

**TELUS CORPORATION**  
**Management's discussion and analysis**  
**2020 Q3**

## Caution regarding forward-looking statements

The terms *TELUS*, *the Company*, *we*, *us* and *our* refer to TELUS Corporation and, where the context of the narrative permits or requires, its subsidiaries.

This document contains forward-looking statements about expected events and our financial and operating performance. Forward-looking statements include any statements that do not refer to historical facts. They include, but are not limited to, statements relating to our objectives and our strategies to achieve those objectives, our targets, outlook, updates, our plans and expectations regarding the impact of the COVID-19 pandemic and responses to it, and our multi-year dividend growth program. Forward-looking statements are typically identified by the words assumption, goal, guidance, objective, outlook, strategy, target and other similar expressions, or future or conditional verbs such as *aim*, *anticipate*, *believe*, *could*, *expect*, *intend*, *may*, *plan*, *predict*, *seek*, *should*, *strive* and *will*. These statements are made pursuant to the “safe harbour” provisions of applicable securities laws in Canada and the United States *Private Securities Litigation Reform Act of 1995*.

By their nature, forward-looking statements are subject to inherent risks and uncertainties and are based on assumptions, including assumptions about future economic conditions and courses of action. These assumptions may ultimately prove to have been inaccurate and, as a result, our actual results or events may differ materially from expectations expressed in or implied by the forward-looking statements.

Risks and uncertainties that could cause actual performance or events to differ materially from the forward-looking statements made herein and in other TELUS filings include, but are not limited to, the following:

- The COVID-19 pandemic including its impacts on our customers, our team members and our communities, as well as changes resulting from the pandemic to our business and operations including to the demand for and supply of the products and services that we offer and the channels through which we offer them.
- Regulatory decisions and developments including changes to our regulatory regime (the timing of announcement or implementation of which are uncertain) or the outcomes of proceedings, cases or inquiries relating to its application, including but not limited to those set out in *Section 9.1 Communications industry regulatory developments and proceedings* in this Management’s discussion and analysis (MD&A), such as the potential for government intervention to further increase competition, for example, through mandated wholesale access; the potential for additional government intervention on pricing, including the March 2020 announcement by the federal government (reiterated in June 2020) targeting a 25% price reduction in wireless plans using between two to six GB of data over a two year period by the national wireless carriers; federal and provincial consumer protection legislation and regulation; amendments to existing federal legislation; potential threats to unitary federal regulatory authority over communications; potential threats to the CRTC’s ability to enforce the *Wholesale Code*, which aims to ensure the fair treatment by vertically integrated firms of rival broadcasting distributors and programming services; regulatory action by the Competition Bureau or other regulatory agencies; spectrum and compliance with licences, including our compliance with licence conditions, changes to spectrum licence fees, spectrum policy determinations such as restrictions on the purchase, sale, subordination and transfer of spectrum licences, the cost, availability and timing of spectrum, and ongoing and future consultations and decisions on spectrum allocation; the impact on us and other Canadian telecommunications carriers of government or regulatory actions with respect to certain countries or suppliers, including the executive order signed by U.S. President Donald Trump permitting the Secretary of Commerce to block certain technology transactions deemed to constitute national security risks and the imposition of additional licence requirements on the export, re-export and transfer of goods, services and technology to Huawei Technologies Co. Ltd. and its non-U.S. affiliates, and decisions of other foreign governments; restrictions on non-Canadian ownership and control of TELUS Common Shares and the ongoing monitoring of and compliance with such restrictions; unanticipated changes to the current copyright regime; and our ability to comply with complex and changing regulation of the healthcare and medical devices industry in the jurisdictions in which we operate, including as an operator of health clinics.
- Competitive environment including: our ability to continue to retain customers through an enhanced customer service experience, including through the deployment and operation of evolving wireless and wireline infrastructure; intense wireless competition, including the ability of industry competitors to successfully combine a mix of internet services and, in some cases, wireless services under one bundled and/or discounted monthly rate, along with their existing broadcast or satellite-based TV services; the success of new products, services and supporting systems, such as home automation security and Internet of Things (IoT) services for internet-connected devices; wireline voice and data competition, including continued intense rivalry across all services among wireless and wireline telecommunications companies, cable companies, other communications companies and over-the-top (OTT) services, which, among other things, places pressures on current and future mobile phone average billing per subscriber per month (ABPU), mobile phone average revenue per subscriber per month (ARPU), cost of acquisition, cost of retention and churn rate for all services, as do customer usage patterns, increased data bucket sizes or flat-rate pricing trends for voice and data, such as our Peace of Mind™ plans and comparable plans, inclusive rate plans for voice and data and availability of Wi-Fi networks for data; mergers and acquisitions of industry competitors; pressures on internet and TV ARPU and churn rate resulting from market conditions, government actions and customer usage patterns; residential voice and business network access line losses; subscriber additions and retention volumes, and associated costs for wireless, TV and internet services; our ability to obtain and offer content on a timely basis across multiple devices on wireless and TV platforms at a reasonable cost as content costs per unit continue to grow; vertical integration in the broadcasting industry resulting in competitors owning broadcast content services, and timely and effective enforcement of related regulatory safeguards; our ability to compete successfully in our TELUS International customer care and business services given our competitors’ brand recognition, consolidation and strategic alliances, as well as technology development; in our TELUS Health business, our ability to compete with other

providers of electronic medical records and pharmacy management products, systems integrators and health service providers including those that own a vertically integrated mix of health services delivery, IT solutions, and related services, and global providers that could achieve expanded Canadian footprints; and our ability to successfully develop our smart data solutions business.

- Technological substitution including: reduced utilization and increased commoditization of traditional wireline voice services (local and long distance) resulting from impacts of OTT applications and wireless substitution; a declining overall market for paid TV services, including as a result of content piracy and signal theft, a rise in OTT direct-to-consumer video offerings and virtual multichannel video programming distribution platforms; the increasing number of households that have only wireless and/or internet-based telephone services; potential declines in mobile phone ABPU and ARPU as a result of, among other factors, substitution by messaging and OTT applications; substitution by increasingly available Wi-Fi services; and disruptive technologies, such as OTT IP services, including software-defined networks in the business market, that may displace or cause us to reprice our existing data services.
- Challenges to our ability to deploy technology including: high subscriber demand for data that challenges wireless networks and spectrum capacity levels and may be accompanied by increases in delivery cost; our reliance on information technology and our ability to streamline our legacy systems; the roll-out and evolution of wireless broadband technologies and systems, including video distribution platforms and telecommunications network technologies (broadband initiatives, such as fibre to the premises (FTTP), wireless small-cell deployment, 5G wireless and availability of resources and our ability to build out adequate broadband capacity); our reliance on wireless network access agreements, which have facilitated our deployment of wireless technologies; our choice of suppliers and those suppliers’ ability to maintain and service their product lines, which could affect the success of upgrades to, and evolution of, technology that we offer; supplier limitations and concentration and market power for products such as network equipment, TELUS TV® and wireless handsets; our expected long-term need to acquire additional spectrum capacity through future spectrum auctions and from third parties to address increasing demand for data and our ability to utilize spectrum we acquire; deployment and operation of new wireline broadband network technologies at a reasonable cost and the availability and success of new products and services to be rolled out using such network technologies; network reliability and change management; and our deployment of self-learning tools and automation that may change the way we interact with customers.
- Capital expenditure levels and potential outlays for spectrum licences in auctions or purchases from third parties, affect and are affected by: our broadband initiatives, including connecting more homes and businesses directly to fibre; our ongoing deployment of newer wireless technologies, including wireless small cells to improve coverage and capacity; investments in network resiliency and reliability; including to address changes in usage resulting from restrictions imposed in response to COVID-19; the allocation of resources to acquisitions and future wireless spectrum auctions held by Innovation, Science and Economic Development Canada (ISED), including the 3500 MHz spectrum auction expected to take place in 2021 and the millimetre wave spectrum auction targeted to take place in 2021, and the announcement of a formal consultation on the auctioning of 3800 MHz spectrum, expected to take place in 2023. Our capital expenditure levels could be impacted if we do not achieve our targeted operational and financial results or by changes to our regulatory environment.
- Operational performance and business combination risks including: our reliance on legacy systems and ability to implement and support new products and services and business operations in a timely manner; our ability to manage the requirements of large enterprise deals; our ability to implement effective change management for system replacements and upgrades, process redesigns and business integrations (such as our ability to successfully integrate acquisitions, complete divestitures or establish partnerships in a timely manner and realize expected strategic benefits, including those following compliance with any regulatory orders); our ability to identify and manage new risks inherent in new service offerings that we may provide, including as a result of acquisitions, which could result in damage to our brand, our business in the relevant area or as a whole, and additional exposure to litigation or regulatory proceedings.
- Data protection including risks that malfunctions or unlawful acts could result in unauthorized access to, change, loss, or distribution of data, which may compromise the privacy of individuals and could result in financial loss and harm to our reputation and brand.
- Security threats including intentional damage or unauthorized access to our physical assets or our IT systems and networks, which could prevent us from providing reliable service or result in unauthorized access to our information or that of our customers.
- Ability to successfully implement cost reduction initiatives and realize planned savings, net of restructuring and other costs, without losing customer service focus or negatively affecting business operations. Examples of these initiatives are: our operating efficiency and effectiveness program to drive improvements in financial results; business integrations; business product simplification; business process automation and outsourcing; offshoring and reorganizations; procurement initiatives; and real estate rationalization.
- Foreign operations and our ability to successfully manage operations in foreign jurisdictions, including managing risks such as currency fluctuations.
- Business continuity events including: our ability to maintain customer service and operate our network in the event of human error or human-caused threats, such as cyberattacks and equipment failures that could cause various degrees of network outages; supply chain disruptions, delays and economics, including as a result of government restrictions or trade actions; natural disaster threats; epidemics; pandemics (including the ongoing COVID-19 pandemic); political instability in certain international locations; information security and privacy breaches, including data loss or theft of data; and the completeness and effectiveness of business continuity and disaster recovery plans and responses.

- Human resource matters including: recruitment, retention and appropriate training in a highly competitive industry, the level of our employee engagement, and the health of our team.
- Financing and debt requirements including: our ability to carry out financing activities, refinance our maturing debt and/or maintain investment grade credit ratings in the range of BBB+ or the equivalent. Our business plans and growth could be negatively affected if existing financing is not sufficient to cover our funding requirements.
- Lower than planned free cash flow could constrain our ability to invest in operations, reduce leverage or return capital to shareholders, and could affect our ability to sustain our dividend growth program through 2022. This program may be affected by factors such as the competitive environment, economic performance in Canada, our earnings and free cash flow, our levels of capital expenditures and spectrum licence purchases, acquisitions, the management of our capital structure, regulatory decisions and developments, and business continuity events. Quarterly dividend decisions are subject to assessment and determination by our Board of Directors based on our financial position and outlook. Shares may be purchased under our normal course issuer bid (NCIB) when and if we consider it opportunistic, based on our financial position and outlook, and the market price of TELUS Common Shares. There can be no assurance that our dividend growth program or any NCIB will be maintained, not changed and/or completed.
- Taxation matters including: interpretation of complex domestic and foreign tax laws by the relevant tax authorities that may differ from our interpretations; the timing and character of income and deductions, such as tax depreciation and operating expenses; tax credits or other attributes; changes in tax laws, including tax rates; tax expenses being materially different than anticipated, including the taxability of income and deductibility of tax attributes; elimination of income tax deferrals through the use of different tax year-ends for operating partnerships and corporate partners; and changes to the interpretation of tax laws, including those resulting from changes to applicable accounting standards or the adoption of more aggressive auditing practices by tax authorities, tax reassessments or adverse court decisions impacting the tax payable by us.
- Litigation and legal matters including: our ability to successfully respond to investigations and regulatory proceedings; our ability to defend against existing and potential claims and lawsuits (including intellectual property infringement claims and class actions based on consumer claims, data, privacy or security breaches and secondary market liability), or to negotiate and execute upon indemnity rights or other protections in respect of such claims and lawsuits; and the complexity of legal compliance in domestic and foreign jurisdictions, including compliance with competition, anti-bribery and foreign corrupt practices laws.
- Health, safety and the environment including: lost employee work time resulting from illness or injury, public concerns related to radio frequency emissions, environmental issues affecting our business, including climate change, waste and waste recycling, risks relating to fuel systems on our properties, changing government and public expectations regarding environmental matters and our responses; and challenges associated with the COVID-19 pandemic and our response to it, which may add to or accentuate these factors.
- Economic growth and fluctuations including: the state of the economy in Canada, which may be influenced by economic and other developments outside of Canada, including potential outcomes of yet unknown policies and actions of foreign governments and the ongoing COVID-19 pandemic as well as public and private sector responses to the pandemic; expectations of future interest rates; inflation; unemployment levels; effects of fluctuating oil prices; effects of low business spending (such as reducing investments and cost structure); pension investment returns, funding and solvency discount rates; fluctuations in foreign exchange rates of the currencies in the regions in which we operate; the impact of tariffs on trade between Canada and the U.S., and global implications of the trade dynamic between major world economies.

These risks are described in additional detail in *Section 9 General trends, outlook and assumptions, and regulatory developments and proceedings* and *Section 10 Risks and risk management* in our 2019 annual MD&A. Those descriptions are incorporated by reference in this cautionary statement but are not intended to be a complete list of the risks that could affect the Company.

Many of these factors are beyond our control or our current expectations or knowledge. Additional risks and uncertainties not currently known to us or that we currently deem to be immaterial may also have a material adverse effect on our financial position, financial performance, cash flows, business or reputation. Except as otherwise indicated in this document, the forward-looking statements made herein do not reflect the potential impact of any non-recurring or special items or any mergers, acquisitions, dispositions or other business combinations or transactions that may be announced or that may occur after the date of this document.

Readers are cautioned not to place undue reliance on forward-looking statements. Forward-looking statements in this document describe our expectations, and are based on our assumptions, as at the date of this document and are subject to change after this date. Except as required by law, we disclaim any intention or obligation to update or revise any forward-looking statements.

This cautionary statement qualifies all of the forward-looking statements in this MD&A.

**Management’s discussion and analysis (MD&A)**

November 6, 2020

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## 1. Introduction

The forward-looking statements in this section, including, for example, statements relating to the expected impact of the COVID-19 pandemic on our operations and financial condition, on demand for our products and services, and on our assets, are qualified by the *Caution regarding forward-looking statements* at the beginning of this Management’s discussion and analysis (MD&A).

### 1.1 Preparation of the MD&A

The following sections are a discussion of our consolidated financial position and financial performance for the three-month and nine-month periods ended September 30, 2020, and should be read together with our September 30, 2020, condensed interim consolidated statements of income and other comprehensive income, statements of financial position, statements of changes in owners’ equity and statements of cash flows, and the related notes (collectively referred to as the interim consolidated financial statements). The generally accepted accounting principles (GAAP) that we use are International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB) and Canadian GAAP. In this MD&A, the term IFRS refers to these standards. In our discussion, we also use certain non-GAAP financial measures to evaluate our performance, monitor compliance with debt covenants and manage our capital structure. These measures are defined, qualified and reconciled with their nearest GAAP measures in *Section 11.1*. All currency amounts are in Canadian dollars, unless otherwise specified.

Additional information relating to the Company, including our annual information form and other filings with securities commissions or similar regulatory authorities in Canada, is available on SEDAR ([sedar.com](http://sedar.com)). Our filings with the Securities and Exchange Commission in the United States, including our Form 40-F filing, are available on EDGAR ([sec.gov](http://sec.gov)).

Our disclosure controls and procedures are designed to provide reasonable assurance that all relevant information is gathered and reported to senior management on a timely basis, so that appropriate decisions can be made regarding public disclosure. This MD&A and the interim consolidated financial statements were reviewed by our Audit Committee and authorized by our Board of Directors (Board) for issuance on November 6, 2020.

In this MD&A, unless otherwise indicated, results for the third quarter of 2020 (three-month period ended September 30, 2020) and the nine-month period ended September 30, 2020 are compared with results for the third quarter of 2019 (three-month period ended September 30, 2019) and the nine-month period ended September 30, 2019.

On February 13, 2020, we announced a subdivision of our Common Shares on a two-for-one basis. On March 17, 2020, TELUS shareholders received one additional share for each share owned on the record date of March 13, 2020. All information pertaining to shares and per-share amounts in this MD&A for periods before March 17, 2020, reflects retrospective treatment of the share split.

### 1.2 The environment in which we operate

The success of our business and the challenges we face can best be understood with reference to the environment in which we operate, including broader economic factors that affect our customers and us, and the competitive nature of our operations.

#### COVID-19

Approximately eight months after the first reported case of COVID-19 in Canada, on September 23, 2020, the Prime Minister declared that a second wave of COVID-19 was already underway in most of Canada. Some communities have levels of COVID-19 similar to, or higher than, levels in April and May, when COVID-19 was formally characterized as a pandemic and restrictions were first imposed. Since the beginning of the pandemic, we have focused relentlessly on keeping Canadians connected and on the health, safety and well-being of our team members, our customers and our communities. Our Executive Team continues to be guided by advice from our Emergency Management Operating Committee (EMOC) and the TELUS Medical Advisory Council (MAC).

#### *Impacts to our financial condition and results of operations*

Throughout the COVID-19 pandemic, we have continued to see unprecedented volumes of traffic on our network, including an increase in wireless voice calls, short message service (SMS) traffic, multimedia message service (MMS) traffic, home internet usage, voice network traffic, and usage of 1-800 phone numbers and teleconference bridges, compared to the same periods last year. Workers are continuing with their telecommuting arrangements while some students have begun the new school year with online learning as part of their education plans. Despite the increased traffic volumes, we are keeping our customers connected and providing them with a reliable, fast and consistent experience on our leading wireless and wireline broadband network, in both urban and rural communities across the country.

The pandemic has impacted our operations and financial condition and we expect this to continue into the fourth quarter of 2020 and into 2021. Both revenue and earnings before interest, income taxes, depreciation and amortization (EBITDA), in addition to certain operational metrics, have been negatively impacted, which is expected to continue in the near term. We continue to take steps to mitigate the negative effects of the pandemic, including on cash flow. We have experienced decreases in wireless roaming revenues with the closure of borders and corresponding decline in customer travel. We expect declines in roaming revenue to persist throughout the health crisis as the closure of borders, including those of Canada and the U.S., and decreases in customer travel continue. With respect to small and medium-sized business (SMB), we expect lower contribution from our business customers as we anticipate that many SMB enterprises will be forced to close and/or reduce the scope of their operations. In our health business, we have seen a financial improvement as our health clinics have re-opened, but due to restrictions in place to protect patients during the pandemic, the clinics are still unable to offer their full suite of core services. Our TELUS International (Cda) Inc. (TI) business was also financially impacted by temporary operating restrictions of certain centres; TI’s ability to quickly enable team members to work and support customers from home and in other modified work locations has helped to mostly mitigate these impacts.

### *Operational challenges*

The federal government has categorized all telecommunications providers, including TELUS, as essential services for purposes of the COVID-19 pandemic. In addition, emergency measures taken by most provincial and territorial governments also recognize telecommunications providers as essential service providers that must continue operations. We anticipate this recognition will continue for the duration of the health emergency. As a result, we should be permitted to continue operations during these times.

### Health and safety of our customers and team members

The health and safety of our employees and our customers is our top priority. For the past decade, our Work Styles<sup>®</sup> program has provided employees with flexible work options, both in and out of the office, to support the balance between work and personal life. As a result, when the COVID-19 pandemic struck, we were well prepared, with a substantial portion of our domestic team already equipped to work from home. With the vast majority of team members continuing to work productively from home, we announced that this remote working arrangement will now be in place until the end of June 2021 at a minimum as we felt it was important to provide team members with clarity, so they can manage the logistics and responsibilities of their professional and personal lives.

In our second quarter 2020 MD&A, we reported that a limited number of team members were invited back to our buildings. These are employees who we have determined require access to one of our buildings to be fully productive, such as employees requiring access to specialized equipment. We have taken proactive steps to ensure those working in our buildings and in the field are protected, including enhanced safety measures to ensure physical distancing, daily health self-assessments, thermal screening, and reminders about the importance of personal protective equipment.

In March 2020, we rolled out our virtual technician model, enabling technicians to perform their work without entering a customer’s premises. The technician provisions the equipment, sanitizes it, leaves it at the customer’s door and then guides the customer through the installation process via smartphone video call. This model has been successful and continues to be our preferred method of serving customers. We also offer self-install and professional install options to keep customers connected, the latter being performed upon agreement from both the customer and technician, with technicians wearing the appropriate personal protective equipment to perform complex installations and repairs that could not be done virtually.

We recognize the mental health challenges the pandemic has generated. We continue to maintain our online COVID-19 hub, which is a virtual gathering place for team members to learn, connect, work and be well together. Additionally, we share information with team members through our internal blog and frequently asked questions on our intranet. Team members also receive regular communications from our Chief Neuroscience Officer (CNO) on topics related to mental well-being, and are invited to attend virtual town halls with our CNO to ask questions related to mental and physical health. Starting in October, leaders are taking part in a new *Leading a mentally healthy workplace* training program to help support the well-being and mental health of our team members.

For TI, over 90% of our team members are continuing to support customers from home and in other modified work locations. While some delivery centres have begun to welcome back more team members, TI is planning for the majority of its team to make a gradual return to its centres provided it has been deemed safe to do so by local government and health authorities, in addition to guidance from the TELUS MAC and its own best practices.

Internal control over financial reporting

Employees responsible for financial reporting systems, internal controls over financial reporting, and disclosure controls and procedures were equipped to work from home with the Work Styles program prior to the COVID-19 pandemic, and as such, we do not expect any substantive changes to these controls and procedures.

*Impacts to demand for our products and services*

As previously described, our network traffic has significantly increased since the start of the pandemic through the third quarter of 2020 and the increased volumes of traffic are expected to continue into the fourth quarter of 2020 and possibly beyond.

Late in the second quarter of 2020, we commenced re-opening our conventional retail stores that were previously closed as a result of the COVID-19 pandemic and by July 31, 2020, a majority had been re-opened. As of the end of the third quarter of 2020, almost all stores are now open. While the health emergency has had a negative impact on customer loading and overall store traffic, our wireless gross additions have been resilient and only marginally lower over prior year periods as we successfully leveraged our digital assets to support customer growth and retention activities. Coinciding with wireless industry retail stores having re-opened by the end of the third quarter of 2020, the typical third quarter seasonal promotional intensity was exacerbated by pent-up demand coming out of retail closures and lockdowns from the second quarter of 2020. This has led to industry churn starting to return to pre-pandemic levels. Despite these pressures, our third quarter of 2020 mobile phone net additions were flat year-over-year with lower churn and lower gross additions, while connected device net additions increased year-over-year (see *Section 5.4 Wireless segment* for additional details.)

