to \$6.42 for the first six months of 2007 as compared with \$4.45 and \$4.09, respectively, for the same periods in 2006. This growth, driven by the significant increase in voice to data migrations, was principally related to text messaging, mobile computing, personal digital assistant (PDA) devices, Internet browser activities and pay-per-use downloads such as ringtones, music, games and videos.

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At June 30, 2007, postpaid subscribers represented 80.3% of the total cumulative subscriber base, remaining relatively stable from one year earlier. The 99,200 postpaid subscriber net additions for the second quarter of 2007 represented 77.4% of all net additions as compared with 103,300 or 83.4% of all net additions for the same period in 2006. Moreover, the 160,000 postpaid subscriber net additions for the first six months of 2007 represented 73.2% of all net additions as compared with 173,700 or 80.3% of all net additions for the same period in 2006. Total net subscriber additions increased in the second quarter and first six months of 2007 as compared with the same periods in 2006 as a result of the growth in prepaid net subscriber additions.

The blended churn rate increased in the second quarter and first six months of 2007 when compared with the respective periods in 2006. The postpaid monthly churn rates for the second quarter and first six months of 2007 were approximately one per cent, increasing slightly over the same periods last year. The prepaid churn rates also increased slightly in the second quarter and first six months of 2007 when compared with the same periods in 2006. Total deactivations were 225,800 for the second quarter and 431,300 for the first six months of 2007 as compared with 182,700 and 365,000, respectively, for the same periods last year. Wireless number portability had a full quarter impact on churn and deactivation results for the first time since its implementation in late-March 2007.

- Equipment sales, rental and service revenue decreased by \$3.1 million and \$4.8 million, respectively, in the second quarter and first six months of 2007 when compared with the same periods in 2006. The decreases, despite continued subscriber growth and higher retention activity, were principally due to a shift in product mix and increased promotional activity related to wireless number portability. Gross subscriber additions were 354,000 for the second quarter of 2007 (a record second quarter loading for TELUS) and 650,000 for the first six months of 2007 as compared with 306,600 and 581,400, respectively, for the same periods in 2006. The increase in gross additions included the impact of increased competitive porting-in as a result of wireless number portability. Handset revenues associated with gross subscriber activations are included in COA per gross subscriber addition.
  
- Intersegment revenues represent services provided by the wireless segment to the wireline segment and are eliminated upon consolidation along with the associated expense in the wireline segment.

Operating expenses - wireless segment (\$ millions, except employees)	Quarters ended June 30			Six-month periods ended June 30		
	2007	2006	Change	2007	2006	Change
Equipment sales expenses	166.6	136.9	21.7 %	312.0	263.1	18.6 %
Network operating expenses	126.7	111.6	13.5 %	241.3	217.5	10.9 %
Marketing expenses	114.6	92.0	24.6 %	215.4	185.8	15.9 %
General and administration						



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expenses	195.7	168.3	16.3 %	397.5	332.5	19.5 %
Operations expense	603.6	508.8	18.6 %	1,166.2	998.9	16.7 %
Restructuring costs	0.4	0.9	(55.6)%	0.7	2.7	(74.1)%
Total operating expenses	604.0	509.7	18.5 %	1,166.9	1,001.6	16.5 %
Operations expense (as adjusted) (1)	601.8	508.8	18.3 %	1,144.0	998.9	14.5 %
Total operating expenses (as adjusted) (1)	602.2	509.7	18.1 %	1,144.7	1,001.6	14.3 %
Full-time equivalent employees at end of period	7,576	6,605	14.7 %			

Wireless segment total operating expenses increased by \$94.3 million and \$165.3 million, respectively, in the second quarter and first six months of 2007 when compared with the same periods in 2006. Total operating expenses as adjusted to exclude the 2007 non-cash charges for share option awards expense increased by \$92.5 million and \$143.1 million, respectively, to promote, acquire, retain and support 11.3% year-over-year growth in the subscriber base and the significant increase in Network revenue.

