TELUS CORPORATION

CONSOLIDATED FINANCIAL STATEMENTS

(UNAUDITED)

SEPTEMBER 30, 2003

consolidated statements of income

Periods ended September 30 (unaudited) (millions)	Three months 2003	Three months 2002	Nine months 2003	Nine months 2002
OPERATING REVENUES	**$ 1,806.2**	$ 1,766.3	**$ 5,320.4**	$ 5,212.3
OPERATING EXPENSES				
Operations	**1,051.7**	1,103.2	**3,175.3**	3,338.9
Depreciation	**308.9**	307.3	**949.5**	898.5
Amortization of intangible assets	**98.3**	93.5	**278.9**	261.9
Restructuring and workforce reduction costs (Note 4)	**2.3**	313.3	**12.1**	328.9
	1,461.2	1,817.3	**4,415.8**	4,828.2
OPERATING INCOME (LOSS)	**345.0**	(51.0)	**904.6**	384.1
Other expense	**7.6**	7.7	**19.8**	18.4
Financing costs (Note 5)	**136.5**	98.6	**467.2**	454.0
INCOME (LOSS) BEFORE INCOME TAXES AND NON-CONTROLLING INTEREST	**200.9**	(157.3)	**417.6**	(88.3)
Income taxes (recovery) (Note 6)	**84.0**	(50.5)	**133.0**	(0.9)
Non-controlling interest	**1.0**	0.6	**2.7**	2.4
NET INCOME (LOSS)	**115.9**	(107.4)	**281.9**	(89.8)
Preference and preferred share dividends	**0.9**	0.8	**2.6**	2.6
Interest on convertible debentures, net of income taxes	**1.8**	1.8	**5.3**	5.1
COMMON SHARE AND NON-VOTING SHARE INCOME (LOSS)	**$ 113.2**	$ (110.0)	**$ 274.0**	$ (97.5)
INCOME (LOSS) PER COMMON SHARE AND NON-VOTING SHARE ($) (Note 7)				
– Basic	**0.32**	(0.35)	**0.79**	(0.32)
– Diluted	**0.32**	(0.35)	**0.78**	(0.32)
DIVIDENDS DECLARED PER COMMON SHARE AND NON-VOTING SHARE ($)	**0.15**	0.15	**0.45**	0.45
TOTAL WEIGHTED AVERAGE COMMON SHARES AND NON-VOTING SHARES OUTSTANDING (millions)				
– Basic	**350.1**	315.3	**348.5**	308.7
– Diluted	**353.2**	315.3	**350.8**	308.7

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

consolidated statements of retained earnings

Periods ended September 30 (unaudited) (millions)	Nine months 2003	Nine months 2002
BALANCE AT BEGINNING OF YEAR	**$ 630.4**	$ 1,654.8
Transitional impairment of intangible assets with indefinite lives	**—**	(595.2)
Adjusted opening balance	**630.4**	1,059.6
Net income (loss)	**281.9**	(89.8)
	912.3	969.8
Less: Common Share and Non-Voting Share dividends paid in cash	**124.3**	105.9
Common Share and Non-Voting Share dividends reinvested in shares issued from Treasury	**32.5**	31.7
Preference and preferred share dividends	**2.6**	2.6
Interest on convertible debentures, net of income taxes	**5.3**	5.1
BALANCE AT END OF PERIOD (Note 15)	**$ 747.6**	$ 824.5

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

consolidated balance sheets

(unaudited) (millions)	As at September 30, 2003	As at December 31, 2002
ASSETS		
Current Assets		
Cash and temporary investments, net	**$ 102.3**	$ —
Accounts receivable (Notes 9, 17(b))	**504.5**	640.4
Income and other taxes receivable	**342.1**	134.0
Inventories	**77.8**	96.5
Prepaid expenses and other (Note 17(b))	**160.2**	163.5
Current portion of future income taxes	**219.4**	138.8
	1,406.3	1,173.2
Capital Assets, Net (Note 10)		
Property, plant, equipment and other	**7,763.0**	8,025.9
Intangible assets subject to amortization	**819.1**	998.5
Intangible assets with indefinite lives	**2,954.5**	2,950.1
	11,536.6	11,974.5
Other Assets		
Deferred charges (Note 11)	**615.0**	729.1
Future income taxes	**736.5**	1,170.3
Investments	**40.5**	48.1
Goodwill (Note 12)	**3,125.0**	3,124.6
	4,517.0	5,072.1
	$ 17,459.9	$ 18,219.8
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current Liabilities		
Cash and temporary investments, net	**$ —**	$ 9.0
Accounts payable and accrued liabilities (Note 17(b))	**1,266.4**	1,198.8
Restructuring and workforce reduction accounts payable and accrued liabilities (Note 4)	**178.9**	400.4
Dividends payable	**53.3**	52.2
Advance billings and customer deposits (Note 17(b))	**390.8**	330.3
Current maturities of long-term debt (Note 13)	**285.8**	190.3
	2,175.2	2,181.0
Long-Term Debt (Note 13)	**6,632.5**	8,197.4
Other Long-Term Liabilities (Note 14)	**1,018.7**	405.3
Future Income Taxes	**986.3**	992.3
Non-Controlling Interest	**10.5**	11.2
Shareholders' Equity (Note 15)		
Convertible debentures	**151.8**	148.5
Preference and preferred shares	**69.7**	69.7
Common equity	**6,415.2**	6,214.4
	6,636.7	6,432.6
	$ 17,459.9	$ 18,219.8

Commitments and Contingent Liabilities (Note 16)

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

consolidated statements of cash flows

Periods ended September 30 (unaudited) (millions)	Three months 2003	Three months 2002	Nine months 2003	Nine months 2002
OPERATING ACTIVITIES				
Net income (loss)	**$ 115.9**	$ (107.4)	**$ 281.9**	$ (89.8)
Adjustments to reconcile net income (loss) to cash provided by operating activities:				
Depreciation and amortization	**407.2**	400.8	**1,228.4**	1,160.4
Future income taxes	**95.7**	(57.1)	**351.0**	(37.8)
Gain on redemption of long-term debt	**—**	(82.4)	**—**	(82.4)
Net employee defined benefit plans expense (credits)	**13.2**	(2.1)	**39.5**	(11.8)
Employer contributions to employee defined benefit plans	**(33.9)**	(11.7)	**(69.9)**	(36.2)
Other, net	**2.3**	(15.6)	**36.7**	(13.3)
Restructuring and workforce reduction costs, net of cash payments (Note 4)	**(29.8)**	256.6	**(221.5)**	194.9
Net change in non-cash working capital (Note 17(c))	**279.1**	423.7	**83.0**	297.1
Cash provided by operating activities	**849.7**	804.8	**1,729.1**	1,381.1
INVESTING ACTIVITIES				
Capital expenditures (Note 10(a))	**(304.0)**	(327.2)	**(817.3)**	(1,281.7)
Proceeds from the sale of property (Note 10(c)) and other assets	**1.3**	7.8	**39.6**	7.8
Other	**(5.1)**	(2.7)	**1.3**	(36.4)
Cash used by investing activities	**(307.8)**	(322.1)	**(776.4)**	(1,310.3)
FINANCING ACTIVITIES				
Common Shares and Non-Voting Shares issued	**20.6**	16.6	**61.7**	73.9
Public issuance of Non-Voting Shares	**—**	337.4	**—**	337.4
Cost of public issuance of Non-Voting Shares	**—**	(14.5)	**—**	(14.5)
Dividends to shareholders	**(41.6)**	(43.2)	**(130.2)**	(96.3)
Long-term debt issued (Note 13)	**56.0**	—	**365.4**	584.0
Redemptions and repayment of long-term debt (Note 13)	**(490.4)**	(779.1)	**(1,130.6)**	(892.7)
Change in short-term obligations (commercial paper and bank borrowings)	**—**	—	**—**	(80.5)
Interest on convertible debentures	**—**	—	**(5.1)**	(5.1)
Other	**(0.8)**	3.8	**(2.6)**	0.6
Cash used by financing activities	**(456.2)**	(479.0)	**(841.4)**	(93.2)
CASH POSITION				
Increase (decrease) in cash and temporary investments, net	**85.7**	3.7	**111.3**	(22.4)
Cash and temporary investments, net, beginning of period	**16.6**	(9.0)	**(9.0)**	17.1
Cash and temporary investments, net, end of period	**$ 102.3**	$ (5.3)	**$ 102.3**	$ (5.3)
SUPPLEMENTAL DISCLOSURE				
Interest paid	**$ 27.7**	$ 48.6	**$ 362.5**	$ 392.9
Income taxes (inclusive of Investment Tax Credits (Note 6)) (received) paid	**$ (38.4)**	$ 4.2	**$ (35.1)**	$ 24.0

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

SEPTEMBER 30, 2003 (unaudited)

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.