The pandemic had the potential to negatively impact demand for wireline products as less student activity could have resulted in less internet activations compared to previous years’ third quarters. Additionally, with fewer traditional wireline installations being performed, there was a prospect for lower corresponding TV net additions and security net additions. Notwithstanding these challenges, our third quarter of 2020 wireline subscriber connection net additions increased year-over-year and we continue to evolve our operations and support our customers virtually (see *Section 5.5 Wireline segment* for additional details.)

We continued to attract and retain high-quality subscribers, including through our TELUS Peace of Mind offerings, and create value for our customers by leading with our strengths: our leading network, superior customer service and product offerings, flexibility and simplification including through digital capabilities, as well as effective bundling. We experienced increased utilization of our digital assets in both our wireless and wireline segments, including [telus.com](https://www.telus.com) and the My TELUS mobile app – for example, to support the purchase of new devices, the addition of new services, migrations to electronic billing and facilitating payments – making transactions easier for customers.

In our health business, increased demand for virtual care solutions carried into the third quarter of 2020. With the introduction of virtual fee codes by every provincial government to enable remote patient care during the pandemic, TELUS Health launched its pre-built video visit functionality integrated with TELUS electronic medical records (EMR). As of September 30, 2020, this feature enabled more than 28,000 Canadian clinicians on a core TELUS EMR solution with the option to conduct virtual visits with their patients. We are seeing continued demand for our one-on-one virtual health solutions, with accelerated adoption of both Akira by TELUS Health by publicly funded and business customers as well as increased demand for Babylon by TELUS Health. We are also seeing increased demand for Home Health Monitoring (HHM) solutions with certain provinces, as well as increased demand for our LivingWell Companion™ by TELUS Health, enabling Canadians to access 24/7 emergency support. In addition, our seven Medisys Health Group clinics and our four Copeman Healthcare centres re-opened in July for in-clinic services while maintaining virtual consultation offerings to clients, although they were re-opened with restricted capacity to protect patients during the health emergency. Virtual consultations were launched as part of a COVID-19 business impact assessment strategy and as a result of their successful client adoption, virtual consultations will be maintained in a post-pandemic environment.

For our TI customer care and business services, operations have been impacted by government announcements that resulted in the temporary closure of certain centres. Despite these closures, our TI teams managed to enable more than 90% of our team members to provide remote support from home and in other modified work locations. While some team members have begun to return to those of TI’s delivery centres deemed safe, the majority of TI team members continue to work from home in an effective manner. Certain TI clients continue to experience challenges, in particular those clients in travel and hospitality-related businesses, however, the decline in business from these clients was offset by increases in business from clients in the games, media and ecommerce food delivery industries.



In the third quarter of 2020, cash receipts from customers have been steadily recovering from earlier declines experienced in the second quarter of 2020. We believe government assistance programs designed to support individuals and businesses, as well as the resumption of collections activities, were key contributing factors to the improvement in cash receipts in the third quarter.

*Impacts to our capital and financial resources, overall liquidity position and outlook*

We have a strong liquidity position with a robust outlook and are not relying on COVID-19-related supplier finance programs to manage our cash flow. Our access to capital has not been materially impacted by the COVID-19 pandemic as evidenced by our long-term debt issuance described in *Section 1.3*. Our credit facilities have not changed and are not reasonably likely to change due to the pandemic. We had liquidity of over \$2.8 billion at September 30, 2020, composed of cash and temporary investments of \$621 million, a TELUS Corporation credit facility of \$1.8 billion inclusive of commercial paper backstop and our trade receivables securitization program of \$400 million. Also at September 30, 2020, we could offer \$2.0 billion of debt or equity securities pursuant to a shelf prospectus that is in effect until June 2022. Following the June 2021 maturity of our TELUS Communications Inc. 10.65% debentures, Series 3 totalling \$175 million, our next TELUS Corporation notes mature in March 2022.

*Funding sources, covenants, debt and other obligations*

COVID-19 related impacts have not affected our ability to access traditional funding sources as were available to us in recent periods. As described in *Section 1.3*, on October 5, 2020, we issued \$500 million of Series CAD notes at 2.05%. At the time of announcing the debt issuance, this offering represented the lowest coupon on record in the Canadian market for a BBB 10-year corporate issuance.

We have not provided additional collateral, guarantees or equity to obtain funding nor have we had material changes to our cost of capital due to the COVID-19 pandemic. As described in *Section 7.8*, there have been no changes to our credit ratings during the health crisis.

There is no material uncertainty about our ongoing ability to meet the covenants of our TELUS Corporation credit agreements. Our TI subsidiary continues to forecast being in compliance with its leverage ratio under its credit facility and will take appropriate mitigating actions if necessary.

At September 30, 2020, our fixed-rate debt as a proportion of total indebtedness (excluding lease liabilities and other long-term debt) was 94%, the average term to maturity of our long-term debt (excluding commercial paper, the revolving component of the TI credit facility, lease liabilities and other long-term debt) was approximately 12.7 years, and the weighted average cost of our long-term debt (excluding commercial paper, the revolving component of the TI credit facility, lease liabilities and other long-term debt) was 3.85% (see section *7.5 Liquidity and capital resource measures*).

We have been able to service our debt and other obligations on a regular basis without material changes compared to pre-COVID-19 levels. We have taken advantage of some payment deferrals that several government jurisdictions have provided. For example, corporate income tax instalments, property tax payments of certain jurisdictions and spectrum licence remittances were deferred until September 2020. However, we did not experience any liquidity challenges once those accommodations ended.

*COVID-19 effect on assets*

Due to the widespread, pre-COVID-19 adoption of our Work Styles program, our finance operations have not been consequentially impacted by the pandemic. We expect to experience delays in collection of accounts receivable as the health emergency has created financial hardships for many of our customers. Throughout the first nine months of 2020, we have experienced an increase in bad debt expense compared to pre-pandemic periods, as we have provided for the financial and operational impacts of these considerations and concessions to our customers. We will continue to work with our customers who require hardship assistance in addition to government programs that are intended to support those financially impacted. We do not expect significant changes in judgments in determining the fair value of assets.

*Material impairments*

The carrying values of intangible assets with indefinite lives and goodwill are periodically tested for impairment and our accounting policy is that we, at a minimum, perform this test annually in December. When we perform the test, the recoverable amounts of the cash-generating units’ assets are determined based on a fair value less costs of disposal calculation. As of the date of this MD&A, the COVID-19 pandemic has not presented any indicators of impairment, so, as a result, we have not tested and compared the carrying values of our cash-generating units with their recoverable amounts subsequent to the December 2019 test.

*Business continuity plans*

For many years, we have had, and continue to have, business continuity plans in place, including an established EMOC, that includes representatives of all of our business units. The EMOC had been monitoring COVID-19 prior to it being characterized as a pandemic. As COVID-19 progressed, in early March 2020, the EMOC was activated to a heightened state of readiness. The EMOC continues to meet regularly and leverages the expertise of the TELUS MAC, which is composed of five doctors including an infectious disease physician. We do not foresee requiring material expenditures to implement our business continuity plans relating to the health crisis and do not face any material resource constraints in implementing our plans.

*Supply chain and methods of distribution*

We continue to leverage our digital capabilities as a key sales channel. Given the continuing challenges that our suppliers may have in sourcing their own materials, and their historic disposition to launch next-generation devices at certain times of the year, there may be delays to the launches of their latest devices causing a ripple effect with associated equipment revenues.

We do not expect the anticipated impact of the pandemic to materially change the relationship between our costs and revenues.

*Capital expenditures and other capital resources*

Keeping Canadians connected during the pandemic is of utmost importance to our team. Some planned capital expenditure activity has been deferred in response to customer requests and/or our inability to access work sites. However, we have redirected other capital expenditures to ensure our networks continue to operate at leading levels and to facilitate millions of Canadians now working and learning from home and the resultant increased demand for services such as online activity, video streaming, 1-800 phone numbers and teleconference bridges. Other capital expenditures that have been expedited to take advantage of equipment and deployment cost opportunities include network upgrades and expanding our next-generation 5G network.

We have in place a normal course issuer bid that concludes on January 1, 2021. We will purchase Common Shares only when and if we consider it opportunistic to do so. We have not reduced or suspended dividend payments and our Board elected to declare the fourth quarter dividend for 2020, described in greater detail in *Section 4.3 under Report on financing and capital structure management plans*. We have not ceased any material business operations nor reduced our human capital resource expenditures beyond normal operational efficiency programs.

*Travel restrictions and border closure impacts*

Thanks to the effectiveness of our technology in bridging geographic divides, travel restrictions and border closures are not expected to have a material impact on our ability to operate or achieve business goals.

**1.3 Consolidated highlights**

**Mobile Klinik acquisition**

On July 1, 2020, we acquired 100% of Mobile Klinik, a storefront wireless device repair and sales business complementary to our existing wireless lines of business. Consideration includes contingent consideration of \$34 million, payment of which is dependent upon achieving revenue, profitability, store expansion and wireless subscriber addition targets through 2023. The investment was made with a view to growing our wireless business.

**AFS Technologies Inc.**

On August 19, 2020, we acquired 100% of AFS Technologies Inc. (AFS), a business complementary to our existing technology-related lines of business providing trade promotion and supply chain software solutions to consumer packaged goods companies, food distributors and food manufacturers. The investment was made with a view to growing our existing smart data solutions business.

**Long-term debt issue**

On September 29, 2020, we announced an offering of \$500 million of senior unsecured 2.05% Notes, Series CAD, which were issued on October 5, 2020 and will mature on October 7, 2030. The net proceeds from this offering were used for general corporate purposes, including investing in our broadband network and other capital investment consistent with our growth strategy, and repayment of commercial paper. This offering was our second lowest coupon ever, and at the time of announcement, represented the lowest coupon on record in the Canadian market for a BBB 10-year corporate issuance.

## Lionbridge AI

On November 6, 2020, we announced that we had entered into an agreement to acquire 100% of Lionbridge AI, an artificial intelligence-enablement business complementary to our existing TELUS International business, for approximately \$1.2 billion (US\$935 million), subject to customary closing conditions including regulatory approval.

### Consolidated highlights

(\$ millions, except footnotes and unless noted otherwise)	Third quarters ended September 30			Nine-month periods ended September 30		
	2020	2019	Change	2020	2019	Change
<b>Consolidated statements of income</b>						
Operating revenues	3,981	3,697	7.7%	11,403	10,800	5.6%
Operating income	617	785	(21.4)%	1,935	2,287	(15.4)%
Income before income taxes	430	584	(26.4)%	1,354	1,729	(21.7)%
Net income	321	440	(27.0)%	989	1,397	(29.2)%
Net income attributable to Common Shares	307	433	(29.1)%	947	1,378	(31.3)%
Adjusted Net income <sup>1</sup>	356	458	(22.3)%	1,072	1,327	(19.2)%
Earnings per share (EPS) (\$)						
Basic EPS	0.24	0.36	(33.3)%	0.75	1.15	(34.8)%
Adjusted basic EPS <sup>1</sup>	0.28	0.39	(28.2)%	0.84	1.11	(24.3)%
Diluted EPS	0.24	0.36	(33.3)%	0.74	1.15	(35.7)%
Dividends declared per Common Share (\$)	0.29125	0.28125	3.6%	0.87375	0.83500	4.6%
Basic weighted-average Common Shares outstanding (millions)	1,284	1,204	6.6%	1,270	1,202	5.7%
<b>Consolidated statements of cash flows</b>						
Cash provided by operating activities	902	1,148	(21.4)%	3,541	3,098	14.3%
Cash used by investing activities	(1,176)	(871)	35.0%	(3,958)	(3,433)	15.3%
Acquisitions	(549)	(160)	n/m	(1,760)	(348)	n/m
Capital expenditures <sup>2</sup>	(741)	(748)	(0.9)%	(2,162)	(2,164)	(0.1)%
Cash provided (used) by financing activities	(76)	(124)	(38.7)%	503	291	72.9%
<b>Other highlights</b>						
Subscriber connections <sup>3</sup> (thousands)				15,719	14,500	8.4%
EBITDA <sup>1</sup>	1,390	1,434	(3.1)%	4,158	4,186	(0.7)%
Restructuring and other costs <sup>1</sup>	58	29	100.0%	188	94	100.0%
Adjusted EBITDA <sup>1,4</sup>	1,456	1,463	(0.6)%	4,292	4,280	0.3%
Adjusted EBITDA margin <sup>1</sup> (%)	36.5	39.6	(3.1) pts.	37.8	39.6	(1.8) pts.
Free cash flow <sup>1</sup>	161	320	(49.7)%	1,217	797	52.7%
Net debt to EBITDA – excluding restructuring and other costs <sup>1</sup> (times)				3.21	3.05	0.16

Notations used in MD&A: n/m – not meaningful; pts. – percentage points.

- These are non-GAAP and other financial measures. See *Section 11.1 Non-GAAP and other financial measures*.
- Capital expenditures include assets purchased, excluding right-of-use lease assets, but not yet paid for, and consequently differ from Cash payments for capital assets, excluding spectrum licences, as reported in the interim consolidated financial statements. Refer to *Note 31* of the interim consolidated financial statements for further information.
- The sum of active mobile phone subscribers, mobile connected device subscribers, internet subscribers, residential voice subscribers, TV subscribers and security subscribers, measured at the end of the respective periods based on information in billing and other source systems. December 31, 2019 security subscriber connections have been increased to include approximately 490,000 subscribers related to our acquisition of ADT Security Services Canada, Inc. (ADT Canada) (acquired on November 5, 2019). During the third quarter of 2020, we adjusted cumulative subscriber connections to add approximately 31,000 security subscribers as a result of a business acquisition.
- Adjusted EBITDA excludes restructuring and other costs (see *Section 11.1* for restructuring and other costs amounts), lease-up period and other equity losses related to real estate joint ventures, as well as retirement of a provision arising from business acquisition-related written put options within TI.

### Operating highlights

- Consolidated operating revenues** increased by \$284 million in the third quarter of 2020 and \$603 million in the first nine months of 2020:

Service revenues increased by \$235 million in the third quarter of 2020 and \$624 million in the first nine months of 2020, due to growth in wireline data services revenue from business acquisitions, expanded services and subscriber base growth. This growth was partly offset by the impacts of the COVID-19 pandemic in both the wireless and wireline segments, and the ongoing declines in wireline legacy voice and legacy data service revenues.

Equipment revenues increased by \$39 million in the third quarter of 2020, primarily due to higher-value wireless devices in the sales mix. Equipment revenues decreased by \$107 million in the first nine months of 2020, reflecting significantly lower wireless contracted volumes related to COVID-19 pandemic impacts, including the temporary closure of approximately 90% of our conventional retail stores primarily during the full second quarter of 2020, in addition to device financing programs.

Other operating income increased by \$10 million in the third quarter of 2020 mainly attributed to higher net gains from the sale of certain assets, partly offset by lease-up period and other equity losses related to real estate joint ventures. Other operating income increased by \$86 million in the first nine months of 2020, primarily due to a decrease and subsequent retirement of a provision arising from business acquisition-related written put options within TI, in addition to the other items noted above impacting the third quarter of 2020.

For additional details on operating revenues, see *Section 5.4 Wireless segment* and *Section 5.5 Wireline segment*.

- During the 12-month period ending on September 30, 2020, our total **subscriber connections** increased by 1,219,000. This reflects an increase of 2.3% in mobile phone subscribers, 20.3% in mobile connected device subscribers, 7.2% in internet subscribers, 4.4% in TV subscribers and 581,000 in security subscribers, including the acquired 490,000 ADT Canada customers, partly offset by a decline of 3.5% in residential voice subscribers.

Our mobile phone net additions were 111,000 in the third quarter of 2020 and 193,000 in the first nine months of 2020, flat compared to the third quarter of 2019 and down 11,000 in the first nine months of 2020. The decrease in net additions in the first nine months of 2020 was driven by the temporary closure of approximately 90% of our conventional retail stores and fewer customer additions attributed to restricted travel, partly offset by our customers first initiatives, including the enhanced use of our digital footprint and our leading network quality. The decline in customer additions for the nine-month period was partly offset by lower mobile phone churn. Our mobile phone churn rate was 0.99% in the third quarter of 2020 and 0.91% in the first nine months of 2020, down from 1.09% in the third quarter of 2019 and 1.04% in the first nine months of 2019, reflecting changing customer behaviour due to travel restrictions in addition to reduced switching activity between carriers due to the COVID-19 pandemic, partially attributed to the temporary closure of certain sales channels referenced above. Mobile connected device net additions were 87,000 in the third quarter of 2020, up 5,000 for the quarter due to increased Internet of Things (IoT) demand. Mobile connected device net additions were 169,000 in the first nine months of 2020, down 34,000 in the first nine months of 2020, primarily due to lower IoT gross additions from a reduction in business customer activity, largely in the second quarter of 2020, as these customers delayed purchasing decisions during the pandemic. (See *Section 5.4 Wireless segment* for additional details.)

Internet net additions were 50,000 in the third quarter of 2020 and 113,000 in the first nine months of 2020, up 18,000 and 34,000, respectively, from the same periods in 2019, due to continued net new demand for our leading TELUS PureFibre® services from consumers and businesses as we keep our customers connected as well as lower customer churn. TV net additions were 19,000 in the third quarter of 2020 and 35,000 in the first nine months of 2020, flat compared to the third quarter of 2019 and down 17,000 in the first nine months of 2020, mainly due to lower gross additions as a result of the COVID-19 pandemic and the changing landscape of increased streaming services, partly offset by lower churn. Security net additions were 18,000 in the third quarter of 2020 and 45,000 in the first nine months of 2020, up 4,000 and 14,000, respectively, from the same periods in 2019, reflecting strong organic growth as we keep our customers connected and protected. Our continued focus on expanding our addressable high-speed internet and Optik TV® footprint, connecting more homes and businesses directly to fibre, diversifying our product offerings, and bundling these products and services together, as well as our ongoing focus on our customer service and reliability, contributed to combined internet, TV and security subscriber growth of 772,000 or 24.1% over the last 12 months (inclusive of 490,000 security customers acquired from ADT Canada). We had made TELUS PureFibre available to approximately 78% of our broadband footprint by September 30, 2020. (See *Section 5.5 Wireline segment* for additional details.)

- **Operating income** decreased by \$168 million in the third quarter of 2020 and \$352 million in the first nine months of 2020. Excluding the effects of a gain on a retirement of a provision arising from business acquisition-related written put options within TI of \$71 million, Operating income decreased by \$423 million in the first nine months of 2020. These declines reflect multiple impacts from the COVID-19 pandemic, increased depreciation and amortization, declines in wireline legacy voice and legacy data services, higher non-labour-related restructuring and other costs, higher employee benefits expense including an increase in deferred vacation related to the pandemic in the third quarter of 2020, and lease-up period and other equity losses related to real estate joint ventures.

EBITDA, which includes restructuring and other costs and lease-up period and other equity losses related to real estate joint ventures, decreased by \$44 million or 3.1% in the third quarter of 2020 and \$28 million or 0.7% in the first nine months of 2020.

Adjusted EBITDA, which excludes restructuring and other costs, lease-up period and other equity losses related to real estate joint ventures and a gain on a retirement of a provision arising from business acquisition-related written put options within TI, decreased by \$7 million or 0.6% in the third quarter of 2020. This reflects multiple impacts from the COVID-19 pandemic, declines in wireline legacy voice and legacy data services and higher employee benefits and other costs including support for business acquisitions. This was partly offset by: growth in wireline data service margins resulting from business acquisitions, expanded services and subscriber base growth; an increased organic and inorganic contribution from TI; and enhanced cost efficiency programs.

Adjusted EBITDA increased by \$12 million or 0.3% in the first nine months of 2020, reflecting: growth in wireline data service margins resulting from business acquisitions, expanded services and subscriber base growth; an increased organic and inorganic contribution from TI; and a decrease in a provision arising from business acquisition-related written put options within TI. This growth was partly offset by multiple impacts from the COVID-19 pandemic and by declines in wireline legacy voice and legacy data services, and higher employee benefits expense and other costs. (See *Section 5.3 Consolidated operations* for additional details.)

- **Income before income taxes** decreased by \$154 million in the third quarter of 2020 and \$375 million in the first nine months of 2020 as a result of lower Operating income, as noted above, and increased Financing costs in the first nine months of 2020. The increase in Financing costs in the first nine months of 2020 resulted from higher average long-term debt outstanding, in part attributable to business acquisitions and the acquisition of spectrum licences. (See *Financing costs* in *Section 5.3*.)
- **Income tax** expense decreased by \$35 million in the third quarter of 2020 and increased by \$33 million in the first nine months of 2020. The effective income tax rate increased from 24.7 to 25.4% in the third quarter of 2020 due to adjustments to prior periods. The effective income tax increased from 19.2 to 26.9% in the first nine months of 2020, predominantly attributed to the prior year revaluation of the deferred income tax liability for the multi-year reduction in the Alberta provincial corporate tax rate that was substantively enacted in the second quarter of 2019.
- **Net income attributable to Common Shares** decreased by \$126 million in the third quarter of 2020 and \$431 million in the first nine months of 2020. These decreases resulted from the after-tax impacts of lower Operating income and higher Financing costs in the first nine months of 2020.

Adjusted Net income excludes the effects of restructuring and other costs, income tax-related adjustments, lease-up period and other equity losses related to real estate joint ventures, long-term debt prepayment premium and a gain on a retirement of a provision arising from business acquisition-related written put options within TI. Adjusted Net income decreased by \$102 million or 22.3% in the third quarter of 2020 and \$255 million or 19.2% in the first nine months of 2020.

#### Reconciliation of adjusted Net income

(\$ millions)	Third quarters ended September 30			Nine-month periods ended September 30		
	2020	2019	Change	2020	2019	Change
Net income attributable to Common Shares	307	433	(126)	947	1,378	(431)
Add (deduct):						
Restructuring and other costs, after income taxes	43	22	21	132	69	63
Income tax-related adjustments	(2)	(17)	15	(3)	(140)	137
Lease-up period and other equity losses related to real estate joint ventures	8	—	8	17	—	17
Long-term debt prepayment premium, after income taxes	—	20	(20)	14	20	(6)
Retirement of a provision arising from business acquisition-related written put options within TI, after income taxes	—	—	—	(35)	—	(35)
Adjusted Net income	356	458	(102)	1,072	1,327	(255)

- **Basic EPS** decreased by \$0.12 or 33.3% in the third quarter of 2020 and \$0.40 or 34.8% in the first nine months of 2020 as a result of the after-tax impacts of lower Operating income and higher Financing costs in the first nine months of 2020 as well as the effect of a higher number of Common Shares outstanding.

