TELUS CORPORATION

CONSOLIDATED FINANCIAL STATEMENTS

(UNAUDITED)

JUNE 30, 2005

consolidated statements of income

Periods ended June 30 (unaudited) (millions except per share amounts)	Three months 2005	Three months 2004	Six months 2005	Six months 2004
OPERATING REVENUES	**$ 2,018.5**	$ 1,865.6	**$ 3,993.2**	$ 3,669.4
OPERATING EXPENSES				
Operations	**1,146.1**	1,080.1	**2,255.2**	2,146.7
Restructuring and workforce reduction costs (Note 4)	**7.4**	0.7	**16.8**	16.6
Depreciation	**330.9**	320.7	**660.8**	642.4
Amortization of intangible assets	**68.2**	86.9	**140.5**	175.6
	1,552.6	1,488.4	**3,073.3**	2,981.3
OPERATING INCOME	**465.9**	377.2	**919.9**	688.1
Other expense, net	**0.5**	2.0	**2.0**	3.2
Financing costs (Note 5)	**168.2**	156.9	**306.6**	301.9
INCOME BEFORE INCOME TAXES AND NON-CONTROLLING INTEREST	**297.2**	218.3	**611.3**	383.0
Income taxes (Note 6)	**106.0**	44.9	**176.3**	107.5
Non-controlling interest	**1.7**	1.1	**3.3**	1.9
NET INCOME	**189.5**	172.3	**431.7**	273.6
Preference and preferred share dividends	**—**	0.8	**—**	1.7
COMMON SHARE AND NON-VOTING SHARE INCOME	**$ 189.5**	$ 171.5	**$ 431.7**	$ 271.9
INCOME PER COMMON SHARE AND NON-VOTING SHARE (Note 7)				
– Basic	**$ 0.53**	$ 0.48	**$ 1.20**	$ 0.76
– Diluted	**$ 0.52**	$ 0.48	**$ 1.19**	$ 0.76
DIVIDENDS DECLARED PER COMMON SHARE AND NON-VOTING SHARE	**$ 0.20**	$ 0.15	**$ 0.40**	$ 0.30
TOTAL WEIGHTED AVERAGE COMMON SHARES AND NON-VOTING SHARES OUTSTANDING				
– Basic	**358.1**	354.3	**359.1**	353.7
– Diluted	**362.4**	360.1	**362.9**	356.0

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

consolidated statements of retained earnings

Periods ended June 30 (unaudited) (millions)	Six months 2005	Six months 2004
BALANCE AT BEGINNING OF PERIOD	**$ 1,008.1**	$ 741.7
Transitional amount for share-based compensation arising from share options	**—**	(25.1)
Adjusted opening balance	**1,008.1**	716.6
Net income	**431.7**	273.6
	1,439.8	990.2
Less: Common Share and Non-Voting Share dividends paid, or payable, in cash	**143.9**	93.1
Common Share and Non-Voting Share dividends reinvested, or to be reinvested, in shares issued from Treasury	**—**	13.3
Cost of purchase of Common Shares and Non-Voting Shares in excess of stated capital (Note 13(g))	**251.3**	—
Preference and preferred share dividends	**—**	1.7
Redemption premium on preference and preferred shares in excess of amount chargeable to contributed surplus	**—**	2.3
BALANCE AT END OF PERIOD (Note 13)	**$ 1,044.6**	$ 879.8

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

consolidated balance sheets

(unaudited) (millions)	**As at June 30, 2005**	As at December 31, 2004
ASSETS		
Current Assets		
Cash and temporary investments, net	**$ 1,141.1**	$ 896.5
Accounts receivable (Notes 9, 15(b))	**846.3**	863.5
Income and other taxes receivable	**146.0**	132.5
Inventories	**129.0**	133.3
Prepaid expenses and other (Note 15(b))	**259.4**	183.4
Current portion of future income taxes	**398.1**	438.4
	2,919.9	2,647.6
Capital Assets, Net (Note 10)		
Property, plant, equipment and other	**7,480.1**	7,528.2
Intangible assets subject to amortization	**672.5**	737.0
Intangible assets with indefinite lives	**2,964.6**	2,955.8
	11,117.2	11,221.0
Other Assets		
Deferred charges (Note 15(b))	**775.4**	704.4
Future income taxes	**—**	99.8
Investments	**31.3**	38.4
Goodwill (Note 11)	**3,150.1**	3,126.8
	3,956.8	3,969.4
	$ 17,993.9	$ 17,838.0
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current Liabilities		
Accounts payable and accrued liabilities (Note 15(b))	**$ 1,458.5**	$ 1,362.6
Restructuring and workforce reduction accounts payable and accrued liabilities (Note 4)	**57.4**	70.7
Advance billings and customer deposits (Note 15(b))	**546.4**	531.5
Current maturities of long-term debt (Note 12)	**1,581.0**	4.3
	3,643.3	1,969.1
Long-Term Debt (Note 12)	**4,691.1**	6,332.2
Other Long-Term Liabilities (Note 15(b))	**1,439.3**	1,506.1
Future Income Taxes	**1,052.0**	991.9
Non-Controlling Interest	**13.5**	13.1
Shareholders' Equity (Note 13)		
Convertible debentures conversion option	**—**	8.8
Common equity	**7,154.7**	7,016.8
	7,154.7	7,025.6
	$ 17,993.9	$ 17,838.0

Commitments and Contingent Liabilities (Note 14)

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

consolidated statements of cash flows

	Three months		Six months	
Periods ended June 30 (unaudited) (millions)	**2005**	2004	**2005**	2004
OPERATING ACTIVITIES				
Net income	**$ 189.5**	$ 172.3	**$ 431.7**	$ 273.6
Adjustments to reconcile net income to cash provided by operating activities:				
Depreciation and amortization	**399.1**	407.6	**801.3**	818.0
Future income taxes	**103.3**	98.7	**195.0**	190.5
Share-based compensation	**7.1**	5.9	**10.9**	10.6
Net employee defined benefit plans expense	**(0.4)**	4.9	**1.1**	9.8
Employer contributions to employee defined benefit plans	**(22.3)**	(57.9)	**(59.7)**	(86.5)
Restructuring and workforce reduction costs, net of cash payments (Note 4)	**(1.0)**	(9.0)	**(13.3)**	(61.5)
Other, net	**4.1**	11.5	**(0.3)**	17.6
Net change in non-cash working capital (Note 15(c))	**8.3**	(145.0)	**49.4**	(95.0)
Cash provided by operating activities	**687.7**	489.0	**1,416.1**	1,077.1
INVESTING ACTIVITIES				
Capital expenditures (Note 10)	**(408.7)**	(346.1)	**(681.9)**	(655.8)
Acquisition (Note 11)	**(1.9)**	—	**(29.4)**	—
Proceeds from the sale of property and other assets	**2.7**	4.3	**3.4**	16.4
Other	**(2.1)**	0.2	**(8.3)**	(0.8)
Cash used by investing activities	**(410.0)**	(341.6)	**(716.2)**	(640.2)
FINANCING ACTIVITIES				
Common Shares and Non-Voting Shares issued	**56.1**	16.8	**144.0**	43.8
Dividends to shareholders	**(143.9)**	(48.3)	**(143.9)**	(90.6)
Purchase of Common Shares and Non-Voting Shares for cancellation (Note 13(g))	**(272.1)**	—	**(430.4)**	—
Long-term debt issued (Note 12)	**4.4**	10.5	**4.4**	37.8
Redemptions and repayment of long-term debt (Note 12)	**(19.3)**	(2.8)	**(20.3)**	(37.0)
Payment for redemption of preference and preferred shares	**—**	(35.8)	**—**	(35.8)
Dividends paid by a subsidiary to non-controlling interests	**(7.9)**	—	**(7.9)**	—
Other	**(1.2)**	(3.6)	**(1.2)**	(3.6)
Cash used by financing activities	**(383.9)**	(63.2)	**(455.3)**	(85.4)
CASH POSITION				
Increase (decrease) in cash and temporary investments, net	**(106.2)**	84.2	**244.6**	351.5
Cash and temporary investments, net, beginning of period	**1,247.3**	273.5	**896.5**	6.2
Cash and temporary investments, net, end of period	**$ 1,141.1**	$ 357.7	**$ 1,141.1**	$ 357.7
SUPPLEMENTAL DISCLOSURE OF CASH FLOWS				
Interest (paid)	**$ (293.8)**	$ (293.8)	**$ (306.9)**	$ (316.6)
Interest received	**$ 18.8**	$ 7.0	**$ 25.1**	$ 21.2
Income taxes (inclusive of Investment Tax Credits (Note 6)) received, net	**$ 20.4**	$ 81.0	**$ 19.3**	$ 185.6

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

JUNE 30, 2005 (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, 2004. These interim consolidated financial statements follow the same accounting policies and methods of their application as set out in the TELUS Corporation consolidated financial statements for the year ended December 31, 2004, including that certain of the comparative amounts have been reclassified to conform with the presentation adopted currently.

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

These interim consolidated financial statements reflect subsequent events up to and including August 4, 2005, such date hereinafter referred to as the date of these interim consolidated financial statements.

2. Accounting Policy Developments

(a) Earnings per Share

Possibly commencing in the Company's 2005 fiscal year, proposed amendments to the recommendations of the Canadian Institute of Chartered Accountants ("CICA") for the calculation and disclosure of earnings per share (CICA Handbook Section 3500) may apply to the Company. These proposed amendments, in the Company's specific instance, may result in the diluted earnings per share denominator being adjusted, using the reverse treasury stock method, for the theoretical issuance of shares from treasury to settle obligations arising from the issuance of restricted stock units that have the possibility of equity settlement (see Note 8(c)); for purposes of the calculation the Company will be required to assume that shares will be necessary to settle the obligation, and that the shares will be issued from treasury. The restricted stock units issued by the Company that do not have the possibility of equity settlement will not be affected by these proposed amendments. The Company does not expect to be materially affected by the proposed amendments to the recommendations.

(b) Non-Monetary Transactions

Commencing with the Company's 2006 fiscal year, the amended recommendations of the CICA for measurement of non-monetary transactions (CICA Handbook Section 3830) will apply to the Company. The amended recommendations will result in non-monetary transactions normally being measured at their fair values, unless certain criteria are met. The Company's current operations are not materially affected by the amended recommendations.

(c) Subsequent Events

Commencing in the Company's 2006 fiscal year, the proposed amended recommendations of the CICA for subsequent events (CICA Handbook Section 3820) will apply to the Company. The proposed amended recommendations will result in closer harmony with the corresponding requirements of U.S. GAAP. The Company does not expect to be materially affected by the proposed amended recommendations.

