TELUS CORP
Form 6-K
August 08, 2005

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 ___August___ 2005
(Commission File No. 000-24876)

TELUS Corporation

(Translation of registrant's name into English)

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

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

Form 20-F ______ Form 40-F ___X___

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

Yes ______ No ___X___

This Form 6-K consists of the following:

Press Release dated August 5, 2005 of the Second Quarter Results

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Attention Business/Financial Editors:
TELUS Reports Second Quarter Results

Solid wireline and strong wireless performance
drives revenue and profit growth

VANCOUVER, Aug. 5 /CNW/ - TELUS Corporation (TSX: T and T.NV / NYSE: TU) today reported strong financial results for the second quarter of 2005 reflecting excellent wireless performance at TELUS Mobility, good revenue growth at TELUS Communications and a significant increase in consolidated earnings. Consolidated operating revenues of $2.0 billion in the quarter increased 8% from a year ago and operating income was up 24%. Earnings per share for the second quarter were 53 cents, up 10% compared with 48 cents for the same period a year ago. Earnings per share for the second quarter included a one time three cent negative accrual arising from a legal proceeding related to a 1997 debt transaction, and the second quarter of 2004 benefited from 13 cents in positive tax related adjustments.

FINANCIAL HIGHLIGHTS

C$ in millions, except per share amounts (unaudited)	3 months ended June 30 2005	2004	% Change
Operating revenues	2,018.5	1,865.6	8.2
EBITDA(1)	865.0	784.8	10.2
Operating income	465.9	377.2	23.5
Net income	189.5	172.3	10.0
Earnings per share (EPS), basic(2)	0.53	0.48	10.4
Capital expenditures	408.7	346.1	18.1
Cash provided by operating activities	687.7	489.0	40.6
Free cash flow(3)	207.8	229.5	(9.5)

Darren Entwistle, president and CEO, stated "TELUS second quarter results were strong across the board with an eight per cent increase in revenue driven by our consistent strategic focus on delivering wireless and data growth. Our Company's EBITDA and bottom line EPS was up a reported 10 per cent. Indeed, after adjusting for non-recurring items, EPS increased 60 per cent. As highlighted last quarter, we are striving to bring the collective bargaining process to a positive conclusion for all stakeholders. A major positive step forward was taken in July as we commenced implementation of a new comprehensive collective agreement for TWU bargaining unit employees. While the recent strike action by the TWU presents a challenge for employees and some customers, I am heartened by the support of management and bargaining unit team members alike that have responded positively to the work stoppage in support of TELUS and our customers. Approximately 70 per cent of our team members continue to work to serve our customers. Our desire at the end of the day is to have all unionized team members share in our ongoing financial success, which our comprehensive offer ensures."

Robert McFarlane, executive vice president and CFO, commented that "we generated record quarterly wireless revenue and EBITDA in addition to setting a new second quarter record for cash flow and subscriber additions. We were also pleased with our wireline revenue growth, led by strong data results while local and long distance revenue were stable in the face of increased competitive pressure and line losses. TELUS continues to produce significant quarterly free cash flow of over $200 million. After repurchasing 6.5 million shares during the quarter for an outlay of $272 million, TELUS still maintained a significant cash balance of $1.1 billion at quarter end. We are ready to distribute approximately $200 million of past period and lump sum payments to TWU employees on ratification of their new collective agreement. Reflecting positive year to date results and the successful implementation of our emergency operations plan to address the labour disruption in Western

Canada, we are maintaining our existing 2005 guidance."

OPERATING HIGHLIGHTS

TELUS Mobility
Strong cash flow improvement of $44 million driven by 19% revenue growth and significant margin expansion

- revenues increased by $125 million or 19% to $802 million in the second quarter of 2005, when compared with the same period in 2004
- EBITDA increased by $80 million or 28% to $367 million
- EBITDA margin expanded by 3.5 points to 49% of network revenue, and by 3.4 points to 45% of total revenue
- ARPU (average revenue per subscriber unit) increased markedly by $2 to $61
- cost of acquisition ("COA") per gross subscriber improved to $342 from $381
- net subscriber additions of 131,100 in the quarter, improved 15% from a year ago. Notably, higher revenue-generating postpaid subscriber net additions of 103,900 represented 79% of total net additions
- blended monthly churn increased slightly to 1.37% from 1.32% when compared to the same quarter a year ago. Post paid churn was 1.05%.
- cash flow (EBITDA less capital expenditures) increased by $44 million or 21% to $252 million

TELUS Communications
Strong data growth with stable long distance revenues result in increased operating revenues

- revenues increased by $28 million or 2% to $1,217 million in the second quarter of 2005, when compared with the same period in 2004 representing a fourth consecutive quarter of year-over-year growth
- data revenue increased 10% driven by increased Internet and enhanced data service revenues
- strong 19% increase in non-incumbent revenues in Ontario and Quebec to $156 million creating a third consecutive quarter of profitability
- long-distance revenue was flat, reversing the trend of year-over-year revenue declines
- EBITDA was flat in the quarter, compared to the same quarter a year ago, due to 2% revenue growth offset by increased competitive activity, restructuring and emergency operations planning costs
- high-speed Internet net additions were 17,100 in the second quarter, bringing TELUS' total high-speed Internet subscriber base to 729,000, a 17% increase from last year
- network access lines of 4.7 million, declined 86,000 or 1.8% from a year ago due to competitive activity and wireless substitution
- cash flow (EBITDA less capital expenditures) decreased by $26 million or 11% to $205 million in the second quarter, compared to the same period a year ago, due to higher capital expenditures

CORPORATE DEVELOPMENTS

Move to resolve collective bargaining escalates into work action

After four and a half years without a collective agreement and with legal blockages largely removed, TELUS escalated the collective bargaining process towards resolution - a top corporate priority for 2005. More than 13,000 of TELUS' 28,700 employees are represented by the Telecommunications Communication Workers Union (TWU) bargaining unit.

A number of legal challenges and appeals were decided in the last quarter by the Canada Industrial Relations Board (CIRB) and the courts, which in most cases supported TELUS' actions and allowed events to move forward. In April, the TWU lost appeals to the Federal Court of Appeal (FCA) and CIRB that challenged the Company on its implementing of "soft" lockout measures, which did not close operations. In July, the CIRB ruled that TELUS did not contravene the Labour Code in distributing its comprehensive offer (Offer) directly to employees and therefore rejected the remedy of returning the parties to binding arbitration. Also in July, the FCA ruled against the TWU appeal of the CIRB decision in February that put the parties back into negotiations instead of binding arbitration. In June, the Supreme Court of Canada denied the Company's application for leave to appeal the CIRB decision, which put TELUS Mobility's non-unionized team members, predominantly located in Ontario and Quebec, into the TWU bargaining unit without a representational vote. In addition, the CIRB ruled in July that TELUS did not provide information concerning these employees early enough to the TWU. These last two rulings did not impede the escalation of events towards resolving collective bargaining. Finally, in late July the Company won broad injunctions from the courts in British Columbia and Alberta that prevents picket lines from unlawfully impeding access to TELUS and customer locations.

Both the Company and the TWU have taken measures to escalate the pressure on each other to reach settlement. The Company retabled its comprehensive Offer to the TWU on April 13 and on April 18, declared negotiations to be at an impasse and delivered a first notice of lockout to the TWU. The notice, effective April 25, which did not include the closing of operations, included a number of measures, such as the suspension of grievance and arbitration processes, scheduling of accumulated time off, and the deferral of wage progression increases and increases in vacation entitlements. The Company communicated the terms and conditions of that offer to bargaining unit team members on April 21. TELUS further escalated lockout measures during the period May through July.

Similarly, the TWU escalated its strike measures by imposing an overtime and relieving management ban and announcing a work-to-rule campaign. TELUS tabled an addendum to the Offer with the TWU on June 14, which provided clarifications and adjustments to the April 13 offer, to benefit employees and to provide incentives for settlement prior to September 1. On June 22, the TWU tabled its counter proposal to TELUS, which was reviewed and rejected on June 24 because it failed in any meaningful fashion to address TELUS' need for improved productivity and flexibility and widened the gap between the parties with respect to some key aspects, such as contract duration and reduction of extra days off. The TWU also began rotating strike activity in early July, in the form of "study sessions," to which management usually responded by imposing lockouts for those employees who participated in the activity.

On July 12, TELUS announced its intent to implement certain portions of its Offer of settlement commencing July 22, 2005. The Offer includes at a minimum annual two percent base wage increases generally, additional variable performance pay of three, four and five percent over the next three years, and wage harmonization between Alberta and BC. The Offer would make TELUS bargaining unit members the best paid in Canada. Contracting out language is typical of the pre-existing Alberta contract and other communication company contracts in North America. The TWU responded by initiating full strike activity on July 21. The TELUS Offer has never been presented by the TWU to its membership for a ratification vote and, although not legally required given TELUS' implementation of lockout measures, the last union strike vote was conducted in January 2004. In response to the TWU's escalation of strike activity, TELUS implemented its contingency plans designed to minimize the impact on customers, and on July 22 commenced implementation of its Offer. The implementation of the Offer does not include the lump sum and retroactive payments, which total approximately $200 million, nor certain pension and benefit proposals, which only become effective following ratification of the Offer of settlement. There are a number of incentives in place, if the collective agreement is ratified by September 1, 2005.

Significant and increasing numbers of employees in Alberta and currently all employees East of Alberta are choosing to continue work, which provides support to managers' efforts to maintain customer service.

