TELUS CORP
Form 6-K
November 01, 2004

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 _____October _________ 2004

(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:

Management's Discussion and Analysis
and
TELUS Corporation Financial Statements

Third Quarter

October 26, 2004

Forward-looking statements

This document and the management's discussion and analysis contain

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

Factors that could cause actual results to differ materially include but are not limited to: competition; economic fluctuations; financing and debt requirements; tax matters; dividends; share repurchase implementation; human resources (including the outcome of outstanding labour relations issues); technology (including reliance on systems and information technology); regulatory developments; process risks; health and safety; strategic partners; litigation; business continuity events 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 (filed on SEDAR at www.sedar.com) and the United States (filed on EDGAR at www.sec.gov).

For further information, see the Risks and uncertainties section in TELUS' 2003 annual Management's discussion and analysis, and significant updates in interim reports for the first, second and third quarters of 2004.

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 - October 26, 2004

The following is a discussion of the consolidated financial condition and results of operations of TELUS Corporation for the three-month and nine-month periods ended September 30, 2004 and 2003, and should be read together with TELUS' interim consolidated financial statements. This discussion contains forward-looking information that is qualified by reference to, and should be read together with, the discussion regarding forward-looking statements above.

TELUS' interim consolidated financial statements have been prepared in accordance with Canadian generally accepted accounting principles ("GAAP"), which differ in certain respects from U.S. GAAP. See Note 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. The interim consolidated financial statements and Management's discussion and analysis have been reviewed by TELUS' Audit Committee and approved by TELUS' Board of Directors. All amounts are in Canadian dollars unless otherwise specified.

The following discussion is comprised of significant updates since Management's discussion and analysis reported in TELUS' 2003 Annual Report and in interim reports for the first and second quarters of 2004:

1. Core business, vision and strategy
2. Key performance drivers
3. Capability to deliver results
4. Results
5. Risks and uncertainties

1. Core business, vision and strategy

1.1 Strategic imperatives

TELUS continues to be guided by its six strategic imperatives established four years ago that serve as a guideline for the Company's actions. Some recent examples of TELUS' activities in support of these imperatives follow:

- Building national capabilities across data, IP and wireless;
- Partnering, acquiring and divesting to accelerate the implementation of TELUS' strategy;
- Focusing relentlessly on the growth markets of data, IP and wireless

On May 13, 2004, the Company announced its intention to make unsolicited offers to purchase for cash all of the issued and outstanding Class A Restricted Voting Shares, Class B Non-Voting Shares, Warrants 2005 and Warrants 2008 of Microcell Telecommunications Inc. ("Microcell"), which offers were made May 17, 2004. The offers were extended in June, July and August, pending outcome of the Competition Bureau's review. On September 20, 2004, Rogers Wireless Communications Inc. ("Rogers Wireless") announced an agreement with Microcell to make an all-cash offer to purchase Microcell shares and warrants, supported by a recommendation from Microcell's Board. The amount offered by Roger's Wireless exceeded by 21% the amount offered by TELUS. In addition, Roger's Wireless had negotiated the right to match any competing bids. On the same day, TELUS extended its all-cash offers to October 12, 2004, in order to evaluate the terms and conditions of the rival bid and to maintain the offers in the event that the Roger's Wireless bid ran into difficulty.

On October 12, 2004, TELUS announced that it was not extending its offers to purchase shares and public warrants of Microcell and as a result would not be taking up shares and public warrants previously deposited. TELUS also cancelled a commitment for a $500 million credit facility, which was to be available for general corporate purposes following the completion of the offers.

TELUS Next Generation Network ("NGN") reached another milestone

Consistent with TELUS' strategy to build national capabilities across voice, data, IP and wireless, the TELUS Next Generation Network team achieved another milestone in the migration of long distance voice traffic from competitors to the NGN, a migration that began in July 2003. On September 8, 2004, all calls originating in B.C. and Alberta destined to Ontario, that had previously been transported via the Stentor network, were successfully migrated to the NGN. In May of 2004, all calls originating in B.C. and Alberta destined to Quebec, were migrated to NGN. The migration of calls is another step in the transformation of the TELUS network to a single ubiquitous Internet Protocol ("IP") network designed to carry high-quality voice, data and video applications. This should eventually eliminate the need for separate networks to carry these applications.

Going to the market as one team, under a common brand, executing a single strategy

TELUS continues to execute on its commitment to being Canada's premier corporate citizen by supporting the communities in which employees live and work. During recent months the Company has announced sponsorships including Hockey Canada and an eight-year $4 million Alpine Canada Alpin

partnership to boost the national ski organization's goal of again making Canada a world-leading alpine ski racing country. Also announced was a $9 million partnership with Science World in Vancouver that will be known as TELUSphere. The Company also ran in September the TELUS Kits for Kids program, which puts a backpack full of school supplies in the hands of kids who need them in numerous communities.

2. Key performance drivers

TELUS is focused on addressing six 2004 corporate priorities to help drive operational performance. An update on certain priorities follows:

2.1 Reaching a collective agreement

Contract negotiations between TELUS Communications Inc. ("TCI") and the Telecommunications Workers Union ("TWU") remain at a standstill pending the resolution of a number of outstanding appeals to the Canada Industrial Relations Board ("CIRB") and the Federal Court of Appeal. The parties have filed all the necessary submissions in these cases and await the CIRB's decisions.

The CIRB reconsideration appeal by TELUS asks that the binding arbitration order and communication ban be lifted to allow the parties to resume negotiations towards achieving a new collective agreement covering some 11,000 unionized employees in Western Canada.

TCI and TELUS Mobility have also appealed CIRB Decision 278, which declared that TELUS Mobility's non-unionized team members, predominantly located in Ontario and Quebec, performing work similar to their unionized Mobility segment counterparts in Alberta and British Columbia, should be included in the TWU bargaining unit represented by the TWU without a representational vote. The TCI and TELUS Mobility application to the Federal Court of Appeal for judicial review of Decision 278 was heard on October 4-5, 2004. A decision from the Court is pending.

3. Capability to deliver results

3.1 Operational capabilities - TELUS Communications

The Communications segment organization structure was simplified during the third quarter of 2004, reducing the number of customer-facing business units from five to four. By early October 2004, the sales, marketing, solutions development, customer care and shared services of the two business customer-facing units (one that supported small and mid-sized customers and one that supported large corporate and government clients) were integrated. The new Business Solutions unit is expected to provide improved operational efficiencies through reduced duplication as well as improved effectiveness. In particular, having one point of contact will facilitate more effective communication with business customers. Internally, there will be fewer interfaces with enabling departments, allowing more effective prioritization of initiatives and better use of resources.

3.2 Operational capabilities - TELUS Mobility

With the wireless marketplace exhibiting strong growth, TELUS Mobility has managed best-in-class results in many respects. Focus on customer care, value-added solutions and superior network quality provides the customer with an exceptional service experience. With the focus on profitable wireless growth and operating scale efficiencies, TELUS Mobility is generating significant EBITDA margins ahead of its peer group. A significant proportion of every incremental network revenue

dollar earned continues to flow through to EBITDA. TELUS Mobility's performance in the marketplace and its ability to efficiently provide value to its customers, have resulted in TELUS Mobility being named the top ranked wireless operator in North America by N. Moore Capital for the second time.

3.3 Liquidity and capital resources

TELUS repaid approximately $210 million in debt which matured in August, reduced the cash proceeds from the sale of securitized accounts receivable by $150 million and redeemed $72.8 million in Preference and Preferred shares during the first nine months of 2004. During the same period, the cash balance increased by $616.0 million to $622.2 million. TELUS also has access to undrawn credit facilities of $1.6 billion. The Company believes it has sufficient internally generated cash flow from operations and access to credit facilities to fund its requirements including capital expenditures, planned debt repayments, payments under restructuring programs, dividends and other uses as the need arises. With the Net Debt to EBITDA ratio of 2.2 times and the Net debt to total capitalization ratio of 49.7% at September 30, 2004, TELUS has achieved ahead of schedule, not only its previous 2004 year-end guidance for Net debt to EBITDA of 2.3 times or less, but also the long-term targets of 2.2 times or less for Net debt to EBITDA and 45 to 50% for Net debt to total capitalization.

The Board of Directors declared a quarterly dividend of twenty cents ($0.20) per share on the outstanding Common Shares and Non-Voting Shares of TELUS - an increase of one-third from the fifteen cents declared last quarter. In addition, on October 29, 2004, TELUS is announcing that it has received approval from its Board of Directors to make a Normal Course Issuer Bid for the repurchase of up to 25.5 million in total of its Common Shares and Non-Voting Shares, subject to obtaining all necessary regulatory approvals. Refer to the discussion following the Liquidity and capital resource measures table in section 4.6 Liquidity and Capital Resources.

4. Results

4.1 Critical accounting estimates

The Company's critical accounting estimates are discussed in the Company's 2003 annual Management's discussion and analysis. The preparation of financial statements in conformity with generally accepted accounting principles ("GAAP") requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

4.2 Accounting policy developments

Share-based compensation (Note 2(a) of the interim consolidated financial statements)

Commencing with the Company's 2004 fiscal year, the amended recommendations of the CICA for accounting for share-based compensation (such amendments arising in 2003) (CICA Handbook Section 3870) apply to the Company. The Company has selected the modified-prospective transition method (also referred to as the retroactive application without restatement method), implemented effective January 1, 2004. To

reflect the fair value of options granted subsequent to 2001, and vesting prior to 2004, certain components of common equity in the December 31, 2003, Consolidated Balance Sheet balances have been restated.

Equity settled obligations (Note 2(b) of the interim consolidated financial statements)

Commencing with the Company's 2004 fiscal year, the Company early adopted the amended recommendations of the CICA for the presentation and disclosures of financial instruments (CICA Handbook Section 3860) specifically concerning the classification of obligations that an issuer can settle with its own equity instruments (such amendments arising in 2003). The amendments result in the Company's convertible debentures being classified as a liability on the consolidated balance sheets (previously classified as a component of equity) and the associated interest expense correspondingly being classified with financing costs on the consolidated statements of income (previously recorded net of income taxes as an adjustment to retained earnings). The conversion option embedded in the convertible debentures continues to be presented as a component of shareholders' equity. As required, these amended recommendations have been applied retroactively. As a result of the reclassification of convertible debentures, minor changes were effected in historical Net debt to EBITDA ratios, and historical Net debt to total capitalization ratios. The reclassification of the associated interest expense also resulted in minor changes in historical EBITDA interest coverage ratios.

4.3 Materiality for disclosure

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

4.4 Quarterly results summary

($ in millions, except per share amounts)	2004 Q3	2004 Q2	2004 Q1
Segmented revenue (external)			
TELUS Communications segment	1,199.9	1,189.0	1,171.1
TELUS Mobility segment	747.0	676.6	632.7
Operating revenues (consolidated)	1,946.9	1,865.6	1,803.8
Restructuring and workforce reduction costs	16.2	0.7	15.9
Net income (loss)	156.6	172.3	101.3
Per weighted average Common Share and Non-Voting Share outstanding			
- basic	0.44	0.48	0.28
- diluted	0.43	0.48	0.28
Dividends declared per Common Share and Non-Voting Share			

outstanding	0.15	0.15	0.15

($ in millions, except per share amounts)	2003 Q4	2003 Q3	2003 Q2	2003 Q1	2002 Q4
Segmented revenue (external)					
TELUS Communications segment	1,182.4	1,186.3	1,209.2	1,208.5	1,244.2
TELUS Mobility segment	643.2	619.9	564.1	532.4	550.2
Operating revenues (consolidated)	1,825.6	1,806.2	1,773.3	1,740.9	1,794.4
Restructuring and workforce reduction costs	16.2	2.3	3.3	6.5	241.0
Net income (loss)	47.8	114.1	73.0	89.5	(140.9)
Per weighted average Common Share and Non-Voting Share outstanding					
- basic	0.13	0.32	0.21	0.26	(0.41)
- diluted	0.13	0.32	0.21	0.26	(0.41)
Dividends declared per Common Share and Non-Voting Share outstanding	0.15	0.15	0.15	0.15	0.15

The trend in Operating revenues continued to reflect growing TELUS Mobility segment revenues resulting from subscriber growth and increasing average revenue per subscriber unit ("ARPU"). For two consecutive quarters, Communications Segment revenues increased sequentially, as a result of traction gained from new contracts. Communications segment revenues also increased in the third quarter of 2004, when compared to the same period in 2003 due to growth in data revenues. Partially offsetting recent data revenue growth were decreasing voice local, long distance, and equipment sales revenues, consistent with the Canadian wireline industry. Communications segment revenues include the impacts of regulatory price cap decisions.

Restructuring charges in 2002 and 2003 were recorded primarily as a result of the Communications segment Operational Efficiency Program, which contributed to improved operating profitability in 2003 and 2004. Restructuring charges in 2004 were also for Communications segment restructuring activities, including the consolidation of two customer-facing business units in the third quarter of 2004. Net income and earnings per share reflect improved wireline and wireless operating profitability, as well as decreasing financing costs.

For five of the periods shown above, Net income and earnings per share included significant favourable impacts for the settlement of tax matters (including investment tax credits and related interest) and tax losses carried back to prior years, as shown in the table below:

($ in millions, except per share amounts)	2004 Q3	2004 Q2	2004 Q1	2003 Q4	2003 Q3	2003 Q2	2003 Q1	2002 Q4

Approximate Net income impact	-	45	13	-	19	-	53	18
Approximate per share impact	-	0.13	0.04	-	0.05	-	0.15	0.05

4.5 Results of operations

Consolidated highlights

($ in millions except per share amounts)	Quarters ended September 30 2004	2003	Change	Nine-month periods ended Sept. 30 2004	2003	Change
Operating revenues	1,946.9	1,806.2	7.8 %	5,616.3	5,320.4	5.6 %
EBITDA(1)	817.9	752.2	8.7 %	2,324.0	2,133.0	9.0 %
Net income	156.6	114.1	37.2 %	430.2	276.6	55.5 %
Earnings per share, basic	0.44	0.32	37.5 %	1.20	0.79	51.9 %
Earnings per share, diluted	0.43	0.32	34.4 %	1.19	0.78	52.6 %
Cash dividends declared per share	0.15	0.15	-	0.45	0.45	-
Cash provided by operating activities	847.2	849.7	(0.3)%	1,924.3	1,724.0	11.6 %
Capital expenditures	319.8	304.0	5.2 %	975.6	817.3	19.4 %
Free cash flow(2)	502.6	440.3	14.1 %	1,175.4	773.4	52.0 %

Non-GAAP measures used by management to evaluate performance of business units and segments

Consolidated Operating revenue and EBITDA increased significantly in the third quarter of 2004, when compared with the same period in 2003, primarily as a result of 20.5% growth in TELUS Mobility total Operating revenue, with a corresponding increase of only 13.2% in TELUS Mobility Operations expense. The strong third quarter operating profitability improvement included a significant cost of acquisition expense related to a 21.2% increase in TELUS Mobility gross subscriber additions. TELUS' Communications segment experienced a 1.1% increase in Operating revenue, while its Operations expense increased by 1.8%. Restructuring charges increased by $13.9 million primarily for consolidation of two customer-facing business units in the Communications segment.

Consolidated Financing costs increased by $19.3 million in the third quarter of 2004, when compared with the same period in 2003. The increase

was primarily due to lower interest income, which decreased by $27.9 million, partly offset by a lower interest expense for long-term and short-term debt. Income before taxes and non-controlling interest increased by $56.8 million to $254.9 million in the third quarter of 2004 as compared with the third quarter of 2003, as a result of improved operating profitability.

Basic earnings per share increased by 12 cents and diluted earnings per share increased by 11 cents in the third quarter of 2004, as compared with the same period last year as a result of higher Net income, partly offset by a larger number of shares outstanding.

Cash provided by operating activities was flat in the third quarter of 2004, when compared with the third quarter of 2003, as higher EBITDA was offset by changes in working capital. Free cash flow increased primarily due to higher cash from operating activities and lower restructuring payments, partly offset by lower interest and income taxes received and higher capital expenditures.

The following discussion for Operating revenues, Operations expense, Restructuring and workforce reduction costs, EBITDA and Capital expenditures is presented on a segmented basis. All other discussion is presented for the consolidated financial results.