(d) Comprehensive Income

Commencing with the Company's 2007 fiscal year, the new recommendations of the CICA for accounting for comprehensive income (CICA Handbook Section 1530), for the recognition and measurement of financial instruments (CICA Handbook Section 3855) and for hedges (CICA Handbook Section 3865) will apply to the Company. In the Company's specific instance, the transitional rules for these sections require implementation at the beginning of a fiscal year; the Company will not be implementing these recommendations in its 2005 fiscal year. The concept of comprehensive income for purposes of Canadian GAAP will be to include changes in shareholders' equity arising from unrealized changes in the values of financial instruments. Comprehensive income as prescribed by U.S. GAAP, and which is disclosed in Note 18(i), is largely aligned with comprehensive income as prescribed by Canadian GAAP. In the Company's specific instance, however, there is a difference in other comprehensive income in that U.S. GAAP includes the concept of minimum pension liabilities and Canadian GAAP does not.

3. Financial Instruments

During the first quarter of 2005, the Company entered into a hedging relationship that fixes the Company's compensation cost arising from a specific grant of restricted stock units (see Note 8(c)); hedge accounting has been applied to this relationship.

As at June 30, 2005, the Company had entered into foreign currency forward contracts that have the effect of fixing the exchange rate on U.S.$25.5 million of fiscal 2005 purchase commitments; hedge accounting has been applied to these foreign currency forward contracts, all of which relate to the Mobility segment.

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

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

		As at June 30, 2005		As at December 31, 2004	
(millions)	Hedging item maximum maturity date	Carrying amount	Fair value	Carrying amount	Fair value
Assets					
Derivatives[(2)(3)] used to manage changes in compensation costs arising from restricted stock units (Note 8(c))	November 2007	**$ 6.1**	**$ 12.8**	$ 2.1	$ 6.3
Derivatives[(2)(3)] used to manage currency risks arising from U.S. dollar denominated purchases to which hedge accounting is applied	September 2005	**$ —**	**$ 0.6**	$ —	$ —
Derivatives[(2)(3)] used to manage currency risks arising from U.S. dollar denominated temporary investments	February 2005	**$ —**	**$ —**	$ 3.4	$ 3.4

(millions)	Hedging item maximum maturity date	As at June 30, 2005 Carrying amount	Fair value	As at December 31, 2004 Carrying amount	Fair value
Liabilities					
Long-term debt					
Principal(1) (Note 12)		**$ 6,272.1**	**$ 7,223.6**	$ 6,345.3	$ 7,342.3
Derivatives(2)(3) used to manage interest rate and currency risks associated with U.S. dollar denominated debt (Note 15(b))	June 2011	**960.9**	**1,314.5**	1,032.6	1,299.5
Derivatives(2)(4) used to manage interest rate risk associated with Canadian dollar denominated debt	June 2006	**—**	**0.4**	—	1.3
		$ 7,233.0	**$ 8,538.5**	$ 7,377.9	$ 8,643.1
Derivatives(2)(3) used to manage currency risks arising from U.S. dollar denominated purchases					
- To which hedge accounting is applied	June 2005	**$ —**	**$ —**	$ —	$ 2.6
- To which hedge accounting is not applied	October 2005	**$ —**	**$ 0.5**	$ —	$ 2.0

(1) The December 31, 2004, carrying amount of long-term debt, for purposes of this table, includes the carrying amount of the convertible debenture conversion option.
(2) Notional amount of all derivative financial instruments outstanding is $5,392.7 (December 31, 2004 – $5,559.2).
(3) Designated as cash flow hedging items.
(4) Designated as fair value hedging items.

4. Restructuring and Workforce Reduction Costs

(a) Overview

Three-month periods ended June 30 (millions)	**2005**			2004		
	Programs initiated in 2005	Programs initiated prior to 2005	Total	Programs initiated in 2004	Operational Efficiency Program (2001-2003)	Total
Restructuring and workforce reduction costs						
Workforce reduction						
Voluntary	**$ 0.3**	**$ —**	**$ 0.3**	$ —	$ —	$ —
Involuntary	**8.4**	**—**	**8.4**	0.2	—	0.2
Lease termination	**(1.5)**	**—**	**(1.5)**	—	—	—
Other	**0.1**	**0.1**	**0.2**	0.3	0.2	0.5
	7.3	**0.1**	**7.4**	0.5	0.2	0.7
Disbursements						
Workforce reduction						
Voluntary (Early Retirement Incentive Plan, Voluntary Departure Incentive Plan and other)	**—**	**—**	**—**	—	0.1	0.1
Involuntary and other	**3.2**	**5.1**	**8.3**	3.7	4.6	8.3
Lease termination	**2.7**	**0.3**	**3.0**	—	1.1	1.1
Other	**0.1**	**0.1**	**0.2**	—	0.2	0.2
	6.0	**5.5**	**11.5**	3.7	6.0	9.7
Expenses greater than (less than) disbursements	**1.3**	**(5.4)**	**(4.1)**	(3.2)	(5.8)	(9.0)
Other	**3.1**	**—**	**3.1**	—	—	—
Increase (decrease) in restructuring and workforce reduction accounts payable and accrued liabilities	**4.4**	**(5.4)**	**(1.0)**	(3.2)	(5.8)	(9.0)
Restructuring and workforce reduction accounts payable and accrued liabilities, beginning of period	**7.3**	**51.1**	**58.4**	14.4	74.1	88.5
Restructuring and workforce reduction accounts payable and accrued liabilities, end of period	**$ 11.7**	**$ 45.7**	**$ 57.4**	$ 11.2	$ 68.3	$ 79.5

Six-month periods ended June 30 (millions)	2005			2004		
	Programs initiated in 2005	Programs initiated prior to 2005	Total	Programs initiated in 2004	Operational Efficiency Program (2001-2003)	Total
Restructuring and workforce reduction costs						
Workforce reduction						
Voluntary	**$ 0.3**	**$ —**	**$ 0.3**	$ —	$ —	$ —
Involuntary	**13.3**	**0.9**	**14.2**	15.9	—	15.9
Lease termination	**1.5**	**—**	**1.5**	—	—	—
Other	**0.1**	**0.7**	**0.8**	0.3	0.4	0.7
	15.2	**1.6**	**16.8**	16.2	0.4	16.6
Disbursements						
Workforce reduction						
Voluntary (Early Retirement Incentive Plan, Voluntary Departure Incentive Plan and other)	**—**	**1.9**	**1.9**	—	46.6	46.6
Involuntary and other	**3.7**	**23.3**	**27.0**	5.0	23.3	28.3
Lease termination	**2.8**	**0.7**	**3.5**	—	2.2	2.2
Other	**0.1**	**0.7**	**0.8**	—	1.0	1.0
	6.6	**26.6**	**33.2**	5.0	73.1	78.1
Expenses greater than (less than) disbursements	**8.6**	**(25.0)**	**(16.4)**	11.2	(72.7)	(61.5)
Other	**3.1**	**—**	**3.1**	—	—	—
Increase (decrease) in restructuring and workforce reduction accounts payable and accrued liabilities	**11.7**	**(25.0)**	**(13.3)**	11.2	(72.7)	(61.5)
Restructuring and workforce reduction accounts payable and accrued liabilities, beginning of period	**—**	**70.7**	**70.7**	—	141.0	141.0
Restructuring and workforce reduction accounts payable and accrued liabilities, end of period	**$ 11.7**	**$ 45.7**	**$ 57.4**	$ 11.2	$ 68.3	$ 79.5

(b) Programs Initiated in 2005

In the first two quarters of 2005, the Company undertook a number of smaller initiatives, such as operational consolidation, rationalization and integrations. These initiatives are aimed to improve the Company's operating and capital productivity.

The Company's estimate of restructuring and workforce reduction costs in 2005 is not expected to exceed $100 million.

(c) Programs Initiated Prior to 2005

Programs initiated in 2004: In the first quarter of 2004, a departmental reorganization was initiated, primarily in the Communications segment information technology resources area, consolidating from 15 locations to two primary locations. This reorganization, which had an implementation cost in 2004 of approximately $12 million, is expected to enable greater efficiencies of scale and effectiveness of program delivery.

In the third quarter of 2004, a departmental reorganization was initiated in the Communications segment with the merging of two customer-facing business units. The resulting integration and consolidation aimed to improve the Company's competitiveness as well as its operating and capital productivity. This reorganization had an implementation cost in 2004 of approximately $24 million.

In addition to the foregoing initiatives, the Company had undertaken additional activities in 2004 aimed at improving its operating and capital productivity and competitiveness. These additional activities had a cost in 2004 of approximately $16 million.

As at June 30, 2005, no future expenses remain to be accrued or recorded under the programs initiated in 2004, but variances from estimates currently recorded may be recorded in subsequent periods.

Operational Efficiency Program (2001-2003): 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. 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. The third phase of the Operational Efficiency Program, which commenced in the third quarter of 2002, was focused on operationalizing the initiatives identified during the second phase review and included: 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.

As at June 30, 2005, no future expenses remain to be accrued or recorded under the Operational Efficiency Program (2001-2003), but variances from estimates currently recorded may be recorded in subsequent periods.

5. Financing Costs

	Three months		Six months	
Periods ended June 30 (millions)	**2005**	2004	**2005**	2004
Interest on long-term debt	**$ 175.9**	$ 162.9	**$ 333.7**	$ 326.5
Interest on short-term obligations and other	**2.6**	4.6	**3.8**	6.4
Foreign exchange[(1)]	**0.6**	(0.1)	**3.1**	(0.7)
	179.1	167.4	**340.6**	332.2
Interest income				
Interest on tax refunds	**(1.9)**	(8.3)	**(17.5)**	(26.0)
Other interest income	**(9.0)**	(2.2)	**(16.5)**	(4.3)
	(10.9)	(10.5)	**(34.0)**	(30.3)
	$ 168.2	$ 156.9	**$ 306.6**	$ 301.9

(1) For the three-month and six-month periods ended June 30, 2005, these amounts include losses of $0.1 (2004 – $0.4) and $0.1 (2004 – $0.7), respectively, in respect of cash flow hedge ineffectiveness; no gains or losses were experienced arising from fair value hedge ineffectiveness.