Adjusted basic EPS excludes the effects of restructuring and other costs, income tax-related adjustments, lease-up period and other equity losses related to real estate joint ventures, long-term debt prepayment premium and a gain on a retirement of a provision arising from business acquisition-related written put options within TI. Adjusted basic EPS decreased by \$0.11 or 28.2% in the third quarter of 2020 and \$0.27 or 24.3% in the first nine months of 2020.

**Reconciliation of adjusted basic EPS**

(\$)	Third quarters ended September 30			Nine-month periods ended September 30		
	2020	2019	Change	2020	2019	Change
Basic EPS	0.24	0.36	(0.12)	0.75	1.15	(0.40)
Add (deduct):						
Restructuring and other costs, after income taxes, per share	0.03	0.02	0.01	0.10	0.06	0.04
Income tax-related adjustments, per share	—	(0.01)	0.01	—	(0.12)	0.12
Lease-up period and other equity losses related to real estate joint ventures, per share	0.01	—	0.01	0.01	—	0.01
Long-term debt prepayment premium, after income taxes, per share	—	0.02	(0.02)	0.01	0.02	(0.01)
Retirement of a provision arising from business acquisition-related written put options within TI, after income taxes, per share	—	—	—	(0.03)	—	(0.03)
Adjusted basic EPS	0.28	0.39	(0.11)	0.84	1.11	(0.27)

- **Dividends declared per Common Share** were \$0.29125 in the third quarter of 2020 and \$0.87375 in the first nine months of 2020, reflecting increases of 3.6% from the third quarter of 2019 and 4.6% from the first nine months of 2019. The Board elected to declare a fourth quarter dividend of \$0.3112 per share on our issued and outstanding Common Shares, payable on January 4, 2021, to shareholders of record at the close of business on December 11, 2020. The fourth quarter dividend increased by \$0.01995 per share or 6.8% from the \$0.29125 per share dividend declared one year earlier.

**Liquidity and capital resource highlights**

- **Net debt to EBITDA – excluding restructuring and other costs** ratio was 3.21 times at September 30, 2020, up from 3.05 times at September 30, 2019, as the increase in net debt, partly attributed to business acquisitions and the acquisition of spectrum licences, exceeded the effect of the increase in EBITDA – excluding restructuring and other costs as the COVID-19 pandemic impacts reduced EBITDA. As at September 30, 2020, business acquisitions over the last 12 months increased the ratio by approximately 0.39 and the acquisition of spectrum licences increased the ratio by approximately 0.20. (See *Section 4.3 Liquidity and capital resources* and *Section 7.5 Liquidity and capital resource measures*.)
- **Cash provided by operating activities** decreased by \$246 million in the third quarter of 2020, reflecting increased income tax payments as income tax instalment payments were deferred into the third quarter of 2020 as permitted by several government jurisdictions as part of their pandemic responses, in addition to other operating working capital changes. Cash provided by operating activities increased by \$443 million in the first nine months of 2020, largely attributable to decreased income tax payments, which mainly reflected a higher final income tax payment of \$270 million in the first nine months of 2019 for the 2018 income tax year and which did not recur in 2020, as well as other operating working capital changes and lower restructuring and other costs disbursements, net of expense. (See *Section 7.2 Cash provided by operating activities*.)
- **Cash used by investing activities** increased by \$305 million in the third quarter of 2020 and \$525 million in the first nine months of 2020, primarily attributed to increased acquisitions. In the first nine months of 2020, the increase in Cash used by investing activities was partially offset by the \$931 million cash payments for the 600 MHz spectrum auction in the second quarter of 2019. Acquisitions increased by \$389 million in the third quarter of 2020 and \$1,412 million in the first nine months of 2020, as we made larger cash payments for business acquisitions, including Mobile Klinik and AFS in the third quarter of 2020 and our Competence Call Center acquisition on January 31, 2020. Capital expenditures decreased by \$7 million in the third quarter of 2020 and \$2 million in the first nine months of 2020 due to the timing of our fibre build activities and efficiencies in our 4G network expenditures. We had made TELUS PureFibre available to approximately 78% of our broadband footprint by September 30, 2020. (See *Section 7.3 Cash used by investing activities*.)
- **Cash used by financing activities** decreased by \$48 million in the third quarter of 2020, primarily reflecting lower cash payments for dividends. Cash provided by financing activities increased by \$212 million in the first nine months of 2020, resulting from our February 26, 2020 equity issue, lower cash payments for dividends and shares of a subsidiary issued to non-controlling interests, partly offset by increased redemptions of long-term debt, net of issuances (See *Section 7.4 Cash provided (used) by financing activities*.)
- **Free cash flow** decreased by \$159 million in the third quarter of 2020, largely from increased income tax payments as income tax instalment payments were deferred into the third quarter of 2020 as permitted by several government

jurisdictions as part of their pandemic responses, in addition to lower EBITDA attributed to pandemic impacts. Free cash flow increased by \$420 million in the first nine months of 2020, resulting primarily from: decreased income tax payments as there was a higher final income tax payment of \$270 million in the first quarter of 2019 for the 2018 income tax year; the timing related to device subsidy repayments and associated revenue recognition and our TELUS Easy Payment<sup>®</sup> device financing program; and lower restructuring and other costs disbursements. Our definition of free cash flow, for which there is no industry alignment, is unaffected by accounting changes that do not impact cash, such as IFRS 15 and IFRS 16. (See calculation in *Section 11.1 Non-GAAP and other financial measures*.)

## 2. Core business and strategy

Our core business and our strategic imperatives were described in our 2019 annual MD&A.

## 3. Corporate priorities for 2020

Our annual corporate priorities are used to advance our long-term strategic imperatives and address near-term opportunities and challenges. However, these priorities have been affected by the COVID-19 pandemic and we have focused on keeping Canadians connected and on the safety and well-being of our team members, our customers and our communities (see *Section 1.2* for further discussion on COVID-19 pandemic impacts.) The following table provides a discussion of activities and initiatives that relate to our 2020 corporate priorities.

### Honouring our customers, communities and social purpose by our team delivering on our brand promise

- During the quarter, we announced that Optik TV customers in B.C. and Alberta with four or more theme packs now have the flexibility to choose Amazon Prime as a benefit in their Optik TV package, courtesy of TELUS.
- In response to the COVID-19 pandemic, during the quarter, we announced the decision to continue with current remote working arrangements, with the vast majority of team members continuing to utilize Work Styles productively from home until the end of June 2021 at a minimum.
- Throughout the third quarter of 2020, we continued to leverage our Connecting for Good™ programs to support vulnerable Canadians through the global pandemic and also expanded program eligibility to support those who need it most.
  - We expanded our Internet for Good™ program to include people living with disabilities who receive financial disability assistance from the provincial governments in B.C., Alberta and Quebec.
  - We launched enhanced processes to provide students in kindergarten to grade 12 in need in B.C. and Alberta with expedited access to our Internet for Good program, allowing them to learn from the safety of their home during the pandemic.
  - We supported close to 1,000 new households through our Internet for Good program in the third quarter, resulting in over 68,000 cumulative low-income family members and people with disabilities now having access to low-cost, high-speed internet.
  - In partnership with the Children's Aid Foundation of Canada, we expanded our Mobility for Good™ program, now available nationally to youth aging out of foster care.
  - We added over 450 vulnerable youth leaving foster care to our Mobility for Good program, providing them with a free smartphone and wireless plan. Additionally, during the pandemic, we donated over 14,000 devices, many with \$0 rate plans – valued at nearly \$9 million – to over 325 organizations, as an extension of our Mobility for Good program. Since program inception, close to 20,000 Canadians have benefitted from our Mobility for Good program.
  - In the third quarter, over 8,000 visits were made to our mobile health clinics, resulting in nearly 44,000 cumulative visits since the inception of our Health for Good™ program.
  - In line with our commitment to keep Canadians safe online, we launched two new online TELUS Wise<sup>®</sup> workshops, *Empowering you to stay safe in our digital world* for adults and *Supporting youth in our digital world* for parents. Accessible at [telus.com/WiseWorkshops](https://telus.com/WiseWorkshops), the first workshop offers important tips about protecting one’s online safety and privacy online, while the second workshop shares tips and guidance on navigating screen time, gaming, sexting, cyberbullying and helping youth stay safe in our digital world. Year to date, close to 72,000 Canadians have participated in TELUS Wise workshops.
- Commencing in the second quarter of 2020, three-packs of TELUS-branded, non-medical masks were made available in adult and youth sizes, with all proceeds going to the TELUS Friendly Future Foundation™ to support COVID-19 relief efforts. As of September 30, 2020, we had sold over 50,000 masks, raising \$335,000 for the Foundation.
- As part of our annual Kits for Kids program, TELUS donated 13,000 backpacks filled with essential school supplies and reusable youth-sized face masks to support a successful return to learning.
- In May 2020, we commenced rallying our TELUS team, retirees and fellow Canadians to join our annual TELUS Days of

Giving through safe Acts of Giving to support our local communities. As of September 30, 2020, we have engaged in over 415,000 safe Acts of Giving, including more than 732,000 volunteer hours served and 150,000 masks sewn.

- Throughout the year to September 30, 2020, the TELUS Friendly Future Foundation has contributed \$7.6 million to 505 charitable health projects.
- We donated close to \$20,000 in video-on-demand proceeds from *Black Panther* and more than 60 other films by Black creators to Canada’s Black Health Alliance, supporting the health and well-being of Black Canadians.
- In October, we announced TELUS Presents, a curated collection of hard-to-find shows from abroad, such as the U.K. and Australia, available to all Optik TV and Pik TV® subscribers at no additional charge.
- In October, we were recognized as Canada’s leading global workplace by *Forbes World’s Best Employers 2020*. TELUS, including TELUS International, was ranked first among 25 Canadian companies recognized by Forbes and 40th globally, listed alongside 750 leading worldwide brands.

**Leveraging our broadband networks to drive TELUS’ growth and fuel our future**

- Based on data from Q1-Q2 2020, we won two Speedtest Awards from U.S.-based Ookla for Canada’s Fastest Mobile Network and Canada’s Best Mobile Coverage.
- In U.K.-based Opensignal’s *Mobile Network Experience: Canada Report* (August 2020), we won top spot in four awards outright (Download Speed Experience, Upload Speed Experience, Video Experience and Voice App Experience), and tied for first in two awards (Games Experience and 4G Coverage Experience). Our speed in the Download Speed Experience category was 72.7 Mbps, which is 5.2 Mbps faster than the second place finisher. This latest Opensignal recognition for fastest download speed experience marks our seventh consecutive win in this category since January 2017.
- Additionally, U.K.-based Opensignal’s *Global Mobile Network Experience Awards 2020* (September 2020) recognized us as having the world’s fastest network. We were the global winner for Download Speed Experience as our 4G LTE download speeds achieved a score of 75.8 Mbps and won the highest average overall download speeds in the world. The second fastest country in the world was South Korea’s average of 59 Mbps on their 5G networks which were launched nationally in 2019.
- In September, we officially unveiled GoCo™, simplifying access to robust and flexible business communications technologies for Canadian businesses. Combining the collective strengths and expertise of bluArc, BroadConnect Canada, Infra-Solutions, Netrium, Radiant and Ubity (acquired by TELUS), GoCo provides businesses with simple and scalable solutions for unified communications, managed connectivity and network security.
- In September, along with the Government of Canada, we announced a \$15 million investment for the deployment of a submarine fibre-optic cable between Sept-Îles and the Gaspésie region, which will improve the reliability and security of telecommunication services in Quebec’s North Shore region ensuring we keep Canadians connected and reaching as many rural Canadians as we can.
- In September, we announced that we are expanding our high-speed internet and wireless services to reach an additional 25,000 homes and businesses in 45 remote, low-density communities in the Quebec City region and in Eastern Quebec by early 2021, bridging the digital divide in remote communities.
- In September, we announced that we brought our TELUS 5G network to an additional 19 cities across the country, in addition to Vancouver, Calgary, Edmonton, Toronto and Montreal. By the end of this year, nearly 50 communities will be able to experience TELUS 5G connectivity.
- We also partnered with the University of Windsor and St. Clair College to make each institution a 5G-connected campus. Fully funded by us, both institutions will receive a TELUS-designed, 5G-enabled wireless network. We will operate these networks at no cost to the institutions, provide complementary connectivity to students, faculty and researchers, and collaborate on research projects to further understanding and use cases of 5G technologies.
- During the quarter, we made an announcement to connect the homes and businesses of the District of Saanich, B.C. to our TELUS PureFibre infrastructure by the end of 2022.
- In September, we announced a new partnership with BlackBerry Limited to provide secure emergency management and crisis communications to organization across Canada. We will offer BlackBerry AtHoc to organizations, helping to ensure that emergency personnel, first responders and government officials are provided with the technology and connectivity that enable better outcomes in crisis scenarios. Edmonton Police Service was also announced as an early client.

**Driving emerging opportunities to build scale in TELUS Health and TELUS Agriculture**

- During the ongoing COVID-19 pandemic, both our Akira by TELUS Health and Babylon by TELUS Health virtual care offerings have benefitted from significant adoption. These offerings have helped Canadians stay safe at home and avoid high-risk environments such as clinics and emergency rooms wherever possible and, in turn, free up healthcare system capacity to respond to the viral outbreak. Combined, Akira by TELUS Health and Babylon by TELUS Health provide millions of Canadians with the opportunity to seek primary care, virtually, across the country.
- Our LivingWell Companion personal emergency response service (PERS) continues to support the health and well-being of seniors across Canada. With COVID-19 disproportionately impacting the elderly, LivingWell Companion helps seniors stay connected to emergency support and offers a remote caregiving solution to those who may be unable to physically support their elderly loved ones during the pandemic.
- Through the pandemic, the TELUS Healthy Living Network® has been providing Optik TV customers with informative content related to COVID-19 prevention and well-being, and helping them to stay active at home with new content from partners such as YYOGA and Calm.



- In the second quarter of 2020, TELUS Health announced it was enabling Canadian clinicians to conduct virtual visits with their patients by integrating patient videoconferencing into its electronic medical records (EMR) across Canada. This new feature allows clinicians to virtually support their own roster of patients while maintaining continuity of care and fully up-to-date health records. As of September 30, 2020, TELUS Health has provided more than 28,000 Canadian clinicians with the option to conduct these virtual visits.
- In partnership with Nova Scotia Health Authority, TELUS Health announced the expansion of our Home Health Monitoring (HHM) solution to digitally monitor COVID-19 patients in Nova Scotia in an acute setting. Alberta Central Region Primary Care Network also deployed an HHM pilot to support chronic disease patients in the primary care setting. Our HHM program enables virtual healthcare teams to provide medical support remotely for patients in real-time as they learn to self-manage in their own homes. As of September 30, 2020, more than 8,000 patients have been monitored.
- We are building scale in TELUS Agriculture through additional business acquisitions and expanding our reach in the emerging agriculture technology sector by leveraging technology to help produce food more efficiently, safely and in a more environmentally friendly manner.

**Driving growth in TELUS International to fuel further scaling opportunities**

- TELUS International has furthered its leadership in digital solutions and customer experience with receipt of the following industry recognition thus far in 2020:
  - TELUS International was named a “Leader” and “Star Performer” in the Everest Group PEAK Matrix.
  - TELUS International was instrumental in helping TELUS win the 2020 Digital Transformation Award under the category of AI-fueled Digital Transformation from IT World Canada.
  - TELUS International was a 2020 Stevie Winner in the following categories:
    - Business Intelligence Solution category for Customer Journey Analytics.
    - Customer Service Outsourcing Provider of the Year category at the 2020 Stevie Awards for Sales & Customer Service.
    - Most Innovative Use of HR Technology During the Pandemic – United States.
    - Internationally recognized in the Exemplary Employer category for demonstrating extra commitment to keeping their employees working, paid, and safe during the COVID-19 pandemic.
    - Internationally recognized in the Valuable Corporate Response category for ensuring the well-being of their employees, customers, and communities.
  - TELUS International was recognized as one of the world’s best outsourcing providers across size and growth, customer references, awards, and certifications, programs for innovation and corporate social responsibility by being named on the International Association of Outsourcing Professionals Global Outsourcing 100 list in the Leader category with an All-Star ranking for 2020.
  - TELUS International was named to Silicon Valley-based Constellation Research’s Constellation ShortList for Customer Experience Operations Services: Global in Q3 2020.
- TELUS International has continued to scale effectively, supporting new digital opportunities with leading social media customers, leveraging its deep experience serving fast-growing technology companies.
- As described in *Section 1.3*, on November 6, 2020, TELUS International announced that it had entered into an agreement to acquire Lionbridge AI, a crowd-based data annotation services provider that prepares training data for the development and training of artificial intelligence (AI) algorithms for approximately \$1.2 billion, subject to customary closing conditions, including regulatory approvals.

**4. Capabilities**

The forward-looking statements in this section, including statements regarding our dividend growth program and our financial objectives in *Section 4.3*, are qualified by the *Caution regarding forward-looking statements* at the beginning of this MD&A.

**4.1 Principal markets addressed and competition**

For a discussion of our principal markets and an overview of competition, refer to *Section 4.1* of our 2019 annual MD&A.

**4.2 Operational resources**

**Wireless**

Since mid-2013, we have invested more than \$4.9 billion to acquire wireless spectrum licences in spectrum auctions and other private transactions. This has more than doubled our national spectrum holdings in support of our top corporate priority to put customers first. Wireless data consumption has been increasing rapidly and is expected to continue

growing at a fast rate as the industry transitions to 5G, and we have responded by investing to extend our coverage and expand the capacity of our leading network quality to support the additional data consumption and growth in our wireless subscriber base in a geographically diverse country. This includes investments in wireless small cells connected directly to our fibre technology to improve coverage and capacity utilized in our 5G network launch.

As at September 30, 2020, our 4G LTE technology covered 99% of Canada’s population, consistent with September 30, 2019. We have continued to invest in the roll-out of our LTE advanced technology, which covered 97% of Canada’s population at September 30, 2020, up approximately 5% from one year before. Furthermore, our 5G network, launched in the second quarter of 2020, covered almost 20% of Canada’s population at September 30, 2020.

### **Wireline**

We are continuing to invest in our urban and rural communities across B.C., Alberta and Eastern Quebec with commitments to deliver broadband technology capabilities to as many Canadians in these communities as possible. We are expanding our fibre footprint by connecting more homes and businesses directly to fibre in communities across B.C., Alberta and Eastern Quebec. In addition, we have increased broadband internet speeds, expanded our IP TV video-on-demand library and high-definition content, including 4K TV and 4K HDR capabilities, and enhanced the marketing of data products and bundles resulting in improved churn rates. Our fibre technology is also an essential component of our wireless access technology and has enabled our 5G deployment as referenced above. Our home and business smart technology lines of business integrate security and safety monitoring with smart devices.

As at September 30, 2020, approximately 2.41 million households and businesses in B.C., Alberta and Eastern Quebec were covered with fibre-optic cable (representing approximately 78% of our total high-speed broadband footprint), which provides these premises with immediate access to our fibre-optic technology. This is up from approximately 2.14 million households and businesses in the third quarter of 2019.

## **4.3 Liquidity and capital resources**

### **Capital structure financial policies**

Our objective when managing capital is to maintain a flexible capital structure that optimizes the cost and availability of capital at acceptable risk.

In the management of capital and in its definition, we include Common Share equity (excluding Accumulated other comprehensive income), Long-term debt (including long-term credit facilities, commercial paper backstopped by long-term credit facilities and any hedging assets or liabilities associated with Long-term debt items, net of amounts recognized in Accumulated other comprehensive income), Cash and temporary investments, and Short-term borrowings arising from securitized trade receivables.

We manage our capital structure and make adjustments to it in light of changes in economic conditions and the risk characteristics of our business. In order to maintain or adjust our capital structure, we may adjust the amount of dividends paid to holders of Common Shares, purchase Common Shares for cancellation pursuant to normal course issuer bid (NCIB) programs, issue new shares, issue new debt, issue new debt to replace existing debt with different characteristics, and/or increase or decrease the amount of trade receivables sold to an arm’s-length securitization trust.

We monitor capital utilizing a number of measures, including our net debt to EBITDA – excluding restructuring and other costs ratio, coverage ratios and dividend payout ratios. (See definitions in *Section 11.1 Non-GAAP and other financial measures.*)

## Financing and capital structure management plans

### *Report on financing and capital structure management plans*

#### **Pay dividends to the holders of Common Shares under our multi-year dividend growth program**

- In May 2019, we announced our intention to target ongoing semi-annual dividend increases, with the annual increase in the range of 7 to 10% from 2020 through to the end of 2022, thereby extending the policy first announced in May 2011. In May 2020, given the uncertain magnitude, duration and potential outcomes of the COVID-19 pandemic, the Board determined to sustain the current dividend per share and defer any dividend increase until the release of our third quarter 2020 results. On November 5, 2020, the Board elected to declare a fourth quarter dividend of \$0.3112 per share, payable on January 4, 2021, to shareholders of record at the close of business on December 11, 2020. The fourth quarter dividend for 2020 reflects a cumulative increase of \$0.01995 per share or 6.8% from the \$0.29125 per share dividend declared one year earlier. Dividend decisions will continue to be subject to our Board’s assessment and the determination of our financial position and outlook on a quarterly basis. Our long-term dividend payout ratio guideline is 60 to 75% of free cash flow on a prospective basis. (See *Section 7.5 Liquidity and capital resource measures*.) There can be no assurance that we will maintain a dividend growth program or that it will be unchanged through 2022. (See *Caution regarding forward-looking statements – Ability to sustain our dividend growth program through 2022* and *Section 10.13 Financing, debt and dividends* in our 2019 annual MD&A.)
- Our dividend reinvestment and share purchase (DRISP) plan trustee acquired shares from Treasury for the DRISP plan, rather than acquiring Common Shares in the stock market. We may, at our discretion, offer Common Shares at a discount of up to 5% from the market price under the plan. Effective with the dividends paid beginning on October 1, 2019, we offered Common Shares from Treasury at a discount of 2%. During the third quarter of 2020, our DRISP plan trustee acquired from Treasury approximately 6 million dividend reinvestment Common Shares for \$140 million. For the dividends paid on October 1, 2020, the DRISP participation rate, calculated as the DRISP investment of \$138 million (including the employee share purchase plan) as a percentage of gross dividends, was approximately 37%.