Operating revenues - Communications segment	Quarters ended September 30			Nine-month periods ended Sept. 30		
($ millions)	2004	2003	Change	2004	2003	Change
Voice local	538.3	542.9	(0.8)%	1,611.0	1,623.0	(0.7)%
Voice long distance	233.5	238.5	(2.1)%	691.6	728.8	(5.1)%
Data	358.1	331.9	7.9 %	1,043.6	1,027.1	1.6 %
Other	70.0	73.0	(4.1)%	213.8	225.1	(5.0)%
External operating revenue	1,199.9	1,186.3	1.1 %	3,560.0	3,604.0	(1.2)%
Intersegment revenue	24.9	24.6	1.2 %	72.0	71.4	0.8 %
Total operating revenue	1,224.8	1,210.9	1.1 %	3,632.0	3,675.4	(1.2)%

Key operating indicators - Communications segment

	At September 30		
(000s)	2004	2003	Change
Residential network			

access lines	3,058	3,099	(1.3)%
Business network access lines	1,759	1,784	(1.4)%
Total network access lines(1)	4,817	4,883	(1.4)%
High-speed Internet subscribers	654.9	516.0	26.9 %
Dial-up Internet subscribers	292.7	333.7	(12.3)%
Total Internet subscribers (2)	947.6	849.7	11.5 %

	Quarters ended September 30			Nine-month periods ended Sept. 30		
(000s)	2004	2003	Change	2004	2003	Change
Change in residential network access lines	5	3		(28)	(23)	
Change in business network access lines	(15)	(7)		(21)	(5)	
Change in total network access lines	(10)	(4)	(150.0)%	(49)	(28)	(75.0)%
High-speed Internet net additions	30.6	47.2	(35.2)%	93.3	106.0	(12.0)%
Dial-up Internet net reductions	(8.0)	(18.1)	55.8 %	(27.1)	(58.0)	53.3 %
Total Internet subscriber net additions	22.6	29.1	(22.3)%	66.2	48.0	37.9 %

- Relative to a general industry trend of declining traditional revenues, the Communications segment performed well due to slowing of the rate of long distance revenue erosion and improving data service revenues. Voice local revenue decreased slightly in the third quarter and first nine months of 2004, when compared with the same periods in 2003. Local revenue for the first nine months of 2004 includes a positive adjustment of $10.2 million recorded in the second quarter of 2004 for CRTC Decision 2004-42. In the decision TELUS was allowed to recover costs to support local number portability and local competition capital investments for the period June 2002 to May 2004. Excluding this adjustment, the local service decrease was primarily as a result of fewer access lines, partly offset by implementation of approved rate increases for business single and multi-line services effective June 1, 2004. Interconnection revenue was flat in the third quarter of 2004 as a result of reduced interconnection tariffs, but

increased modestly for the first nine months of 2004, when compared with the same periods in 2003. Enhanced service revenues were relatively unchanged in the third quarter and first nine months of 2004, when compared to the same periods in 2003.

Residential network access lines increased during the third quarters of 2004 and 2003, as a result of normal seasonal changes when students return to universities and colleges. Year-over-year, and for the first nine months of 2004, residential network access lines continued to decrease as a result of competitive activity and technological substitution, including substitution to wireless services. Business lines decreased primarily as a result of incumbent local exchange carrier ("ILEC") Centrex line losses to competition and migration to more efficient ISDN data services. Consistent with the general industry experience, it is expected that the trend of declining network access lines will continue.

- Voice long distance revenue continued to decrease, but the rate of decline in the third quarter of 2004 was the lowest since the first quarter of 2001. This was primarily a result of increased wholesale revenues. For the first nine months of 2004, long distance revenue decreased at a rate similar to the negative 5.4% observed for the full year of 2003. The decreases for the third quarter and first nine months were primarily a result of fewer consumer minutes, price competition, and technological substitution, partly offset by a $1 increase this quarter in certain monthly long distance plan administrative charges, effective June 2004, as well as increased business and wholesale long distance minute volumes. Price competition and substitution to alternative technologies are expected to continue.

- Communications segment data revenue increased by 7.9% in the third quarter of 2004, when compared to the third quarter of 2003, even though the third quarter of 2003 included a small amount of revenues from divested assets. Data revenues increased by $33.1 million or 3.3% for the first nine months of 2004, when normalized for the disposal of assets in 2003. The revenues associated with disposal of application development assets in 2003 that do not recur in the third quarter and first nine months of 2004 were $3.0 million and $16.7 million, respectively.

  Internet and enhanced data service revenues increased by $18.4 million and $35.9 million, respectively, for the third quarter and first nine months of 2004, when compared with the same periods in 2003, primarily as a result of the 26.9% increase in the high-speed Internet subscriber base over the last 12 months, partly offset by the 12.3% reduction in dial-up subscribers over the last 12 months. The decrease in dial-up subscribers has slowed in 2004, and is attributed mainly to a slower rate of conversion to high-speed Internet. Managed workplace revenues were flat and increased by $21.5 million, respectively, due to providing higher functional outsourcing services to TELUS' customers. Other data services revenue increased by $7.5 million in the third quarter of 2004, when compared with the same period in 2003, as a result of an increase in equipment sales. Other data services revenue decreased by $24.3 million for the first nine months of 2004, due mainly to lower equipment sales.

- Other revenue decreased in the third quarter and first nine months of 2004, when compared with the same periods in 2003, primarily as a result of lower voice equipment sales, lower late payment fees and the conclusion in the first quarter of 2004 of recognition of deferred individual line service grant revenues. The annual impact of

the conclusion of individual line service grants will be lower revenues of $6.7 million in 2004, when compared with 2003. Individual line service grants were provided in respect of the conversion of multi-party lines to single lines in high cost rural areas in Alberta in the early 1990s.

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

Total external operating revenue discussed above included Non-ILEC revenues of $145.3 million and $404.3 million, respectively, for the third quarter and first nine months of 2004, as compared with $138.4 million and $417.7 million for the same periods in 2003. This represents an increase of $6.9 million or 5.0% for the third quarter of 2004, and a decrease of $13.4 million or 3.2% for the first nine months 2004. Normalized for asset disposals, Non-ILEC revenues for the nine months of 2004 increased by $3.0 million or 0.7%, respectively. The increase was primarily due to a shift toward recurring longer-term revenues and a number of large contracts, which were signed in 2003 and are being implemented in 2004, and to higher long distance traffic volume. Although equipment sales increased in the third quarter of 2004, when compared with the third quarter of 2003, equipment sales for the first nine months of 2004 were significantly lower than the first nine months of 2003.

Operating revenues - Mobility segment	Quarters ended September 30			Nine-month periods ended Sept. 30		
($ millions)	2004	2003	Change	2004	2003	Change
Network revenue	686.0	577.4	18.8 %	1,903.9	1,595.9	19.3 %
Equipment revenue	61.0	42.5	43.5 %	152.4	120.5	26.5 %
External operating revenue	747.0	619.9	20.5 %	2,056.3	1,716.4	19.8 %
Intersegment revenue	5.0	4.0	25.0 %	15.2	11.6	31.0 %
Total operating revenue	752.0	623.9	20.5 %	2,071.5	1,728.0	19.9 %

Key operating indicators - Mobility segment

(000s)	At September 30		
	2004	2003	Change
Subscribers - postpaid	3,095.5	2,691.4	15.0 %

Subscribers - prepaid	654.5	574.2	14.0 %
Subscribers - total(1)	3,750.0	3,265.6	14.8 %
Digital POPs(2) covered including roaming/resale (millions)(3)	29.7	29.0	2.4 %

(000s)	Quarters ended September 30 2004	2003	Change	Nine-month periods ended Sept. 30 2004	2003	Change
Subscriber net additions - postpaid	115.4	76.4	51.0 %	283.7	200.8	41.3 %
Subscriber net additions - prepaid	20.8	24.2	(14.0)%	42.3	69.3	(39.0)%
Subscriber net additions - total	136.2	100.6	35.4 %	326.0	270.1	20.7 %
Churn, per month (%)(4a)	1.34	1.38	-	1.38	1.40	-
COA(4b) per gross subscriber addition ($)(4c)	374	406	(7.9)%	379	420	(9.8)%
ARPU ($)(4d)	62	60	3.3 %	59	57	3.5 %
Average minutes of use per subscriber per month ("MOU")	393	367	7.1 %	382	342	11.7 %
EBITDA to network revenue (%)	47.2	42.5	4.7 pts	45.0	39.2	5.8 pts
Retention spend to network revenue(4e) (%)	4.1	3.9	0.2 pts	4.6	4.0	0.6 pts
EBITDA excluding COA ($ millions)(4f)	429.6	340.6	26.1 %	1,148.9	904.0	27.1 %

pts - percentage points

- TELUS Mobility 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 18.8% for the quarter ended September 30, 2004 and 19.3% for the first nine months of 2004 as compared with the same periods in 2003. This growth was a result of the continued expansion of the subscriber base by 14.8% to approximately 3.75 million subscribers combined with increased ARPU. As a result of an overall 7.1% increase in average minutes of use ("MOU") per subscriber per month, pricing discipline, and increased usage of data and Internet based products, including picture and text

messaging, ARPU increased to $62 in the third quarter of 2004 as compared with $60 in 2003, representing a seventh successive quarter of year over year increases.

Average minutes of use per subscriber per month increased in the third quarter and first nine months of 2004 as shown in the table above. At September 30, 2004, postpaid subscribers represented 82.5% of the total cumulative subscriber base unchanged from one-year earlier, contributing to the significant ARPU premium TELUS Mobility enjoys over its competitors. Postpaid subscriber net additions of 115,400 for the third quarter of 2004 represented 84.7% of all net additions as compared with 76,400 (75.9%) for the corresponding period in 2003. This represents a significant increase of 51.0% in the post-paid subscriber net additions when compared to the previous year. Similarly, postpaid subscriber net additions of 283,700 for the first nine months of 2004 represented 87.0% of total net additions as compared with 74.3% for the same period in 2003. This was the fifth consecutive quarter of year over year positive net postpaid subscriber growth. Moreover, total subscriber net additions of 136,200 represented a record for all third quarters reported and improved by 35.4% over the same quarter in 2003.

Blended postpaid and prepaid churn improved slightly to 1.34% in the third quarter of 2004 when compared with the same quarter in 2003. Deactivations were 147,600 and 442,600 for the third quarter and first nine months of 2004, respectively, as compared with 133,500 and 393,900 for the same periods last year. The improved churn rates in the face of increased deactivations were notable accomplishments in a market characterized by vigorous competition. These churn and deactivation results reflect a high level of client satisfaction, which can be attributed to improved network quality and coverage, excellent client service levels, client contracts for one to three years as part of loyalty and retention programs and specific grandfathered rate plans.

- Equipment sales, rental and service revenue increased in the third quarter and first nine months of 2004 as compared to the corresponding periods in 2003. Handset revenue increased mainly due to subscriber growth brought about by a stronger wireless market, increased promotional, retention and contracting activity, and to a lesser extent, a shift in product mix to higher price handsets. Gross subscriber additions grew to 283,800 for the third quarter and 768,600 for the first nine months of 2004 as compared to 234,100 and 664,000 for the same periods in 2003. Handset revenues associated with gross subscriber activations are included in COA.

- Intersegment revenues represent services provided by the Mobility segment to the Communications segment and are eliminated upon consolidation along with the associated expense in TELUS Communications.

Operations expense - Communications segment	Quarters ended September 30			Nine-month periods ended Sept. 30		
($ millions)	2004	2003	Change	2004	2003	Change
Salaries, benefits						

and other employee-related costs	412.4	396.2	4.1 %	1,220.2	1,214.8	0.4 %
Other operations expenses	301.8	305.7	(1.3)%	912.5	940.9	(3.0)%
Total operations expense	714.2	701.9	1.8 %	2,132.7	2,155.7	(1.1)%
Full-time equivalent employees, end of period	18,857	18,937	(0.4)%			

Communications segment Total operations expense changed slightly in the third quarter of 2004 and first nine months of 2004, when compared with the same periods in 2003. The increase in salaries, benefits and related costs was primarily the result of inflationary increases and costs relating to assurance of a higher level of service, partly offset by a lower pension expense and Operational Efficiency Program savings. The decrease in Other operations expense was due mainly to lower facility costs, partly offset by increased network support and maintenance costs with third parties. Full-time equivalent employees at the end of September 2004 included 528 staff for in-sourcing call centre services in Montreal and a partnership with Calgary Health Region.

- Salaries, benefits and employee-related expenses increased in the third quarter and first nine months of 2004, when compared with the same periods in 2003. Costs associated with temporary staff, overtime, training and travel increased by $2.4 million in the third quarter and increased by $27.9 million for the first nine months of 2004, when compared with the same periods in 2003. The increase in temporary staffing, overtime, training and travel was related to activities to maintain high customer service levels, improve internal processes, emergency operations training, and an increased focus on leadership training and team development. Temporary staff, overtime, training and travel costs decreased by $8.0 million when compared with the fourth quarter of 2003, when extra effort was expended to improve customer service and clear backlogs created in the third quarter of 2003 by a number of natural disasters, staffing and system conversion issues.

  Additional costs for the new partnership with the Calgary Health Region and establishment of the new Montreal call centre were $6.2 million and $19.0 million, respectively, in the third quarter and first nine months of 2004. These increased costs were partly offset by savings on outsourcing of approximately $2.5 million and $6.3 million, respectively, which are included in Other operations expense. Non-cash share-based compensation expense recognized commencing January 1, 2004, as discussed in Accounting policy developments, was $6.9 million in the third quarter of 2004 and $16.8 million during the first nine months of 2004 ($nil in 2003).

  Partly offsetting the increases noted above were savings from the Operational Efficiency Program (duration 2001 to 2003) of approximately $11.0 million and $49.0 million for the third quarter and first nine months of 2004. Pension expense for defined benefit and defined contribution plans decreased by $4.5 million and $17.7 million, respectively for the third quarter and first nine months, primarily as a result of increased investment returns. TELUS' Communications segment annual pension expense is expected to decrease

by approximately $30 million for 2004, when compared with 2003. All other costs collectively increased in line with inflation rates.

- Other operations expenses were inclusive of additional Operational Efficiency Program savings of approximately $4 million in the third quarter and $16 million year-to-date. Other operations expenses decreased in the third quarter and first nine months of 2004, when compared with the same periods in 2003, principally due to: (i) reduced facilities, transit and termination costs, which decreased by $6.3 million and $38.7 million, respectively, as a result of lower rates for domestic, U.S. and international traffic termination, as well as migration to the NGN, partially offset by higher outbound traffic volumes; (ii) lower bad debt expense that decreased by $2.4 million and $9.4 million, respectively, as a result of stringent enforcement of credit policy, more effective collection practices and reduced loss experience; (iii) decreased contract and consulting costs of $6.8 million for the third quarter; and (iv) increased capitalized labour of $5.7 million and $7.6 million, respectively, related to higher capital expenditure activity. Product and services cost of sales increased by $4.9 million and decreased by $3.2 million, respectively, associated with higher equipment sales for the quarter and lower equipment sales year-to-date. Partially offsetting lower costs were increased network support and maintenance costs with third parties of $7.3 million and $19.7 million, respectively. Advertising and promotion costs increased by $2.8 million and $5.8 million, respectively, due mainly to the "premier corporate citizen campaign" and additional sponsorship costs.

Included in the total segment expenses discussed above are Non-ILEC operations expenses of $148.3 million and $430.2 million, respectively, for the third quarter and first nine months of 2004, as compared with $144.4 million and $444.3 million, respectively, for the same periods in 2003. Normalized for asset disposals, Non-ILEC operations expenses decreased by $3.8 million or 0.8% in the first nine months of 2004, when compared with the same periods in 2003. Operations expenses increased in the third quarter of 2004, when compared with the same period in 2003, due primarily to increased salaries and benefits, increased transit and termination costs for higher outbound international and U.S. traffic volumes, and increased cost of sales associated with higher equipment sales. Salaries and benefits increased due the requirement for additional resources in support of growing recurring revenues. Normalized operations expense decreased for the first nine months of 2004, when compared with the same period in 2003, primarily due to lower costs of sales associated with lower equipment sales, migration to NGN and a lower bad debt expense, partly offset by increased salaries and benefits, and increased wholesale transit and termination costs for higher outbound international and U.S. traffic volumes.

Operations expense - Mobility segment	Quarters ended September 30			Nine-month periods ended Sept. 30		
($ millions)	2004	2003	Change	2004	2003	Change
Equipment sales expenses	111.2	86.4	28.7 %	299.6	259.2	15.6 %
Network operating expenses	104.3	97.9	6.5 %	301.2	274.7	9.6 %

Marketing expenses	78.4	67.2	16.7 %	213.2	188.3	13.2 %
General and administration expenses	134.6	126.9	6.1 %	400.0	380.4	5.2 %
Total operations expense	428.5	378.4	13.2 %	1,214.0	1,102.6	10.1 %
Full-time equivalent employees, end of period	5,681	5,175	9.8 %			

TELUS Mobility operations expense increased in the third quarter and first nine months of 2004, when compared with the same periods last year. TELUS Mobility has been able to achieve significant economies of scale as evidenced by the 14.8% growth in subscribers compared to third quarter Network revenue growth of 18.8% and a 13.2% increase in total operations expense.

- Expenses related to equipment sales increased in the third quarter and first nine months of 2004 when compared with the same periods in 2003, principally due to an increase in gross subscriber activations, more expensive handset costs and higher retention activity. The increase related in part to continued marketing promotions including camera phones. Handset costs associated with gross subscriber activations are included in 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. Transmission and site-related expenses increased to support the greater number of cell sites, a larger subscriber base, and improved network quality and coverage. In addition, Industry Canada spectrum licence fees were higher in 2004 principally due to a $0.8 million and $7.3 million credit received in third quarter and first nine months of 2003, respectively as part of a retroactive filing with Industry Canada for years prior to 2003. Network costs, once normalized for this event, increased by 5.7% and 6.8% over the same periods last year. Further, Network roaming costs increased $2.8 million in the third quarter and $12.3 million for the first nine months of 2004 as compared to the same periods in 2003 largely due to successful marketing efforts in non-urban roaming/resale areas. TELUS Mobility believes this variable cost increase is reflective of the overall positive industry trend of subscriber growth and increased subscriber usage evidenced in the ongoing strength of Network revenue growth. TELUS Mobility also continued to build out microwave facilities aimed at reducing future leased line transmission costs. The digital population coverage grew to 29.7 million at September 30, 2004, as a result of continued activation of digital roaming regions and network expansion.

