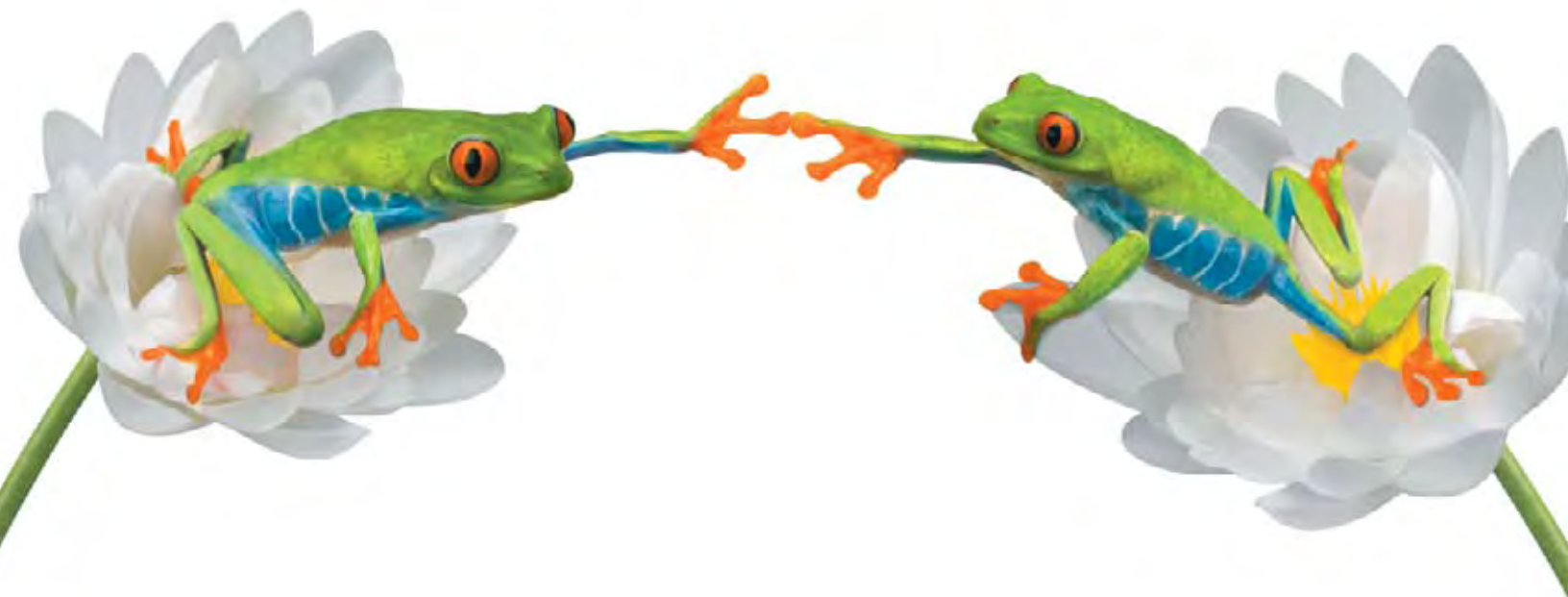


# growing together



# growing together

TELUS is a leading national telecommunications company in Canada, with \$8.7 billion in annual revenue and 10.7 million customer connections including 5.1 million wireless subscribers, 4.5 million wireline network access lines and 1.1 million Internet subscribers. As a result of our national growth strategy, in 2006, revenue grew by seven per cent and total connections increased by 504,000. TELUS provides a wide range of communications products and services including data, Internet protocol (IP), voice, entertainment and video. Committed to being Canada's premier corporate citizen, in the past six years TELUS has contributed more than \$76 million to charitable and non-profit organizations, and has established seven TELUS Community Boards across Canada to lead its local philanthropic initiatives.

## what's inside

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## something to croak about

In the spirited nature of TELUS, tree frogs Lilly and Paddy have been chosen to grace the pages of this year's annual report. They are the perfect pair to illustrate the heights we jumped to in 2006. Better yet, we have done it together. And that is something to croak about.



For detailed financial information, refer to the 2006 annual report – financial review. The TELUS annual report in its entirety can also be viewed anytime online at [telus.com/annualreport](http://telus.com/annualreport).



### forward-looking statements summary

This document contains statements about expected future events and financial and operating results of TELUS 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 the 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 assumptions, actual future results and events to differ materially from those expressed in the forward-looking statements. Accordingly this document is subject to the disclaimer and qualified in its entirety by the assumptions (including assumptions for 2007 targets), qualifications and risk factors referred to in the Management's discussion and analysis starting on page 12 of the TELUS 2006 annual report – financial review.

All financial information is reported in Canadian dollars unless otherwise specified.

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# why invest in TELUS



Invest in a Canadian telecommunications operating company that, by consistently following its strategy, has significant and growing wireless exposure, potential investment upside from earnings per share growth and strong free cash flow generation, and a track record of returning capital to investors.

## We are growing together:

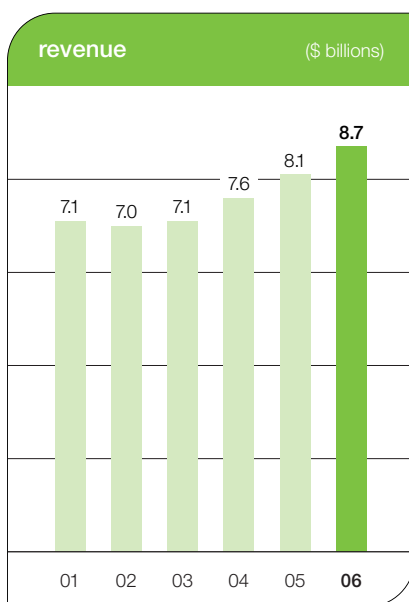
- As one of the top-performing telcos in North America, delivering a consistent growth strategy in Canada focused on wireless and data
- With a track record of setting and achieving the vast majority of our consolidated financial and operating targets
- With 44% of revenues coming from the robust and growing Canadian wireless market
- By leveraging our competitive advantage with a strong brand and an integrated suite of innovative wireline and wireless services
- With a commitment to invest in future growth areas including high-speed broadband and wireless networks
- Based on a strong balance sheet and a history of balancing the interests of both shareholders and debt holders
- With a public dividend payout ratio guideline of 45 to 55% of sustainable net earnings, which led to a third successive sizeable increase in the dividend, up 36%, beginning January 1, 2007
- Through a third share buyback program for up to 24 million shares
- With continued external recognition for corporate governance best practices and 12 years of award-winning financial reporting and disclosure
- Through a commitment to corporate social responsibility

# 2006 highlights

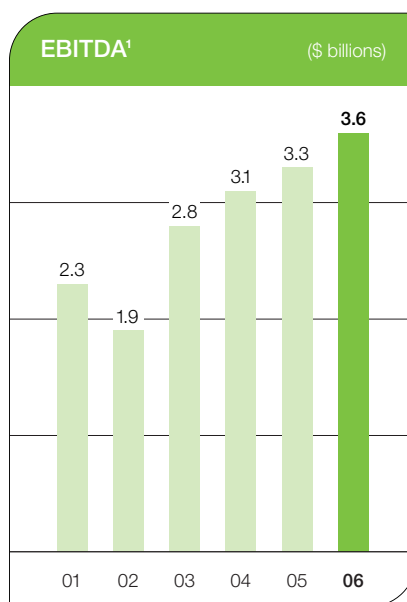


- Achieved four of five consolidated targets, largely driven by our national wireless business and earnings from our non-incumbent operations in Central Canada
- Generated record operating revenues from growth in wireless and wireline data
- Increased operating income mainly due to growth in wireless subscribers and average revenue per customer
- Improved free cash flow by 9%
- Grew subscriber connections by 504,000 or 5% – wireless subscribers were up 12%, Internet subscribers were up 11% and network access lines decreased 3%
- Increased quarterly dividend by 36% to 37.5 cents per share (\$1.50 annualized), effective January 1, 2007

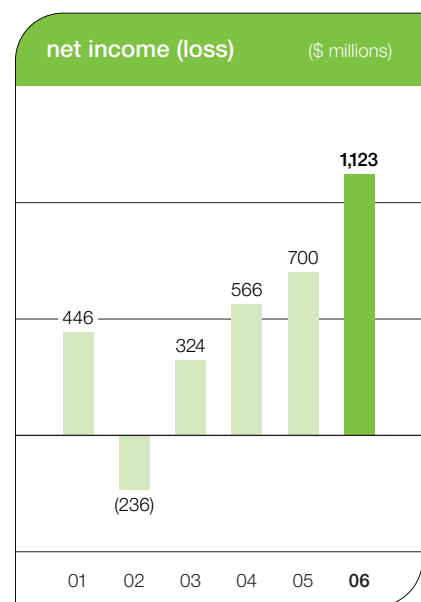
open for TELUS at a glance →



Revenue increased 7% due to strong growth in wireless and wireline data revenues



EBITDA increased 9% (5% excluding 2005 labour disruption impacts) mainly due to strong wireless performance

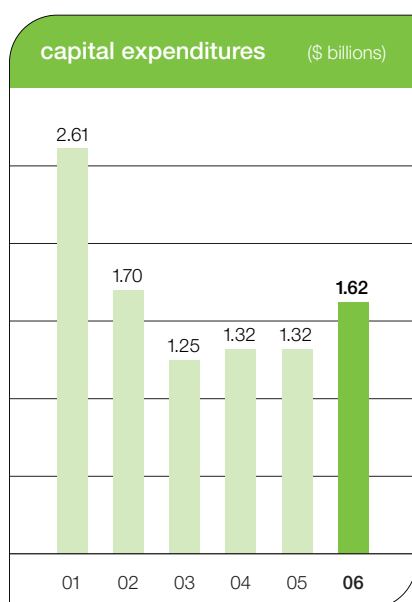


Net income grew by 60% mainly driven by EBITDA growth, reduced financing costs and positive tax-related impacts