Update on TELUS share repurchases

During the quarter, TELUS continued to purchase shares under its Normal Course Issuer Bid. In the second quarter, a total of 6.5 million shares (2,972,500 common and 3,540,200 non-voting) were purchased, for a total outlay of $272.0 million.

TELUS commenced the program on December 20, 2004 with the intention to purchase and cancel, from time to time over a 12-month period, up to 14 million of its outstanding common shares and up to 11.5 million of its outstanding non-voting shares. This represents approximately seven per cent of the issued and outstanding shares in each share class. Since the program commenced, a total of 12.9 million shares (5,825,311 common and 7,027,700 non-voting) have been purchased, for a total outlay of $508.4 million, representing 50% of the 25.5 million shares authorized under the program.

TELUS believes that such purchases are in the best interest of TELUS and constitute an attractive investment opportunity and desirable use of TELUS' funds that should enhance the value of the remaining shares.

TELUS redeems C$150 million of convertible debentures

On June 16, 2005, TELUS redeemed its publicly issued 6.75% Convertible Unsecured Subordinated Debentures due June 15, 2010 at par plus accrued interest. Each convertible debenture was convertible at the option of the holder into TELUS non-voting shares at the conversion price of $39.73 per share.

Given the recent increase in share price over the conversion price, approximately 88% of holders elected to convert to non-voting shares and over 3.3 million non-voting shares were issued. The total cash outlay for the remaining debentures not converted was $18 million.

TELUS receives credit rating enhancements

In June, Moody's Investors Services announced it had upgraded the Senior Unsecured rating of TELUS Corporation to Baa2 from Baa3 with a stable outlook. This rating increase brings Moody's rating of TELUS in line with the BBB-mid investment grade ratings maintained by Standard & Poor's, Dominion Bond Rating Services and Fitch Ratings. The rating upgrade reflects Moody's expectation for the continued strength of TELUS' operating results.

Also in the second quarter, Fitch revised TELUS' credit rating outlook to positive from stable. The positive rating outlook reflects Fitch's view that TELUS will continue to improve its credit profile through growth in cash flows, driven by wireless operations and expectations for further debt reduction. Standard & Poor's and Fitch now maintain positive outlooks, while Dominion Bond Rating Services maintains a stable trend.

TELUS and Telephony (at)Work launch CallCentreAnywhere

TELUS has an exclusive partnership with Telephony(at)Work, a worldwide leader in adaptive IP contact centre technology for enterprises and service providers, to launch Canada's first fully integrated on-demand hosted contact centre service, CallCentreAnywhere. The service brings together TELUS' leading data and IP technology and Telephony(at)Work's contact centre software to streamline all methods of customer contact (phone, email, fax, online, or voice mail) through a single IP-based system that eliminates the technical complexity of managing the various means of customer communications.

TELUS' CallCentreAnywhere will be launching with seven new customers, including Canada Post's InnovaPost and the Canadian Red Cross.

Innovapost, the technical division of Canada Post, is being trialed in Calgary with its new service offering called fetch(TM). InnovaPost developed the fetch technology after Canada Post recognized that many consumers want to know more about products or services they have seen advertised, without providing the advertisers with too much personal information. fetch provides Canadians with the information they want, while screening their personal details from advertisers.

CallCentreAnywhere is being adopted by the Red Cross' B.C. Disaster Response Centre. TELUS is sponsoring the implementation of a $1.5 million call centre capable of handling public enquiries from across Canada faster and more effectively. Rather than having phones on folding tables in emergency situations like the Tsunami in December, the new Red Cross Disaster call centre will have banks of stations, complete with computers, where volunteers can take information from a call, email or fax and route it into a single Internet Protocol-based system. It should tremendously reduce the time spent on each call, while increasing the accuracy and effectiveness of the information being gathered.

Regulatory Developments

Regulatory framework for voice communication services using Internet protocol

On May 12, 2005, the Canadian Radio-Television and Telecommunications Commission (CRTC) released its decision regarding regulatory requirements for the provision of voice communication services using Internet protocol, also known as VoIP. This decision divides VoIP service providers into two groups: incumbent local exchange carriers (ILECs) such as TELUS who are regulated in a manner similar to existing local service regulation in regards to price regulation and win-back restrictions; and others, including cable-TV companies, who are not subject to those regulations. TELUS and other ILECs have sought leave to appeal the regulation on win-backs with the Federal Court, arguing that it infringes on the companies' constitutional rights to commercial free speech.

On July 28, TELUS, along with BCE, SaskTel and Aliant, announced a joint Federal Cabinet appeal of the VoIP decision.

Proceeding on local exchange services forbearance

The CRTC announced it will be examining issues in relation to forbearance including: relevant markets, CRTC powers and duties that should be forborne, and the post-forbearance criteria and conditions that might apply. The proceeding will also consider the possibility of providing ILECs with more regulatory flexibility prior to forbearance. A decision is expected in the first quarter of 2006.

TELUS' position is that the CRTC must adopt a clear, simple test that will allow ILEC's to gain automatic deregulation when certain measurable benchmarks are reached. Under TELUS' proposal, the Company would simply file evidence that a full facilities-based CLEC has achieved five per cent of the local exchange service market for business or residential services in the CLEC's service area. The CRTC would then have 30 days to issue a forbearance order.

Proceeding to consider extending the price regulation regime

On May 13, 2005, the CRTC proposed to extend the current price cap regime without any changes for two additional years beyond the currently anticipated end date of May 31, 2006. In filing its comments, TELUS asked the CRTC to stop the flow of funds into the deferral account and requested that incumbents be allowed to reduce prices for residential services in non-high-cost areas and for business services where customers have a choice of local telephone service suppliers. TELUS committed that it would not increase rates in other service areas in order to offset any rate reductions resulting from these changes.

TELUS Mobility

TELUS Mobility introduced several new phones in the second quarter confirming its leadership in bringing cool and exclusive phones to the Canadian wireless market. The new products included two new PCS Push To Talk phones, four stylish and affordable PCS phones and a ruggedized Mike device.

Push To Talk expansion

With its Mike iDEN and Instant Talk CDMA services, TELUS Mobility continues to dominate the Push To Talk (PTT) market in Canada. In the second quarter, TELUS Mobility introduced two new Instant Talk phones: The LG 4750, a clamshell design featuring an integrated speakerphone with exceptional sound quality, and the KX440Y, a high-visibility yellow version of the Kyocera KX440. With four different Instant Talk models, TELUS offers the broadest selection of PCS PTT phones in Canada.

TELUS Mobility also expanded its selection of Mike phones with the Motorola i355, a tough, multifunctional mobile communications tool for field-service workers and other clients who need a rugged instant-contact handset. Joining a roster of more than a dozen all-in-one Mike devices, the Motorola i355 features Global Positioning System (GPS) capability and Mike's Talk Around, which lets clients use their phones as walkie talkies, even when outside network coverage areas.

New PCS phones and international roaming

TELUS Mobility rolled out several new exclusive and affordable PCS phones from partners LG Electronics, Motorola, Samsung and UTStarcom (formerly Audiovox):

- The LG 125 is an affordable clamshell phone available in vibrant green/white and silver/white design that features an internal antenna, a 32-tone polyphonic ringer, and a calendar, calculator and alarm.
- Two new PCS phones from Motorola, the V265 and the V262, feature fuse advanced speech recognition capabilities with a variety of personalization, entertainment and productivity tools. The Motorola V265 integrates a camera with digital zoom, speakerphone and Personal Information Manager into its clam shell design. Built for personalization, the Motorola V262 offers changeable blue or silver face plates, and an integrated speakerphone supporting its advance speech recognition capability.
- The Samsung A570 is a compact black-and-silver flip phone featuring both a full-sized colour screen and external LCD display, and "do more" features such as downloadable ring tones, images and games.
- The UTStarcom 860 features a sleek red, black and silver exterior "candy bar" design, digital camera, colour screen, voice activated dialing, commands and memo features, a 32-chord polyphonic ringer and downloadable ringtones, images and games.

TELUS Mobility announced that its PCS clients can now use their wireless phones while travelling in mainland China, New Zealand and Taiwan. PCS clients already use their phones while travelling in Bermuda, the Dominican Republic, Guam, Hong Kong, Mexico, Puerto Rico, South Korea, the US Virgin Islands, Venezuela and of course across the United States.

TELUS Mobility announces Mission Critical Data solution

In May, TELUS Mobility introduced its Multi-Network Data Access (MNDA) solution, a reliable way for public safety and enterprise clients to access mission critical data wirelessly and pass it between data networks without losing connections. Built around IBM's WebSphere Everyplace Connection Manager, MNDA optimizes bandwidth and allows clients to roam seamlessly across different wireless data networks - including 1X data networks such as TELUS Mobility PCS, iDEN networks such as Mike and Wi-Fi networks. It also greatly reduces the start-up and operational costs associated with building similar in-house solutions.

TELUS Mobility expands award-winning retail outlets

In June, TELUS Mobility opened two state-of-the-art corporate retail locations in Quebec City, offering fashionable shopping environments that reflect TELUS Mobility's unique future friendly retail approach. The new store locations are part of TELUS Mobility's national network of more than 3,000 retail locations, including more than 100 corporate stores. In March, TELUS Mobility won the prestigious National Association of Store Fixture Manufacturers (NASFM) award for International Store of the Year.