- Equipment sales expenses increased by \$29.7 million and \$48.9 million, respectively, in the second quarter and first six months of 2007 when compared with the same periods in 2006, due principally to an increase in gross subscriber activations and increased retention activity related to wireless number portability combined with a greater mix of data products but, partially offset by favourable exchange rates. Handset costs including data equipment associated with gross subscriber activations are included in COA per gross subscriber addition.
- Network operating expenses increased by \$15.1 million and \$23.8 million in the second quarter and first six months of 2007, respectively, when compared with the same periods in 2006. The increases were principally due to higher transmission and site-related expenses to support the greater number of cell sites, a larger subscriber base, third party data content providers, and improved network quality and coverage. Moreover, expenses for the first six months of 2007 were net of a reduction arising from CRTC Decision 2007-6 related to retail network access link charges.
- Marketing expenses increased by \$22.6 million and \$29.6 million in the second quarter and first six months of 2007, respectively, when compared with the same periods in 2006, primarily due to higher advertising and promotions costs driven by wireless number portability and increased dealer compensation costs related to the higher gross subscriber additions and increased retention activity. Despite higher prepaid gross additions, COA per gross subscriber addition increased by \$31 or 7.9% in the second quarter as compared with the same period last year. The increase was principally related to higher subsidies on certain popular handsets driven by competitive activity and higher advertising and promotion spending related to wireless number portability and new product launches. Similarly, COA increased by \$20 or 4.9% for the first six months of 2007. Wireless

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number portability also contributed to increased retention costs, which as a percentage of network revenue, were 8.2% and 7.8%, respectively, in the second quarter and first six months of 2007, as compared to 6.2% in the same periods in 2006. Despite higher ARPU, the lifetime revenue per subscriber decreased in the second quarter and first half of 2007 because of the increased churn rates. Consequently, COA as a percentage of lifetime revenue increased in the second quarter and first six months of 2007.

- General and administration expense increased by \$27.4 million and \$65.0 million in the second quarter and first six months of 2007, respectively, when compared with the same periods in 2006. Excluding non-cash charges for share option awards granted before 2005, general and administration expenses grew by \$25.6 million and \$42.8 million for the second quarter and first six months of 2007, respectively. The increases were principally due to the 14.7% increase in employees to support the significant growth in Network revenue, subscriber base, and continued expansion of the client care team and company-owned retail stores.
- Restructuring costs were in respect of the Company's operational efficiency program.

EBITDA (\$ millions) and EBITDA margin (%) wireless segment	Quarters ended June 30			Six-month periods ended June 30		
	2007	2006	Change	2007	2006	Change
EBITDA	450.7	440.8	2.2 %	894.1	836.7	6.9 %
EBITDA (as adjusted) (1)	452.5	440.8	2.7 %	916.3	836.7	9.5 %
EBITDA margin	42.7	46.4	(3.7)pts	43.4	45.5	(2.1)pts
EBITDA margin (as adjusted)	42.9	46.4	(3.5)pts	44.5	45.5	(1.0)pts

Wireless segment EBITDA increased by \$9.9 million and \$57.4 million, respectively, in the second quarter and first six months of 2007 when compared with the same periods in 2006. When adjusted to exclude the non-cash charge for options expense in 2007, EBITDA increased by \$11.7 million and \$79.6 million, respectively, due to strong revenue growth partially offset by the increased COA related to the improved gross additions, higher retention spend related to the implementation of wireless number portability, and to a lesser extent, higher operations costs to support growth in the total subscriber base.

### 6. Financial condition

The following are changes in the Consolidated balance sheets in the six-month period Notional Carrying Fair June 30, 2007.

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(\$ millions)	June 30, 2007	Dec. 31, 2006 (adjusted)	Changes		Explanation of the change in balance
<hr/>					
Current Assets					
Cash and temporary investments, net	2.2	(11.5)	13.7	n.m.	See Section 7. Liquidity and capital resources
Short-term investments	54.8	110.2	(55.4)	(50.3)%	Liquidation of some investments of surplus cash
Accounts receivable	571.8	707.2	(135.4)	(19.1)%	Lower days outstanding on wireline receivables, a decrease in wireless voice ARPU and receivables from dealers, and receipt of inducements for renegotiated building leases
Income and other taxes receivable	99.2	95.4	3.8	4.0 %	-
Inventories	158.8	196.4	(37.6)	(19.1)%	Primarily a seasonal reduction of wireless handset inventories
Prepaid expenses and other	291.7	195.3	96.4	49.4 %	Primarily prepayment of annual property taxes and wireless licence fees as well as accrued and prepaid employee benefits, all net of amortization
Current portion derivative assets	48.7	40.4	8.3	20.5 %	Primarily new net cash-settled equity swaps offset by the maturity of cross-currency swaps related to the notes maturing June 1
<hr/>					
Current Liabilities					
Accounts payable and accrued liabilities	1,547.9	1,363.6	184.3	13.5 %	Primarily increases in the liability for net-cash settled share options and NCIB purchases awaiting settlement
Income and	6.7	10.3	(3.6)	(35.0)%	-