- Marketing expenses increased primarily due to higher dealer compensation costs and advertising expenses associated with the expanded subscriber base and increased re-contracting activity. Despite the higher marketing expenses and significant subscriber growth, COA per gross subscriber addition improved by 7.9% in the third quarter to $374 and improved by 9.8% to $379 in first nine months as compared with the same periods last year. Combined with the higher ARPU and improved churn, COA per gross subscriber addition over the lifetime revenue of the subscriber improved significantly in

the third quarter and first nine months of 2004 as compared with 2003.

- General and administration expenses consist of employee compensation and benefits, facilities, client services, bad debt and various other expenses. General and administration expenses increased by only 6.1% in the third quarter and 5.2% for the first nine months of 2004. TELUS Mobility increased full-time equivalent employees to support the significant growth in the subscriber base and continued expansion of the client care team and company-owned retail stores, partly offset by a lower bad debt expense due to reduced loss experience.

Restructuring and workforce reduction costs by segment	Quarters ended September 30			Nine-month periods ended Sept. 30		
($ millions)	2004	2003	Change	2004	2003	Change
Communications segment	16.2	2.3	NM	32.8	12.1	171.1 %
Mobility segment	-	-	-	-	-	-
TELUS consolidated	16.2	2.3	NM	32.8	12.1	171.1 %

NM - not meaningful

Restructuring costs for the third quarter of 2004 were Communications segment initiatives primarily related to the consolidation of the Business Solutions and Client Solutions business units. The amount recorded for the first nine months of 2004 include the following activities in the Communications segment:

- A departmental reorganization was initiated, primarily in the information technology resources area, consolidating from 15 locations to 2 primary locations. This reorganization, which has an estimated implementation cost in 2004 of approximately $13 million and is planned for completion in 2004, is expected to enable greater efficiencies of scale and effectiveness of program delivery. At September 30, 2004, approximately $12 million of these costs have been recorded.

- A departmental reorganization was initiated with the merging of two customer-facing business units. The resulting integration and consolidation aimed to improve the Company's competitiveness as well as its operating and capital productivity. This reorganization has an estimated implementation cost in 2004 of approximately $21 million and is planned for completion in 2004. At September 30, 2004, approximately $13 million of these costs have been recorded.

- In addition to the foregoing initiatives, the Company has undertaken additional activities in 2004 aimed at improving its operating and capital productivity and competitiveness. These additional activities have an estimated cost in 2004 of $16 million. At September 30, 2004, approximately $8 million of these costs have been recorded.

No future costs are expected to be recorded under the 2001 to 2003 Operational Efficiency Program, but variances from estimates currently recorded may impact amounts ultimately recorded. Cumulative annual cost

structure reductions in the Communications segment under Operational Efficiency Program were approximately $519 million by September 30, 2004. The cumulative savings under this program are currently expected to be between $530 million and $535 million at the end of 2004, or over 96% of the $550 million target set in mid-2002.

EBITDA by segment	Quarters ended September 30			Nine-month periods ended Sept. 30		
($ millions)	2004	2003	Change	2004	2003	Change
Communications segment	494.4	506.7	(2.4)%	1,466.5	1,507.6	(2.7)%
Mobility segment	323.5	245.5	31.8 %	857.5	625.4	37.1 %
TELUS consolidated	817.9	752.2	8.7 %	2,324.0	2,133.0	9.0 %

EBITDA margin(1) by segment	Quarters ended September 30			Nine-month periods ended Sept. 30		
(%)	2004	2003	Change	2004	2003	Change
Communications segment	40.4	41.8	(1.4)pts	40.4	41.0	(0.6)pts
Mobility segment	43.0	39.3	3.7 pts	41.4	36.2	5.2 pts
TELUS consolidated	42.0	41.6	0.4 pts	41.4	40.1	1.3 pts

Communications segment EBITDA decreased for the third quarter due to increased restructuring charges, inflationary increases in operations expenses, partly offset by increased data revenues. For the first nine months of 2004, Communication segment EBITDA decreased primarily due to increased restructuring charges and lower revenues.

Significant growth in TELUS Mobility EBITDA and EBITDA margin was attributed to profitable subscriber growth, increased ARPU, a lower cost of acquisition per gross subscriber addition, a world-class churn rate, and successful cost containment efforts. The EBITDA margin, when calculated as a percentage of Network revenue, improved to 47.2% for the third quarter and 45.0% for the first nine months of 2004 as compared with 42.5% and 39.2% for the same periods in 2003, representing positive increases of 4.7 and 5.8 percentage points, respectively.

Depreciation and amortization	Quarters ended September 30			Nine-month periods ended Sept. 30		
($ millions)	2004	2003	Change	2004	2003	Change
Depreciation	327.1	308.9	5.9 %	969.5	949.5	2.1 %

Amortization of intangible assets	80.5	98.3	(18.1)%	256.1	278.9	(8.2)%
	407.6	407.2	0.1 %	1,225.6	1,228.4	(0.2)%

Depreciation and amortization expenses, in total, were not significantly changed in the third quarter and first nine months of 2004. Increased depreciation and amortization for growth in data network and wireless capital assets, increased depreciation for certain assets, as well as write-offs of network equipment and software assets in 2004, were largely matched by lower amortization resulting from certain software applications becoming fully amortized and from the write-off of software assets in 2003.

Other expense (income)	Quarters ended September 30			Nine-month periods ended Sept. 30		
($ millions)	2004	2003	Change	2004	2003	Change
	(3.2)	7.6	-	-	19.8	(100.0)%

Other expense includes accounts receivable securitization expense, income (loss) or impairments in portfolio investments, gains and losses on disposal of property, and charitable donations. Accounts receivable securitization expense decreased by $2.5 million and $8.9 million, respectively, for the third quarter and first nine months of 2004, when compared to the same periods in 2003. This was due to the reduction in the amount of securitized receivables since October 2003. See Liquidity and capital resources - Accounts receivable sale. In addition, net gains from portfolio investments and the sale of land and several buildings were realized in the third quarter of 2004. Charitable donations expense continues to reflect TELUS' objective of donating 1% or more of average pre-tax income, as defined under the Imagine Caring Company formula.

Financing costs	Quarters ended September 30			Nine-month periods ended Sept. 30		
($ millions)	2004	2003	Change	2004	2003	Change
Interest on Long-term Debt, short-term obligations and other	161.7	169.2	(4.4)%	494.6	517.5	(4.4)%
Foreign exchange losses (gains)	(0.3)	0.8	-	(1.0)	-	-
Interest income	(2.8)	(30.7)	90.9 %	(33.1)	(41.9)	21.0 %
	158.6	139.3	13.9 %	460.5	475.6	(3.2)%

Interest on long-term and short-term debt decreased primarily due to repayment of bank facilities, Medium-term Notes and First Mortgage Bonds during 2003. TELUS maintains a hedging program using cross currency swaps, and as a result, long-term financing costs were generally unaffected by fluctuations in the value of the Canadian dollar against the U.S. dollar. Debt, which includes Long-term Debt, Current maturities and the deferred hedging liability, but excludes cash-on-hand, was $7,372 million at September 30, 2004, when compared with $7,577 million at December 31, 2003 and $7,642 million at September 30, 2003. The average debt outstanding in the first nine months of 2004 was $7,534 million, as compared with $8,085 million in the same period in 2003. Interest income was recognized primarily as a result of tax refunds from the settlement of various tax matters.

Income taxes	Quarters ended September 30			Nine-month periods ended Sept. 30		
($ millions)	2004	2003	Change	2004	2003	Change
Blended federal and provincial statutory income tax	88.8	73.3	21.1 %	221.7	151.4	46.4 %
Tax rate differential on settlement of prior year tax issues	(0.3)	-	-	(36.1)	(49.7)	27.4 %
Large corporations tax and other	8.7	9.7	(10.3)%	19.1	28.2	(32.3)%
	97.2	83.0	17.1 %	204.7	129.9	57.6 %
Blended federal and provincial statutory tax rates (%)	34.8	37.0	(2.2)pts	34.8	37.0	(2.2)pts
Effective tax rates (%)	38.1	41.9	(3.8)pts	32.1	31.7	0.4 pts

Blended federal and provincial statutory income tax increased in the third quarter and first nine months of 2004, when compared with the same periods in 2003, primarily due to the increase in income before taxes of $56.8 million and $228.7 million for the same periods, partly offset by lower blended tax rates. Lower tax recoveries in for the first nine months of 2004, as compared to 2003, also contributed to higher income taxes in 2004. The 2004 tax recoveries were related to losses carried back and settlement of tax matters for prior years that had higher tax rates. Similarly, 2003 tax recoveries were recorded for the settlement of tax matters for prior years that had higher tax rates.

Non-controlling	Quarters ended	Nine-month periods

interest	September 30			ended Sept. 30		
($ millions)	2004	2003	Change	2004	2003	Change
	1.1	1.0	10.0 %	3.0	2.7	11.1 %

Non-controlling interest primarily represents partners' interests in several small subsidiaries.

Preference and preferred dividends	Quarters ended September 30			Nine-month periods ended Sept. 30		
($ millions)	2004	2003	Change	2004	2003	Change
	0.1	0.9	(88.9)%	1.8	2.6	(30.8)%

No further Preference and preferred dividends will be paid in future periods as a result of the redemption of all of the publicly held TELUS Communications Inc. Preference and Preferred Shares, completed on August 3, 2004.

4.6 Liquidity and capital resources

Cash provided by operating activities	Quarters ended September 30			Nine-month periods ended Sept. 30		
($ millions)	2004	2003	Change	2004	2003	Change
	847.2	849.7	(0.3)%	1,924.3	1,724.0	11.6 %

Cash provided by operating activities was flat in the third quarter when compared with the third quarter of 2003 as increased operating profitability and lower restructuring payments were offset by working capital changes and lower income tax recoveries. Cash provided by operating activities increased for the first nine months of 2004, when compared with the same period in 2003 principally due to improved operating profitability, lower payments under restructuring programs, the recovery of income taxes associated with settlement of tax matters (including interest income), and lower interest expense, partly offset by an increase in contributions to defined benefit plans.

- Cash recovery of income taxes associated with settlement of prior years' tax matters was $16.8 million ($11.8 million net of tax installments) in the third quarter of 2004, compared with net tax recoveries of $38.4 million in the third quarter of 2003. For the first nine months of 2004, tax recoveries and investment tax credits collected were $213.9 million ($197.4 million net of tax

installments), compared with net tax recoveries of $35.1 million in the first nine months of 2003.

- EBITDA increased by $65.7 million and $191.0 million, respectively, in the third quarter and first nine months of 2004, when compared with the same periods in 2003, reduced by offsetting increases in related working capital. Included in EBITDA were non-cash share-based compensation expenses of $7.3 million and $17.9 million, respectively, for the third quarter and first nine months of 2004.

- Interest paid decreased by $4.6 million and $22.8 million respectively, for the third quarter and first nine months of 2004, when compared with the same periods in 2003.

- Payments under restructuring and workforce reduction initiatives decreased by $22.3 million and $145.7 million, respectively, in the third quarter and first nine months of 2004, compared with the same periods in 2003.

- Interest received decreased by $11.6 million and increased by $8.3 million respectively for the third quarter and first nine months of 2004, when compared with the same periods in 2003, primarily from the settlement of tax matters.

- Employer contributions to employee defined benefit plans decreased by $8.1 million and increased by $42.4 million, respectively, for the third quarter and first nine months of 2004, when compared with the same periods in 2003. The increases reflect updated actuarial valuations and the net acceleration of discretionary funding.

- Non-cash working capital included changes in proceeds from securitized accounts receivable. Proceeds from securitized accounts receivables did not change in the third quarter of 2004, but decreased by $4.0 million in the same period in 2003. For the first nine months of 2004, the Company made payments of $150 million to reduce securitized accounts receivables, compared with a net increase in securitized accounts receivable of $6 million in the same period in 2003.

Cash used by investing activities	Quarters ended September 30			Nine-month periods ended Sept. 30		
($ millions)	2004	2003	Change	2004	2003	Change
	316.5	307.8	2.8 %	956.7	776.4	23.2 %

Cash used by investing activities increased in the third quarter and first nine months of 2004, when compared with the same periods in 2003, primarily as a result of increased capital expenditures. The Company also received proceeds of $1.8 million and $18.2 million, respectively, in the third quarter and first nine months of 2004 from the sale of non-strategic assets, including several real estate properties. In the corresponding nine-month period in 2003, the Company disposed of non-strategic properties and monetized an investment for total proceeds of $38.3 million. The 2003 proceeds included those from the sale of an administrative property under the terms of a sale and leaseback transaction, on which an $8.2 million pre-tax gain was deferred and is

being amortized over the term of the lease.

Capital expenditures by segment ($ in millions, except capital expenditure intensity)	Quarters ended September 30			Nine-month periods ended Sept. 30		
	2004	2003	Change	2004	2003	Change
Communications segment	216.4	208.9	3.6 %	743.5	589.8	26.1 %
Mobility segment	103.4	95.1	8.7 %	232.1	227.5	2.0 %
TELUS consolidated	319.8	304.0	5.2 %	975.6	817.3	19.4 %
Capital expenditure intensity(1) (%)	16.4	16.8	(0.4)pts	17.4	15.4	2.0 pts

- Communications segment ILEC capital expenditures were relatively unchanged at $184.3 million in the third quarter of 2004 and increased by 21.6% to $625.0 million in the first nine months of 2004, when compared with the same periods in 2003. The increase was due to significant investments in network infrastructure to improve customer service and network reliability, as well as investments in internal systems and processes, delivery of services to new customers, and the development of new services. In addition, capital spending in 2003 was constrained by the impact of the Operational Efficiency Program, which temporarily delayed certain projects. Expenditures for high-speed Internet (ADSL) increased by $20.5 million to $86.9 million for the first nine months in order to support subscriber growth.

  Non-ILEC capital expenditures increased by 43.3% to $32.1 million in the third quarter of 2004 and increased by 55.9% to $118.5 million in the first nine months of 2004, when compared with the same periods in 2003. The increase in Non-ILEC expenditures was primarily to support the Company's IP strategy and delivery of services to new customers, which included implementation of several large contracts.

  The Communications segment capital expenditure intensity ratios were 17.7% and 20.5% in the third quarter and first nine months of 2004, compared with 17.3% and 16.0%, respectively, in the same periods in 2003. Cash flow (EBITDA less capital expenditures) decreased by 6.6% to $278.0 million in the third quarter of 2004, when compared to the same period in 2003. For the first nine months of 2004, cash flow decreased by 21.2% to $723.0 million mainly due to higher capital spending, increased restructuring charges, and lower revenues for the first nine months.

- Mobility segment capital expenditures increased by 8.7% in the third quarter and remained relatively steady for the first nine months of 2004 when compared with same periods in 2003. TELUS Mobility continued the enhancement of digital wireless coverage and continued building microwave facilities in the third quarter of 2004 aimed at reducing future leased line transmission costs. Capital spending

increased over last year principally as a result of higher spending on network infrastructure equipment to support subscriber growth.

Capital expenditure intensity for TELUS Mobility decreased to 13.8% in the third quarter of 2004 from 15.2% in the third quarter of 2003, due primarily to significant growth in Network revenues. Similarly, the capital expenditure intensity was 11.2% for the first nine months of 2004 as compared to 13.2% last year. As a result of continued strong growth in EBITDA and reduced capital expenditure intensity, Mobility generated a record cash flow (EBITDA less capital expenditures) of $220.1 million in the third quarter and $625.4 million for the first nine months of 2004 as compared with $150.4 million and $397.9 million, respectively, for the same periods last year.

Consolidated cash flow (EBITDA less capital expenditures) increased by 11.1% to $498.1 million in the third quarter of 2004, when compared with the same period in 2003, while for the first nine months, consolidated cash flow increased by 2.5% to $1,348.4 million.

Cash used by financing activities ($ millions)	Quarters ended September 30			Nine-month periods ended Sept. 30		
	2004	2003	Change	2004	2003	Change
	266.2	456.2	(41.6)%	351.6	836.3	(58.0)%

Cash used by financing activities decreased in the third quarter and first nine months of 2004, when compared with the same periods in 2003, primarily as a result of greater debt redemptions in 2003. Financing activities included the following:

- Proceeds from Common Shares and Non-Voting Shares issued increased by $6.4 million and $9.1 million, respectively, for the third quarter and first nine months of 2004. Shares were issued from treasury under the employee share purchase plan and from share-based compensation plans in 2004 and 2003. In addition, the first nine months of 2004 included proceeds from the exercise of warrants. Effective November 1, 2004, TELUS plans to purchase employee share purchase plan shares in the market rather than issuing from treasury.