20 years of wireless in Canada

July 1 marked the 20th anniversary of wireless communications in Canada. From humble beginnings, the industry has grown to encompass 15 million customers - almost 50 per cent of the total population - with digital coverage available to 94 per cent of Canadians from sea to sea. Canada's wireless carriers have made infrastructure investments of some $20 billion over the last two decades, and the industry now accounts for more than 25,000 direct, high-value jobs in Canada. The fast pace of growth continues. This year alone, it's estimated 1.5 million Canadians will buy new wireless phones, as many as joined the industry in its first 10 years.

July 1 also marked the introduction of inter-carrier Multimedia Messaging Service (MMS), allowing customers to wirelessly send and receive picture, video and sound files to and from MMS-capable phones, regardless of a recipient's carrier. The initiative is similar to the inter-carrier text messaging service launched by Canada's carriers in 2002, which has led to growth in messaging traffic of at least 100 per cent every year since. Canadians now send almost 40 million phone-to-phone text messages each month, and are on track to send a total of 1.5 billion this year.

Brian Canfield recognized for contribution to TELUS

The Burnaby building, where more than 2,400 TELUS team members work, was named in honour of Brian Canfield's outstanding contribution to the advancement of Canada's telecommunications industry during his distinguished 49-year career with TELUS. The Brian Canfield Centre for Excellence in Telecommunications building honours Mr. Canfield, the former president and CEO and now chairman of the TELUS board of directors.

TELUS recognized for excellence

Based upon TELUS' continued excellent performance in customer service, for the second time in a year, an industry study has concluded TELUS is the top national directory assistance provider in Canada. The Paisley Group Ltd., a directory assistance/operator services consulting company, rated TELUS as the highest rated provider in last September's survey. TELUS maintained that position in the recently released spring Index, in which TELUS earned a 91 per cent passed calls mark. The Paisley Group describes passed calls as the hallmark of directory assistance, measuring whether customers both received correct information and were treated in an appropriate manner.

TELUS was also honoured for excellence in employee development with the Program of the Year award at the recent SkillSoft conference. TELUS won the award for two of its leadership and development programs: one, a blended learning program for training frontline staff in TELUS' credit department, and the other, a comprehensive leadership development program for all levels of the organization. To be considered for the award, companies must demonstrate successful measured results in terms of return on investment, increased usage, a timeline for implementation, complexity, and a marketing strategy.

Creating future friendly communities

TELUS continues to make significant investments in the communities where we live work and serve. We are committed to becoming Canada's premier corporate citizen, and take a leadership role in supporting Canadians by leveraging our funding, technology and expertise to help make a difference.

In the second quarter of 2005, TELUS supported numerous community programs and organizations including:

- the Mazankowski Alberta Heart Institute with a $1 million contribution to further its goal of world-class care and progressive research for the prevention and treatment of heart disease.
- KidSport BC's TELUS Little Links Program with a $125,000 donation raised during the TELUS Skins Game in Whistler. TELUS donated $2,000 for each birdie, $3,000 for each eagle and $1 per yard for every drive off the tee of two designated holes by TELUS Skins golfers Jack Nicklaus, Vijay Singh, John Daly and Stephen Ames. This charitable donation funds registration fees and equipment costs for kids who cannot afford to join leagues.
- TELUS Tour for the Cure, launched in Vancouver in September 2004, visited 28 communities across British Columbia and ended in May 2005. Through this program, more than 200,000 people learned about breast cancer and screening mammograms.
- hosting a volunteer fair to help recruit for the Edmonton 2005 World Masters Games. As the volunteer program sponsor, TELUS team members rose to the challenge and provided 600 of the 5,200 volunteers needed.

TELUS is also committed to being an environmental leader and has launched a pilot project introducing 10 gasoline-electric hybrid Toyota Prius sedans to the company fleet in several major markets. The project will determine the cost-effectiveness and environmental benefits of integrating hybrid vehicles into the company's national fleet of more than 5,000 vehicles.

Dividend declaration

The Board of Directors declared a quarterly dividend of twenty cents ($0.20) per share on outstanding Common and Non-Voting Shares payable on October 1, 2005 to shareholders of record on the close of business on September 9, 2005.

For further information:

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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, guidance, 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; human resources (including the ongoing impact and outcome of outstanding labour relations issues and the duration and impact of full-scale strike related activity); technology (including reliance on systems and information technology); regulatory developments; process risks (including conversion of legacy systems); manmade and natural threats; health and safety; 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 2004 Annual Report, 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 Section 10: Risks and uncertainties in TELUS' annual 2004 and interim first quarter 2005 Management's discussions and analysis, as well as updates included in Section 10 of this second quarter interim report.

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 - August 3, 2005

The following is a discussion of the consolidated financial condition and results of operations of TELUS Corporation for the periods ended June 30, 2005 and 2004, 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 18 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 were reviewed by TELUS' Audit Committee on August 2, 2005 and approved by TELUS' Board of Directors on August 3, 2005. All amounts are in Canadian dollars unless otherwise specified.

The Company has issued guidance on and reports on certain non-GAAP measures that are used by management to evaluate performance of business units and segments. Non-GAAP measures are used in measuring compliance with debt covenants. Because non-GAAP measures do not have a standardized meaning, securities regulations require that non-GAAP measures be clearly defined and qualified, and reconciled with their nearest GAAP measure. For the readers' reference, the definition, calculation and reconciliation of consolidated non-GAAP measures is provided in Section 11: Reconciliation of non-GAAP measures and definition of key operating indicators.

Management's discussion and analysis contents

results	results
5. Results from operations	A detailed discussion of operating results
6. Financial condition	A discussion of significant changes in the balance sheet since the beginning of the year
7. Liquidity and capital resources	A discussion of cash flow, liquidity, credit facilities, off-balance sheet arrangements and other disclosures
8. Critical accounting estimates and accounting policy developments	A description of accounting estimates, which are critical to determining financial results, and changes to accounting policies
9. Revised guidance	A discussion of revisions to its guidance for 2005
10. Risks and uncertainties	A update of risks and uncertainties facing TELUS
11. Reconciliation of non-GAAP measures and definition of key operating indicators	A description, calculation and reconciliation of certain measures used by management

1. Overall performance

1.1 Materiality for disclosures

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.

1.2 Consolidated highlights

($ millions except margin and per-share amounts)	Quarters ended June 30 2005	2004	Change	Six-month periods ended June 30 2005	2004	Change
Operating revenues	2,018.5	1,865.6	8.2 %	3,993.2	3,669.4	8.8 %
EBITDA(1)	865.0	784.8	10.2 %	1,721.2	1,506.1	14.3 %
EBITDA margin (%)(2)	42.9	42.1	0.8 pts	43.1	41.0	2.1 pts
Operating income	465.9	377.2	23.5 %	919.9	688.1	33.7 %
Net income	189.5	172.3	10.0 %	431.7	273.6	57.8 %
Earnings per share, basic	0.53	0.48	10.4 %	1.20	0.76	57.9 %
Earnings per share, diluted	0.52	0.48	8.3 %	1.19	0.76	56.6 %

Cash dividends declared per share	0.20	0.15	33.3 %	0.40	0.30	33.3 %
Cash provided by operating activities	687.7	489.0	40.6 %	1,416.1	1,077.1	31.5 %
Cash used by investing activities	410.0	341.6	20.0 %	716.2	640.2	11.9 %
Capital expenditures	408.7	346.1	18.1 %	681.9	655.8	4.0 %
Cash used by financing activities	383.9	63.2	n.m.	455.3	85.4	n.m.
Free cash flow(3)	207.8	229.5	(9.5)%	774.4	672.8	15.1 %

pts - percentage points
n.m. - not meaningful

Consolidated Operating revenues experienced strong growth in the second quarter and first six months of 2005, when compared with the same periods in 2004, driven by more than 18% revenue growth at TELUS Mobility and revenue growth of 2 to 3% in TELUS' Communications segment. Consolidated EBITDA and EBITDA margins also increased as operations expense growth at TELUS Mobility was contained to rates well below its revenue growth rates. Communications segment second quarter 2005 EBITDA was flat despite increased competitive activity and costs associated with emergency operations planning, when compared with 2004. For the first six months of 2005, Communications segment EBITDA improved by 4.6% and its EBITDA margin improved by 0.6 percentage points, when compared to the same period in 2004, as discussed in Section 5.4 Communications segment results. For these reasons, and due to lower amortization of intangible assets, consolidated operating income increased significantly by $89 million and $232 million, respectively, in the second quarter and first six months of 2005, when compared with the same periods in 2004.

Net income and earnings per share also increased significantly in the second quarter and first six months of 2005, when compared to the same periods in 2004 due to improved Operating income. Net interest expenses increased in the second quarter and first six months 2005, when compared with the same periods in 2004, due to a $17.5 million accrual for estimated damages for a lawsuit (see Risks and uncertainties - Section 10.5 Litigation), and otherwise decreased as a result of debt repayments in 2004.The favourable impact of the change in tax estimates, other tax adjustments and related interest were minimal in the second quarter of 2005 (approximately 15 cents per share in the first six months of 2005). In comparison, favourable tax settlements increased earnings per share by approximately 13 cents per share and 17 cents per share, respectively, in the second quarter and first six months of 2004.

The increase in cash provided by operating activities was primarily due to increased Operating income and changes in non-cash working capital. Despite higher consolidated EBITDA and cash interest received, free cash flow decreased in the second quarter of 2005 due to higher capital expenditures and lower cash tax recoveries, when compared with the same period in 2004. Free cash flow for the first six months of 2005 increased primarily due to growth in EBITDA, lower cash interest paid and lower payments under restructuring programs, partly offset by lower cash tax recoveries and higher capital expenditures.