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other taxes payable						
Restructuring accounts payable and accrued liabilities	28.8	53.1	(24.3)	(45.8)%	Payments under previous and current programs exceeded new obligations	
Advance billings and customer deposits	609.4	606.3	3.1	0.5 %	Primarily increased billings and customer deposits, net of draw-downs from price cap deferred revenue	
Current maturities of long-term debt	6.4	1,433.5	(1,427.1)	(99.6)%	Repayment of U.S. dollar notes that matured June 1 and medium-term TCI notes that matured in February	
Current portion of derivative liabilities	10.1	165.8	(155.7)	(93.9)%	Maturity of cross-currency swaps related to the note maturing June 1, partly offset by changes to U.S. currency forward contracts	
Current portion of future income taxes	258.1	137.2	120.9	88.1 %	An increase in temporary differences for current assets and liabilities as well as partnership taxable income that will be allocated in the next 12 months. The December 31, 2006 balance includes a reclassification of \$44 million from long-term future income taxes. See Note 2(c) of the interim Consolidated financial statements	
Working capital(1)	(1,240.2)	(2,436.4)	1,196.2	49.1 %	Mainly repayment of the current maturities of long-term debt. See Section 7.3 Cash used by financing activities	
Capital	11,076.6	10,982.1	94.5	0.9 %	See Sections 5.3	

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Assets, Net					Consolidated results from operations - Depreciation and amortization and 7.2 Cash used by investing activities
-----					
Other Assets					
Deferred charges	1,064.6	956.6	108.0	11.3 %	Primarily pension plan contributions and pension recoveries resulting from favourable returns on plan assets
Investments	30.6	35.2	(4.6)	(13.1)%	Includes an \$11.8 million write-off of an equity investment in AMP'D Mobile, Inc., net of new investments and fair value adjustments
Goodwill	3,168.8	3,169.5	(0.7)	0.0 %	-
-----					
Long-Term Debt	4,800.5	3,474.7	1,325.8	38.2 %	Includes notes issued in March and commercial paper issued in May, net of the repayment of bank facilities and a reduction in the Canadian dollar value of 2011 U.S. dollar notes
-----					
Other Long-Term Liabilities	1,644.4	1,257.3	387.1	30.8 %	Primarily foreign exchange rate changes and a fair value adjustment of the deferred hedging liability associated with 2011 U.S. dollar notes
-----					
Future Income Taxes	1,018.6	1,023.3	(4.7)	(0.5)%	A decrease in temporary differences for long-term assets and liabilities
-----					
Non-Controlling Interests	22.1	23.6	(1.5)	(6.4)%	-
-----					
Shareholders' Equity					
Common equity	6,614.8	6,928.1	(313.3)	(4.5)%	Decreased primarily due to NCIB expenditures of

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\$370.2 million, dividends of \$250.9 million and transitional amounts for accumulated other comprehensive income of \$176.2 million; partly offset by Net income of \$447.9 million and Other comprehensive income of \$51.9 million.

7. Liquidity and capital resources

7.1 Cash provided by operating activities

(\$ millions)	Quarters ended June 30			Six-month periods ended June 30		
	2007	2006	Change	2007	2006	Change
	1,061.9	813.0	30.6 %	1,522.5	1,486.1	2.4 %

Cash provided by operating activities increased by \$248.9 million and \$36.4 million, respectively, in the second quarter and first six months of 2007, when compared with the same periods in 2006. Changes in cash provided by operating activities included:

- EBITDA decreased by \$12.5 million and \$110.9 million, respectively, in the second quarter and first six months of 2007, when compared to the same periods in 2006;
- Share-based compensation payments in excess of the expense included in EBITDA increased by \$21.6 million in the second quarter of 2007 when compared with the same period in 2006. Share-based compensation expense in excess of payments in the first six months of 2007 increased by \$108.6 million when compared with the same period in 2006;
- Employer contributions to employee defined benefit plans decreased by \$30.3 million and \$26.9 million, respectively, in the second quarter and first six months of 2007, when compared to the same periods in 2006 mainly due to accelerated funding in 2006;
- Interest paid decreased by \$53.0 million and \$42.5 million, respectively, in the second quarter and first six months of 2007 when compared to the same periods in 2006. The decrease in the second quarter was due to the paid amounts in the second quarter of 2006 including \$31.2 million for terminating cross currency interest rate

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swaps as well as partial payment of interest in respect of a court decision in a lawsuit regarding a 1997 BC TEL bond redemption matter. The decrease for the six-month period was caused by the same reasons, partly offset by repayment of forward starting interest rate swaps in the first quarter of 2007.

- Interest received decreased by \$15.8 million in the first six months of 2007 when compared to the same period in 2006, due to the receipt of interest on tax refunds in the first quarter of 2006;
- Income taxes received net of installment payments decreased by \$92.4 million in the first six months of 2007 when compared to the same period in 2006, due mainly to collection of income taxes receivable during first quarter of 2006;
- Cash provided by a decrease in Short-term investments was approximately \$55 million during the second quarter and first six months of 2007;
- Proceeds from securitized accounts receivable increased by a net \$350 million during the second quarter of 2007, compared with an increase of \$135 million during the second quarter of 2006 for a comparative increase in operating cash flow of \$215 million. Proceeds from securitized accounts receivable were unchanged during the first six months of 2007, compared with a net increase of \$35 million during the first six months of 2006 for a comparative decrease of \$35 million in operating cash flow for the six-month period; and
- Other changes in non-cash working capital for the respective periods.

### 7.2 Cash used by investing activities

(\$ millions)	Quarters ended			Six-month periods		
	June 30			ended June 30		
	2007	2006	Change	2007	2006	Change
	477.8	486.1	(1.7)%	870.1	802.2	8.5 %

Cash used by investing activities decreased by \$8.3 million in the second quarter of 2007 and increased by \$67.9 million in the first six months of 2007, when compared with the same periods in 2006. The decrease in the second quarter was primarily due to \$19.5 million for acquisitions in 2006. Capital expenditures increased by \$23.3 million and \$84.4 million, respectively, in the second quarter and first six months of 2007, when compared to the same periods in 2006 (see below).

Assets under construction were \$603.8 million at June 30, 2007, a decrease of \$121.6 million from December 31, 2006. The decrease primarily reflects a transfer of \$342.1 million to intangible assets subject to amortization in the first quarter of 2007 for activation of certain phases of the new consolidated wireline billing and client care system, net of increases in other assets under construction during 2007.

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Capital expenditures (\$ in millions, ratios in %)	Quarters ended June 30			Six-month periods ended June 30		
	2007	2006	Change	2007	2006	Change
Wireline segment	308.7	311.4	(0.9)%	579.4	570.4	1.6 %
Wireless segment	173.1	147.4	17.4 %	284.3	208.9	36.1 %
TELUS consolidated capital expenditures	481.8	458.8	5.0 %	863.7	779.3	10.8 %
Capital expenditure intensity ratio(1)	21.6	21.5	0.1 pts	19.5	18.5	1.0 pt
EBITDA less capital expenditures(2)	402.8	438.3	(8.1)%	785.2	980.5	(19.9)%
EBITDA (as adjusted) less capital expenditures(2)	404.6	438.3	(7.7)%	960.5	980.5	(2.0)%

TELUS' capital intensity ratio in the second quarter of 2007 was similar to the same period in 2006. For the first six months of 2007, capital expenditures are tracking towards the annual guidance of approximately \$1.75 billion, which implies higher capital intensity. See Section 9: Annual guidance for 2007. TELUS' EBITDA (as adjusted) less capital expenditures decreased primarily because of higher capital expenditures levels in 2007, largely offset by higher EBITDA (as adjusted) for the six month period.