- Cash dividends paid to shareholders increased by $3.9 million and $5.9 million, respectively, for the third quarter and first nine months of 2004. The increase in cash dividends paid was a result of a larger number of Common shares and Non-Voting shares outstanding and a lower enrolment in dividend reinvestment plans. The 15-cent quarterly dividend paid per Common share and Non-voting share was unchanged during the third quarter of 2004. The approximate enrolment in dividend reinvestment plans was 19% for the dividend paid in July 2004 as compared with 24% in July 2003. Effective with the dividend to be paid January 1, 2005, and subject to regulatory approval, TELUS plans to purchase dividend reinvestment plan shares in the market rather than issuing from treasury. The previous 3% plan discount has also been eliminated.

- The redemption of all of the publicly held TELUS Communications Inc.

Preference and Preferred Shares was completed by August 3, 2004. Redeemed amounts were $37.0 million and $72.8 million for the third quarter and first nine months of 2004.

- Debt redemptions in the third quarter of 2004 included $189.5 million of TELUS Communications Inc. Series A Debentures and $20 million of TELUS Communications Inc. Medium-term Notes. Debt redemptions for the first nine months of 2004 also included the first quarter repayment of the full outstanding bank facility balance of $34.0 million. Debt redemptions for the first nine months of 2003 included repayment of $585 million of bank facilities, $151 million of Medium-term Notes and $30 million of First Mortgage Bonds.

Liquidity and capital resource measures

Period ended	Sept. 30, 2004	Sept. 30, 2003	Change	June 30, 2004
Components of debt and coverage ratios				
Net debt(1) ($ millions)	6,749.4	7,539.8	(790.4)	7,223.2
Total capitalization(2) - book value ($ millions)	13,588.8	14,044.0	(455.2)	13,920.2
EBITDA (excluding restructuring)(3) (12-month trailing) ($ millions)	3,055.8	2,790.3	265.5	2,976.2
Net interest cost(4) (12-month trailing) ($ millions)	621.5	628.8	(7.3)	602.2
Debt ratios				
Fixed rate debt as a proportion of total indebtedness (%)	93.2	100.0	(6.8)	93.4
Average term to maturity of debt (years)	5.6	6.4	(0.8)	5.7
Net debt to total capitalization (%)	49.7	53.7	(4.0)	51.9
Net debt to EBITDA(5)	2.2	2.7	(0.5)	2.4
Coverage ratios				
Earnings coverage(6)	2.1	1.3	0.8	2.0
EBITDA interest coverage(7)	4.9	4.4	0.5	4.9
Other measures				
Free cash flow(8) (three-month $ millions)	502.6	440.3	62.3	229.5
Free cash flow (12-month trailing, $ millions)	1,246.9	592.6	654.3	1,184.6

The balance of Long-term Debt and Current maturities of Long-term Debt was $6,518.0 million as at September 30, 2004, a decrease of

$312.9 million from December 31, 2003. The lower debt balance was due to redemptions and a $107.9 million decrease in the Canadian dollar value of U.S. dollar denominated Notes, as the Canadian dollar appreciated against the U.S. dollar by approximately 2.8% during the first nine months of 2004. TELUS' U.S. dollar debt is fully hedged, resulting in a corresponding increase of $107.9 million being recorded in the deferred hedging liability.

While the amount of utilized bank facilities decreased to $nil from $70 million one year earlier, TELUS converted $500 million of debt from a fixed rate to a floating rate basis during the first half of 2004, reducing the proportion of fixed rate debt. The net debt to total capitalization ratio measured at September 30, 2004 decreased, when compared with one year earlier, primarily as a result of debt repayments and increased retained earnings since the third quarter of 2003. The net debt to EBITDA ratio measured at September 30, 2004 improved significantly, when compared with one year earlier, as a result of debt reduction and an increase in 12-month trailing EBITDA (excluding restructuring). The earnings coverage ratio improved significantly because of the improvement in income before interest and taxes and decreased interest on total debt. The EBITDA interest coverage ratio improved as a result of higher EBITDA (excluding restructuring) and lower interest costs, partly offset by lower interest income.

Free cash flow measures for the three-month and 12-month periods ended September 30, 2004, increased when compared with one year earlier primarily because of improved EBITDA, lower payments under restructuring programs and lower interest payments, partly offset by increased capital expenditures. Free cash flow for the 12-month period ended September 30, 2004 also increased due to higher cash tax recoveries than the comparable period one-year earlier.

The Board of Directors declared a quarterly dividend of twenty cents ($0.20) per share on the outstanding Common Shares and Non-Voting Shares of TELUS. This represents an increase of one-third from the fifteen cents declared last quarter. The dividend is payable on January 1, 2005 to holders of record at the close of business on December 10, 2004. The TELUS Board also announced that consistent with a dividend growth approach, it has established a forward-looking dividend payout ratio guideline of 45 to 55% of net earnings.

On October 29, 2004, TELUS is announcing that it has received approval from its Board of Directors to make a Normal Course Issuer Bid for the repurchase of its Common Shares and Non-Voting Shares, subject to obtaining all necessary regulatory approvals. The repurchase program will enable TELUS to repurchase, over approximately a 12-month period, up to a maximum of 14.0 million Common Shares and 11.5 million Non-Voting Shares, representing approximately 10 per cent of the public float of each of the Common Shares and Non-Voting Shares. All shares purchased will be cancelled.

4.7 Credit facilities

The following are the credit facilities available to TELUS at September 30, 2004:

Credit Facilities	Outstanding undrawn

At September 30, 2004 ($ millions)	Expiry	Available	Drawn	letters of credit
Revolving credit facility (1)	May 7, 2008	800.0	-	102.6
364-day revolving facility (2)	May 6, 2005	800.0	-	-
Other bank facilities	-	74.0	-	6.9
Total		1,674.0	-	109.5

Additionally, at September 30, 2004, the Company had accepted a fully underwritten commitment for a $500 million (or U.S. Dollar equivalent) unsecured bank credit facility for general corporate purposes. This 364-day credit facility, upon documentation, would have been available until the earlier of October 31, 2005, and 364 days after the completion date of the Company's offers to purchase Microcell Telecommunications Inc., had that event in fact occurred. Subsequent to quarter end, in conjunction with the expiry of the Company's offers to purchase Microcell, this bank credit facility commitment was cancelled.

Including cash of $622.2 million and the credit facilities described in the table above, TELUS had unutilized available liquidity in excess of $2 billion at September 30, 2004. TELUS' credit facilities contain customary covenants including a requirement that TELUS not permit its consolidated Leverage Ratio (Funded Debt to trailing 12-month EBITDA) to exceed 4.0:1 (approximately 2.2:1 as at September 30, 2004) and not permit its consolidated Coverage Ratio (EBITDA to Interest Expense on a trailing 12-month basis) to be less than 2.0:1 (approximately 4.9:1 as at September 30, 2004) 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. The covenants are not impacted by revaluation of capital assets, intangible assets and goodwill for accounting purposes, and continued access to TELUS' credit facilities is not contingent on the maintenance by TELUS of a specific credit rating.

4.8 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 two levels at BBB(high) as of October 25, 2004. The proceeds of securitized receivables were $150 million at September 30, 2004, as compared with $481 million one year earlier and $300 million at December 31, 2003. TELUS Communications Inc. is required to retain a minimum of $150 million proceeds under this program to keep it active. Average proceeds from securitization were $191 million for the first nine months of 2004, compared with $471 million in the same period in 2003.

4.9 Credit ratings

With the May 13, 2004 announcement of TELUS' bid for Microcell, the four credit rating agencies covering TELUS issued press releases confirming or placing under review TELUS' investment grade credit ratings. Following the expiry of TELUS' bid for Microcell on October 12, 2004, Standard and Poor's confirmed its BBB long-term credit ratings for TELUS and TELUS Communications Inc. with a stable outlook. On October 20, 2004, Dominion Bond Rating Service confirmed its long-term credit ratings of BBB(high) for TELUS Communications Inc. and BBB for TELUS Corporation, each with a stable trend. TELUS has an objective to preserve access to capital markets at a reasonable cost by maintaining investment grade credit ratings and targeting improved credit ratings in the range of BBB+ to A-, in future.

4.10 Off-balance sheet arrangements and contractual liabilities

Financial instruments (Note 3 of the interim consolidated financial statements)

During the first half of 2004, the Company entered into two series of hedging relationships to which hedge accounting has been applied: one series of hedging relationships results in fixing the Company's compensation cost arising from a specific grant of restricted stock units, and the other series of hedging relationships results in the notional conversion of $500 million of the 2006 (Canadian Dollar) Notes from a fixed interest rate of 7.5% to a floating interest rate based upon the three-month Bankers' Acceptance Canadian Dollar Offered Rate plus a spread.

As at September 30, 2004, the Company had entered into foreign currency forward contracts that have the effect of fixing the exchange rates on U.S.$52.5 million and U.S.$14.5 million of fiscal 2004 and fiscal 2005 purchase commitments, respectively; hedge accounting has been applied to these foreign currency forward contracts, all of which relate to the Mobility segment.

Fair value: The fair value of the Company's long-term debt, including the convertible debentures, is estimated based on quoted market prices for the same or similar issues or on the current rates offered to the Company for debt of the same maturity as well as the use of discounted future cash flows using current rates for similar financial instruments subject to similar risks and maturities. The fair values of the Company's derivative financial instruments used to manage exposure to interest rate and currency risks are estimated similarly. The fair value of the Company's debt at September 30, 2004 was estimated at $8,559 million ($8,699 million at December 31, 2003).

Commitments and contingent liabilities (Note 15 of the interim consolidated financial statements)

The Company has a number of commitments and contingent liabilities.

- The Company has $85.9 million in outstanding commitments for its restructuring programs as at September 30, 2004.

- In accordance with CRTC Price Cap Decisions 2002-34 and 2002-43, the Company defers a portion of revenues in a deferral account, which at September 30, 2004, was $114 million. The mechanism for disposing of balance in this deferral account, other than as already approved by the CRTC, is currently the subject of a CRTC proceeding.

- On May 21, 2004, the CIRB declared TELE-MOBILE COMPANY and TELUS Communications Inc. a single employer for labour relations purposes.

The Canadian Industrial Relations Board also determined that TELUS Mobility's non-unionized team members, predominantly located in Ontario and Quebec, performing work similar to their unionized TELUS Mobility counterparts in Alberta and British Columbia, should be included in the bargaining unit represented by the Telecommunications Workers Union. TCI's and TELUS Mobility's application with the Federal Court of Appeal for judicial review of this CIRB decision was heard on October 4-5, 2004. A decision from the Court is expected within three months. Should the ultimate operational and financial impacts of the outcome of the Federal Court of Appeal process differ from management's assessments and assumptions, a material adjustment to the Company's financial position and the results of its operations could result.

Canadian GAAP requires the disclosure of certain types of guarantees and their maximum, undiscounted amounts. The maximum potential payments represent a "worst-case scenario" and do not necessarily reflect results expected by the Company. Guarantees requiring disclosure are those obligations that require payments contingent on specified types of future events; in the normal course of its operations, the Company enters into obligations which GAAP may consider to be guarantees. As defined by Canadian GAAP, guarantees subject to these disclosure guidelines do not include guarantees that relate to the future performance of the Company. As at September 30, 2004, the Company has no liability recorded in respect of performance guarantees, $1.0 million (December 31, 2003 - $1.5 million) recorded in respect of lease guarantees. The maximum undiscounted guarantee amounts as at September 30, 2004, without regard for the likelihood of having to make such payment, were not significant.

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

In connection with its 2001 disposition of TELUS' directory business, the Company agreed to bear a proportionate share of the purchaser's increased directory publication costs if the increased costs were to arise from a change in the applicable CRTC regulatory requirements. The Company's proportionate share would be 80% through May 2006, declining to 40% in the next five-year period and then to 15% in the final five years. As well, should the CRTC take any action which would result in the purchaser being prevented from carrying on the directory business as specified in the agreement, TELUS would indemnify the purchaser in respect of any losses that the purchaser incurred. As at September 30, 2004, the Company has no liability recorded in respect of indemnification obligations.

A number of claims and lawsuits seeking damages and other relief are pending against the Company. It is impossible at this time for the Company to predict with any certainty the outcome of such litigation. However, management is of the opinion, based upon legal assessment and information presently available, that it is unlikely that any liability, to the extent not provided for through insurance or otherwise, would be material in relation to the Company's consolidated financial position, excepting items disclosed previously relating to pay equity, the TELUS Corporation Pension Plan and TELUS Edmonton Pension Plan and updates described in 5. Risks and Uncertainties.

4.11 Outstanding share information

The following is a summary of the outstanding shares for each class of equity at September 30, 2004 and at October 15, 2004. In addition, for October 15, 2004, the total number of outstanding and issuable shares is presented, assuming full conversion of convertible debentures, options and warrants.

Class of equity security	Common Shares outstanding	Non-Voting Shares outstanding	Total Shares outstanding
At September 30, 2004			
Common equity - Common Shares outstanding	193,089,342	-	193,089,342
Common equity - Non-Voting Shares outstanding	-	163,233,857	163,233,857
	193,089,342	163,233,857	356,323,199 (1)
At October 15, 2004			
Common equity - Common Shares outstanding	193,214,854	-	193,214,854
Common equity Non-Voting Shares outstanding	-	163,883,312	163,883,312
	193,214,854	163,883,312	357,098,166
Outstanding and issuable shares(2) at October 15, 2004			
Common Shares and Non-Voting Shares outstanding	193,214,854	163,883,312	357,098,166
TELUS Corporation convertible debentures	-	3,765,819	3,765,819
Options (3)	3,253,538	22,206,691	25,460,219
Warrants	-	667,412	667,412
Channel stock incentive plan	-	192,925	192,925
	196,468,382	190,716,159	387,184,541

4.12 Related party transactions

In 2001, the Company entered into an agreement with Verizon Communications Inc. ("Verizon"), a significant shareholder, with respect to acquiring certain rights to Verizon's software, technology, services

and other benefits, thereby replacing and amending a previous agreement between the Company and GTE Corporation. The agreement is renewable annually at the Company's sole option up to December 31, 2008, and it has been renewed for 2005. As of September 30, 2004, in aggregate, $312.1 million of specified software licences and a trademark licence have been acquired and recorded as capital and other assets. These assets are valued at fair market value at the date of acquisition as determined by an arm's-length party's appraisal. Assuming renewal through to 2008, the total commitment under the agreement is U.S.$377 million for the period 2001 to 2008 and the commitment remaining after September 30, 2004, is U.S.$87 million (December 31, 2003 - U.S.$102 million).

In the normal course of operations and on market terms and conditions, ongoing services and other benefits have been received and expensed. In connection with the 2001 disposition of TELUS' directory business to Verizon, the Company bills customers, and collects, for directory listings on Verizon's behalf. The Company owed Verizon, on a net basis and including directory rebilling and collections done on Verizon's behalf as well as dividends payable, $39.4 million at September 30, 2004 (December 31, 2003 - $40.9 million).

4.13 Revised Guidance for 2004

Management has revised annual guidance for 2004:

- Increased Consolidated and TELUS Mobility revenue and EBITDA guidance, while narrowing the range of TELUS Communications revenue and EBITDA guidance. Within the Communications segment, previous Non-ILEC revenue guidance was maintained, while the range for Non-ILEC EBITDA was narrowed.

- Increased guidance for earnings per share.

- Updated guidance for Free cash flow and Net debt to EBITDA to reflect early achievement of targets.

- Increased guidance for TELUS Mobility wireless subscriber net additions, while maintaining expectations for TELUS Communications high-speed Internet net additions.

Revised guidance summary	2004 revised guidance	2004 second quarter guidance	2004 original targets
Consolidated Revenues	$7.5 to $7.575 billion	No change	$7.45 to $7.55 billion
EBITDA(1)	$3.025 to $3.075 billion	$2.975 to $3.075 billion	$2.95 to $3.05 billion
Earnings per share - basic	$1.40 to $1.50	$1.30 to $1.50	$1.05 to $1.25
Capital expenditures	No change	Approx. $1.3 billion	Approx. $1.225 billion
Free cash flow(2)	$1.25 to $1.3	$1.15 to $1.25	$1.13 to $1.23

	billion	billion	billion
Net debt to EBITDA(3)	2.2 times or less	2.3 times or less	2.5 times or less
Communications segment			
Revenue (external)	$4.725 to $4.775 billion	$4.7 to $4.8 billion	$4.8 to $4.85 billion
Non-ILEC revenue	No change	$525 to $550 million	Approx. $610 million
EBITDA	$1.925 to $1.95 billion	$1.925 to $1.975 billon	$1.975 to $2.025 billion
Non-ILEC EBITDA	$(30) to $(35) million	$(30) to $(40) million	Approx. $5 million
Capital expenditures	No change	Approx. $950 million	Approx. $875 million
High-speed Internet net additions	No change	No change	Approx. 125,000
Mobility segment			
Revenue (external)	$2.775 to $2.8 billion	$2.675 to $2.725 billion	$2.65 to $2.7 billion
EBITDA	$1.1 to $1.125 billion	$1.05 to $1.1 billion	$975 million to $1.025 billion
Capital expenditures	No change	No change	Approx. $350 million
Wireless subscriber net additions	425,000 to 475,000	No change	375,000 to 425,000

5. Risks and uncertainties

The following are updates to the risks and uncertainties described in TELUS' 2003 Annual Report and 2004 first and second quarter Management's discussion and analyses, including filings on SEDAR (www.sedar.com) and filings on EDGAR (www.sec.gov).