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, 2002. These interim consolidated financial statements follow the same accounting policies, other than as set out in Note 2 to these interim consolidated financial statements, and methods of their application as set out in the TELUS Corporation consolidated financial statements for the year ended December 31, 2002.

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

2. Accounting Policy Developments

(a) Disclosure of Guarantees

Commencing January 1, 2003, the new guidelines of the Canadian Institute of Chartered Accountants ("CICA") for the disclosure of guarantees apply to the Company (CICA Accounting Guideline AcG-14) (see Note 16(c)). The Guideline elaborates on required disclosures by a guarantor in its financial statements about obligations under certain types of guarantees that it has issued.

(b) Asset Retirement Obligations

Commencing with the Company's 2004 fiscal year, the new recommendations of the CICA for accounting for asset retirement obligations (CICA Handbook Section 3110) apply to the Company. The new section focuses on the recognition and measurement of liabilities for statutory, contractual or legal obligations, normally when incurred, associated with the retirement of property, plant and equipment when those obligations result from the acquisition, construction, development or normal operation of the assets. The obligations are measured initially at fair value (using present value methodology) and the resulting costs capitalized into the carrying amount of the related asset. In subsequent periods, the liability is adjusted for the accretion of discount and any changes in the amount or timing of the underlying future cash flows. The capitalized asset retirement cost is depreciated on the same basis as the related asset; discount accretion is included in determining the results of operations. The Company is currently evaluating the impact of this standard on its financial statements.

(c) Hedging Relationships

Commencing with the Company's 2004 fiscal year, the new guidelines of the CICA for accounting for hedging relationships apply to the Company (CICA Accounting Guideline AcG-13). The Company's previously disclosed hedge accounting policy is compliant with the new Guideline.

3. Financial Instruments

Price risk – currency: The Company is exposed to currency risks arising from fluctuations in foreign exchange rates on its U.S. Dollar denominated long-term debt. Currency hedging relationships have been established for the related semi-annual interest payments and principal payments at maturity.

The Company's foreign exchange risk management includes the use of foreign currency forward contracts to fix the exchange rates on short-term foreign currency transactions and commitments. Hedge accounting is applied to these short-term foreign currency forward contracts on an exception basis only.

During 2003, the Company entered into foreign currency forward contracts that have the effect of fixing the exchange rates on, as at September 30, 2003, U.S.$38 million of fiscal 2003 purchase commitments; hedge

accounting has been applied to these foreign currency forward contracts, all of which relate to the Mobility segment.

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

	As at September 30, 2003		As at December 31, 2002	
(millions)	**Carrying amount**	**Fair value**	Carrying amount	Fair value
Long-term debt	**$ 6,918.3**	**$ 7,900.5**	$ 8,387.7	$ 8,338.2
Convertible debentures	**$ 151.8**	**$ 153.4**	$ 148.5	$ 137.6
Derivative financial instruments used to manage exposure to interest rate and currency risks (a)				
- Deferred hedging liability (Note 14)	**$ 574.4**	**$ 637.3**	$ —	$ —
- Deferred hedging asset (Note 11)	**$ —**	**$ —**	$ 134.1	$ 315.7

(a) Notional amount outstanding $4,890.4 (December 31, 2002 – $4,925.7).

4. Restructuring and Workforce Reduction Costs

In 2001, the Company initiated the phased Operational Efficiency Program aimed at improving the Company's operating and capital productivity and competitiveness. The first phase of the Operational Efficiency Program was to complete merger-related restructuring activities in TELUS Mobility and the reorganization for TELUS Communications. Approximately one-half of the 2001 charge was related to integration costs for TELUS Mobility including the write-down of redundant capital assets, handset reconfiguration costs and employee severance costs. The remaining charge was related to reorganization costs in TELUS Communications, including employee severance costs and capital asset impairment charges.

The second phase of the Operational Efficiency Program, which commenced at the beginning of 2002, continued to focus on reducing staff, but also entailed a comprehensive review of enterprise-wide processes to identify capital and operational efficiency opportunities. Consequently, the Company initiated a program offering an Early Retirement Incentive Plan and a Voluntary Departure Incentive Plan to 11,000 of over 16,000 bargaining unit employees and announced details on Operational Efficiency Program initiatives including: streamlining of business processes; reducing the TELUS product portfolio and processes that support them; optimizing the use of real estate, networks and other assets; improving customer order management; reducing the scope of corporate support functions; consolidating operational and administrative functions; and consolidating customer contact centres.

The third phase of the Operational Efficiency Program, which commenced in the third quarter of 2002, was focused on operationalizing the above noted initiatives. Consolidation of administrative offices was largely completed by December 31, 2002.

The following table presents the program costs to date and the changes in program costs in the period as well as the corresponding liabilities and changes in the corresponding liabilities for the period.

(millions)	Program (a) inception to December 31, 2002	**Nine-month period ended September 30, 2003**	Program (a) inception to September 30, 2003	Program (a) items not yet eligible for recording	Total program (a)
Workforce reduction costs					
Voluntary (Early Retirement Incentive Plan, Voluntary Departure Incentive Plan and other)	$ 498.5	**$ —**	$ 498.5	$ —	$ 498.5
Involuntary and other	220.8	**—**	220.8	—	220.8
	719.3	**—**	719.3	—	719.3
Lease termination charges	16.1	**3.4**	19.5	—	19.5
Asset write-offs and other charges	32.9	**8.7**	41.6	7.3	48.9
Restructuring and workforce reduction costs	768.3	**12.1**	780.4	$ 7.3	$ 787.7
Less:					
Payments (Note 17(c))	332.0	**222.3**	554.3		
Asset write-offs related to restructuring and other	30.5	**11.3**	41.8		
Reclassified to other long-term liabilities (pension and other post-retirement benefit liabilities)	5.4	**—**	5.4		
	367.9	**233.6**	601.5		
Restructuring and workforce reduction accounts payable and accrued liabilities	$ 400.4	**$ (221.5)**	$ 178.9		

(a) Program includes phases 1, 2 and 3 of the Operational Efficiency Program.

The following table presents the status of various Operational Efficiency Program initiatives. The expense and liability for the Early Retirement Incentive Plan and Voluntary Departure Incentive Plan programs are recognized when the employee accepts the Company's formalized offer. As a result, Operational Efficiency Program costs may be, and have been, as appropriate and required, recorded in advance of when the underlying event occurs.

	Program (a) inception to December 31, 2002	**Nine-month period ended September 30, 2003**	Program (a) inception to September 30, 2003	Future	Total program (a)
Customer contact centre consolidation	24	15	39	7	46
TELUS store closures	33	—	33	—	33
Staff reductions (net of targeted hiring)					
Phase 1	800	—	800	—	800
Phases 2 and 3	5,200	800	6,000	500	6,500
	6,000	800	6,800	500	7,300

(a) Program includes phases 1, 2 and 3 of the Operational Efficiency Program.

5. Financing Costs

Periods ended September 30	Three months		Nine months	
(millions)	**2003**	2002	**2003**	2002
Interest on long-term debt	**$ 165.5**	$ 180.6	**$ 503.8**	$ 540.1
Interest on short-term obligations and other	**0.9**	0.3	**5.3**	3.0
Foreign exchange loss (a)	**0.8**	0.8	**—**	0.1
Gain on redemption of long-term debt (b)	**—**	(82.4)	**—**	(82.4)
	167.2	99.3	**509.1**	460.8
Capitalized interest during construction	**—**	(0.1)	**—**	(0.5)
Interest income (including interest on tax refunds)	**(30.7)**	(0.6)	**(41.9)**	(6.3)
	$ 136.5	$ 98.6	**$ 467.2**	$ 454.0

(a) For the three-month and nine-month periods ended September 30, 2003, these amounts include gains (losses) of NIL (2002 – $(0.1)) and $0.6 (2002 – $(0.4)), respectively, in respect of hedge ineffectiveness.