6. Income Taxes

	Three months		Six months	
Periods ended June 30 (millions)	**2005**	2004	**2005**	2004
Current	**$ 2.7**	$ (53.8)	**$ (18.7)**	$ (83.0)
Future	**103.3**	98.7	**195.0**	190.5
	$ 106.0	$ 44.9	**$ 176.3**	$ 107.5

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

Three-month periods ended June 30 ($ in millions)	**2005**		2004	
Basic blended federal and provincial tax at statutory income tax rates	**$ 102.5**	**34.5%**	$ 75.8	34.7%
Tax rate differential on, and consequential adjustments from, reassessment of prior year tax issues	**—**		(34.2)	
Share option compensation	**0.8**		1.5	
Revaluation of future tax assets and liabilities for changes in statutory income tax rates	**—**		(1.2)	
Other	**(1.2)**		(0.8)	
	102.1	**34.4%**	41.1	18.8%
Large corporations tax	**3.9**		3.8	
Income tax expense per Consolidated Statements of Income	**$ 106.0**	**35.7%**	$ 44.9	20.6%

Six-month periods ended June 30 ($ in millions)		2005			2004	
Basic blended federal and provincial tax at statutory income tax rates	$	**211.2**	**34.5%**	$	132.9	34.7%
Change in estimates of available deductible differences in prior years		**(36.0)**			—	
Tax rate differential on, and consequential adjustments from, reassessment of prior year tax issues		**(11.3)**			(35.8)	
Share option compensation		**2.1**			3.4	
Revaluation of future tax assets and liabilities for changes in statutory income tax rates		**—**			(2.5)	
Other		**1.2**			0.4	
		167.2	**27.4%**		98.4	25.7%
Large corporations tax		**9.1**			9.1	
Income tax expense per Consolidated Statements of Income	$	**176.3**	**28.8%**	$	107.5	28.1%

7. Per Share Amounts

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

	Three months				Six months			
Periods ended June 30 (millions)		**2005**		2004		**2005**		2004
Net income	$	**189.5**	$	172.3	$	**431.7**	$	273.6
Deduct:								
Preference and preferred share dividends		**—**		0.8		**—**		1.7
Redemption premium on preference and preferred shares in excess of amount chargeable to contributed surplus		**—**		—		**—**		2.3
Basic Common Share and Non-Voting Share income		**189.5**		171.5		**431.7**		269.6
Add: Interest charges applicable to convertible debentures, net of income tax effects		**—**		1.8		**—**		—
Diluted Common Share and Non-Voting Share income	$	**189.5**	$	173.3	$	**431.7**	$	269.6

	Three months		Six months	
Periods ended June 30 (millions)	**2005**	2004	**2005**	2004
Basic total weighted average Common Shares and Non-Voting Shares outstanding	**358.1**	354.3	**359.1**	353.7
Effect of dilutive securities				
Exercise of share options and warrants	**4.3**	2.0	**3.8**	2.3
Exercise of convertible debentures conversion option	**—**	3.8	**—**	—
Diluted total weighted average Common Shares and Non-Voting Shares outstanding	**362.4**	360.1	**362.9**	356.0

For the three-month and six-month periods ended June 30, 2005, certain outstanding share options, in the amount of 0.2 million (2004 – 18.9 million) and 0.8 million (2004 – 18.6 million), respectively, were not included in the computation of diluted income per Common Share and Non-Voting Share because the share options' exercise prices were greater than the average market price of the Common Shares and Non-Voting Shares during the reported periods. Convertible debentures, which were convertible into 3.8 million shares, were not included in the computation of diluted income per Common Share and Non-Voting Share for the six-month period ended June 30, 2004, as they were antidilutive (see Note 12(b)).

8. Share-Based Compensation

(a) Details of Share-Based Compensation Expense

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

	Three months		Six months	
Periods ended June 30 (millions)	**2005**	2004	**2005**	2004
Share options	**$ 2.1**	$ 4.4	**$ 6.3**	$ 9.8
Other share-based compensation	**5.0**	1.5	**8.7**	2.6
	$ 7.1	$ 5.9	**$ 15.0**	$ 12.4

(b) Share Options

Effective January 1, 2004, for purposes of Canadian generally accepted accounting principles, the Company applies the fair value based method of accounting for share-based compensation awards granted to employees. As only share options granted after 2001 are included, the compensation expense arising from share options is not likely to be representative of the effects on reported net income for future years. Share options typically vest over a three-year period and the vesting method of options, which is determined at the date of grant, may be either cliff or graded. The weighted average fair value of options granted, and the weighted average assumptions used in the fair value estimation at the time of grant, using the Black-Scholes model, are as follows:

	Three months		Six months	
Periods ended June 30	**2005**	2004	**2005**	2004
Share option fair value (per share option)	**$ 12.00**	$ 6.77	**$ 11.29**	$ 7.74
Risk free interest rate	**3.7%**	3.9%	**3.7%**	3.8%
Expected lives (years)	**4.5**	4.5	**4.5**	4.5
Expected volatility	**40.0%**	40.0%	**40.0%**	40.0%
Dividend yield	**2.1%**	2.7%	**2.3%**	2.4%

(c) Other Share-Based Compensation

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

Periods ended June 30, 2005	Three months		Six months	
	Number of restricted stock units	Weighted average price	Number of restricted stock units	Weighted average price
Outstanding, beginning of period	**1,612,385**		**998,487**	
Issued				
Initial allocation	**15,380**	**$ 36.80**	**777,512**	**$ 36.01**
In lieu of dividends	**7,756**	**42.44**	**16,307**	**39.80**
Settled	**(3,063)**	**38.80**	**(124,069)**	**34.19**
Forfeited and cancelled	**(12,579)**	**41.79**	**(48,358)**	**41.79**
Outstanding, end of period	**1,619,879**		**1,619,879**	

With respect to restricted stock units issued in the first quarter of 2005, and which cliff vest in the fourth quarter of 2007, the Company entered into a cash-settled equity forward agreement that fixes the cost to the Company at $40.91 per restricted stock unit in respect of 600,000 restricted stock units. Similarly, in 2004, with respect to restricted stock units issued in the first quarter of 2004, and which cliff vest in the fourth quarter of 2006, the Company entered into a cash-settled equity forward agreement that fixes the cost to the Company at $26.61 per restricted stock unit in respect of 652,550 restricted stock units.

9. Accounts Receivable

On July 26, 2002, TELUS Communications Inc., a wholly-owned subsidiary of TELUS, entered into an agreement, which was amended September 30, 2002, with an arm's-length securitization trust under which TELUS Communications Inc. is able to sell an interest in certain of its trade receivables up to a maximum of $650 million. As a result of selling the interest in certain of the trade receivables on a fully-serviced basis, a servicing liability is recognized on the date of sale and is, in turn, amortized to earnings over the expected life of the trade receivables. This "revolving-period" securitization agreement has an initial term ending July 18, 2007. TELUS Communications Inc. is required to maintain at least a BBB (low) credit rating by Dominion Bond Rating Service or the securitization trust may require the sale program to be wound down prior to the end of the initial term; at June 30, 2005, the rating was BBB (high).

(millions)	**As at June 30, 2005**	As at December 31, 2004
Total managed portfolio	**$ 1,002.6**	$ 1,021.7
Securitized receivables	**(180.6)**	(181.3)
Retained interest in receivables sold	**24.3**	23.1
Receivables held	**$ 846.3**	$ 863.5

For the three-month and six-month periods ended June 30, 2005, the Company recognized losses of $0.3 million (2004 – $0.4 million) and $0.7 million (2004 – $0.2 million), respectively, on the sale of receivables arising from the securitization.

Cash flows from the securitization are as follows:

	Three months		Six months	
Periods ended June 30 (millions)	**2005**	2004	**2005**	2004
Cumulative proceeds from securitization, beginning of period	**$ 150.0**	$ 150.0	**$ 150.0**	$ 300.0
Securitization reduction payments	**—**	—	**—**	(150.0)
Cumulative proceeds from securitization, end of period	**$ 150.0**	$ 150.0	**$ 150.0**	$ 150.0
Proceeds from collections reinvested in revolving period securitizations	**$ 361.9**	$ 372.5	**$ 714.6**	$ 1,055.0
Proceeds from collections pertaining to retained interest	**$ 58.4**	$ 68.2	**$ 112.9**	$ 200.5

10. Capital Assets

(a) Capital Assets, Net

(millions)	Cost	Accumulated Depreciation and Amortization	Net Book Value As at June 30, 2005	Net Book Value As at December 31, 2004
Property, plant, equipment and other				
Telecommunications assets	$ 17,260.8	$ 11,631.6	**$ 5,629.2**	$ 5,814.3
Assets leased to customers	523.6	438.6	**85.0**	106.5
Buildings and leasehold improvements	1,700.4	874.2	**826.2**	852.6
Office equipment and furniture	993.1	727.0	**266.1**	253.8
Assets under capital lease	18.7	5.0	**13.7**	11.7
Other	322.3	235.4	**86.9**	91.1
Land	46.7	—	**46.7**	46.8
Assets under construction	503.6	—	**503.6**	329.6
Materials and supplies	22.7	—	**22.7**	21.8
	21,391.9	13,911.8	**7,480.1**	7,528.2
Intangible assets subject to amortization				
Subscriber base	362.9	105.5	**257.4**	268.2
Software	1,137.0	798.9	**338.1**	388.4
Access to rights-of-way and other	124.8	47.8	**77.0**	80.4
	1,624.7	952.2	**672.5**	737.0
Intangible assets with indefinite lives				
Spectrum licences(1)	3,983.1	1,018.5	**2,964.6**	2,955.8
	$ 26,999.7	$ 15,882.5	**$ 11,117.2**	$ 11,221.0

(1) 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 six-month periods ended June 30, 2005, were additions of intangible assets subject to amortization of $48.0 million (2004 – $56.1 million) and $86.0 million (2004 – $89.0 million), respectively, and intangible assets with indefinite lives of NIL (2004 – NIL) and $8.8 million (2004 – NIL), respectively.

(b) Intangible Assets Subject to Amortization

Estimated aggregate amortization expense for intangible assets subject to amortization, calculated upon such assets held as at June 30, 2005, for each of the next five fiscal years is as follows:

Years ending December 31 (millions)	
2005 (balance of year)	**$ 129.7**
2006	**177.4**
2007	**90.9**
2008	**23.7**
2009	**9.7**

11. Goodwill

Periods ended June 30, 2005 (millions)	Three months	Six months
Balance, beginning of period	**$ 3,147.5**	**$ 3,126.8**
Goodwill arising from acquisitions	**1.5**	**24.5**
Foreign exchange on goodwill of self-sustaining foreign operations	**1.1**	**(1.2)**
Balance, end of period	**$ 3,150.1**	**$ 3,150.1**

Ambergris Solutions Inc.: The goodwill addition in the six-month period ended June 30, 2005, none of which is expected to be deductible for tax purposes, arose from the cash acquisition of an effective 52.5% economic interest in Ambergris Solutions Inc., a business process outsourcing company. The acquisition was effected in two steps: one on February 15, 2005, for an effective 49% economic interest and one on May 13, 2005, for an effective 3.5%

economic interest. The initial effective 49% economic interest resulted in the Company controlling Ambergris Solutions Inc. as the Company controlled, but did not wholly-own, an intermediate holding company which, in turn, controlled, but did not wholly-own, Ambergris Solutions Inc. This investment was made with a view to enhancing the Company's competitiveness in contact centre offerings. The primary factor that contributed to a purchase price that resulted in the recognition of goodwill is the low degree of net tangible assets in the industry relative to the market value of established Asian operations. Effective February 15, 2005, Ambergris Solutions Inc.'s results are included in the Company's Consolidated Statements of Income and are included in the Company's Communications segment.