#### **Purchase Common Shares**

- During the three-month and nine-month periods ended September 30, 2020, and up to the date of this MD&A, we did not purchase or cancel any shares pursuant to our NCIB.

#### **Use proceeds from securitized trade receivables (Short-term borrowings), bank facilities and commercial paper as needed, to supplement free cash flow and meet other cash requirements**

- Our issued and outstanding commercial paper was \$427 million at September 30, 2020, which was denominated in U.S. dollars (US\$320 million), compared to \$1,015 million (US\$781 million) at December 31, 2019, and \$760 million (US\$574 million) at September 30, 2019.
- Net draws due to a syndicate of financial institutions (excluding TELUS Corporation) on the TELUS International (Cda) Inc. credit facility were US\$820 million at September 30, 2020, compared to US\$336 million at December 31, 2019, and US\$305 million at September 30, 2019. The credit facility is non-recourse to TELUS Corporation.
- Proceeds from securitized trade receivables were \$100 million at September 30, 2020, unchanged from December 31, 2019 and September 30, 2019.

#### **Maintain compliance with financial objectives**

- Maintain investment grade credit ratings in the range of BBB+ or the equivalent – On November 6, 2020, investment grade credit ratings from the four rating agencies that cover TELUS were in the desired range. (See *Section 7.8 Credit ratings*.)
- Net debt to EBITDA – excluding restructuring and other costs ratio of 2.20 to 2.70 times – As measured at September 30, 2020, this ratio was 3.21 times, outside of the objective range, primarily due to the reduction of EBITDA caused by the COVID-19 pandemic as well as business acquisitions and the acquisition of spectrum licences. Given the cash demands of the 2019 and upcoming spectrum auctions and the inability to quantify impacts of the COVID-19 pandemic, the assessment of the guideline and return to the objective range remains to be determined; however, it is our intent to return to a ratio below 2.70 times in the medium term (following upcoming spectrum auctions), consistent with our long-term strategy. (See *Section 7.5 Liquidity and capital resource measures*.)
- Dividend payout ratio of 60 to 75% of free cash flow on a prospective basis – Our objective range is on a prospective basis. The dividend payout ratio we present in this MD&A is a historical measure utilizing the last four quarters of dividends declared, net of dividend reinvestment plan effects, and free cash flow, and is disclosed for illustrative purposes in evaluating our target guideline. As at September 30, 2020, the ratio was 69%. During the 12-month period ended September 30, 2020, the historical measure of our dividend payout ratio was within the range due to the discounted DRISP participation level. (See *Section 7.5 Liquidity and capital resource measures*.)
- Generally maintain a minimum of \$1 billion in available liquidity – As at September 30, 2020, our available liquidity on a consolidated basis was over \$2.8 billion. (See *Section 7.6 Credit facilities*.)

## 4.4 Changes in internal control over financial reporting

For the three-month and nine-month periods ended September 30, 2020, there were no changes in internal control over financial reporting that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

## 5. Discussion of operations

This section contains forward-looking statements, including those with respect to mobile phone average billing per subscriber per month (ABPU) and mobile phone average revenue per subscriber per month (ARPU) growth, wireless trends regarding loading and retention spending, equipment margins, subscriber growth and various future trends. There can be no assurance that we have accurately identified these trends based on past results or that these trends will continue, in particular given uncertainty with regard to the COVID-19 pandemic and associated economic impacts. See *Caution regarding forward-looking statements* at the beginning of this MD&A.

### 5.1 General

A significant judgment we make is in respect of distinguishing between our wireless and wireline operations and cash flows (and this extends to allocations of both direct and indirect expenses and capital expenditures). The clarity of this distinction has been increasingly affected by the convergence and integration of our wireless and wireline telecommunications infrastructure technology and operations. Recently, our judgment was that our wireless and wireline telecommunications infrastructure technology and operations had not experienced sufficient convergence to objectively make their respective operations and cash flows practically indistinguishable. The continued build-out of our access-technology-agnostic fibre-optic infrastructure, in combination with converged edge network technology, has significantly affected this judgment, as have the commercialization of fixed-wireless telecommunications solutions for customers and the consolidation of our non-customer facing operations. As a result, it has become increasingly difficult and impractical to objectively and clearly distinguish between our wireless and wireline operations and cash flows, and the assets from which those cash flows arise. Our judgment as to whether these operations can continue to be judged to be individual components of the business and discrete operating segments has changed. Effective January 1, 2020, we embarked upon modifying our internal and external reporting processes, systems and internal controls to accommodate the technology convergence-driven cessation of the historical distinction between our wireless and wireline operations at the level of regularly reported discrete performance measures that are provided to our Chief Executive Officer (CEO) (our chief operating decision-maker). Prior to the World Health Organization characterizing COVID-19 as a pandemic, we had anticipated transitioning to a new segment reporting structure during 2020 but did not, and do not, anticipate a substantive change to our products and services revenue and related performance indicator reporting from such transition; we will continue to report wireless and wireline operations until such transition is substantially completed, but the timing of such transition may be impacted as we prioritize managing through the pandemic. Segmented information in *Note 5* of the interim consolidated financial statements is regularly reported to our CEO.

## 5.2 Summary of consolidated quarterly results and trends

### Summary of quarterly results

(\$ millions, except per share amounts)	2020 Q3	2020 Q2	2020 Q1	2019 Q4	2019 Q3	2019 Q2	2019 Q1	2018 Q4
<b>Operating revenues</b>	<b>3,981</b>	3,728	3,694	3,858	3,697	3,597	3,506	3,764
<b>Operating expenses</b>								
Goods and services purchased <sup>1</sup>	<b>1,632</b>	1,458	1,412	1,681	1,502	1,466	1,421	1,784
Employee benefits expense <sup>1</sup>	<b>959</b>	911	873	809	761	758	706	745
Depreciation and amortization	<b>773</b>	725	725	678	649	633	617	586
Total operating expenses	<b>3,364</b>	3,094	3,010	3,168	2,912	2,857	2,744	3,115
<b>Operating income</b>	<b>617</b>	634	684	690	785	740	762	649
Financing costs before long-term debt prepayment premium	<b>187</b>	184	192	175	173	189	168	159
Long-term debt prepayment premium	<b>—</b>	18	—	—	28	—	—	—
<b>Income before income taxes</b>	<b>430</b>	432	492	515	584	551	594	490
Income taxes	<b>109</b>	117	139	136	144	31	157	122
<b>Net income</b>	<b>321</b>	315	353	379	440	520	437	368
<b>Net income attributable to Common Shares</b>	<b>307</b>	290	350	368	433	517	428	357
<b>Net income per Common Share:</b>								
Basic earnings per share (EPS)	<b>0.24</b>	0.23	0.28	0.30	0.36	0.43	0.36	0.30
Adjusted basic EPS <sup>2</sup>	<b>0.28</b>	0.25	0.32	0.32	0.39	0.35	0.38	0.35
Diluted EPS	<b>0.24</b>	0.23	0.23	0.30	0.36	0.43	0.36	0.30
<b>Dividends declared per Common Share</b>	<b>0.29125</b>	0.29125	0.29125	0.29125	0.28125	0.28125	0.27250	0.27250
<b>Additional information:</b>								
EBITDA <sup>2</sup>	<b>1,390</b>	1,359	1,409	1,368	1,434	1,373	1,379	1,235
Restructuring and other costs <sup>2</sup>	<b>58</b>	70	60	40	29	29	36	75
Lease-up period and other equity losses related to real estate joint ventures	<b>8</b>	3	6	5	—	—	—	—
Retirement of a provision arising from business acquisition-related written put options within TI	<b>—</b>	71	—	—	—	—	—	—
Adjusted EBITDA <sup>2</sup>	<b>1,456</b>	1,361	1,475	1,413	1,463	1,402	1,415	1,310
Cash provided by operating activities	<b>902</b>	1,462	1,177	829	1,148	1,160	790	948
Free cash flow <sup>2</sup>	<b>161</b>	511	545	135	320	324	153	132

1 Goods and services purchased and Employee benefits expense amounts include restructuring and other costs.

2 See Section 11.1 Non-GAAP and other financial measures.

### Trends

COVID-19 was characterized as a pandemic in March 2020. The nature of the pandemic and the uncertainty of its magnitude, length and the time to recovery are not currently able to be estimated. Therefore, trends identified prior to the first quarter of 2020 and described below may not be indicative of trends effective from the first quarter of 2020 onwards, as the COVID-19 pandemic prevents us and our customers from operating in the normal course of business in certain areas.

The trend of year-over-year increases in consolidated revenue reflects: (i) wireless network revenue generated from growth in our subscriber base, partially reduced by COVID-19 pandemic impacts such as reduced roaming revenue; (ii) growth in wireline service revenue – this segment includes TELUS International (Cda) Inc. (TI) revenues, internet and third wave data services revenues, health revenues, TV revenues, home and business smart technology (including security) revenues, and other advanced application offerings; partly offset by moderating equipment revenue growth as well as COVID-19 pandemic impacts such as the temporary closure of Medisys and Copeman health clinics and the clinics being unable to offer their full suite of core services upon re-opening, and business customers faced with reduced and/or closed operations. Increased wireline data services revenues also include revenues from business acquisitions, including our acquisitions of ADT Security Services Canada, Inc. (ADT Canada) on November 5, 2019 (where there were significant integration and customer retention costs in 2019, which will continue throughout 2020 and early 2021, the full expected operations rate is expected after that time), and Competence Call Center (CCC) on January 31, 2020. Increased internet and TV service revenues are being generated by subscriber growth and higher internet revenue per customer, and there has been increased customer adoption of our home and business smart technology (including security). For additional information on wireless and wireline revenue and subscriber trends, see Section 5.4 Wireless segment and Section 5.5 Wireline segment.

The trend of year-over-year increases in Goods and services purchased, excepting the effects of the application of IFRS 16 first evidenced in the first quarter of 2019, reflects increases in external labour, administrative and other expenses to support growth in our TI business, our subscriber base and business acquisitions; higher wireless equipment expenses associated with higher-value smartphones in the sales mix, partly offset by a general decrease in new wireless contracts; and increased wireline TV costs of sales associated with a growing subscriber base.

The trend of year-over-year increases in net Employee benefits expense reflects increases in the number of employees related to business acquisitions including those supporting the growth of TI revenue, our health offerings, our smart data solutions business and in our other complementary businesses. This was partly offset by moderating salaries expense resulting from reductions in the number of full-time equivalent (FTE) domestic employees, excluding business acquisitions, related to cost efficiency and effectiveness programs. We experienced year-over-year increases in net Employee benefits expense in the first quarter of 2020 and through most of 2019 related to April 2019 compensation increases. Additionally, we expect year-over-year increases in net Employee benefits expense into the second quarter of 2021 related to July 2020 compensation increases.

The trend of year-over-year increases in Depreciation and amortization reflects increases due to growth in capital assets, which is supporting the expansion of our broadband footprint, including our generational investment to connect homes and businesses to TELUS PureFibre and enhanced LTE technology coverage, growth in business acquisitions and growth in internet, TV and security loading. The investments in our fibre-optic technology also support our small-cell technology strategy to improve coverage and capacity while preparing for a more efficient and timely evolution to 5G as we launched the first wave of our 5G network in June 2020. Depreciation and amortization under the application of IFRS 16 are higher than would have been the case prior to IFRS 16.

The trend of year-over-year increases in Financing costs reflects an increase in long-term debt outstanding, mainly associated with our investments in spectrum, fibre and wireless technology, as well as our business acquisitions. Financing costs include a long-term debt prepayment premium of \$18 million in the second quarter of 2020 and \$28 million in the third quarter of 2019. Moreover, Financing costs are net of capitalized interest related to spectrum licences acquired during the 600 MHz wireless spectrum auction, which we expect to deploy into our existing network in future periods. Financing costs also includes Interest accretion on provisions (asset retirement obligations and written put options) and Employee defined benefit plans net interest. Additionally, for the eight periods shown, Financing costs include varying amounts of foreign exchange gains or losses and varying amounts of interest income. Under the application of IFRS 16, Financing costs are higher than would have been the case prior to IFRS 16, driven by interest on lease liabilities.

The trend in Net income reflects the items noted above, as well as non-cash adjustments arising from substantively enacted income tax changes and adjustments recognized in the current periods for income taxes of prior periods. Historically, the trend in basic EPS has reflected trends in Net income.

The general trend of year-over-year increases in Cash provided by operating activities reflects lower year-over-year income taxes paid partly offset by higher interest payments arising from increases in debt outstanding and year-over-year variations in fixed-term interest rates. Cash provided by operating activities was impacted by IFRS 16, which prospectively results in the principal component of lease payments being reflected as a financing activity use of cash. The general trend of year-over-year increases in free cash flow reflects the factors affecting Cash provided by operating activities, except that accounting policies that do not impact cash (IFRS 15 and IFRS 16) do not affect the determination of free cash flow. For further discussion on these trends, see *Section 5.4 Wireless segment* and *Section 5.5 Wireline segment*.

### 5.3 Consolidated operations

The following is a discussion of our consolidated financial performance. Segment information in *Note 5* of the interim consolidated financial statements is regularly reported to our CEO. We discuss the performance of our segments in *Section 5.4 Wireless segment* and *Section 5.5 Wireline segment*. Refer to *Section 1.2* for further discussion of the COVID-19 pandemic and its impacts on our consolidated operations.

**Operating revenues**

(\$ in millions)	Third quarters ended September 30			Nine-month periods ended September 30		
	2020	2019	Change	2020	2019	Change
Service	3,373	3,138	7.5%	9,868	9,244	6.8%
Equipment	588	549	7.1%	1,412	1,519	(7.0)%
Revenues arising from contracts with customers	3,961	3,687	7.4%	11,280	10,763	4.8%
Other operating income	20	10	100.0%	123	37	n/m
Operating revenues	3,981	3,697	7.7%	11,403	10,800	5.6%

Consolidated operating revenues increased by \$284 million in the third quarter of 2020 and \$603 million in the first nine months of 2020.

- **Service revenues** increased by \$235 million in the third quarter of 2020 and \$624 million in the first nine months of 2020, reflecting growth in wireline data services revenues resulting from business acquisitions, expanded services and subscriber base growth, partly offset by the impacts of the COVID-19 pandemic in both the wireless and wireline segments, and continued declines in wireline legacy voice and legacy data service revenues.
- **Equipment revenues** increased by \$39 million in the third quarter of 2020, primarily due to higher-value wireless devices in the sales mix as stores gradually re-opened with pandemic-related restrictions easing throughout the third quarter. Equipment revenues decreased by \$107 million in the first nine months of 2020, reflecting significantly lower wireless contracted volumes as a result of customers reducing their general shopping habits and the temporary closure of a significant number of conventional sales channels beginning in March 2020 through a majority of the second quarter of 2020 due to the COVID-19 pandemic. Device financing programs, which provide transparency of full device costs resulting in customers deferring device upgrade purchases, also contributed to the decrease.
- **Other operating income** increased by \$10 million in the third quarter of 2020, mainly attributed to higher net gains from the sale of certain assets, partly offset by lease-up period and other equity losses related to real estate joint ventures. Other operating income increased by \$86 million in the first nine months of 2020 largely related to a decrease and subsequent retirement of a provision arising from business acquisition-related written put options within TI, in addition to the other items noted above that impacted the third quarter of 2020.

**Operating expenses**

(\$ in millions)	Third quarters ended September 30			Nine-month periods ended September 30		
	2020	2019	Change	2020	2019	Change
Goods and services purchased	1,632	1,502	8.7%	4,502	4,389	2.6%
Employee benefits expense	959	761	26.0%	2,743	2,225	23.3%
Depreciation	540	489	10.4%	1,568	1,429	9.7%
Amortization of intangible assets	233	160	45.6%	655	470	39.4%
Operating expenses	3,364	2,912	15.5%	9,468	8,513	11.2%

Consolidated operating expenses increased by \$452 million in the third quarter of 2020 and \$955 million in the first nine months of 2020.

- **Goods and services purchased** increased by \$130 million in the third quarter of 2020, due to higher operating and administrative costs associated with business acquisitions, in addition to supporting organic TI revenue growth, higher non-labour restructuring and other costs related to the pandemic, as well as higher wireless equipment sales expenses from higher-value devices in the sales mix, partly offset by enhanced cost-savings initiatives in response to the economic impacts of the COVID-19 pandemic. Goods and services purchased increased by \$113 million in the first nine months of 2020 as a result of the items noted above that impacted the third quarter of 2020 (except for wireless equipment sales expense), in addition to increases to our bad debt expense. Wireless equipment sales expense decreased for the nine-month period as a result of significantly lower contracted volumes.
- **Employee benefits expense** increased by \$198 million in the third quarter of 2020 and \$518 million in the first nine months of 2020, largely due to higher compensation and benefit costs resulting from an increase in the number of employees from business acquisitions; higher offshore FTEs supporting organic TI revenue growth; compensation increases; and higher labour-related restructuring and other costs. These employee benefits expense increases were partly offset by a decrease in the number of domestic FTEs, excluding business acquisitions.
- **Depreciation** increased by \$51 million in the third quarter of 2020 and \$139 million in the first nine months of 2020, primarily due to growth in capital assets over the last 12 months, including our expanded fibre footprint and business acquisitions. Additionally, in the first nine months of 2020, we had increased asset retirement activity, which generated accelerated depreciation on those assets.

- **Amortization of intangible assets** increased by \$73 million in the third quarter of 2020 and \$185 million in the first nine months of 2020, reflecting higher expenditures associated with the intangible asset base over the last 12 months, including those arising from business acquisitions.

**Operating income**

(\$ in millions)	Third quarters ended September 30			Nine-month periods ended September 30		
	2020	2019	Change	2020	2019	Change
Wireless EBITDA <sup>1</sup> (See Section 5.4)	945	970	(2.6)%	2,749	2,797	(1.7)%
Wireline EBITDA <sup>1</sup> (See Section 5.5)	445	464	(4.1)%	1,409	1,389	1.4%
EBITDA <sup>1</sup>	1,390	1,434	(3.1)%	4,158	4,186	(0.7)%
Depreciation and amortization (discussed above)	(773)	(649)	19.1%	(2,223)	(1,899)	17.1%
Operating income	617	785	(21.4)%	1,935	2,287	(15.4)%

<sup>1</sup> See Section 11.1 Non-GAAP and other financial measures.

Operating income decreased by \$168 million in the third quarter of 2020 and \$352 million in the first nine months of 2020, while EBITDA decreased by \$44 million in the third quarter of 2020 and \$28 million in the first nine months of 2020. Excluding the second quarter of 2020 effects of a gain on a retirement of a provision arising from business acquisition-related written put options of \$71 million within TI, Operating income decreased by \$423 million in the first nine months of 2020, while EBITDA decreased by \$99 million in the first nine months of 2020. These declines reflect the impacts of the COVID-19 pandemic, including: (i) the decline in roaming revenues attributed to restricted travel; (ii) the temporary closure of approximately 90% of our conventional retail stores; (iii) the temporary disruptions to our TI business due to government-mandated site closures; (iv) the temporary closure of our Medisys and Copeman clinics, and reduced health benefit claims; (v) increases to our bad debt expense; and (vi) higher non-labour-related restructuring and other costs. EBITDA also declined from lower wireline legacy voice and legacy data services, higher non-labour-related restructuring and other costs related to efficiency initiatives, higher employee benefits expense and other costs including support for business acquisitions, and lease-up period and other equity losses related to real estate joint ventures. EBITDA declines were partly offset by growth in wireline data service margins resulting from business acquisitions, expanded services and subscriber base growth, an increased contribution from our organic and inorganic TI business, and enhanced cost efficiency programs. Declines in the first nine months of 2020 were also moderated by a decrease and subsequent retirement of a provision arising from business acquisition-related written put options within TI.

**Adjusted EBITDA**

(\$ in millions)	Third quarters ended September 30			Nine-month periods ended September 30		
	2020	2019	Change	2020	2019	Change
Wireless Adjusted EBITDA <sup>1</sup> (See Section 5.4)	961	976	(1.6)%	2,791	2,817	(0.9)%
Wireline Adjusted EBITDA <sup>1</sup> (See Section 5.5)	495	487	1.6%	1,501	1,463	2.6%
Adjusted EBITDA <sup>1</sup>	1,456	1,463	(0.6)%	4,292	4,280	0.3%

<sup>1</sup> See Section 11.1 Non-GAAP and other financial measures.

Adjusted EBITDA decreased by \$7 million or 0.6% in the third quarter of 2020, reflecting the impacts of the COVID-19 pandemic as described above, lower wireline legacy voice and legacy data services, and higher employee benefits and other costs including support for business acquisitions. This was partly offset by: growth in wireline data service margins resulting from business acquisitions, expanded services and subscriber base growth; an increased organic and inorganic contribution from TI; and enhanced cost efficiency programs.

In the first nine months of 2020, Adjusted EBITDA increased by \$12 million or 0.3%, which reflects: growth in wireline data service margins resulting from business acquisitions, expanded services and subscriber base growth; an increased organic and inorganic contribution from TI; and a decrease in a provision arising from business acquisition-related written put options within TI. Adjusted EBITDA growth was partly offset by the impacts of the COVID-19 pandemic as described above, lower wireline legacy voice and legacy data services, and higher employee benefits expense and other costs including support for business acquisitions.