5.1 Competition

Wireless competition

With Roger's Wireless bid for Microcell and the expected entry of the Virgin Group to provide services on a resale basis from Bell Mobility, the four national competitor market will likely be maintained. In addition, other competitors may offer wireless services regionally or nationally on a resale basis. There is risk that increased competition by all industry players could lead to pricing pressures and higher costs of acquisition in the future. TELUS Mobility intends to manage this risk by continuing to focus on profitable subscriber growth.

5.2 Regulation - wireline operations

Proceedings under Telecom Public Notice CRTC 2004-2 - Regulatory framework for voice communication services using Internet Protocol

In September 2004, TELUS made its oral presentation at the CRTC's public hearings on the regulatory framework for voice communication services using Internet Protocol, also known as VoIP. The decision on how to regulate VoIP services will set the Canadian competitive rules for ILECs, cable-TV companies, foreign-based competitors and others. The CRTC is expected to announce its decision in the first quarter of 2005.

Positions presented at the hearings included:

- TELUS' argument that all access-independent providers of VoIP services should be forborne from rate regulation.

- Bell Canada's position that all VoIP services, whether access-dependent or access-independent, should be forborne from rate regulation.

- Cable-TV companies' and Competitive Local Exchange Carriers' ("CLECs") arguments that any VoIP services provided by an ILEC should be fully regulated when offered in an ILEC territory.

5.3 Process risks

Integration of customer-facing business units in the Communications Segment

There can be no assurance that the recent integration of sales, marketing, solutions development, customer care and shared services of Business Solutions and Client Solutions will result in the operational efficiencies and organizational effectiveness that management currently expects.

5.4 Claims and lawsuits

Uncertified class action

A class action was brought August 9, 2004, under the Class Actions Act (Saskatchewan), against a number of past and present wireless service providers including the Company. The claim alleges that each of the carriers is in breach of contract and has violated competition, trade practices and consumer protection legislation across Canada in connection with the collection of system access fees, and seeks to recover direct and punitive damages in an unspecified amount. The class has not been certified and procedural objections to certification have been identified. The Company further believes the claim is unsound on the merits. Should the ultimate resolution of this action differ from management's assessments and assumptions, a material adjustment to the Company's financial position and the results of its operations could result.

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TELUS CORPORATION

CONSOLIDATED FINANCIAL STATEMENTS

(UNAUDITED)

SEPTEMBER 30, 2004

Consolidated statements of income

Periods ended September 30 (unaudited) (millions)	Three months 2004	Three months 2003	2
		(restated - Note 2(b))	
OPERATING REVENUES	$ 1,946.9	$ 1,806.2	$ 5
OPERATING EXPENSES			
Operations	1,112.8	1,051.7	3
Restructuring and workforce reduction costs (Note 4)	16.2	2.3	
Depreciation	327.1	308.9	
Amortization of intangible assets	80.5	98.3	
	1,536.6	1,461.2	4
OPERATING INCOME	410.3	345.0	1
Other (income) expense, net	(3.2)	7.6	
Financing costs (Note 5)	158.6	139.3	
INCOME BEFORE INCOME TAXES AND NON-CONTROLLING INTEREST	254.9	198.1	
Income taxes (Note 6)	97.2	83.0	
Non-controlling interest	1.1	1.0	
NET INCOME	156.6	114.1	
Preference and preferred share dividends	0.1	0.9	
COMMON SHARE AND NON-VOTING SHARE INCOME	$ 156.5	$ 113.2	$
INCOME PER COMMON SHARE AND NON-VOTING SHARE ($) (Note 7)			
- Basic	0.44	0.32	
- Diluted	0.43	0.32	
DIVIDENDS DECLARED PER COMMON SHARE AND NON-VOTING SHARE($)	0.15	0.15	
TOTAL WEIGHTED AVERAGE COMMON SHARES AND NON-VOTING SHARES OUTSTANDING (millions)			
- Basic	355.7	350.1	

- Diluted	361.8	353.2	

Consolidated statements of retained earnings

Periods ended September 30 (unaudited) (millions)	2
BALANCE AT BEGINNING OF YEAR	$
Transitional amount for share-based compensation arising from share options (Note 2(a))	
Adjusted opening balance	
Net income	
	1
Less: Common Share and Non-Voting Share dividends paid, or payable, in cash	
Common Share and Non-Voting Share dividends reinvested, or to be reinvested, in shares issued from Treasury	
Preference and preferred share dividends	
Redemption premium on preference and preferred shares in excess of amount chargeable to contributed surplus (Note 14(c))	
BALANCE AT END OF PERIOD (Note 14)	$

Consolidated balance sheets

(unaudited) (millions)	A Sept 2
ASSETS	
Current Assets	
Cash and temporary investments, net	$
Accounts receivable (Notes 9)	
Income and other taxes receivable	
Inventories	
Prepaid expenses and other (Note16(b))	
Current portion of future income taxes	
	2
Capital Assets, Net (Note 10)	
Property, plant, equipment and other	7
Intangible assets subject to amortization	
Intangible assets with indefinite lives	2
	11
Other Assets	
Deferred charges (Note 11)	

Future income taxes	
Investments	
Goodwill	3
	4
	$17

LIABILITIES AND SHAREHOLDERS' EQUITY

Current Liabilities	
Accounts payable and accrued liabilities (Note 16(b))	$ 1
Restructuring and workforce reduction accounts payable and accrued liabilities (Note 4)	
Dividends payable	
Advance billings and customer deposits (Note 16(b))	
Current maturities of long-term debt (Note 12)	
	1
Long-Term Debt (Note 12)	6
Other Long-Term Liabilities (Note 13)	1
Future Income Taxes	1
Non-Controlling Interest	
Shareholders' Equity (Note 14)	
Convertible debentures conversion option	
Preference and preferred shares (Note14(c))	
Common equity	6
	6
	$17

Consolidated statements of cash flows

Periods ended September 30 (unaudited) (millions)	Three months 2004	2003	2
		(restated - Note 2(b))	
OPERATING ACTIVITIES			
Net income	$ 156.6	$ 114.1	$
Adjustments to reconcile net income to cash provided by operating activities:			
Depreciation and amortization	407.6	407.2	1
Future income taxes	91.4	94.7	
Share-based compensation	7.3	-	
Net employee defined benefit plans expense	4.9	13.2	
Employer contributions to employee defined benefit plans	(25.8)	(33.9)	

Restructuring and workforce reduction costs, net of cash payments (Note 4)	6.4	(29.8)	
Other, net	(3.9)	2.6	
Net change in non-cash working capital (Note 16(c))	202.7	281.6	
Cash provided by operating activities	847.2	849.7	1
INVESTING ACTIVITIES			
Capital expenditures (Note 10)	(319.8)	(304.0)	
Proceeds from the sale of property and other assets	1.8	1.3	
Other	1.5	(5.1)	
Cash used by investing activities	(316.5)	(307.8)	
FINANCING ACTIVITIES			
Common Shares and Non-Voting Shares issued	27.0	20.6	
Dividends to shareholders	(45.5)	(41.6)	
Payment for redemption of preference and preferred shares (Note 14(c))	(37.0)	-	
Long-term debt issued (Note 12)	-	56.0	
Redemptions and repayment of long-term debt (Note 12)	(210.7)	(490.4)	
Other	-	(0.8)	
Cash used by financing activities	(266.2)	(456.2)	
CASH POSITION			
Increase in cash and temporary investments, net	264.5	85.7	
Cash and temporary investments, net, beginning of period	357.7	16.6	
Cash and temporary investments, net, end of period	$ 622.2	$ 102.3	$
SUPPLEMENTAL DISCLOSURE OF CASH FLOWS			
Interest (paid)	$ (23.1)	$ (27.7)	$
Interest received	$ 2.1	$ 13.7	$
Income taxes (inclusive of Investment Tax Credits (Note 6)) received (paid)	$ 11.8	$ 38.4	$

Notes to interim consolidated financial statements

SEPTEMBER 30, 2004 (unaudited)

TELUS Corporation is one of Canada's largest telecommunications companies, providing a full range of telecommunications products and services. The Company is the largest incumbent telecommunications service provider in Western Canada and provides data, Internet Protocol, voice and wireless services to Central and Eastern Canada.

1. Interim Financial Statements

The notes presented in these interim consolidated financial statements include only significant events and transactions and are not fully inclusive of all matters normally disclosed in TELUS Corporation's annual audited financial statements. As a result, these interim consolidated financial statements should be read in conjunction with the TELUS Corporation audited consolidated financial statements for the year ended December 31, 2003. These interim consolidated financial statements follow the same accounting policies, other

than as set out in Note 2 to these interim consolidated financial statements, and methods of their application as set out in the TELUS Corporation consolidated financial statements for the year ended December 31, 2003, including that certain of the comparative amounts have been reclassified to conform with the presentation adopted currently.

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

2. Accounting Policy Developments

(a) Share-Based Compensation

Commencing with the Company's 2004 fiscal year, the amended recommendations of the Canadian Institute of Chartered Accountants ("CICA") for accounting for share-based compensation (such amendments arising in 2003) (CICA Handbook Section 3870) apply to the Company. The amendments result in the Company no longer being able to use the intrinsic method of accounting for share options granted to employees for purposes of Canadian Generally Accepted Accounting Principles. The Company has selected the retroactive application without restatement method (also referred to as the modified-prospective transition method). The retroactive application without restatement method results in no share option expense being recognized in the Consolidated Statements of Income in fiscal years prior to 2004 (see Note 8(a)). The share option expense that is recognized in fiscal years subsequent to 2003 will be in respect of share options granted after 2001 and vesting in fiscal periods subsequent to 2003.

To reflect the fair value of options granted subsequent to 2001, and vesting prior to 2004, certain components of common equity in the December 31, 2003, Consolidated Balance Sheet balances would have been restated as follows (had restatement occurred):

(millions)	December 31, 2003, as previously reported	Cumulative tran adjustment for based compensa arising from s options
Common equity		
Common shares	$ 2,349.1	$ -
Non-voting shares	3,296.6	0.4
Options and warrants	51.5	-
Accrual for shares issuable under channel stock incentive plan	0.6	-
Cumulative foreign currency translation adjustment	(2.7)	-
Retained earnings	741.7	(25.1)
Contributed surplus	5.9	24.7
	$ 6,442.7	$ -

(b) Equity Settled Obligations

Commencing with the Company's 2004 fiscal year, the Company early adopted the amended recommendations of the CICA for the presentation and disclosures of financial instruments (CICA Handbook Section 3860) specifically concerning the classification of obligations that an issuer can settle with its own equity

instruments (such amendments arising in 2003). The amendments result in the Company's convertible debentures being classified as a liability on the Consolidated Balance Sheets and the associated interest expense correspondingly being classified with financing costs on the Consolidated Statements of Income. The conversion option embedded in the convertible debentures continues to be presented as a component of shareholders' equity. As required, these amended recommendations have been applied retroactively.

To reflect the reclassification of the convertible debentures as a liability, certain items of the Consolidated Income Statement for the three-month and nine-month periods ended September 30, 2003, have been restated as follows:

Periods ended September 30, 2003	Three months			
(millions except per share amounts)	As previously reported	Adjustment to reflect convertible debentures as a liability	As currently reported	As previously reported
Operating revenues	$ 1,806.2	$ -	$ 1,806.2	$ 5,320.4
Operating expenses	1,461.2	-	1,461.2	4,415.8
Operating income	345.0	-	345.0	904.6
Other expense, net	7.6	-	7.6	19.8
Financing costs	136.5	2.8	139.3	467.2
Income before income taxes and non-controlling interest	200.9	(2.8)	198.1	417.6
Income taxes (recovery)	84.0	(1.0)	83.0	133.0
Non-controlling interest	1.0	-	1.0	2.7
Net income	115.9	(1.8)	114.1	281.9
Preference and preferred share dividends	0.9	-	0.9	2.6
Interest on convertible debentures, net of income taxes	1.8	(1.8)	-	5.3
Common Share and Non-Voting Share income	$ 113.2	$ -	$ 113.2	$ 274.0
Income per Common Share and Non-Voting Share				
- Basic	$ 0.32	$ -	$ 0.32	$ 0.79
- Diluted	$ 0.32	$ -	$ 0.32	$ 0.78

To reflect the reclassification of the convertible debentures as a liability, certain line items of the December 31, 2003, Consolidated Balance Sheet balances have been restated as follows:

(millions)	December 31, 2003, as previously reported	Adjustment to reflect converti debentures as liability

Accounts payable and accrued liabilities	$ 1,294.1	$ 0.4
Long-Term Debt	$ 6,469.4	$ 140.4
Shareholders' Equity		
Convertible debentures conversion option	$ -	$ 8.8
Convertible debentures	$ 149.6	$ (149.6)

3. Financial Instruments

During the first half of 2004, the Company entered into two series of hedging relationships to which hedge accounting has been applied: one series of hedging relationships results in fixing the Company's compensation cost arising from a specific grant of restricted stock units (see Note 8(b)) and the other series of hedging relationships results in the notional conversion of $500 million of the 2006 (Canadian Dollar) Notes from a fixed interest rate of 7.5% to a floating interest rate based upon the three-month Bankers' Acceptance Canadian Dollar Offered Rate plus a spread.

As at September 30, 2004, the Company had entered into foreign currency forward contracts that have the effect of fixing the exchange rates on U.S.$52.5 million and U.S.$14.5 million of fiscal 2004 and fiscal 2005 purchase commitments, respectively; hedge accounting has been applied to these foreign currency forward contracts, all of which relate to the Mobility segment.

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

	As at September 30, 2004		A
(millions)	Carrying amount	Fair value	Car amo
Long-term debt(1) (Note 12)	$ 6,526.8	$ 7,543.8	$ 6
Derivative financial instruments(2) used to manage interest rate and currency risks associated with U.S. dollar denominated debt (Note 13)	848.3	1,011.8	
Derivative financial instruments(2) used to manage interest rate risk associated with Canadian dollar denominated debt	-	3.1	
	$ 7,375.1	$ 8,558.7	$ 7
Derivative financial instruments(2) used to manage currency risks arising from U.S. dollar denominated purchases	$ -	$ 3.2	$
Derivative financial instruments(2) used to manage changes in compensation costs arising from restricted stock units (Note 8(b))	$ (0.2)	$ 0.2	$

4. Restructuring and Workforce Reduction Costs

(a) Overview

Three-month periods ended September 30 (millions) — 2004

	2004 Initiatives(b)	Operational Efficiency Program (2001- 2003)(c)	T
Restructuring and workforce reduction costs			
Workforce reduction			
Voluntary	$ -	$ -	$
Involuntary	15.3	-	
Lease termination	-	-	
Other	0.4	0.5	
	15.7	0.5	
Disbursements			
Workforce reduction			
Voluntary (Early Retirement Incentive Plan, Voluntary Departure Incentive Plan and other)	-	0.2	
Involuntary and other	3.7	4.2	
Lease termination	-	0.8	
Other	0.7	0.2	
	4.4	5.4	
Expenses greater than (less than) disbursements	11.3	(4.9)	
Restructuring and workforce reduction accounts payable and accrued liabilities, beginning of period	11.2	68.3	
Restructuring and workforce reduction accounts payable and accrued liabilities, end of period	$ 22.5	$ 63.4	$

Nine-month periods ended September 30 (millions) — 2004

	2004 Initiatives(b)	Operational Efficiency Program (2001- 2003)(c)	To
Restructuring and workforce reduction costs			
Workforce reduction			
Voluntary	$ -	$ -	$
Involuntary	31.2	-	
Lease termination	-	-	

Other	0.7	0.9	
	31.9	0.9	
Disbursements			
Workforce reduction			
Voluntary (Early Retirement Incentive Plan, Voluntary Departure Incentive Plan and other)	-	46.8	
Involuntary and other	8.7	27.5	
Lease termination	-	3.0	
Other	0.7	1.2	
	9.4	78.5	
Expenses greater than (less than) disbursements	22.5	(77.6)	
Restructuring and workforce reduction accounts payable and accrued liabilities, beginning of period	-	141.0	
Restructuring and workforce reduction accounts payable and accrued liabilities, end of period	$ 22.5	$ 63.4	$

(b) 2004 Initiatives

In the first quarter of 2004, a departmental reorganization was initiated, primarily in the Communications segment information technology resources area, consolidating from 15 locations to 2 primary locations. This reorganization, which has an estimated implementation cost in 2004 of approximately $13 million and is planned for completion in 2004, is expected to enable greater efficiencies of scale and effectiveness of program delivery; to September 30, 2004, approximately $12 million of these costs have been recorded.