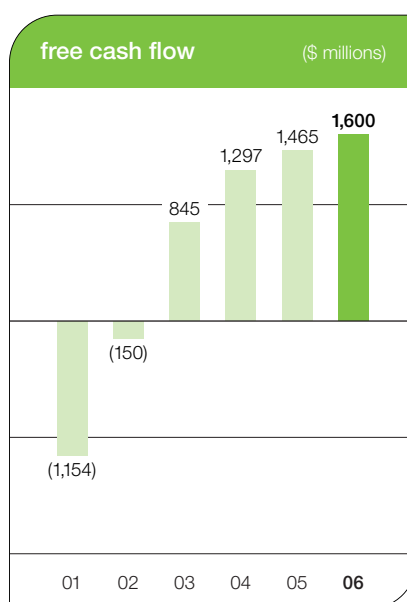
# financial and operating highlights

(\$ in millions except per share amounts)	2006	2005	% change
<b>Operations</b>			
Operating revenues	\$ 8,681	\$ 8,143	6.6
EBITDA <sup>1</sup>	\$ 3,590	\$ 3,295	9.0
Operating income	\$ 2,015	\$ 1,672	20.5
Net income	\$ 1,123	\$ 700	60.3
Basic earnings per share	\$ 3.27	\$ 1.96	66.8
Dividends declared per share	\$ 1.20	\$ 0.875	37.1
Dividend payout ratio (%) <sup>2</sup>	46	56	–
Return on common equity (%)	16.3	9.9	–
Cash from operations <sup>3</sup>	\$ 2,804	\$ 2,915	(3.8)
Capital expenditures	\$ 1,618	\$ 1,319	22.7
<b>Financial position</b>			
Total assets	\$ 16,508	\$ 16,222	1.8
Net debt <sup>4</sup>	\$ 6,278	\$ 6,294	(0.3)
Net debt to EBITDA ratio <sup>5</sup>	1.7	1.9	–
Free cash flow <sup>6</sup>	\$ 1,600	\$ 1,465	9.2
Shareholders' equity	\$ 6,928	\$ 6,870	0.8
Market capitalization of equity <sup>7</sup>	\$ 17,848	\$ 16,557	7.8
<b>Other information</b>			
Wireless subscribers (000s)	5,056	4,521	11.8
Network access lines (000s)	4,548	4,691	(3.0)
Total Internet subscribers (000s)	1,111	999	11.2
Total subscriber connections (000s)	10,715	10,211	4.9

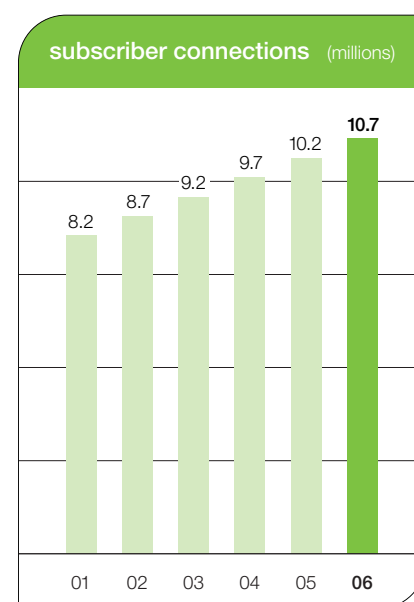
- Earnings before interest, taxes, depreciation and amortization, calculated as Operating revenues less Operations expense less Restructuring and workforce reduction costs.
- Last quarterly dividend declared per share in the respective reporting period, annualized, divided by the sum of Basic earnings per share reported in the most recent four quarters.
- Cash provided by operating activities.
- The summation of Long-term debt, current maturities of long-term debt, net deferred hedging liability related to U.S. dollar Notes, and proceeds from securitized accounts receivable, less Cash and temporary investments.
- Net debt at the end of the period divided by 12-month trailing EBITDA (excluding Restructuring and workforce reduction costs).
- EBITDA, adding Restructuring and workforce reduction costs, cash interest received and excess of share compensation expense over share compensation payments, subtracting cash interest paid, cash taxes, capital expenditures, and cash restructuring payments.
- Market value based on year-end closing share prices and shares outstanding.



Capital expenditures increased due to deferrals from the 2005 labour disruption and increased wireline infrastructure investments



Free cash flow grew by \$135 million due to higher EBITDA and lower interest expense, partly offset by higher capital expenditures



Subscriber connections increased 4.9% due to strong growth in wireless and high-speed Internet subscribers

# TELUS wireless



## who we are

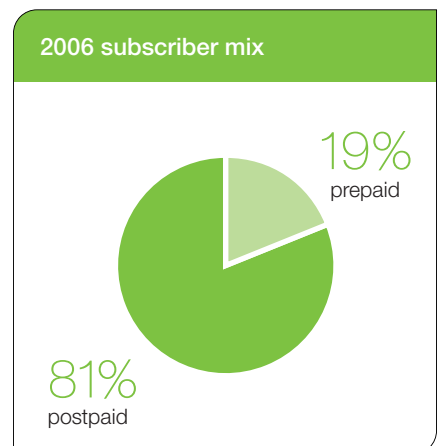
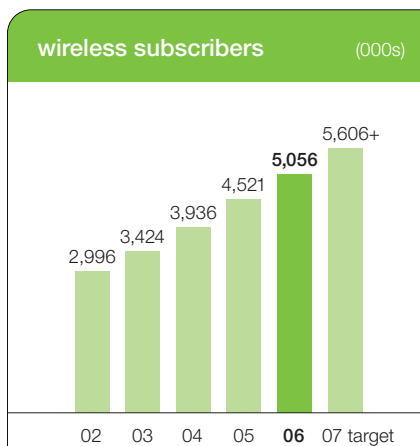
- A national wireless provider with 5.1 million consumer and business subscribers, and extensive digital coverage to 95% of Canada's population
- A North American industry leader in cash flow yield and operating margins, with the highest average revenue per unit in Canada among national operators
- A national provider of integrated digital wireless voice, data and Internet services, including innovative Push To Talk™ (PTT) services with Mike®, Canada's only iDEN network, and a nationwide digital PCS (CDMA) network, including 1X and high-speed (EVDO) data capabilities

## our products and services

**digital voice** – PCS (postpaid and Pay & Talk® prepaid) and Mike all-in-one (iDEN); Push To Talk capability on both Mike (Direct Connect®) and PCS (Instant Talk®)

**Internet** – TELUS SPARK™ services including wireless web, text, picture and video messaging, music, ringtones, image and game downloads, TELUS Mobile Music®, TELUS Mobile Radio™ and TELUS Mobile TV™, and Wi-Fi Hotspots

**data** – devices including PC cards and personal digital assistants (PDAs) available for use on wireless high-speed (EVDO), 1X and Mike packet data networks

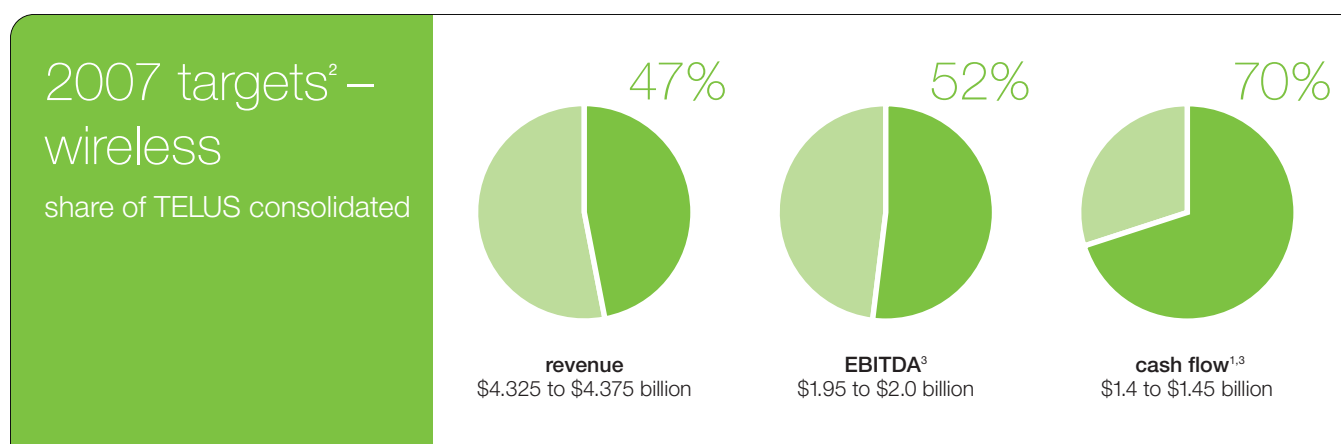
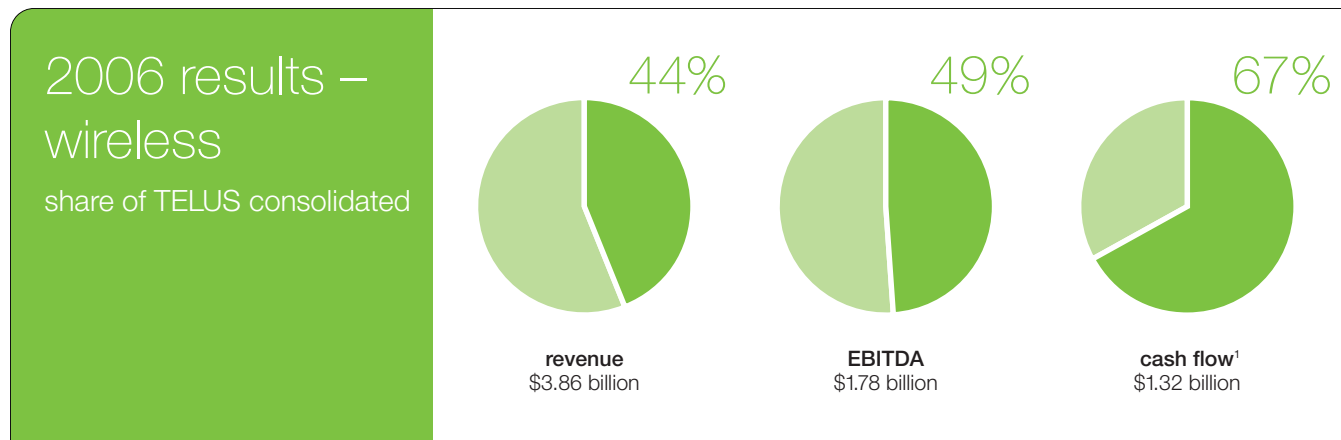


## in 2006, we delivered by...

- Providing best-in-class customer service and retention, as evidenced by our top-quartile North American subscriber churn rate of 1.33% per month
- Increasing and enhancing combined digital PCS and Mike coverage to 31 million POPs, or 95% of the Canadian population, including 1X data network coverage to 92% of the population
- Expanding our national wireless high-speed (EVDO) data network, which is now available to two-thirds of Canadians and enables roaming to 230 U.S. cities
- Introducing SPARK, a new name for our portfolio of mobile entertainment, information and messaging services for consumers, which helped drive 114% data revenue growth
- Launching TELUS Mobile Radio, Canada's first real-time streaming radio programming, and TELUS Mobile Music
- Offering TELUS Navigator and TELUS Kid Find, two location-based services using interactive mobile-phone maps

