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TELUS CORP  
Form 6-K  
July 30, 2003

Form 6-K

SECURITIES AND EXCHANGE COMMISSION  
Washington, D.C. 20549

Report of Foreign Issuer

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

For the month of \_\_\_\_\_ June \_\_\_\_\_ 2003

(Commission File No. 000-24876)

TELUS Corporation  
(Translation of registrant's name into English)

21st Floor, 3777 Kingsway  
Burnaby, British Columbia V5H 3Z7  
Canada  
(Address of principal registered offices)

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

Form 20-F \_\_\_\_\_ Form 40-F \_\_\_\_\_ X

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

Yes \_\_\_\_\_ No \_\_\_\_\_ X

This Form 6-K consists of the following:

Press Release dated July 29, 2003 of Second Quarter Results

TELUS Reports Second Quarter Results

2003 guidance raised on back of strong YTD results

VANCOUVER B.C., - TELUS Corporation (TSX: T and T.A / NYSE: TU) today  
reported for the second quarter of 2003 strong growth in earnings and cash

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flow, as well as revised full year guidance for 2003. Operating earnings (EBITDA) were up 16% due to strong performance at TELUS Mobility and continued cost structure improvements from the Operational Efficiency Program at TELUS Communications. Earnings per share for the quarter and six months ended June were 21 cents and 46 cents, compared to five and four cents, respectively, a year ago. Free cash flow was \$69 million this quarter (up \$331 million from a year ago), and \$445 million year-to-date (up \$606 million from a year ago). Guidance for various 2003 financial targets has been revised today including raising EPS by 20 to 30 cents to a range of 80 to 90 cents.

### FINANCIAL HIGHLIGHTS

Rounded to nearest C\$ Millions,  
except per share amounts

(unaudited)	3 months ended June 30 2003	2002	Change
Operating revenues	1,773.3	1,748.0	1.4 %
EBITDA (1)	719.8	621.0	15.9 %
Net income	74.8	18.4	306.5 %
Common share & Non-Voting share income	72.2	15.8	357.0 %
Earnings per share (EPS)	0.21	0.05	320.0 %
Capital expenditures	305.5	548.6	(44.3)%
Free cash flow (2)	69.0	(261.8)	330.8

Darren Entwistle, president and CEO, commented, "the benefits of executing on our strategic imperatives are clearly evident again this quarter with strong growth in operating and bottom line earnings and cash flow. This was driven by our operational efficiency program at TELUS Communications with incremental savings of \$104 million and significant growth in EBITDA at TELUS Mobility of 69%. As a result, our consolidated EBITDA margin has increased by five points in the past year to 41%. We are executing ahead of expectations and today's revised full year financial guidance reflects our intention to continue this trend in the future. Moreover, it is a credit to our national TELUS Mobility team that we were able to improve in all key subscriber and financial metrics, including those areas in which we were already leading the North American wireless industry. In the second quarter, our subscriber churn was reduced to a world class 1.3%, while average monthly revenue per unit, already a 20% premium to our major competitors, increased to \$56."

Robert McFarlane, executive vice president and CFO, stated, "I am very pleased with both our year-to-date results and outlook for the remainder of 2003. TELUS has demonstrated remarkable operational execution. The year-to-date and future free cash flow generation capability of TELUS is truly impressive. Today we are increasing full year 2003 free cash flow guidance by \$300 to \$400 million to a new range of \$800 million to \$1 billion. Notably we have achieved our year-end 2003 de-leveraging target six months early and consequently have announced new guidance to lower our Net Debt to EBITDA ratio to 2.8 times or less by December 2003. We are also updating our 2003 guidance across a number of other key indicators including higher ranges for consolidated EBITDA, Earnings per share (EPS) and lower capital expenditures."

### OPERATING HIGHLIGHTS

- Free cash flow in the second quarter was \$69 million despite cash interest paid of \$299 million this quarter, which included

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\$257 million of interest paid semi-annually on public notes. This brings year to date free cash flow to \$445 million, which compares to our full year original target of \$300 to \$500 million. Accordingly, TELUS is revising 2003 guidance to \$800 million to \$1 billion

### TELUS Communications

Cash flow improvement of \$197 million driven by lower capex and Operational Efficiency Program savings

- Total revenue of \$1.2 billion in the second quarter declined by 4% or \$51 million due largely to the impact of regulatory price cap decisions, lower voice equipment sales and lower long distance revenues
- OEP-related incremental cost savings of \$104 million in the second quarter resulted in a \$70 million decrease in Operations expense, down 9% from a year ago. Employee position net reductions in the quarter were 250 bringing the 2002 and 2003 total to 6,050 or 93% of the year end target of 6,500
- EBITDA of \$519 million, up \$16 million or 3% from the same quarter a year ago, or up 12% taking into account the \$40 million investment tax credit (ITC) in the same period a year ago
- Underlying EBITDA growth of 18% when normalized for ITC and regulatory price cap impacts of negative \$25 million
- Capital expenditures reduced to \$227 million from \$408 million, down 44% from a year ago. Capital expenditures as a percentage of revenue decreased to 18% from 32% a year ago
- Cash flow (EBITDA less capital expenditures) increased to \$291 million this quarter, up \$197 million or 209% from last year
- Non-incumbent operations in Central Canada generated revenues of \$139 million up 13% from the same quarter a year ago while negative EBITDA of \$6 million improved 80%
- High-speed Internet subscriber net additions of 26,700, bringing TELUS' total high-speed Internet subscriber base to 468,800 total subscribers, a 44% increase over the year-ago period
- Network access lines were 4.9 million, a 0.5% decline compared to a year ago

### TELUS Mobility

Cash flow improvement of \$145 million driven by EBITDA growth of 69% and lower capex

- Network service revenue of \$526 million, up 16% from same quarter a year ago
- Continued strong EBITDA growth of 69% to \$201 million in the quarter, due to strong revenue and subscriber growth, cost containment and enhanced operating efficiencies
- EBITDA margin of 38%, based on network revenue, representing a 12 point year-over-year margin expansion
- Net subscriber additions of 102,800 bringing total subscribers to 3.2 million, a 14% year-over-year increase
- World class churn rate of 1.3%, a significant improvement from 2.0% a year ago and improved from 1.5% in the first quarter of 2003
- Canadian industry leading average revenue per unit (ARPU) of \$56, compared to \$54 in the first quarter and up \$1 from a year ago
- Capital expenditures reduced to \$78 million, down 45% from \$141 million a year ago. Capital expenditures as a percentage of revenue decreased to 14% from 29% a year ago
- Cash flow (EBITDA less Capital expenditures) of \$123 million this quarter, a \$145 million improvement compared to negative \$22 million in the same quarter a year ago

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### CORPORATE DEVELOPMENTS

Joe Natale appointed President of TELUS Client Solutions

In June, TELUS announced the appointment of Joe Natale as president of TELUS Client Solutions and Executive Vice-President of TELUS. Based in Toronto, Joe is responsible for progressing TELUS' strong presence in the national marketplace and leading the team who provide integrated communications solutions to large private and public sector organizations. With his extensive leadership experience, Joe leads the national sales strategy and drives the continuous enhancement of relationships with clients and partners to build TELUS' presence.

Most recently with BearingPoint Inc. (formerly KPMG Consulting), Joe was country leader for Canada and global leader for the automotive and transportation markets. He was also president and co-founder of Piller Natale & Oh Management Consultants Inc. In 16 years of management consulting and entrepreneurial experience, he generated significant and sustained revenue growth and built productive relationships with many leading companies.

### Board changes

The TELUS Corporation Board appointed A. Charles Baillie as a new director on July 23, 2003 and appointed him a member of the TELUS Audit Committee on July 28. Charles is the recently retired chairman and CEO of the Toronto-Dominion Bank where he enjoyed a successful 39-year career. He is also a director of a number of public companies including Ballard Power Systems Inc., Canadian National Railway Company, Dana Corporation, George Weston Limited and Quebecor World Inc. Charles is also Chancellor of Queen's University and President of the Art Gallery of Ontario, Board of Trustees. He also earned a Masters of Business Administration degree.

Brian F. MacNeill was appointed chair of the Audit Committee on July 23, 2003 replacing Peter Charbonneau. Brian is chairman of Dofasco Inc. and Petro-Canada. He was chief operating officer and then CEO at Enbridge Inc. between 1990 and 2001. Brian was also chief financial officer at Interhome Energy Inc. and Home Oil Company Limited and vice president treasurer of Hiram Walker Resources Ltd. between 1982 and 1990. He is a director of Sears Canada Inc., Toronto-Dominion Bank, West Fraser Timber Co. Ltd., Western Oil Sands Inc. and Veritas DGC Inc. Brian earned a degree in business and is a chartered accountant in Canada and a certified public accountant in the United States (California).

Peter Charbonneau was appointed chair of the Audit Committee on June 11, 2003 replacing Iain Harris, who has resigned as Chair and as a member of the Audit Committee. Peter resigned from the Chair of the Audit Committee on July 23 for personal and family reasons, but remains a member of this committee.

### Labour conciliation update

TELUS Communications Inc. (TCI) and the Telecommunications Workers Union (TWU) are negotiating to reach a new collective agreement for approximately 10,760 bargaining unit team members. As this is the first set of negotiations for the newly formed bargaining unit since TELUS (Alberta) and BC TEL merged in 1999, the parties are engaged in extremely complex negotiations to merge four collective agreements into one within the context of the competitive telecommunications industry.

In the fourth quarter of 2002, TCI's application to the federal minister of Labour for conciliation was granted and two federal conciliators were appointed to oversee the process. Between November 2002 and July 2003 over 60 meetings were held to review and address outstanding key bargaining issues.

The conciliators, TCI and the TWU agreed in July to end the current process and to enter a final process later this fall. The parties are waiting for decisions, expected early this fall, from the Canada Industrial Relations Board (CIRB) relating to the scope of the bargaining unit. In particular, the parties are waiting for a final determination of which management and excluded

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positions fall outside the bargaining unit and the outcome of hearings dealing with whether TELUS Mobility employees in B.C. and Alberta are in their own bargaining unit or are part of the TELUS Communications unit.

Both parties are set to enter a conciliation period of 60 days on November 14, 2003. Each party will table a comprehensive written document, which will serve as the basis for negotiations. If the negotiation issues are not resolved at the conclusion of the 60 days, a 21-day cooling off period will follow before any legal work disruption can take place. The union must also provide 72-hour notice and have obtained a strike mandate within 60 days before it can legally strike. Therefore, it is currently expected that this process will not conclude until early February 2004.

TELUS is committed to reaching a new collective agreement that meets the needs of our customers, employees and shareholders, while accounting for the highly competitive landscape of the Canadian telecommunications industry. For more detailed history of the negotiations please visit [http://about.telus.com/investors/labour\\_rel\\_background.html](http://about.telus.com/investors/labour_rel_background.html).