(b) This amount includes a gain of $4.3, which arose from the associated settlement of financial instruments which hedged U.S. dollar denominated long-term debt that was extinguished during the third quarter of 2002.

6. Income Taxes

Periods ended September 30	Three months		Nine months	
(millions)	**2003**	2002	**2003**	2002
Current	**$ (11.7)**	$ 6.6	**$ (218.0)**	$ 36.9
Future	**95.7**	(57.1)	**351.0**	(37.8)
	$ 84.0	$ (50.5)	**$ 133.0**	$ (0.9)

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

Three-month periods ended September 30 ($ in millions)	**2003**		2002	
Basic blended federal and provincial tax at statutory income tax rates	**$ 74.3**	**37.0%**	$ (61.2)	38.9%
Non-taxable portion of gains	**—**		(14.0)	
Revaluation of future tax assets and liabilities for decreases in statutory rates	**1.1**		16.0	
Other	**2.8**		2.0	
	78.2	**38.9%**	(57.2)	36.4%
Large corporations tax	**5.8**		6.7	
Income tax expense (recovery) per Consolidated Statements of Income	**$ 84.0**	**41.8%**	$ (50.5)	32.1%

Nine-month periods ended September 30 ($ in millions)	**2003**		2002	
Basic blended federal and provincial tax at statutory income tax rates	**$ 154.6**	**37.0%**	$ (34.2)	38.7%
Non-taxable portion of gains	**—**		(14.0)	
Revaluation of future tax assets and liabilities for decreases in statutory rates	**0.9**		16.0	
Prior year rates applied to settlement of tax issues	**(47.0)**		2.0	
Other	**7.9**		9.4	
	116.4	**27.9%**	(20.8)	23.6%
Large corporations tax	**16.6**		19.9	
Income tax expense (recovery) per Consolidated Statements of Income	**$ 133.0**	**31.8%**	$ (0.9)	1.0%

The Company conducts research and development activities, which are eligible to earn Investment Tax Credits. During the three-month and nine-month periods ended September 30, 2003, the Company recorded Investment Tax Credits of NIL (2002 – NIL) and $1.2 million (2002 – $40.0 million), respectively, of which NIL (2002 – NIL) and $1.0 million (2002 – $40.0 million), respectively, were recorded as a reduction of "Operations expense" and the balance was recorded as a reduction of capital expenditures.

7. Per Share Amounts

Basic income (loss) per Common Share and Non-Voting Share is calculated by dividing Common Share and Non-Voting Share income (loss) by the total weighted average Common Shares and Non-Voting Shares outstanding during the period. Diluted income (loss) per Common Share and Non-Voting Share is calculated to give effect to share options and warrants and shares issuable on conversion of debentures.

The following tables present the reconciliations of the numerators and denominators of the basic and diluted per share computations.

Periods ended September 30	Three months		Nine months	
(millions)	**2003**	2002	**2003**	2002
Net income (loss)	**$ 115.9**	$ (107.4)	**$ 281.9**	$ (89.8)
Deduct:				
Preference and preferred share dividends	**0.9**	0.8	**2.6**	2.6
Interest on convertible debentures	**1.8**	1.8	**5.3**	5.1
Basic and diluted Common Share and Non-Voting Share income (loss)	**$ 113.2**	$ (110.0)	**$ 274.0**	$ (97.5)

Periods ended September 30	Three months		Nine months	
(millions)	**2003**	2002	**2003**	2002
Basic total weighted average Common Shares and Non-Voting Shares outstanding	**350.1**	315.3	**348.5**	308.7
Effect of dilutive securities				
Exercise of share options and warrants	**3.1**	—	**2.3**	—
Diluted total weighted average Common Shares and Non-Voting Shares outstanding	**353.2**	315.3	**350.8**	308.7

Certain outstanding share options, in the amount of 15.5 million and 16.2 million for the three-month and nine-month periods ended September 30, 2003, respectively, were not included in the computation of diluted income (loss) per Common Share and Non-Voting Share because the options' exercise prices were greater than the average market price of the Common Shares and Non-Voting Shares during the reported periods. Similarly, convertible debentures, which were convertible into 3.8 million shares in both the three-month and nine-month periods ended September 30, 2003, were not included in the computation of diluted income (loss) per Common Share and Non-Voting Share because the conversion price was greater than the average market price of the Non-Voting Shares during the reported periods.

8. Share-Based Compensation

The Company applies the intrinsic value based method of accounting for share-based compensation awards granted to employees. Accordingly, no compensation cost is recorded in the accounts in respect of its share option plans. For share options granted after 2001, disclosure of the impact on earnings and earnings per share as if the fair value based method of accounting for the share-based compensation had been applied is required. Such impact, using weighted average fair values of $6.86 (2002 – $1.68) and $4.63 (2002 – $7.30) for options granted in the three-month and nine-month periods ended September 30, 2003, respectively, would approximate the following pro forma amounts:

Periods ended September 30	Three months		Nine months	
(millions except per share amounts)	**2003**	2002	**2003**	2002
Compensation cost	**$ 4.4**	$ 1.6	**$ 13.4**	$ 4.0
Net income (loss)				
As reported	**$ 115.9**	$ (107.4)	**$ 281.9**	$ (89.8)
Pro forma	**$ 111.5**	$ (109.0)	**$ 268.5**	$ (93.8)
Net income (loss) per Common Share and Non-Voting Share				
Basic				
As reported	**$ 0.32**	$ (0.35)	**$ 0.79**	$ (0.32)
Pro forma	**$ 0.31**	$ (0.35)	**$ 0.75**	$ (0.33)
Diluted				
As reported	**$ 0.32**	$ (0.35)	**$ 0.78**	$ (0.32)
Pro forma	**$ 0.31**	$ (0.35)	**$ 0.74**	$ (0.33)

Due to the fact that only share options granted after 2001 are included, these pro forma disclosures are not likely to be representative of the effects on reported net income for future years.

The fair value of each option granted is estimated at the time of grant using the Black-Scholes model with weighted average assumption for grants as follows:

Periods ended September 30	Three months		Nine months	
	2003	2002	**2003**	2002
Risk free interest rate	**3.9%**	5.5%	**4.9%**	5.8%
Expected lives (years)	**4.5**	6.5	**4.5**	9.8
Expected volatility	**40.0%**	35.0%	**40.0%**	35.1%
Dividend yield	**2.7%**	7.1%	**3.9%**	3.8%

Forfeitures of options are accounted for in the period of forfeiture.

9. Accounts Receivable

On July 26, 2002, TELUS Communications Inc., a wholly-owned subsidiary of TELUS, entered into an agreement (the "2002 Securitization") 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.

(millions)	**As at September 30, 2003**	As at December 31, 2002
Total managed portfolio	**$ 1,007.4**	$ 1,139.0
Securitized receivables	**(606.5)**	(595.4)
Retained interest in receivables sold	**103.6**	96.8
Receivables held	**$ 504.5**	$ 640.4

For the three-month and nine-month periods ended September 30, 2003, the Company recognized losses of $0.7 million (2002 – $2.2 million) and $3.7 million (2002 – $2.2 million), respectively, on the sale of receivables, arising from the 2002 Securitization.

Cash flows from the 2002 Securitization are as follows:

Periods ended September 30	Three months		Nine months	
(millions)	**2003**	2002	**2003**	2002
Cumulative proceeds from securitization, beginning of period	**$ 485.0**	$ —	**$ 475.0**	$ —
Proceeds from new securitizations	**—**	430.0	**34.0**	430.0
Securitization reduction payments	**(4.0)**	—	**(28.0)**	—
Cumulative proceeds from securitization, end of period	**$ 481.0**	$ 430.0	**$ 481.0**	$ 430.0
Proceeds from collections reinvested in revolving period securitizations	**$ 1,137.6**	$ 425.2	**$ 3,137.3**	$ 425.2
Proceeds from collections pertaining to retained interest	**$ 259.3**	$ 84.2	**$ 675.7**	$ 84.2

The Company delivered notice that, effective October 27, 2003, it would make a securitization reduction payment of $106 million.