**Financing costs**

(\$ in millions)	Third quarters ended September 30			Nine-month periods ended September 30		
	2020	2019	Change	2020	2019	Change
Interest on long-term debt, excluding lease liabilities – gross	169	160	5.6%	508	471	7.9%
Interest on long-term debt, excluding lease liabilities – capitalized	(11)	(9)	22.2%	(28)	(13)	115.4%
Interest on lease liabilities	17	18	(5.6)%	52	50	4.0%
Interest on short-term borrowings and other	1	1	—%	5	9	(44.4)%
Interest accretion on provisions	4	6	(33.3)%	13	17	(23.5)%
Long-term debt prepayment premium	—	28	(100.0)%	18	28	(35.7)%
Interest expense	180	204	(11.8)%	568	562	1.1%
Employee defined benefit plans net interest	4	1	n/m	12	1	n/m
Foreign exchange losses (gains)	5	(3)	n/m	6	1	n/m
Interest income	(2)	(1)	100.0%	(5)	(6)	(16.7)%
Financing costs	187	201	(7.0)%	581	558	4.1%

Financing costs decreased by \$14 million in the third quarter of 2020 and increased by \$23 million in the first nine months of 2020, mainly due to the following factors:

- **Interest expense** decreased by \$24 million in the third quarter of 2020 and increased by \$6 million in the first nine months of 2020. These changes largely resulted from:
  - Gross interest on long-term debt, excluding lease liabilities, increased by \$9 million in the third quarter of 2020 and \$37 million in the first nine months of 2020, driven by an increase in average long-term debt balances outstanding in part attributable to the acquisition of spectrum licences and business acquisitions (including ADT Canada, CCC, Mobile Klinik and AFS Technologies Inc.), partially offset by a decrease in the effective interest rate. Our weighted average interest rate on long-term debt (excluding commercial paper, the revolving component of the TELUS International (Cda) Inc. credit facility, lease liabilities and other long-term debt) was 3.85% at September 30 2020, as compared to 3.98% one year earlier. (See *Long-term debt issues and repayments* in Section 7.4.)
  - Capitalized long-term debt interest, excluding lease liabilities, is in respect of debt incurred for the purchase of spectrum licences during the 600 MHz wireless spectrum auction held in April 2019 by Innovation, Science and Economic Development Canada (ISED), which we expect to deploy in our existing network in future periods. Capitalization of long-term debt interest will continue until substantially all of the activities necessary to prepare the spectrum for its intended use are complete.
  - In the second quarter of 2020, we recorded a long-term debt prepayment premium of \$18 million before income taxes related to the early redemption of all of our \$400 million Series CM Notes and all of our \$500 million Series CO Notes. In the third quarter of 2019, we recorded a long-term debt prepayment premium of \$28 million before income taxes related to the early redemption of all of our \$1.0 billion of senior unsecured 5.05% Notes, Series CH.
- **Employee defined benefit plans net interest** increased by \$3 million in the third quarter of 2020 and \$11 million in the first nine months of 2020, primarily due to the change in the defined benefit plan deficit as at December 31, 2019 to \$425 million (net of the plan asset ceiling limit of \$121 million), compared to a defined benefit plan surplus of \$57 million (net of the plan asset ceiling limit of \$263 million) one year earlier, partly offset by a decrease in the discount rate.
- **Foreign exchange losses (gains)** have fluctuated, primarily reflecting changes in the value of the Canadian dollar relative to the U.S. dollar.

**Income taxes**

(\$ in millions, except tax rates)	Third quarters ended September 30			Nine-month periods ended September 30		
	2020	2019	Change	2020	2019	Change
Income taxes computed at applicable statutory rates (%)	25.9	26.9	(1.0) pt.	26.2	26.9	(0.7) pts.
Revaluation of deferred income tax liability to reflect future income tax rates (%)	(0.7)	(0.3)	(0.4) pts.	(0.6)	(7.1)	6.5 pts.
Adjustments recognized in the current period for income taxes of prior periods (%)	0.2	(2.4)	2.6 pts.	0.3	(0.9)	1.2 pts.
Other (%)	—	0.5	(0.5) pts.	1.0	0.3	0.7 pts.
<b>Effective tax rate (%)</b>	<b>25.4</b>	<b>24.7</b>	<b>0.7 pts.</b>	<b>26.9</b>	<b>19.2</b>	<b>7.7 pts.</b>
Income tax computed at applicable statutory rates	111	157	(29.3)%	354	465	(23.9)%
Revaluation of deferred income tax liability to reflect future income tax rates	(3)	(2)	50.0%	(8)	(123)	(93.5)%
Adjustments recognized in the current period for income taxes of prior periods	1	(14)	n/m	5	(16)	n/m
Other	—	3	(100.0)%	14	6	133.3%
<b>Income taxes</b>	<b>109</b>	<b>144</b>	<b>(24.3)%</b>	<b>365</b>	<b>332</b>	<b>9.9%</b>

Total income tax expense decreased by \$35 million in the third quarter of 2020 and increased by \$33 million in the first nine months of 2020. The effective tax rate increased from 24.7% to 25.4% in the third quarter of 2020, due to changes in the adjustments to prior years. The effective income tax rate increased from 19.2% to 26.9% in the first nine months of 2020, predominantly attributed to the prior year revaluation of the deferred income tax liability for the multi-year reduction in the Alberta provincial corporate tax rate that was substantively enacted in the second quarter of 2019.

**Comprehensive income**

(\$ in millions)	Third quarters ended September 30			Nine-month periods ended September 30		
	2020	2019	Change	2020	2019	Change
Net income	321	440	(27.0)%	989	1,397	(29.2)%
Other comprehensive income (net of income taxes):						
Items that may be subsequently reclassified to income	(63)	115	n/m	104	93	11.8%
Items never subsequently reclassified to income	69	2	n/m	(284)	34	n/m
<b>Comprehensive income</b>	<b>327</b>	<b>557</b>	<b>(41.3)%</b>	<b>809</b>	<b>1,524</b>	<b>(46.9)%</b>

Comprehensive income decreased by \$230 million in the third quarter of 2020, primarily as a result of changes in the unrealized fair value of derivatives designated as cash flow hedges in addition to lower Net income. Comprehensive income decreased by \$715 million in the first nine months of 2020 attributed to lower Net income in addition to changes in employee defined benefit plan re-measurement amounts arising from the effect of a decrease in the discount rate being applied to our accrued projected defined benefit obligation. Items that may subsequently be reclassified to income are composed of changes in the unrealized fair value of derivatives designated as cash flow hedges and foreign currency translation adjustments arising from translating financial statements of foreign operations. Items never subsequently reclassified to income are composed of employee defined benefit plans re-measurement amounts.

**5.4 Wireless segment****Wireless trends and seasonality**

The nature of the COVID-19 pandemic and the uncertainty of its magnitude, length and the time to recovery are not currently able to be estimated. Therefore, trends identified prior to the first quarter of 2020 and described below may not be indicative of trends effective from the first quarter of 2020 onwards, as the COVID-19 pandemic prevents us and our customers from operating in the normal course of business in certain areas. For example, with government and border restrictions, consumer and business travel levels are uncertain. As well, our business customers who use our wireless services are faced with reduced and/or closed operations. Refer to *Section 1.2* for further discussion of the COVID-19 pandemic and its impacts on our wireless operations.

The historical trend over the last eight quarters in wireless network revenue reflects growth in our subscriber base. Equipment revenue growth has been moderating as an increase of higher-value smartphones in the sales mix have been offset by a lower volume of new contracts due to: (i) the improving quality and increasing cost of popular devices that result in customers deferring upgrades; (ii) the industry introduction of device financing programs, which provide transparency of full device costs and result in customers deferring device upgrades; and (iii) most recently, the effects of the COVID-19 pandemic on customers, the industry, our supply chain and methods of distribution, and the Canadian economy. Impacts directly associated with the pandemic, such as the reduction of roaming revenue and a portion of the

decline in churn, may be temporary in nature and are anticipated to return to pre-pandemic levels once the pandemic has subsided or ended. The general trend of year-over-year increases in mobile phone subscriber net additions resulted from: (i) the success of our promotions and the leveraging of our digital sales channels; (ii) the effects of market growth arising from a growing population, changing population demographics and an increasing number of customers with multiple devices; (iii) continuous improvements in the speed and quality of our network, combined with our low churn rate, which reflects our focus on customers first initiatives, and more recently, reduced switching activity between carriers due to the pandemic; and (iv) customer behaviour using additional devices while travelling, however, this trend has been altered by the pandemic. Our capital expenditures on network improvements increase capacity and coverage, allowing us to grow revenue through net additions of wireless subscribers.

Mobile phone ABPU growth has been moderating, primarily due to: (i) carriers offering larger allotments of data, as well as rate plans that include plans with bonus data and unlimited data plans, data sharing and, prior to the COVID-19 pandemic and the significant impact to travel, international roaming features; and (ii) consumer behavioural response to more frequent customer data usage notifications and offloading of data traffic to increasingly available Wi-Fi hotspots; partly offset by (iii) an increased mix of higher-value rate plans, in addition to an increase in higher-value smartphones in the sales mix, including the effects of customers financing more of the cost of these devices through our TELUS Easy Payment program, which we launched at the beginning of the third quarter of 2019, and an increased proportion of higher-value customers in the subscriber mix. As a result of changing industry dynamics, customers have been able to gain access to higher network speeds and larger allotments of data included for a given price point, further limiting mobile phone ABPU expansion, as customers are continuing to obtain plans with a lower cost per megabyte.

The trend of our comparatively low mobile phone blended churn rate reflects our customers first efforts, retention programs and our focus on building, maintaining and enhancing our high-quality network.

Our connected device subscriber base has been growing primarily through our expanded Internet of Things (IoT) offerings, partly offset by our strategic decision to reduce loading of low or negative-margin tablets.

#### Wireless operating indicators

As at September 30	2020	2019	Change			
<b>Subscribers<sup>1</sup> (000s):</b>						
Mobile phones	<b>8,865</b>	8,663	2.3%			
Mobile connected devices	<b>1,708</b>	1,420	20.3%			
Total	<b>10,573</b>	10,083	4.9%			
LTE population coverage <sup>2</sup> (millions)	<b>37.0</b>	36.9	0.3%			
5G population coverage <sup>2</sup> (millions)	<b>7.3</b>	—	n/m			
	Third quarters ended September 30		Nine-month periods ended September 30			
	<b>2020</b>	2019	Change	<b>2020</b>	2019	Change
Mobile phones gross additions (000s):	<b>370</b>	388	(4.6)%	<b>903</b>	993	(9.1)%
<b>Subscriber net additions (000s):</b>						
Mobile phones	<b>111</b>	111	—%	<b>193</b>	204	(5.4)%
Mobile connected devices	<b>87</b>	82	6.1%	<b>169</b>	203	(16.7)%
Total	<b>198</b>	193	2.6%	<b>362</b>	407	(11.1)%
Mobile phones ABPU, per month <sup>3</sup> (\$)	<b>71.39</b>	75.06	(4.9)%	<b>71.08</b>	73.57	(3.4)%
Mobile phones ARPU, per month <sup>3</sup> (\$)	<b>58.54</b>	61.64	(5.0)%	<b>57.97</b>	60.43	(4.1)%
Mobile phones churn, per month <sup>3</sup> (%)	<b>0.99</b>	1.09	(0.10) pts.	<b>0.91</b>	1.04	(0.13) pts.

1 Effective January 1, 2020 on a prospective basis, as a result of subscribers substantially loaded prior to 2019 and were identified as having limited or no cellular voice capability through an in-depth review of our mobile phone subscriber base, we made an adjustment to transfer approximately 60,000 mobile phone subscribers to our mobile connected devices subscriber base.

2 Including network access agreements with other Canadian carriers.

3 See *Section 11.2 Operating indicators*. These are industry measures useful in assessing operating performance of a wireless company, but are not measures defined under IFRS-IASB.

**Operating revenues – Wireless segment**

(\$ in millions)	Third quarters ended September 30			Nine-month periods ended September 30		
	2020	2019	Change	2020	2019	Change
Network revenue	1,532	1,578	(2.9)%	4,515	4,593	(1.7)%
Equipment and other service revenues	542	504	7.5%	1,276	1,386	(7.9)%
Revenues arising from contracts with customers	2,074	2,082	(0.4)%	5,791	5,979	(3.1)%
Other operating income	11	4	n/m	9	14	(35.7)%
External operating revenues	2,085	2,086	—%	5,800	5,993	(3.2)%
Intersegment revenues	15	13	15.4%	44	40	10.0%
Wireless operating revenues	2,100	2,099	—%	5,844	6,033	(3.1)%

Wireless operating revenues increased by \$1 million in the third quarter of 2020 and decreased by \$189 million in the first nine months of 2020.

**Network revenue** decreased by \$46 million or 2.9% in the third quarter of 2020 and \$78 million or 1.7% in the first nine months of 2020, due to declining mobile phone ARPU primarily from reduced roaming and chargeable data usage revenue, as discussed below, partly offset by growth of 4.9% in the subscriber base over the last 12 months.

**Mobile phone ABPU** was \$71.39 in the third quarter of 2020 and \$71.08 in the first nine months of 2020, reflecting decreases of \$3.67 or 4.9% for the quarter and \$2.49 or 3.4% for the nine-month period. These decreases reflect the impacts caused by the COVID-19 pandemic including: (i) significantly reduced roaming revenue from changing customer behaviour related to travel restrictions; (ii) the temporary closure of approximately 90% of our conventional retail stores beginning in March 2020, through most of the second quarter, which hindered customer opportunities for device upgrades and the upgrade or selection of higher-tier plans; and (iii) decreases in chargeable data usage as more people work from home and offload their mobile devices onto Wi-Fi networks.

Mobile phone ABPU was also impacted by continued declines in chargeable data usage and the impact of the competitive environment putting pressure on base rate plan prices in the current and prior periods. Mobile phone ABPU declination was partly offset by growth resulting from our combined TELUS Easy Payment device financing, Peace of Mind endless data plans and TELUS Family Discount offerings, with customers selecting plans with endless data or larger data buckets and higher-value smartphones in the sales mix in current and prior periods.

**Mobile phone ARPU** was \$58.54 in the third quarter of 2020 and \$57.97 in the first nine months of 2020, reflecting decreases of \$3.10 or 5.0% for the quarter and \$2.46 or 4.1% for the nine-month period. Mobile phone ARPU was impacted by the same items noted above in mobile phone ABPU, with the exception of: (i) our TELUS Easy Payment device financing program; (ii) prior to our TELUS Easy Payment device financing program, devices with subsidies; and (iii) contracted device upgrades.

- **Mobile phone gross additions** were 370,000 in the third quarter of 2020 and 903,000 in the first nine months of 2020, reflecting decreases of 18,000 for the quarter and 90,000 for the nine-month period, as fewer activations from travellers due to border restrictions more than offset growth in high-value customer additions, a growing Canadian population, successful promotions and expanded channels. During the pandemic period, as we temporarily closed our conventional retail stores to ensure the safety of our customers and team members by not having them enter a physical premises, we successfully executed our customers first initiatives including the enhanced capabilities of our digital footprint.
- Our **mobile phone churn rate** was 0.99% in the third quarter of 2020 and 0.91% in the first nine months of 2020, compared to 1.09% in the third quarter of 2019 and 1.04% the first nine months of 2019. The decrease in the mobile phone churn rate reflects changing customer behaviour due to travel restrictions in addition to reduced switching activity between carriers due to the COVID-19 pandemic as customers reduced their general shopping habits, most notably in the second quarter of 2020. This was in addition to the utilization of our TELUS Easy Payment device financing program, Peace of Mind endless data plans, Bring-It-Back™ and TELUS Family Discount offerings, as well as our focus on executing customers first initiatives and retention programs, and our leading network quality.
- **Mobile phone net additions** were 111,000 in the third quarter of 2020, which was flat compared to the prior year as our strong execution in our digital sales channels and successful efforts to drive high-value customer additions muted the impacts of the pandemic. Mobile phone net additions of 193,000 in the first nine months of 2020 reflected a decrease of 11,000 for the nine-month period, in part due to fewer customer additions attributed to restricted travel, in addition to reduced gross additions resulting from the temporary closure of certain conventional sales channels previously referenced, partly offset by lower mobile phone churn, as described above.

- **Mobile connected device net additions** were 87,000 in the third quarter of 2020, reflecting an increase of 5,000 for the quarter due to increased demand for IoT solutions, partly offset by lower tablet net additions. Mobile connected device net additions were 169,000 in the first nine months of 2020, reflecting a decrease of 34,000 for the nine-month period, primarily due to lower tablet net additions, as well as lower IoT gross additions from a reduction in business customer activity as these customers delayed purchasing decisions during the pandemic, predominantly in the second quarter of 2020.

Subscriber loading results discussed above were impacted in the final weeks of March 2020 and throughout the second quarter of 2020 due to the COVID-19 pandemic and from the restrictions put in place to protect our customers and team members, including the closure of certain stores in shopping malls and other conventional retail outlets. Our digital sales channels are well-equipped to handle the additional traffic left unaddressed by physical sales.

**Equipment and other service revenues** increased by \$38 million in the third quarter of 2020, reflecting higher-value smartphones in the sales mix for gross adds and retention units. Equipment and other service revenues decreased by \$110 million in the first nine months of 2020, reflecting significantly lower contracted volumes, due to customers reducing their general shopping habits primarily attributed to the temporary closure of certain sales channels because of the COVID-19 pandemic discussed above. Device financing programs, which provide transparency of full device costs resulting in customers deferring device upgrade purchases, also contributed to the decrease predominantly in the first half of the year.

**Other operating income** increased by \$7 million in the third quarter of 2020 mainly related to higher net gains from the sale of certain assets. Other operating income decreased by \$5 million in the first nine months of 2020 largely attributed to lease-up period and other equity losses related to real estate joint ventures.

**Intersegment revenues** represent network services that are eliminated upon consolidation, along with the associated wireline expenses.

**Operating expenses – Wireless segment**

(\$ in millions)	Third quarters ended September 30			Nine-month periods ended September 30		
	2020	2019	Change	2020	2019	Change
Goods and services purchased:						
Equipment sales expenses	518	481	7.7%	1,214	1,346	(9.8)%
Network operating expenses	208	205	1.5%	585	587	(0.3)%
Marketing expenses	86	103	(16.5)%	248	293	(15.4)%
Other <sup>1</sup>	199	176	13.1%	578	522	10.7%
Employee benefits expense <sup>1</sup>	144	164	(12.2)%	470	488	(3.7)%
<b>Wireless operating expenses</b>	<b>1,155</b>	<b>1,129</b>	<b>2.3%</b>	<b>3,095</b>	<b>3,236</b>	<b>(4.4)%</b>

<sup>1</sup> Includes restructuring and other costs. See Section 11.1 Non-GAAP and other financial measures.

Wireless operating expenses increased by \$26 million in the third quarter of 2020 and decreased by \$141 million in the first nine months of 2020.

**Equipment sales expenses** increased by \$37 million in the third quarter of 2020, due to an increased mix of higher-value devices in the sales mix. Equipment sales expense decreased by \$132 million in the first nine months of 2020, largely due to significantly lower contracted volumes partly offset by higher-value devices in the sales mix, as discussed above.

**Network operating expenses** increased by \$3 million in the third quarter of 2020, mainly due to increased costs resulting from our larger subscriber base and increased expenses related to the Canadian Radio-television and Telecommunications Commission (CRTC) Broadband Fund, partly offset by network site utilities savings and lower roaming expense from decreased travel. Network operating expenses were relatively flat in the first nine months of 2020.

**Marketing expenses** decreased by \$17 million in the third quarter of 2020 and \$45 million in the first nine months of 2020, driven by lower commissions expense, partly due to an increased mix of digital sales, as well as a reduction in advertising and promotional activities in response to the COVID-19 pandemic.

**Other goods and services purchased** increased by \$23 million in the third quarter of 2020 and \$56 million in the first nine months of 2020, mostly resulting from the economic impacts and response to the COVID-19 pandemic, including higher non-labour-related restructuring and other costs, partly offset by enhanced cost efficiency programs. We also experienced increases in our bad debt expense which occurred earlier in the pandemic period, predominantly in the second quarter of 2020.

**Employee benefits expense** decreased by \$20 million in the third quarter of 2020 and \$18 million in the first nine months of 2020, primarily due to the Canada Emergency Wage Subsidy (CEWS) program, a federal government initiative offered to eligible employers during the COVID-19 pandemic, fewer front line hours and increased capitalized labour. These factors were partly offset by an increase in deferred vacation related to the pandemic and compensation increases committed prior to the declaration of the pandemic.

#### EBITDA – Wireless segment

(\$ in millions, except margins)	Third quarters ended September 30			Nine-month periods ended September 30		
	2020	2019	Change	2020	2019	Change
EBITDA	945	970	(2.6)%	2,749	2,797	(1.7)%
Add restructuring and other costs included in EBITDA	12	6	n/m	34	20	n/m
Add lease-up period and other equity losses related to real estate joint ventures	4	—	n/m	8	—	n/m
Adjusted EBITDA <sup>1</sup>	961	976	(1.6)%	2,791	2,817	(0.9)%
EBITDA margin (%)	45.0	46.2	(1.2) pts.	47.0	46.4	0.6 pts.
Adjusted EBITDA margin <sup>2</sup> (%)	45.6	46.5	(0.9) pts.	47.7	46.7	1.0 pt.

1 See description under *EBITDA* in *Section 11.1 Non-GAAP and other financial measures*.

2 Adjusted EBITDA margin is Adjusted EBITDA divided by Operating revenues, where the calculation of Operating revenues excludes lease-up period and other equity losses related to real estate joint ventures.

Wireless EBITDA decreased by \$25 million or 2.6% in the third quarter of 2020 and \$48 million or 1.7% in the first nine months of 2020. Wireless Adjusted EBITDA decreased by \$15 million or 1.6% in the third quarter of 2020 reflecting the impacts of the COVID-19 pandemic, including lower roaming revenue resulting from restricted travel, the temporary closure of approximately 90% of our conventional retail stores, and decreases in chargeable usage as more people work from home and offload their mobile devices onto Wi-Fi networks. This was partially offset by enhanced cost efficiency programs, increased gains on sales of assets, and increases in our subscriber base. Wireless Adjusted EBITDA decreased by \$26 million or 0.9% in the first nine months of 2020, reflecting the same items as noted in the third quarter of 2020, in addition to temporary waives of late payment charges and increased bad debt expense.

## 5.5 Wireline segment

### Wireline trends

The nature of the COVID-19 pandemic and the uncertainty of its magnitude, length and the time to recovery are not currently able to be estimated. Therefore, trends identified prior to the first quarter of 2020 and described below may not be indicative of trends effective from the first quarter of 2020 onwards, as the COVID-19 pandemic prevents us and our customers from operating in the normal course of business in certain areas. For example, the COVID-19 pandemic has constrained our ability to complete installations in the traditional manner. As well, our business customers are faced with reduced and/or closed operations. Refer to *Section 1.2* for further discussion of the COVID-19 pandemic and its impacts on our wireline operations.