TELUS celebrates as the Vancouver 2010 Olympic dream becomes reality

On July 2, the International Olympic Committee selected Vancouver as the host for the 2010 Winter Olympics and Paralympic Games. As the first premier founding supporter of the Vancouver bid, TELUS is proud of its role in bringing the 2010 Games to Canada by providing \$3 million of financial and in-kind technical resource support to the bid.

This successful effort was guided by a belief in supporting the communities where we operate. The economic benefit of the Games are estimated at \$10 billion over 20 years and TELUS' support of the Olympic movement contributes to a legacy that benefits all business sectors, including the telecommunications industry and the people who earn their livelihood from this sector.

TELUS' credit rating affirmed, outlook upgraded

Two credit rating agencies, Fitch Ratings and Dominion Bond Rating Services (DBRS) announced, in May and June respectively, an upward revision to TELUS' credit rating outlook, to stable from negative. This follows the April outlook upgrade announcement from Moody's Investor Services. Standard & Poor's Rating Services (S&P) in May announced that they were leaving the outlook unchanged at negative. Fitch, S&P and DBRS reaffirmed TELUS Corporation's senior unsecured debt rating as investment grade with a rating of 'BBB'. Moody's credit rating for the same debt remains unchanged at Ba1, two notches below the other agencies and one notch below investment grade.

All the credit rating agencies have highlighted a number of key strengths and positive developments at TELUS that are key factors in the TELUS outlook. These include:

- favourable financial trends continuing over TELUS' current rating horizon based on the positive momentum created from the Operational Efficiency Program (OEP), a stable regulatory environment supported by a facilities-based competition model and free cash flow generation
- improving operating performance, lower debt levels and a modest easing in financial risk

### Regulatory Update

Provision of telecommunication services in multi-dwelling units

On June 30, 2003, the Canadian Radio-television and Telecommunications Commission (CRTC) announced principles that allow for access by all local telephone companies to equipment and wiring in buildings known as multi-dwelling units (MDUs). This means that residential and business customers in MDUs should be able to choose from among a number of local telephone service providers.

The CRTC decision builds on the basic principle that all local telephone

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companies must be able to access and enter into MDUs in order to connect to and/or install their facilities, as well as repair and maintain them, and to do whatever else may be required to provide high quality service to occupants in MDUs.

The decision is good for consumers in Canada in that it encourages more equitable access and competition among service providers and reduces the risk of uneconomic fees for access to buildings and customers.

Incumbent telcos directed to offer high-speed Internet to competitors' residential telephone customers

On July 21, 2003, CRTC decision 2003-49 directed the incumbent telephone companies to provide their retail high-speed Internet services to residential customers receiving local telephone service from competitors upon request. TELUS is currently assessing the impacts of this decision in terms of operating and capital costs and as well, the timing of implementation.

TELUS Communication marketing initiatives

In the quarter, TELUS provided "TELUS Scope", a new multimedia customer e-letter aimed at the business marketplace. Dedicated to the brand promise, 'the future is friendly', this newsletter contains stories and strategies about TELUS' internal leading edge capabilities to help customers enhance their business performance.

In June, TELUS launched a very competitive offer to gain more high-speed Internet subscribers in BC and Alberta versus our cable TV competitors. New TELUS high-speed Internet customers receive service for the first 12 months at \$24.95 per month, a \$10 discount to the regular price, which includes use of a TELUS modem.

In June, the 11th annual TELUS Skins Game presented by Ericsson took place, west of Toronto. Four of the world's top Professional Golf Association (PGA) golfers played: John Daly, Ian Leggatt, Sergio Garcia and Vijay Singh. This annual event attracts one of the largest golf television audiences of all Canadian golf events and is one of the highlights of the Canadian golf calendar each year.

TELUS Mobility services update

Mike's Direct Connect more powerful than ever

In July, TELUS Mobility enhanced its Mike Direct Connect digital two-way radio feature to allow Direct Connect roaming in different regions of Canada and across different user fleets. Previously, Direct Connect service was available only when users were within their Mike region, either East (Ontario and Quebec) or West (BC, Alberta and Manitoba) regions.

Now Mike clients from East region cities such as Toronto or Montreal can take their Mikes with them when travelling to Vancouver, Calgary or other West region cities and use them to Direct Connect Mike users within those cities, and vice versa. As well, clients in different user fleets can now Direct Connect with any other Mike user within their respective regions. Later this year, Mike will allow for cross-Canada Direct Connect capability as well - for example, a Mike user in Ottawa will be able to Direct Connect a Mike client in Edmonton, and vice versa.

BC Heartland Expansion

In July, TELUS Mobility announced its BC Heartland Expansion, a three-year program to bring digital wireless PCS service to small and remote communities in British Columbia. In line with the BC government's plan to bridge the Digital Divide between British Columbians with access to high technology and those without, TELUS Mobility will bring digital wireless coverage to 10 small communities in 2003, 10 more in 2004 and to several heavily traveled traffic corridors by the end of 2005.

Wireless Web enhancements

TELUS Mobility continued to add to its roster of online alliances and

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content, including images from this summer's Terminator 3 movie and Disney/Pixar's animated blockbuster film Finding Nemo. With the May launch of Finding Nemo, TELUS Mobility became the first Canadian wireless carrier to launch downloadable images from a film on the same day it opened in theatres.

### New TELUS Mobility phones and devices

In April, TELUS Mobility launched RIM's BlackBerry 6750, a CDMA 1X device featuring PCS phone, wireless e-mail, text messaging, Web browser, organizer applications and Java(TM) 2 Micro Edition (J2ME) support. Clients can send and receive e-mail in addition to browsing the Web using TELUS Mobility's next generation 1X wireless network.

TELUS Mobility launched the Samsung a220 in May, a North American exclusive. Also known as the Ruby, the tiny red and champagne coloured phone is designed for the fashion conscious and is small enough to slip into a small evening bag. The Web-ready flip phone features a high-definition colour display. In July, TELUS Mobility introduced the Kyocera 7135 smartphone, a combination PCS phone, personal digital assistant (PDA) and wireless e-mail / Internet device operating on TELUS Mobility's national 1X network.

In an alliance with Cypress Solutions Inc. of Vancouver, TELUS Mobility in July introduced the Chameleon CTM-110, a ruggedized data modem for clients of TELUS Mobility's 1X network. Targeted at industrial applications and specifically at the oil and gas industry, the Chameleon is available across Canada through TELUS Mobility dealers and value-added resellers specializing in wireless data and mobile computing solutions.

### Dividend Declaration

The Board of Directors has declared a quarterly dividend of 15 cents (\$0.15) per share on outstanding Common Voting and Non-Voting Shares payable on October 1, 2003 to shareholders of record on the close of business on September 10, 2003.

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## TELUS Management Discussion and Analysis Second Quarter 2003

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### Forward-Looking Statements

This document and the management discussion and analysis contain statements about expected future events and financial and operating results of TELUS Corporation ("TELUS" or the "Company") that are forward-looking and subject to risks and uncertainties. TELUS' actual results, performance or achievement could differ materially from those expressed or implied by such statements. Such statements are qualified in their entirety by the inherent risks and uncertainties surrounding future expectations and may not reflect the potential impact of any future acquisitions, mergers or divestitures. Factors that could cause actual results to differ materially include but are not limited to: general business and economic conditions in TELUS' service territories across Canada and future demand for services; competition in wireline and wireless services, including voice, data and Internet services and within the Canadian telecommunications industry generally; re-emergence from receivership of newly restructured competitors; levels of capital expenditures; corporate restructurings; success of operational and capital efficiency programs including maintenance of customer service levels; success

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of integrating acquisitions; network upgrades, billing system conversions, and reliance on legacy systems; implementation of new customer relationship management software; development and introduction of new products and services; supplier/vendor reliability and viability; realization of tax savings; the impact of credit rating changes; availability and cost of capital including renewal of credit facilities; financial condition and credit risk of customers affecting collectibility of receivables; ability to maintain an accounts receivable securitization program; legal and regulatory compliance of employees and key stakeholders; adverse regulatory action; attraction and retention of key personnel; collective labour agreement negotiations and outcome of conciliation efforts; future costs of retirement and pension obligations and returns on invested pension assets; technological advances; the final outcome of pending or future litigation; the effect of environmental, health and safety concerns; man-made and natural disasters; and other risk factors discussed herein and listed from time to time in TELUS' reports, comprehensive public disclosure documents, including the Annual Information Form, and in other filings with securities commissions in Canada and the U.S.

The Company disclaims any intention or obligation to update or revise any forward-looking statements, whether as a result of new information, future events or otherwise.

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### Management's Discussion and Analysis

The following is a discussion of the consolidated financial condition and results of operations of TELUS Corporation for the three-month and six-month periods ended June 30, 2003 and 2002. This discussion contains forward-looking information that is qualified by reference to, and should be read together with, the Company's discussion regarding forward-looking statements (see "Forward-Looking Statements" above). The following should also be read together with the interim consolidated financial statements of TELUS. The interim consolidated financial statements have been prepared in accordance with Canadian Generally Accepted Accounting Principles (GAAP), which differ in certain respects from U.S. GAAP. See Note 20 to the interim consolidated financial statements for a summary of the principal differences between Canadian and U.S. GAAP as they relate to TELUS.

Management's discussion and analysis is comprised of the following:

1. Vision, Core Business and Strategy
2. Capability to Deliver Results
3. Results and Key Performance Indicators
4. Risks and Uncertainties

1. Vision, Core Business and Strategy

TELUS will continue to be guided by its six strategic imperatives established in 2000. TELUS is focusing and moving forward on the following priorities in 2003:

Continuing to deliver on our efficiency improvement objectives.

- Communications segment operating costs were significantly reduced, fourteen customer contact centres were consolidated in the first six months of 2003 and staff levels were reduced by approximately 850 since the beginning of the year; and
- The Company disposed of non-strategic properties and monetized investments for total cash proceeds of \$19.0 million and \$38.3 million, respectively, during the second quarter and six-month period ended June 30, 2003.

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Improving customer service.

Process and system changes that are having a positive impact, include:

- The Company is stabilizing customer care staff levels to address a high number of voluntary departures and normal staff turnovers and improve service delivery;
- The Company is working to improve its interactive voice response systems (IVR) to better route inbound calls. Speech recognition capabilities will help us deliver customer satisfaction with the first contact. Routing will be faster, process steps will be reduced and our answer speed will increase;
- Better communication, improved coaching, increased customer focus through reducing layers of management and reducing front-line spans; and
- Streamlining, simplifying and standardizing contracts and related sales processes for business customers.

Enhancing our leadership position in the North American wireless industry.

TELUS Mobility continued to build on its industry-leading performance from the second half of 2002. Earnings Before Interest, Taxes, Depreciation and Amortization (EBITDA) excluding Restructuring and workforce reduction costs increased by 69.4% and 57.4% for the second quarter and first six months of 2003, respectively, when compared with the same periods a year ago. Mobility continues to lead the industry with average revenue per subscriber unit per month (ARPU) of \$56 and \$55 for the second quarter and first six months of 2003, respectively, while maintaining world-class churn rates of 1.3% and 1.4%, respectively.