## in 2007, we are growing together by...

- Continuing to focus on profitable subscriber growth through robust EBITDA growth and cash flow generation
- Rigorously concentrating on customer retention and on maintaining low churn levels through premium client care, supported by the TELUS Future Friendly® Promises, which highlight our dependable networks, fast client service and cool new phones
- Offering new wireless data products and services that leverage our PCS and iDEN networks
- Launching highly interactive, customized premium mobile data services through an exclusive partnership with Amp'd Mobile
- Enhancing coverage in North America and expanding international roaming with other carriers
- Expanding the largest PTT services base in Canada with both Mike's Direct Connect® and PCS Instant Talk
- Generating up to \$1.45 billion in cash flow from our wireless operations

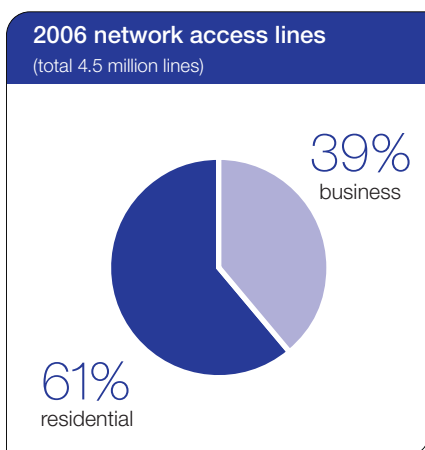
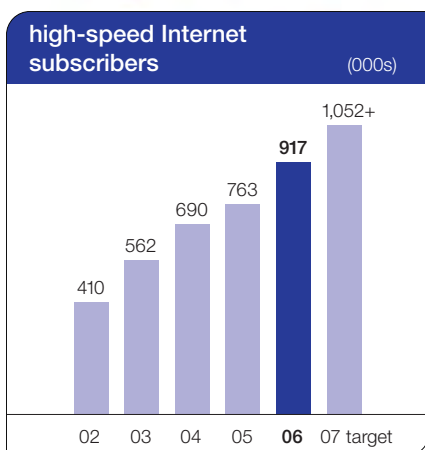


1 EBITDA less capital expenditures.

2 See the cautions outlined in the Forward-looking statements on page 12 of the TELUS 2006 annual report – financial review.

3 Adjusted to exclude estimated expense of \$30 million to \$50 million associated with cash settlement of vested options.

# TELUS wireline



## who we are

- A full-service incumbent local exchange carrier in B.C., Alberta and Eastern Quebec offering local, long distance, data, Internet, video, entertainment and other services to consumers and businesses
- A national provider of data, IP and managed solutions focusing on the business market, including non-incumbent operations located in urban centres in Ontario and Quebec
- A provider of 4.5 million network access lines to residences and businesses
- The second largest Internet service provider in Western Canada with 1.1 million Internet subscribers, 83% of whom are high-speed

## our products and services

**voice** – local and long distance service, call management services such as Voice Mail, Call Display and Call Waiting, sale, rental and maintenance of telephone equipment

**Internet** – high-speed or dial-up Internet services and security features (Anti-Virus with Ad Block, Firewall and Anti-Spyware)

**TELUS TV®** – fully digital entertainment service available in select neighbourhoods with Video on Demand and Pay Per View

**data** – IP networks, private line, switched services, network wholesale, network management and hosting

**converged voice and data solutions** – TELUS IP-One Innovation® and TELUS IP-One Evolution®

**hosting and infrastructure** – managed IT and infrastructure solutions delivered through TELUS' IP networks and connected to our Internet Data Centres

**security solutions** – managed and non-managed solutions to protect business networks, messaging and data, in addition to security consulting services

**customized solutions** – contact centre services including CallCentreAnywhere™, conferencing services (webcasting, audio, web and video), and human resource and health and safety outsourcing solutions



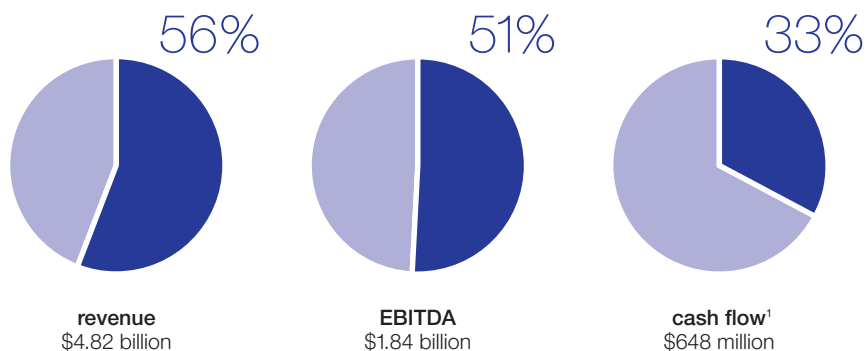
## in 2006, we delivered by...

- Securing major multi-million-dollar contracts including the Government of Ontario, Alberta Treasury Branches (ATB) Financial, City of Toronto and Finning International
- Growing our high-speed Internet subscriber base by 20%
- Introducing TELUS High-Speed Extreme Internet service, offering download speeds of up to six megabits per second
- Continuing the geographic roll-out of TELUS TV and adding Pay Per View to the service
- Launching innovative business solutions such as TELUS Business One®, customized voice and high-speed Internet services for small business, and TELUS SafetyNet™ services for the public sector
- Focusing on key business verticals such as the health-care industry by announcing contracts with Peterborough Regional Health Centre and Saint Elizabeth Health Care in Ontario
- Being recognized by The Paisley Group for the best directory assistance service in Canada, for the fourth consecutive time, and the second best in the U.S.

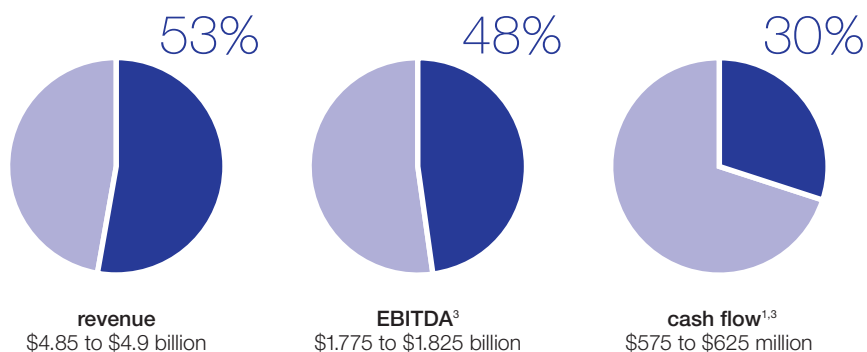
## in 2007, we are growing together by...

- Committing to invest \$600 million over the next three years to enhance our broadband network
- Targeting a strong increase in our high-speed Internet subscriber base
- Continuing improvements in productivity and customer service excellence, achieved by investing in technology and streamlining operating systems and processes
- Continuing the geographic roll-out of TELUS TV and launching new entertainment services such as high-definition TV
- Building on the strength of our heritage services portfolio by offering new integrated wireless and wireline products
- Generating up to \$625 million in cash flow from our wireline operations

### 2006 results – wireline share of TELUS consolidated



### 2007 targets<sup>2</sup> – wireline share of TELUS consolidated



1 EBITDA less capital expenditures.

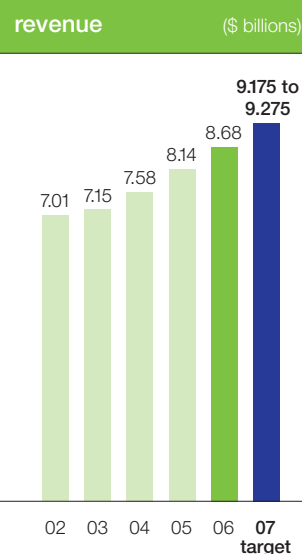
2 See the cautions outlined in the Forward-looking statements on page 12 of the TELUS 2006 annual report – financial review.

3 Adjusted to exclude estimated expense of \$120 million to \$150 million associated with cash settlement of vested options.

# 2007 targets

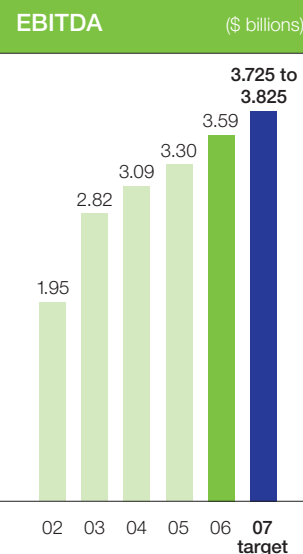
## Attain revenue of \$9.175 to \$9.275 billion

Increase of \$494 to \$594 million or 6 to 7%, driven by strong wireless growth and continued data growth due in part to high-speed Internet service



## Generate EBITDA<sup>1</sup> of \$3.725 to \$3.825 billion

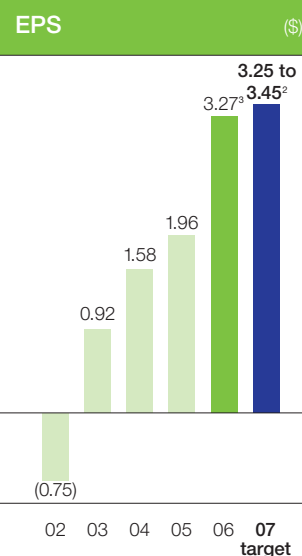
Representing 4 to 7% growth due to increased wireless operating earnings



## Realize adjusted earnings per share (EPS) of \$3.25 to \$3.45<sup>2</sup>

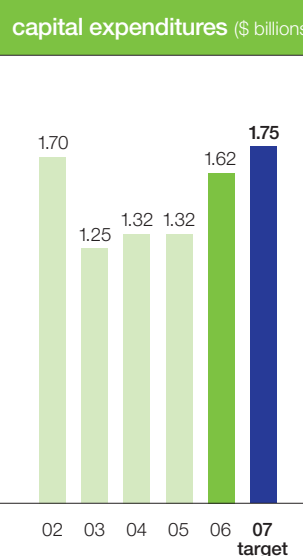
Increase of up to 6%, resulting from continued growth in EBITDA, lower financing costs and a decrease in average shares outstanding

Underlying EPS growth is 16 to 24% when adjusted for positive tax impacts in 2006 and the charge for cash settlement of options in 2007



## Invest \$1.75 billion for long-term growth

Increase of \$132 million or 8% to expand and enhance wireless infrastructure and services



For more details on the 12 financial and operating targets for 2007, see page 46 of the 2006 annual report – financial review.

<sup>1</sup> EBITDA adjusted to exclude an expense of \$150 million to \$200 million for cash settlement of options in 2007.

<sup>2</sup> 2007 EPS target excludes a \$0.30 to \$0.40 negative impact for cash settlement of options.