The following is a summarized balance sheet disclosing the preliminary fair values assigned to each major asset and liability class as at the date of acquisition:

(millions)	February 15, 2005 purchase	May 13, 2005 purchase	Operational and foreign exchange adjustments arising between purchase dates	Total
Assets				
Current Assets	$ 9.2	$ 0.3	$ (1.1)	$ 8.4
Capital Assets, Net	10.3	0.5	2.5	13.3
Other Assets				
Other	0.5	—	—	0.5
Goodwill	23.0	1.5	—	24.5
	23.5	1.5	—	25.0
	$ 43.0	$ 2.3	$ 1.4	$ 46.7
Liabilities				
Current Liabilities	$ 5.5	$ 0.2	$ 1.2	$ 6.9
Future Income Taxes	5.3	0.2	(0.1)	5.4
	10.8	0.4	1.1	12.3
Non-Controlling Interest	4.7	—	0.3	5.0
Purchase Price	27.5	1.9	—	29.4
	$ 43.0	$ 2.3	$ 1.4	$ 46.7

The following pro forma supplemental information represents certain results of operations as if the business acquisitions had been completed as at the beginning of the periods presented.

Three-month periods ended June 30 ($ in millions except per share amounts)	**2005**		2004	
	As reported	Pro forma(1)	As reported	Pro forma(2)
Operating revenues	$ 2,018.5	$ 2,018.5	$ 1,865.6	$ 1,876.7
Net income	$ 189.5	$ 189.5	$ 172.3	$ 172.7
Income per Common Share and Non-Voting Share				
- Basic	$ 0.53	$ 0.53	$ 0.48	$ 0.49
- Diluted	$ 0.52	$ 0.52	$ 0.48	$ 0.48

Six-month periods ended June 30 ($ in millions except per share amounts)	**2005**		2004	
	As reported	Pro forma(1)	As reported	Pro forma(2)
Operating revenues	$ 3,993.2	$ 3,998.0	$ 3,669.4	$ 3,697.3
Net income	$ 431.7	$ 432.2	$ 273.6	$ 276.2
Income per Common Share and Non-Voting Share				
- Basic	$ 1.20	$ 1.20	$ 0.76	$ 0.77
- Diluted	$ 1.19	$ 1.19	$ 0.76	$ 0.76

(1) Pro forma amounts for 2005 reflect Ambergris Solutions Inc.
(2) Pro forma amounts for 2004 reflect Ambergris Solutions Inc. and ADCOM, Inc. ADCOM, Inc. was purchased effective November 15, 2004, and its results have been included in the Company's Consolidated Statements of Income effective the same date.

12. Long-Term Debt

(a) Details of Long-Term Debt

($ in millions) Series	Rate of interest	Maturity	As at June 30, 2005	As at December 31, 2004
TELUS Corporation Notes				
CA	7.5%(1)	June 2006	**$ 1,575.7**	$ 1,574.6
U.S. (2)	7.5%(1)	June 2007	**1,426.6**	1,398.6
U.S. (3)	8.0%(1)	June 2011	**2,349.8**	2,303.9
			5,352.1	5,277.1
TELUS Corporation Convertible Debentures				
	6.75%(1)	June 2010	**—**	141.6
TELUS Communications Inc. Debentures				
1	12.00%(1)	May 2010	**50.0**	50.0
2	11.90%(1)	November 2015	**125.0**	125.0
3	10.65%(1)	June 2021	**175.0**	175.0
5	9.65%(1)	April 2022	**249.0**	249.0
B	8.80%(1)	September 2025	**200.0**	200.0
			799.0	799.0
TELUS Communications Inc. First Mortgage Bonds				
U	11.50%(1)	July 2010	**30.0**	30.0
TELUS Communications Inc. Medium Term Notes				
1	7.10%(1)	February 2007	**70.0**	70.0
Capital leases issued at varying rates of interest from 4.1% to 18.7% and maturing on various dates up to 2013			**13.5**	10.7
Other			**7.5**	8.1
Total debt			**6,272.1**	6,336.5
Less – current maturities			**1,581.0**	4.3
Long-Term Debt			**$ 4,691.1**	$ 6,332.2

(1) Interest is payable semi-annually.
(2) Principal face value of notes is U.S.$1,166.5 million (December 31, 2004 – U.S.$1,166.5 million).
(3) Principal face value of notes is U.S.$1,925.0 million (December 31, 2004 – U.S.$1,925.0 million).

(b) TELUS Corporation Convertible Debentures

The 6.75% convertible debentures were unsecured, subordinated obligations of the Company that were to mature on June 15, 2010, and were convertible at the holders' option into Non-Voting Shares of the Company at a rate reflecting a share price of $39.73. The convertible debentures were not redeemable prior to June 15, 2003. Redemption in the period from June 15, 2003, through June 15, 2005, was allowed if the average trading price of the Non-Voting Shares for a defined period exceeds 125% of the conversion price.

The holder's embedded conversion option was valued using the residual value approach and was presented as a component of shareholders' equity (see Note 13(a)).

On May 9, 2005, the Company provided notice of redemption for its convertible debentures at par, plus accrued and unpaid interest, for redemption on June 16, 2005.

During the three-month and six-month periods ended June 30, 2005, convertible debenture holders exercised conversion options resulting in $131.7 million of convertible debenture principal being converted into 3,315,218 Non-Voting Shares and $131.7 million of convertible debenture principal being converted into 3,316,047 Non-Voting Shares, respectively (see Note 13(b)). The conversion options in respect of $17.9 million of convertible debenture principal were not exercised and this principal amount was redeemed on June 16, 2005.

(c) TELUS Corporation Credit Facilities

On May 4, 2005, TELUS Corporation entered into a new $1.6 billion bank credit facility with a syndicate of financial institutions. The new credit facilities consist of: i) an $800 million (or U.S. Dollar equivalent) revolving credit facility expiring on May 7, 2008, to be used for general corporate purposes, and ii) an $800 million (or U.S. Dollar equivalent) revolving credit facility expiring on May 4, 2010, to be used for general corporate purposes. These new facilities replaced the Company's existing committed credit facilities prior to the availability termination dates of such facilities.

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

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

No amounts were drawn under the Company's credit facilities as at June 30, 2005, and December 31, 2004.

(d) Debt Covenants

As at June 30, 2005, the Company and its subsidiaries are in compliance with all of their debt covenants.

(e) Long-Term Debt Maturities

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

(millions)	Total[1]
2005 (balance of year)	**$ 2.9**
2006	**1,587.6**
2007	**1,871.2**
2008	**3.2**
2009	**2.0**

(1) Where applicable, repayments reflect hedged foreign exchange rates

13. Shareholders' Equity

(a) Details of Shareholders' Equity

($ in millions except per share amounts)		**As at June 30, 2005**	As at December 31, 2004
Convertible debentures conversion option (Note 12(b))		**$ —**	$ 8.8
Preferred equity			
Authorized	Amount		
First Preferred Shares	1,000,000,000		
Second Preferred Shares	1,000,000,000		
Common equity			
Share capital			
Shares			
Authorized	Amount		
Common Shares	1,000,000,000		
Non-Voting Shares	1,000,000,000		
Issued			
Common Shares (b)		**2,360.8**	2,407.5
Non-Voting Shares (b)		**3,595.9**	3,426.7
		5,956.7	5,834.2
Other			
Options and warrants (c)		**12.8**	26.9
Accrual for shares issuable under channel stock incentive plan (d)		**—**	0.8
		12.8	27.7
Cumulative foreign currency translation adjustment		**(4.1)**	(2.2)
Retained earnings		**1,044.6**	1,008.1
Contributed surplus (e)		**144.7**	149.0
		7,154.7	7,016.8
Total Shareholders' Equity		**$ 7,154.7**	$ 7,025.6

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

Periods ended June 30, 2005	Three months		Six months	
	Number of shares	Amount (millions)	Number of shares	Amount (millions)
Common Shares				
Beginning of period	**190,891,999**	**$ 2,389.0**	**192,748,738**	**$ 2,407.5**
Exercise of share options (f)	**267,887**	**9.0**	**588,890**	**17.7**
Purchase of shares for cancellation pursuant to normal course issuer bid (g)	**(2,972,500)**	**(37.2)**	**(5,069,600)**	**(63.4)**
Expiration of predecessor share exchange privilege (h)	**—**	**—**	**(80,642)**	**(1.0)**
End of period	**188,187,386**	**$ 2,360.8**	**188,187,386**	**$ 2,360.8**
Non-Voting Shares				
Beginning of period	**167,491,890**	**$ 3,477.3**	**165,803,123**	**$ 3,426.7**
Exercise of warrants (c)	**276,434**	**10.2**	**278,458**	**10.3**
Exercise of convertible debenture conversion option	**3,315,218**	**132.9**	**3,316,047**	**132.9**
Channel stock incentive plan (d)	**—**	**—**	**12,225**	**0.4**
Exercise of share options (f)	**1,701,022**	**49.0**	**5,437,138**	**141.9**
Purchase of shares for cancellation pursuant to normal course issuer bid (g)	**(3,540,200)**	**(73.5)**	**(5,576,300)**	**(115.7)**
Expiration of predecessor share exchange privilege (h)	**—**	**—**	**(26,327)**	**(0.6)**
End of period	**169,244,364**	**$ 3,595.9**	**169,244,364**	**$ 3,595.9**

(c) Options and Warrants

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

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.

(d) 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. During the first half of 2005, terms of the Plan were amended such that the Non-Voting Shares earned were no longer to be issued from Treasury and, as a result, as at June 30, 2005, Non-Voting Shares earned are no longer accrued as a component of Common Equity.

(e) Contributed Surplus

The following table presents a summary of the activity related to the Company's contributed surplus for the three-month and six-month periods ended June 30, 2005:

Periods ended June 30, 2005 (millions)	Three months	Six months
Balance, beginning of period	**$ 143.7**	**$ 149.0**
Share option expense recognized in period (Note 8(a))	**2.1**	**6.3**
Share option expense reclassified to Non-Voting Share capital account upon exercise of share options	**(2.3)**	**(11.8)**
Unexercised, expired convertible debenture conversion option	**1.2**	**1.2**
Balance, end of period	**$ 144.7**	**$ 144.7**

(f) 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 ten years from the time of grant.