The trend over the last eight quarters of increases in wireline service revenue reflects growth in internet and third wave data services, TI revenues, TV revenues, health revenues, and home and business smart technology (including security) revenues, and is partly offset by declining wireline legacy voice and legacy data revenues. As well, increased wireline data services revenues include revenues from business acquisitions, including our acquisitions of ADT Canada on November 5, 2019 (where there were significant integration and customer retention costs in 2019, which will continue throughout 2020 and early 2021, the full expected operations rate is expected after that time), and CCC acquired on January 31, 2020. The increases in year-over-year internet and TV service revenues are being generated by subscriber growth and higher internet revenue per customer resulting from upgrades to faster speeds, larger data usage rate plans, diverse bundled product offerings, and the ongoing expansion of our fibre footprint. We expect continued internet subscriber base growth as we continue our investments in expanding our fibre-optic infrastructure, supplemented with our low customer churn rate. The total number of TV subscribers has increased (in contrast to market-reported declines in traditional television viewing habits) as a result of higher net additions in response to our diverse and flexible product offerings, combined with our low customer churn rate. Security subscriber base growth is increasing as a result of business acquisitions and organic growth. Wireline growth has also been attributed to the adoption of the TELUS Whole Home bundle to meet the demand of multiple services per home. The COVID-19 pandemic and physical distancing requirements impacted security installations as access to homes and businesses were restricted, however, this was partly mitigated as we adapted our processes for keeping our customers connected and protected through offering a range of installation options, including virtually. Residential voice subscriber losses continue to reflect the ongoing trend of substitution by wireless and internet-based services, but were partly mitigated by the success of our bundled service offerings and lower-priced offerings. The trend of declining legacy wireline voice revenues is due to technological

substitution, greater use of inclusive long distance coupled with lower long distance minutes used, and intensification of competition in the small and medium-sized business market, however, our rate of decline has been moderating with our utilization of bundled product offerings and successful retention efforts. The migration of business product and service offerings to IP services and the introduction of new competitors have yielded inherently lower margins compared to some legacy business product and service offerings.

#### Wireline operating indicators

At September 30 (000s)	2020	2019	Change			
<b>Subscriber connections:</b>						
Internet	2,094	1,953	7.2%			
TV	1,195	1,145	4.4%			
Residential voice	1,173	1,216	(3.5)%			
Security <sup>1</sup>	684	103	n/m			
Total wireline subscriber connections <sup>1</sup>	5,146	4,417	16.5%			
	Third quarters ended September 30			Nine-month periods ended September 30		
(000s)	2020	2019	Change	2020	2019	Change
<b>Subscriber connection net additions (losses):</b>						
Internet	50	32	56.3%	113	79	43.0%
TV	19	19	—%	35	52	(32.7)%
Residential voice	(8)	(12)	33.3%	(31)	(32)	3.1%
Security	18	14	28.6%	45	31	45.2%
Total wireline subscriber connection net additions	79	53	49.1%	162	130	24.6%

1 December 31, 2019 security subscriber connections have been increased to include approximately 490,000 subscribers related to our acquisition of ADT Canada (acquired on November 5, 2019). During the third quarter of 2020, we adjusted cumulative subscriber connections to add approximately 31,000 subscribers as a result of a business acquisition.

#### Operating revenues – Wireline segment

(\$ in millions)	Third quarters ended September 30			Nine-month periods ended September 30		
	2020	2019	Change	2020	2019	Change
Data services	1,557	1,266	23.0%	4,494	3,750	19.8%
Voice services	222	244	(9.0)%	694	746	(7.0)%
Other services and equipment	108	95	13.7%	301	288	4.5%
Revenues arising from contracts with customers	1,887	1,605	17.6%	5,489	4,784	14.7%
Other operating income	9	6	50.0%	114	23	n/m
External operating revenues	1,896	1,611	17.7%	5,603	4,807	16.6%
Intersegment revenues	67	67	—%	194	183	6.0%
Wireline operating revenues	1,963	1,678	17.0%	5,797	4,990	16.2%

Wireline operating revenues increased by \$285 million in the third quarter of 2020 and \$807 million in the first nine months of 2020.

- **Data services** revenues increased by \$291 million in the third quarter of 2020. The increase was driven by: (i) growth in TI revenues primarily driven by the acquisition of CCC, growth in business volumes resulting from expanded services for existing customers and customer growth, partly offset by temporary disruptions due to government-mandated site closures in response to the COVID-19 pandemic; (ii) increased revenues from home and business smart technology (including security), driven by business acquisitions, including ADT Canada, and expanded services; (iii) increased internet and third wave data service revenues, reflecting a 7.2% increase in our internet subscribers over the last 12 months and higher revenue per customer from faster internet speed upgrades, larger data usage internet rate plans and rate changes, partly offset by continued initiatives to assist customers during the pandemic, including the extension of our Internet for Good program to students. Health revenue experienced growth driven by our virtual care solutions and expanded services for existing customers, while the recovery of our conventional Medisys and Copeman clinics and the health benefit claims services, which administers processing of in-person claims, was slowed by the lingering impacts of the pandemic. The aforementioned growth factors were partly offset by (i) decreased TV revenues from lower revenue per customer, partly due to changing customer preferences and availability of sports and on-demand content related to the COVID-19 pandemic; and (ii)

the ongoing decline in legacy data service revenues and lower revenue from our business customers as they redeploy their resources.

Data services revenues increased by \$744 million in the first nine months of 2020. The increase was driven by aforementioned growth in TI revenues, increased revenues from home and business smart technology (including security), and increased internet and third wave data service revenues, as well as higher TV revenues, reflecting subscriber growth of 4.4% over the last 12 months, and increased revenues from our virtual care solutions. This growth was partly offset by other impacts caused by the pandemic, including a decline in health revenue mainly from the temporary closures of our conventional Medisys and Copeman clinics for all non-essential services and reduced health benefit claims, in addition to lower revenue from our business customers as they redeploy their resources. Additionally, data services revenue growth was partially offset by the ongoing decline in legacy data service revenues and lower revenue from our business customers as they redeploy their resources.

- **Voice services** revenues decreased by \$22 million in the third quarter of 2020 and \$52 million in the first nine months of 2020, reflecting the ongoing decline in legacy voice revenues resulting from technological substitution, greater use of inclusive long distance plans and price plan changes. Declines were moderated with our utilization of bundled product offerings and successful retention efforts. For the first nine months of 2020, declines were also moderated by a temporary increase in long distance usage as customers remained connected during the COVID-19 pandemic. We experienced a 3.5% decline in residential voice subscribers over the last 12 months as well as for the 12-month period ended September 30, 2019.
- **Other services and equipment** revenues increased by \$13 million in both the third quarter of 2020 and in the first nine months of 2020, mainly from smart technology equipment sales.
- **Wireline subscriber connection net additions** were 79,000 in the third quarter of 2020 and 162,000 in the first nine months of 2020, reflecting increases of 26,000 for the quarter and 32,000 for the nine-month period.
  - **Internet net additions** were 50,000 in the third quarter of 2020 and 113,000 in the first nine months of 2020, reflecting increases of 18,000 for the quarter and 34,000 for the nine-month period. The increases were due to continued net new demand from consumers and businesses for our TELUS PureFibre service as we continued to keep our customers connected through a range of installation options, as well as lower customer churn resulting from our customers first initiatives and retention programs, the success of our bundled product offerings and reduced switching activity between providers due to the COVID-19 pandemic. Our continued focus on connecting more homes and businesses directly to fibre (with TELUS PureFibre available to approximately 78% of our broadband footprint at the end of the third quarter of 2020), expanding and enhancing our addressable high-speed internet and Optik TV footprint, and bundling these services together, contributed to combined internet, TV and security subscriber growth of 772,000 over the last 12 months (inclusive of 490,000 security customers acquired from ADT Canada.)
  - **TV net additions** were 19,000 in the third quarter of 2020, flat compared to the third quarter of 2019. TV net additions were 35,000 in the first nine months of 2020, a decrease of 17,000 for the nine-month period, mainly due to lower gross additions as a result of the impact of the COVID-19 pandemic and the changing landscape of increased streaming services, partly offset by a lower customer churn rate from strong retention efforts, the success of our bundled product offerings and reduced switching activity due to the pandemic.
  - **Residential voice net losses** were limited to only 8,000 in the third quarter of 2020 representing our fewest quarterly net losses since 2004, and 31,000 in the first nine months of 2020, as compared to residential voice net losses of 12,000 and 32,000, respectively, in the same periods in 2019. The residential voice subscriber losses continue to reflect the trend of substitution by wireless and internet-based services, partially mitigated by our expanding fibre footprint and bundled product offerings and our strong retention efforts, including lower-priced offerings.
  - **Security net additions** were 18,000 in the third quarter of 2020 and 45,000 in the first nine months of 2020, reflecting increases of 4,000 for the quarter and 14,000 for the nine-month period, driven from strong organic growth as we continued to keep our customers connected and protected through offering a range of installation options and demand from our bundled product offerings.

Subscriber loading results discussed above were impacted in the final weeks of March 2020 and throughout the second quarter of 2020 due to the COVID-19 pandemic and from the restrictions put in place to protect our customers and our team members, including physical distancing, which had impacted our ability to enter homes and businesses to complete installations. Where possible, we have successfully evolved our processes to permit customers to install their own equipment with the support of our technicians via a smartphone.



**Other operating income** increased by \$3 million in the third quarter of 2020, largely attributed to the reversal of a provision arising from a business combination, partly offset by lease-up period and other equity losses related to real estate joint ventures. Other operating income increased by \$91 million in the first nine months of 2020, which in addition to activity impacting the third quarter of 2020, included a decrease and subsequent retirement of a provision arising from business acquisition-related written put options within TI.

**Intersegment revenues** represent services provided to the wireless segment, including those from TI. Such revenue is eliminated upon consolidation, together with the associated expenses in wireless.

**Operating expenses – Wireline segment**

(\$ in millions)	Third quarters ended September 30			Nine-month periods ended September 30		
	2020	2019	Change	2020	2019	Change
Goods and services purchased <sup>1</sup>	703	617	13.9%	2,115	1,864	13.5%
Employee benefits expense <sup>1</sup>	815	597	36.5%	2,273	1,737	30.9%
Wireline operating expenses	1,518	1,214	25.0%	4,388	3,601	21.9%

1 Includes restructuring and other costs. See Section 11.1 Non-GAAP and other financial measures.

Wireline operating expenses increased by \$304 million in the third quarter of 2020 and \$787 million in the first nine months of 2020.

**Goods and services purchased** increased by \$86 million in the third quarter of 2020 and \$251 million in the first nine months of 2020, mainly due to higher operating and administrative costs associated with business acquisitions and TI revenue growth, increases in non-labour related restructuring and other costs related to efficiency initiatives and the COVID-19 pandemic, higher product costs in support of our growing subscriber base, including TV and virtual care health subscribers, and increasing rates for TV content. The first nine months of 2020 also saw an increase from higher bad debt expense resulting from the pandemic. These factors were partly offset by savings achieved from the enhanced cost-savings initiatives in response to the economic impacts of the pandemic.

**Employee benefits expense** increased by \$218 million in the third quarter of 2020 and \$536 million in the first nine months of 2020, primarily due to an increase in compensation and benefits costs resulting from an increase in the number of employees from business acquisitions and supporting organic TI revenue growth, compensation rate increases, and higher labour-related restructuring and other costs. These factors were partly offset by lower overtime costs. The increase in the first nine months of 2020 was also partly offset by lower labour-related restructuring and other costs and a decrease in the number of domestic FTEs.

**EBITDA – Wireline segment**

(\$ in millions, except margins)	Third quarters ended September 30			Nine-month periods ended September 30		
	2020	2019	Change	2020	2019	Change
EBITDA <sup>1</sup>	445	464	(4.1)%	1,409	1,389	1.4%
Add restructuring and other costs included in EBITDA	46	23	n/m	154	74	n/m
Add lease-up period and other equity losses related to real estate joint ventures	4	—	n/m	9	—	n/m
Deduct retirement of a provision arising from business acquisition-related written put options within TI	—	—	n/m	(71)	—	n/m
Adjusted EBITDA <sup>1</sup>	495	487	1.6%	1,501	1,463	2.6%
EBITDA margin (%)	22.6	27.6	(5.0) pts.	24.3	27.8	(3.5) pts.
Adjusted EBITDA margin <sup>1,2</sup> (%)	25.1	29.0	(3.9) pts.	26.2	29.3	(3.1) pts.

1 See description under EBITDA in Section 11.1 Non-GAAP and other financial measures.

2 Adjusted EBITDA margin is Adjusted EBITDA divided by Operating revenues, where the calculation of Operating revenues excludes lease-up period and other equity losses related to real estate joint ventures and a retirement of a provision arising from business acquisition-related written put options within TI.

Wireline EBITDA decreased by \$19 million or 4.1% in the third quarter of 2020 and increased by \$20 million or 1.4% in the first nine months of 2020. Excluding the second quarter of 2020 effects of a gain on a retirement of a provision arising from business acquisition-related written put options within TI of \$71 million, wireline EBITDA decreased by \$51 million or 3.7% in the first nine months of 2020.

Wireline Adjusted EBITDA increased by \$8 million or 1.6% in the third quarter of 2020. The increase was reflective of increased contribution from TI as a result of the acquisition of CCC, expanded services for existing customers and customer growth; growth from our home and business smart technology (including security), driven by business

acquisitions and expanded services; and higher internet margins. These factors were partially offset by higher employee benefits expense, as well as higher operating and administrative costs associated with business acquisitions and TI growth, a decline in TV margin as a result of lower revenue per customer and higher content costs, and a decline in the contribution from our legacy voice and legacy data services. Our health business saw growth from our virtual care solutions, which was mostly offset by higher product costs in support of growth, lower contribution from our conventional health business in Medisys and Copeman clinics, and reduced health benefit claims due to the lingering COVID-19 pandemic impacts on business recovery.

Wireline Adjusted EBITDA increased by \$38 million or 2.6% in the first nine months of 2020. The increase was reflective of the aforementioned contribution from TI, improved home and business smart technology (including security) margins, improved internet margins, and a decrease in a provision arising from business acquisition-related written put options within TI. These factors were partly offset by COVID-19 pandemic impacts as described above, the continued decline of legacy voice and legacy data services, higher employee benefits expense and other costs related to business acquisitions, and increased bad debt expense.

## 6. Changes in financial position

Financial position at: (\$ millions)	Sept. 30 2020	Dec. 31 2019	Change	Change includes:
<b>Current assets</b>				
Cash and temporary investments, net	621	535	86	See <i>Section 7 Liquidity and capital resources</i>
Accounts receivable	2,172	1,962	210	Increased primarily due to the acquisition of Competence Call Center (CCC), as well as an increase in unbilled customer finance receivables from our Bring-It-Back program and the TELUS Easy Payment device financing program, partly offset by the timing of wireless wholesale customer receipts and an increase in our allowance for doubtful accounts
Income and other taxes receivable	154	127	27	Instalments to date are greater than the expense
Inventories	350	437	(87)	A decrease in the volume of handsets
Contract assets	480	737	(257)	Refer to description in non-current contract assets
Prepaid expenses	588	547	41	Increased due to the annual prepayment of statutory employee benefits, wireless spectrum licence fees, net of amortization, property taxes and maintenance contracts, partly offset by a decrease in prepaid rent
Current derivative assets	5	8	(3)	A decrease in the notional amount of U.S. currency hedging items.
<b>Current liabilities</b>				
Short-term borrowings	115	100	15	See <i>Section 7.7 Sale of trade receivables</i>
Accounts payable and accrued liabilities	3,092	2,749	343	Increases in accrued liabilities, payroll and other employee-related liabilities, commodity taxes, partly offset by the timing of accounts payable
Income and other taxes payable	113	55	58	Increase mainly due to the acquisition activity in the period partially offset by instalments to date being greater than the expense
Dividends payable	374	352	22	Effects of increases in the number of shares outstanding
Advance billings and customer deposits	733	675	58	An increase in customer deposits and advance billings, reflecting increased wireless subscriber growth during the period. See <i>Note 24</i> of the interim consolidated financial statements
Provisions	75	288	(213)	A retirement of a written put provision and disbursements exceeding new provisions
Current maturities of long-term debt	1,055	1,332	(277)	A decrease in outstanding commercial paper, partly offset by an increase from reclassification from long-term debt relating to the upcoming 2021 maturity of \$175 million of our 10.65% debentures, Series 3, in June 2021
Current derivative liabilities	12	23	(11)	A decrease in the notional amount of U.S. currency hedging items.
<b>Working capital</b> (Current assets subtracting Current liabilities)	<b>(1,199)</b>	<b>(1,221)</b>	22	TELUS normally has a negative working capital position. See <i>Financing and capital structure management plans</i> in <i>Section 4.3</i> and the <i>Liquidity risk</i> discussion in <i>Section 7.9</i> .

Financial position at: (\$ millions)	Sept. 30 2020	Dec. 31 2019	Change	Change includes:
<b>Non-current assets</b>				
Property, plant and equipment, net	14,834	14,232	602	See <i>Capital expenditures</i> in Section 7.3 <i>Cash used by investing activities</i> and <i>Depreciation</i> in Section 5.3 <i>Consolidated operations</i>
Intangible assets, net	14,021	12,846	1,175	See <i>Capital expenditures</i> in Section 7.3 <i>Cash used by investing activities</i> and <i>Amortization of intangible assets</i> in Section 5.3 <i>Consolidated operations</i>
Goodwill, net	6,514	5,307	1,207	An increase primarily driven by the acquisitions of CCC, AFS Technologies Inc., and Mobile Klinik. See <i>Note 18</i> of the interim consolidated financial statements
Contract assets	233	328	(95)	Primarily driven by lower subsidized devices from the introduction of our TELUS Easy Payment device financing program. Additionally, there was a higher proportion of customers who brought their own device, as well as fewer contract additions attributed to the pandemic
Other long-term assets	1,237	919	318	An increase in derivative assets due to the combined effect of the movement of foreign exchange rates relative to hedged rates with the relative movement between U.S. and Canadian interest rates, partly offset by a decrease in pension assets resulting from financial assumption re-measurements exceeding the effects of pension plan returns greater than the discount rate.
<b>Non-current liabilities</b>				
Provisions	634	590	44	A net increase in business acquisition-related provisions, combined with increases in restructuring provisions and asset retirement obligations
Long-term debt	17,834	17,142	692	See Section 7.4 <i>Cash provided (used) by financing activities</i>
Other long-term liabilities	1,096	806	290	An increase in pension liabilities resulting from losses arising from financial assumption re-measurements exceeding the effects of pension plan returns greater than the discount rate
Deferred income taxes	3,583	3,214	369	An overall increase in temporary differences between the accounting and tax basis of assets and liabilities including those from acquisition activity.
<b>Owners’ equity</b>				
Common equity	12,136	10,548	1,588	See <i>Consolidated statements of changes in owners’ equity</i> in the interim consolidated financial statements
Non-controlling interests	357	111	246	See <i>Consolidated statements of changes in owners’ equity</i> in the interim consolidated financial statements.

## 7. Liquidity and capital resources

This section contains forward-looking statements, including those with respect to our dividend payout ratio and net debt to EBITDA – excluding restructuring and other costs ratio. See *Caution regarding forward-looking statements* at the beginning of this MD&A. Refer to *Section 1.2* for further discussion on the COVID-19 pandemic and its impacts on our liquidity and capital resources.

### 7.1 Overview

Our capital structure financial policies and financing and capital structure management plans are described in *Section 4.3*.

#### Cash flows

(\$ millions)	Third quarters ended September 30			Nine-month periods ended September 30		
	2020	2019	Change	2020	2019	Change
Cash provided by operating activities	902	1,148	(246)	3,541	3,098	443
Cash used by investing activities	(1,176)	(871)	(305)	(3,958)	(3,433)	(525)
Cash provided (used) by financing activities	(76)	(124)	48	503	291	212
Increase (decrease) in Cash and temporary investments, net	(350)	153	(503)	86	(44)	130
Cash and temporary investments, net, beginning of period	971	217	754	535	414	121
Cash and temporary investments, net, end of period	621	370	251	621	370	251

## 7.2 Cash provided by operating activities

### Analysis of changes in cash provided by operating activities

(\$ millions)	Third quarters ended September 30			Nine-month periods ended September 30		
	2020	2019	Change	2020	2019	Change
EBITDA <sup>1</sup> (see Section 5.4 and Section 5.5)	1,390	1,434	(44)	4,158	4,186	(28)
Restructuring and other costs, net of disbursements	(5)	(3)	(2)	21	(35)	56
Employee defined benefit plans expense, net of employer contributions	15	9	6	40	20	20
Share-based compensation expense, net of payments	25	14	11	89	53	36
Interest paid, net of interest received	(191)	(206)	15	(561)	(527)	(34)
Income taxes paid, net of recoveries received	(198)	(97)	(101)	(335)	(570)	235
Other operating working capital changes	(134)	(3)	(131)	129	(29)	158
Cash provided by operating activities	902	1,148	(246)	3,541	3,098	443

1 See description under EBITDA in Section 11.1 Non-GAAP and other financial measures.

Cash provided by operating activities decreased by \$246 million in the third quarter of 2020 and increased by \$443 million in the first nine months of 2020.

- Restructuring and other costs, net of disbursements, represented a net change of \$2 million in the third quarter of 2020 and \$56 million in the first nine months of 2020. In the first nine months of 2020, we made lower restructuring and other costs disbursements net of expense, related to improving our overall cost structure and operational effectiveness, as well as incurring restructuring and other costs related to the COVID-19 pandemic. Additionally, in the first nine months of 2020, we incurred restructuring and other costs in connection with our acquisition of Competence Call Center (CCC).
- Income taxes paid, net of recoveries received, increased by \$101 million in the third quarter of 2020 as income tax instalment payments were deferred into the third quarter of 2020 as permitted by several government jurisdictions as part of their COVID-19 pandemic responses. Income taxes paid, net of recoveries received, decreased by \$235 million in the first nine months of 2020, primarily due to a final income tax payment of \$270 million in the first quarter of 2019 for the 2018 income tax year, which did not recur in 2020.
- For a discussion of Other operating working capital changes, see Section 6 Changes in financial position and Note 31(a) of the interim consolidated financial statements.

## 7.3 Cash used by investing activities

### Analysis of changes in cash used by investing activities

(\$ millions)	Third quarters ended September 30			Nine-month periods ended September 30		
	2020	2019	Change	2020	2019	Change
Cash payments for capital assets, excluding spectrum licences	(666)	(694)	28	(2,140)	(2,132)	(8)
Cash payments for spectrum licences	—	(11)	11	—	(942)	942
Cash payments for acquisitions, net	(549)	(160)	(389)	(1,760)	(348)	(1,412)
Advances to, and investment in, real estate joint ventures and associate, net of real estate joint venture receipts	(7)	(9)	2	(92)	(24)	(68)
Proceeds on disposition	85	12	73	85	12	73
Other	(39)	(9)	(30)	(51)	1	(52)
Cash used by investing activities	(1,176)	(871)	(305)	(3,958)	(3,433)	(525)

Cash used by investing activities increased by \$305 million in the third quarter of 2020 and \$525 million in the first nine months of 2020.