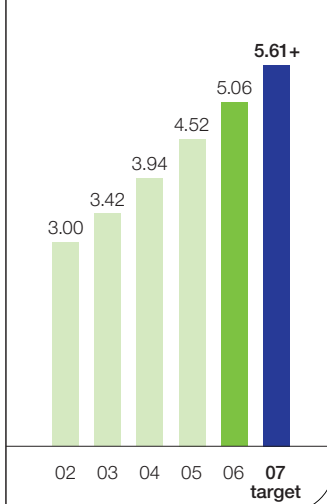
<sup>3</sup> 2006 EPS includes \$0.48 of positive impacts from the settlement of tax matters.

All targets, plans and estimates are forward-looking statements and are qualified in their entirety by the Forward-looking statements on page 12 of the TELUS 2006 annual report – financial review. By their nature, forward-looking statements require TELUS to make assumptions and are subject to inherent risks and uncertainties, and there is significant risk that the statements will not be accurate. TELUS has a practice of reaffirming or adjusting annual guidance on a quarterly basis.

**Gain more than 550,000 new TELUS wireless subscribers**

An 11% increase to 5.6 million, based on continued healthy wireless industry growth in Canada

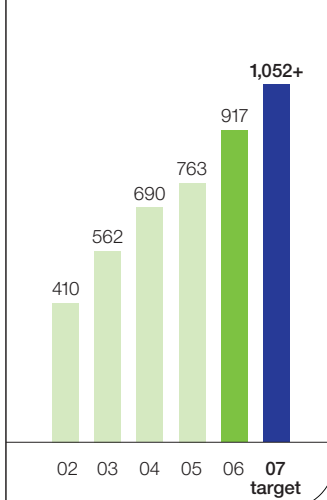
wireless subscribers (millions)



**Attract more than 135,000 new TELUS high-speed Internet subscribers**

A 15% increase in the subscriber base to surpass one million

high-speed Internet subscribers (thousands)



# growing together



## Dear fellow investor

In 2006, we experienced a year of exciting growth and opportunity for TELUS. Due to a solid financial and business foundation, increasing benefits of integration and innovative service offerings, we are growing together...for our investors, customers, team members and the communities we serve.

## Successfully progressing our national growth strategy

Through the dedicated commitment of the TELUS team and a keen focus on our core business, we continued to advance successfully our national growth strategy in 2006, resulting in leading financial performance amongst our global telecommunications peers.

Indicative of our success, in emerging as a national company, is the growth of the TELUS team in Ontario and Quebec since 2000. Our team has grown from approximately 300 to almost 10,000 members.

TELUS' winning strategy, superior asset mix, operational excellence and strong growth profile have remained intact for the past six years and we intend to continue delivering leading performance in the years ahead.

## Delivering sustained growth for investors

TELUS' consistent strategy, coupled with our execution to plan, has enabled your company to again generate strong earnings growth in 2006.

During the past four years, TELUS produced top-quartile results amongst our incumbent global telecom peers in growth of revenue, operating earnings and earnings per share (EPS). This has led to TELUS' share price outperforming incumbent telecommunications companies worldwide over this four-year period.

In 2006, revenue and operating earnings (EBITDA) were up seven and nine per cent, respectively. Net income increased by \$422 million to \$1.1 billion or \$3.27 on an EPS basis. Free cash flow also increased by nine per cent to \$1.6 billion.

We are continuing to return capital to investors based on our commitment to balance the interests of debt holders and shareholders. TELUS instituted a 36 per cent increase in our dividend – a third consecutive sizeable increase – to a new all-time high of \$1.50 on an annualized basis. We are also continuing our share repurchase programs as part of an ongoing effort to reduce our share base and increase the value of the remaining shares. Since December 2004, a total of 39.4 million shares have been repurchased for \$1.77 billion.

Darren Entwistle, member of the TELUS team, is shown here with Shaniece and Gerald Angus, two teens from HEROS, the Hockey Education Reaching Out Society that teaches self-esteem and life skills through the game of hockey. By supporting programs like HEROS, TELUS is helping to make the future friendly for Canada's youth.

## Building on our strategic imperatives

Since 2000, six strategic imperatives have been guiding our winning strategy and performance. The following discussion covers our key accomplishments and plans going forward.

### Focusing on data and wireless

The execution of TELUS' national growth strategy has resulted in a distinct shift in our revenue streams from our mature voice businesses toward our higher-growth wireless and data businesses. Notably, wireless and data revenues have grown from \$1.6 billion to \$5.5 billion today. These services now represent 63 per cent of overall TELUS revenue, compared to just 28 per cent six years ago.

In 2006, wireless revenue and EBITDA advanced 17 and 21 per cent, respectively. This was due to 12 per cent subscriber growth, as we attracted 535,000 wireless customers, our second highest number of net additions since 2000, and higher average revenue per customer. The wireless data component of this average revenue increased by 89 per cent. We now serve 5.1 million wireless subscribers from coast to coast and expect to surpass 5.6 million by the end of 2007.



growing together

# 63%

of total revenue comes from wireless and data

The wireline side of the business was largely resilient to the competitive dynamics typical of the industry due to our seven per cent growth in data revenue. TELUS' fastest-growing customer base is high-speed Internet subscribers, which increased by 154,000, or 20 per cent, to more than 900,000 in 2006. We expect to surpass one million customers in 2007.

The outlook for Canadian wireless industry growth remains bright with wireless penetration expected to increase from 56 per cent today to approximately 70 per cent in 2009. The potential for robust growth remains with approximately five million net new subscribers expected over the next three years. Owing to an industry-leading churn rate of 1.33 per cent, TELUS is positioned to win a fair portion of this expanding business through excellence in customer loyalty programs and innovative wireless solutions.

We significantly expanded our wireless high-speed (EVDO) network in 2006. EVDO provides consumer and business clients mobile access to the Internet, e-mail and other data at speeds similar to basic broadband Internet access. TELUS now provides wireless high-speed service to approximately 50 regions across Canada, covering two-thirds of the population, and roaming to 230 U.S. cities.

TELUS is positioned favourably for the implementation of Canadian wireless number portability in the spring of 2007, which will enable clients to maintain their phone numbers if they switch providers. This represents a challenge for TELUS, but also a meaningful opportunity in Central Canada where we have relatively low business market share.

### Partnering, acquiring and divesting

Leveraging TELUS' wireless high-speed network platform, in the second quarter of 2007, we will launch our exclusive partnership with Amp'd Mobile. This will enable Canadian subscribers to access personalized content on their mobile handsets including 3D gaming, live sports and concert video streaming, and other unique features. TELUS will manage sales and distribution, billing, client support, network operations and pricing on behalf of the partnership.

We further strengthened our information technology (IT) capabilities in April by acquiring Assurent Secure Technologies, a world-leading Canadian IT security services and research company. Online security threats are increasing for businesses and TELUS is leveraging Assurent's reputation and expertise to provide solutions that help customers protect their assets, identities and information.

### Providing integrated solutions

Robust competition from cable-TV companies, voice over IP providers and multiple wireless brands pushes us to perform. We continue improving customer service, developing innovative new solutions and implementing operational efficiencies.

TELUS is continuing to increase high-speed Internet access in our consumer markets. We also rolled out TELUS TV into additional neighbourhoods in B.C. and Alberta, delivering a fully digital television experience. In addition, we expanded high-speed Internet service to more than 100 rural areas in Quebec, increasing access to approximately 75 per cent of the market. This facilitates more growth and the launch of TELUS TV in 2007.

Recognizing that our broadband network represents a platform for sustainable growth, in 2006, we invested approximately \$190 million in broadband enhancements and upgrades. In fact, since we launched high-speed Internet service in 1997, we have invested approximately \$1 billion in our broadband programs.

Delivering more bandwidth and speed to our Internet customers continues to be both a challenge and an opportunity. Issues that must be closely managed include evolving broadband technology, capital investment, staffing and speed of deployment. By investing in new broadband technology, TELUS' enhanced platform will provide more exciting services, such as high-definition TV, and increased market coverage. Accordingly, we have announced an additional \$600 million investment to further enhance our broadband infrastructure and expand network coverage across B.C., Alberta and Eastern Quebec from 2007 to 2009.

growing together

# 1 million

new customer connections in last two years

## more room for growth

The wireless industry still has significant room for growth with just 56 per cent of Canadians having a mobile device. Up to five million new customers are expected by 2009, taking the penetration rate to approximately 70 per cent.



On the wireless front, TELUS introduced SPARK to the market in 2006. SPARK is the new brand name for our consumer portfolio of mobile entertainment and information services. TELUS was the first to market in Canada with TELUS Mobile Radio and TELUS Navigator, and has delivered innovative services such as TELUS Mobile TV, TELUS Mobile Music and Apna Des™, a South Asian mobile content service. Powered by strong growth in instant messaging, mobile computing, mobile e-mail and music downloads, wireless data revenue more than doubled in 2006 to \$280 million.

In the business market, we continued our history of IP innovation with the successful launch of a number of industry-focused integrated solutions for our key vertical markets including the energy sector, financial services, the public sector and the healthcare industry.

### Building national capabilities

TELUS is leading the way in delivering best-in-class data solutions to select markets in the business and public sectors across Canada, generating sustainable revenue and profitable growth. As a result, we are achieving significant scale in the Ontario and Quebec wireline business market, with \$657 million in revenues and \$32 million in operating profit in 2006. We also achieved a milestone during the year by converting our 200th business customer onto our IP network.

Through a strong focus on our key vertical markets, we are demonstrating thought leadership and technology innovation in the IP world, which is differentiating TELUS from our competitors. As a result, we are winning a number of new multi-year contracts with large businesses and government.

In 2006, we secured a five-year, \$140 million contract with the Government of Ontario to provide fully managed network access services for its entire network, strengthening our presence in Ontario. We also attained several multi-million dollar contracts to implement best-in-class solutions for customers including Best Buy Canada, City of Toronto, Finning International, Canadian Tire Financial Services, Peterborough Regional Health Centre and Alberta Treasury Branches (ATB) Financial.

### Going to market as one team in our communities

During 2006, the integration of our wireline and wireless businesses into a single operating structure continued across the company. Increasingly, we are working to provide one-stop shopping for our customers.

The integration is enabling us to achieve meaningful differentiation in the market, capitalizing on the technology convergence that our customers face and increasingly meeting their desire to have one point of contact. We believe this approach will provide TELUS with competitive advantage in 2007 and beyond.

During 2006, we continued to bring the TELUS brand to life, executing best-in-class events for TELUS, our customers and our communities, including the TELUS Skins Game, the TELUS World Ski and Snowboard Festival, and the TELUS National Day of Service. The powerful TELUS brand is one of the 10 highest valued brands in Canada.

### Investing in internal capabilities

As we implement our new collective agreement, which was signed in late 2005, we are increasingly reaping the benefits of our high-performance culture. Streamlining systems, re-engineering processes and driving efficiencies remained priorities throughout the year, utilizing the knowledge we gained from the deployment of our management team during the 2005 labour disruption.