Strengthen our financial position, based on improved operating performance.

- The Company reduced net debt and continued to improve its financial ratios in the first and second quarters of 2003. In particular, the Net debt to EBITDA ratio reached 3.0:1 measured at June 30, 2003, which represents accelerated achievement of TELUS' year-end target for year-end 2003;
- To maintain flexibility, TELUS filed a \$3 billion shelf prospectus in mid-June 2003, which if desired, enables a quick and efficient means to sell debt, equity and/or warrants should the Company want to issue securities over the next two years. The new shelf prospectus replaced a previous \$10 billion shelf prospectus that was about to expire; and
- During the second quarter of 2003, three of four debt-rating agencies changed their outlook or trend to 'stable' from 'negative' for TELUS' debt.

Achieving a settlement with our unionized employees.

In 2000, TELUS commenced collective bargaining with the Telecommunications Workers Union (TWU) for a new collective agreement replacing the legacy agreements from BC TELECOM and Alberta-based TELUS. Since January 2003, the Company and the TWU continue to participate in a conciliation process, which includes a global review of all outstanding issues and a subsequent 60 day conciliation period. In July 2003, the conciliators concluded their global review and released their action plan, which was agreed to and accepted by the Company and the TWU. The conciliators' action plan sets out that the 60-day conciliation period will commence November 14, 2003, while, in the interim, pensions and employee benefits discussions will

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continue. If the outstanding issues are not resolved at the end of the 60-day period, the parties may agree to extend this phase or, alternatively, following a 21 day cooling off period, a legal work stoppage may occur no earlier than February 2004.

If the outstanding issues are not resolved and a new collective agreement is not achieved, there is the risk of a labour disruption. While the financial and operational impacts of a labour disruption are difficult to estimate, the Company expects that in the short-term, profitability would be reduced, but cash flow would increase due to reduced capital expenditures.

### 2. Capability to Deliver Results

#### Changes to the Competitive Environment

In June 2003, Sprint Canada and Microcell Solutions announced a joint marketing alliance to bundle cellular phone services with regular landlines in a strategy to simplify and provide an all-in-one telecommunications package. Microcell will make its wireless product available to Sprint's 150,000 residential customers across Canada. This arrangement gives both partners additional products to win market share from incumbent service providers.

#### Regulatory updates

Risk of increased rates for access to support structures of power companies

Decision of the Supreme Court of Canada - May 16, 2003 (Barrie Public Utilities v. Canadian Cable Television Association)

The Supreme Court of Canada upheld a Federal Court of Appeal decision that determined the Canadian Radio-television and Telecommunications Commission (CRTC) did not have jurisdiction over power poles of provincially regulated power companies. The CRTC had ordered power companies to grant access to their power poles to cable companies at fixed rates. The fixed rates set by the CRTC were significantly lower than the expectations of the power companies. TELUS will be affected by this decision, as it relies on power poles to deliver services to its customers and has facilities on approximately 200,000 poles owned by power companies.

Telecom Public Notices PN 2000-124 and PN 2000-124-2 - Seeking public input on access to multi-dwelling units, in-building wiring and riser space

The CRTC announced principles that allow for access by all local telephone companies to equipment and wire in buildings known as multi-dwelling units. The decision reduces considerably the uncertainty TELUS had faced in gaining access to such buildings, both where TELUS is an entrant in the market and in its incumbent territory where onerous terms and conditions of access, including fees, were being demanded by building owners. From a financial perspective, the decision reduces TELUS' exposure to potential significantly increased costs of building access.

Telecom Decision 2003-49 - CRTC directs incumbent telephone companies to offer high-speed Internet services to competitors' residential telephone customers

On July 21, 2003, the CRTC directed the incumbent telephone companies to provide their retail high-speed Internet services to residential customers receiving primary exchange service (local telephone service) from competitors upon request. TELUS is currently assessing the impacts of this decision in terms of operating and capital costs and as well, the timing of implementation.

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Public Notice 2003-04 - Measures with respect to incumbent telephone company regulatory compliance.

On April 10, 2003, the CRTC announced in Public Notice 2003-04 more rigorous measures to ensure regulatory compliance by incumbent telephone companies; the CRTC will use inspectors to verify regulatory compliance. TELUS encourages and supports regulatory compliance by all telecom industry players.

### 3. Results and Key Performance Indicators

#### Accounting Policy Developments

##### Guarantees

In the normal course of its operations, the Company enters into obligations which GAAP may consider to be guarantees. Effective for reporting periods ending after December 31, 2002, Canadian GAAP requires the disclosure of these guarantees and their maximum, undiscounted amounts, even when the likelihood of the Company having to make any payments under the guarantees is slight. See Note 2a and Note 16c to the interim consolidated financial statements.

##### Asset Retirement Obligations

Commencing with the Company's 2004 fiscal year, the new recommendations of the Canadian Institute of Chartered Accountants (CICA) for accounting for asset retirement obligations (CICA Handbook Section 3110) will apply. The new section focuses on the recognition and measurement of liabilities for statutory, contractual or legal obligations, normally when incurred, associated with the retirement of property, plant and equipment when those obligations result from the acquisition, construction, development or normal operation of the assets. The Company is currently evaluating the impact of this standard on its financial statements.

##### Hedging Relationships

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

##### Financial Impact of Price Cap Decisions

On May 30, 2002 and July 31, 2002, the CRTC announced its decisions on the Regulatory Framework for the Second Price Cap Period for the ILECs, or CRTC Decision 2002-34 and CRTC Decision 2002-43, which established the framework for regulation of ILECs, including TELUS. These decisions cover a four-year period beginning June 2002 for TELUS Communications Inc. and beginning August 2002 for TELUS Communications (Quebec) Inc. The impact of these decisions on TELUS was a decrease in Communications segment Operating revenues of \$24.0 million and \$47.0 million, respectively, for the second quarter and six month period ended June 30, 2003, when compared with the same periods in 2002. In addition, the Communications segment EBITDA decreased by \$25.2 million and \$47.1 million, respectively, for the second quarter and six month period ended June 30, 2003, when compared to the same period one year earlier.

On March 18, 2003, the CRTC issued Telecom Decision CRTC 2003-11, which finalized for the industry the assignment of tariffed services to the service baskets established in Regulatory framework for the second price cap period. Also on March 18, 2003, the CRTC released Telecom Decision CRTC 2003-18, TELUS Communications Inc. - 2002 Annual price cap filing, in which it approved, on a final basis, the majority of the applications filed in 2002 by

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TELUS proposing rate changes pursuant to Decision 2002-34. The financial impact of these two decisions is consistent with TELUS' financial assumptions for 2002 and 2003.

### Results of Operations

#### Highlights

Quarter ended June 30	2003	2002	Change	%
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(\$ in millions except per share amounts)				
Operating revenues	1,773.3	1,748.0	25.3	1.4
EBITDA(1)	719.8	621.0	98.8	15.9
Restructuring and workforce reduction costs	3.3	3.1	0.2	6.5
Income taxes	54.9	33.1	21.8	65.9
Net income	74.8	18.4	56.4	-
Common Share and Non-Voting Share income	72.2	15.8	56.4	-
Earnings per share (EPS)	\$0.21	\$0.05	\$0.16	-
Capital expenditures - general	305.5	548.6	(243.1)	(44.3)
Free cash flow(2)	69.0	(261.8)	330.8	-
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Six months ended June 30	2003	2002	Change	%
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(\$ in millions except per share amounts)				
Operating revenues	3,514.2	3,446.0	68.2	2.0
EBITDA(1)	1,390.6	1,210.3	180.3	14.9
Restructuring and workforce reduction costs	9.8	15.6	(5.8)	(37.2)
Income taxes	49.0	49.6	(0.6)	(1.2)
Net income	166.0	17.6	148.4	-
Common Share and Non-Voting Share income	160.8	12.5	148.3	-
Earnings per share (EPS)	\$0.46	\$0.04	\$0.42	-
Capital expenditures - general	513.3	954.5	(441.2)	(46.2)
Free cash flow(2)	444.7	(160.8)	605.5	-
-----				

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Significant changes included in the second quarter 2003 financial results, when compared with the second quarter of 2002, were:

- Communications segment external revenues decreased by \$51.2 million or 4.1%. Normalized for the \$24.0 million negative price cap decision impacts, revenues decreased by \$27.2 million or 2.2%, primarily because of lower voice equipment sales and lower long distance revenues from reduced long distance minutes and prices;
- Communications segment EBITDA improved by \$16.3 million or 3.2%, as the decrease in revenues was more than offset by a \$70.2 million decrease in operations expense. The decrease in operations expense was primarily a result of \$104.0 million of savings resulting from the Operational Efficiency Program, partially offset by an investment tax credit of \$40 million recognized in the second quarter of 2002;
- Mobility segment Network revenue improved by \$73.0 million or 16.1%. This was a result of a higher ARPU from increased usage and pricing discipline, as well as strong subscriber growth. Mobility Network revenue growth, combined with significant operating efficiencies and economies of scale, flowed through to EBITDA at a rate of 113%;
- Mobility segment EBITDA increased \$82.5 million or 69.4%. This was a result of strong revenue growth, continued cost containment, and economies of scale and efficiencies from the successful national integration of TELUS Mobility's operations; Mobility segment EBITDA represented 38.2% of Network revenue, resulting in a 12-point quarter over quarter EBITDA margin expansion;
- Mobility net subscriber additions for the second quarter grew to 102,800 representing a 54.1% increase over the first quarter 2003 net subscriber additions of 66,700. Moreover, the second quarter's net additions were slightly higher than the same period last year reversing the negative trend in the previous two quarters;
- Mobility blended postpaid and prepaid churn declined to 1.3% per month, a substantial improvement from 2.0% for the same quarter last year. This was attributed to TELUS Mobility's ongoing focus on subscriber retention, improved network quality and coverage, enhanced client service levels, specific grandfathered rate plans and a change to certain rate plans which included 'free evening and weekend' features;
- Interest expense on long-term and short-term debt decreased by \$10.0 million because of lower debt balances;
- Consolidated Free cash flow increased by \$330.8 million to \$69.0 million - the first positive free cash flow during a quarter with large semi-annual interest payments in the last three calendar years. Second quarter free cash flow exceeded second quarter cash payments of \$47.6 million under Restructuring and workforce reduction initiatives; and
- Net debt decreased by \$156.6 million within the current quarter, compared with an increase of \$292.1 million within the second quarter of 2002.

The discussion below for Operating revenues, Operations expense, EBITDA and Capital expenditures is presented on a segmented basis. All other discussion is presented for the consolidated interim financial results.