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

Periods ended June 30, 2005	Three months		Six months	
	Number of share options	Weighted average share option price	Number of share options	Weighted average share option price
Outstanding, beginning of period	**18,180,201**	**$ 27.51**	**21,914,760**	**$ 26.07**
Granted	**34,450**	**37.52**	**1,160,315**	**35.60**
Exercised	**(1,968,909)**	**26.76**	**(6,026,028)**	**23.32**
Forfeited	**(65,197)**	**29.79**	**(727,647)**	**26.48**
Expired and cancelled	**—**	**—**	**(140,855)**	**41.63**
Outstanding, end of period	**16,180,545**	**27.62**	**16,180,545**	**27.62**

(g) Purchase of Shares for Cancellation Pursuant to Normal Course Issuer Bid

The Company purchased, for cancellation, Common Shares and Non-Voting Shares pursuant to a normal course issuer bid that runs for a twelve-month period ending December 19, 2005, for up to 14.0 million Common Shares and 11.5 million Non-Voting Shares. The excess of the purchase price over the average stated value of shares purchased for cancellation was charged to retained earnings. The Company ceases to consider shares outstanding on the date of the Company's purchase of its shares although the actual cancellation of the shares by the transfer agent and registrar occurs on a timely basis on a date shortly thereafter. As at June 30, 2005, 223,000 Common Shares and 392,900 Non-Voting Shares had been purchased and had not yet been cancelled.

Period ended June 30, 2005 ($ in millions)	Three months			
		Purchase price		
	Number of shares	Paid	Charged to share capital	Charged to retained earnings
Common Shares purchased for cancellation				
Prior to beginning of period	**2,852,811**	**$ 108.9**	**$ 35.6**	**$ 73.3**
During period	**2,972,500**	**126.9**	**37.2**	**89.7**
Cumulative total	**5,825,311**	**$ 235.8**	**$ 72.8**	**$ 163.0**
Non-Voting Shares purchased for cancellation				
Prior to beginning of period	**3,487,500**	**$ 127.4**	**$ 72.2**	**$ 55.2**
During period	**3,540,200**	**145.2**	**73.5**	**71.7**
Cumulative total	**7,027,700**	**$ 272.6**	**$ 145.7**	**$ 126.9**
Common Shares and Non-Voting Shares purchased for cancellation				
Prior to beginning of period	**6,340,311**	**$ 236.3**	**$ 107.8**	**$ 128.5**
During period	**6,512,700**	**272.1**	**110.7**	**161.4**
Cumulative total	**12,853,011**	**$ 508.4**	**$ 218.5**	**$ 289.9**

Period ended June 30, 2005 ($ in millions)	Six months			
		Purchase price		
	Number of shares	Paid	Charged to share capital	Charged to retained earnings
Common Shares purchased for cancellation				
Prior to beginning of period	**755,711**	**$ 27.3**	**$ 9.4**	**$ 17.9**
During period	**5,069,600**	**208.5**	**63.4**	**145.1**
Cumulative total	**5,825,311**	**$ 235.8**	**$ 72.8**	**$ 163.0**
Non-Voting Shares purchased for cancellation				
Prior to beginning of period	**1,451,400**	**$ 50.7**	**$ 30.0**	**$ 20.7**
During period	**5,576,300**	**221.9**	**115.7**	**106.2**
Cumulative total	**7,027,700**	**$ 272.6**	**$ 145.7**	**$ 126.9**
Common Shares and Non-Voting Shares purchased for cancellation				
Prior to beginning of period	**2,207,111**	**$ 78.0**	**$ 39.4**	**$ 38.6**
During period	**10,645,900**	**430.4**	**179.1**	**251.3**
Cumulative total	**12,853,011**	**$ 508.4**	**$ 218.5**	**$ 289.9**

(h) Expiration of Predecessor Share Exchange Privilege

As set out in the Joint Management Proxy Circular of December 8, 1998, holders of BC TELECOM Inc. Common Shares and holders of Alberta-based TELUS Corporation Common Shares had six years to exchange their shares for shares that have become what are now the Company's Common Shares and Non-Voting Shares; such period elapsed on January 31, 2005. The amounts corresponding with the unexchanged shares have been removed from the equity accounts.

(i) Employee Share Purchase Plan

The Company has an employee share purchase plan under which eligible employees can purchase Common Shares through regular payroll deductions by contributing between 1% and 10% of their pay. The Company contributes 45%, for the employee population up to a certain job classification, for every dollar contributed by an employee, to a maximum of 6% of employee pay; for more highly compensated job classifications, the Company contributes 40%. The Company records its contributions as a component of operating expenses.

	Three months		Six months	
Periods ended June 30 (millions)	**2005**	2004	**2005**	2004
Employee contributions	**$ 13.9**	$ 14.2	**$ 32.7**	$ 29.4
Company contributions	**5.9**	5.7	**14.0**	11.8
	$ 19.8	$ 19.9	**$ 46.7**	$ 41.2
Source of Common Shares purchased				
Market purchase	**$ 19.8**	5.4	**46.7**	9.1
Treasury issuance	**—**	14.5	**—**	32.1
	$ 19.8	$ 19.9	**$ 46.7**	$ 41.2

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

(j) Dividend Reinvestment and Share Purchase Plan

The Company has a Dividend Reinvestment and Share Purchase Plan under which eligible shareholders may acquire Non-Voting Shares through the reinvestment of dividends and additional optional cash payments. Excluding Non-Voting Shares purchased by way of additional optional cash payments, the Company, at its discretion, may offer the Non-Voting Shares at up to a 5% discount from the market price. During the six-month period ended June 30, 2005, the Company did not offer Non-Voting Shares at a discount. Shares purchased through optional cash payments are subject to a minimum investment of $100 per transaction and a maximum investment of $20,000 per calendar year.

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

In respect of Common Share and Non-Voting Share dividends declared during the three-month and six-month periods ended June 30, 2005, $2.1 million (2004 – $7.6 million) and $4.0 million (2004 – $13.3 million), respectively, was to be reinvested in Non-Voting Shares.

(k) Shares Reserved for Issuance

(millions)	As at June 30, 2005	
	Common Shares	Non-Voting Shares
For exercise of:		
Share options	**2.2**	**24.2**
Warrants	**—**	**0.3**
	2.2	**24.5**

14. Commitments and Contingent Liabilities

(a) CRTC Decisions 2002-34 and 2002-43 Deferral Accounts

On May 30, 2002, and on July 31, 2002, the Canadian Radio-television and Telecommunications Commission (“CRTC”) issued Decisions 2002-34 and 2002-43, respectively, and introduced the concept of a deferral account. The Company must make significant estimates and assumptions in respect of the deferral accounts given the complexity and interpretation required of Decisions 2002-34 and 2002-43. Accordingly, the Company estimates, and records, a liability (see Note 15(b)) to the extent that activities it has undertaken, other qualifying events and realized rate reductions for Competitor Services do not extinguish it. Management is required to make estimates and assumptions in respect of the offsetting nature of these items. If the CRTC, upon its annual review of the Company’s deferral account, disagrees with management’s estimates and assumptions, the CRTC may adjust the deferral account balance and such adjustment may be material.

On March 24, 2004, the CRTC issued Telecom Public Notice CRTC 2004-1 "Review and disposition of the deferral accounts for the second price cap period" which initiated a public proceeding inviting proposals on the disposition of the amounts accumulated in the incumbent local exchange carriers’ deferral accounts during the first two years of the second price cap period. The Company is uncertain when the CRTC will make its determination on this proceeding.

Due to the Company’s use of the liability method of accounting for the deferral account, the CRTC Decision 2005-6, as it relates to the Company’s provision of Competitor Digital Network services, is not expected to affect the Company’s revenues. To the extent that the CRTC Decision 2005-6 requires the Company to provide discounts on Competitor Digital Network services, both for current and prior periods, the Company draws down the deferral account by an offsetting amount. For the three-month and six-month periods ended June 30, 2005, the Company drew down the deferral account by $11.4 million and $29.8 million, respectively, in respect of discounts on Competitor Digital Network services.

(b) Labour Negotiations

Collective bargaining with the Telecommunications Workers Union: In 2000, TELUS commenced collective bargaining with the Telecommunications Workers Union for a new collective agreement replacing the multiple legacy agreements from BC TELECOM and Alberta-based TELUS. 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 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. In the first quarter of 2004, the extended conciliation process, that included a global review of all outstanding issues, concluded and the outstanding issues were not resolved. On January 15, 2004, the Federal Minister of Labour appointed the two conciliators as mediators to continue to work with the Company and the Telecommunications Workers Union towards a possible resolution.

On January 28, 2004, the Canada Industrial Relations Board ruled, in response to an unfair labour practice complaint filed by the Telecommunications Workers Union, that the Company must make an offer of binding arbitration to the Telecommunications Workers Union to settle the collective agreement between the parties. The Company made the offer of binding arbitration on January 29, 2004, and on January 30, 2004, the Telecommunications Workers Union accepted the offer. The Company filed an application for reconsideration and on February 2, 2005, the Canada Industrial Relations Board reversed the decision that placed the parties in binding arbitration. Subsequently, the Telecommunications Workers Union filed an application in the Federal Court of Appeal, which was heard on May 31 – June 1, 2005, seeking to overturn the Canada Industrial Relations Board's reconsideration decision and restore the order that placed the parties in binding arbitration. On July 25, 2005, the Federal Court of Appeal dismissed the Telecommunications Workers Union appeal application, declined the request for an order returning the parties to binding arbitration and, in so doing, confirmed the Canada Industrial Relations Board's decision of February 2, 2005, that collective bargaining is the preferred method of achieving settlement.

On April 18, 2005, the Company delivered first notice of lockout to the Telecommunications Workers Union. That notice, effective April 25, 2005, included the following measures: the suspension of grievance and arbitration processes, joint Union management committees, scheduling of accumulated time off, payment for the first day of sickness absence and the deferral of wage progression increases and increases in vacation entitlements. Attempts by the Telecommunications Workers Union at the Federal Court of Appeal and the Canada Industrial Relations Board for interim relief against this notice were unsuccessful.

The Company was notified by the Canada Industrial Relations Board, on May 4, 2005, of an additional application by the Telecommunications Workers Union. The Telecommunications Workers Union's application, which attempted to amend an earlier complaint, alleged the Company's April 25, 2005, lockout notice and measures and subsequent communications to bargaining unit team members are not compliant with the Canada Labour Code. The complaint sought an order to return the Company and the Telecommunications Workers Union to binding arbitration to settle the collective agreement. On July 21, 2005, the Canada Industrial Relations Board issued a decision on the Telecommunications Workers Union's application which confirmed that the Company's lockout notice and measures as well as the direct communications of the terms of the comprehensive offer of settlement to bargaining unit team members was compliant with the Canada Labour Code and rejected the request for binding arbitration.