In the third quarter of 2004, a departmental reorganization was initiated in the Communications segment with the merging of two customer-facing business units. The resulting integration and consolidation aimed to improve the Company's competitiveness as well as its operating and capital productivity. This reorganization has an estimated implementation cost in 2004 of approximately $21 million and is planned for completion in 2004; to September 30, 2004, approximately $13 million of these costs have been recorded.

In addition to the foregoing initiatives, the Company has undertaken additional activities in 2004 aimed at improving its operating and capital productivity and competitiveness. These additional activities have an estimated cost in 2004 of $16 million; to September 30, 2004, approximately $8 million of these costs have been recorded.

(c) Operational Efficiency Program (2001-2003)

In 2001, the Company initiated the phased Operational Efficiency Program aimed at improving the Company's operating and capital productivity and competitiveness. The first phase of the Operational Efficiency Program was to complete merger-related restructuring activities in TELUS Mobility and the reorganization for TELUS Communications. The second phase of the Operational Efficiency Program, which commenced at the beginning of 2002, continued to focus on reducing staff, but also entailed a comprehensive review of enterprise-wide processes to identify capital and operational efficiency opportunities. The third phase of the Operational Efficiency Program, which commenced in the third quarter of 2002, was focused on operationalizing the initiatives identified during the second phase review and included: streamlining of business processes; reducing the TELUS product portfolio and processes that support them; optimizing the use of real estate, networks and other assets; improving customer order management; reducing the scope of

corporate support functions; consolidating operational and administrative functions; and consolidating customer contact centres.

As at September 30, 2004, no future costs remain to be recorded under the Operational Efficiency Program (2001-2003), but variances from estimates currently recorded may be recorded in subsequent periods.

5. Financing Costs

Periods ended September 30 (millions)	Three months 2004	2003	2
		(restated - Note 2(b))	
Interest on long-term debt	$ 161.0	$ 168.3	$
Interest on short-term obligations and other	0.7	0.9	
Foreign exchange(1)	(0.3)	0.8	
	161.4	170.0	
Interest income, including interest on tax refunds	(2.8)	(30.7)	
	$ 158.6	$ 139.3	$

6. Income Taxes

Periods ended September 30 (millions)	Three months 2004	2003	2
		(restated - Note 2(b))	
Current	$ 5.8	$ (11.7)	$
Future	91.4	94.7	
	$ 97.2	$ 83.0	$

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

Three-month periods ended September 30 ($ in millions)	2004		
			(
Basic blended federal and provincial tax at statutory income tax rates	$ 88.8	34.8%	$
Tax rate differential on, and consequential adjustments from, settlement of prior year			

tax issues	(0.3)		
Share option compensation	1.6		
Other	1.6		
	91.7	36.0%	
Large corporations tax	5.5		
Income tax expense per Consolidated Statements of Income	$ 97.2	38.1%	$

Nine-month periods ended September 30 ($ in millions)	2004		
			(
Basic blended federal and provincial tax at statutory income tax rates	$ 221.7	34.8%	$
Tax rate differential on, and consequential adjustments from, settlement of prior year tax issues	(36.1)		
Share option compensation	5.0		
Other	(0.5)		
	190.1	29.8%	
Large corporations tax	14.6		
Income tax expense per Consolidated Statements of Income	$ 204.7	32.1%	$

The Company conducts research and development activities, which are eligible to earn Investment Tax Credits. During the three-month and nine-month periods ended September 30, 2004, the Company recorded Investment Tax Credits of NIL (2003 - NIL) and $0.5 million (2003 - $1.2 million), respectively, of which NIL (2003 - NIL) and $0.5 million (2003 - $1.0 million), respectively, was recorded as a reduction of "Operations expense" and the balance was recorded as a reduction of capital expenditures.

7. Per Share Amounts

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

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

Periods ended September 30 (millions)	Three months 2004	2003	2

		(restated - Note 2(b))	
Net income	$ 156.6	$ 114.1	$
Deduct:			
Preference and preferred share dividends	0.1	0.9	
Redemption premium on preference and preferred shares in excess of amount chargeable to contributed surplus (Note 14(c))	-	-	
Basic Common Share and Non-Voting Share income	156.5	113.2	
Add: Interest charges applicable to convertible debentures, net of income tax effects	1.4	-	
Diluted Common Share and Non-Voting Share income	$ 157.9	$ 113.2	$

Periods ended September 30	Three months		
(millions)	2004	2003	2
Basic total weighted average Common Shares and Non-Voting Shares outstanding	355.7	350.1	
Effect of dilutive securities			
Exercise of share options and warrants	2.3	3.1	
Exercise of convertible debentures conversion option	3.8	-	
Diluted total weighted average Common Shares and Non-Voting Shares outstanding	361.8	353.2	

For the three-month and nine-month periods ended September 30, 2004, certain outstanding share options, in the amount of 17.9 million (2003 - 15.5 million) and 18.2 million (2003 - 16.2 million), respectively, were not included in the computation of diluted income per Common Share and Non-Voting Share because the share options' exercise prices were greater than the average market price of the Common Shares and Non-Voting Shares during the reported periods. Convertible debentures, which were convertible into 3.8 million shares, were not included in the computation of diluted income per Common Share and Non-Voting Share, excepting the computation for the three-month period ended September 30, 2004, as they were antidilutive.

8. Share-Based Compensation

(a) Share Options

Effective January 1, 2004, for purposes of Canadian Generally Accepted Accounting Principles, the Company applies the fair value based method of accounting for share-based compensation awards granted to employees. As the Company has selected the retroactive application without restatement method (see Note 2(a)), it must disclose the impact on net income and net income per Common Share and Non-Voting Share as if the fair value based method of accounting for the share-based compensation had been applied in the comparative period.

Periods ended September 30 (millions except per share amounts)	Three months 2004	 2003	 2
	(restated - Note 2(b))		
Net income			
As reported	$ 156.6	$ 114.1	$
Add: Share-based compensation arising from share options included in reported net income	4.7	-	
Deduct: Share-based compensation arising from share options determined under the fair value based method for all awards	(4.7)	(4.4)	
Pro forma	$ 156.6	$ 109.7	$
Net income per Common Share and Non-Voting Share			
Basic			
As reported (using fair value method)	$ 0.44	N/A(2)	$
As reported (using intrinsic value method)	N/A(1)(2)	$ 0.32	N
Pro forma (using fair value method)	$ 0.44	$ 0.31	$
Diluted			
As reported (using fair value method)	$ 0.43	N/A(2)	$
As reported (using intrinsic value method)	N/A(1)(2)	$ 0.32	N
Pro forma (using fair value method)	$ 0.43	$ 0.31	$

As only share options granted after 2001 are included, these disclosures are not likely to be representative of the effects on reported net income for future years. These disclosures reflect weighted average fair values of $7.27 (2003 - $6.86) and $7.74 (2003 - $4.63) for options granted in the three-month and nine-month periods ended September 30, 2004, respectively. Share options typically vest over a three-year period and the vesting method of options, which is determined at the date of grant, may be either cliff or graded. The fair value of each option granted is estimated at the time of grant using the Black-Scholes model with weighted average assumptions for grants as follows:

Periods ended September 30	Three months 2004	 2003	 2
Risk free interest rate	4.3%	3.9%	
Expected lives (years)	4.5	4.5	
Expected volatility	40.0%	40.0%	
Dividend yield	2.6%	2.7%	

(b) Other Share-Based Compensation

The Company uses restricted stock units as a form of incentive compensation. Each restricted stock unit is equal in value to one Non-Voting Share and the

dividends that would have arisen thereon had it been an issued and outstanding Non-Voting Share are recorded as additional restricted stock units during the life of the restricted stock unit. The restricted stock units become payable as they vest over their lives (typically the vesting period is 33 months and the vesting method, which is determined at the date of grant, may be either cliff or graded). Reflected in the Consolidated Statements of Income as "Operations expense" for the three-month and nine-month periods ended September 30, 2004, is compensation expense arising from restricted stock units of $3.2 million (2003 - $0.8 million) and $5.8 million (2003 - $0.6 million), respectively.

The following table presents a summary of the activity related to the Company's restricted stock units for the three-month and nine-month periods ended September 30, 2004.

Periods ended September 30, 2004	Three months		
	Number of restricted stock units	Weighted average price	Numbe restr stock
Outstanding, beginning of period	1,090,708		
Issued			
Initial allocation	20,350	$ 22.89	
In lieu of dividends	6,670	24.11	
Exercised	(28,808)	21.86	
Forfeited and cancelled	(20,136)	25.10	
Outstanding, end of period	1,068,784		1

With respect to restricted stock units issued in the first quarter of 2004, the Company entered into a cash-settled equity forward agreement that fixes the cost to the Company at $26.61 per restricted stock unit in respect of 652,550 restricted stock units.

9. Accounts Receivable

On July 26, 2002, TELUS Communications Inc., a wholly-owned subsidiary of TELUS, entered into an agreement (the "2002 Securitization"), which was amended September 30, 2002, with an arm's-length securitization trust under which TELUS Communications Inc. is able to sell an interest in certain of its trade receivables up to a maximum of $650 million. As a result of selling the interest in certain of the trade receivables on a fully-serviced basis, a servicing liability is recognized on the date of sale and is, in turn, amortized to earnings over the expected life of the trade receivables. This "revolving-period" securitization agreement has an initial term ending July 18, 2007. TELUS Communications Inc. is required to maintain at least a BBB (low) credit rating by Dominion Bond Rating Service or the securitization trust may require the sale program to be wound down prior to the end of the initial term; at September 30, 2004, the rating was BBB (high).

(millions)	As Septe 2

Total managed portfolio	$
Securitized receivables	
Retained interest in receivables sold	
Receivables held	$

For the three-month and nine-month periods ended September 30, 2004, the Company recognized losses of $0.2 million (2003 - $0.7 million) and $0.6 million (2003 - $3.7 million), respectively, on the sale of receivables arising from the 2002 Securitization.

Cash flows from the 2002 Securitization are as follows:

Periods ended September 30	Three months		
(millions)	2004	2003	2
Cumulative proceeds from securitization, beginning of period	$ 150.0	$ 485.0	$
Proceeds from new securitizations	-	-	
Securitization reduction payments	-	(4.0)	
Cumulative proceeds from securitization, end of period	$ 150.0	$ 481.0	$
Proceeds from collections reinvested in revolving period securitizations	$ 347.3	$ 1,137.6	$ 1
Proceeds from collections pertaining to retained interest	$ 57.4	$ 259.3	$

10. Capital Assets

(a) Capital Assets, Net

	Cost	Accumulated Depreciation and Amortization	As Septe 20
(millions)			
Property, plant, equipment and other			
Telecommunications assets	$ 17,044.1	$11,192.4	$ 5
Assets leased to customers	416.0	365.4	
Buildings	1,631.5	800.3	
Office equipment and furniture	934.7	686.9	
Assets under capital lease	14.8	4.5	

Other	331.2	236.5	
Land	47.4	-	
Plant under construction	465.5	-	
Materials and supplies	24.1	-	
	20,909.3	13,286.0	7
Intangible assets subject to amortization			
Subscriber base	362.9	89.3	
Software	1,077.8	710.9	
Access to rights-of-way and other	121.2	40.9	
	1,561.9	841.1	
Intangible assets with indefinite lives			
Spectrum licences(1)	3,973.1	1,018.5	2
	$ 26,444.3	$15,145.6	$11

Included in capital expenditures for the three-month and nine-month periods ended September 30, 2004, were additions of intangible assets subject to amortization of $41.9 million (2003 - $37.4 million) and $130.9 million (2003 - $81.6 million), respectively.

(b) Intangible Assets Subject to Amortization

Estimated aggregate amortization expense for intangible assets subject to amortization, calculated upon such assets held as at September 30, 2004, for each of the next five fiscal years is as follows:

Years ending December 31 (millions)
2004 (balance of year)
2005
2006
2007
2008

11. Deferred Charges

(millions)	A Septe 2
Recognized transitional pension assets and pension plan contributions in excess of charges to income	$
Cost of issuing debt securities, less amortization	
Deferred customer activation and installation costs(1)	

Other

	$

12. Long-Term Debt

(a) Details of Long-Term Debt

($ in millions)

	Series	Rate	Maturity	A Sep 2
TELUS Corporation Notes				
	CA	7.5%(1)	June 2006	$ 1
	U.S.	7.5%(1)	June 2007	1
	U.S.	8.0%(1)	June 2011	2
				5
TELUS Corporation Convertible Debentures				
		6.75%(1)	June 2010	
TELUS Corporation Credit Facilities		-%(2)	May 2008	
TELUS Communications Inc. Debentures				
	1	12.00%(1)	May 2010	
	2	11.90%(1)	November 2015	
	3	10.65%(1)	June 2021	
	5	9.65%(1)	April 2022	
	A	9.50%(1)	August 2004	
	B	8.80%(1)	September 2025	
TELUS Communications Inc. First Mortgage Bonds(3)				
	U	11.50%(1)	July 2010	
TELUS Communications Inc. Medium Term Notes(3)				
	1	7.10%(1)	February 2007	
TELUS Communications Inc. Medium Term Note Debentures				
	96-9	6.375%(1)	August 2004	
	99-1	7.25%(1)	June 2030	
TELUS Communications Inc. Senior Discount Notes				
Capital leases issued at varying rates of interest from 4.4% to 17.25% and maturing on various dates up to 2008				
Other				

Total debt	6
Less - current maturities	
Long-Term Debt	$ 6

(b) TELUS Corporation Credit Facilities

TELUS Corporation's syndicated bank credit facilities at September 30, 2004, consist of: i) an $800 million (or U.S. Dollar equivalent) revolving credit facility expiring on May 7, 2008, used for general corporate purposes, and ii) an $800 million (or U.S. Dollar equivalent) 364-day revolving credit facility which is extendible at the Company's option on a non-revolving basis for any amounts outstanding on May 6, 2005, for one year on a non-revolving basis. These new facilities, which were put in place in the second of quarter of 2004, replaced the Company's existing committed credit facilities prior to the availability termination dates of such facilities.

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

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

Additionally, at September 30, 2004, the Company has accepted a fully underwritten commitment for a $500 million (or U.S. Dollar equivalent) unsecured bank credit facility for general corporate purposes. This 364-day credit facility, upon documentation, would be available until the earlier of October 31, 2005, and 364 days after the completion date of the Company's offers to purchase Microcell Telecommunications Inc. (see Note 15(c)). The facility bears interest at prime rate, U.S. Dollar Base Rate, Bankers' Acceptance rate or London interbank offered rate ("LIBOR"), plus applicable margins. The facility also contains customary covenants. Subsequent to quarter end, in conjunction with the expiry of the Company's offers to purchase Microcell Telecommunications Inc., this bank credit facility commitment was cancelled.

(c) Long-Term Debt Maturities

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

(millions)	
2004 (balance of year)	
2005	
2006	
2007	
2008	

13. Other Long-Term Liabilities

(millions)	As Septe 2
Deferred gain on sale-leaseback of buildings	$
Pension and other post-retirement liabilities	
Deferred hedging liability	
Deferred customer activation and installation fees(1)	
Other	
	$ 1

14. Shareholders' Equity

(a) Details of Shareholders' Equity

($ in millions except per share amounts)				S
Convertible debentures conversion option (b)				$
TELUS Communications Inc. Preference Shares and Preferred Shares (c)				
Authorized	Amount			
Non-voting first preferred shares	Unlimited			
				R
Issued				
Cumulative				
$6.00 Preference		- (Dec. 31, 2003 - 8,090)	10.0%	
$4.375 Preferred		- (Dec. 31, 2003 - 53,000)	4.0%	
$4.50 Preferred		- (Dec. 31, 2003 - 47,500)	4.0%	
$4.75 Preferred		- (Dec. 31, 2003 - 71,250)	5.0%	
$4.75 Preferred (Series 1956)		- (Dec. 31, 2003 - 71,250)	4.0%	
$5.15 Preferred		- (Dec. 31, 2003 - 114,700)	5.0%	
$5.75 Preferred		- (Dec. 31, 2003 - 96,400)	4.0%	
$6.00 Preferred		- (Dec. 31, 2003 - 42,750)	5.0%	
$1.21 Preferred		- (Dec. 31, 2003 - 768,400)	4.0%	
Preferred equity				
Authorized	Amount			
First Preferred Shares	1,000,000,000			
Second Preferred Shares	1,000,000,000			
Common equity				
Shares				

Authorized Amount		
Common Shares	1,000,000,000	
Non-Voting Shares	1,000,000,000	
Issued		
Common Shares (d)		2
Non-Voting Shares (d)		3
Options and warrants (e)		
Accrual for shares issuable under channel stock incentive plan (f)		
Cumulative foreign currency translation adjustment		
Retained earnings		
Contributed surplus (g)		
		6
Total Shareholders' Equity		$ 6

(b) Convertible Debenture Conversion Option

At September 30, 2004, 3.8 million (December 31, 2003 - 3.8 million) Non-Voting Shares are reserved for issuance upon exercise of convertible debenture conversion options.