- The decrease in Cash payments for capital assets, excluding spectrum licences in the third quarter of 2020, was composed of:
  - Lower capital expenditure payments with respect to payment timing differences, as the change in associated Accounts payable and accrued liabilities increased by \$21 million.
  - A decrease in capital expenditures of \$7 million (see the Capital expenditure measures table and discussion below).

The increase in Cash payments for capital assets, excluding spectrum licences in the first nine months of 2020, was composed of:

- Higher capital expenditure payments with respect to payment timing differences, as the change in associated Accounts payable and accrued liabilities decreased by \$10 million.
- A decrease in capital expenditures of \$2 million (see the *Capital expenditure measures* table and discussion below).
- Cash payments for spectrum licences in the second quarter of 2019 and the first nine months of 2019 relate to the 600 MHz spectrum auction.
- In the third quarter of 2020, we made cash payments for Mobile Klinik and AFS Technologies Inc. (AFS), as noted in *Section 1.3*, and other individually immaterial acquisitions complementary to our existing lines of business. In addition to the activity from the third quarter of 2020, in the first nine months of 2020, we made cash payments for CCC and other individually immaterial acquisitions complementary to our existing lines of business. This is compared to business acquisition activity in the first nine months of 2019 that included the acquisition of a telecommunications business, a smart data solutions business and other individually immaterial acquisitions.
- Advances to, and investment in, real estate joint ventures and associate, net of real estate joint venture receipts decreased by \$2 million in the third quarter of 2020 and increased by \$68 million in the first nine months of 2020, predominantly related to our acquisition of a 28% basic equity interest in Miovision Technologies Incorporated.
- Proceeds on disposition increased by \$73 million in both the third quarter of 2020 and the first nine months of 2020, primarily attributed to the sale of certain assets.

**Capital expenditure measures**

(\$ millions, except capital expenditure intensity)	Third quarters ended September 30			Nine-month periods ended September 30		
	2020	2019	Change	2020	2019	Change
<b>Capital expenditures<sup>1</sup></b>						
Wireless segment	212	251	(15.5)%	640	651	(1.7)%
Wireline segment	529	497	6.4%	1,522	1,513	0.6%
Consolidated	741	748	(0.9)%	2,162	2,164	(0.1)%
Wireless segment capital expenditure intensity (%)	10	12	(2) pts.	11	11	— pts.
Wireline segment capital expenditure intensity (%)	27	30	(3) pts.	26	30	(4) pts.
Consolidated capital expenditure intensity <sup>2</sup> (%)	19	20	(1) pt.	19	20	(1) pt.

1 Capital expenditures include assets purchased, excluding right-of-use lease assets, but not yet paid for, and therefore differ from Cash payments for capital assets, excluding spectrum licences, as reported in the condensed interim consolidated statements of cash flows. Refer to *Note 31* of the interim consolidated financial statements for further information.

2 See *Section 11.1 Non-GAAP and other financial measures*.

**Consolidated capital expenditures** decreased by \$7 million in the third quarter of 2020 and \$2 million in the first nine months of 2020, due to the timing of our fibre build activities and efficiencies in our 4G network expenditures. These decreases were partially offset by increased investments in our 5G network, in addition to investments to increase system capacity and reliability during the pandemic. With our ongoing investments, we are advancing wireless speeds and coverage that enabled our 5G network launch, continuing to connect additional homes and businesses directly to our fibre-optic technology, and supporting systems reliability and operational efficiency and effectiveness efforts. These investments also support our internet, TV and security subscriber growth, address our customers’ demand for faster internet speeds, and extend the reach and functionality of our business and healthcare solutions. By September 30, 2020, we had made TELUS PureFibre available to approximately 78% of our broadband footprint. Furthermore, at September 30, 2020, our 5G network covered over 7.3 million Canadians representing almost 20% of the population. At the end of the third quarter of 2020, our 5G network was available in 24 cities and we expect to increase our coverage to a total of 50 communities by the end of 2020.

## 7.4 Cash provided (used) by financing activities

### Analysis of changes in cash provided (used) by financing activities

(\$ millions)	Third quarters ended September 30			Nine-month periods ended September 30		
	2020	2019	Change	2020	2019	Change
Common Shares issued	—	—	—	1,495	—	1,495
Dividends paid to holders of Common Shares	(232)	(316)	84	(694)	(926)	232
Issue (repayment) of short-term borrowings, net	7	1	6	7	1	6
Long-term debt issued, net of redemptions and repayment (redemption and repayments, net of issuances)	149	197	(48)	(441)	1,251	(1,692)
Shares of subsidiary issued to non-controlling interests	—	—	—	209	—	209
Other	—	(6)	6	(73)	(35)	(38)
Cash provided (used) by financing activities	(76)	(124)	48	503	291	212

Cash used by financing activities decreased by \$48 million in the third quarter of 2020 while Cash provided by financing activities increased by \$212 million in the first nine months of 2020.

#### Common Shares issued

Common Shares issued reflect 57,500,000 Common Shares issued in the first quarter of 2020.

#### Dividends paid to holders of Common Shares

Our dividend reinvestment and share purchase (DRISP) plan trustee acquired shares from Treasury for the DRISP plan, rather than acquiring Common Shares in the stock market. Effective with the dividends paid on October 1, 2019, we offered Common Shares from Treasury at a discount of 2%. Cash payments for dividends decreased by \$84 million in the third quarter of 2020 and \$232 million in the first nine months of 2020, which reflected the DRISP plan trustee acquiring an increased number of Common Shares from Treasury for the DRISP plan. This was partly offset by higher dividend rates under our dividend growth program (see *Section 4.3*) and an increase in the number of shares outstanding. During the third quarter of 2020, our DRISP plan trustee acquired Common Shares for \$140 million.

In October 2020, we paid dividends of \$236 million to the holders of Common Shares and the trustee acquired dividend reinvestment Common Shares from Treasury for \$138 million, totalling \$374 million.

#### Issue (repayment) of short-term borrowings, net

In the first quarter of 2020, we drew-down and repaid \$200 million advanced to us from an arm’s-length securitization trust. In the third quarter of 2020, we issued short-term borrowings of \$15 million and repaid \$8 million in connection with business combination activity.

#### Long-term debt issues and repayments

In the third quarter of 2020, long-term debt issues, net of redemptions and repayments, were \$149 million, a change of \$48 million, compared to \$197 million in the third quarter of 2019, primarily composed of:

- A net increase in commercial paper outstanding, including foreign exchange effects, of \$427 million to a balance of \$427 million (US\$320 million) at September 30, 2020, from a balance of \$NIL million (US\$NIL million) at June 30, 2020. Our commercial paper program, when utilized, provides low-cost funds and is fully backstopped by the five-year committed credit facility (see *Section 7.6 Credit facilities*).
- A decrease in net draws on the TELUS International (Cda) Inc. credit facility, including foreign exchange effects, of \$83 million. As at September 30, 2020, net draws due to a syndicate of financial institutions (excluding TELUS Corporation) were US\$820 million, whereas as at June 30, 2020, net draws were US\$865 million. The credit facility is non-recourse to TELUS Corporation. In connection with the acquisition of CCC during the three-month period ended March 31, 2020, as described in *Note 18(b)* of the interim consolidated financial statements, incremental amounts were drawn on the facility.
- In connection with our acquisition of AFS, we repaid acquired other long-term debt of \$118 million.

For the first nine months of 2020, long-term debt redemptions and repayments, net of issues, were \$441 million, resulting in a change of \$1,692 million compared to long-term debt issues, net of redemptions and repayments, of \$1,251 million in the first nine months of 2019. In addition to some activity from the third quarter of 2020, the change in balance for the first nine months of 2020 was primarily composed of:

- A net decrease in commercial paper outstanding, including foreign exchange effects, of \$588 million from a balance of \$1,015 million (US\$781 million) at December 31, 2019.

- An increase in net draws on the TELUS International (Cda) Inc. credit facility, including foreign exchange effects, of \$653 million. As at December 31, 2019, net draws due to a syndicate of financial institutions (excluding TELUS Corporation) were US\$336 million.
- The May 29, 2020 issues of \$600 million of senior unsecured 2.35% Notes, Series CAC, due January 27, 2028, and \$400 million through the re-opening of 3.95% Notes, Series CAB, due February 16, 2050. The net proceeds of this offering were used for the early full redemption of \$400 million 3.60% Series CM notes due January 26, 2021, and the early full redemption of \$500 million 3.20% Series CO notes due April 5, 2021, and for general corporate purposes. The long-term debt prepayment premium for the entire \$400 million Series CM and \$500 million Series CO notes redemptions was \$18 million before income taxes.
- In connection with our acquisition of CCC, we repaid acquired other long-term debt of \$185 million.

The average term to maturity of our long-term debt (excluding commercial paper, the revolving component of the TELUS International (Cda) Inc. credit facility, lease liabilities and other long-term debt) was approximately 12.7 years as at September 30, 2020, decreasing from approximately 12.8 years as at December 31, 2019, and flat compared to September 30, 2019. Additionally, the weighted average cost of our long-term debt (excluding commercial paper, the revolving component of the TELUS International (Cda) Inc. credit facility, lease liabilities and other long-term debt) was 3.85% as at September 30, 2020, decreasing from 3.94% as at December 31, 2019, and from 3.98% as at September 30, 2019.

#### **Shares of subsidiary issued to non-controlling interests**

In the first nine months of 2020, our TELUS International (Cda) Inc. subsidiary issued shares to non-controlling interests related to our acquisition of CCC.

#### **Other**

In the first nine months of 2020, we incurred certain debt issuance costs in connection with our issues of \$600 million of Series CAC notes and \$400 million of Series CAB notes. Additionally, in connection with our 57,500,000 Common Shares issued in the first quarter of 2020, we incurred certain equity issuance costs.

### **7.5 Liquidity and capital resource measures**

**Net debt** was \$18.5 billion at September 30, 2020, an increase of \$1.5 billion compared to one year earlier, resulting mainly from the December 2019 issuances of \$600 million of Series CAA notes and \$400 million of Series CAB notes, as well as the issuances of \$600 million of Series CAC notes and the re-opening of \$400 million of Series CAB notes described in *Section 7.4*, and an increase in net draws due to a syndicate of financial institutions on the TELUS International (Cda) Inc. credit facility. These factors were partially offset by the early redemptions of Series CM notes and Series CO notes described in *Section 7.4*, a decrease in commercial paper outstanding and higher Cash and temporary investments.

**Fixed-rate debt as a proportion of total indebtedness** excludes lease liabilities and other long-term debt, and was 94% as at September 30, 2020, up from 93% one year earlier, mainly due to the December 2019 issuances of Series CAA notes and Series CAB notes, as well as the issuances of Series CAC notes and the re-opening of Series CAB notes as described in *Section 7.4*, partly offset by the early redemptions of Series CM notes and Series CO notes also described in *Section 7.4*. In addition, there was a decrease in commercial paper outstanding, which is classified as floating-rate debt in this calculation. These factors were offset by an increase in the amounts drawn on the TELUS International (Cda) Inc. credit facility due to a syndicate of financial institutions, which is non-recourse to TELUS Corporation.

**Net debt to EBITDA – excluding restructuring and other costs** ratio was 3.21 times, as measured at September 30, 2020, up from 3.05 times one year earlier. Our long-term objective for this measure is within a range of 2.20 to 2.70 times, which we believe is consistent with maintaining investment grade credit ratings in the range of BBB+, or the equivalent, and providing reasonable access to capital. As at September 30, 2020, this ratio remains outside of the long-term objective range due to prior issuances of incremental debt, primarily due to business acquisitions and the acquisition of spectrum licences, partially offset by growth in EBITDA – excluding restructuring and other costs. EBITDA growth was reduced by impacts from the COVID-19 pandemic. As at September 30, 2020, business acquisitions over the last 12 months increased the ratio by approximately 0.39 and the acquisition of spectrum licences increased the ratio by approximately 0.20. Our recent acquisitions of spectrum licences have more than doubled our national spectrum holdings and represent an investment to extend our network capacity to support continuing data consumption growth, as well as growth in our wireless subscriber base. Given the cash demands of the 2019 and upcoming spectrum auctions and the inability to quantify impacts of the COVID-19 pandemic, the assessment of the guideline and return to the objective range remains to be determined; however, it is our intent to return to a ratio below 2.70 times in the medium term (following upcoming spectrum auctions), consistent with our

long-term strategy. While this ratio exceeds our long-term objective range, we are well in compliance with the leverage ratio covenant in our credit facilities, which states that we may not permit our leverage ratio to exceed 4.25 to 1.00 at September 30, 2020 (see *Section 7.6 Credit facilities*).

#### Liquidity and capital resource measures

As at, or 12-month periods ended, September 30	2020	2019	Change
<b>Components of debt and coverage ratios<sup>1</sup> (\$ millions)</b>			
Net debt	18,489	17,029	1,460
EBITDA – excluding restructuring and other costs	5,754	5,590	164
Net interest cost	782	723	59
<b>Debt ratios</b>			
Fixed-rate debt as a proportion of total indebtedness (excluding lease liabilities and other long-term debt) (%)	94	93	1 pt.
Average term to maturity of long-term debt (excluding commercial paper, the revolving component of the TELUS International (Cda) Inc. credit facility, lease liabilities and other long-term debt) (years)	12.7	12.7	—
Weighted average interest rate on long-term debt (excluding commercial paper, the revolving component of the TELUS International (Cda) Inc. credit facility, lease liabilities and other long-term debt) (%)	3.85	3.98	(0.13) pts.
Net debt to EBITDA – excluding restructuring and other costs <sup>1</sup> (times)	3.21	3.05	0.16
<b>Coverage ratios<sup>1</sup> (times)</b>			
Earnings coverage	3.4	4.1	(0.7)
EBITDA – excluding restructuring and other costs interest coverage	7.4	7.7	(0.3)
<b>Other measures<sup>1</sup> (%)</b>			
<b>Determined using management measures</b>			
Dividend payout ratio – net of dividend reinvestment plan effects	69	124	(55) pts.
<b>Determined using most comparable IFRS-IASB measures</b>			
Ratio of dividends declared to cash provided by operating activities less capital expenditures (excluding spectrum licences)	100	114	(14) pts.
1 See <i>Section 11.1 Non-GAAP and other financial measures</i> .			

**Earnings coverage** ratio for the 12-month period ended September 30, 2020 was 3.4 times, down from 4.1 times one year earlier. A decrease in income before borrowing costs and income taxes reduced the ratio by 0.5, while an increase in borrowing costs reduced the ratio by 0.2.

**EBITDA – excluding restructuring and other costs interest coverage** ratio for the 12-month period ended September 30, 2020 was 7.4 times, down from 7.7 times one year earlier. Growth in EBITDA – excluding restructuring and other costs increased the ratio by 0.2, while an increase in net interest costs reduced the ratio by 0.5.

**Dividend payout ratios:** Actual dividend payout decisions will continue to be subject to our Board’s assessment and the determination of our financial position and outlook, as well as our long-term dividend payout objective range of 60 to 75% of prospective free cash flow. Commencing in 2020, so as to be consistent with the way we manage our business, we updated our revised dividend payout ratio presented to be a historical measure calculated as the sum of the last four quarters’ dividends declared for Common Shares, as recorded in the financial statements, net of dividend reinvestment plan effects, divided by the sum of the last four quarters’ free cash flow amounts for interim reporting periods. For fiscal years, the denominator is annual free cash flow (free cash flow is a non-GAAP measure, see *Section 11.1*). The historical measure for the 12-month period ended September 30, 2020 is presented for illustrative purposes in evaluating our target guideline. During the 12-month period ended September 30, 2020, the historical measure of our dividend payout ratio was within the range due to the discounted DRISP participation level.

## 7.6 Credit facilities

At September 30, 2020, we had approximately \$1.8 billion of available liquidity from the TELUS revolving credit facility and \$275 million of available liquidity from the TELUS International (Cda) Inc. credit facility with a syndicate of financial institutions (excluding TELUS Corporation). In addition, we had \$400 million available under our trade receivables securitization program (see *Section 7.7 Sale of trade receivables*). We are well within our objective of generally maintaining at least \$1.0 billion of available liquidity.

### TELUS revolving credit facility

We have a \$2.25 billion (or U.S. dollar equivalent) unsecured revolving credit facility with a syndicate of financial institutions, expiring May 31, 2023. The revolving credit facility is used for general corporate purposes, including the backstop of commercial paper, as required.



**TELUS revolving credit facility at September 30, 2020**

(\$ millions)	Expiry	Size	Drawn	Outstanding undrawn letters of credit	Backstop for commercial paper program	Available liquidity
Revolving credit facility <sup>1</sup>	May 31, 2023	2,250	—	—	(427)	1,823
1 Canadian dollars or U.S. dollar equivalent.						

Our revolving credit facility contains customary covenants, including a requirement that we not permit our consolidated leverage ratio to exceed 4.25 to 1.00 and that we not permit our consolidated coverage ratio to be less than 2.00 to 1.00 at the end of any financial quarter. As at September 30, 2020, our consolidated leverage ratio was 3.21 to 1.00 and our consolidated coverage ratio was 7.36 to 1.00. These ratios are expected to remain well within the covenants. There are certain minor differences in the calculation of the leverage ratio and coverage ratio under the revolving credit facility, as compared with the calculation of Net debt to EBITDA – excluding restructuring and other costs and EBITDA – excluding restructuring and other costs interest coverage. Historically, the calculations have not been materially different. The covenants are not impacted by revaluation, if any, of Property, plant and equipment, Intangible assets or Goodwill for accounting purposes. Continued access to our credit facilities is not contingent on maintaining a specific credit rating.

**Commercial paper**

TELUS Corporation has an unsecured commercial paper program, which is backstopped by our revolving credit facility, enabling us to issue commercial paper up to a maximum aggregate amount at any one time of \$1.4 billion as at September 30, 2020. Foreign currency forward contracts are used to manage currency risk arising from issuing commercial paper denominated in U.S. dollars. The commercial paper program is to be used for general corporate purposes, including, but not limited to, capital expenditures and investments. Our ability to reasonably access the commercial paper market in the U.S. is dependent on our credit ratings (see *Section 7.8 Credit ratings*).

**TELUS International (Cda) Inc. credit facility**

As at September 30, 2020, TELUS International (Cda) Inc. had a credit facility, secured by its assets, expiring on January 28, 2025, with a syndicate of financial institutions (as 87.5% lender) and, joined in 2020, TELUS Corporation (as 12.5% lender). The credit facility is composed of a US\$600 million revolving component and an amortizing US\$600 million term loan component. The credit facility is non-recourse to TELUS Corporation. The outstanding revolving component and term loan components had a weighted average interest rate of 2.40% as at September 30, 2020.

In connection with the acquisition of CCC during the three-month period ended March 31, 2020, incremental amounts were drawn on the facility.

**Other letter of credit facilities**

At September 30, 2020, we had \$190 million of letters of credit outstanding issued under various uncommitted facilities; such letter of credit facilities are in addition to the ability to provide letters of credit pursuant to our committed bank credit facility. Available liquidity under various uncommitted letters of credit facilities was \$131 million at September 30, 2020.

**7.7 Sale of trade receivables**

TELUS Communications Inc., a wholly owned subsidiary of TELUS, is a party to an agreement with an arm’s-length securitization trust associated with a major Schedule I Canadian bank, under which it is able to sell an interest in certain trade receivables for an amount up to a maximum of \$500 million. The agreement is in effect until December 31, 2021, and available liquidity was \$400 million as at September 30, 2020. (See *Note 22* of the interim consolidated financial statements.) Sales of trade receivables in securitization transactions are recognized as collateralized Short-term borrowings and thus do not result in our de-recognition of the trade receivables sold.

TELUS Communications Inc. is required to maintain a credit rating of at least a BB by DBRS Ltd. or the securitization trust may require the sale program to be wound down prior to the end of the term. The minimum credit rating was exceeded as of November 6, 2020.

**7.8 Credit ratings**

There were no changes to our investment grade credit ratings during the third quarter of 2020, or as of November 6, 2020. We believe adherence to most of our stated financial policies (see *Section 4.3*), coupled with our efforts to maintain a constructive relationship with banks, investors and credit rating agencies, continue to provide reasonable access to capital markets. (See *Section 10.13 Financing, debt and dividends* in our 2019 annual MD&A.)

## 7.9 Financial instruments, commitments and contingent liabilities

### Financial instruments

Our financial instruments, their accounting classification and the nature of certain risks that they may be subject to were described in *Section 7.9* of our 2019 annual MD&A.

#### *Liquidity risk*

As a component of our capital structure financial policies, discussed in *Section 4.3 Liquidity and capital resources*, we manage liquidity risk by: maintaining a daily cash pooling process that enables us to manage our available liquidity and our liquidity requirements according to our actual needs; maintaining an agreement to sell trade receivables to an arm’s-length securitization trust; maintaining bilateral bank facilities and syndicated credit facilities; maintaining a commercial paper program; maintaining an in-effect shelf prospectus; continuously monitoring forecast and actual cash flows; and managing maturity profiles of financial assets and financial liabilities.

As at September 30, 2020, we could offer \$2.0 billion of debt or equity securities pursuant to a shelf prospectus that is in effect until June 2022.

As at September 30, 2020, we had \$1.8 billion of available liquidity from the TELUS revolving credit facility and \$275 million of available liquidity from the TELUS International (Cda) Inc. credit facility with a syndicate of financial institutions (excluding TELUS Corporation) (see *Section 7.6 Credit facilities*), as well as \$400 million available under our trade receivables securitization program (see *Section 7.7 Sale of trade receivables*). Excluding the TELUS International (Cda) Inc. credit facility and including cash and temporary investments of approximately \$621 million, we had total liquidity of over \$2.8 billion at September 30, 2020. This adheres to our objective of generally maintaining at least \$1 billion of available liquidity. We believe that our investment grade credit ratings contribute to reasonable access to capital markets.

### Commitments and contingent liabilities

#### *Purchase obligations*

As at September 30, 2020, our contractual commitments related to the acquisition of property, plant and equipment were \$124 million through to December 31, 2022, as compared to \$136 million over a period ending December 31, 2022 reported as at December 31, 2019. The decrease was primarily attributed to lower commitments due to the change in mix of capital expenditures.

#### *Claims and lawsuits*

A number of claims and lawsuits (including class actions and intellectual property infringement claims) seeking damages and other relief are pending against us and, in some cases, other wireless carriers and telecommunications service providers. As well, we have received notice of, or are aware of, certain possible claims (including intellectual property infringement claims) against us and, in some cases, other wireless carriers and telecommunications service providers.