2. Core business, vision and strategy

TELUS continues to be guided by its six long-standing strategic imperatives that serve as a guideline for the Company's actions. Some recent examples of TELUS' activities in support of these imperatives follow.

2.1 Partnering, acquiring and divesting to accelerate the implementation of TELUS' strategy

The acquisition of Ambergris in February and May of 2005 for a cumulative ownership interest of 52.5%, combined with the acquisition of ADCOM, Inc. in November 2004, provided aggregate incremental revenues of more than $30 million and incremental EBITDA of less than $10 million for the first six months of 2005. Full-time equivalent employees of approximately 2,640 for these two companies were included in the Communications segment staff count at June 30, 2005.

3. Key performance drivers

To focus on the opportunities and challenges, and to create value for shareholders, TELUS sets corporate priorities each year. An update on certain priorities follows:

3.1 Enhancing Mobility's leadership position in wireless

TELUS Mobility leadership position in financial and operational performance was evidenced by the continued trend of significant profitable growth, which is fuelled by its commitment to exceptional client service and value-added approach, supported by its strong brand and superior network quality.

TELUS Mobility revenue growth of 18.7%, EBITDA growth of 31.8% and cash flow growth (EBITDA less capital expenditures) of 30.6% in the first half of 2005 continues to exceed expectations set at the beginning of the year. Strong wireless subscriber growth of 211,300 in the first six months of 2005 (up by 11.3% over the same period in 2004), continued scale efficiencies and innovative value added offerings continue to drive these results.

3.2 Leveraging investments in high-speed Internet technology through Future Friendly Home services in B.C., Alberta and Eastern Quebec

The trial of TELUS TV(R) services by employees continues in larger centres in TELUS' Western incumbent region. The Company continues to evaluate if and when to launch video entertainment services, considering four principal factors for the service: (i) a positive return on investment, which leverages past investments in high speed Internet; (ii) non-price differentiating service attributes; (iii) technical soundness of technology; and (iv) a positive service delivery experience. In July 2005, the Canadian Radio-television and Telecommunications Commission ("CRTC") approved TELUS' application for a broadcasting distribution undertaking licence to service parts of Eastern Quebec. This licence provides a new market for TELUS TV services, should TELUS decide to launch in the future.

3.3 Accelerating wireline performance in Ontario and Quebec business markets

The results for non-incumbent local exchange carrier ("non-ILEC") operations in Central Canada, which are part of TELUS' Communications segment, demonstrate that the Company is on track to exceed its original annual targets for non-ILEC revenue and EBITDA and achieve its current annual guidance of $625 to $650 million for non-ILEC revenue and $15 to $20 million for non-ILEC EBITDA. Non-ILEC revenue and EBITDA increased by $24.9 million and $17.3 million, respectively, in the second quarter of 2005, when compared with the same period in 2004. For the first half of 2005, non-incumbent operations experienced revenue and EBITDA growth of $56.0 million and $34.3 million, respectively, when compared with the first half of 2004. It is notable that non-incumbent EBITDA has now been positive for three consecutive quarters, continuing a long-term trend of non-ILEC EBITDA improvement.

3.4 Reaching a collective agreement

Reaching a collective agreement remains a priority for TELUS in 2005. Both the Company and the Telecommunications Workers Union ("TWU") have taken measures to increase pressure on each other to reach settlement. The current status of labour negotiations with the TWU is reflected by the escalation of these measures, culminating in TELUS' July 12, 2005 announcement of its intent to implement its comprehensive offer of settlement commencing on July 22, 2005 and the TWU's initiation of full strike activity on July 21. Also on July 21, the Canada Industrial Relations Board ("CIRB") rejected the TWU's unfair labour practice complaint that sought binding arbitration. In response to union strike activity, TELUS has implemented its contingency plans designed to minimize the impact on customers. On July 22, TELUS did commence implementation of its offer. The following is a summary of events during the second quarter and subsequently.

Following the CIRB's February 2, 2005 decision which overturned its January 2004 binding arbitration order, the parties resumed negotiations on February 10, 2005 with the assistance of a federally appointed mediator. The Company tabled a comprehensive offer to the TWU on April 13. The Company communicated the terms and conditions of that offer to bargaining unit team members on April 21. The Company further tabled an addendum to the offer with the TWU on June 14, which provided clarifications and adjustments to the April 13 offer, benefiting employees and extending the duration of the offer from three to five years. The contract proposals have never been presented by the TWU to its membership for a ratification vote.

On April 18, 2005, the Company declared negotiations to be at an impasse and delivered first notice of lockout to the TWU. That notice, effective April 25, which did not include the closing of operations, included a number of measures, such as the suspension of grievance and arbitration processes, joint Union management committees, scheduling of accumulated time off, payment for the first day of sickness absence and the deferral of wage progression increases and increases in vacation entitlements. Attempts by the TWU at the Federal Court of Appeal and the CIRB for interim relief against this notice were unsuccessful.

TELUS escalated lockout measures during May and June aimed at reaching a settlement, including stopping collection and remittance of union dues. In response, the TWU imposed an overtime and relieving management ban and announced a work-to-rule campaign. On June 22, the TWU tabled its counter proposal to TELUS. The Company reviewed the TWU proposal and rejected it on June 24 because it did not in any meaningful fashion directly address TELUS' need for improved productivity and flexibility. Moreover, the offer widened the gap between the parties with respect to some key aspects such as the contract duration and reduction of extra days off. The TWU also began rotating strike activity in early July, in the form of "study sessions", to which management usually responded by imposing three-hour or longer lockouts for those employees who participated in the strike activity.

On July 12, TELUS informed the TWU that, effective July 22, it would commence implementation of its comprehensive offer of settlement including both the April 13, 2005 offer and the June 14, 2005 addendum. The implementation will not include the past period and other lump sum payments totalling approximately $200 million contained in the TELUS offer, or certain pension and benefit proposals, which only become effective following ratification of the comprehensive offer of settlement. In addition, variable pay proposals for 2005 for B.C. based employees will only be earned for the full year period if the collective agreement is ratified by September 1, 2005. Given the escalation of job action by the union and its continuing refusal to place TELUS' comprehensive offer of settlement before its membership for ratification vote, management concluded that this significant step was necessary to ensure that the TWU and bargaining unit team members address

TELUS' offer. In response, the TWU further escalated rotating strike activity by increasing the number of locations and employees involved and the duration of the "study sessions". On July 21, the TWU initiated full scale strike activity and the Company implemented its contingency plans designed to minimize impacts to customers.

The status of three matters that were outstanding before the courts and Canada Industrial Relations Board ("CIRB") in early May follows:

Appeal of CIRB Decisions 1088 and 278

The CIRB, in Decisions 1088 and 278, 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 without a representational vote. TELUS Mobility's application to the Supreme Court of Canada for leave to appeal was denied in June 2005. The impact of Decision 1088 and 278 for TELUS Mobility can not be determined until a settlement is reached with the TWU.

Application to the CIRB by the TWU alleging unfair labour practices

In early May 2005, the TWU filed an amendment to a previous complaint filed with the CIRB. It alleged the Company's communication of its comprehensive offer directly to bargaining unit team members was improper, and as remedy, the TWU requested that the CIRB impose binding arbitration to settle the collective agreement. The CIRB heard the amended complaint in late May 2005 and rejected the TWU request for remedy of binding arbitration, on July 21, 2005. The CIRB ruled that TELUS' lockout measures were in accordance with the Canada Labour Code, and that TELUS' communication of its offer to bargaining unit employees also did not contravene the Code. However, the CIRB did rule that TELUS did not provide information concerning employees of the former Clearnet early enough. Immediately following this ruling, the TWU filed four new complaints with the CIRB.

CIRB Decisions 1004 and 271

The CIRB issued a unanimous summary decision on February 2, 2005, overturning its previous ruling that imposed binding arbitration. In addition, the Board set aside the April 2004 broad communications ban, and re-instated its narrower January 2004 ban related to communications with bargaining unit team members on labour relations issues and negotiations. This ban lifted coincident with TELUS' first notice of intent to lockout on April 18. Subsequently, the TWU filed an application in the Federal Court of Appeal, heard on May 31 - June 1, 2005, and which sought to overturn the CIRB's reconsideration decision and restore the order that placed the parties in binding arbitration. On July 25, 2005, the Federal Court of Appeal dismissed the Telecommunications Workers Union appeal application, declined the request for an order returning the parties to binding arbitration, and in so doing, confirmed the Canada Industrial Relations Board's decision of February 2, 2005 that collective bargaining is the preferred method of achieving settlement.

4. Capability to deliver results

4.1 Operational capabilities - TELUS Communications

The Company is presently developing a new billing system in the Communications segment, which will include re-engineering processes for order entry, pre-qualification, service fulfillment and assurance, customer care, collections/credit, customer contract and information management. The expected benefits of this project include streamlined and standardized processes and the elimination over time of multiple legacy information systems. The Company plans to implement this project in phases, beginning with a launch for consumer mass market accounts in the first quarter of 2006. See Risks and uncertainties - Section 10.3 Process risks.

Recent regulatory decisions have introduced further constraints on TELUS' Communications segment operational capabilities. Telecom Decision CRTC 2005-28, "Regulatory framework for voice communication services using Internet protocol", constrains TELUS' freedom and flexibility to compete for wireline and entertainment services in its incumbent territories, while competitors have been provided with forbearance for these services. Decision 2005-28 subjects TELUS and other incumbent local exchange carriers ("ILECs") to price regulation for their VoIP services in incumbent territories, while large facilities-based cable companies, foreign-based competitors who have not invested in Canadian telecommunications infrastructure, and others, are all unconstrained by regulation for the provision of VoIP-based services.