On April 13, 2005, the Company tabled a comprehensive offer to the Telecommunications Workers Union to settle the collective agreement, which was updated with an addendum on June 14, 2005. The Telecommunications Workers Union responded with a counter proposal, which was rejected by the Company on June 24, 2005. On July 12, 2005, the Company announced an implementation strategy of the comprehensive offer of settlement with certain terms coming into effect on July 22, 2005. The Telecommunications Workers Union then commenced a general strike throughout British Columbia and Alberta on July 21, 2005.

There can be no assurance that as of the date of these interim consolidated financial statements, compensation increases will be as planned or that reduced productivity will not occur as a result of the strike commenced by the Telecommunications Workers Union. Should the ultimate operational and financial impacts differ from management's assessments and assumptions, a material adjustment to the Company's financial position and the results of its operations could result. The operational and financial impacts of the outcome of the appeal process on the Company are not practicably determinable currently.

Canada Industrial Relations Board Letter Decision 1088 and Decision 278: On May 21, 2004, the Canada Industrial Relations Board declared TELE-MOBILE COMPANY and TELUS Communications Inc. a single employer for labour relations purposes. The Canada Industrial Relations Board also determined that the Mobility segment's non-unionized team members, predominantly located in Ontario and Quebec, performing work similar to their unionized Mobility segment counterparts in British Columbia and Alberta, should be included in the Telecommunications Workers Union bargaining unit without a representational vote. TELE MOBILE COMPANY and TELUS Communications Inc. sought judicial review of this decision, which was dismissed by the Federal Court of Appeal on December 16, 2004. A subsequent application to the Supreme Court of Canada seeking leave to appeal was denied on June 30, 2005.

Should the ultimate operational and financial impacts of Decision 278 and Letter Decision 1088 differ from management's assessments and assumptions, a material adjustment to the Company's financial position and the results of its operations could result.

(c) Guarantees

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

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

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

As at June 30, 2005, 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 June 30, 2005, the Company has a liability of $1.0 million (December 31, 2004 – $1.0 million) recorded in respect of these lease guarantees.

The following table quantifies the maximum undiscounted guarantee amounts as at June 30, 2005, without regard for the likelihood of having to make such payment.

(millions)	Performance guarantees(1)	Financial guarantees(1)	Total
2005 (balance of year)	$ **4.1**	$ **2.0**	$ **6.1**
2006	**1.5**	**1.7**	**3.2**
2007	**1.0**	**0.9**	**1.9**
2008	**0.5**	**0.3**	**0.8**
2009	**—**	**—**	**—**

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

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

In connection with its 2001 disposition of TELUS' directory business, the Company agreed to bear a proportionate share of the new owner's increased directory publication costs if the increased costs were to arise from a change in the applicable 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 owner being prevented from carrying on the directory business as specified in the agreement, TELUS would indemnify the owner in respect of any losses that the owner incurred.

As at June 30, 2005, the Company has no liability recorded in respect of indemnification obligations.

(d) Claims and Lawsuits

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

Pay equity: On December 16, 1994, the Telecommunications Workers Union filed a complaint against BC TEL, a predecessor of TELUS Communications Inc., with the Canadian Human Rights Commission, alleging that wage differences between unionized male and female employees in British Columbia were contrary to the equal pay for work of equal value provisions in the *Canadian Human Rights Act*. In December 1998, the Canadian Human Rights Commission advised that it would commence an investigation of the Telecommunications Workers Union complaint. In February 2003, the Canadian Human Rights Commission offered to mediate a settlement of the complaint, but the Company declined the offer. The Canadian Human Rights Commission referred the complaint to conciliation under the *Canadian Human Rights Act* and appointed a conciliator to assist in settling the complaint. The complaint was not resolved through conciliation and it was referred back to the Canadian Human Rights Commission in December 2004. The Canadian Human Rights Commission has since decided to resume its investigation of the complaint. The Company believes that it has good defences to the Telecommunications Workers Union's complaint and has taken the position that it should be dismissed. Should the ultimate resolution of the pay equity complaint differ from management's assessment and assumptions, a material adjustment to the Company's financial position and the results of its operations could result.

TELUS Corporation Pension Plan and TELUS Edmonton Pension Plan: In January 2002, the Company became aware of two statements of claim filed in the Alberta Court of Queen's Bench on December 31, 2001, and January 2, 2002, by plaintiffs alleging to be either members or business agents of the Telecommunications Workers Union. In one action, the three plaintiffs alleged to be suing on behalf of all current or future beneficiaries of the TELUS Corporation Pension Plan and in the other action, the two plaintiffs allege to be suing on behalf of all current or future beneficiaries of the TELUS Edmonton Pension Plan. The statement of claim in the TELUS Corporation Pension Plan related action named the Company, certain of its affiliates and certain present and former trustees of the TELUS Corporation Pension Plan as defendants, and claims damages in the sum of $445 million. The statement of claim in the TELUS Edmonton Pension Plan related action named the Company, certain of its affiliates and certain individuals who are alleged to be trustees of the TELUS Edmonton Pension Plan and claims damages in the sum of $15.5 million. On February 19, 2002, the Company filed statements of defence to both actions and also filed notices of motion for certain relief, including an order striking out the actions as representative or class actions. On May 17, 2002, the statements of claim were amended by the plaintiffs and include allegations, *inter alia*, that benefits provided under the TELUS Corporation Pension Plan and the TELUS Edmonton Pension Plan are less advantageous than the benefits provided under the respective former pension plans, contrary to applicable legislation, that insufficient contributions were made to the plans and contribution holidays were taken and that the defendants wrongfully used the diverted funds, and that administration fees and expenses were improperly deducted. The Company filed statements of defence to the amended statements of claim on June 3, 2002. The Company believes that it has good defences to the actions. Should the ultimate resolution of these actions differ from management's assessment and assumptions, a material adjustment to the Company's financial position and the results of its operations could result.

Uncertified class action: A class action was brought August 9, 2004, under the Class Actions Act (Saskatchewan), against a number of past and present wireless service providers including the Company. The claim alleges that each of the carriers is in breach of contract and has violated competition, trade practices and consumer protection legislation across Canada in connection with the collection of system access fees, and seeks to recover direct and punitive damages in an unspecified amount. The class has not been certified. The Company believes that it has good defences to the action.

Similar proceedings have been filed by or on behalf of plaintiffs' counsel in other provincial jurisdictions, but plaintiffs' counsel has formally undertaken not to advance them until the Saskatchewan action has been decided.

Should the ultimate resolution of this action differ from management's assessments and assumptions, a material adjustment to the Company's financial position and the results of its operations could result.

15. Additional Financial Information

(a) Income Statement

Periods ended June 30 (millions)	Three months 2005	Three months 2004	Six months 2005	Six months 2004
Operations expense[(1)]:				
Cost of sales and service	**$ 617.6**	$ 593.0	**$ 1,234.1**	$ 1,177.8
Selling, general and administrative	**528.5**	487.1	**1,021.1**	968.9
	$ 1,146.1	$ 1,080.1	**$ 2,255.2**	$ 2,146.7
Advertising expense	**$ 43.3**	$ 35.3	**$ 80.3**	$ 67.3

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

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

(b) Balance Sheet

(millions)	As at June 30, 2005	As at December 31, 2004
Accounts receivable		
Customer accounts receivable	**$ 671.9**	$ 727.0
Accrued receivables – customer	**133.4**	114.1
Allowance for doubtful accounts	**(67.5)**	(69.3)
	737.8	771.8
Accrued receivables – other	**99.8**	81.7
Other	**8.7**	10.0
	$ 846.3	$ 863.5
Prepaid expense and other		
Prepaid expenses	**$ 161.5**	$ 101.4
Deferred customer activation and installation costs	**62.3**	76.2
Other	**35.6**	5.8
	$ 259.4	$ 183.4
Deferred charges		
Recognized transitional pension assets and pension plan contributions in excess of charges to income	**$ 622.5**	$ 556.7
Deferred customer activation and installation costs	**98.9**	94.4
Cost of issuing debt securities, less amortization	**28.5**	32.1
Other	**25.5**	21.2
	$ 775.4	$ 704.4
Accounts payable and accrued liabilities		
Accrued liabilities	**$ 478.8**	$ 409.1
Payroll and other employee-related liabilities	**561.8**	535.4
Asset retirement obligations	**3.1**	3.1
	1,043.7	947.6
Trade accounts payable	**302.8**	313.0
Interest payable	**63.6**	65.0
Other	**48.4**	37.0
	$ 1,458.5	$ 1,362.6
Advance billings and customer deposits		
Advance billings	**$ 313.1**	$ 294.4
CRTC Decisions 2002-34 and 2002-43 deferral accounts (Note 14(a))	**143.8**	128.7
Deferred customer activation and installation fees	**67.6**	79.6
Customer deposits	**21.9**	28.8
	$ 546.4	$ 531.5

(millions)	As at June 30, 2005	As at December 31, 2004
Other Long-Term Liabilities		
Deferred hedging liability	**$ 960.9**	$ 1,032.6
Pension and other post-retirement liabilities	**180.1**	172.8
Deferred gain on sale-leaseback of buildings	**85.9**	98.7
Deferred customer activation and installation fees	**98.9**	94.4
Asset retirement obligations	**19.2**	19.2
Other	**94.3**	88.4
	$ 1,439.3	$ 1,506.1

(c) Supplementary Cash Flow Information

Periods ended June 30 (millions)	Three months 2005	Three months 2004	Six months 2005	Six months 2004
Net change in non-cash working capital				
Accounts receivable	**$ 28.9**	$ (37.5)	**$ 26.7**	$ (76.4)
Income and other taxes receivable	**26.7**	22.6	**(13.5)**	92.5
Inventories	**(18.0)**	21.1	**4.3**	26.8
Prepaid expenses and other	**(13.6)**	(54.0)	**(76.0)**	(89.6)
Accounts payable and accrued liabilities	**(29.9)**	(110.1)	**93.0**	(71.1)
Advance billings and customer deposits	**14.2**	12.9	**14.9**	22.8
	$ 8.3	$ (145.0)	**$ 49.4**	$ (95.0)

16. Employee Future Benefits

(a) Defined Benefit Plans

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

Three-month periods ended June 30 (millions)	2005 Incurred in period	2005 Matching adjustments(1)	2005 Recognized in period	2004 Incurred in period	2004 Matching adjustments(1)	2004 Recognized in period
Pension benefit plans						
Current service cost	**$ 17.1**	**$ —**	**$ 17.1**	$ 17.6	$ —	$ 17.6
Interest cost	**79.9**	**—**	**79.9**	78.1	—	78.1
Return on plan assets	**(185.2)**	**87.2**	**(98.0)**	(43.5)	(49.7)	(93.2)
Past service costs	**—**	**0.1**	**0.1**	—	0.2	0.2
Actuarial loss (gain)	**5.1**	**—**	**5.1**	6.2	—	6.2
Valuation allowance provided against accrued benefit asset	**—**	**6.3**	**6.3**	—	6.3	6.3
Amortization of transitional obligation (asset)	**—**	**(11.2)**	**(11.2)**	—	(11.2)	(11.2)
	$ (83.1)	**$ 82.4**	**$ (0.7)**	$ 58.4	$ (54.4)	$ 4.0