(c) TELUS Communications Inc. Preference and Preferred Shares

TELUS Communications Inc. has the right to redeem the Preference and Preferred shares upon giving three months' previous notice. On March 25, 2004, TELUS Communications Inc. issued notices of redemption for all nine classes of its outstanding publicly traded preference and preferred shares for redemption during the third quarter of 2004 for total consideration of approximately $72.8 million. Of the redemption premium of $3.1 million, $0.8 million is chargeable against contributed surplus with the balance being charged to retained earnings.

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

Periods ended September 30, 2004	Three months		
	Number of shares	Amount (millions)	Num of s
Common Shares			
Beginning of period	192,253,334	$ 2,385.1	190,800
Exercise of share options (h)	13,355	0.3	73,
Employees' purchase of shares (i)	762,035	19.1	2,063,
Dividends reinvested in shares	60,618	1.3	153,
End of period	193,089,342	$ 2,405.8	193,089,
Non-Voting Shares			
Beginning of period	162,423,223	$ 3,333.5	161,042,
Transitional amount for share-based compensation arising from share options (Note 2(a))	-	-	-
Adjusted opening balance	162,423,223	3,333.5	161,042,
Exercise of warrants (e)	-	-	76,
Channel stock incentive plan (f)	10,375	0.3	33,

Exercise of share options (h)	358,406	7.4	879,
Dividend Reinvestment and Share Purchase Plan (j)			
Dividends reinvested in shares	431,365	8.5	1,174,
Optional cash payments	10,488	0.2	27,
End of period	163,233,857	$ 3,349.9	163,233,

On October 29, 2004, the Company announced that it has approval from its Board of Directors to make a normal course issuer bid for the repurchase of up to 14.0 million Common Shares and 11.5 million Non-Voting Shares subject to obtaining all necessary regulatory approvals.

(e) Options and Warrants

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

Under the terms of the arrangement to acquire Clearnet, effective January 18, 2001, TELUS Corporation exchanged the warrants held by former Clearnet warrant holders. Each warrant entitles the holder to purchase a Non-Voting Share at a price of U.S.$10.00 per share until September 15, 2005. As at September 30, 2004, 0.7 million (December 31, 2003 - 0.8 million) warrants remained outstanding.

(f) Channel Stock Incentive Plan

The Company initiated the Plan to increase sales of various products and services by providing additional performance-based compensation in the form of Non-Voting Shares. The Company has reserved 0.2 million (December 31, 2003 - 0.2 million) Non-Voting Shares for issuance under the Plan. As at September 30, 2004, shares earned, but not yet issued, are accrued as a component of Common Equity.

(g) Contributed Surplus

The following table presents a summary of the activity related to the Company's contributed surplus for the three-month and nine-month periods ended September 30, 2004:

Periods ended September 30, 2004 (millions)	Three
Balance, beginning of period	$
Transitional amount for share-based compensation arising from share options (Note 2(a))	
Adjusted opening balance	
Share option expense recognized in period (Note 8(a))	
Share option expense reclassified to Non-Voting Share capital account upon exercise of share options	
Redemption premium on preference and preferred shares (c)	

Balance, end of period	$

(h) Share Option Plans

The Company has a number of share option plans under which directors, officers and other employees receive options to purchase Common Shares and/or Non-Voting Shares at a price equal to the fair market value at the time of grant. Options granted under the plans may be exercised over specific periods not to exceed 10 years from the time of grant. At September 30, 2004, 3.3 million (December 31, 2003 - 3.4 million) Common Shares and 27.3 million (December 31, 2003 - 26.1 million) Non-Voting Shares are reserved for issuance under the share option plans.

The following table presents a summary of the activity related to the Company's share options plans for the three-month and nine-month periods ended September 30, 2004.

Periods ended September 30, 2004	Three months		
	Number of shares	Weighted average option price	Numbe sha
Outstanding, beginning of period	26,216,294	$ 25.09	25
Granted	32,350	23.08	1
Exercised	(371,761)	17.07	
Forfeited	(304,734)	25.32	
Expired and cancelled	-	-	
Outstanding, end of period	25,572,149	25.20	25

(i) Employee Share Purchase Plan

The Company has an employee share purchase plan under which eligible employees can purchase Common Shares through regular payroll deductions by contributing between 1% and 6% of their pay. The Company contributes two dollars for every five dollars contributed by an employee. The Company records its contributions as a component of operating expenses. For the three-month and nine-month periods ended September 30, 2004, the Company contributed $6.1 million (2003 - $4.9 million) and $17.9 million (2003 - $15.8 million), respectively, to this plan. Under this plan, the Company has the option of offering shares from Treasury or having the trustee acquire shares in the stock market. Prior to February 2001, when the issuance of shares from Treasury commenced, all Common Shares issued to employees under the plan were purchased on the market at normal trading prices. At September 30, 2004, 1.2 million (December 31, 2003 - 3.5 million) Common Shares are reserved for issuance under the employee share purchase plan.

(j) Dividend Reinvestment and Share Purchase Plan

The Company has a Dividend Reinvestment and Share Purchase Plan under which eligible shareholders may acquire Non-Voting Shares through the reinvestment of dividends and additional optional cash payments. Excluding Non-Voting Shares purchased by way of additional optional cash payments, the Company, at its

discretion, may offer the Non-Voting Shares at up to a 5% discount from the market price. Shares purchased through optional cash payments are subject to a minimum investment of $100 per transaction and a maximum investment of $20,000 per calendar year. At September 30, 2004, 1.1 million (December 31, 2003 - 2.3 million) Non-Voting Shares are reserved for issuance under the Dividend Reinvestment and Share Purchase Plan.

15. Commitments and Contingent Liabilities

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

On May 30, 2002, and on July 31, 2002, the Canadian Radio-television and Telecommunications Commission ("CRTC") issued Decisions 2002-34 and 2002-43, respectively, and introduced the concept of a deferral account. The Company must make significant estimates and assumptions in respect of the deferral accounts given the complexity and interpretation required of Decisions 2002-34 and 2002-43. Accordingly, the Company estimates, and records, a liability ($114 million as of September 30, 2004 (December 31, 2003 - $76 million)) to the extent that activities it has undertaken, other qualifying events and realized rate reductions for Competitor Services do not extinguish it. Management is required to make estimates and assumptions in respect of the offsetting nature of these items. If the CRTC, upon its annual review of the Company's deferral account, disagrees with management's estimates and assumptions, the CRTC may adjust the deferral account balance and such adjustment may be material.

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

(b) Labour Negotiations

Collective bargaining with the Telecommunications Workers Union: In 2000, TELUS commenced collective bargaining with the Telecommunications Workers Union for a new collective agreement replacing the five legacy agreements from BC TELECOM and Alberta-based TELUS. Following the Clearnet acquisition and subsequent transactions, the Mobility business assumed responsibility for separate negotiations for its unionized operations in British Columbia and Alberta (see Canadian Industrial Relations Board Decision Letter 1088 and Decision 278 following). This is the first round of collective bargaining since the merger of BC TELECOM and TELUS Alberta and the Company's aim is to replace the multiple legacy collective agreements with a single collective agreement for the new bargaining unit.

During the fourth quarter of 2002, the Company's application to the Federal Minister of Labour, as provided for under the Canada Labour Code, requesting the appointment of a federal conciliator was granted. In the first quarter of 2004, the extended conciliation process, that included a global review of all outstanding issues, concluded and the outstanding issues were not resolved.

On January 15, 2004, the Federal Minister of Labour appointed the two conciliators as mediators to continue to work with the Company and the Telecommunications Workers Union towards a possible resolution.

On January 28, 2004, the Canadian Industrial Relations Board ruled, in response to an unfair labour practice complaint filed by the Telecommunications Workers Union, that the Company must make an offer of binding arbitration to the Telecommunications Workers Union to settle the collective agreement between the parties. The Company made the offer of binding arbitration on January 29, 2004,

and on January 30, 2004, the Telecommunications Workers Union accepted the offer. Under the provisions of binding arbitration, no legal labour disruption can occur.

With the assistance of mediators, the Company and the Telecommunications Workers Union have discussed the binding arbitration process including the selection of an arbitrator, terms of reference/guiding principles that an arbitrator would take into consideration, hearing location and dates, however, many of these items remain unresolved.

The Company has filed an application for reconsideration with the Canadian Industrial Relations Board and an appeal in the Federal Court of Appeal of the Canadian Industrial Relations Board's decision directing the Company to offer binding arbitration.

The operational and financial impacts of the outcome of the reconsideration and appeal processes on the Company are not practicably determinable currently.

Canadian Industrial Relations Board Letter Decision 1088 and Decision 278: On May 21, 2004, the Canadian Industrial Relations Board declared TELE-MOBILE COMPANY and TELUS Communications Inc. a single employer for labour relations purposes. The Canadian Industrial Relations Board also determined that the Mobility segment's non-unionized team members, predominantly located in Ontario and Quebec, performing work similar to their unionized Mobility segment counterparts in British Columbia and Alberta, should be included in the Telecommunications Workers Union bargaining unit without a representational vote.

On June 23, 2004, both TELE-MOBILE COMPANY and TELUS Communications Inc. filed an application to the Federal Court of Appeal for a stay and a judicial review of the Canadian Industrial Relations Board Letter Decision 1088 and the subsequent Decision 278. The stay application was granted in part on July 23, 2004. The Federal Court of Appeal held that the Mobility segment may communicate with its eastern employees affected by the Canadian Industrial Relations Board Letter Decision 1088 and Decision 278 (unlike the communication ban that continues in respect of TELUS Communications Inc.'s unionized team members represented by the Telecommunications Workers Union). The other aspects of the stay application were otherwise denied by the Federal Court of Appeal. However, the Federal Court of Appeal has invited TELE-MOBILE COMPANY and TELUS Communications Inc. to bring a new application should circumstances change such that irreparable harm becomes imminent. The judicial review of Canadian Industrial Relations Board Letter Decision 1088 and Decision 278 was heard on October 4-5, 2004, and a decision from the Federal Court of Appeal is pending.

Should the ultimate operational and financial impacts of the outcome of the Federal Court of Appeal process differ from management's assessments and assumptions, a material adjustment to the Company's financial position and the results of its operations could result.

(c) Microcell Telecommunications Inc.

On May 13, 2004, the Company announced its intention to make unsolicited offers to purchase for cash all of the issued and outstanding Class A Restricted Voting Shares, Class B Non-Voting Shares, Warrants 2005 and Warrants 2008 of Microcell Telecommunications Inc., which offers were made May 17, 2004. The total equity value of the transaction is approximately $1.1 billion. The offers, which were to expire on June 22, 2004, were further extended to July 22, 2004, August 20, 2004, September 20, 2004, and October 12, 2004, at which time the offers expired.

(d) Guarantees

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

Performance guarantees: Performance guarantees contingently require a guarantor to make payments to a guaranteed party based on a third party's failure to perform under an obligating agreement. TELUS provides sales price guarantees in respect of employees' principal residences as part of its employee relocation policies. In the event that the Company is required to honour such guarantees, it purchases (for immediate resale) the property from the employee.
The Company has guaranteed third parties' financial obligations as part of a facility naming rights agreement. The guarantees, in total, run through to August 31, 2008, on a declining-balance basis and are of limited recourse.
As at September 30, 2004, the Company has no liability recorded in respect of the aforementioned performance guarantees.

Financial guarantees: In conjunction with its 2001 exit from the equipment leasing business, the Company provided a guarantee to a third party with respect to certain specified telecommunication asset and vehicle leases. If the lessee were to default, the Company would be required to make a payment to the extent that the realized value of the underlying asset is insufficient to pay out the lease; in some instances, the Company could be required to pay out the lease on a gross basis and realize the underlying value of the leased asset itself. As at September 30, 2004, the Company has a liability of $1.0 million (December 31, 2003 - $1.5 million) recorded in respect of these lease guarantees.

The following table quantifies the maximum undiscounted guarantee amounts as at September 30, 2004, without regard for the likelihood of having to make such payment.

(millions)	Performance guarantees(1)(2)	Financial guarantees(1)
2004 (balance of year)	$ 3.7	$ 3.2
2005	1.8	3.1
2006	1.5	2.3
2007	1.0	1.2
2008	0.5	0.4

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

indemnifications.
In connection with its 2001 disposition of TELUS' directory business, the Company agreed to bear a proportionate share of the purchaser's increased directory publication costs if the increased costs were to arise from a change in the applicable CRTC regulatory requirements. The Company's proportionate share would be 80% through May 2006, declining to 40% in the next five-year period and then to 15% in the final five years. As well, should the CRTC take any action which would result in the purchaser being prevented from carrying on the directory business as specified in the agreement, TELUS would indemnify the purchaser in respect of any losses that the purchaser incurred.
As at September 30, 2004, the Company has no liability recorded in respect of indemnification obligations.

(e) Claims and Lawsuits

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

Pay equity: On December 16, 1994, the Telecommunications Workers Union filed a complaint against BC TEL, a predecessor of TELUS Communications Inc., with the Canadian Human Rights Commission, alleging that wage differences between unionized male and female employees in British Columbia were contrary to the equal pay for work of equal value provisions in the Canadian Human Rights Act. In December 1998, the Canadian Human Rights Commission advised that it would commence an investigation of the Telecommunications Workers Union complaint. In February 2003, the Canadian Human Rights Commission offered to mediate a settlement of the complaint, but the Company declined the offer. In 2004, the Canadian Human Rights Commission appointed a conciliator to attempt to bring about a settlement of the complaint. If the conciliator is unable to settle the complaint, the Canadian Human Rights Commission may refer the matter to the Canadian Human Rights Tribunal for a formal hearing. The timing of the resolution of this matter is not practicably determinable, but resolution is not imminently expected. The Company believes that it has good defences to the Telecommunications Workers Union's complaint. Should the ultimate resolution of the pay equity complaint differ from management's assessment and assumptions, a material adjustment to the Company's financial position and the results of its operations could result.

TELUS Corporation Pension Plan and TELUS Edmonton Pension Plan: In January 2002, the Company became aware of two statements of claim filed in the Alberta Court of Queen's Bench on December 31, 2001, and January 2, 2002, by plaintiffs alleging to be either members or business agents of the Telecommunications Workers Union. In one action, the three plaintiffs alleged to be suing on behalf of all current or future beneficiaries of the TELUS Corporation Pension Plan and in the other action, the two plaintiffs allege to be suing on behalf of all current or future beneficiaries of the TELUS Edmonton Pension Plan. The statement of claim in the TELUS Corporation Pension Plan related action named the Company, certain of its affiliates and certain present and former trustees of the TELUS Corporation Pension Plan as defendants, and claims damages in the sum of $445 million. The statement of claim in the TELUS Edmonton Pension Plan related action named the Company, certain of its affiliates and certain individuals who are alleged to be trustees of the TELUS Edmonton Pension Plan and claims damages in the sum of $15.5 million. On February 19, 2002, the Company filed statements of defence to both actions and also filed notices of motion for certain relief, including an order striking out the actions as representative or class actions. On May 17, 2002, the statements of claim were

amended by the plaintiffs and include allegations, inter alia, that benefits provided under the TELUS Corporation Pension Plan and the TELUS Edmonton Pension Plan are less advantageous than the benefits provided under the respective former pension plans, contrary to applicable legislation, that insufficient contributions were made to the plans and contribution holidays were taken and that the defendants wrongfully used the diverted funds, and that administration fees and expenses were improperly deducted. The Company filed statements of defence to the amended statements of claim on June 3, 2002. An application for an order striking out the actions as representative or class actions was dismissed on December 17, 2003. The Company believes that it has good defences to the actions. Should the ultimate resolution of these actions differ from management's assessment and assumptions, a material adjustment to the Company's financial position and the results of its operations could result.

Uncertified class action: A class action was brought August 9, 2004, under the Class Actions Act (Saskatchewan), against a number of past and present wireless service providers including the Company. The claim alleges that each of the carriers is in breach of contract and has violated competition, trade practices and consumer protection legislation across Canada in connection with the collection of system access fees, and seeks to recover direct and punitive damages in an unspecified amount. The class has not been certified and procedural objections to certification have been identified. The Company further believes the claim is unsound on the merits. Should the ultimate resolution of this action differ from management's assessments and assumptions, a material adjustment to the Company's financial position and the results of its operations could result.