10. Capital Assets

(a) Capital Assets, Net

	Cost	Accumulated Depreciation and Amortization	Net Book Value	
(millions)			**As at September 30, 2003**	As at December 31, 2002
Property, plant, equipment and other				
Telecommunications assets	$ 16,275.9	$ 10,371.5	**$ 5,904.4**	$ 6,252.9
Assets leased to customers	415.3	352.0	**63.3**	77.5
Buildings	1,522.7	724.6	**798.1**	836.0
Office equipment and furniture	857.6	604.9	**252.7**	280.8
Assets under capital lease	28.4	13.6	**14.8**	10.3
Other	345.7	235.0	**110.7**	144.0
Land	49.0	—	**49.0**	55.4
Plant under construction	546.9	—	**546.9**	341.6
Materials and supplies	23.1	—	**23.1**	27.4
	20,064.6	12,301.6	**7,763.0**	8,025.9
Intangible assets subject to amortization				
Subscriber base	362.9	67.9	**295.0**	311.6
Software	983.4	542.9	**440.5**	600.3
Access to rights-of-way and other	115.7	32.1	**83.6**	86.6
	1,462.0	642.9	**819.1**	998.5
Intangible assets with indefinite lives				
Spectrum licences*	3,973.0	1,018.5	**2,954.5**	2,950.1
	$ 25,499.6	$ 13,963.0	**$ 11,536.6**	$ 11,974.5

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

Included in capital expenditures for the three-month and nine-month periods ended September 30, 2003, were additions of intangible assets subject to amortization of $37.4 million (2002 – $72.6 million) and $81.6 million (2002 – $210.9 million), respectively.

Also included in capital expenditures for the three-month and nine-month periods ended September 30, 2003, were additions of intangible assets with indefinite lives of $1.4 million (2002 – $4.5 million) and $1.4 million (2002 – $4.5 million), respectively.

(b) Intangible Assets Subject to Amortization

Estimated aggregate amortization expense for intangible assets subject to amortization, calculated upon such assets held as at September 30, 2003, for each of the next five fiscal years is as follows:

Years ended December 31 (millions)	
2003 (balance of year)	**$ 85.6**
2004	**262.0**
2005	**152.4**
2006	**52.5**
2007	**36.3**

(c) Sale of Property

During the first quarter of 2003, the Company disposed of a non-strategic property under the terms of a sale-leaseback transaction. The pre-tax gain of $8.2 million, arising from net proceeds of $19.3 million, has been deferred and will be amortized over the term of the lease.

During the second quarter of 2003, the Company disposed of non-strategic properties and realized pre-tax gains totaling $7.3 million, arising from net proceeds of $11.7 million.

11. Deferred Charges

(millions)	As at September 30, 2003	As at December 31, 2002
Recognized transitional pension assets and pension plan contributions in excess of charges to incom	**$ 406.3**	$ 367.9
Cost of issuing debt securities, less amortization	**41.9**	53.4
Deferred hedging asset	**—**	134.1
Deferred customer activation and installation costs (a)	**98.0**	100.3
Other	**68.8**	73.4
	$ 615.0	$ 729.1

(a) Upfront customer activation fees, along with the corresponding direct costs not in excess of revenues, are deferred and recognized over the average expected term of the customer relationship.

12. Goodwill

For the three-month and nine-month periods ended September 30, 2003, goodwill additions, arising from acquisitions, and in 2003, contingent consideration paid in respect of a prior year's acquisition, were $0.3 million (2002 – NIL) and $0.4 million (2002 – $2.9 million), respectively.

13. Long-Term Debt

(a) Details of Long-Term Debt

($ in millions)

Series	*Rate*	*Maturity*	As at September 30, 2003	As at December 31, 2002
TELUS Corporation Notes				
CA	7.5%	June 2006	**$ 1,571.4**	$ 1,569.7
U.S.	7.5%	June 2007	**1,569.4**	1,835.5
U.S.	8.0%	June 2011	**2,586.8**	3,026.6
			5,727.6	6,431.8
TELUS Corporation Credit Facilities		May 2004	**70.0**	655.0
TELUS Communications Inc. Debentures				
1	12.00%	May 2010	**50.0**	50.0
2	11.90%	November 2015	**125.0**	125.0
3	10.65%	June 2021	**175.0**	175.0
5	9.65%	April 2022	**249.0**	249.0
A	9.50%	August 2004	**189.5**	189.5
B	8.80%	September 2025	**200.0**	200.0
			988.5	988.5
TELUS Communications Inc. Medium Term Note Debentures				
96-9	6.25%	August 2004	**20.0**	20.0
99-1	7.25%	June 2030	**0.1**	151.0
			20.1	171.0
TELUS Communications Inc. Senior Discount Notes			**0.4**	0.8
TELUS Communications (Québec) Inc. First Mortgage Bonds				
T	10.80%	March 2003	**—**	30.0
U	11.50%	July 2010	**30.0**	30.0
			30.0	60.0
TELUS Communications (Québec) Inc. Medium Term Notes				
1	7.10%	February 2007	**70.0**	70.0
Capital leases issued at varying rates of interest from 5.3% to 18.0% and maturing on various dates up to 2008			**10.8**	10.1
Other			**0.9**	0.5
Total debt			**6,918.3**	8,387.7
Less – current maturities			**285.8**	190.3
Long-Term Debt			**$ 6,632.5**	$ 8,197.4

(b) Long-Term Debt Maturities

Anticipated requirements to meet long-term debt repayments during each of the five years ended December 31, are as follows:

(millions)	Credit facilities	Other*	Total*
2003 (balance of year)	**$ —**	**$ 5.9**	**$ 5.9**
2004	**70.0**	**210.9**	**280.9**
2005	**—**	**1.2**	**1.2**
2006	**—**	**1,579.8**	**1,579.8**
2007	**—**	**1,869.9**	**1,869.9**

* Where applicable, repayments reflect hedged foreign exchange rates

Subsequent to September 30, 2003, the Company delivered notice that, effective October 6, 2003, it would repay the credit facilities' balance outstanding and, concurrently, would terminate the associated interest rate swap, which effectively fixed the interest rate on the repaid debt.

14. Other Long-Term Liabilities

(millions)	**As at September 30, 2003**	As at December 31, 2002
Deferred gain on sale-leaseback of buildings	**$ 111.6**	$ 111.1
Pension and other post-retirement liabilities	**156.8**	149.7
Deferred hedging liability	**574.4**	—
Deferred customer activation and installation fees (a)	**98.0**	100.3
Other	**77.9**	44.2
	$ 1,018.7	$ 405.3

(a) Upfront customer activation fees, along with the corresponding direct costs not in excess of revenues, are deferred and recognized over the average expected term of the customer relationship.

15. Shareholders' Equity

(a) Details of Shareholders' Equity

($ in millions except per share amounts)				**As at September 30, 2003**	As at December 31, 2002
Convertible debentures				**$ 151.8**	$ 148.5
TELUS Communications Inc. Preference Shares and Preferred Shares					
Authorized		Amount			
Non-voting first preferred shares		Unlimited			
Issued			Redemption Premium (b)		
Cumulative					
$6.00	Preference	8,090	10.0%	**0.8**	0.8
$4.375	Preferred	53,000	4.0%	**5.3**	5.3
$4.50	Preferred	47,500	4.0%	**4.8**	4.8
$4.75	Preferred	71,250	5.0%	**7.1**	7.1
$4.75	Preferred (Series 1956)	71,250	4.0%	**7.1**	7.1
$5.15	Preferred	114,700	5.0%	**11.5**	11.5
$5.75	Preferred	96,400	4.0%	**9.6**	9.6
$6.00	Preferred	42,750	5.0%	**4.3**	4.3
$1.21	Preferred	768,400	4.0%	**19.2**	19.2
				69.7	69.7

($ in millions except per share amounts)		As at September 30, 2003	As at December 31, 2002
Preferred equity			
Authorized	Amount		
First Preferred Shares	1,000,000,000		
Second Preferred Shares	1,000,000,000		
Common equity			
Shares			
Authorized	Amount		
Common Shares	1,000,000,000		
Non-Voting Shares	1,000,000,000		
Issued			
Common Shares (c)		**2,329.6**	2,275.1
Non-Voting Shares (c)		**3,279.2**	3,243.2
Options and warrants (d), (e)		**53.9**	56.8
Accrual for shares issuable under channel stock incentive plan (f)		**0.5**	0.3
Cumulative foreign currency translation adjustment		**(3.0)**	1.2
Retained earnings		**747.6**	630.4
Contributed surplus		**7.4**	7.4
		6,415.2	6,214.4
Total Shareholders' Equity		**$ 6,636.7**	$ 6,432.6

(b) TELUS Communications Inc. Preference and Preferred Shares

TELUS Communications Inc. has the right to redeem the Preference and Preferred shares upon giving three months' previous notice.