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### Operating revenues - Communications segment

Quarter ended June 30	2003	2002	Change	%
-----				
(\$ in millions)				
Voice local(1)	525.3	531.6	(6.3)	(1.2)
Voice contribution	16.0	19.4	(3.4)	(17.5)
Voice long distance(2)	239.2	254.5	(15.3)	(6.0)
Data(3)	352.4	353.8	(1.4)	(0.4)
Other(4)	76.3	101.1	(24.8)	(24.5)
-----				
External operating revenue	1,209.2	1,260.4	(51.2)	(4.1)
Intersegment revenue	23.4	26.1	(2.7)	(10.3)
-----				
Total operating revenue	1,232.6	1,286.5	(53.9)	(4.2)
-----				
Six months ended June 30	2003	2002	Change	%
-----				
(\$ in millions)				
Voice local(1)	1,048.2	1,056.5	(8.3)	(0.8)
Voice contribution	31.9	37.9	(6.0)	(15.8)
Voice long distance(2)	490.3	519.9	(29.6)	(5.7)
Data(3)	695.2	694.5	0.7	0.1
Other(4)	152.1	202.5	(50.4)	(24.9)
-----				
External operating revenue	2,417.7	2,511.3	(93.6)	(3.7)
Intersegment revenue	46.8	48.0	(1.2)	(2.5)
-----				
Total operating revenue	2,464.5	2,559.3	(94.8)	(3.7)
-----				

Voice local revenue is generated from monthly access charges and enhanced services. Local access revenue decreased by \$10.8 million and \$16.2 million, respectively, for the second quarter and first six months of 2003, when compared with the same period last year, due to price cap decision impacts and fewer access lines than one year ago, partly offset by growth in non-ILEC business. Increased local enhanced services revenue of \$4.5 million and \$7.9 million, respectively, for the second quarter and first six months, partly offset the decline in local access revenues. Excluding the negative price cap impacts, voice local revenue increased by \$11.7 million or 2.2% and \$22.4 million or 2.1%, respectively, for the second quarter and first six months of 2003 as compared to 2002.

Network access lines decreased by 26,000 and 24,000 lines, respectively, during the second quarter and first six months of 2003, compared with decreases of 32,000 and 53,000, respectively, during the same periods in 2002. Greater line losses during the second quarter, as compared to the first quarter, reflect a consistent seasonal trend associated with university and college students moving home for the summer. Lower line losses in 2003, as compared with 2002, primarily reflect fewer second line losses associated with migration of dial-up Internet services to high-speed Internet services,

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consistent with lower high-speed Internet net additions. This was partly offset by increased losses of consumer lines to competitors in 2003. Network access lines decreased by 0.5% in the twelve-month period ended June 30, 2003, an improvement from the 1.1% rate for the twelve months ended December 31, 2002. The trend of decreasing access lines primarily reflects losses of consumer lines to competitors, reduction in consumer second lines associated with migration of dial-up Internet services to high-speed Internet services and technological substitution of consumer and business lines including migration to other forms of wireline services as well as wireless services, and economic factors. Net business line gains in Central and Eastern Canada exceeded competitive losses in Western Canada. The combined ILEC business and local consumer market share was estimated to be 96.4% at June 30, 2003 (97.2% one year earlier).

Voice contribution revenue, which represents TELUS' share of contribution pool funds for providing service in high cost rural service areas, decreased for the quarter and six month period ended June 30, 2003, when compared with the same periods one year ago, because of a lower shortfall calculated according to the methods prescribed by the CRTC for TELUS and other industry competitors.

Voice long distance revenue decreased for the quarter and six-month periods ended June 30, 2003, when compared with the same period last year, primarily because of fewer consumer and business minutes and price competition. Consumer revenues decreased by \$3.9 million and \$11.0 million, respectively, for the quarter and six month periods ending June 30, 2003 when compared with the same periods in 2002, as a result of competitive pressures from 'dial-around' services and other competitors; partly offset by an increase in the monthly long distance plan administration fee from \$1.25 to \$2.95 in February of this year. Business revenues decreased by \$5.3 million and \$14.0 million, respectively, as a result of fewer minutes. Wholesale settlement revenues were unchanged in the second quarter, but increased by \$2.0 million for the first six months of 2003, due to higher international traffic. Substitution to alternative technologies such as e-mail, Internet and wireless, and lower business long distance rates contributed to long distance revenue and minute erosion.

Data revenues include Internet access, hosting and applications, LAN/WAN, gateway service, internetworking and remote access, managed information technology (IT) services and legacy data services such as private line, switched data services, data local access, data settlements and data equipment sales. Wireless data revenues are included in Mobility segment Network revenues. Communications segment data revenue growth excluding the negative price cap impacts was \$4.3 million or 1.2% and \$15.4 million or 2.2%, respectively, for the second quarter and first six months of 2003 as compared to 2002. Application development revenues decreased by approximately \$7 million in the second quarter of 2003, when compared with the first quarter of 2003 and the prior year due to the disposal of certain assets. Internet service revenues increased by \$19.4 million and \$47.4 million, respectively, because of growth in the high-speed Internet subscriber base, net of lower revenues from dial-up Internet services as a result of subscriber migration to high-speed services. Net additions of high-speed Internet subscribers has been slower than expected in 2003, a general industry trend. As a result of an ongoing subscriber audit, dial-up and high-speed Internet subscriber net additions for the second quarter of 2003 include negative adjustments of 6,400 and 1,600, respectively. For the six-month period ended June 30, 2003, dial-up and high-speed Internet subscriber net additions include negative adjustments of 13,000 and 4,700, respectively. Growth in Internet-related revenues was partly offset by lower revenues for data equipment sales and other data services such as analog and packet-switched services, broadcast and videoconferencing, and managed information technology.

Other revenue decreased for the second quarter and first six months of 2003, when compared with the same periods in 2002, primarily because of lower voice equipment rental and sales as a result of phone store consolidation, as well as lower rent from support structures, lower installation and contract

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services, and lower individual line service grants in respect of the conversion of multi-party lines to single lines in high cost rural areas in Alberta in the early 1990s.

Total external operating revenue included non-ILEC revenues of \$138.6 million for the second quarter of 2003 and \$122.6 million for the second quarter of 2002, an increase of \$16.0 million or 13.1%. Non-ILEC revenues for the six-month period ended June 30, 2003 were \$279.3 million, compared with \$239.1 million for the same period last year - an increase of \$40.2 million or 16.8%. Growth in Non-ILEC application development revenues was affected by the disposal of certain assets mentioned in data revenues above.

Intersegment revenues represent services provided by the Communications segment to the Mobility segment. These revenues are eliminated upon consolidation together with the associated expense from the Mobility segment.

### Key operating indicators - Communications segment

(000s for subscribers and additions)	2003	2002	Change	%
-----				
As at June 30				
-----				
Network access lines, end of period	4,887	4,914	(27)	(0.5)
Total Internet subscribers(1), end of period	820.6	757.7	62.9	8.3
Dial-up	351.8	431.6	(79.8)	(18.5)
High-speed	468.8	326.1	142.7	43.8
Quarter ended June 30				
-----				
Total Internet subscriber net additions(1)	6.4	50.3	(43.9)	(87.3)
Dial-up	(20.3)	(8.7)	(11.6)	(133.3)
High-speed	26.7	59.0	(32.3)	(54.7)
Six months ended June 30				
-----				
Total Internet subscriber net additions(1)	18.9	87.7	(68.8)	(78.4)
Dial-up	(39.9)	(23.5)	(16.4)	(69.8)
High-speed	58.8	111.2	(52.4)	(47.1)
-----				

### Operating revenues - Mobility segment

Quarter ended June 30	2003	2002	Change	%
-----				
(\$ in millions)				
Network revenue	526.4	453.4	73.0	16.1
Equipment revenue	37.7	34.2	3.5	10.2
-----				
External operating revenue	564.1	487.6	76.5	15.7
Intersegment revenue	3.9	4.2	(0.3)	(7.1)

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Total operating revenue	568.0	491.8	76.2	15.5
Six months ended June 30	2003	2002	Change	%
(\$ in millions)				
Network revenue	1,018.5	868.3	150.2	17.3
Equipment revenue	78.0	66.4	11.6	17.5
External operating revenue	1,096.5	934.7	161.8	17.3
Intersegment revenue	7.6	8.3	(0.7)	(8.4)
Total operating revenue	1,104.1	943.0	161.1	17.1

Mobility segment Network revenue is generated from monthly billings for access fees, incremental airtime charges, prepaid time consumed or expired, wireless Internet services and fees for value-added services. Network revenue increased for the quarter ended June 30, 2003 as compared to the same period in 2002 as a result of increased average revenue per subscriber unit per month (ARPU) and the continued expansion of TELUS Mobility's subscriber base by 14.2% to approximately 3.2 million subscribers from 2.8 million one year ago. ARPU increased to \$56 from \$55 for the same quarter last year.

TELUS Mobility continued its strategic focus on profitable revenue growth and subscriber retention, which resulted in higher ARPU and a substantially improved churn rate year over year. The \$1 increase in ARPU continued to build upon the year over year increase experienced in the first quarter of 2003, reversing the previously declining trend. Similarly, ARPU for the first six months of 2003 was \$55 as compared to \$54 for the same period last year. The improved ARPU was a result of increased usage and pricing discipline including per-minute billing and the reduction of eligible hours included in certain 'free evening and weekend' rate plan features. Average minutes of use (MOU) per subscriber per month were 342 for the current quarter and 329 for the first six months of 2003 as compared to 299 and 280, respectively, for the same periods in 2002. As of June 30, 2003, postpaid subscribers accounted for 82.6% of the total cumulative subscriber base as compared to 84.5% one year earlier and stable relative to the first quarter of 2003. Net postpaid subscriber additions for the current quarter of 81,100 represented 78.9% of all net additions in the period as compared to 91,000 (88.7%) for the corresponding period one year ago. For the first six months of 2003, net postpaid additions represented 73.4% of all net additions as compared to 79.0% in the same period one year earlier. Notably, total net subscriber additions for the second quarter were slightly higher than last year reversing the negative trend in the previous two quarters.

Blended postpaid and prepaid churn averaged 1.3% per month in the second quarter of 2003, a significant improvement from 2.0% for the comparable period one year earlier. The churn rate for the first six months of 2003 was 1.4% as compared to 1.9% for the same period last year. Deactivations declined 24.5% to 121,400 for the second quarter 2003 as compared to 160,700 for the same period in 2002 despite a 14.2% increase in the subscriber base. Deactivations for the first six months of 2003 were 260,400 as compared to 308,800 for the same period last year. The improved churn and industry leading ARPU are evidence of the continued focus and execution by TELUS Mobility on subscriber retention and profitable revenue generating subscriber growth. Also, the decline in churn can be attributed to improved network quality and coverage, improved client service levels, client contracting as part of loyalty and

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retention programs, and specific grandfathered rate plans related to per-second billing and the change to certain 'free evening and weekend' rate plan features.