In addition to imposing price regulation on incumbent telecommunications companies' VoIP services, this decision also extended 'winback' restrictions to benefit competitive VoIP service providers by limiting TELUS Communications contact with consumers for one full year after they have been won-over by competitors. For business customers in incumbent territories, contact is restricted for three months. TELUS and other incumbent telecommunications companies have sought leave to appeal the regulation on winbacks with the Federal Court. See Risks and uncertainties - Section 10.2 Regulatory.

On the positive side, the CRTC has followed through with its promise to expedite approval of tariff filings and has largely cleared the backlog of outstanding regulatory issues affecting telecommunications. With faster approval of tariff applications, the Company is able to implement pricing and service changes in a timelier manner and avoid customer relations issues such as those created when tariff applications were approved many months after their effective dates with required retroactive application. However, an exception is the more than three-year delay for the CRTC to determine how to dispose of balances of revenue deferred under price cap regulation, which currently the subject of a proceeding (see Section 10.2 Regulatory).

4.2 Operational capabilities - TELUS Mobility

TELUS Mobility continues to execute its plan to grow profitably through the delivery of excellent customer care, value-added solutions, and superior network quality. As a result, TELUS Mobility believes it is well positioned to sustain an ARPU (average revenue per subscriber unit per month) premium in the face of new competitive pressures. Although the Company has been experiencing continued ARPU growth fueled in part by the adoption and acceptance of data offerings, the growth is expected to slow and moderate for the remainder of the year. Future profitability and cash flow growth are expected to be realized from continued subscriber growth and operating scale efficiencies through a well managed client focused organization.

4.3 Liquidity and capital resources

TELUS had more than $1.1 billion of cash at June 30, 2005. With access to undrawn credit facilities of $1.6 billion and expected cash provided by operating activities, the Company believes it has sufficient capability to fund its requirements in 2005 and refinancing requirements in 2006, which includes the June 2006 maturity of $1,578 million 7.5% TELUS Corporation Notes. The Company is considering the early redemption of all or a portion of these debentures in accordance with the terms of the indenture. As at June 30, 2005, the Company and its subsidiaries are in compliance with all of their debt covenants.

5. Results from operations

5.1 General

The Company's reportable segments, which reflect TELUS' organizational structure and are used to manage the business, are TELUS Communications (discussed in Section 5.4 Communications segment results) and TELUS Mobility (discussed in Section 5.5 Mobility segment results). The two segments are differentiated based on management, products and services, distribution channels, technology, and regulatory treatment. Intersegment sales are recorded at the exchange value. Segmented information may also be found in Note 17 of the interim consolidated financial statements.

5.2 Quarterly results summary

($ millions, except per share amounts)	2005 Q2	2005 Q1	2004 Q4	2004 Q3
Segmented revenue (external)				
Communications segment	1,216.5	1,222.2	1,209.3	1,199.9
Mobility segment	802.0	752.5	755.6	747.0
Operating revenues (consolidated)	2,018.5	1,974.7	1,964.9	1,946.9
Net income	189.5	242.2	135.6	156.6
Per weighted average Common Share and Non-Voting Share outstanding				
- basic	0.53	0.67	0.38	0.44
- diluted	0.52	0.66	0.37	0.43
Dividends declared per Common Share and Non-Voting Share outstanding	0.20	0.20	0.20	0.15

($ millions, except per share amounts)	2004 Q2	2004 Q1	2003 Q4	2003 Q3
Segmented revenue (external)				
Communications segment	1,189.0	1,171.1	1,182.4	1,186.3
Mobility segment	676.6	632.7	643.2	619.9
Operating revenues (consolidated)	1,865.6	1,803.8	1,825.6	1,806.2
Net income	172.3	101.3	47.8	114.1
Per weighted average Common Share and Non-Voting Share outstanding				
- basic	0.48	0.28	0.13	0.32
- diluted	0.48	0.28	0.13	0.32
Dividends declared per Common Share and Non-Voting Share outstanding	0.15	0.15	0.15	0.15

The trend in consolidated Operating revenues continues to reflect strong wireless growth at TELUS Mobility. Wireless growth resulted from increases in the subscriber base and ARPU. After taking into account that Communications segment revenues in the first quarter of 2005 included a non-recurring favourable regulatory adjustment of $6.4 million and seasonally high revenues from ADCOM (acquired in November 2004), Communications segment revenues increased slightly in the second quarter of 2005, when compared with first quarter of 2005. Communications segment revenues continue to show growth on a year-over-year basis in the second quarter of 2005 due to growing data revenues, flat long distance revenues, even considering the inclusion of a $10.2 million non-recurring favourable regulatory adjustment in the second quarter of 2004. Communications segment revenues also include the impacts of overall negative regulatory price cap decisions.

Net income and earnings per share continue to reflect the trends of growing EBITDA and Operating income, combined with generally decreasing net interest expense due to increasing cash balances and favourable tax adjustments, except for an accrual for estimated damages for a lawsuit in the current quarter, as described earlier.

5.3 Consolidated results from operations

($ millions except EBITDA margin and employees)	Quarters ended June 30			Six-month periods ended June 30		
	2005	2004	Change	2005	2004	Change
Operating revenues	2,018.5	1,865.6	8.2 %	3,993.2	3,669.4	8.8 %
Operations expense	1,146.1	1,080.1	6.1 %	2,255.2	2,146.7	5.1 %
Restructuring and workforce reduction costs	7.4	0.7	n.m.	16.8	16.6	1.2 %
EBITDA(1)	865.0	784.8	10.2 %	1,721.2	1,506.1	14.3 %
EBITDA margin (%)(2)	42.9	42.1	0.8 pts	43.1	41.0	2.1 pts
Full time equivalent employees, end of period	27,789	24,521	13.3 %			

Consolidated Operating revenues increased significantly in second quarter and first six months of 2005, when compared with the same periods in 2004, driven by strong revenue growth at TELUS Mobility and good revenue growth in TELUS' Communications segment. Consolidated EBITDA and EBITDA margins also increased as operations expense growth at TELUS Mobility was contained to rates well below its revenue growth rates. Communications segment second quarter 2005 EBITDA was flat and its EBITDA margin lower, when compared with 2004, while for the first six months of 2005, Communications segment EBITDA and EBITDA margin improved when compared to the same period in 2004. TELUS full time equivalent employees, measured at June 30, 2005, increased due to two small acquisitions and the addition of a payroll services contract for the B.C. government, as well as to support subscriber growth at TELUS Mobility.

For further discussion by segment, see Section 5.4 Communications segment results and Section 5.5 Mobility segment results.

Depreciation and amortization ($ millions)	Quarters ended June 30			Six-month periods ended June 30		
	2005	2004	Change	2005	2004	Change

Depreciation	330.9	320.7	3.2 %	660.8	642.4	2.9 %
Amortization of intangible assets	68.2	86.9	(21.5)%	140.5	175.6	(20.0)%
	399.1	407.6	(2.1)%	801.3	818.0	(2.0)%

Depreciation increased in the second quarter and first six months of 2005, when compared with the same periods in 2004, due primarily to growth in shorter life data and wireless network assets and a reduction in service lives for ADSL (high-speed Internet) equipment, partly offset lower depreciation arising from full amortization of cell sites. Amortization of intangible assets decreased in the second quarter and first six months of 2005, when compared with the same periods in 2004, as a result of several software assets becoming fully depreciated.

Other expense, net ($ millions)	Quarters ended June 30 2005	2004	Change	Six-month periods ended June 30 2005	2004	Change
	0.5	2.0	(75.0)%	2.0	3.2	(37.5)%

Other expense includes accounts receivable securitization expense, gains and losses on disposal of property, income (loss) or impairments in equity or portfolio investments, and charitable donations. An impairment in the value of portfolio investments was recorded in the second quarter of 2005, partly offset by recognition of a portion of gain deferred under sale and leaseback arrangements for administrative properties sold in 2002, following the return of some space to the respective landlords. The accounts receivable securitization expense in the second quarter and first six months of 2005 was not significantly changed from the prior year. See Section 7.6 Accounts receivable sale.

Financing costs ($ millions)	Quarters ended June 30 2005	2004	Change	Six-month periods ended June 30 2005	2004	Change
Interest on long-term debt, short-term obligations and other	178.5	167.5	6.6 %	337.5	332.9	1.4 %
Foreign exchange losses (gains)	0.6	(0.1)	n.m.	3.1	(0.7)	n.m.
Interest income	(10.9)	(10.5)	(3.8)%	(34.0)	(30.3)	(12.2)%
	168.2	156.9	7.2 %	306.6	301.9	1.6 %

Interest on long-term debt, short-term debt and other for the second quarter and first six months of 2005 included a $17.5 million accrual for estimated damages stemming from a recent Ontario Appeal Court ruling on a bond redemption matter dating back to 1997. See Risks and uncertainties - Section 10.5 Litigation. In addition, acceleration of financing costs associated with the redemption of convertible debentures in June 2005 added $0.9 million interest expense in the current period. Otherwise, interest on long-term and short-term debt decreased in the second quarter and first six months of 2005 when compared with the same periods in 2004. The decrease was primarily due to the repayment of TCI Debentures and Medium-term Notes in the third quarter of 2004. 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 (the sum of Long-term Debt, Current maturities and the deferred hedging liability), was $7,237.5 million at June 30, 2005, when compared with $7,580.9 million one year earlier.