Significant work continued on the implementation of a consolidated wireline billing system, a national initiative to replace multiple legacy systems that will enable us to better serve customers. A pilot program covering more than 20,000 customers in Alberta was successfully implemented in 2006 and the phased conversion will progress in 2007.

During 2006, we placed a priority on giving our team members opportunities for personal growth and career development. This included new leadership development and job rotation programs. We continued to build a business ownership culture by fostering a philosophy of “our business, our customers, our team, my responsibility.”

# letter to shareholders continued

The labour shortage across Canada, and particularly in Western Canada, is a challenge for many companies. We continue to strengthen the TELUS team through orientations, training initiatives and innovative hiring and retention programs. In 2006, TELUS held more than 150 external recruiting events including job fairs, information sessions and academic sponsorship. This retention and recruiting effort will continue in 2007.

As we continue to build our high-performance team, we were proud to see members of our executive leadership team – Karen Radford, Judy Shuttleworth and Janet Yale – named as three of the 100 most powerful women in Canada by The Women's Executive Network. Karen was also named to Canada's Top 40 Under 40 list, and 2006 Woman of the Year by the Canadian Women in Communications organization. As well, Janet was recognized as Businesswoman of the Year by the Women's Business Network of Ottawa.

## Looking forward: Challenges to answer, opportunities to seize

The telecommunications regulatory environment underwent tremendous change and investor scrutiny during 2006. The federal government's telecom policy review, local forbearance decision and deregulatory directive to the CRTC, plus upcoming wireless number portability, are positive steps toward giving consumers more choice and ability to determine competitive outcomes. At the same time, TELUS stands to benefit from deregulation by gaining more competitive freedom in 2007.

Our strong performance in 2006 provides a solid foundation for continued success. Even so, we recognize there are challenges and opportunities to be addressed each year. Accordingly, we identify key corporate priorities that support our national growth strategy. For a report against our 2006 priorities, please see pages 20 and 21 of the Management's discussion and analysis in the TELUS 2006 annual report – financial review. TELUS' 2007 corporate priorities are as follows:

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

- Combining our 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 our distribution channels and addressing key market segments with new service offerings

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

- Progressing further in key industry verticals with specific applications that provide non-price-based differentiation
- Leveraging wireless number portability to expand our business market share in Central Canada
- Focusing on small business customer loyalty and growth with innovative solutions

### 3 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 our markets, channels and products by focusing on strategic relationships with our partners

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

- Implementing technology roadmaps for Future Friendly Home and wireless service offerings that simplify our 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

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

- Growing our 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 we strive to be Canada's premier corporate citizen.

growing together

\$76 million  
contributed to Canadian  
charities over past six years



## rolling up our sleeves

On September 30, more than 5,000 TELUS team members, alumni and their families volunteered in 1,400 projects and activities that made a significant difference in dozens of communities across Canada as part of the first annual TELUS National Day of Service.



### Building a friendlier future together

Advancing our commitment to being Canada's premier corporate citizen, we introduced several innovative national initiatives and expanded a number of programs, which increase our ability to grow together for the benefit of all the communities where we live, work and serve.

To augment the significant donations and volunteer work that TELUS and our team members provide each year, we completed the launch of seven TELUS Community Boards across Canada. They are responsible for distributing a total of \$3.5 million annually to deserving local charitable organizations. The Boards, which include distinguished community representatives, focus on grassroots charitable projects and organizations that are building a sustainable future in their communities.

The first annual TELUS National Day of Service held in September was a tremendous success. Team members demonstrated their passion and dedication to changing the lives of those less fortunate. We also launched the TELUS Community Ambassadors™ program to support and fund our retirees and team members in providing much needed volunteer services and programs in local communities.

TELUS is building on its excellent reputation in the area of corporate social responsibility. For the sixth year in a row, TELUS was named to the global Dow Jones Sustainability Index. TELUS is the only North American telecommunications company included in the worldwide index.

To find out more about our community investment activities, please read pages 16 and 17 of this 2006 annual report – business review.

### Growing together

Your company is well positioned to continue achieving financial and operational success and generating value for our investors. TELUS has an enviable track record of attaining our financial and operating targets. In fact, since 2001, we have met or exceeded 88 per cent of our 32 consolidated financial targets. Over the past six years, TELUS' share price has increased 58 per cent, which is the best performance amongst global incumbent telecommunications peers.

We intend to work hard to continue these trends and create ongoing value in the years ahead. The TELUS team's relentless focus on our proven strategy will persist, and I am confident we will stay ahead through innovation and operational excellence. We look forward to growing together with our many stakeholders in 2007 and beyond.

Thank you for your continued support.

**Darren Entwistle**  
President and Chief Executive Officer  
February 23, 2007

# growing with the community



TELUS is committed to being Canada's premier corporate citizen. We are supporting Canadians by leveraging funding, technology and expertise to help make a difference. In 2006, TELUS launched a number of philanthropic initiatives that are building a friendlier future for the communities where we live, work and serve. We are growing together...

## ...by reaching out locally

In 2006, TELUS continued to roll out Community Boards across Canada. We now have seven fully operational Community Boards serving the local needs of Vancouver, Edmonton, Calgary, Toronto, Ottawa, Montreal and Rimouski.

Consisting of distinguished community leaders and local TELUS executives, the Community Boards seek out grassroots charitable projects and provide \$500,000 annually in each community. Since 2005, we have provided \$7 million, supporting 480 charities across Canada.

Community Board members bring valuable insight and local knowledge to decision-making, optimizing the benefits to the community. In addition to providing financial support, TELUS lends expertise and the power of its brand to help these organizations raise awareness, gain support from other organizations and be more sustainable. To apply for funding, charitable organizations can visit [telus.com/community](http://telus.com/community).

With a keen focus on maintaining good governance practices and top-level leadership on boards, in 2006, TELUS introduced Governance Essentials: A Program for Not-For-Profit Directors. The program, developed with the Institute of Corporate Directors and the Rotman School of Management, educates not-for-profit directors on key competencies and accountabilities associated with their role. TELUS also provides scholarships for eligible not-for-profit directors to underscore its commitment to accessible education.

## ...by pooling our collective energy

On Saturday, September 30, as part of the first-ever TELUS National Day of Service, more than 5,000 TELUS team members, alumni, family and friends donated their time and energy to approximately 1,400 volunteer projects and activities across Canada. Together, they donated about 15,000 hours of their time and participated in a variety of charitable activities.

These included preparing and serving meals at the Mission Bon Accueil in Montreal, helping to build a Habitat for Humanity project in Edmonton, doing garden maintenance at Vancouver's Canuck Place and reinforcing creek banks at the Toronto Zoo.

The TELUS National Day of Service celebrates the ongoing commitment team members have for making the future friendly for people across Canada. It also recognizes the tremendous impact thousands of TELUS team members can have, collectively, on their communities.

### ...by doing good in the community

The spirit of generous giving has a long history at TELUS. Over the past six years, TELUS and our team members have contributed more than \$76 million to charitable and non-profit organizations across Canada. In 2006 alone, contributions totalled \$13.5 million.

Through the TELUS Dollars for Dollars program, our newly revamped annual employee charitable giving campaign, team members and alumni donate funds to Canadian charities, which TELUS then matches dollar for dollar. Based on the latest campaign, TELUS and team members will donate \$5.5 million to more than 2,800 Canadian charities in 2007.

As well, through the TELUS Dollars for Doers program, team members and alumni are rewarded for their volunteer activities – either individual or team efforts – with a donation to their charity of choice. In 2006, TELUS donated \$441,800 to Canadian charities in recognition of the 2,209 team members and alumni who each volunteered more than 60 hours of their personal time. Collectively, our team members and alumni volunteered more than 390,000 hours of their time in 2006.

### ...through our leading volunteer program

In June, we launched the TELUS Community Ambassadors program, giving team members and alumni the necessary financial and organizational support to help them continue taking on volunteer projects in communities across Canada.

## social responsibility

With a focus on arts and culture, education and sport, and health and well-being, TELUS invests in opportunities, which include the innovative use of technology, to make a difference for Canada's youth.



for more info

Visit [telus.com/socialresponsibility...](http://telus.com/socialresponsibility...) available online.

Under the new program, our team members and alumni are continuing to give through community programs such as Kits for Kids, which supplies backpacks of school supplies to children in need, and the Comfort Bears program, which provides teddy bears for children in traumatic situations.

### ...by focusing on social responsibility

TELUS has a long-standing commitment toward corporate social responsibility and helping to build sustainable communities. Using a triple bottom line approach, we strive to balance our economic growth with an unwavering dedication to our environmental and social goals.

This commitment continues to be recognized externally. In September, for the sixth consecutive year, the Dow Jones Sustainability Index (DJSI), a worldwide corporate sustainability ranking, recognized TELUS as a global economic, environmental and social leader. Once again, TELUS is the only North American telecommunications company included in this global index.

In January, for the second consecutive year, TELUS was named one of the 25 most respected corporations in Canada in an annual survey sponsored by KPMG and conducted by Ipsos Reid. In May, TELUS was named by Alberta Venture magazine as one of the most respected corporations in Alberta in two categories – Culture of Innovation and Community Involvement.



# growing together with our customers



In 2006, the benefits of our integration and new business ownership culture became increasingly clear as our united team renewed its focus on our customers. For 2007, we are advancing TELUS' leadership position as a provider of integrated solutions that improve the competitiveness of business customers and enhance the lifestyle of consumers.

## Growing together for businesses

In the business market, our delivery of leading solutions and superior end-to-end service is helping to differentiate TELUS. With a strong focus on key vertical markets, we are creating innovative solutions and demonstrating our capabilities to meet the needs of Canadian businesses.

- In the energy sector, we are providing a comprehensive range of communications and IT solutions that support the construction of oil sands operations, ensure the safety of oilfield workers and surrounding communities, improve efficiencies through integrated wireless field data collection, and track construction and transportation vehicles.
- In financial services, our managed IP network solution has become the communications model for large Canadian corporations, with an excellent track record for implementation.
- For government agencies, we are a partner of choice as we facilitate improved public services through IP technology.

As an example, we recently won a five-year \$140 million contract with the Government of Ontario to provide fully managed services for its entire network.

- In the healthcare industry, TELUS' technology is enabling healthcare providers to offer better access to care, enhance productivity and improve the patient care experience. Examples of our new offerings include Wireless Physician, an all-in-one wireless medical database for healthcare professionals, and Integrated Bedside Terminal, a solution that gives patients access to communication and entertainment services at their bedside while providing doctors with access to patient information.

For business customers on the go, the continued expansion of our wireless high-speed network (EVDO) opens the door to applications that provide greater productivity and efficiency. Our wireless high-speed network now serves approximately 50 regions in Canada, with roaming to 230 U.S. cities.