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

Six-month periods ended June 30 (millions)	2005			2004		
	Incurred in period	Matching adjustments(1)	Recognized in period	Incurred in period	Matching adjustments(1)	Recognized in period
Pension benefit plans						
Current service cost	**$ 34.2**	**$ —**	**$ 34.2**	$ 35.2	$ —	$ 35.2
Interest cost	**159.7**	**—**	**159.7**	156.2	—	156.2
Return on plan assets	**(308.1)**	**112.0**	**(196.1)**	(207.7)	21.2	(186.5)
Past service costs	**—**	**0.3**	**0.3**	—	0.4	0.4
Actuarial loss (gain)	**10.1**	**—**	**10.1**	12.3	—	12.3
Valuation allowance provided against accrued benefit asset	**—**	**12.7**	**12.7**	—	12.7	12.7
Amortization of transitional obligation (asset)	**—**	**(22.4)**	**(22.4)**	—	(22.4)	(22.4)
	$ (104.1)	**$ 102.6**	**$ (1.5)**	$ (4.0)	$ 11.9	$ 7.9

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

Three-month periods ended June 30 (millions)	2005			2004		
	Incurred in period	Matching adjustments(1)	Recognized in period	Incurred in period	Matching adjustments(1)	Recognized in period
Other benefit plans						
Current service cost	**$ 0.9**	**$ —**	**$ 0.9**	$ 1.2	$ —	$ 1.2
Interest cost	**0.4**	**—**	**0.4**	0.9	—	0.9
Return on plan assets	**(0.6)**	**(0.1)**	**(0.7)**	(0.6)	—	(0.6)
Actuarial loss (gain)	**(0.4)**	**—**	**(0.4)**	(0.5)	—	(0.5)
Amortization of transitional obligation (asset)	**—**	**0.2**	**0.2**	—	0.2	0.2
	$ 0.3	**$ 0.1**	**$ 0.4**	$ 1.0	$ 0.2	$ 1.2

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

Six-month periods ended June 30 (millions)	2005			2004		
	Incurred in period	Matching adjustments(1)	Recognized in period	Incurred in period	Matching adjustments(1)	Recognized in period
Other benefit plans						
Current service cost	**$ 3.7**	**$ —**	**$ 3.7**	$ 2.4	$ —	$ 2.4
Interest cost	**0.9**	**—**	**0.9**	1.7	—	1.7
Return on plan assets	**(1.2)**	**(0.1)**	**(1.3)**	(1.3)	—	(1.3)
Actuarial loss (gain)	**(1.1)**	**—**	**(1.1)**	(0.8)	—	(0.8)
Amortization of transitional obligation (asset)	**—**	**0.4**	**0.4**	—	0.4	0.4
	$ 2.3	**$ 0.3**	**$ 2.6**	$ 2.0	$ 0.4	$ 2.4

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

(b) Employer Contributions

The best estimate of fiscal 2005 employer contributions to the Company's defined benefit pension plan has been revised to approximately $116 million (the best estimate at December 31, 2004, was $105.9 million); these estimates do not include any provision for contributions that may arise from settlement of labour negotiations (see Note 14(b)).

(c) Defined Contribution Plans

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

	Three months		Six months	
Periods ended June 30 (millions)	**2005**	2004	**2005**	2004
Union pension plan and public service pension plan contributions	**$ 9.0**	$ 10.0	**$ 19.7**	$ 19.3
Other defined contribution pension plans	**3.4**	1.8	**7.1**	8.1
	$ 12.4	$ 11.8	**$ 26.8**	$ 27.4

17. Segmented Information

The Company's reportable segments, which are used to manage the business, are Communications and Mobility. The Communications segment includes voice local, voice long distance, data and other telecommunication services excluding wireless. The Mobility segment includes digital personal communications services and wireless Internet 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 June 30	**Communications**		**Mobility**		**Eliminations**		**Consolidated**	
(millions)	**2005**	2004	**2005**	2004	**2005**	2004	**2005**	2004
External revenue	**$ 1,216.5**	$ 1,189.0	**$ 802.0**	$ 676.6	**$ —**	$ —	**$ 2,018.5**	$ 1,865.6
Intersegment revenue	**21.2**	22.1	**5.7**	5.6	**(26.9)**	(27.7)	**—**	—
Total operating revenue	**1,237.7**	1,211.1	**807.7**	682.2	**(26.9)**	(27.7)	**2,018.5**	1,865.6
Operations expense	**731.8**	711.8	**441.2**	396.0	**(26.9)**	(27.7)	**1,146.1**	1,080.1
Restructuring and work-force reduction costs	**7.4**	0.7	**—**	—	**—**	—	**7.4**	0.7
EBITDA[(1)]	**$ 498.5**	$ 498.6	**$ 366.5**	$ 286.2	**$ —**	$ —	**$ 865.0**	$ 784.8
CAPEX[(2)]	**$ 293.9**	$ 267.7	**$ 114.8**	$ 78.4	**$ —**	$ —	**$ 408.7**	$ 346.1
EBITDA less CAPEX	**$ 204.6**	$ 230.9	**$ 251.7**	$ 207.8	**$ —**	$ —	**$ 456.3**	$ 438.7

Six-month periods ended June 30	**Communications**		**Mobility**		**Eliminations**		**Consolidated**	
(millions)	**2005**	2004	**2005**	2004	**2005**	2004	**2005**	2004
External revenue	**$ 2,438.7**	$ 2,360.1	**$ 1,554.5**	$ 1,309.3	**$ —**	$ —	**$ 3,993.2**	$ 3,669.4
Intersegment revenue	**43.8**	47.1	**11.5**	10.2	**(55.3)**	(57.3)	**—**	—
Total operating revenue	**2,482.5**	2,407.2	**1,566.0**	1,319.5	**(55.3)**	(57.3)	**3,993.2**	3,669.4
Operations expense	**1,448.4**	1,418.5	**862.1**	785.5	**(55.3)**	(57.3)	**2,255.2**	2,146.7
Restructuring and work-force reduction costs	**16.8**	16.6	**—**	—	**—**	—	**16.8**	16.6
EBITDA[(1)]	**$ 1,017.3**	$ 972.1	**$ 703.9**	$ 534.0	**$ —**	$ —	**$ 1,721.2**	$ 1,506.1
CAPEX[(2)]	**$ 507.5**	$ 527.1	**$ 174.4**	$ 128.7	**$ —**	$ —	**$ 681.9**	$ 655.8
EBITDA less CAPEX	**$ 509.8**	$ 445.0	**$ 529.5**	$ 405.3	**$ —**	$ —	**$ 1,039.3**	$ 850.3

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

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

18. Differences between Canadian and United States Generally Accepted Accounting Principles

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

Periods ended June 30 (millions except per share amounts)	Three months **2005**	Three months 2004	Six months **2005**	Six months 2004
Net income in accordance with Canadian GAAP	**$ 189.5**	$ 172.3	**$ 431.7**	$ 273.6
Adjustments:				
Operating expenses				
Operations (b)	**(2.2)**	0.1	**(2.2)**	1.3
Depreciation (c)	**—**	—	**—**	6.5
Amortization of intangible assets (d)	**(20.4)**	(20.4)	**(40.9)**	(40.9)
Financing costs (f)	**3.6**	2.2	**4.5**	4.1
Accounting for derivatives (g)	**1.3**	0.2	**4.7**	0.2
Taxes on the above adjustments (h)	**7.9**	7.9	**15.0**	13.3
Net income in accordance with U.S. GAAP	**179.7**	162.3	**412.8**	258.1
Other comprehensive income (loss) (i)				
Foreign currency translation adjustment	**1.2**	1.2	**(1.9)**	1.6
Change in unrealized fair value of derivatives designated as cash flow hedges	**(2.8)**	6.9	**(111.2)**	(15.1)
Change in minimum pension liability	**(0.6)**	(0.6)	**(1.3)**	(1.1)
	(2.2)	7.5	**(114.4)**	(14.6)
Comprehensive income in accordance with U.S. GAAP	**$ 177.5**	$ 169.8	**$ 298.4**	$ 243.5
Net income in accordance with U.S. GAAP per Common Share and Non-Voting				
- Basic	**$ 0.50**	$ 0.46	**$ 1.15**	$ 0.72
- Diluted	**$ 0.50**	$ 0.45	**$ 1.14**	$ 0.71

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

Periods ended June 30 (millions)	Six months **2005**	Six months 2004
Retained Earnings under Canadian GAAP	**$ 1,044.6**	$ 879.8
Adjustments:		
Purchase versus Pooling Accounting	**(1,659.9)**	(1,604.0)
Amortization of additional goodwill on Clearnet purchase	**(7.9)**	(7.9)
Share-based compensation	**50.5**	34.9
Accounting for derivatives	**0.1**	—
	(1,617.2)	(1,577.0)
Retained Earnings under U.S. GAAP	**$ (572.6)**	$ (697.2)
Schedule of Retained Earnings under U.S. GAAP		
Balance at beginning of period	**$ (590.2)**	$ (844.7)
Net income in accordance with U.S. GAAP	**412.8**	258.1
	(177.4)	(586.6)
Less: Common Share and Non-Voting Share dividends paid, or payable, in cash	**143.9**	93.1
Common Share and Non-Voting Share dividends reinvested, or to be reinvested, in shares issued from Treasury	**—**	13.3
Cost of purchase of Common Shares and Non-Voting Shares in excess of stated capital (Note 13(g))	**251.3**	—
Preference and preferred share dividends	**—**	1.7
Redemption premium on preference and preferred shares in excess of amount chargeable to contributed surplus	**—**	2.5
Balance at end of period	**$ (572.6)**	$ (697.2)

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

(millions)		**As at June 30, 2005**		As at December 31, 2004
Current Assets	**$**	**2,919.9**	$	2,647.6
Capital Assets				
Property, plant, equipment and other		**7,480.1**		7,528.2
Intangible assets subject to amortization		**2,371.1**		2,476.5
Intangible assets with indefinite lives		**2,964.6**		2,955.8
Goodwill		**3,568.7**		3,545.4
Deferred Income Taxes		**120.2**		218.8
Other Assets		**685.9**		658.5
	$	**20,110.5**	$	20,030.8
Current Liabilities	**$**	**3,643.3**	$	1,969.1
Long-Term Debt		**4,691.7**		6,341.1
Other Long-Term Liabilities		**1,834.8**		1,763.8
Deferred Income Taxes		**1,581.1**		1,593.7
Non-Controlling Interest		**13.5**		13.1
Shareholders' Equity		**8,346.1**		8,350.0
	$	**20,110.5**	$	20,030.8