Interest income earned includes interest for the settlement of various tax matters of $1.9 million and $17.5 million, respectively, in the second quarter and first six months of 2005 (as compared to $8.3 million and $26.0 million, respectively, in the same periods of 2004). The balance of interest income, earned primarily from cash and temporary investments, was significant at $9.0 million and $16.5 million, respectively, in the second quarter and first six months of 2005, increases of $6.8 million and $12.2 million, respectively, from the same periods in 2004.

Income taxes ($ in millions, except tax rates)	Quarters ended June 30			Six-month periods ended June 30		
	2005	2004	Change	2005	2004	Change
Blended federal and provincial statutory income tax	102.5	75.8	35.2 %	211.2	132.9	58.9 %
Changes in estimates of available temporary differences in prior years	-	-	-	(36.0)	-	n.m.
Tax rate differential on, and consequential adjustments from, the reassessment of prior year tax issues	-	(34.2)	100.0 %	(11.3)	(35.8)	68.4 %
Large corporations tax and other	3.5	3.3	6.1 %	12.4	10.4	19.2 %
	106.0	44.9	136.1 %	176.3	107.5	64.0 %
Blended federal and provincial statutory tax rates (%)	34.5	34.7	(0.2) pts	34.5	34.7	(0.2) pts
Effective tax rates (%)	35.7	20.6	15.1 pts	28.8	28.1	0.7 pts

Blended federal and provincial statutory income tax increased due to growth in income before taxes of 36.1% and 59.6%, respectively, for the second quarter and first six months of 2005, when compared with the same periods in 2004. Reductions in tax included changes in estimates of available temporary differences in prior years and a tax rate differential (and consequential adjustments from) the favourable reassessment of prior year's tax issues.

Based on continuation of the rate of TELUS earnings, the Company expects to be able to fully utilize its non-capital losses before the end of 2006. The Company's assessment is that the risk of expiry of such non-capital losses is remote.

Non-controlling interest ($ millions)	Quarters ended June 30			Six-month periods ended June 30		
	2005	2004	Change	2005	2004	Change
	1.7	1.1	54.5 %	3.3	1.9	73.7 %

Non-controlling interest represents minority shareholders' interests in several small subsidiaries. The increase in the second quarter and first six months of 2005, relative to the same periods in 2004, is primarily minority shareholders' interest in TELUS' February 2005 acquisition of Ambergris.

Preference and preferred dividends ($ millions)	Quarters ended June 30			Six-month periods ended June 30		
	2005	2004	Change	2005	2004	Change
	-	0.8	(100.0)%	-	1.7	(100.0)%

Preference and preferred dividends ceased with the redemption of all of the publicly held TELUS Communications Inc. Preference and Preferred Shares, completed on August 3, 2004.

5.4 Communications segment results

Operating revenues - Communications segment ($ millions)	Quarters ended June 30			Six-month periods ended June 30		
	2005	2004	Change	2005	2004	Change
Voice local	542.8	543.8	(0.2)%	1,095.6	1,072.7	2.1 %
Voice long distance	228.5	228.5	- %	454.9	458.1	(0.7)%
Data	379.8	345.7	9.9 %	757.4	685.5	10.5 %
Other	65.4	71.0	(7.9)%	130.8	143.8	(9.0)%
External operating revenue	1,216.5	1,189.0	2.3 %	2,438.7	2,360.1	3.3 %
Intersegment revenue	21.2	22.1	(4.1)%	43.8	47.1	(7.0)%

Total operating revenue	1,237.7	1,211.1	2.2 %	2,482.5	2,407.2	3.1 %

Key operating indicators - Communications segment

(000s)	At June 30 2005	2004	Change
Residential network access lines	2,993	3,053	(2.0)%
Business network access lines	1,748	1,774	(1.5)%
Total network access lines(1)	4,741	4,827	(1.8)%
High-speed Internet subscribers	729.0	624.3	16.8 %
Dial-up Internet subscribers	260.5	300.7	(13.4)%
Total Internet subscribers(2)	989.5	925.0	7.0 %

	Quarters ended June 30			Six-month periods ended June 30		
(000s)	2005	2004	Change	2005	2004	Change
Change in residential network access lines	(40)	(22)	(81.8)%	(54)	(33)	(63.6)%
Change in business network access lines	(12)	1	n.m.	(13)	(10)	(30.0)%
Change in total network access lines	(52)	(21)	(147.6)%	(67)	(43)	(55.8)%
High-speed Internet net additions	17.1	19.1	(10.5)%	39.3	62.7	(37.3)%
Dial-up Internet net reductions	(9.9)	(8.4)	(17.9)%	(21.1)	(19.1)	(10.5)%
Total Internet subscriber net additions	7.2	10.7	(32.7)%	18.2	43.6	(58.3)%

Communications segment revenues increased by $26.6 million and $75.3 million, respectively, in the second quarter and first six months of 2005, when compared with the same periods in 2004, as a result of growth in enhanced and managed data services and new revenues from acquisitions. Also affecting revenue growth were two non-recurring regulatory adjustments: voice local revenues for the first six months of 2005 included a $6.4 million positive adjustment recorded in the first quarter, while voice local revenues in the second quarter of 2004 included a positive adjustment of $10.2 million.

- Voice local revenue decreased by $1.0 million in the second quarter of 2005 and increased by $22.9 million for the first six months of 2005, when compared to the same periods in 2004. After normalizing for a positive $10.2 million regulatory adjustment recognized in June 2004 (in respect of CRTC Decision 2004-42 pertaining to deferral account recognition items), local revenue increased by $9.2 million in the second quarter and $33.1 million for the first six months. The increases were due primarily to 2005 regulatory adjustments and the effect of business rate increases implemented mid-2004 and June 1, 2005, partly offset by the effect of continued line losses. Regulatory adjustments in 2005 included the non-recurring positive adjustment of $6.4 million for CRTC Decision 2005 4 (pertaining to subsidy requirements for high cost areas in TELUS Quebec ILEC territory for 2003 to 2005), recorded in the first quarter of 2005. In addition, because TELUS used the liability method for recording price cap deferrals, local revenue for the second quarter and first six months of 2005 included favourable adjustments of approximately $10 million and $28 million, respectively, drawn from the price cap deferral account to offset mandated additional discounts for competitive digital network services (basic data services) pursuant to CRTC Decision 2005-6. See the discussion below for data revenues, which contains the equal and offsetting negative revenue impact for Decision 2005-6.

  The 18,000 increase in residential line losses in the second quarter of 2005, when compared with the second quarter of 2004, was due to increased competition from resellers, VoIP competitors (including the introduction of cable telephony in Calgary and Edmonton), and technological substitution to wireless services. Business lines decreased in the second quarter of 2005, due to the loss of a business customer and removal of temporary lines following the B.C. provincial election. It is expected that the trend of declining residential network access lines in the future may worsen due to increased competition facilitated by technology changes.

- Voice long distance revenues were unchanged in the second quarter of 2005 despite industry-wide trend of long distance erosion. For the first six months of 2005, long distance revenue decreased at a lower rate of 0.7%, when compared with the same period in 2004. Increased minute volumes (including growth in non-incumbent volumes) and increases in the monthly long distance administration fee in certain long distance plans were offset by lower average per-minute prices.

- Communications segment data revenues increased by $34.1 million and $71.9 million, respectively, in the second quarter and first six months of 2005, when compared with the same periods in 2004. This included revenues from two recent acquisitions of more than $10 million and $30 million, respectively, for the second quarter and first six months of 2005. The increase in data revenues due to acquisitions offset the additional discounts of approximately $10 million and $28 million, respectively, for the second quarter and first six months of 2005 for competitive digital network services mandated by CRTC Decision 2005-6, as described under voice local revenues above.

  The remaining growth in data revenues not attributed to acquisitions was primarily due to: (i) increased Internet and enhanced data service revenues of $19.5 million and $47.5 million, respectively, as a result of traction from new business contracts, and continued growth in high-speed Internet subscribers and a higher average price; (ii) increased managed data revenues for the provision of business process outsourcing services provided to customers; (iii) increased data equipment sales; partly offset by (iv) the additional discounts for competitive digital network services in basic data services and migration to enhanced data services.

The rate of growth in high-speed Internet subscribers has slowed, as expected, from that observed in 2004 due to the high existing household penetration rates for high-speed services in Western Canada and lower gross additions caused by increased competitive activity. In addition, the Company experienced high net additions in the first quarter last year due to a very attractive introductory marketing promotion.

- Other revenue decreased due mainly to lower voice equipment sales.

- Intersegment revenue represents 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 $155.5 million and $315.0 million, respectively, for the second quarter and first six months of 2005. This represents increases of $24.9 million (19.1%) and $56.0 million (21.6%), respectively, when compared with the same periods in 2004. The increase was a result of growing revenues from the purchase of ADCOM, increased data equipment sales and as well as other data and voice service revenues, particularly from recently implemented contracts.

Operations expense - Communications segment ($ millions, except employees)	Quarters ended June 30			Six-month periods ended June 30		
	2005	2004	Change	2005	2004	Change
Salaries, benefits and other employee-related costs	422.5	414.5	1.9 %	836.6	807.5	3.6 %
Other operations expenses	309.3	297.3	4.0 %	611.8	611.0	0.1 %
Total operations expense	731.8	711.8	2.8 %	1,448.4	1,418.5	2.1 %
Full-time equivalent employees, end of period	21,777	19,036	14.4 %			

Operations expenses increased in the second quarter and first six months of 2005, when compared with the same periods in 2004, due primarily to emergency operations planning costs in the second quarter of 2005, increased expenses caused by the addition of two operations in late 2004 (B.C. payroll services and the acquisition of ADCOM), and a new investment in Ambergris in February 2005. In aggregate, the three new operations added approximately 2,800 full-time equivalent employees at June 30, and increased total operations expenses by less than $20 million and $40 million, respectively, for the second quarter and first six months of 2005. Excluding employees from new operations, full-time equivalent staff at June 30, 2005 decreased slightly from one year earlier.