Equipment sales, rental and service revenue in the three-month period ended June 30, 2003, was \$37.7 million as compared to \$34.2 million for the same period in 2002. Equipment revenue for the first six months of 2003 was \$78.0 million, an increase of \$11.6 million or 17.5% over the same period in 2002. The increase occurred despite a decline in gross subscriber additions to 224,200 and 429,900, respectively, for the second quarter and first six months of 2003 as compared to 263,300 and 501,900 for the same periods in 2002. The increase in revenue was principally due to handset pricing discipline, product mix, and increased retention and upgrade activity.

Intersegment revenues represent services provided by the Mobility segment to the Communications segment. These revenues are eliminated upon consolidation together with the associated expense from the Communications segment.

### Key operating indicators - Mobility segment

(000s for subscribers and additions)	2003	2002	Change	%
-----				
As at June 30				
-----				
Subscribers - postpaid	2,615.0	2,341.6	273.4	11.7
Subscribers - prepaid	550.1	429.2	120.9	28.2
	-----	-----	-----	-----
Subscribers - total	3,165.1	2,770.8	394.3	14.2
Total POPs(1) covered including roaming/resale (millions) (2)	28.3	26.2	2.1	8.0
Quarter ended June 30				
-----				
Net subscriber additions - postpaid	81.1	91.0	(9.9)	(10.9)
Net subscriber additions - prepaid	21.7	11.6	10.1	87.1
	-----	-----	-----	-----
Net subscriber additions - total	102.8	102.6	0.2	0.2
Churn, per month (%) (3a)	1.3	2.0	(0.7)	-
Acquisition COA (3b) per gross subscriber add. (\$)(3c)	428	420	8	1.9
ARPU (\$)(3d)	56	55	1	1.8
EBITDA to network revenue (%)	38.2	26.2	12.0	-
Retention COA to network revenue (%)	4.7	4.1	0.6	-
EBITDA excluding Acquisition COA (3e) (\$ millions)	297.3	228.7	68.6	30.0
Six months ended June 30				
-----				
Net subscriber additions - postpaid	124.4	152.6	(28.2)	(18.5)
Net subscriber additions				

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- prepaid	45.1	40.5	4.6	11.4
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Net subscriber additions				
- total	169.5	193.1	(23.6)	(12.2)
Churn, per month (%)	1.4	1.9	(0.5)	-
Acquisition COA per gross subscriber add. (\$) (4)	427	412	15	3.6
ARPU (\$)	55	54	1	1.9
EBITDA to network revenue (%)	37.3	27.8	9.5	-
Retention COA to network revenue (%)	4.1	4.2	(0.1)	-
EBITDA excluding Acquisition COA (\$ millions)	563.4	426.2	137.2	32.2
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### Operations expense - Communications segment

(\$ in millions)	2003	2002	Change	%
Quarter ended June 30	714.1	784.3	(70.2)	(9.0)
Six months ended June 30	1,453.8	1,590.4	(136.6)	(8.6)

Operations expense for the Communications segment decreased in the quarter and six-month periods ended June 30, 2003, when compared with the same periods last year, primarily because of the Operational Efficiency Program savings and lower equipment costs of sales. An increased pension expense in 2003 and a \$40 million investment tax credit received in the second quarter of 2002 partially offset these savings. The following are the principal changes in Incumbent Local Exchange Carrier (ILEC) operations expense and Non Incumbent Local Exchange Carrier (Non-ILEC) operations expense.

ILEC operations expense for the quarter and six-month periods ended June 30, 2003 was \$569.4 million and \$1,153.9 million, respectively, compared with \$631.9 million and \$1,285.0 million, respectively, in the same periods last year. This represented a decrease of \$62.5 million or 9.9% and \$131.1 million or 10.2%, respectively. The primary reasons for the reduction in ILEC operations expense for the quarter and six-month periods ended June 30, 2003 when compared with the same periods in 2002, were:

- Incremental Operational Efficiency Program savings from lower salaries and benefits were \$77.0 million and \$152.0 million, respectively. Staff decreases covered by the Operational Efficiency Program were approximately 250 in the current quarter, and approximately 850 since the beginning of the year;
- Incremental Operational Efficiency Program non salary-related savings were \$27.0 million and \$47.0 million, respectively. The non salary-related savings were from lower employee-related overhead costs, use of fewer contractors, and lower advertising and promotions expense;
- Equipment cost of sales was lower by \$26.2 million and \$40.7 million, respectively, primarily because of lower sales of voice and data equipment. This included approximately \$7 million and \$12 million, respectively, of lower high-speed Internet cost of sales because of

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reduced gross additions of high-speed Internet subscribers and recognition of certain promotional discounts to customers recorded as an offset against revenues;

- Payments to Verizon Communications Inc. ("Verizon") under the Software and Related Technology and Service Agreements were lower by \$2.9 million and \$6.9 million, respectively;
- An investment tax credit of \$40 million was received in the second quarter of 2002 for which there is only a \$1.0 million comparable credit in the first quarter of 2003. The investment tax credits were recognized as a result of a settlement with tax authorities for previous years' claims and were recorded as a reduction to operations expense;
- Expenses increased by \$12.0 million and \$26.8 million, respectively, as a result of lower labour capitalization representing lower capital build activities consistent with lower salaries and benefits as a result of Operational Efficiency Program savings;
- Pension expense for defined benefit and defined contribution plans increased by \$11.6 million and \$27.8 million, respectively; and
- All other changes increased expenses by \$9.1 million for the quarter and \$25.0 million for the six-month period.

Non-ILEC operations expense for the quarter and six-month periods ended June 30, 2003 was \$144.7 million and \$299.9 million, respectively, compared with \$152.4 million and \$305.4 million, respectively, in the same periods last year. This represented decreases of \$7.7 million or 5.0% and \$5.5 million or 1.8%, respectively. Despite increasing revenues, expenses decreased as a result of operating efficiencies and the greater use of on-net facilities.

### Operations expense - Mobility segment

(\$ in millions)	2003	2002	Change	%
Quarter ended June 30	366.7	373.0	(6.3)	(1.7)
Six months ended June 30	724.2	701.6	22.6	3.2

Mobility segment operations expense in the second quarter improved by \$6.3 million or 1.7% and increased slightly (after normalizing for the 2002 \$21.0 million favourable PST ruling) by \$1.6 million or 0.2% for the first six months of 2003, when compared with the same periods in 2002. TELUS Mobility has been able to achieve economies of scale as evidenced by growth in subscribers of 14.2% and Network revenue of 16.1% in the second quarter while maintaining a relatively fixed-cost back office structure.

Expenses related to equipment sales decreased \$9.1 million (9.3%) to \$89.0 million in the second quarter as compared to \$98.1 million for the same period one year earlier. For the first six months of 2003, equipment expenses increased by \$7.4 million or 4.5% over the same period last year. However, prior year expenses included a \$21.0 million reduction resulting from a clarification of provincial sales tax legislation related to handset subsidies, which represented the reversal of a cumulative liability previously recorded in marketing cost of acquisition (COA). Once normalized to exclude the 2002 provincial sales tax credit, equipment expense for the first six months of 2003 decreased \$13.6 million or 7.3%. These decreases were principally due to a decline in gross subscriber activations and improved

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handset pricing including favourable exchange rates. Gross subscriber activations were 224,200 and 429,900 for the current quarter and first six months of 2003, respectively, as compared to 263,300 and 501,900 for the same periods last year. The cost improvement due to the reduction in gross subscriber additions was partially offset by increased retention activity in the quarter. Handset costs are included in marketing cost of acquisition (COA).

Network operating expenses consist of site-related expenses, transmission costs, spectrum licence fees, contribution revenue taxes, and other direct costs related to network operations. Network operating expenses remained relatively flat at \$90.8 million and \$176.8 million for the second quarter and first six months of 2003, respectively, compared to \$89.8 million and \$176.7 million for the same periods last year. This was accomplished despite increases attributed to transmission and site-related expenses to support the increased sites, subscriber base, and improved network quality and coverage which were offset by a reduction in Industry Canada spectrum licence fees of \$1.5 million for the second quarter and \$6.5 million for the first six months. TELUS Mobility has focused efforts on containing these costs through negotiating improved leased transmission rates, roaming rates, and maintenance rates with a number of telecommunications carriers and key vendors. PCS digital population coverage increased 6.5 million (Bell - 5.1 million and Aliant - 1.4 million) from 21.5 million before the roaming/resale agreements to 28.0 million including roaming/resale areas turned on by the end of the second quarter. Total digital population coverage (Mike and PCS) as of June 30, 2003, was 25.4 million (28.0 million including all current digital roaming service areas) as compared to 24.9 million one year ago.

Marketing expenses excluding handset subsidies were \$65.2 million for the second quarter and \$121.1 million for the first six months of 2003 as compared to \$58.1 million and \$107.5 million for the same periods in 2002. The increases were primarily due to higher dealer compensation costs associated with the expanded cumulative subscriber base and to increased re-contracting activity. In addition, there were fewer dealer compensation claw-backs attributed to improved churn year over year. Acquisition COA was \$428 for the second quarter as compared to \$420 for the same period last year. Acquisition COA for the first six months of 2003 was \$427 as compared to \$412 (excluding any benefit from the \$21.0 million PST clarification) for the same period in 2002. The small increases in acquisition COA were principally due to higher marketing costs and lower than expected gross subscriber additions, offsetting lower handset subsidies.

General and Administration (G&A) expenses consist of employee compensation and benefits, facilities, client services, bad debt and various other expenses. G&A expenses declined in the second quarter despite a subscriber base growth of 14.2% and Network revenue growth of 16.1% in the quarter. G&A expenses were \$121.7 million and \$253.5 million for the second quarter and first six months of 2003, respectively, as compared to \$127.0 million and \$252.0 million for the same periods in 2002. The decline of \$5.3 million in the second quarter was primarily due to lower bad debts. The improvements in bad debts can be attributed to the completion of billing system conversions in 2002. TELUS Mobility completed five major billing system conversions by October 2002 after an 18-month period. TELUS Mobility decreased full-time equivalent employees to 5,033 from 5,211 one year earlier. Payroll expenses were unchanged for the second quarter while maintaining customer care service levels and reducing the subscriber churn rate. Expenses remained relatively flat for the first six months of 2003 as compared to the same period in 2002.