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

Periods ended September 30, 2003	Three months		Nine months	
	Number of shares	Amount (millions)	Number of shares	Amount (millions)
Common Shares				
Beginning of period	**189,386,078**	**$ 2,314.1**	**187,271,994**	**$ 2,275.1**
Exercise of share options (d)	**—**	**—**	**11,691**	**0.2**
Employees' purchase of shares	**555,712**	**13.9**	**2,468,324**	**49.5**
Dividends reinvested in shares	**64,650**	**1.6**	**254,431**	**4.8**
End of period	**190,006,440**	**$ 2,329.6**	**190,006,440**	**$ 2,329.6**
Non-Voting Shares				
Beginning of period	**159,614,463**	**$ 3,262.6**	**158,407,931**	**$ 3,243.2**
Exercise of share options (d)	**234,522**	**4.8**	**263,373**	**6.4**
Channel stock incentive plan (f)	**12,250**	**0.3**	**33,725**	**0.7**
Dividend Reinvestment and Share Purchase Plan (g)				
Dividends reinvested in shares	**539,829**	**11.2**	**1,666,613**	**28.1**
Optional cash payments	**13,196**	**0.3**	**42,618**	**0.8**
End of period	**160,414,260**	**$ 3,279.2**	**160,414,260**	**$ 3,279.2**

(d) Share Option Plans

The Company has a number of share option plans under which directors, officers and other employees receive options to purchase Common Shares and/or Non-Voting Shares at a price equal to the fair market value at the time of grant. Options granted under the plans may be exercised over specific periods not to exceed 10 years from the time of grant. At September 30, 2003, 26.5 million (December 31, 2002 – 25.8 million) shares are reserved for issuance under the share option plans.

The following table presents a summary of the activity related to the Company's share options plans for the periods ended September 30, 2003.

Periods ended September 30, 2003	Three months		Nine months	
	Number of shares	Weighted average option price	Number of shares	Weighted average option price
Outstanding, beginning of period	**24,535,395**	**$ 25.13**	**24,689,860**	**$ 25.60**
Granted	**158,520**	**21.69**	**1,162,325**	**15.90**
Exercised	**(234,522)**	**13.29**	**(275,064)**	**13.39**
Forfeited and expired	**(236,753)**	**30.06**	**(1,354,481)**	**27.45**
Outstanding, end of period	**24,222,640**	**25.17**	**24,222,640**	**25.17**

(e) Warrants

Under the terms of the arrangement to acquire Clearnet, effective January 18, 2001, TELUS Corporation exchanged the warrants held by former Clearnet warrant holders. Each warrant entitles the holder to purchase a non-voting share at a price of U.S.$10.00 per share until September 15, 2005. Proceeds arising from the exercise of the warrants are credited to share capital. As at September 30, 2003, 0.8 million (December 31, 2002 – 0.8 million) warrants remained outstanding.

(f) Channel Stock Incentive Plan

The Company initiated the Plan to increase sales of various products and services by providing additional performance-based compensation in the form of Non-Voting Shares. The Company has reserved 0.2 million (December 31, 2002 – 0.3 million) shares for issuance under the Plan. As at September 30, 2003, shares earned, but not yet issued, are accrued as a component of Common Equity.

(g) Dividend Reinvestment and Share Purchase Plan

The Company has a Dividend Reinvestment and Share Purchase Plan under which eligible shareholders may acquire Non-Voting Shares through the reinvestment of dividends and additional optional cash payments. Excluding Non-Voting Shares purchased by way of additional optional cash payments, at the Company's discretion it may offer the Non-Voting Shares at up to a 5% discount from the market price. 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 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.

16. Commitments and Contingent Liabilities

(a) Operational Efficiency Program Initiatives

As disclosed in Note 4, the Company estimates that an additional restructuring amount of approximately $7.3 million may be recorded in 2003 in respect of the Operational Efficiency Program for items that were not eligible to be recorded prior to September 30, 2003.

(b) Labour Negotiations

In 2000, TELUS commenced collective bargaining with the Telecommunications Workers Union for a new collective agreement replacing the legacy agreements from BC TELECOM and Alberta-based TELUS. Following the Clearnet acquisition and subsequent transactions, the Mobility business assumed responsibility for separate negotiations for its unionized operations in British Columbia and Alberta. This is the first round of collective bargaining since the merger of BC TELECOM and TELUS Alberta and the Company's aim is to replace the multiple legacy collective agreements with a single collective agreement for the new bargaining unit.

During the fourth quarter of 2002, the Company's application to the Federal Minister of Labour, as provided for under the Canada Labour Code, requesting the appointment of a federal conciliator was granted. While the conciliation process is underway, the Canada Labour Code prohibits a strike or lock out.

In January 2003, the Company and the Telecommunications Workers Union signed a Maintenance of Activities agreement, as required by federal legislation. This agreement ensures the continuation of services to 911 emergency, police, fire, ambulance, hospitals and coast guard, with provisions to cover other potential emergency services necessary to prevent immediate and serious danger to the health or safety of the public, in the event of a work stoppage.

Also in January 2003, the Company and the Telecommunications Workers Union agreed to an extension of the conciliation process to include a global review of all outstanding issues and a subsequent 60-day conciliation period. In July 2003, the conciliators concluded their global review and released their action plan, which was agreed to and accepted by the Company and the Telecommunications Workers Union. The conciliators' action plan sets out that the 60-day conciliation period will commence November 14, 2003, while, in the interim, pensions and employee benefits discussions will continue. If the outstanding issues are not resolved at the end of the 60-day period, the parties may agree to extend this phase or, alternatively, following a 21-day cooling off period, a legal work stoppage may occur no earlier than February 2004. If the outstanding issues are not resolved and a new collective agreement is not achieved, there is the risk of a labour disruption. As a labour disruption could occur in multiple forms, the operational and financial impacts of a labour disruption on the Company are not practicably determinable currently.

(c) Guarantees

Effective for reporting periods ending after December 31, 2002, Canadian GAAP requires 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 which GAAP may consider to be guarantees. As defined by Canadian GAAP, guarantees subject to these disclosure guidelines do not include guarantees that relate to the future performance of the Company.

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

The Company has guaranteed a third party's financial obligation as a part of a facility naming rights agreement. The guarantee runs through to December 31, 2014, on a declining-balance basis and is of limited recourse.

In 2003, the Company guaranteed a third party's performance in respect of a customer contract that was assigned to the third party. The Company would be required to make a payment to the customer should the performance requirements of the contract not be met. The guarantee runs through to December 31, 2003 and is of limited recourse.

In 2003, the Company guaranteed a customer's financial obligation to a third party in respect of telecommunication equipment that the Company is supplying to the customer. The Company could be required to make a payment to the third party in the event that the customer does not accept the telecommunications equipment as a result of a major failure of the equipment that prevents the equipment from meeting specified service levels. The guarantee runs through to July 1, 2004, and the Company has recourse to the underlying assets.

As at September 30, 2003, the Company has no liability recorded in respect of the aforementioned performance guarantees.

Financial guarantees: In conjunction with its 2001 exit from the equipment leasing business, the Company provided a guarantee to a third party with respect to certain specified telecommunication asset and vehicle leases. If the lessee were to default, the Company would be required to make a payment to the extent that the realized value of the underlying asset is insufficient to pay out the lease; in some instances, the Company could be required to pay out the lease on a gross basis and realize the underlying value of the leased asset itself. As at September 30, 2003, the Company has a liability of $1.8 million recorded in respect of these lease guarantees.

The following table quantifies the maximum, undiscounted guarantee amounts, as at September 30, 2003, without regard for the likelihood of having to make such payment.