- Salaries, benefits and employee-related costs prior to acquisitions and the B.C. payroll contract described above were flat in the second quarter of 2005 and increased by less than 2% for the first six months of 2005. The increase was due primarily to increased compensation and increased full-time equivalent staff. Pension expense for defined benefit and defined contribution plans was $10.1 million and $22.1 million, respectively, in the second quarter and first six months of 2005, representing decreases of $5.8 million and $9.6 million, respectively, from the same periods in 2004.

- Other operations expenses prior to acquisitions and the B.C. payroll contract increased by approximately 1% in the second quarter of 2005 due primarily to emergency operations planning costs. For the first six months of 2005, other operations expense prior to acquisitions and the B.C. payroll contract decreased by approximately 3%. Changes to operations expense in second quarter and first six months of 2005 included: (i) reduced facilities, transit and termination costs of $2.9 million and $13.2 million, respectively, due to the movement of traffic on-net and to a lesser extent, price cap discounts from competitor ILECs arising from CRTC Decision 2005-6; (ii) nominal payments to Verizon under renegotiated Software and Related Technology and Service Agreements, compared with $8.8 million and $17.4 million, respectively, in the same periods in 2004; (iii) reduced expenses for increased labour capitalization of $8.8 million and $17.2 million resulting from a higher labour component in capital expenditures in 2005; and (iv) lower bad debt expense of $2.2 million and $6.1 million, respectively. These decreases were partly offset by increased cost of goods sold associated with data equipment sales, increased advertising and promotions and other general increases.

Included in the total segment expenses discussed above are non-ILEC operations expenses of $152.0 million and $292.7 million, respectively, in the second quarter and first six months of 2005. This represents increases of $7.6 million (5.3%) and $10.8 million (3.8%), respectively, when compared with the same periods in 2004. The increase in operations expense supported growth in non-ILEC revenues observed for the same periods.

Restructuring and workforce reduction costs - Communications segment ($ millions)	Quarters ended June 30 2005	2004	Change	Six-month periods ended June 30 2005	2004	Change
	7.4	0.7	n.m.	16.8	16.6	1.2 %

In the first half of 2005, the Company undertook a number of smaller initiatives within the ILEC portion of the Communications Segment, such as operational consolidation, rationalization and integrations. These initiatives are aimed to improve the Company's operating and capital productivity. Management currently expects that restructuring charges will not exceed $100 million for the full year of 2005.

EBITDA and EBITDA margin - Communications segment	Quarters ended June 30			Six-month periods ended June 30		
	2005	2004	Change	2005	2004	Change
EBITDA ($ millions)	498.5	498.6	- %	1,017.3	972.1	4.6 %
EBITDA margin (%)	40.3	41.2	(0.9) pts	41.0	40.4	0.6 pts

Despite increased competitive activity in the second quarter of 2005, Communications segment EBITDA was flat when compared with the same period in 2004, as increased emergency operations planning costs and higher restructuring charges were offset by revenue growth. Communications segment EBITDA and EBITDA margin improved in the first six months of 2005, when compared with the same period in 2004, due to the revenue growth exceeding the growth rate in operations expenses. Included in these results were non-ILEC EBITDA of $3.5 million and $11.4 million, respectively, for the second quarter and first six months of 2005, compared with EBITDA losses of $13.8 million and $22.9 million, respectively, in the same periods of 2004.

Communications segment capital expenditures are discussed in Section 7.2 Cash used by investing activities.

5.5 Mobility segment results

Operating revenues - Mobility segment ($ millions)	Quarters ended June 30			Six-month periods ended June 30		
	2005	2004	Change	2005	2004	Change
Network revenue	743.4	625.5	18.8 %	1,438.9	1,217.9	18.1 %
Equipment revenue	58.6	51.1	14.7 %	115.6	91.4	26.5 %
External operating revenue	802.0	676.6	18.5 %	1,554.5	1,309.3	18.7 %
Intersegment revenue	5.7	5.6	1.8 %	11.5	10.2	12.7 %
Total operating revenue	807.7	682.2	18.4 %	1,566.0	1,319.5	18.7 %

Key operating indicators - Mobility segment (000s)	At June 30		
	2005	2004	Change
Subscribers - postpaid	3,419.0	2,980.1	14.7 %

Subscribers - prepaid	728.7	633.7	15.0 %
Subscribers - total(1)	4,147.7	3,613.8	14.8 %
Digital POPs(2) covered including roaming/resale (millions)(3)	30.2	29.7	1.7 %

(000s)	Quarters ended June 30 2005	Quarters ended June 30 2004	Change	Six-month periods ended June 30 2005	Six-month periods ended June 30 2004	Change
Subscriber net additions - postpaid	103.9	103.6	0.3 %	178.7	168.3	6.2 %
Subscriber net additions - prepaid	27.2	10.1	169.3 %	32.6	21.5	51.6 %
Subscriber net additions - total	131.1	113.7	15.3 %	211.3	189.8	11.3 %
Churn, per month (%)(4)	1.37	1.32	0.05 pts	1.41	1.40	0.01 pts
COA(5) per gross subscriber addition ($)(4)	342	381	(10.2)%	348	382	(8.9)%
ARPU ($)(4)	61	59	3.4 %	60	58	3.4 %
Average minutes of use per subscriber per month ("MOU")	405	390	3.8 %	388	376	3.2 %
EBITDA to network revenue (%)	49.3	45.8	3.5 pts	48.9	43.8	5.1 pts
Retention spend to network revenue (%)(4)	5.7	4.9	0.8 pts	5.6	4.9	0.7 pts
EBITDA ($ millions)	366.5	286.2	28.1 %	703.9	534.0	31.8 %
EBITDA excluding COA ($ millions)(4)	468.6	383.2	22.3 %	895.8	719.3	24.5 %

- TELUS Mobility Network revenue increased by $117.9 million for the second quarter of 2005 and $221.0 million for the first six months of 2005 as compared with the same periods last year. This growth was a result of the continued expansion of the subscriber base combined with increased average revenue per subscriber unit per month ("ARPU"). As a result of an overall increase in average minutes of use per subscriber per month ("MOU"), continued pricing discipline, and increased usage of data and Internet based products, including picture and text messaging, ARPU increased by approximately $2 in the second quarter and first six months of 2005, when compared with the same periods in 2004.

Average minutes of use per subscriber per month increased by 3.8% in the second quarter and 3.2% in first six months of 2005, when compared with the same periods in 2004. At June 30, 2005, postpaid subscribers represented 82.4% of the total cumulative subscriber base, remaining stable from one-year earlier, and contributing to the significant ARPU premium TELUS Mobility enjoys over its competitors. Despite the commercial launch by a new competitor in the prepaid market, TELUS Mobility achieved significant growth in year over year prepaid subscriber net additions. Consequently, total subscriber net additions of 131,100 represented a record for all previously reported second quarters for TELUS Mobility.

Blended postpaid and prepaid monthly churn rates remained favourable, increasing slightly in the second quarter and first six months of 2005 as compared with the same periods last year due to continued competitive pricing pressures. Deactivations were 167,500 and 340,500, respectively, for the second quarter and first six months of 2005, as compared with 140,800 and 295,000 for the same periods last year. Notably, the monthly churn rate achieved during the second quarter of 2005 improved over the first quarter of 2005 and the fourth quarter of 2004, despite a slight increase year over year. This is a significant achievement, in face of pressures from new competition and from other aggressive Push To Talk offerings. The excellent churn results reflect a continued focus on customer care including successful loyalty and retention efforts, value-added solutions and superior network quality for an exceptional service experience.

- Equipment sales, rental and service revenue increased in the second quarter and first six months of 2005 when compared to the corresponding periods in 2004. Handset revenue increased mainly due to subscriber growth brought about by a strong wireless market as well as increased promotional, retention, and contracting activity. Gross subscriber additions grew to 298,600 for the second quarter and 551,800 for the first six months of 2005 as compared with 254,500 and 484,800 for the same periods in 2004. Handset revenues associated with gross subscriber activations are included in COA per gross subscriber addition.

- 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 - Mobility segment ($ millions, except employees)	Quarters ended June 30			Six-month periods ended June 30		
	2005	2004	Change	2005	2004	Change
Equipment sales expenses	109.7	99.2	10.6 %	214.2	188.4	13.7 %
Network operating expenses	98.7	94.4	4.6 %	197.2	196.9	0.2 %
Marketing expenses	87.4	73.4	19.1 %	161.7	134.8	20.0 %
General and administration						

expenses	145.4	129.0	12.7 %	289.0	265.4	8.9 %
Total operations expense	441.2	396.0	11.4 %	862.1	785.5	9.8 %
Full-time equivalent employees, end of period	6,012	5,485	9.6 %			

TELUS Mobility operations expense increased in the second quarter and first six months of 2005, when compared with the same periods in 2004, to support growth in the subscriber base. TELUS Mobility continued to achieve economies of scale as second quarter total operations expenses increased by only 11.4%, while the corresponding Network revenue growth was 18.8% and year-over-year subscriber growth was 14.8%.