Earnings(1) Before Interest, Taxes, Depreciation and Amortization  
(EBITDA) by segment

Quarter ended June 30	2003	2002	Change	%
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 (\$ in millions)

Communications segment	518.5	502.2	16.3	3.2
Mobility segment	201.3	118.8	82.5	69.4

TELUS Consolidated	719.8	621.0	98.8	15.9
--------------------	-------	-------	------	------

Six months ended June 30	2003	2002	Change	%
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-----  
 (\$ in millions)

Communications segment	1,010.7	968.9	41.8	4.3
Mobility segment	379.9	241.4	138.5	57.4

TELUS Consolidated	1,390.6	1,210.3	180.3	14.9
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EBITDA(1) margin(2) by segment (%)

Quarter ended June 30	2003	2002	Change
-----------------------	------	------	--------

-----  
 (\$ in millions)

Communications segment	42.1	39.0	3.1
Mobility segment (3)	35.4	24.2	11.2

TELUS Consolidated	40.6	35.5	5.1
--------------------	------	------	-----

Six months ended June 30	2003	2002	Change
--------------------------	------	------	--------

-----  
 (\$ in millions)

Communications segment	41.0	37.9	3.1
Mobility segment (3)	34.4	25.6	8.8

TELUS Consolidated	39.6	35.1	4.5
--------------------	------	------	-----

Communications segment EBITDA excluding Restructuring and workforce reduction costs improved for the second quarter and six-month periods ended June 30, 2003, when compared with the same periods in 2002, primarily because of:

- Operational Efficiency Program savings of \$104 million and \$199 million, respectively;
- Non-ILEC EBITDA improved by \$23.7 million and \$45.7 million, respectively; and
- Partly offset by negative price cap decision impacts, decreasing long-distance and other revenues, increased pension costs, and the

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investment tax credits received in 2002.

Normalized for price cap decision impacts, Communications segment EBITDA increased by \$41.5 million or 8.2% and \$88.9 million or 9.2%, respectively, for the second quarter and first six months of 2003 as compared to 2002.

TELUS Mobility continued to successfully execute its national strategy focused on profitable revenue growth. The improvement in EBITDA margin was attributed to:

- Strong ARPU and subscriber growth combined with a significant reduction in the churn rate;
- Cost containment; and
- Economies of scale recognized through efficiencies resulting from the successful integration of TELUS Mobility's operations.

For Mobility, this continues the favourable EBITDA trend experienced in Q1 2003. EBITDA growth for the second quarter represented a flow-through rate of 113% of Network revenue growth. Consequently, EBITDA for the first six months of 2003 grew 57.4% to \$379.9 million. When the \$21.0 million favourable PST clarification is excluded, EBITDA for the first six months of 2003 increased by 72.4%. EBITDA margin as a percentage of network revenue improved to 38.2% for the second quarter and 37.3% for the first six months of 2003 as compared to 26.2% and 27.8%, respectively, (25.4% before the PST clarification) for the same periods one year earlier.

### Depreciation and amortization

Quarter ended June 30	2003	2002	Change	%
-----				
(\$ in millions)				
Depreciation	322.0	300.1	21.9	7.3
Amortization of intangible assets	88.1	85.1	3.0	3.5
-----				
Six months ended June 30	2003	2002	Change	%
-----				
(\$ in millions)				
Depreciation	640.6	591.2	49.4	8.4
Amortization of intangible assets	180.6	168.4	12.2	7.2
-----				

Depreciation and amortization expenses increased by \$24.9 million and \$61.6 million, respectively, in the quarter and six-month periods ended June 30, 2003, when compared with the same periods in 2002, primarily because of growth in shorter life capital assets, including billing system software, data network, and administrative software.

### Restructuring and workforce reduction costs

(\$ in millions)	2003	2002	Change	%
-----				
Quarter ended June 30	3.3	3.1	0.2	6.5
Six months ended June 30	9.8	15.6	(5.8)	(37.2)

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Restructuring and workforce reduction costs were recorded for initiatives under the Company's Operational Efficiency Program. In 2001, the Company initiated the phased Operational Efficiency Program aimed at improving operating and capital productivity and competitiveness. The second and third phases commenced in 2002, with the third phase continuing into 2003. For further detail, refer to Note 4 to the interim consolidated financial statements.

Staff reductions since the beginning of 2002 were approximately 6,050. Since the inception of the Operational Efficiency Program in 2001 through June 30, 2003, the Company has reduced its staff count by approximately 6,850, comprised of 4,900 bargaining unit positions and 1,950 management positions. TELUS believes it will attain the 450 additional net employee reductions in 2003 required to meet the Operational Efficiency Program targeted reduction of 7,300 net positions.

EBITDA savings since inception of the Operational Efficiency Program have increased to approximately \$349 million by the end of the second quarter of 2003. The annual savings for 2003 are currently expected to be approximately \$450 million. Thereafter, annual recurring savings are currently estimated to be approximately \$550 million.

### Other expense

(\$ in millions)	2003	2002	Change	%
Quarter ended June 30	6.6	5.9	0.7	11.9
Six months ended June 30	12.2	10.7	1.5	14.0

Other expense includes accounts receivable securitization expense, charitable donations, income from or impairments in portfolio investments, gains and losses on disposal of property, and 2002 Discontinued operations. During the second quarter of 2003, the Company sold several properties and recognized net gains of \$7.3 million. The Company also recorded impairments in portfolio investments and losses on asset sales totalling \$7.5 million in the second quarter of 2003, as compared with \$2.7 million in the same period last year. For the first six months of 2003, gains from the sale of properties were \$15.5 million. Accounts receivable securitization expense increased by \$3.7 million and \$6.1 million for the second quarter and six-month period ended June 30, 2003, when compared with the same periods in 2002 as a result of expanding the securitization program. Proceeds from securitization averaged \$464 million for the first six-months of 2003, compared with \$140 million in the same period last year.

### Financing costs

(\$ in millions)	2003	2002	Change	%
Quarter ended June 30	169.1	174.0	(4.9)	(2.8)
Six months ended June 30	330.7	355.4	(24.7)	(6.9)

Financing costs include interest expense on long-term and short-term debt, interest income, foreign exchange gains and losses, and amortization of

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debt issue costs. Interest on long-term and short-term debt decreased by \$10.0 million and \$19.5 million, respectively, in the second quarter and six month periods ended June 30, 2003, when compared with the same periods in 2002. This was primarily a result of debt repurchases and retirements partially offset by an increase in the effective interest rate. For the second quarter of 2003, the average debt principal outstanding was \$7,972 million (\$8,888 million in the second quarter of 2002), while the effective interest rate on the average debt outstanding was 8.2% (7.9% in 2002). During first six months of 2003, the average debt principal outstanding was \$8,129 million (\$8,842 million during the first six months of 2002), while the effective interest rate on the average debt outstanding was 8.2% (8.0% in 2002). TELUS maintains a hedging program using cross-currency swaps, and as a result, interest expense was generally unaffected by the recent appreciation of the Canadian dollar against the U.S. dollar.

Interest income decreased by \$4.6 million in the second quarter of 2003, when compared with the second quarter of 2002. The decrease was primarily due to recognition of interest income in the second quarter of 2002 associated with investment tax credits. For the six-month period ended June 30, 2003, interest income increased by \$5.5 million, when compared with the same period in 2002, primarily due to recognition of additional interest income in the first quarter of 2003 for settlement of tax-related matters.

### Income taxes

(\$ in millions)	2003	2002	Change	%
Quarter ended June 30	54.9	33.1	21.8	65.9
Six months ended June 30	49.0	49.6	(0.6)	(1.2)

The increase in Income taxes for the quarter ended June 30, 2003, when compared with the same period in 2002, was primarily related to higher income before taxes. For the six-month period ended June 30, 2003, income taxes were relatively unchanged as compared to 2002 because TELUS recorded a \$47.0 million income tax recovery in the first quarter of 2003 for settlement of previous years' tax matters. This settlement was partially offset by higher income taxes related to higher income before taxes.

### Non-controlling interest

(\$ in millions)	2003	2002	Change	%
Quarter ended June 30	1.0	1.3	(0.3)	(23.1)
Six months ended June 30	1.7	1.8	(0.1)	(5.6)

Non-controlling interest primarily represents a partner's interest in one of TELUS' non-core businesses.

### Preferred dividends

(\$ in millions)	2003	2002	Change	%
Quarter ended June 30	0.8	0.9	(0.1)	-

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Six months ended June 30	1.7	1.8	(0.1)	-
--------------------------	-----	-----	-------	---

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There were no significant changes to quarterly dividends on preferred shares.

### Interest on convertible debentures

(\$ in millions)	2003	2002	Change	%
Quarter ended June 30	1.8	1.7	0.1	5.9
Six months ended June 30	3.5	3.3	0.2	6.1

---

The interest on convertible debentures is presented net of related income taxes. As these debentures are convertible into non-voting shares and are classified as equity on the balance sheet, the related interest is recorded as a charge to retained earnings rather than an interest expense.

### Liquidity and capital resources

Cash provided by operating activities (\$ in millions)	2003	2002	Change	%
Quarter ended June 30	470.7	276.8	193.9	70.0
Six months ended June 30	870.4	570.5	299.9	52.6

---

Cash provided by operating activities increased for the quarter and six month period ended June 30, 2003, when compared with the same period last year principally because of the following:

- Improvement in EBITDA of \$98.8 million and \$180.3 million, respectively;
- A change in Future income taxes, net of changes Income taxes receivable, of \$71.9 million and \$77.6 million, respectively, primarily arising from the resolution of income tax matters;
- Decreased investment in Accounts Receivable of \$53.8 million and \$140.8 million, respectively, for the second quarter and first six months of 2003, compared with decreased investment in Accounts Receivable of \$72.5 million and \$42.3 million, respectively, for the same periods in 2002;
- Partly offset by an increase in payments under restructuring and workforce reduction initiatives of \$13.3 million and \$124.2 million, respectively. Payments in 2003 were \$47.6 million for the second quarter and \$201.5 million for six-month period, respectively, compared with \$34.3 million and \$77.3 million in the same periods in 2002.

### Cash provided (used) by investing activities

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(\$ in millions)	2003	2002	Change	%
Quarter ended June 30	(286.0)	(572.9)	286.9	50.1
Six months ended June 30	(468.6)	(988.2)	519.6	52.5

Net cash used by investing activities decreased for the second quarter and six-month period ended June 30, 2003, when compared with the same periods last year, primarily because of reduced capital spending. In addition, the Company disposed of non-strategic properties and monetized an investment for net proceeds of \$19.0 million in the second quarter of 2003. In the first quarter of 2003, the Company disposed of an administrative property under the terms of a sale and leaseback transaction. An \$8.2 million pre-tax gain on the property sale, on total cash proceeds of \$19.3 million, was deferred and is amortized over the term of the lease.