Business customers can connect at job sites, customer locations or on the road to access corporate intranets, e-mail servers and other online services, all at download speeds similar to basic broadband Internet access.

Our portfolio of wireless solutions was expanded during 2006 with services such as Business Inbox, a secure two-way e-mail service that offers customers instant access to critical corporate information from their mobile devices. We were also the first to launch the Motorola Q device in Canada, which includes a slim QWERTY keyboard, trackwheel navigation, high-resolution screen and access to Business Inbox.

We introduced TELUS Business One, which combines voice and high-speed Internet with powerful IP-based tools customized exclusively for small business.

We also launched TELUS SafetyNet services, a comprehensive set of emergency response communications and technology services that help government, security personnel and other emergency responders communicate and co-ordinate their efforts during urgent situations.

### Growing together for consumers

In March, we introduced SPARK, the new name for our portfolio of mobile entertainment, information and messaging services, and added a number of offerings throughout the year. Here are some of our new wireless data services that bring customers the information they want, right to their mobile phones:

- TELUS Mobile Radio, powered by XM Canada, is the first service to offer Canadians wireless access to streaming satellite radio programming.
- TELUS Mobile Music allows clients to choose from hundreds of thousands of tracks from the world's largest music labels. TELUS was the first wireless carrier in North America to offer clients a monthly subscription service for unlimited downloads, in addition to a pay-per-use service.
- TELUS Navigator and TELUS Kid Find are two easy-to-use services that help users navigate destinations or locate their children using interactive mobile phone maps.

## on call for disaster relief

To quickly establish radio and cellular phone and data service for emergency responders, TELUS SATCOLTs (satellite cellsite on light trucks) are deployed in disaster zones to provide critical communications for up to 1,000 users. In times of need, TELUS is ready to help protect our communities.



for more info

Visit [telus.com](http://telus.com) for a listing of our products and services...available online.

- My Email provides customers with enhanced MSN Hotmail, enabling them to read, forward and reply to e-mails, as well as notifying them of new messages.

Our Future Friendly Promises were introduced in August, reaffirming to our clients our commitment to excellent customer service. The promises highlight our dependable networks, fast client service and cool new phones.

We invested \$10 million to expand our 1X digital network coverage to additional communities across Quebec. Our national 1X digital wireless network now reaches approximately 92 per cent of the Canadian population. We also continued to expand our wireless high-speed network (EVDO) in 2006, giving two-thirds of Canadians access to our extensive mobile data and entertainment solutions with broadband-like download speeds.

During 2006, our high-speed Internet customer base grew by 20 per cent, ending the year at 917,000 subscribers. To provide more choice and a better experience for customers, we introduced TELUS High-Speed Extreme Internet service, which offers download speeds of up to six megabits per second.

We announced a \$600 million three-year investment to enhance our broadband network in B.C., Alberta and Eastern Quebec, to facilitate increased high-speed Internet sales and prepare for additional Future Friendly Home services such as high-definition TELUS TV. We also continued to roll out TELUS TV to select markets in Alberta and B.C., and added Pay Per View service to give customers access to a variety of sporting and entertainment events.



# questions & answers



**Q** TELUS is targeting capital spending of approximately \$1.75 billion in 2007, more than in 2006. What is driving the increase and what are the expected future benefits?

**A** Since 2000, TELUS has been a growth-oriented company. In 2006, revenues grew by more than \$500 million. This year, we are targeting a similar increase, to approximately \$9.2 billion. As a growth company, management is investing to secure the long-term future for our customers and our investors, as we have consistently done over the last six years.

All of the capital spending in 2007 will be directed toward our core business and advancing our national growth strategy, with the aim of maintaining leading growth metrics in the global telecommunications industry.

In wireless, where revenues are expected to increase 12 to 13% in 2007, we plan to invest \$550 million in our infrastructure, an increase of \$123 million from 2006. This will include continued strategic investments in our high-speed wireless network (EVDO), expansion in additional markets and enhancement of our digital wireless capacity. We will also be upgrading parts of the network to the next generation of CDMA technology,

EVDO Rev A. The benefits will be even faster data transfer rates and higher system capacity, as well as improved quality of service for data applications. Whilst higher than in 2006, the \$550 million investment represents less than 13% of revenues, consistent with our guidance range and low compared to wireless carriers globally.

We plan to invest \$1.2 billion in our wireline infrastructure, similar to 2006. Whilst this is a higher percentage of wireline revenues than many other telcos currently, we believe it is a wise investment for the long term. A major focus of this investment is to increase the speed, capacity and coverage of our broadband network. This includes a three-year initiative to install advanced Internet equipment in more than 7,000 sites and to run fibre-optic cable within 1,500 metres of customers' homes. Bringing fibre closer to customers' homes is expected to provide Internet access speeds of 15 to 30 megabits per second and beyond, enabling TELUS to offer new services including higher-speed Internet and high-definition TELUS TV. This, in turn, allows us to better compete with competitor offerings and advances our strategy of increasing our 40% share of the high-speed Internet market in our Western incumbent region.

Furthermore, we are enjoying continued strong housing growth in Western Canada as the economies of B.C. and Alberta continue to outpace the national average. This requires increased investment in network access infrastructure including fibre to new homes and multiple dwelling units.

Another ongoing initiative is an information technology (IT) investment program focused on consolidating and upgrading multiple order-entry, billing and customer systems. This is expected to greatly improve efficiency and customer service levels, and also provide marketing flexibility to offer integrated services that differentiate TELUS from the competition.

The wireline capital budget for 2007 also entails success-based capital expenditures in Central Canada as we continue to win additional business, such as our five-year contract with the Government of Ontario to provide fully managed network access services. This contract includes building out new infrastructure in the first few years.

Our superior asset mix and relatively low capex intensity on the wireless side, coupled with the strong margins and cash flow we are generating compared to other telcos, provide TELUS with a proven ability to invest in the future whilst increasing the return of capital to our shareholders through dividend increases. Much of our success in the past several years has been based on the large investments we made from 2000 to 2002. Consistent with our national growth strategy, TELUS will continue to invest in capital spending in 2007 for the long-term benefit of our investors, customers and team members.



Darren Entwistle  
President and Chief Executive Officer  
Member of the TELUS Team

## Q What is TELUS' approach to the increasingly competitive residential phone and TV market?

A Competition is nothing new for the TELUS Consumer Solutions team, which supports the mobility and residential services market in Canada. For us, the main issue is not increased competition but the regulatory restrictions that impede our team from responding to the changing market dynamics. That being said, progress was made in the second half of 2006 and we believe the regulatory environment is likely to improve during 2007.

With the integration of our wireline and wireless businesses starting in late 2005, we are creating a greater focus on our

clients' needs and enhancing our productivity. For example, a number of improvements have been made to the strategy and execution capabilities of our Future Friendly Home portfolio. Our high-speed Internet, local phone and long distance service results improved as we progressed through 2006, which was gratifying given that competitive pressures intensified over the same period of time.

The following is a brief summary of our 2006 highlights:

- Launched two generations of Home Solutions Bundles, which have assisted materially in reducing churn, gaining new clients and increasing winback success
- Increased direct marketing and channel activities to ensure clients are on the best plan for their needs and, wherever possible, have the full suite of TELUS services
- Introduced new higher-speed Internet services, made wireless networking part of our standard offer and doubled the speed of our TELUS High-speed Lite Internet service. These changes resulted in the highest net additions since 2002 and the lowest churn ever experienced with this service
- Expanded TELUS TV coverage into certain areas of Vancouver as well as additional neighbourhoods in Calgary and Edmonton. Growth was managed to ensure clients received a high-quality experience while maximizing the productivity of our field teams
- Increased customer service transaction quality scores by 25%, reflecting the sharing of best practices and management between the formerly separate wireline and wireless businesses.

While we are concerned with the level of local and long distance revenue losses experienced during 2006, we are positively encouraged by our performance versus the telco peer group and the success of our marketing and sales activities in the latter half of 2006. Our approach is focused on the delivery of a superior level of service, features and execution, which is much more difficult for competitors to match than simple price reductions or price matching.

We learned a great deal about what worked and what didn't last year, which allows us to evolve and build on our strategy going forward. We have a number of new ideas to bring to market to further support the momentum created last year.

Opportunities for 2007 include:

- Continuing to raise the bar on client service, through an organization-wide focus on end-to-end process quality and execution
- Incrementally investing in field technical resources to ensure alignment between demand and supply during peak volume periods
- Encouraging regulatory reform that allows greater flexibility in responding more quickly to competitors' actions

- Leveraging the experience of our team to drive better client insight and opportunities
- Implementing our new billing and client care systems to accelerate productivity and quality enhancements
- Continuing the roll-out of TELUS TV to more neighbourhoods in B.C., Alberta and Eastern Quebec. In addition, introducing new services such as high-definition TV
- Increasing market share in the multi-billion dollar mobile and Future Friendly Home entertainment industry – an exciting, key growth area for TELUS in the years to come.

TELUS is positioned to leverage the potential of advanced wireline services with our wireless consumer offerings.

Through continued investments in our networks, the strength of our brand and marketing, and ongoing enhancements to our customer service systems, TELUS can increasingly offer integrated and differentiated services to our customers. Stay tuned!



John Watson  
Executive Vice-President and  
President, Consumer Solutions  
Member of the TELUS Team

**Q** Will TELUS consider directing more of its cash flow toward dividend increases rather than share buybacks?

**A** TELUS has a strong track record of returning capital to investors and has been paying dividends since 1916. In order to provide investors with more clarity on the outlook for our dividend, TELUS has had, since 2004, a Board-approved dividend payout guideline range of 45 to 55% of sustainable net earnings.

While there is no current intention to change the existing financial policy target on the dividend, TELUS' financial policies are periodically reviewed and approved by our Board of Directors. Income tax rates and any changes to federal and provincial taxation are factors that are taken into account in the dividend setting process. The actual and proposed changes to significantly reduce taxes on dividends for Canadians in 2006 and 2007 could, theoretically, be a factor in directing

more cash toward dividends than share buybacks, especially for income-oriented investors. However, TELUS also has many growth-oriented investors who prefer capital appreciation to dividend increases. As demonstrated by our past practice, any changes to our dividend policies would reflect a balanced approach to debt and equity holders.

TELUS' goal is significant dividend growth on a sustained basis, and we continue to have a positive outlook reflecting continued growth in earnings. For instance, we announced a 36% increase in the quarterly dividend to 37.5 cents per share, effective January 1, 2007, which is the third sizeable increase in the past three years. The resulting annualized dividend of \$1.50 is now the highest in the Company's history.