(millions)	Performance guarantees (a)	Financial guarantees (a)	Total
2003 (balance of year)	$ 6.5	$ 7.4	$ 13.9
2004	4.9	5.9	10.8
2005	2.0	4.4	6.4
2006	1.8	3.1	4.9
2007	1.6	1.5	3.1

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

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

In connection with its 2001 disposition of TELUS' directory business, the Company agreed to bear a proportionate share of the purchaser's increased directory publication costs if the increased costs were to arise from a change in the applicable Canadian Radio-television and Telecommunications Commission ("CRTC") regulatory requirements. The Company's proportionate share would be 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 purchaser being prevented from carrying on the directory business as specified in the agreement, TELUS would indemnify the purchaser in respect of any losses that the purchaser incurred.

The Company has no liability recorded, as at September 30, 2003, in respect of indemnification obligations.

(d) Claims and Lawsuits

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 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.

17. Additional Financial Information

(a) Income Statement

Periods ended September 30	Three months		Nine months	
(millions)	**2003**	2002	**2003**	2002
Advertising expense	**$ 30.3**	$ 29.8	**$ 90.7**	$ 105.1

(b) Balance Sheet

(millions)	**As at September 30, 2003**	As at December 31, 2002
Accounts receivable		
Customer accounts receivable	**$ 331.2**	$ 524.7
Accrued receivables	**227.0**	179.2
Allowance for doubtful accounts	**(65.0)**	(71.8)
Other	**11.3**	8.3
	$ 504.5	$ 640.4

(millions)	As at September 30, 2003	As at December 31, 2002
Prepaid expense and other		
Prepaid expenses	**$ 107.4**	$ 106.1
Deferred customer activation and installation costs	**52.8**	57.3
Other	**—**	0.1
	$ 160.2	$ 163.5
Accounts payable and accrued liabilities		
Trade accounts payable	**$ 308.8**	$ 337.1
Accrued liabilities	**337.4**	388.1
Payroll and other employee related liabilities	**381.3**	359.7
Interest payable	**206.1**	75.4
Other	**32.8**	38.5
	$ 1,266.4	$ 1,198.8
Advance billings and customer deposits		
Advance billings	**$ 365.9**	$ 304.3
Customer deposits	**24.9**	26.0
	$ 390.8	$ 330.3

(c) Statement of Cash Flows

Periods ended September 30	Three months		Nine months	
(millions)	**2003**	2002	**2003**	2002
Disbursements made in conjunction with				
Operational Efficiency Program				
Workforce reduction				
Voluntary (Early Retirement Incentive Plan, Voluntary Departure Incentive Plan and other)	**$ 18.6**	$ 29.6	**$ 144.8**	$ 29.6
Involuntary and other	**8.6**	22.6	**71.7**	83.7
Lease termination charges	**2.2**	1.9	**5.8**	4.2
Other charges	**2.7**	2.6	**11.3**	16.5
	$ 32.1	$ 56.7	**$ 233.6**	$ 134.0
Net change in non-cash working capital				
Accounts receivable	**$ (4.9)**	$ 259.2	**$ 135.9**	$ 301.5
Income and other taxes receivable	**8.9**	3.4	**(208.2)**	(55.3)
Inventories	**3.8**	8.6	**18.7**	26.1
Prepaid expenses and other	**64.7**	84.2	**4.6**	32.6
Accounts payable and accrued liabilities	**186.3**	50.1	**71.5**	(11.5)
Advance billings and customer deposits	**20.3**	18.2	**60.5**	3.7
	$ 279.1	$ 423.7	**$ 83.0**	$ 297.1

18. Segmented Information

The Company's reportable segments, which are used to manage the business, are Communications and Mobility. Communications includes: voice local, voice long distance, data and other telecommunication services excluding wireless; Mobility includes: cellular and paging services. Segmentation is based on similarities in technology, the technical expertise required to deliver the products and services, and the distribution channels used. Intersegment sales are recorded at the exchange value, which is the amount agreed to by the parties.

Three-month periods ended September 30 (millions)	Communications 2003	Communications 2002	Mobility 2003	Mobility 2002	Eliminations 2003	Eliminations 2002	Consolidated 2003	Consolidated 2002
External revenue	**$ 1,186.3**	$ 1,233.8	**$ 619.9**	$ 532.5	**$ —**	$ —	**$ 1,806.2**	$ 1,766.3
Inter-segment revenue	**24.6**	24.5	**4.0**	4.9	**(28.6)**	(29.4)	**—**	—
Total operating revenue	**1,210.9**	1,258.3	**623.9**	537.4	**(28.6)**	(29.4)	**1,806.2**	1,766.3
Operations expenses	**701.9**	760.0	**378.4**	372.6	**(28.6)**	(29.4)	**1,051.7**	1,103.2
EBITDA (a)	**$ 509.0**	$ 498.3	**$ 245.5**	$ 164.8	**$ —**	$ —	**$ 754.5**	$ 663.1
CAPEX (b)	**$ 208.9**	$ 230.2	**$ 95.1**	$ 97.0	**$ —**	$ —	**$ 304.0**	$ 327.2
EBITDA less CAPEX	**$ 300.1**	$ 268.1	**$ 150.4**	$ 67.8	**$ —**	$ —	**$ 450.5**	$ 335.9

Nine-month periods ended September 30 (millions)	Communications 2003	Communications 2002	Mobility 2003	Mobility 2002	Eliminations 2003	Eliminations 2002	Consolidated 2003	Consolidated 2002
External revenue	**$ 3,604.0**	$ 3,745.1	**$ 1,716.4**	$ 1,467.2	**$ —**	$ —	**$ 5,320.4**	$ 5,212.3
Inter-segment revenue	**71.4**	72.5	**11.6**	13.2	**(83.0)**	(85.7)	**—**	—
Total operating revenue	**3,675.4**	3,817.6	**1,728.0**	1,480.4	**(83.0)**	(85.7)	**5,320.4**	5,212.3
Operations expenses	**2,155.7**	2,350.4	**1,102.6**	1,074.2	**(83.0)**	(85.7)	**3,175.3**	3,338.9
EBITDA (a)	**$ 1,519.7**	$ 1,467.2	**$ 625.4**	$ 406.2	**$ —**	$ —	**$ 2,145.1**	$ 1,873.4
CAPEX (b)	**$ 589.8**	$ 947.2	**$ 227.5**	$ 334.5	**$ —**	$ —	**$ 817.3**	$ 1,281.7
EBITDA less CAPEX	**$ 929.9**	$ 520.0	**$ 397.9**	$ 71.7	**$ —**	$ —	**$1,327.8**	$ 591.7

(a) Earnings Before Interest, Taxes, Depreciation and Amortization ("EBITDA") is defined as operating revenues less operations expense and, as defined, excludes restructuring and workforce reduction costs. The Company has issued guidance on, and reports, EBITDA because it is a key measure used by management to evaluate performance of its business segments and is utilized in measuring compliance with debt covenants.

(b) Total capital expenditures ("CAPEX").

19. Related Party Transactions

In 2001, the Company entered into an agreement with Verizon Communications Inc. ("Verizon"), a significant shareholder, with respect to acquiring certain rights to Verizon's software, technology, services and other benefits, thereby replacing and amending a previous agreement between the Company and GTE Corporation. The agreement is renewable annually at the Company's sole option up to December 31, 2008, and it has been renewed for 2004. As of September 30, 2003, $312.1 million of specified software licences and a trademark licence have been acquired and recorded as capital and other assets. These assets are valued at fair market value at the date of acquisition as determined by an arm's-length party's appraisal. Assuming renewal through to 2008, the total commitment under the new agreement is U.S.$377 million for the period 2001 to 2008 and the commitment remaining after September 30, 2003, is U.S.$107 million. In addition, in the normal course of operations and on market terms and conditions, ongoing services and other benefits have been received and expensed; the Company owed Verizon, on a net basis and including dividends payable, $41.8 million at September 30, 2003 (December 31, 2002 – $75.4 million).