- Wireline segment capital expenditures decreased by \$2.7 million in second quarter of 2007 and increased by \$9.0 million in the first six months of 2007 when compared to the same periods in 2006. Expenditures decreased for billing and client care system development in both the second quarter and first six months of 2007 as a result of putting the system into service in March. Up-front capital investment to support new enterprise customers in Central Canada as well as expenditures for network sustainment increased for both the second quarter and first six months of 2007. Wireline capital expenditure intensity levels in 2007 were 25.5% for the second quarter and 23.8% for the first six months of 2007 – similar to 2006. Wireline cash flow (EBITDA less capital expenditures) was \$125.2 million and \$175.4 million, respectively, in the second quarter and first six months of 2007, or decreases of 13.6% and 50.3%, respectively, from the same periods in 2006. Wireline cash flow based on EBITDA (as adjusted) for the first six months of was \$328.5 million in the first six months of 2007, a decrease of 6.9% from the same period in 2006.
- Wireless segment capital expenditures increased by \$25.7 million and \$75.4 million, respectively, in the second quarter and first six months of 2007 when compared to the same periods in 2006. The increases were principally related to continued enhancement of digital wireless capacity and coverage, and strategic investments in high-speed EVDO Rev A wireless network technology. Wireless capital expenditure intensity levels in 2007 were 16.4% for the second quarter and 13.8% for the first six months of 2007 as compared to 15.5% and 11.4%, respectively, for the same periods in 2006. Wireless cash flows (EBITDA less capital expenditures) were \$277.6 million in



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the second quarter and \$609.8 million for the first six months of 2007 representing declines of 5.4% and 2.9%, respectively. Wireless cash flows based on EBITDA (as adjusted) were \$279.4 million in the second quarter, a decrease of 4.8% from the same period in 2006, and was \$632.0 million for the first six months of 2007, an increase of 0.7%, from the same period in 2006.

### 7.3 Cash used by financing activities

(\$ millions)	Quarters ended			Six-month periods		
	2007	June 30 2006	Change	2007	2006	Change
	1,115.9	344.4	n.m.	638.7	711.1	(10.2)%

Cash used by financing activities increased by \$771.5 million in the second quarter of 2007 and decreased by \$72.4 million in the first six months of 2007, when compared with the same periods in 2006:

- Proceeds from Common Shares and Non-Voting Shares issued were \$0.2 million in the second quarter of 2007 and \$0.6 million for the first six months of 2007, as compared to \$12.5 million and \$45.7 million, respectively, in the same periods in 2006. The decreases were due to implementation of the net-cash settlement feature for share option awards granted prior to 2005 and the introduction of the net equity settlement feature in May 2006.
- Cash dividends paid to shareholders were \$125.0 million in the second quarter of 2007 and \$250.9 million in the first six months of 2007, representing increases of approximately 32% when compared to the same periods in 2006. The increases were due to the higher quarterly dividend paid per share, partly offset by lower average shares outstanding.
- The Company's renewed NCIB program (Program 3) came into effect on December 20, 2006 and is set to expire on December 19, 2007. At June 30, 2007, the Company has purchased 19% of the maximum 12 million Common shares and 34% of the maximum 12 million Non-Voting Shares under this program. From December 20, 2004 to June 30, 2007, TELUS repurchased approximately 18.7 million Common Shares and 26.9 million Non-Voting Shares for \$2.14 billion under three NCIB programs.

The following table shows quarterly purchases under NCIB programs for 2007 and 2006.

#### Normal course issuer bid programs

Shares repurchased	Purchase cost (\$ millions)	
	Charged	Charged

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By program	Common Shares	Non-Voting Shares	Total	to Share capital (1)	to Retained earnings (2)	Paid
-----						
2006						
(Program 2)						
First quarter	1,783,300	3,334,500	5,117,800	93.3	138.3	231.6
Second quarter	2,913,600	2,643,300	5,556,900	93.0	156.4	249.4
-----						
Six months	4,696,900	5,977,800	10,674,700	186.3	294.7	481.0
=====						
2007						
(Program 3)						
First quarter	1,975,000	1,530,000	3,505,000	57.8	142.9	200.7
Second quarter	330,000	2,367,300	2,697,300	55.0	114.5	169.5
-----						
Six months	2,305,000	3,897,300	6,202,300	112.8	257.4	370.2
=====						

(1) Represents the book value of shares repurchased

(2) Represents the cost in excess of the book value of shares repurchased