We also have an active share buyback program in place under which we have purchased, on a cumulative basis, 39.4 million shares for a total of \$1.77 billion from December 2004 to the end of 2006. This includes approximately 16.5 million shares repurchased for \$800 million in 2006. TELUS believes that such repurchases constitute an attractive investment opportunity and a desirable use of Company funds that should enhance the value of the remaining shares.

Notably, with both the increased dividend and continued share repurchases in 2007, TELUS would be distributing most of its free cash flow, after capital expenditures, to its shareholders.

Robert McFarlane  
Executive Vice-President  
and Chief Financial Officer  
Member of the TELUS Team



**Q** Given the number of government and regulatory developments that occurred in 2006, what should investors anticipate in 2007?

**A** TELUS' telecommunications and broadcasting services are regulated under federal legislation by Industry Canada, as well as by the Canadian Radio-television and Telecommunications Commission (CRTC), which reports to Parliament through the Minister of Canadian Heritage.



Areas that TELUS investors should keep an eye on include:

- **Proposed change to local forbearance rules** – In December 2006, the Minister of Industry issued a proposed order-in-council that would make significant changes to the April 2006 CRTC framework for forbearance from regulation of residential and business local exchange services.

The proposal would eliminate the current marketing restrictions on winbacks and most other promotions. The proposal would replace the CRTC's market share loss test with a much simpler competitive presence test. In addition, it would reduce the competitor quality of service criteria that must be met as a precondition for forbearance.

The proposal is subject to a public comment period, following which the Federal Cabinet can implement the proposed framework in its present or revised form. This order must be issued by April 6, 2007. If it comes into effect substantially as proposed, we believe TELUS will be in a position to achieve deregulation in most of our urban local exchanges in 2007.

- **Reliance on market forces policy direction to CRTC** – Also in December 2006, the federal government issued an unprecedented direction to the CRTC that requires it to:
  - Rely on market forces to the maximum extent feasible
  - Ensure technological and competitive neutrality and enable competition from new technologies
  - Use tariff approval mechanisms that are as minimally intrusive as possible
  - Complete a review of the framework for mandated access to wholesale services
  - Publish and maintain performance standards for its various processes
  - Continue to explore new ways of streamlining its processes.

TELUS has advocated these measures in the past and believes their implementation by the CRTC will lead to more efficient and effective regulation while enhancing industry competitiveness.

- **Deferral account in limbo** – The incumbent local exchange carriers (ILECs) are awaiting the outcome of two Court appeals of the CRTC's February 2006 deferral account decision.

The Federal Court's decisions on the two appeals are expected by year-end. The decisions could change the way that deferral account funds are utilized.

- **Price cap framework review** – In May 2006, the CRTC initiated a review of the current local price regulation regime for the purpose of establishing the parameters for the next price cap period beginning June 1, 2007. TELUS proposed a single price cap for its ILEC operations in B.C., Alberta and Quebec and that there be no mandated rate reductions for regulated services in the next price cap regime. The CRTC is expected to render its decision in this proceeding by the end of April 2007.
- **Wireless spectrum auction** – In February 2007, Industry Canada released a discussion paper for the upcoming auction for advanced wireless services (AWS) spectrum. Comments on the consultation paper are due in May 2007, with further reply in June 2007. It is currently expected that the final auction rules will be issued this fall with an auction likely in early 2008. Existing carriers, cable-TV companies and others may be interested in acquiring AWS spectrum. TELUS supports an open and fair auction with the same rules for all participants.

TELUS supports the Canadian government's push to rely on market forces where feasible. While we are strategically focused on data and wireless, which are largely unregulated, we welcome any deregulation in our incumbent wireline markets that may enhance our competitiveness.



Janet Yale  
Executive Vice-President,  
Corporate Affairs  
Member of the TELUS Team



# board of directors



Dick Auchinleck

Charles Baillie

Micheline Bouchard

John Butler

Brian Canfield

Pierre Ducros

## R.H. (Dick) Auchinleck

**Residence:** Calgary, Alberta

**Principal occupation:** Corporate Director

**Director since:** 2003

**Education:** Bachelor of Applied Science (Chemical Engineering), University of British Columbia

**Other Boards:** ConocoPhillips Inc., Enbridge Commercial Trust, EPCOR Centre for the Performing Arts, and Red Mile Entertainment

**TELUS Committees:** Corporate Governance, and Human Resources and Compensation

**TELUS shareholdings:** 26,342<sup>1</sup>

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## A. Charles Baillie

**Residence:** Toronto, Ontario

**Principal occupation:** Corporate Director

**Director since:** 2003

**Education:** Bachelor of Arts, Honours (Political Science & Economics), Trinity College, University of Toronto; MBA, Harvard Business School; and Honorary Doctorate of Law, Queen's University

**Other Boards and affiliations:** Dana Corporation, Canadian National Railway Company, and George Weston Limited; President of Art Gallery of Ontario; Chancellor of Queen's University; and Officer of Order of Canada

**TELUS Committee:** Audit

**TELUS shareholdings:** 80,454<sup>1</sup>

## Micheline Bouchard

**Residence:** Montreal, Quebec

**Principal occupation:** Corporate Director

**Director since:** 2004

**Education:** Bachelor of Applied Science (Engineering Physics) and Master of Applied Science (Electrical Engineering), École Polytechnique; and Honorary Doctorates from Université de Montréal (HEC), University of Waterloo, University of Ottawa, Ryerson Polytechnic University, and McMaster University

**Other Boards and affiliations:** Citadel Group of Funds and IWF Leadership Foundation; and Member of Order of Canada

**TELUS Committee:** Audit

**TELUS shareholdings:** 14,604<sup>1</sup>

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## R. John Butler, Q.C.

**Residence:** Edmonton, Alberta

**Principal occupation:** Counsel, Bryan & Company

**Director since:** 1995

**Education:** Bachelor of Arts and Bachelor of Law, University of Alberta

**Other Boards:** Trans Global Insurance Company and Trans Global Life Insurance Company; and Trustee, Liquor Stores Income Fund

**TELUS Committees:** Corporate Governance, and Pension

**TELUS shareholdings:** 20,045<sup>1</sup>

**TELUS options:** 5,750<sup>2</sup>

## Brian A. Canfield

**Residence:** Point Roberts, Washington

**Principal occupation:** Chairman, TELUS Corporation

**Director since:** 1989

**Education:** Honorary Doctorate in Technology, British Columbia Institute of Technology

**Other Boards and affiliations:** Suncor Energy Inc., Canadian Public Accountability Board, and Crawford Panel on a Single Canadian Securities Regulator; and Member of Order of Canada and Order of British Columbia

**TELUS Committee:** Pension

**TELUS shareholdings:** 46,973<sup>1</sup>

**TELUS options:** 79,400<sup>2</sup>

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## Pierre Ducros

**Residence:** Montreal, Quebec

**Principal occupation:** President, P. Ducros & Associés Inc.

**Director since:** 2005

**Education:** Bachelor of Arts, Université de Paris at College Stanislas, Montréal; Royal Military College of Canada; and Bachelor of Engineering (Communications), McGill University

**Other Boards and affiliations:** Canadian Institute for Advanced Research, Manulife Financial Corporation, Cognos Incorporated, Emergis Inc., and RONA Inc.; and Member of Order of Canada and Officer of Order of Belgium

**TELUS Committee:** Audit

**TELUS shareholdings:** 8,160<sup>1</sup>



Visit [telus.com/annualreport](http://telus.com/annualreport) for more background information on our Board of Directors...available online.



Darren Entwistle

Rusty Goepel

John Lacey

Brian MacNeill

Ronald Triffo

Donald Woodley

### Darren Entwistle

**Residence:** Vancouver, British Columbia  
**Principal occupation:** President and Chief Executive Officer, TELUS Corporation  
**Director since:** 2000  
**Education:** Bachelor of Economics (Honours), Concordia University; MBA (Finance), McGill University; and Diploma (Network Engineering), University of Toronto  
**Other Boards:** TD Bank Financial Group and McGill University; and Chair of the Royal Conservatory of Music's Capital Campaign  
**TELUS shareholdings:** 397,870<sup>3</sup>  
**TELUS options:** 180,200<sup>2</sup>

### R.E.T. (Rusty) Goepel

**Residence:** Vancouver, British Columbia  
**Principal occupation:** Senior Vice-President, Raymond James Financial Ltd.  
**Director since:** 2004  
**Education:** Bachelor of Commerce, University of British Columbia  
**Other Boards:** Amerigo Resources Ltd., Auto Canada Income Fund, Baytex Energy Trust, Spur Ventures Inc., Vancouver 2010 Olympic Organizing Committee, and Vancouver Airport Authority; and Past Chairman of Business Council of British Columbia  
**TELUS Committee:** Audit  
**TELUS shareholdings:** 27,418<sup>1</sup>

### John S. Lacey

**Residence:** Thornhill, Ontario  
**Principal occupation:** Corporate Director  
**Director since:** 2000  
**Education:** Program for Management Development, Harvard Business School  
**Other Boards:** Canadian Imperial Bank of Commerce, Cancer Care Ontario, and Stelco Inc.; and Chairman of Advisory Board of Tricap, Doncaster Racing Inc., and Doncaster Consolidated Ltd.  
**TELUS Committees:** Corporate Governance, and Chair, Human Resources and Compensation  
**TELUS shareholdings:** 28,563<sup>1</sup>  
**TELUS options:** 2,700<sup>2</sup>

### Brian F. MacNeill

**Residence:** Calgary, Alberta  
**Principal occupation:** Chairman, Petro-Canada  
**Director since:** 2001  
**Education:** Bachelor of Commerce, Montana State University; Certified Public Accountant (California); and Chartered Accountant (Canada)  
**Other Boards and affiliations:** TD Bank Financial Group and West Fraser Timber Co. Ltd.; Chair of the Board of Governors, University of Calgary; and Member of Order of Canada  
**TELUS Committee:** Chair, Audit  
**TELUS shareholdings:** 35,862<sup>1</sup>  
**TELUS options:** 2,700<sup>2</sup>

### Ronald P. Triffo

**Residence:** Edmonton, Alberta  
**Principal occupation:** Chairman, Stantec Inc.  
**Director since:** 1995  
**Education:** Bachelor of Applied Science (Civil Engineering), University of Manitoba; Master of Science (Engineering), University of Illinois; and Banff School of Advanced Management  
**Other Boards:** Alberta's Promise, Board of Governors of Junior Achievement of Northern Alberta, and Advisory Council of the Faculty of Medicine and Dentistry at University of Alberta; Chairman of Alberta Ingenuity Fund; and Past Chairman of Alberta Economic Development Authority and ATB Financial  
**TELUS Committees:** Pension, and Chair, Corporate Governance  
**TELUS shareholdings:** 37,336<sup>1</sup>  
**TELUS options:** 6,800<sup>2</sup>