Periods ended September 30 (millions)	Three months 2003	Three months 2002	Nine months 2003	Nine months 2002
Verizon agreement				
Ongoing services and benefits expensed	**$ 6.9**	$ 10.1	**$ 21.2**	$ 35.4
Specified software licences and trademark licence acquired and recorded as capital and other	**$ —**	$ 28.8	**$ —**	$ 82.5
Sales to Verizon (Verizon customers' usage of TELUS' telecommunication infrastructure and other)	**$ 14.8**	$ 9.4	**$ 35.9**	$ 25.2
Purchases from Verizon (TELUS customers' usage of Verizon's telecommunication infrastructure and other)	**$ 6.8**	$ 11.1	**$ 27.7**	$ 25.5

In common with, and on the same basis as, other shareholders of the Company, Verizon is eligible to participate in the Company's Dividend Reinvestment and Share Purchase Plan (see Note 15(g)). The following table presents a summary of the Company's dividend transactions with Verizon, which are included elsewhere in these financial statements in similarly captioned line item amounts.

Periods ended September 30 (millions)	Three months 2003	2002	Nine months 2003	2002
Declared dividends attributable to Verizon's shareholdings				
- to be paid in cash	**$ 11.0**	$ 10.5	**$ 32.5**	$ 21.0
- to be reinvested in Treasury shares	**—**	0.5	**0.5**	11.9
	11.0	11.0	**33.0**	32.9
Cash payments	**11.0**	10.5	**32.0**	10.5
Reinvested in Treasury shares	**—**	0.5	**1.0**	22.1
	11.0	11.0	**33.0**	32.6
Change in dividends payable to Verizon	**—**	—	**—**	0.3
Dividends payable to Verizon, beginning of period	**11.0**	11.0	**11.0**	10.7
Dividends payable to Verizon, end of period	**$ 11.0**	$ 11.0	**$ 11.0**	$ 11.0

20. Differences Between Canadian and United States Generally Accepted Accounting Principles

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

Periods ended September 30 (millions)	Three months 2003	2002	Nine months 2003	2002
Net income (loss) in accordance with Canadian GAAP	**$ 115.9**	$ (107.4)	**$ 281.9**	$ (89.8)
Adjustments:				
Decrease in depreciation expense (b)	**9.0**	9.0	**26.9**	26.9
Decrease in interest expense (c)	**2.4**	2.4	**7.2**	7.2
Amortization of intangible assets (d)	**(20.5)**	(20.5)	**(61.4)**	(61.4)
Change in future employee benefits (e)	**(4.2)**	(4.2)	**(12.7)**	(12.7)
Asset impairment – decrease in depreciation (f)	**18.0**	18.0	**54.1**	54.1
Interest on convertible debentures (g)	**(1.8)**	(1.8)	**(5.3)**	(5.1)
Accounting for derivatives (h)	**(0.1)**	1.2	**0.2**	0.7
Taxes on the above adjustments	**(1.6)**	(1.3)	**(5.1)**	(5.5)
Income (loss) before effect of change in accounting principles	**117.1**	(104.6)	**285.8**	(85.6)
Effect of change in accounting principles for intangible assets and goodwill (j)	**—**	—	**—**	(1,701.6)
Net income (loss) in accordance with U.S. GAAP	**117.1**	(104.6)	**285.8**	(1,787.2)
Other comprehensive income (loss) (h) (n)	**(68.0)**	140.3	**(151.6)**	164.4
Comprehensive income (loss) in accordance with U.S. GAAP	**$ 49.1**	$ 35.7	**$ 134.2**	$ (1,622.8)
Income (loss) per share under U.S. GAAP (basic and diluted):				
Before effect of change in accounting principles for intangible assets and goodwill	**$ 0.33**	$ (0.33)	**$ 0.81**	$ (0.29)
Effect of change in accounting principles for intangible assets and goodwill (j)	**—**	—	**—**	(5.51)
Net income (loss)	**$ 0.33**	$ (0.33)	**$ 0.81**	$ (5.80)

The following is a restatement of major balance sheet categories to reflect the application of U.S. GAAP:

(millions)		**As at September 30, 2003**		As at December 31, 2002
Current Assets	**$**	**1,406.3**	$	1,173.2
Capital Assets				
Property, plant, equipment and other		**7,744.1**		7,926.0
Intangible assets subject to amortization		**2,660.8**		2,901.6
Intangible assets with indefinite lives		**2,954.5**		2,950.1
Goodwill		**3,543.6**		3,543.2
Deferred Income Taxes		**811.8**		1,174.7
Other Assets		**644.7**		979.9
	$	**19,765.8**	$	20,648.7
Current Liabilities	**$**	**2,175.2**	$	2,181.0
Long-Term Debt		**6,796.1**		8,364.9
Other Long-Term Liabilities		**1,162.5**		499.7
Deferred Income Taxes		**1,626.2**		1,655.1
Non-Controlling Interest		**10.5**		11.2
Shareholders' Equity		**7,995.3**		7,936.8
	$	**19,765.8**	$	20,648.7

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

As at September 30 (millions)		**2003**		2002
Shareholders' Equity under Canadian GAAP	**$**	**6,636.7**	$	6,600.9
Adjustments:				
Purchase versus Pooling Accounting (a) – (e), (k)		**1,520.9**		1,554.7
Asset impairment (f)		**(2.2)**		(46.6)
Reclassification of convertible debentures from equity to debt (g)		**(151.8)**		(150.7)
Accounting for derivatives (h)		**(1.2)**		(2.0)
Additional goodwill on Clearnet purchase (l)		**123.5**		123.5
Accumulated other comprehensive income (loss) (n)		**(130.6)**		144.5
Shareholders' Equity under U.S. GAAP	**$**	**7,995.3**	$	8,224.3
Composition of Shareholders' Equity under U.S. GAAP				
Preference and preferred shares				
TELUS Communications Inc. Preference Shares and Preferred Shares	**$**	**69.7**	$	69.7
Common equity				
Common Shares		**4,263.1**		4,190.6
Non-Voting Shares		**4,568.4**		4,523.7
Options and warrants		**53.9**		56.8
Accrual for shares issuable under channel stock incentive plan and other		**0.5**		0.2
Cumulative foreign currency translation adjustment		**(3.0)**		—
Retained earnings (deficit)		**(834.1)**		(768.6)
Accumulated other comprehensive income (loss) (n)		**(130.6)**		144.5
Contributed surplus		**7.4**		7.4
		7,925.6		8,154.6
	$	**7,995.3**	$	8,224.3

(a) Merger of BC TELECOM and TELUS

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

(b) Depreciation

Under the purchase method, TELUS' capital assets on acquisition have been recorded at fair value rather than at their underlying cost (book values) to TELUS. Therefore, depreciation of such assets based on fair values at the date of acquisition under U.S. GAAP will be different than TELUS' depreciation based on underlying cost (book values).

(c) Interest

Under the purchase method, TELUS' long-term debt on acquisition has been recorded at its fair value rather than at its underlying cost (book value) to TELUS. Therefore, interest expense calculated on the debt based on fair values at the date of acquisition under U.S. GAAP will be different than TELUS' interest expense based on underlying cost (book value).

(d) Intangible Assets

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

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

	Cost	Accumulated Amortization	Net Book Value	
(millions)			**As at September 30, 2003**	As at December 31, 2002
Intangible assets subject to amortization				
Subscribers – wireline	$ 1,950.0	$ 209.4	**$ 1,740.6**	$ 1,769.4
Subscribers – wireless	250.0	148.9	**101.1**	133.7
	2,200.0	358.3	**1,841.7**	1,903.1
Intangible assets with indefinite lives				
Spectrum licences (a)	1,833.3	1,833.3	**—**	—
	$ 4,033.3	$ 2,191.6	**$ 1,841.7**	$ 1,903.1

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

Estimated aggregate amortization expense for intangible assets subject to amortization, calculated upon such assets held as at September 30, 2003, for each of the next five fiscal years is as follows:

Years ended December 31 (millions)	
2003 (balance of year)	**$ 106.0**
2004	**343.8**
2005	**234.2**
2006	**94.4**
2007	**74.7**

(e) 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.

(f) Asset Impairment

In the first quarter of 1998, BC TELECOM took an asset impairment charge. In assessing if a capital asset is impaired, estimated future net cash flows are not discounted in computing the net recoverable amount. Under Canadian GAAP, at the time the assessment took place, the impairment amount recorded was the excess of the carrying amount over the recoverable amount; under U.S. GAAP the impairment amount recorded was the excess of the carrying amount over the discounted estimated future net cash flows that were used to determine the net recoverable amount. Under U.S. GAAP the net of tax charge taken in 1998 would be $232.2 million higher and

would not be considered an extraordinary item. The annual depreciation expense would be approximately $72 million lower subsequent to when the increased impairment charge was taken under U.S. GAAP.