### Capital expenditures by segment

Quarter ended June 30	2003	2002	Change	%
-----				
(\$ in millions)				
Communications segment	227.4	407.9	(180.5)	(44.3)
Mobility segment	78.1	140.7	(62.6)	(44.5)
-----				
Capital expenditures - general	305.5	548.6	(243.1)	(44.3)
-----				
Capital expenditure intensity(1) (%)	17.2	31.4	(14.2)	
-----				

Six months ended June 30	2003	2002	Change	%
-----				
(\$ in millions)				
Communications segment	380.9	717.0	(336.1)	(46.9)
Mobility segment	132.4	237.5	(105.1)	(44.3)
-----				
Capital expenditures - general	513.3	954.5	(441.2)	(46.2)
-----				
Capital expenditure intensity(1) (%)	14.6	27.7	(13.1)	
-----				

Capital spending decreased in the Communications segment in the second quarter and first six months of 2003, when compared to the same periods in 2002. For the second quarter, Non-ILEC expenditures decreased by \$48.5 million to \$35.0 million, and for the first six months Non-ILEC expenditures decreased by \$69.8 million to \$53.6 million. Non-ILEC capital expenditures decreased because the Company concentrated its deployment activity on meeting growth

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demands through the use of assets in place. ILEC capital expenditures decreased by \$132.0 million to \$192.4 million for the second quarter, and decreased by \$266.3 million to \$327.3 million for the first six months, when compared with the same periods in 2002. The primary changes in ILEC capital expenditures were:

- High-speed Internet (ADSL) facilities and systems expenditures decreased by \$50.3 million and \$98.4 million, respectively, to \$20.7 million and \$41.2 million, respectively, for the second quarter and six month period ended June 30, 2003, when compared to the same periods in 2002. Lower spending on ADSL was due to a focus on higher utilization of existing facilities, the completion of systems in 2002, and slowing growth in the industry;
- There were no purchases from Verizon in 2003 for software licences and trademark licences compared with \$27.4 million and \$53.7 million, respectively, for the quarter and first six months of 2002;
- Network infrastructure spending decreased by \$34.5 million and \$52.7 million, respectively, due to reduced demand for facilities; and
- Spending on internal systems and processes decreased due to completion of initiatives in 2002, as planned, such as the national long distance and card service platform and internal web enablement projects.

The Communications segment capital intensity ratios for the quarter and six-month period ended June 30, 2003 were 18.4% and 15.5%, respectively, when compared with 31.7% and 28.0%, respectively, for the same periods last year. As a result of reduced capital expenditures and improved EBITDA, the Communications segment contribution to Cash flow (EBITDA less capital expenditures) for the quarter and six-months ended June 30, 2003 increased to \$291.1 million and \$629.8 million, respectively, from \$94.3 million and \$251.9 million, respectively, in the same periods last year.

Mobility segment capital expenditures were significantly reduced for the second quarter and first six months of 2003 as compared to the same periods in 2002. TELUS Mobility continued the enhancement of digital wireless coverage during the second quarter of 2003. Capital spending declined significantly year over year principally because of:

- Implementation of the 1X digital network in 2002;
- Digital conversion of analogue networks in 2002;
- Reduced coverage expansion costs in 2003 due to operationalized roaming/resale agreements in 2002 with Bell Mobility and Aliant Telecom Wireless; and
- Timing of network capital expenditures in 2003, lower planned net subscriber additions, improved infrastructure equipment costs, and a stronger Canadian dollar.

Guidance has been reduced for Mobility capital spending; however, Mobility plans to increase capital spending in the second half of 2003.

As at June 30, 2003, TELUS Mobility 1X digital population coverage including roaming/resale areas was 24.3 million. Capital expenditure intensity for TELUS Mobility was 13.8% and 12.0% for the second quarter and first six months of 2003, respectively, as compared to 28.6% and 25.2% for the same periods one year ago due to both lower capital spending and significant growth in network revenues. As a result of continued EBITDA growth and reduced capital expenditure intensity, Mobility substantially improved cash flow (EBITDA less capital expenditures) to \$123.2 million and \$247.5 million for the second quarter and year to date 2003, respectively, as compared with

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negative \$21.9 million and positive \$3.9 million for the same periods in 2002.

Reduced capital expenditures and improved EBITDA in both segments, have improved consolidated Cash flow (EBITDA less capital expenditures) to \$414.3 million and \$877.3 million, respectively, for the quarter and six-month periods ended June 30, 2003, when compared with the \$72.4 million and \$255.8 million, respectively, in same periods in 2002. The Company expects capital expenditures to increase during the second half of the year, while maintaining a capital intensity ratio of 15 to 18%, which is less than the annual target for 2003.

### Cash provided (used) by financing activities

(\$ in millions)	2003	2002	Change	%
Quarter ended June 30	(175.5)	332.7	(508.2)	(152.8)
Six months ended June 30	(376.2)	391.6	(767.8)	(196.1)

Cash used by financing activities increased in the second quarter and first six months of 2003, when compared with the same periods one year ago, principally due to net debt redemptions in 2003 of \$148.2 million and \$330.8 million respectively, compared with net debt issues in 2002 of \$338.7 million and \$389.9 million, respectively. Net debt redemptions in the first six months of 2003 included approximately \$156.0 million of bank facilities, \$150.9 million of medium-term notes, \$30 million of First Mortgage Bonds. Proceeds received from Common and Non-voting shares issued from Treasury under the employee share purchase plan and from share option plans were \$21.0 million and \$41.1 million respectively for the second quarter and first six months of 2003 (compared with proceeds of \$24.5 million and \$57.3 million, respectively, in the same periods in 2002 under the same plans and from warrants). Cash dividends paid to shareholders increased by \$17.5 million and \$35.5 million, respectively, for the second quarter and first six months of 2003, when compared with the same periods in 2002. The increase in cash dividends resulted from a lower enrolment in dividend reinvestment plans (approximately 21% for the dividend paid in April 2003, compared with approximately 47% one year earlier) and an increased number of shares outstanding. The 15-cent dividend paid per Common share and Non-voting share remained unchanged from one year ago.

### Liquidity and capital resource measures

Period ended	June 30, 2003	June 30, 2002	Change	March 31, 2003
-----				
Components of debt and coverage ratios				
-----				
Net debt(1) (\$ millions)	8,038.7	9,119.8	(1,081.1)	8,195.3
Total capitalization(2)				
- book value (\$ millions)	14,593.6	15,537.2	(943.6)	14,705.5
EBITDA (12-month trailing, \$ millions)	2,698.9	2,507.9	191.0	2,600.1
Net interest cost(3) (12-month trailing, \$ millions)	662.1	718.0	(55.9)	667.0

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Debt ratios				
-----				
Fixed rate debt as a proportion of total indebtedness (%)	94.6	89.5	5.1	95.1
Average term to maturity of debt (years)	6.4	6.8	(0.4)	6.5
Net debt(1) to total capitalization(2) (%)	55.1	58.7	(3.6)	55.7
Net debt to EBITDA(4)	3.0	3.6	(0.6)	3.2
Coverage ratios				
-----				
Earnings coverage(5)	0.8	2.2	(1.4)	0.7
EBITDA interest coverage(6)	4.1	3.5	0.6	3.9
Other measures				
-----				
Free cash flow(7) (3-month, \$ millions)	69.0	(261.8)	330.8	375.7
Free cash flow(7) (12-month trailing, \$ millions)	579.6	(692.2)	1,271.8	248.8
-----				

The short-term obligation and long-term debt balance as at June 30, 2003 decreased by \$1,045 million to \$7,343 million from \$8,388 million as at December 31, 2002. This reduction in the debt balance included a \$715 million decrease in the Canadian dollar value of U.S. dollar denominated Notes because of an approximate 15% appreciation of the Canadian dollar between December 31, 2002 and June 30, 2003. TELUS' U.S. dollar debt is fully hedged, resulting in a corresponding increase of \$715 million being recorded in the net Deferred hedging liability (the Deferred hedging asset of \$126.8 million as at December 31, 2002 has become a Deferred hedging liability of \$588.2 million as at June 30, 2003).

The proportion of debt with fixed interest rates increased as at June 30, 2003, when compared with June 30, 2002, because the amount of utilized bank facilities at June 30, 2003 decreased by approximately \$570 million from one year ago and decreased by approximately \$156 million since the end of 2002.

The primary reasons for a reduction in the net debt to total capitalization ratio measured at June 30, 2003, when compared to a year ago, were the repurchase of approximately \$410 million of debt in the third and fourth quarters of 2002, and net repayments in 2003. Total equity increased by approximately \$138 million as a reduction in retained earnings, caused primarily by the Restructuring and workforce reduction charges net of tax, was more than offset by the \$323 million of net proceeds from a public equity issue in the third quarter of 2002 and Common shares and Non-voting shares issued over the last twelve months. The Company's Operational Efficiency Program, improved Non-ILEC margins and strong Mobility cash generation resulted in significant increased free cash flow allowing for additional debt reduction in the second quarter and first six months of 2003. For the second quarter and first six months of 2003, the free cash flow measure exceeded cash payments of \$47.6 million and \$201.5 million, respectively, for Restructuring and workforce reduction. Free cash flow decreased in the second quarter of 2003, when compared with the first quarter of 2003, due primarily to \$262.8 million higher paid interest in the second quarter which results from semi-annual interest payments in June.

The net debt to EBITDA ratio measured at June 30, 2003 improved significantly, when compared with June 30, 2002 and March 31, 2003, as a

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result of debt reduction and an increase in twelve-month trailing EBITDA.

The EBITDA interest coverage ratio measured at June 30, 2003 improved, when compared with June 30, 2002 and March 31, 2003, as a result of higher twelve-month trailing EBITDA and lower twelve-month trailing net interest costs.

### Credit Facilities

TELUS credit facilities at the end of June 2003 consisted of a \$1.5 billion (or U.S. dollar equivalent) revolving credit facility expiring on May 30, 2004 (\$499 million drawn along with \$98.2 million in outstanding undrawn letters of credit), an undrawn \$600 million (or the U.S. dollar equivalent) 364 day revolving credit facility extendible at TELUS' option for any amount outstanding as at May 26, 2004 for one year on a non-revolving basis, and approximately \$74 million in other bank facilities (nil drawn and approximately \$23.2 million in committed and outstanding undrawn letters of credit, at June 30, 2003).

At June 30, 2003, TELUS had unutilized available liquidity well in excess of \$1 billion. TELUS' credit facilities contain customary covenants including a requirement that TELUS not permit its consolidated Leverage Ratio (Funded Debt and Asset Securitization Amount to trailing 12-month EBITDA) to exceed 4.0:1 (approximately 3.0:1 as at June 30, 2003) and not permit its consolidated Coverage Ratio (EBITDA to Interest Expense and Asset Securitization Charges on a trailing 12-month basis) to be less than 2.5:1 (approximately 4.1:1 as at June 30, 2003) at the end of any financial quarter. There are certain minor differences in the calculation of the Leverage Ratio and Coverage Ratio under the credit agreement as compared with the calculation of Net debt to EBITDA and EBITDA interest coverage. The calculations are not expected to be materially different. Continued access to TELUS' credit facilities is not contingent on the maintenance by TELUS of a specific credit rating.

### Shelf Prospectus

TELUS filed a \$3 billion shelf prospectus in mid-June 2003, which if desired, enables a quick and efficient means to sell debt, equity and/or warrants should the Company want to issue securities over the next two years. Any proceeds raised under the prospectus would be used to repay debt, fund capital expenditures and for general corporate purposes. The new shelf prospectus replaced a previous \$10 billion shelf prospectus that was about to expire.