### Donald Woodley

**Residence:** Mono Township, Ontario  
**Principal occupation:** President, The Fifth Line Enterprise  
**Director since:** 1998  
**Education:** Bachelor of Commerce, University of Saskatchewan; and MBA, Richard Ivey School of Business, University of Western Ontario  
**Other Boards:** Canada Post Corporation, DataMirror Corporation, Genum Corporation, Steam Whistle Brewing Inc., and The Hospital for Sick Children Foundation  
**TELUS Committees:** Human Resources and Compensation, and Chair, Pension  
**TELUS shareholdings:** 21,340<sup>1</sup>  
**TELUS options:** 5,750<sup>2</sup>

1 Represents the total common and non-voting shares and deferred stock units held as at January 1, 2007.

2 Represents total options for common or non-voting shares held as at January 1, 2007.

3 Represents the total common and non-voting shares and restricted stock units held as at January 1, 2007.

# executive team



Darren Entwistle

Joe Grech

Robert McFarlane

Joe Natale

Karen Radford

Kevin Salvadori

## Darren Entwistle

President and Chief Executive Officer

**Location:** Vancouver, British Columbia

**Joined TELUS:** 2000 **Executive:** 2000

**Education:** Bachelor of Economics (Honours), Concordia University; MBA (Finance), McGill University; and Diploma (Network Engineering), University of Toronto

**Boards and committees:** TD Bank Financial Group and McGill University; and Chair of the Royal Conservatory of Music's Capital Campaign

**TELUS shareholdings:** 397,870<sup>1</sup>

**TELUS options:** 180,200<sup>2</sup>

---

## Joe Grech

Executive Vice-President, Network Operations

**Location:** Vancouver, British Columbia

**Joined TELUS:** 2000 **Executive:** 2000

**Education:** Bachelor of Applied Science (Electrical Engineering), University of Toronto

**Boards and committees:** Vancouver Board of Trade

**TELUS shareholdings:** 64,332<sup>1</sup>

**TELUS options:** 105,883<sup>2</sup>

## Robert McFarlane

Executive Vice-President and Chief Financial Officer

**Location:** Vancouver, British Columbia

**Joined TELUS:** 2000 **Executive:** 2000

**Education:** Bachelor of Commerce (Honours), Queen's University; and MBA, University of Western Ontario

**Boards and committees:** Royal and SunAlliance Insurance Company of Canada, Ascalade Communications Inc., and Vancouver Advisory Board of The Salvation Army, British Columbia Division; and Vice-Chair of Business Council of British Columbia and member of its Economic Policy Committee

**TELUS shareholdings:** 150,588<sup>1</sup>

**TELUS options:** 352,647<sup>2</sup>

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## Joe Natale

Executive Vice-President and President, Business Solutions

**Location:** Toronto, Ontario

**Joined TELUS:** 2003 **Executive:** 2003

**Education:** Bachelor of Applied Science (Electrical Engineering), University of Waterloo

**Boards and committees:** Royal Conservatory of Music, Livingston International Inc., Canadian Health Industries Partnership, and Governing Council of Sunnybrook and Women's Health Science Centre, Toronto

**TELUS shareholdings:** 54,041<sup>1</sup>

**TELUS options:** 200,370<sup>2</sup>

## Karen Radford

Executive Vice-President and President, TELUS Québec and TELUS Partner Solutions

**Location:** Montreal, Quebec

**Joined TELUS:** 1998 **Executive:** 2004

**Education:** Bachelor of Science, Mount Allison University; and MBA, Dalhousie University

**Boards and committees:** Alberta Children's Hospital Foundation Board of Trustees and TELUS Montreal Community Board; National Advisor to Youth in Motion and Women in Motion; and President and co-founder of the Women's Leadership Foundation

**TELUS shareholdings:** 35,024<sup>1</sup>

**TELUS options:** 93,130<sup>2</sup>

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## Kevin Salvadori

Executive Vice-President, Business Transformation and Chief Information Officer

**Location:** Vancouver, British Columbia

**Joined TELUS:** 2000 **Executive:** 2003

**Education:** Bachelor of Applied Science (Systems Design Engineering), University of Waterloo

**Boards and committees:** BC Technology Industries Association

**TELUS shareholdings:** 76,524<sup>1</sup>

**TELUS options:** 213,552<sup>2</sup>



Visit [telus.com/annualreport](http://telus.com/annualreport) for more background information on our executive team...available online.



Judy Shuttleworth



Eros Spadotto



John Watson



Janet Yale

### Judy Shuttleworth

Executive Vice-President, Human Resources

**Location:** Vancouver, British Columbia

**Joined TELUS:** 1965 **Executive:** 1999

**Education:** Executive programs at Queen's University and University of British Columbia; and Verizon Executive Development Program

**Boards and committees:** Human Resources Committee of the Conference Board of Canada, Society for Human Resources Management, and Telco Industrial Relations Committee; and Vice-Chair of TELUS Vancouver Community Board

**TELUS shareholdings:** 32,359<sup>1</sup>

**TELUS options:** 93,328<sup>2</sup>

### Eros Spadotto

Executive Vice-President,  
Technology Strategy

**Location:** Toronto, Ontario

**Joined TELUS:** 2000 **Executive:** 2005

**Education:** Bachelor of Applied Science (Electrical Engineering), University of Windsor; and MBA, Richard Ivey School of Business

**TELUS shareholdings:** 27,972<sup>1</sup>

**TELUS options:** 237,895<sup>2</sup>

### John Watson

Executive Vice-President and President,  
Consumer Solutions

**Location:** Toronto, Ontario

**Joined TELUS:** 2000 **Executive:** 2005

**Education:** Bachelor of Business Administration, York University; and MBA, York University

**Boards and committees:** Wireless Payment Services Inc. and Canadian Wireless Telecommunications Association

**TELUS shareholdings:** 41,145<sup>1</sup>

**TELUS options:** 132,634<sup>2</sup>

### Janet Yale

Executive Vice-President, Corporate Affairs

**Location:** Ottawa, Ontario

**Joined TELUS:** 2003 **Executive:** 2003

**Education:** Bachelor of Arts, McGill University; Master of Economics, University of Toronto; and Bachelor of Law, University of Toronto

**Boards and committees:** Ottawa Centre for Research and Innovation, Ottawa Regional Cancer Foundation, Great Canadian Theatre Company, Information Technology Association of Canada, Council for Business and the Arts in Canada, and Canadian Film Centre; Past Chair of Board of Directors, Ottawa United Way/Centraide; and Chair of National Arts Centre Gala and TELUS Ottawa Community Board

**TELUS shareholdings:** 22,410<sup>1</sup>

**TELUS options:** 52,400<sup>2</sup>

## how we are organized

### customer-facing business units

- Consumer Solutions
- Business Solutions
- TELUS Québec
- Partner Solutions

### enabling business units

- Business Transformation
- Network Operations
- Technology Strategy

### supporting business units

- Corporate Affairs
- Finance and Corporate Strategy
- Human Resources

1 Represents the total common and non-voting shares and restricted stock units held as at January 1, 2007.

2 Represents total options for common or non-voting shares held as at January 1, 2007.

# investor information

## Stock exchanges and TELUS trading symbols

### Toronto Stock Exchange (TSX)

common shares T  
non-voting shares T.A

### New York Stock Exchange (NYSE)

non-voting shares TU

## Transfer agent and registrar

### Computershare Trust Company of Canada

**phone** 1-800-558-0046  
(toll-free within North America)  
or +1 (514) 982-0171  
(outside North America)

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## TELUS Investor Relations

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**website** [telus.com/investors](http://telus.com/investors)

## TELUS general information

British Columbia (604) 432-2151

Alberta (403) 530-4200

Ontario (416) 507-7400

Quebec (514) 788-8050

## Annual general meeting of shareholders

On Wednesday, May 2, 2007  
11:00 a.m. (Eastern Time)  
Montréal Château Champlain  
1, Place du Canada  
Montreal, Quebec



Refer to the 2006 annual report – financial review for more detailed investor information including key investment dates and events, and our commitment to ethics and corporate governance.

## 2007 expected dividend<sup>1</sup> and earnings dates

	Ex-dividend dates <sup>2</sup>	Dividend record dates	Dividend payment dates	Earnings release dates
<b>Quarter 1</b>	March 7	March 9	April 1	May 2
<b>Quarter 2</b>	June 6	June 8	July 1	August 3
<b>Quarter 3</b>	September 6	September 10	October 1	November 2
<b>Quarter 4</b>	December 7	December 11	January 1, 2008	February 15, 2008

1 Dividends are subject to Board of Directors' approval.

2 Shares purchased on this date forward will not be entitled to the dividend payable on the corresponding dividend payment date.

## e-delivery invitation

We encourage the electronic delivery of TELUS information and invite you to sign up by visiting [telus.com/electronicdelivery](http://telus.com/electronicdelivery). This report can also be viewed at [telus.com/annualreport](http://telus.com/annualreport).

# growing together...



## where we work

TELUS' fibre-optic and wireless networks deliver a complete portfolio of communications solutions to Canadians from coast to coast. Our national fibre-optic backbone delivers traditional telephony, data services and IP-based solutions. With our two wireless networks, we provide digital coverage to 95% of Canadians. We have more than 2,700 retail stores and dealer locations across Canada.

	Wireless coverage with digital PCS/1X/EVDO, including roaming, and digital Mike
	Backbone optical and IP network
	Interconnection with Canadian, U.S. and global carriers
	Switching centres, and fibre and Internet backbone points of presence
	Intelligent Internet data centres, switching centres, and fibre and Internet backbone points of presence
	Cities and towns

## where we live

Now 32,000 members strong, the TELUS team has a growing presence across Canada and internationally.



## where we serve

Committed to being Canada's premier corporate citizen, we have established seven TELUS Community Boards across Canada to lead our local philanthropic initiatives. The chairs of each Board are:

- Nini Baird – Vancouver
- Dr. Bob Westbury – Edmonton
- Harold and Marilyn Milavsky – Calgary
- Rita Burak – Toronto
- Janet Yale – Ottawa
- Bernard Lamarre – Montreal
- Hugues St-Pierre – Rimouski

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the future is friendly®

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#### Our environmental commitment

TELUS is committed to working in an environmentally responsible manner and to doing our part to help create sustainable communities. All paper used in this report is certified by the Forest Stewardship Council (FSC), which means it comes from well-managed forests and known sources, ensuring local communities benefit and sensitive areas are protected. The entire supply chain used to create this paper – from the forest to the consumer – is FSC-certified, representing a commitment to effective and sustainable forest practices.

This paper has 50% recycled content and includes 25% post-consumer waste. It is also acid-free and chlorine-free, and only vegetable-based inks have been used. Please recycle this annual report.

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