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

(millions)		**As at June 30, 2005**		As at December 31, 2004
Shareholders' Equity under Canadian GAAP	**$**	**7,154.7**	$	7,025.6
Adjustments:				
Purchase versus Pooling Accounting (a), (c) – (f)		**1,427.3**		1,458.9
Additional goodwill on Clearnet purchase (e)		**123.5**		123.5
Convertible debentures (including conversion option) (f)		**—**		(8.0)
Accounting for derivatives (g)		**0.1**		(3.0)
Accumulated other comprehensive income (loss) (i), excluding cumulative foreign currency translation adjustment		**(359.5)**		(247.0)
Shareholders' Equity under U.S. GAAP	**$**	**8,346.1**	$	8,350.0
Composition of Shareholders' Equity under U.S. GAAP				
Common equity				
Common Shares	**$**	**4,294.3**	$	4,341.0
Non-Voting Shares		**4,855.3**		4,700.8
Options and warrants (Note 13(c))		**12.8**		26.9
Accrual for shares issuable under channel stock incentive plan		**—**		0.8
Retained earnings (deficit)		**(572.6)**		(590.2)
Accumulated other comprehensive income (loss) (i)		**(363.6)**		(249.2)
Contributed surplus		**119.9**		119.9
	$	**8,346.1**	$	8,350.0

(a) Merger of BC TELECOM and TELUS

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

(b) Operating Expenses – Operations

	Three months		Six months	
Periods ended June 30 (millions)	**2005**	2004	**2005**	2004
Future employee benefits	**$ (4.3)**	$ (4.3)	**$ (8.5)**	$ (8.5)
Share-based compensation	**2.1**	4.4	**6.3**	9.8
	$ (2.2)	$ 0.1	**$ (2.2)**	$ 1.3

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

Share-based compensation: Effective January 1, 2004, Canadian GAAP required the adoption of the fair value method of accounting for share-based compensation for awards made after 2001 (see Note 8(b)). U.S. GAAP requires disclosure of the impact on net income and net income per Common Share and Non-Voting Share as if the fair value based method of accounting had been applied for awards made after 1994; the Company continues to use the intrinsic value method for purposes of U.S. GAAP. The fair values of the Company's options granted in 2004 and 2003, and the weighted average assumptions used in estimating the fair values, are set out in Note 8(b). Such impact, using the fair values set out in Note 8(b), would approximate the pro forma amounts in the following table.

	Three months		Six months	
Periods ended June 30 (millions except per share amounts)	**2005**	2004	**2005**	2004
Net income in accordance with U.S. GAAP				
As reported	**$ 179.7**	$ 162.3	**$ 412.8**	$ 258.1
Deduct: Share-based compensation arising from share options determined under fair value based method for all awards	**(2.1)**	(4.6)	**(6.3)**	(11.4)
Pro forma	**$ 177.6**	$ 157.7	**$ 406.5**	$ 246.7
Net income in accordance with U.S. GAAP per Common Share and Non-Voting Share				
Basic				
As reported (using intrinsic value method)	**$ 0.50**	$ 0.46	**$ 1.15**	$ 0.72
Pro forma (using fair value method)	**$ 0.50**	$ 0.44	**$ 1.13**	$ 0.69
Diluted				
As reported (using intrinsic value method)	**$ 0.50**	$ 0.45	**$ 1.14**	$ 0.71
Pro forma (using fair value method)	**$ 0.49**	$ 0.44	**$ 1.12**	$ 0.68

(c) Operating Expenses – Depreciation

Merger of BC TELECOM and TELUS: 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). As of March 31, 2004, the amortization of this difference had been completed.

(d) Operating Expenses – Amortization of Intangible Assets

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

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

(millions)	Cost	Accumulated Amortization	Net Book Value As at June 30, 2005	Net Book Value As at December 31, 2004
Intangible assets subject to amortization				
Subscribers – wireline	$ 1,950.0	$ 276.6	**$ 1,673.4**	$ 1,692.6
Subscribers – wireless	250.0	224.8	**25.2**	46.9
	2,200.0	501.4	**1,698.6**	1,739.5
Intangible assets with indefinite lives				
Spectrum licences(1)	1,833.3	1,833.3	**—**	—
	$ 4,033.3	$ 2,334.7	**$ 1,698.6**	$ 1,739.5

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

Estimated aggregate amortization expense for intangible assets subject to amortization, calculated upon such assets held as at June 30, 2005, for each of the next five fiscal years is as follows:

Years ending December 31 (millions)	
2005 (balance of year)	**$ 170.6**
2006	**219.3**
2007	**129.3**
2008	**62.1**
2009	**48.1**

(e) Goodwill

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

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

(f) Financing Costs

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

Convertible debentures: Under Canadian GAAP, the conversion option embedded in the convertible debentures was presented separately as a component of shareholders' equity. Under U.S. GAAP, the embedded conversion option was not subject to bifurcation and was thus presented as a liability along with the balance of the convertible debentures. The principal accretion occurring under Canadian GAAP was not required under U.S. GAAP and the adjustment was included in the interest expense adjustment in the reconciliation.

(g) Accounting for Derivatives

On January 1, 2001, the Company adopted, for U.S. GAAP purposes, the provisions of Statement of Financial Accounting Standards No. 133, "Accounting For Derivative Instruments and Hedging Activities." This standard requires that 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 (see (i)).

(h) Income Taxes

Periods ended June 30 (millions)	Three months **2005**	Three months 2004	Six months **2005**	Six months 2004
Current	**$ 2.7**	$ (53.8)	**$ (18.7)**	$ (83.0)
Deferred	**95.4**	90.8	**180.0**	177.2
	98.1	37.0	**161.3**	94.2
Investment Tax Credits	**—**	—	**—**	(0.5)
	$ 98.1	$ 37.0	**$ 161.3**	$ 93.7

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

Three-month periods ended June 30 ($ in millions)	**2005**		2004	
Basic blended federal and provincial tax at statutory income tax rates	**$ 96.4**	**34.5%**	$ 69.3	34.7%
Tax rate differential on, and consequential adjustments from, reassessment of prior year tax issues	**—**		(34.2)	
Revaluation of deferred tax assets and liabilities for changes in statutory income tax rates	**(1.2)**		—	
Other	**(1.0)**		(1.9)	
	94.2	**33.1%**	33.2	16.6%
Large corporations tax	**3.9**		3.8	
U.S. GAAP income tax expense (recovery)	**$ 98.1**	**34.5%**	$ 37.0	18.5%

Six-month periods ended June 30 ($ in millions)	**2005**		2004	
Basic blended federal and provincial tax at statutory income tax rates	**$ 199.5**	**34.5%**	$ 122.5	34.7%
Change in estimates of available deductible differences in prior years	**(36.0)**		—	
Tax rate differential on, and consequential adjustments from, reassessment of prior year tax issues	**(11.3)**		(35.8)	
Revaluation of deferred tax assets and liabilities for changes in statutory income tax rates	**(1.2)**		—	
Investment Tax Credits	**—**		(0.3)	
Other	**1.2**		(1.8)	
	152.2	**26.2%**	84.6	24.0%
Large corporations tax	**9.1**		9.1	
U.S. GAAP income tax expense (recovery)	**$ 161.3**	**27.7%**	$ 93.7	26.5%

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

Statement of Financial Accounting Standards No. 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 no requirement to disclose comprehensive income under Canadian GAAP prior to fiscal periods beginning on or after January 1, 2007.

Three-month periods ended June 30 (millions)	2005				2004			
	Cumulative foreign currency translation adjustment	Unrealized fair value of derivative cash flow hedges	Minimum pension liability	Total	Cumulative foreign currency translation adjustment	Unrealized fair value of derivative cash flow hedges	Minimum pension liability	Total
Amount arising	**$ 1.2**	**$ (4.2)**	**$ (1.0)**	**$ (4.0)**	$ 1.2	$ 10.7	$ (0.9)	$ 11.0
Income tax expense (recovery)	**—**	**(1.4)**	**(0.4)**	**(1.8)**	—	3.8	(0.3)	3.5
Net	**1.2**	**(2.8)**	**(0.6)**	**(2.2)**	1.2	6.9	(0.6)	7.5
Accumulated other comprehensive income (loss), beginning of period	**(5.3)**	**(229.5)**	**(126.6)**	**(361.4)**	(2.3)	(95.6)	(110.9)	(208.8)
Accumulated other comprehensive income (loss), end of period	**$ (4.1)**	**$ (232.3)**	**$ (127.2)**	**$ (363.6)**	$ (1.1)	$ (88.7)	$ (111.5)	$ (201.3)

Six-month periods ended June 30 (millions)	2005				2004			
	Cumulative foreign currency translation adjustment	Unrealized fair value of derivative cash flow hedges	Minimum pension liability	Total	Cumulative foreign currency translation adjustment	Unrealized fair value of derivative cash flow hedges	Minimum pension liability	Total
Amount arising	**$ (1.9)**	**$ (169.5)**	**$ (1.9)**	**$ (173.3)**	$ 1.6	$ (23.0)	$ (1.8)	$ (23.2)
Income tax expense (recovery)	**—**	**(58.3)**	**(0.6)**	**(58.9)**	—	(7.9)	(0.7)	(8.6)
Net	**(1.9)**	**(111.2)**	**(1.3)**	**(114.4)**	1.6	(15.1)	(1.1)	(14.6)
Accumulated other comprehensive income (loss), beginning of period	**(2.2)**	**(121.1)**	**(125.9)**	**(249.2)**	(2.7)	(73.6)	(110.4)	(186.7)
Accumulated other comprehensive income (loss), end of period	**$ (4.1)**	**$ (232.3)**	**$ (127.2)**	**$ (363.6)**	$ (1.1)	$ (88.7)	$ (111.5)	$ (201.3)

(j) Recently Issued Accounting Standards Not Yet Implemented

Equity-based compensation. Under U.S. GAAP, effective for its 2006 fiscal year, the Company will be required to apply the fair value method of accounting for share-based compensation awards granted to employees, as prescribed by SFAS 123(R). As compared with the information that has been previously and currently disclosed for U.S. GAAP purposes, the adoption of this standard will result in a reclassification between share capital, contributed surplus and retained earnings. The Company expects that it will use the modified prospective transition method. The Company is in the process of estimating the impact on the U.S. GAAP reconciliation disclosures, but has not yet finalized the amounts; such amount would be in excess of the $176.9 million in share option expense reported in the U.S. GAAP reconciliation disclosures for the fiscal years ended December 31, 2004-1999, inclusive, due to the initial effective date of SFAS 123.

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