- Expenses related to equipment sales increased in the second quarter and first six months of 2005 when compared with the same periods in 2004, principally due to an increase in gross subscriber activations as well as increased retention activity. Handset costs associated with gross subscriber activations are included in COA per gross subscriber addition.

- Network operating expenses increased by $4.3 million for the second quarter of 2005, as compared with the same period last year. Transmission and site-related expenses increased during the second quarter of 2005 to support the greater number of cell sites, a larger subscriber base, and improved network quality and coverage. The digital population coverage grew to 30.2 million at June 30, 2005, as a result of continued activation of digital roaming regions and network expansion. The increases in 2005 Network operating expenses were offset by other initiatives such as continued efforts to improve roaming rates and reduced leased line costs through Microwave build, as well as scale efficiencies and the competitive digital network services discounts arising from CRTC Decision 2005-6.

- Marketing expenses increased primarily due to higher dealer compensation costs and advertising expenses associated with the expanded subscriber base and increased re-contracting activity. However, COA per gross subscriber addition improved by 10.2% in the second quarter to $342 as compared with the same period last year due to higher gross subscriber additions and lower handset costs. Similarly, COA per gross subscriber addition improved by 8.9% to $348 for the first six months of 2005, when compared with the same period in 2004. With the higher ARPU, COA per gross subscriber addition over the lifetime revenue of the subscriber improved in the second quarter and first six months of 2005 as compared with the same periods in 2004.

- General and administration expenses increased by 12.7% in the second quarter and 8.9% for the first six months of 2005, when compared to the same periods in 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.

EBITDA and EBITDA	Quarters	Six-month periods

margin – Mobility segment	ended June 30 2005	2004	Change	ended June 30 2005	2004	Change
EBITDA ($ millions)	366.5	286.2	28.1 %	703.9	534.0	31.8 %
EBITDA margin (%)	45.4	42.0	3.4 pts	44.9	40.5	4.4 pts

Improvement in TELUS Mobility EBITDA and EBITDA margin was attributed to its strategic focus on profitable subscriber growth, increased ARPU, a lower cost of acquisition per gross subscriber addition, excellent monthly churn rates, and successful cost containment efforts. The EBITDA margin, when calculated as a percentage of Network revenue, improved to a record 49.3% for the second quarter of 2005, and to 48.9% for the first six months of 2005. This compares with 45.8% and 43.8% for the same periods in 2004, representing positive increases of 3.5 and 5.1 percentage points, respectively.

Mobility segment capital expenditures are discussed in Section 7.2 Cash used by investing activities.

6. Financial condition

The following are the significant changes in the consolidated balance sheets between December 31, 2004 and June 30, 2005.

($ millions)	June 30, 2005	Dec. 31, 2004	Change	% Change	Explanation
Current Assets					
Cash and temporary investments, net	1,141.1	896.5	244.6	27.3 %	See Section 7. Liquidity and capital resources
Accounts receivable	846.3	863.5	(17.2)	(2.0)%	Primarily a seasonal decrease in dealer accounts receivable, partly offset by increased billings and accruals
Income and other taxes receivable	146.0	132.5	13.5	10.2 %	Changes in estimates of available temporary differences, reassessments and interest for prior years net of refunds received
Inventories	129.0	133.3	(4.3)	(3.2)%	Primarily a reduction by TELUS Mobility from the peak selling

					season in the fourth quarter, partly offset by new handset launches
Prepaid expenses and other	259.4	183.4	76.0	41.4 %	Prepayment of property taxes, Mobility licence fees, federal Canada Pension Plan contributions and Employment Insurance premiums and maintenance contracts
Current portion of future income taxes	398.1	438.4	(40.3)	(9.2)%	Decrease in available tax loss pools for the upcoming 12 months and temporary differences in short-term assets and liabilities
Current Liabilities					
Accounts payable and accrued liabilities	1,458.5	1,362.6	95.9	7.0 %	Increases in capital expenditures, payroll and other liabilities, and an accrual for estimated damages for a lawsuit
Restructuring and workforce reduction accounts payable and accrued liabilities	57.4	70.7	(13.3)	(18.8)%	Payments under previous programs exceeded new obligations
Advance billings and customer deposits	546.4	531.5	14.9	2.8 %	Primarily an increase in price cap deferred revenues
Current maturities of long-term debt	1,581.0	4.3	1,576.7	n.m.	Reclassification to current of $1,575.7 million TELUS Corporation 7.5% Notes due June 2006
Working capital(1)	(723.4)	678.5	(1,401.9)	n.m.	Primarily reflects debt maturing in June 2006 net of cash accumulation

Capital Assets, Net	11,117.2	11,221.0	(103.8)	(0.9)%	See Sections 5.3 Consolidated results of operations - Depreciation and amortization and 7.2 Cash used by investing activities
Other Assets					
Deferred charges	775.4	704.4	71.0	10.1 %	Primarily pension plan contributions in excess of charges to income
Future income taxes	-	99.8	(99.8)	(100.0)%	Reflects use of loss carry forward amounts and temporary differences on long-term assets and liabilities reversed to long-term future tax liability
Investments	31.3	38.4	(7.1)	(18.5)%	Includes a write down in 2005 Q2
Goodwill	3,150.1	3,126.8	23.3	0.7 %	Goodwill added for consolidation of Ambergris, net of foreign exchange changes since the acquisition of Ambergris
Long-Term Debt	4,691.1	6,332.2	(1,641.1)	(25.9)%	$1,575.7 million TELUS Corporation 7.5% Notes became current, the $141.6 million Dec. 31 balance of Convertible debentures was converted to equity or redeemed, while the Canadian dollar value of U.S. dollar denominated notes increased by $72.3 million, because of a slight weakening of the Canadian dollar

Other Long-Term Liabilities	1,439.3	1,506.1	(66.8)	(4.4)%	Primarily a reduction in the deferred hedging liability for U.S. dollar denominated notes, resulting from a slight weakening of the Canadian dollar
Future Income Taxes	1,052.0	991.9	60.1	6.1 %	A 2005 acquisition plus tax deductions exceed accounting expenses for long-term assets and liabilities such as pension amounts and fixed assets
Non-Controlling Interest	13.5	13.1	0.4	3.1 %	The increase was from minority partners' share of earnings in several small subsidiaries, including an acquisition in 2005
Shareholders' Equity					
Convertible debentures	-	8.8	(8.8)	(100.0)%	Approximately $7.8 million was transferred to share capital when shareholders exercised their conversion option in 2005. The balance was transferred to contributed surplus (in Common equity) with the redemption of the remaining debentures on June 15, 2005
Common equity	7,154.7	7,016.8	137.9	2.0 %	The increase is comprised of year-to-date 2005 Net income of $431.7 million, share options exercised of $159.6 million, conversion of $131.7 million of Convertible

debentures into 3.3 million Non-voting shares, less dividends of $143.9 million, normal course issuer bid costs of $430.3 million and other of $26.7 million

7. Liquidity and capital resources

7.1 Cash provided by operating activities

($ millions)	Quarters ended June 30			Six-month periods ended June 30		
	2005	2004	Change	2005	2004	Change
	687.7	489.0	40.6 %	1,416.1	1,077.1	31.5 %

Cash provided by operating activities increased in the second quarter and first six months of 2005, when compared with the same periods in 2004, due to the following:

- EBITDA increased by $80.2 million and $215.1 million, respectively
- Restructuring and workforce reduction payments decreased by $1.3 million and $48.0 million, respectively
- Interest paid was flat and decreased by $9.7 million, respectively
- Interest received increased by $11.8 million and $3.9 million, respectively
- Employer contributions to employee defined benefit plans decreased by $35.6 million and $26.8 million, respectively, due primarily to net acceleration of discretionary funding in the second quarter of 2004, partly offset by a change in timing of funding
- Reduced repayments of securitized accounts receivable (no repayments in 2005 or the second quarter of 2004; $150 million repayments in the first six months 2004), and
- Other changes in non-cash working capital in the respective periods of each year.

Partly offsetting the above, income tax recoveries net of installment payments decreased by $60.6 million and $166.3 million, respectively, in the second quarter and first six months of 2005, when compared with the same periods in 2004.

7.2 Cash used by investing activities

($ millions)	Quarters ended June 30			Six-month periods ended June 30		
	2005	2004	Change	2005	2004	Change
	410.0	341.6	20.0 %	716.2	640.2	11.9 %

Cash used by investing activities increased in the second quarter and first six months of 2005, when compared with the same periods in 2004, due primarily to increased capital expenditures and lower proceeds from the sale of non-strategic properties. Investing activity in the second quarter and first six months of 2005 included investments of $1.9 million and $29.4 million, respectively, in Ambergris.

Capital expenditures by segment ($ millions, except capital expenditure intensity)	Quarters ended June 30			Six-month periods ended June 30		
	2005	2004	Change	2005	2004	Change
Communications segment	293.9	267.7	9.8 %	507.5	527.1	(3.7)%
Mobility segment	114.8	78.4	46.4 %	174.4	128.7	35.5 %
TELUS consolidated	408.7	346.1	18.1 %	681.9	655.8	4.0 %
Capital expenditure intensity(1)(%)	20.2	18.6	1.6 pts	17.1	17.9	(0.8) pts

- Communications segment ILEC capital expenditures increased by 15.2% to $257.6 million in the second quarter of 2005, and increased by 2.1% to $449.8 million for the first six months of 2005, when compared with the same periods in 2004. The increases primarily reflect investment in internal systems and processes and were partly offset for the six month period by lower expenditure on network infrastructure and high-speed Internet. Expendit