(g) Convertible Debentures

Under Canadian GAAP, financial instruments such as the convertible debentures are classified as debt or equity according to their substance rather than their legal form. Accordingly, due to the substance of the transaction the convertible debentures have currently been classified as equity and the corresponding interest expense and the amortization of issue costs has been charged to the retained earnings rather than to the Consolidated Statements of Income. Pursuant to U.S. GAAP, the convertible debentures would be included in long-term debt. The corresponding interest expense on the convertible debentures and the amortization of issue costs are charged to the Consolidated Statements of Income.

(h) Accounting for Derivatives

On January 1, 2001, the Company adopted the provisions of SFAS 133, "Accounting For Derivative Instruments and Hedging Activities." This standard requires all derivatives be recognized as either assets or liabilities and measured at fair value. This is different from the Canadian GAAP treatment for financial instruments. Under U.S. GAAP, derivatives, which are fair value hedges, together with the financial instrument being hedged, will be marked to market with adjustments reflected in income and derivatives, which are cash flow hedges, will be marked to market with adjustments reflected in comprehensive income.

(i) Income Taxes

Periods ended September 30	Three months		Nine months	
(millions)	**2003**	2002	**2003**	2002
Current	**$ (11.7)**	$ 6.6	**$ (218.0)**	$ 36.9
Deferred	**96.3**	(57.0)	**353.0**	(35.6)
	84.6	(50.4)	**135.0**	1.3
Investment Tax Credits	**—**	—	**(1.0)**	(40.0)
	$ 84.6	$ (50.4)	**$ 134.0**	$ (38.7)

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

Three-month periods ended September 30 ($ in millions)	**2003**		2002	
Basic blended federal and provincial tax at statutory income tax rates	**$ 74.9**	**37.0%**	$ (60.4)	38.9%
Non-taxable portion of gains	**—**		(14.0)	
Revaluation of deferred income tax assets and liabilities for decreases in statutory rates	**1.0**		15.6	
Other	**2.9**		1.7	
	78.8	**38.9%**	(57.1)	36.8%
Large corporations tax	**5.8**		6.7	
U.S. GAAP income tax expense (recovery)	**$ 84.6**	**41.7%**	$ (50.4)	32.5%

Nine-month periods ended September 30 ($ in millions)	**2003**		2002	
Basic blended federal and provincial tax at statutory income tax rates	**$ 156.3**	**37.0%**	$ (47.5)	38.7%
Non-taxable portion of gains	**—**		(14.0)	
Revaluation of deferred income tax assets and liabilities for decreases in statutory rates	**0.8**		16.0	
Prior year rates applied to settlement of tax issues	**(47.0)**		2.0	
Investment Tax Credits	**(0.6)**		(24.3)	
Other	**7.9**		9.2	
	117.4	**27.8%**	(58.6)	47.8%
Large corporations tax	**16.6**		19.9	
U.S. GAAP income tax expense (recovery)	**$ 134.0**	**31.7%**	$ (38.7)	31.6%

(j) Intangible Asset Transitional Impairment Amount and Goodwill
Commencing January 1, 2002, in Canada and the United States, new Generally Accepted Accounting Principles for intangible assets with an indefinite life and goodwill apply to the Company (SFAS 142, "Goodwill and Other Intangible Assets"). As one part of the transitional implementation, intangible assets with indefinite lives were tested for impairment as at January 1, 2002. Any such transitional impairment amount arising is considered to arise from a change in accounting policy and is charged to earnings, in the period the change is effected, after determining net income from operations. As a result of the differing accounting treatment afforded the merger of BC TELECOM and TELUS (see (a) and (d)), the recorded value of intangible assets with indefinite lives differs materially between Canadian and U.S. GAAP. The Company has assessed its intangible assets with indefinite lives and determined it necessary to record a transitional impairment amount of $595.2 million ($910.0 million before tax) for purposes of Canadian GAAP; a transitional impairment of $1,701.6 million ($2,609.7 million before tax) was required under U.S. GAAP. The transitional impairment amount, under both Canadian and U.S. GAAP, reduced the carrying values of the intangible assets with indefinite lives to the same amounts, thus eliminating the corresponding GAAP difference.

Similarly, goodwill was also to be tested for impairment as at January 1, 2002, and any transitional impairment amount would also be considered to arise from a change in accounting policy and is charged to earnings, in the period the change is effected, after determining net income from operations. The Company completed this test in the first quarter of 2002. By applying the prescribed method of comparing the fair value of its reporting units to the carrying amounts of its reporting units, the Company has assessed its goodwill and determined that there was no goodwill transitional impairment amount. Consistent with current industry-specific valuation methods, the Company used a combination of the discounted cash flow model and the market comparable approach for determining the fair value of its reporting units.

(k) Goodwill
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.

(l) Additional Goodwill on Clearnet purchase
Under U.S. GAAP, shares issued by the acquirer to affect 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.

(m) Share-Based Compensation
Generally Accepted Accounting Principles require disclosure of the impact on earnings and earnings per share as if the fair value based method of accounting had been applied for share-based compensation. Under Canadian GAAP, this is required in respect of awards made after 2001; under U.S. GAAP, this is required in respect of awards made after 1994. The fair values of the Company's options granted in 2003 and 2002, and the weighted average assumptions used in estimating the fair values, are set out in Note 8. Such impact, using the fair values set out in Note 8 would approximate the following pro forma amounts:

Periods ended September 30	Three months		Nine months	
(millions)	**2003**	2002	**2003**	2002
Compensation cost	**$ 10.5**	$ 17.1	**$ 34.1**	$ 53.8
Net income (loss)				
As reported	**$ 117.1**	$ (104.6)	**$ 285.8**	$ (85.6)
Pro forma	**$ 106.6**	$ (121.7)	**$ 251.7**	$ (139.4)
Net income (loss) per Common Share and Non-Voting Share				
Basic and diluted				
As reported	**$ 0.33**	$ (0.33)	**$ 0.81**	$ (5.80)
Pro forma	**$ 0.30**	$ (0.39)	**$ 0.71**	$ (5.96)

(n) Additional Disclosures Required Under U.S. GAAP – Comprehensive Income

SFAS 130, "Reporting Comprehensive Income", 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 currently no requirement to disclose comprehensive income under Canadian GAAP.

Periods ended September 30	Three months		Nine months	
(millions)	**2003**	2002	**2003**	2002
Change in unrealized fair value of derivative cash flow hedges (h)	**$ (109.6)**	$ 251.2	**$ (247.4)**	$ 293.6
Minimum pension liability	**(0.9)**	—	**(3.0)**	—
	(110.5)	251.2	**(250.4)**	293.6
Income tax expense (recovery)	**(42.5)**	110.9	**(98.8)**	129.2
Other comprehensive income (loss)	**(68.0)**	140.3	**(151.6)**	164.4
Accumulated other comprehensive income (loss), beginning of period	**(62.6)**	4.2	**21.0**	(19.9)
Accumulated other comprehensive income (loss), end of period	**$ (130.6)**	$ 144.5	**$ (130.6)**	$ 144.5

(o) Asset Retirement Obligations

Commencing January 1, 2003, new Generally Accepted Accounting Principles for asset retirement obligations apply to the Company (SFAS 143, “Accounting for Asset Retirement Obligations”). The new standard focuses on the recognition and measurement of liabilities for statutory, contractual or legal obligations, normally when incurred, associated with the retirement of property, plant and equipment when those obligations result from the acquisition, construction, development or normal operation of the assets. The obligations are measured initially at fair value (using present value methodology) and the resulting costs capitalized into the carrying amount of the related asset. In subsequent periods, the liability is adjusted for the accretion of discount and any changes in the amount or timing of the underlying future cash flows. The capitalized asset retirement cost is depreciated on the same basis as the related asset; discount accretion is also included in determining the results of operations.

All amounts arising from the application of this accounting policy are not significant.

21. Prior Period Presentation

Certain of the comparative amounts have been reclassified to conform to the presentation adopted in the current period.