### Accounts Receivable Sale

TELUS Communications Inc., a wholly owned subsidiary of TELUS, is able to sell an interest in certain of its receivables up to a maximum of \$650 million and is required to maintain at least a BBB(low) credit rating by Dominion Bond Rating Service (DBRS), or the purchaser may require the sale program to be wound down. The necessary credit rating was exceeded by one level at BBB as of July 28, 2003. The proceeds of securitized receivables at June 30, 2003, were \$485 million. See Note 9 to the interim consolidated financial statements.

TELUS' credit facilities require that a portion of sold accounts receivable be added to debt for purposes of calculating the Leverage Ratio covenant under the credit agreement. This portion is calculated on a monthly basis and is a function of the ongoing collection performance of the receivables pool. At June 30, 2003, this amount, defined as the Asset Securitization Amount, was \$124.1 million.

### Credit Ratings

The following rating actions occurred during the quarter ended June 30, 2003:

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- On April 16, 2003, Moody's Investor Service changed the outlook for TELUS Corporation's senior unsecured credit rating to 'stable' from 'negative';
- On May 1, 2003, DBRS discontinued its rating on commercial paper programs of TELUS Corporation, TELUS Communications Inc. and TELUS Communications (Quebec) Inc. as TELUS had no issues outstanding. On June 17, 2003, DBRS revised the trend from 'negative' to 'stable' for its ratings on TELUS Corporation, TELUS Communications Inc. and TELUS Communications (Quebec) Inc.;
- On May 28, 2003, Fitch Ratings changed the outlook to 'stable' from 'negative' for its ratings on TELUS Corporation and TELUS Communications Inc.; and
- On May 29, 2003, Standard & Poor's Rating Services (S&P) affirmed its 'BBB' long-term corporate credit rating for TELUS Corporation, TELUS Communications Inc. and TELUS Communications (Quebec) Inc., each with a 'negative' outlook. S&P withdrew its short-term corporate credit rating on TELUS due to the discontinuance of commercial paper programs. S&P also raised the issue rating on TELUS Communications (Quebec) Inc.'s first mortgage bonds from BBB+ to A-.

TELUS has an objective to preserve access to capital markets at a reasonable cost by maintaining investment grade credit ratings.

### Credit rating summary

	DBRS (1)	S&P (2)	Moody's (1)	Fitch (1)
-----				
TELUS Corporation				
Senior bank debt	BBB	BBB	Ba1	BBB
Debentures and Notes	BBB	BBB	Ba1	BBB
Medium-term Notes	BBB	BBB	---	---
Commercial paper	withdrawn	withdrawn	---	---
TELUS Communications Inc.				
Debentures	BBB	BBB	---	BBB
Medium-term Notes	BBB	BBB	---	BBB
Commercial paper	withdrawn	withdrawn	---	---
Preferred shares	Pfd-3	P-3 (high)	---	---
TELUS Communications (Quebec) Inc.				
First mortgage bonds	BBB	A-	---	---
Debentures	BBB	BBB	---	---
Medium-term Notes	BBB	BBB	---	---
Commercial paper	withdrawn	withdrawn	---	---
-----				

### Off-Balance Sheet Arrangements and Contractual Liabilities

#### Financial Instruments

TELUS uses various financial instruments, the fair values of which are not reflected on the balance sheet, to reduce or eliminate exposure to interest rate and currency risks. These instruments are accounted for on the same basis as the underlying exposure being hedged.

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The Company is exposed to interest rate risk arising from fluctuations in interest rates on its temporary investments, short-term obligations and long-term debt. The Company has entered into an interest rate swap that has the effect of fixing the interest rate on \$70 million of floating rate debt until April 2004. Hedge accounting is not applied to this swap agreement.

The Company is exposed to currency risks arising from fluctuations in foreign exchange rates on its U.S. Dollar denominated long-term debt. Currency hedging relationships have been established for the related semi-annual interest payments and principal payments at maturity. The Company's foreign exchange risk management also includes the use of foreign currency forwards to fix the exchange rates on short-term foreign currency transactions and commitments. Hedge accounting is not generally applied to these foreign currency forwards. During the second quarter of 2003, the Company entered into foreign currency forward contracts that have the effect of fixing the exchange rates on, as at June 30, 2003, U.S.\$75 million of fiscal 2003 purchase commitments; hedge accounting has been applied to U.S.\$50.5 million of these foreign currency forward contracts relating to the Mobility segment.

The Company is exposed to credit risk with respect to its short-term deposits, accounts and leases receivable, interest rate swap agreements and foreign exchange hedges. Credit risk associated with short-term deposits is minimized substantially by ensuring that these financial assets are placed with governments, well-capitalized financial institutions and other creditworthy counterparties. An ongoing review is performed to evaluate changes in the status of counterparties.

The carrying value of cash and temporary investments, bank indebtedness, accounts receivable, leases 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.

Commitments and Contingent Liabilities (Note 16 of the interim consolidated financial statements)

The Company has a number of commitments and contingent liabilities. The Company has \$208.7 million in outstanding commitments for its Operational Efficiency Program as at June 30, 2003, and approximately of \$10.0 million additional Restructuring and workforce reduction expense may be recorded in 2003. The Company occupies leased premises in various centres and has land, buildings and equipment under operating leases. The Company is currently engaged in contract negotiations through the federal conciliation process. In the normal course of the Company's operations, it enters into commercial agreements that require, as a part of normal terms, guarantees by the Company.

### Revised Guidance for 2003

	2003 second quarter revised guidance	2003 first quarter revised guidance	2003 targets
-----			
Consolidated			
Revenues	\$7.1 to \$7.2 billion	no change	\$7.2 to \$7.3 billion
EBITDA(1)	\$2.75 to \$2.85 billion	no change	\$2.7 to \$2.8 billion
Earnings (loss) per share	80 to 90 cents	50 to 70 cents	35 to 55 cents

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Capital expenditures	\$1.2 to \$1.3 billion	no change	Approx. \$1.5 billion
Free cash flow	\$800 to \$1 billion	\$500 to \$600 million(2)	\$300 to \$600 million (2)
Net debt to EBITDA	2.8 times or less	no change	3.0 times
Communications segment Revenue (external)	\$4.85 to \$4.9 billion	no change	\$5.0 to \$5.05 billion
Non-ILEC revenue	no change	no change	\$575 million
EBITDA(1)	\$2.0 to \$2.075 billion	no change	\$2.075 to \$2.15 billion
Non-ILEC EBITDA	Approx. \$(30) million	no change	Approx. \$(60) million
Capital expenditures	\$850 to \$900 million	no change	Approx. \$1.05 billion
High-speed Internet subscriber net adds	Approx. 125,000	no change	150,000 to 175,000
Mobility segment Revenue (external)	\$2.25 to \$2.3 billion	no change	\$2.2 to \$2.25 billion
EBITDA(1)	\$750 to \$775 million	\$675 to \$700 million	\$625 to \$650 million
Capital expenditures	\$350 to \$400 million	no change	Approx. \$450 million
Wireless subscriber net additions	350,000 to 375,000	Approx. 350,000	400,000 to 450,000

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#### 4. Risks and Uncertainties

A comprehensive discussion of the risks and uncertainties can be found in Management's Discussion and Analysis in TELUS' Annual Information Form, TELUS'

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2002 Annual Report, and filings on [www.sedar.com](http://www.sedar.com) and on Edgar at [www.sec.gov](http://www.sec.gov).

### Economic fluctuations

TELUS' and economists' forecasts for economic growth and inflation in Canada have been revised to reflect recent political and economic events such as the significant negative impact of Sudden Acute Respiratory Syndrome (SARS) on the travel and tourism industries, the closure of the export markets for Canadian cattle after the discovery of 'mad cow disease' in one animal and the negative impact of the significant appreciation of the Canadian dollar on Canadian exporters whose prices are based in U.S. dollars. TELUS has revised its estimate for Canadian economic growth in 2003 down to approximately 2%.

The effect of the above events has been to increase uncertainty among business and consumer customers, who continue to focus on price and defer purchases. The appreciation of the Canadian dollar can be positive for Canadian companies who may be importing technology or services in U.S. dollars or making payments in U.S. dollars. Some companies with unhedged U.S. dollar debt have benefited from the rise in the dollar in making interest payments.

The impact of the reduced economic growth on TELUS is negligible generally for consumer purchases of telecommunications, but does have some negative affect on business customer spending. TELUS has a fully hedged position on its U.S. denominated \$3.1 billion of debt and does not benefit from the rising Canadian dollar. With annual U.S. dollar requirements of approximately \$480 million for capital expenditures and operational requirements (primarily wireless handsets), the Company benefits if the Canadian dollar strengthens against the U.S. dollar, and conversely, the Company incurs a small cost if the Canadian dollar weakens against the U.S. dollar.

### consolidated statements of income

Periods ended June 30 (unaudited) (millions)	Three months		Six months	
	2003	2002	2003	2002
=====				
OPERATING REVENUES	\$ 1,773.3	\$ 1,748.0	\$ 3,514.2	\$ 3,446.0
-----				
OPERATING EXPENSES				
Operations	1,053.5	1,127.0	2,123.6	2,235.7
Depreciation	322.0	300.1	640.6	591.2
Amortization of intangible assets	88.1	85.1	180.6	168.4
Restructuring and workforce reduction costs	3.3	3.1	9.8	15.6
-----				
	1,466.9	1,515.3	2,954.6	3,010.9
-----				
OPERATING INCOME	306.4	232.7	559.6	435.1
Other expense	6.6	5.9	12.2	10.7
Financing costs	169.1	174.0	330.7	355.4
-----				
INCOME BEFORE INCOME TAXES AND NON- CONTROLLING INTEREST	130.7	52.8	216.7	69.0
Income taxes	54.9	33.1	49.0	49.6
Non-controlling interest	1.0	1.3	1.7	1.8
-----				
NET INCOME	74.8	18.4	166.0	17.6
Preference and preferred				

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share dividends	0.8	0.9	1.7	1.8
Interest on convertible debentures, net of income taxes	1.8	1.7	3.5	3.3
-----				
COMMON SHARE AND NON- VOTING SHARE INCOME	\$ 72.2	\$ 15.8	\$ 160.8	\$ 12.5
=====				
INCOME PER COMMON SHARE AND NON-VOTING SHARE (\$)				
- Basic	0.21	0.05	0.46	0.04
- Diluted	0.21	0.05	0.46	0.04
DIVIDENDS DECLARED PER COMMON SHARE AND NON-VOTING SHARE	0.15	0.15	0.30	0.30
TOTAL WEIGHTED AVERAGE COMMON SHARES AND NON- VOTING SHARES OUTSTANDING (MILLIONS)				
- Basic	348.6	306.6	347.7	305.3
- Diluted	350.8	306.6	350.8	305.5

consolidated balance sh