16. Additional Financial Information

(a) Income Statement

Periods ended September 30 (millions)	Three months 2004	Three months 2003	2
Advertising expense	$ 35.7	$ 30.3	$

(b) Balance Sheet

(millions)	As Septem 2
Accounts receivable	
Customer accounts receivable	$
Accrued receivables	
Allowance for doubtful accounts	
Other	
	$

Prepaid expense and other	
Prepaid expenses	$
Deferred customer activation and installation costs	
Other	
	$
Accounts payable and accrued liabilities	
Trade accounts payable	$
Accrued liabilities	
Payroll and other employee-related liabilities	
Interest payable	
Other	
	$ 1
Advance billings and customer deposits	
Advance billings	$
Deferred customer activation and installation fees	
Customer deposits	
	$

(c) Supplementary Cash Flow Information

Periods ended September 30 (millions)	Three months 2004	2003	2
Net change in non-cash working capital			
Accounts receivable	$ (14.9)	$ (4.9)	$
Income and other taxes receivable	17.1	8.8	
Inventories	12.0	3.8	
Prepaid expenses and other	39.5	71.5	
Accounts payable and accrued liabilities	131.3	182.2	
Advance billings and customer deposits	17.7	20.2	
	$ 202.7	$ 281.6	$

17. Employee Future Benefits

(a) Defined benefit plans

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

Three months ended September 30 (millions)	2004			
	Incurred in period	Matching adjustments(1)	Recognized in period	Incurred in period

Pension benefit plans				
Current service cost	$ 17.6	$ -	$ 17.6	$ 16.3
Interest cost	78.1	-	78.1	76.8
Return on plan assets	(13.4)	(79.9)	(93.3)	(172.0)
Past service costs	-	0.1	0.1	-
Actuarial loss	6.2	-	6.2	7.4
Valuation allowance provided against accrued benefit asset	-	6.4	6.4	-
Amortization of transitional asset	-	(11.2)	(11.2)	-
	$ 88.5	$ (84.6)	$ 3.9	$ (71.5)

Nine months ended September 30
(millions)

	2004			
	Incurred in period	Matching adjustments(1)	Recognized in period	Incurred in period
Pension benefit plans				
Current service cost	$ 52.8	$ -	$ 52.8	$ 49.0
Interest cost	234.3	-	234.3	230.3
Return on plan assets	(221.1)	(58.7)	(279.8)	(286.5)
Past service costs	-	0.5	0.5	-
Actuarial loss	18.5	-	18.5	22.0
Valuation allowance provided against accrued benefit asset	-	19.1	19.1	-
Amortization of transitional asset	-	(33.6)	(33.6)	-
	$ 84.5	$ (72.7)	$ 11.8	$ 14.8

Three months ended September 30
(millions)

	2004			
	Incurred in period	Matching adjustments(1)	Recognized in period	Incurred in period
Other benefit plans				
Current service cost	$ 1.2	$ -	$ 1.2	$ 1.2
Interest cost	0.8	-	0.8	0.9
Return on plan assets	(0.7)	-	(0.7)	(0.2)
Actuarial gain	(0.3)	-	(0.3)	(0.3)
Amortization of transitional obligation	-	0.2	0.2	-
	$ 1.0	$ 0.2	$ 1.2	$ 1.6

Nine months ended September 30
(millions)

	2004			
	Incurred in period	Matching adjustments(1)	Recognized in period	Incurred in period
Other benefit plans				
Current service cost	$ 3.6	$ -	$ 3.6	$ 3.7
Interest cost	2.5	-	2.5	2.8
Return on plan assets	(2.0)	-	(2.0)	(0.6)

Actuarial gain	(1.1)	-	(1.1)	(0.9)
Amortization of transitional obligation	-	0.6	0.6	-
	$ 3.0	$ 0.6	$ 3.6	$ 5.0

(b) Employer contributions
The best estimate of fiscal 2004 employer contributions to the Company's defined benefit pension plans has been revised to $136.6 million (the best estimate at December 31, 2003, was - $104.8 million) to reflect updated actuarial valuations and the net acceleration of discretionary funding.

(c) Defined contribution plans
The Company's total defined contribution pension plan costs recognized were a follows:

Periods ended September 30 (millions)	Three months 2004	2003	2
Union pension plan contributions	$ 10.2	$ 8.5	$
Other defined contribution pension plans	2.6	1.4	
	$ 12.8	$ 9.9	$

18. Segmented Information

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

Three months ended September 30 (millions)	Communications 2004	2003	Mobility 2004	2003	Eliminations 2004	2003
External revenue	$ 1,199.9	$ 1,186.3	$ 747.0	$ 619.9	$ -	$
Inter-segment revenue	24.9	24.6	5.0	4.0	(29.9)	(2
Total operating revenue	1,224.8	1,210.9	752.0	623.9	(29.9)	(2
Operations expense	714.2	701.9	428.5	378.4	(29.9)	(2
Restructuring and work-force						

reduction costs	16.2	2.3	-	-	-	
EBITDA(1)	$ 494.4	$ 506.7	$ 323.5	$ 245.5	$ -	$
CAPEX(2)	$ 216.4	$ 208.9	$ 103.4	$ 95.1	$ -	$
EBITDA less CAPEX	$ 278.0	$ 297.8	$ 220.1	$ 150.4	$ -	$

Nine months ended September 30 (millions)	Communications		Mobility		Eliminations	
	2004	2003	2004	2003	2004	2003
External revenue	$ 3,560.0	$ 3,604.0	$ 2,056.3	$ 1,716.4	$ -	$
Inter-segment revenue	72.0	71.4	15.2	11.6	(87.2)	(8
Total operating revenue	3,632.0	3,675.4	2,071.5	1,728.0	(87.2)	(8
Operations expense	2,132.7	2,155.7	1,214.0	1,102.6	(87.2)	(8
Restructuring and work-force reduction costs	32.8	12.1	-	-	-	
EBITDA(1)	$ 1,466.5	$ 1,507.6	$ 857.5	$ 625.4	$ -	$
CAPEX(2)	$ 743.5	$ 589.8	$ 232.1	$ 227.5	$ -	$
EBITDA less CAPEX	$ 723.0	$ 917.8	$ 625.4	$ 397.9	$ -	$

19. Related Party Transactions

In 2001, the Company entered into an agreement with Verizon Communications Inc. ("Verizon"), a significant shareholder, with respect to acquiring certain rights to Verizon's software, technology, services and other benefits, thereby replacing and amending a previous agreement between the Company and GTE Corporation. The agreement is renewable annually at the Company's sole option up to December 31, 2008, and it has been renewed for 2005. As of September 30, 2004, in aggregate, $312.1 million of specified software licences and a trademark licence have been acquired and recorded as capital and other assets. These assets are valued at fair market value at the date of acquisition as determined by an arm's-length party's appraisal. Assuming renewal through to 2008, the total commitment under the agreement is U.S.$377 million for the period 2001 to 2008 and the commitment remaining after September 30, 2004, is U.S.$87 million (December 31, 2003 - U.S.$102 million).

In the normal course of operations and on market terms and conditions, ongoing services and other benefits have been received and expensed. In connection with the 2001 disposition of TELUS' directory business to Verizon, the Company bills customers, and collects, for directory listings on Verizon's behalf. The Company owed Verizon, on a net basis and including directory rebilling and collections done on Verizon's behalf as well as dividends payable, $36.9 million at September 30, 2004 (December 31, 2003 - $40.9 million).

Periods ended September 30	Three months

(millions)	2004	2003	2
Verizon agreement - Ongoing services and benefits expensed	$ 6.6	$ 6.9	$
Sales to Verizon (Verizon customers' usage of TELUS' telecommunication infrastructure and other)	$ 16.6	$ 14.8	$
Purchases from Verizon (TELUS customers' usage of Verizon's telecommunication infrastructure and other)	$ 5.4	$ 6.8	$

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

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

Periods ended September 30	Three months		
(millions)	2004	2003	2
		(restated - Note 2(b))	
Net income in accordance with Canadian GAAP	$ 156.6	$ 114.1	$
Adjustments:			
Operating expenses			
Operations (b)	0.5	(4.2)	
Depreciation (c)	-	27.0	
Amortization of intangible assets (d)	(20.5)	(20.5)	
Financing costs (f)	2.1	2.4	
Accounting for derivatives (g)	(4.5)	(0.1)	
Taxes on the above adjustments (h)	9.3	(1.6)	
Net income in accordance with U.S. GAAP	143.5	117.1	
Other comprehensive income (loss) (i)	(15.3)	(68.0)	
Comprehensive income (loss) in accordance with U.S. GAAP	$ 128.2	$ 49.1	$
Net income in accordance with U.S. GAAP per Common Share and Non-Voting			
- Basic	$ 0.40	$ 0.33	$
- Diluted	$ 0.40	$ 0.33	$

The following is a restatement of retained earnings (deficit) to reflect the application of U.S. GAAP:

Periods ended September 30	
(millions)	2

Balance at beginning of year	$
Net income in accordance with U.S. GAAP	
Less: Common Share and Non-Voting Share dividends paid, or payable, in cash	
Common Share and Non-Voting Share dividends reinvested, or to be reinvested, in shares issued from Treasury	
Preference and preferred share dividends	
Redemption premium on preference and preferred shares in excess of amount chargeable to contributed surplus (Note 14(c))	
Balance at end of period	$

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

(millions)	As Septe 2
Current Assets	$ 2
Capital Assets	
Property, plant, equipment and other	7
Intangible assets subject to amortization	2
Intangible assets with indefinite lives	2
Goodwill	3
Deferred Income Taxes	
Other Assets	
	$19
Current Liabilities	$ 1
Long-Term Debt	6
Other Long-Term Liabilities	1
Deferred Income Taxes	1
Non-Controlling Interest	
Shareholders' Equity	8
	$19

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

(millions)	As Septe 2
Shareholders' Equity under Canadian GAAP	$ 6
Adjustments:	
Purchase versus Pooling Accounting (a), (c) - (f)	1
Additional goodwill on Clearnet purchase (e)	

Convertible debentures (including conversion option) (f)	
Accounting for derivatives (g)	
Accumulated other comprehensive income (loss) (i)	
Shareholders' Equity under U.S. GAAP	$ 8
Composition of Shareholders' Equity under U.S. GAAP	
Preference and preferred shares	
TELUS Communications Inc. Preference Shares and Preferred Shares (Note 14(c))	$
Common equity	
Common Shares	4
Non-Voting Shares	4
Options and warrants	
Accrual for shares issuable under channel stock incentive plan	
Cumulative foreign currency translation adjustment	
Retained earnings (deficit)	
Accumulated other comprehensive income (loss) (i)	
Contributed surplus	
	8
	$ 8

(a) Merger of BC TELECOM and TELUS

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

(b) Operating Expenses - Operations

Periods ended September 30	Three months		
(millions)	2004	2003	2
Future employee benefits	$ (4.2)	$ (4.2)	$
Share-based compensation	4.7	-	
	$ 0.5	$ (4.2)	$

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

Share-based compensation: Effective January 1, 2004, Canadian GAAP required the adoption of the fair value method of accounting for share-based compensation for awards made after 2001 (see Note 2(a) and Note 8(a)). U.S. GAAP requires disclosure of the impact on net income and net income per Common Share and Non-Voting Share as if the fair value based method of accounting had been applied for awards made after 1994. The fair values of the Company's options granted in 2004 and 2003, and the weighted average assumptions used in estimating the fair values, are set out in Note 8(a). Such impact, using the fair values set out in Note 8(a) would approximate the pro forma amounts in the following table.

Periods ended September 30 (millions except per share amounts)	Three months 2004	 2003	 2
Net income in accordance with U.S. GAAP			
As reported	$ 143.5	$ 117.1	$
Deduct: Share-based compensation arising from share options determined under fair value based method for all awards	(5.5)	(10.5)	
Pro forma	$ 138.0	$ 106.6	$
Net income in accordance with U.S. GAAP per Common Share and Non-Voting Share			
Basic			
As reported (using intrinsic method)	$ 0.40	$ 0.33	$
Pro forma (using fair value method)	$ 0.39	$ 0.30	$
Diluted			
As reported (using intrinsic method)	$ 0.40	$ 0.33	$
Pro forma (using fair value method)	$ 0.39	$ 0.30	$

(c) Operating Expenses - Depreciation

Periods ended September 30 (millions)	Three months 2004	 2003	 2
Merger of BC TELECOM and TELUS	$ -	$ 9.0	$
Asset impairment	-	18.0	
	$ -	$ 27.0	$

Merger of BC TELECOM and TELUS: Under the purchase method, TELUS' capital assets on acquisition have been recorded at fair value rather than at their underlying cost (book values) to TELUS. Therefore, depreciation of such assets based on fair values at the date of acquisition under U.S. GAAP will be different than TELUS' depreciation based on underlying cost (book values). As of March 31, 2004, the amortization of this difference had been completed.

Asset impairment: In the first quarter of 1998, BC TELECOM took an asset impairment charge. In assessing if a capital asset is impaired, estimated future net cash flows are not discounted in computing the net recoverable amount. Under Canadian GAAP, at the time the assessment took place, the

impairment amount recorded was the excess of the carrying amount over the recoverable amount; under U.S. GAAP the impairment amount recorded was the excess of the carrying amount over the discounted estimated future net cash flows that were used to determine the net recoverable amount. Under U.S. GAAP, the net of tax charge taken in 1998 would be $232.2 million higher and would not be considered an extraordinary item. The annual depreciation expense would be approximately $72 million lower subsequent to when the increased impairment charge was taken under U.S. GAAP. As of December 31, 2003, the amortization of this difference had been completed.

(d) Operating Expenses - Amortization of Intangible Assets

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

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

(millions)	Cost	Accumulated Amortization	As Septem 2
Intangible assets subject to amortization			
Subscribers - wireline	$ 1,950.0	$ 247.8	$ 1
Subscribers - wireless	250.0	192.3	
	2,200.0	440.1	1
Intangible assets with indefinite lives			
Spectrum licences(1)	1,833.3	1,833.3	
	$ 4,033.3	$ 2,273.4	$ 1

Estimated aggregate amortization expense for intangible assets subject to amortization, calculated upon such assets held as at September 30, 2004, for each of the next five fiscal years is as follows:

Years ending December 31 (millions)
2004 (balance of year)
2005
2006
2007
2008

(e) Goodwill

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

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

(f) Financing Costs

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

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

(g) Accounting for Derivatives

On January 1, 2001, the Company adopted, for U.S. GAAP purposes, the provisions of Statement of Financial Accounting Standards No. 133, "Accounting For Derivative Instruments and Hedging Activities." This standard requires that all derivatives be recognized as either assets or liabilities and measured at fair value. This is different from the Canadian GAAP treatment for financial instruments. Under U.S. GAAP, derivatives which are fair value hedges, together with the financial instrument being hedged, will be marked to market with adjustments reflected in income and derivatives which are cash flow hedges will be marked to market with adjustments reflected in comprehensive income.

(h) Income Taxes

Periods ended September 30	Three months		
(millions)	2004	2003	2
Current	$ 5.8	$ (11.7)	$
Deferred	82.1	96.3	
	87.9	84.6	
Investment Tax Credits	-	-	
	$ 87.9	$ 84.6	$

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

Three months ended September 30 ($ in millions)	2004		
Basic blended federal and provincial tax at statutory income tax rates	$ 81.0	34.8%	$
Tax rate differential on, and consequential adjustments from, settlement of prior year tax issues	(0.3)		
Investment Tax Credits	-		
Other	1.7		
	82.4	35.5%	
Large corporations tax	5.5		
U.S. GAAP income tax expense (recovery)	$ 87.9	37.8%	$

Nine months ended September 30 ($ in millions)	2004		
Basic blended federal and provincial tax at statutory income tax rates	$ 203.5	34.8%	$
Tax rate differential on, and consequential adjustments from, settlement of prior year tax issues	(36.1)		
Investment Tax Credits	(0.3)		
Other	(0.1)		
	167.0	28.5%	
Large corporations tax	14.6		
U.S. GAAP income tax expense (recovery)	$ 181.6	31.0%	$

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

Statement of Financial Accounting Standards No. 130, "Reporting Comprehensive Income", requires that a statement of comprehensive income be displayed with the same prominence as other financial statements. Comprehensive income, which incorporates net income, includes all changes in equity during a period except those resulting from investments by and distributions to owners. There is currently no requirement to disclose comprehensive income under Canadian GAAP.

Three-month periods ended September 30 (millions)	2004			
	Unrealized fair value of derivative cash flow hedges	Minimum pension liability	Total	Unrealized fair value of derivative cash flow hedges

Amount arising	$ (22.6)	$ (0.9)	$ (23.5)	$ (109.6)
Income tax expense (recovery)	(7.9)	(0.3)	(8.2)	(40.8)
Net	(14.7)	(0.6)	(15.3)	(68.8)
Accumulated other comprehensive income (loss), beginning of period	(88.7)	(111.5)	(200.2)	33.2
Accumulated other comprehensive income (loss), end of period	$ (103.4)	$ (112.1)	$ (215.5)	$ (35.6)

Nine-month periods ended September 30 (millions)	2004			
	Unrealized fair value of derivative cash flow hedges	Minimum pension liability	Total	Unrealized fair value of derivative cash flow hedges
Amount arising	$ (45.6)	$ (2.7)	$ (48.3)	$ (247.4)
Income tax expense (recovery)	(15.8)	(1.0)	(16.8)	(96.1)
Net	(29.8)	(1.7)	(31.5)	(151.3)
Accumulated other comprehensive income (loss), beginning of period	(73.6)	(110.4)	(184.0)	115.7
Accumulated other comprehensive income (loss), end of period	$ (103.4)	$ (112.1)	$ (215.5)	$ (35.6)

(j) Recently Issued Accounting Standards Not Yet Implemented

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

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

Dated: October 29, 2004

TELUS Corporation

/s/ Audrey Ho

Name: Audrey Ho
Title: Vice President, Legal Services and General Counsel and Corporate Secretary