It is not currently possible for us to predict the outcome of such claims, possible claims and lawsuits due to various factors, including: the preliminary nature of some claims; uncertain damage theories and demands; an incomplete factual record; uncertainty concerning legal theories and procedures and their resolution by the courts, at both the trial and the appeal levels; and the unpredictable nature of opposing parties and their demands.

However, subject to the foregoing limitations, management is of the opinion, based upon legal assessments and information presently available, that it is unlikely that any liability, to the extent not provided for through insurance or otherwise, would have a material effect on our financial position and the results of our operations, including cash flows, with the exception of the items disclosed in *Note 29* of the interim consolidated financial statements.

## 7.10 Outstanding share information

Outstanding shares (millions)	September 30, 2020	October 31, 2020
Common Shares	1,284	1,290
Common Share options – all exercisable (one for one)	3	3

## 7.11 Transactions between related parties

### Transactions with key management personnel

Our key management personnel have authority and responsibility for overseeing, planning, directing and controlling our activities and consist of our Board of Directors and our Executive Leadership Team. Total compensation expense for key management personnel was \$15 million and \$31 million in the third quarter of 2020 and first nine months of 2020, respectively, compared to \$6 million and \$33 million in the comparable periods in 2019. Compensation expense for key management personnel increased in the third quarter of 2020 related to greater share-based compensation. See *Note 30(a)* of the interim consolidated financial statements for additional details.

**Transactions with defined benefit pension plans**

We provided management and administrative services to our defined benefit pension plans. Charges for these services were on a cost recovery basis and were immaterial.

**Transactions with real estate joint venture and associates**

In the third quarter of 2020, we had transactions with the TELUS Sky real estate joint venture, which is a related party to us, as set out in *Note 21* of the interim consolidated financial statements.

For the TELUS Sky real estate joint venture, commitments and contingent liabilities include construction-related contractual commitments through to 2020 (approximately \$20 million at September 30, 2020) and construction financing (\$342 million, with Canadian financial institutions as 66-2/3% lender and TELUS as 33-1/3% lender) under a credit agreement maturing August 31, 2021. We have entered into a lease agreement with the TELUS Sky real estate joint venture; for lease accounting purposes, the lease commenced during the three-month period ended March 31, 2019.

During the nine-month period ended September 30, 2020, our activity with our associate included our investment in equity of \$73 million.

**8. Accounting matters****8.1 Critical accounting estimates and judgments**

Our significant accounting policies are described in *Note 1* of the Consolidated financial statements for the year ended December 31, 2019. The preparation of financial statements in conformity with generally accepted accounting principles (GAAP) requires management to make estimates, assumptions and judgments that affect: the reported amounts of assets and liabilities at the date of the financial statements; the disclosure of contingent assets and liabilities at the date of the financial statements; and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates. Our critical accounting estimates and significant judgments are discussed with our Audit Committee each quarter and are described in *Section 8.1* of our 2019 annual MD&A, which is hereby incorporated by reference. See *Note 1(b)* of the interim consolidated financial statements for details of our use of estimates and judgments, including about the future effects of the COVID-19 pandemic.

**8.2 Accounting policy developments**

Our accounting policy developments were discussed in *Section 8.2 Accounting policy developments* of our 2019 annual MD&A. See *Note 2* of the interim consolidated financial statements for additional details.

**9. Update to general trends, outlook and assumptions, and regulatory developments and proceedings**

This section contains forward-looking statements, which should be read together with the *Caution regarding forward-looking statements* at the beginning of this MD&A.

The assumptions on which our 2020 outlook was based were described in *Section 9 General trends, outlook and assumptions, and regulatory developments and proceedings* of our 2019 annual MD&A and were issued on February 13, 2020 under the basis that we would be operating in the normal course of business. The extent of the COVID-19 pandemic, including its interruption of the global and Canadian economies, the governmental measures put into place to contain the risk of transmission, and proactive measures we have been taking to ensure the safety and well-being of our customers, our team members, and our communities, are matters we did not predict upon issuing our assumptions for 2020, and we no longer believe that these assumptions are valid. Therefore, in May 2020, given the uncertain magnitude, duration and potential outcomes of the pandemic, we withdrew our 2020 outlook and the assumptions on which it was based.

Due to the wide range of possible outcomes of the COVID-19 pandemic and the uncertainty with regard to the length of the pandemic and measures in place to limit its spread and transmission, the impact on our business cannot be accurately forecasted as of the date of this MD&A. Consequently, our operations and financial results could be materially different than predicted in our previously issued guidance and in May 2020, we withdrew our existing 2020 consolidated financial guidance, which was provided in our news release dated February 13, 2020, and filed on SEDAR.

During the third quarter of 2020, the Canadian Prime Minister announced that a second wave of COVID-19 was already underway in most of Canada as described in *Section 1.2*. Given the uncertain magnitude, duration and potential outcomes of this second wave, we cannot accurately provide an update on our outlook and 2020 guidance.

## 9.1 Communications industry regulatory developments and proceedings

Our telecommunications, broadcasting and radiocommunication services are regulated under federal laws by various authorities, including the Canadian Radio-television and Telecommunications Commission (CRTC), Innovation, Science and Economic Development Canada (ISED), Canadian Heritage and the Competition Bureau.

The following is a summary of certain significant regulatory developments and proceedings relevant to our business and our industry. This summary is not intended to be a comprehensive legal analysis or description of all of the specific issues described. Although we have indicated those issues for which we do not currently expect the outcome of a development or proceeding to be material to us, there can be no assurance that the expected outcome will occur or that our current assessment of its likely impact on us will be accurate. See *Section 10.3 Regulatory matters* of our 2019 annual MD&A.

### Radiocommunication licences and spectrum-related matters

ISED regulates, among other matters, the allocation and use of radio spectrum in Canada and licenses radio apparatus, frequency bands and/or radio channels within various frequency bands to service providers and private users. The department also establishes the terms and conditions that may attach to such radio authorizations, including restrictions on licence transfers, coverage obligations, research and development obligations, annual reporting, and obligations concerning mandated roaming and antenna site sharing with competitors.

#### *3500 MHz spectrum auction to support 5G*

On June 5, 2019, ISED released its *Decision on Revisions to the 3500 MHz Band to Accommodate Flexible Use and Preliminary Decisions on Changes to the 3800 MHz Band* followed on March 5, 2020 by its *Policy and Licensing Framework for Spectrum in the 3500 MHz Band*, which defines the auction rules and conditions of licence for the 3500 MHz band. The auction framework provides for a 50 MHz set-aside in all markets where 50 MHz or more spectrum is available; in markets with a large population centre and less than 50 MHz of auction supply, all the auction supply will be set-aside. This is on top of the competitive imbalance that has already been introduced to the band by ISED’s transition decision for the band last year. That decision left nearly 90 MHz of the 200 MHz band in the hands of band incumbents. A combination of the transition decision, by way of a clawback and the asymmetric design of the auction framework, which sets aside a significant portion of the spectrum under auction exclusively for certain carriers in any given licence area, raises the risk that we will not be able to acquire all the spectrum we need in the auction process and we will be required to pay more than we might otherwise pay. The deadline for receipt of applications and financial deposits for participation in the 3500 MHz spectrum auction had been postponed due to the COVID-19 pandemic and is now April 6, 2021, and auction bidding is expected to start on June 15, 2021.

#### *mmWave and 3800 MHz spectrum auctions to support 5G*

On June 5, 2019, ISED released its *Decision on Releasing Millimetre Wave Spectrum to Support 5G*, repurposing several tranches of mmWave spectrum for mobile use. ISED will consult on a licensing framework (*i.e.* auction rules and conditions of licence) for these mmWave bands in the future and is targeting an auction for this spectrum in 2021. There is a risk that the auction rules will favour certain carriers over us and impact our ability to acquire an adequate quantity of mmWave band spectrum.

The 3800 MHz spectrum band is seen as an extension to the 3500 MHz band. ISED released the first of two consultations on August 27, 2020. This first consultation featured proposals from ISED and from Telesat, the Canadian satellite spectrum licensee of 3700-4200 MHz spectrum, on how to repurpose existing spectrum. Following a decision on the first consultation, we expect a second consultation on an auction framework for the 3800 MHz band. ISED has forecasted a delay to the 3800 MHz auction process, now expected to take place in 2023 (formerly projected for late 2022). There is a risk that the auction rules will favour certain carriers over us and impact our ability to acquire an adequate quantity of 3800 MHz band spectrum.

### Regulatory and federal government reviews

The CRTC and the federal government have initiated public proceedings to review various matters. They are discussed below.

#### *Review of mobile wireless services*

On February 28, 2019, the CRTC released its consultation to review the regulatory framework for mobile wireless services. The proceeding is now closed and we await a decision. The review examined three major issues – the level of competition in the retail market, the current wholesale mobile wireless service regulatory framework, with a focus on wholesale mobile virtual network operator (MVNO) access, and the future of mobile wireless services in Canada, with a

focus on reducing barriers to infrastructure deployment. We participated throughout this proceeding and have filed evidence to demonstrate the high performance of Canadian wireless services on dimensions including network coverage, network quality, availability of service and pricing. The impact of this proceeding on us will not be known until a decision is issued by the CRTC. That decision is not expected until late 2020, at the earliest.

*Wireline wholesale services and interconnection follow-up*

On July 22, 2015, the CRTC released *Review of wholesale wireline services and associated policies*, Telecom Regulatory Policy CRTC 2015-326 (TRP 2015-326). The major component of this decision was that the CRTC ordered the introduction of a disaggregated wholesale high-speed access (HSA) service for internet service provider (ISP) competitors. This includes access to fibre-to-the-premises (FTTP) facilities.

On June 11, 2020, the CRTC released *Call for comments – Appropriate network configuration for disaggregated wholesale high-speed access services*, Telecom Notice of Consultation CRTC 2020-187 (TNC 2020-187), where it will address the appropriate network and service configurations for the disaggregated wholesale HSA service regime for all wholesale HSA service providers across the country. This new process takes the place of the previous follow-up proceedings and now has a common process for incumbent local exchange carriers (ILECs) and cable companies across Canada.

This new proceeding results from an application to the CRTC filed by the Canadian Network Operators Consortium Inc. (CNOC) to review and vary TRP 2015-326 and to seek, among other things, interim relief that would remove a speed cap pursuant to which the existing aggregated wholesale access regime will not apply to speeds in excess of 100 Mbps pending the introduction of disaggregated service; and permanent relief granting wholesale access to FTTP facilities on an aggregated basis. The CRTC has closed the CNOC review and vary application and will consider those issues as part of TNC 2020-187.

*Final rates for aggregated wholesale internet access services*

On August 15, 2019, the CRTC released Telecom Order CRTC 2019-288, which finalized rates for the aggregated wholesale internet services of the ILEC and incumbent cable companies. The final rates were considerably lower than the interim rates, and the CRTC ordered the rates to apply retroactively to October 6, 2016. The financial impact of this decision was not material to us, given the volume of wholesale internet customers we currently serve.

On September 13, 2019, Bell Canada and affiliated companies and a group of cable companies filed separate applications with the Federal Court of Appeal to seek leave to appeal Telecom Order CRTC 2019-288. Bell Canada and the cable companies also sought a stay of the order. On November 22, 2019, the Federal Court of Appeal allowed both leave applications and granted a stay pending the disposition of the appeal. On September 10, 2020, the Federal Court of Appeal dismissed the appeals on merit, thereby upholding the CRTC’s decision.

Separately on November 13, 2019, we filed an application to the CRTC to review and vary Telecom Order CRTC 2019-288, primarily on the basis that the CRTC made errors in calculating the carriers’ costs. On December 13, 2019, Bell Canada and a group of cable companies also brought applications to the CRTC to review and vary Telecom Order CRTC 2019-288. Bell Canada and the cable companies also sought a stay of the order pending the disposition of the review and variance applications. The CRTC granted the stay on September 28, 2020 and has yet to issue its decisions on any of these applications.

Also on November 13, 2019, we filed a petition to the Governor in Council seeking to refer back to Telecom Order CRTC 2019-288 for redetermination of the rates and seeking to vary Telecom Order CRTC 2019-288 to remove its retroactive effect, all on the basis that the rates and retroactive component of the order will threaten future investment. Bell Canada and a group of cable companies filed similar petitions on the same day. On August 15, 2020, the Governor in Council issued an Order in Council dismissing the petitions as premature in light of the applications to review and vary the order set out above, which remain under reserve. However, the Order in Council, as well as an accompanying statement from the Minister of Innovation, Science and Industry, recognized that the rates set out in Telecom Order CRTC 2019-288 will, in some instances, undermine investment in high quality networks. We expect the CRTC to take this Order in Council into account in its decisions on the review and variance applications presently under reserve. Until the CRTC renders its decisions on these review and variance applications or otherwise lifts the stay, the rates will not be in effect.

*Phase-out of the local service subsidy regime*

On June 26, 2018, the CRTC issued *Phase-out of the local service subsidy regime*, Telecom Regulatory Policy CRTC 2018-213. In this decision, the CRTC determined that it would phase out the existing local service subsidy over three years, from January 1, 2019 to December 31, 2021. In September 2018, the Independent Telecommunications Providers Association (ITPA), which represents small ILECs, brought an application to the CRTC to review and vary this decision. In its application, the ITPA seeks to keep the existing local service subsidy regime in place. On February 4, 2020, the CRTC issued *Independent Telecommunications Providers Association – Application to review and*

vary *Telecom Regulatory Policy 2018-213*, Telecom Decision CRTC 2020-41, in which it denied the ITPA’s application. We and the ITPA independently sought leave to appeal Telecom Decision CRTC 2020-41 to the Federal Court of Appeal. Our application for leave to appeal was dismissed on August 26, 2020. The impact of these CRTC decisions is not material.

*5G security review – Public Safety Canada*

In September 2018, the federal government announced a review of national cybersecurity requirements for Canada’s 5G networks. When complete, the review is expected to provide policy clarity on what security controls or restrictions the government intends to impose on 5G networks in Canada. The timelines for the conclusion of this review have not been released by the federal government, and the government has not indicated its intentions regarding 5G cybersecurity requirements. Given the range of potential government or regulatory action that may result from this review, the impact on us, and on Canadian wireless service providers generally, cannot currently be predicted.

*International security developments*

On May 16, 2019, U.S. President Donald Trump signed an executive order permitting the Secretary of Commerce to block certain technology transactions deemed to constitute national security risks. Additionally, the Bureau of Industry and Security of the United States Department of Commerce (BIS) subsequently amended Export Administration Regulations such that Huawei Technologies Co., Ltd. (Huawei) and 68 of its non-U.S. affiliates were added to the Entity List effective May 16, 2019. Effective August 19, 2019, an additional 46 non-U.S. affiliates were placed on the Entity List. Their addition to the Entity List imposed a licensing requirement under the Export Administration Regulations (EAR) regarding the export, re-export, or transfer (in-country) of most items subject to the EAR to any of these 115 listed Huawei entities. A further final rule effective August 17, 2020 provided for additional non-U.S. affiliates of Huawei to be added to the Entity List and revisions to current entries on the Entity List; removal of the Temporary General License (TGL) and conforming changes to Entity List for TGL Removal; and changes to General Prohibition Three — the Foreign-Produced Direct Product Rule.

Reversing an earlier position that would allow limited Huawei 5G in the U.K., on July 14, 2020, the U.K. government announced plans to legislate a ban on the purchase of all new 5G infrastructure from Huawei by December 31, 2020, and to require the removal of Huawei 5G networks deployed in the U.K. by 2027.

Given the range of potential government or regulatory actions by foreign governments with respect to Huawei, the impact on us, and on Canadian wireless service providers generally, cannot currently be predicted.

*CRTC proceeding regarding device financing*

On August 30, 2019, the CRTC commenced a proceeding to inquire into device financing plans for wireless handsets and asked certain parties, including us, to show cause why their device financing plans are permitted under the *Wireless Code*. This proceeding followed the introduction of device financing plans by us, Rogers and Bell in July 2019, including, for Rogers and us, plans with terms longer than 24 months. Under these plans, customers who cancel wireless services contracts are required to repay immediately the outstanding financing balance in full. On August 2, 2019, the CRTC issued a letter stating that wireless service providers were to stop offering device financing plans beyond 24 months so it could review the practice. In the proceeding, the CRTC sought comment on the effects on consumers of financing plans beyond 24 months and how the provisions of the *Wireless Code* apply to device financing. We intervened to inform the CRTC that: device financing is desired by customers; customers benefit from longer financing periods because upfront device costs are lower and the cost of devices can be spread over a longer period, thereby reducing the monthly cost; the objective of the *Wireless Code* should be to benefit customers; and longer device financing periods further the federal government’s affordability agenda for wireless services. Until the CRTC issues a decision on its intended treatment of financing plans, it is too early to determine the impact of this proceeding on us.

*CRTC proceeding regarding potential barriers to the deployment of broadband-capable networks in underserved areas in Canada*

On December 10, 2019, the CRTC issued *Call for comments regarding potential barriers to the deployment of broadband-capable networks in underserved areas in Canada*, Telecom Notice of Consultation CRTC 2019-406. In this proceeding, the CRTC is seeking comment on barriers that service providers and communities face in building new facilities, or interconnecting to or accessing existing facilities, and in extending networks into underserved areas in order to offer universal service objective-level services. The CRTC has specifically identified access to affordable transport services and efficient use of support structures as potential barriers. We are participating fully in the proceeding. It is too early to determine the impact of the proceeding on us.

*Government mobile wireless pricing election commitment*

Affordability of wireless services was a campaign topic during the October 2019 federal election. On March 5, 2020, the Liberal government clarified its expectation that we, Bell, and Rogers (including flanker brands) lower mobile wireless prices for postpaid, bring your own device plans in the 2 to 6 GB range by 25% by January 2022. The government reiterated this statement on June 5, 2020. To track progress, the government is reporting quarterly on wireless pricing.

We are unable to determine the full impact of this commitment at this time. The announcement or implementation of specific regulations or other actions intended to reduce cell phone plan prices could precipitate a material reduction in operating expenditures and capital expenditures to ameliorate this impact.

*CRTC review of rate setting for wholesale telecommunications services*

On April 24, 2020, the CRTC issued *Call for comments – Review of the approach to rate setting for wholesale telecommunications services*, Telecom Notice of Consultation CRTC 2020-131. In this proceeding, the CRTC is seeking comment on whether to change its methodology of setting wholesale rates and, if so, how. The CRTC has stated its intent to use the proceeding to establish a more transparent and efficient rate-setting process. We are participating fully in all stages of the proceeding. It is too early to determine the impact of the proceeding on us.

*CRTC review of availability of mobile wireless plans for Canadians with disabilities*

On June 1, 2020, the CRTC issued *Call for comments – Accessibility – mobile wireless service plans that meet the needs of Canadians with various disabilities*, Telecom Notice of Consultation 2020-178. In this proceeding, the CRTC is examining whether retail wireless service providers are meeting their requirements to offer mobile wireless plans that meet the needs of Canadians with disabilities; to promote those plans in ways that are accessible (including through stores, websites and customer service representatives); and whether new regulatory measures are required. We are participating fully in this proceeding to demonstrate how we are complying with existing requirements. The impact of this proceeding is not expected to be material.

*CRTC review of deadlines for transition to next-generation 9-1-1 service*

On September 4, 2020, the CRTC issued *Call for comments – Establishment of new deadlines for Canada’s transition to next-generation 9-1-1*, Telecom Notice of Consultation CRTC 2020-326. As a result of the COVID-19 pandemic, the CRTC had previously suspended the deadlines associated with the implementation of next-generation 9-1-1 service. The CRTC is now examining what the new deadlines for next-generation 9-1-1 service should be, including for the filing of cost studies and tariffs for next-generation 9-1-1 network providers (including us) and when providers should have their networks ready to support next-generation 9-1-1 voice services. The impact of this proceeding is not expected to be material.

**Broadcasting-related issues**

*Broadcasting licences held by TELUS*

Our regional licences to operate broadcasting distribution undertakings in B.C. and Alberta were granted renewals in Broadcasting Decision CRTC 2018-267, which extends the licence terms to August 31, 2023. Our licence to operate a regional broadcasting distribution undertaking in areas of Quebec was renewed on June 28, 2019 in Broadcasting Decision CRTC 2019-230, extending the licence term to August 31, 2024. Our licence to operate a national video-on-demand service was renewed to August 31, 2023, as part of Broadcasting Decision CRTC 2018-20. We received CRTC authorization to launch a Pay-Per-View service on June 28, 2020, as part of Broadcasting Decision CRTC 2020-235.

*Review of the Telecommunications Act, the Radiocommunication Act and the Broadcasting Act*

On January 29, 2020, the Broadcasting and Telecommunications Legislative Review Panel released its final report entitled *Canada’s Communications Future: Time to Act*. The report contains 97 recommendations to update legislation governing broadcasting, telecommunications and radiocommunication for the Government of Canada to consider. Further to the report, on November 3, 2020, the Government introduced legislation to amend the *Broadcasting Act*. The bill would bring streaming services that operate over the internet expressly within the scope of the *Broadcasting Act*, and would provide the CRTC with new and expanded regulatory powers to implement a modernized regulatory framework that addresses declining levels of support for Canadian content over the past several years, and provide a more sustainable source of support going forward. The Minister of Canadian Heritage has indicated that further reforms will be needed to fully modernize the regulation of the broadcasting system, but that these proposed reforms are an important first step. It is too early to determine if these proposed amendments, as well as any other potential legislative changes arising as a result of the report, will have a material impact on us.

*Review of the Copyright Act and Copyright Board reforms*

The *Copyright Act’s* statutorily mandated five-year review was due in 2017, and a process for conducting the review via parliamentary committee was announced in December 2017. The Standing Committee on Industry, Science and Technology (INDU Committee), with the assistance of the Standing Committee on Canadian Heritage, completed the review early in 2019, and both committees presented reports to the House of Commons in May and June of 2019. Although the INDU Committee had requested that a comprehensive government response be tabled by September 1, 2019, the government did not respond. Following the October 2019 federal election, the timeline for potential changes to the *Copyright Act* is uncertain. The policy approach for copyright has traditionally been based on a balance of interests of creators and consumers, and as a result, any changes to the *Copyright Act* are not expected to have a negative material impact on us.

*Legal challenge to the CRTC’s ability to regulate affiliation agreements*

The CRTC’s ability to regulate affiliation agreements between broadcasting distributors and programming services is currently being challenged by vertically integrated broadcasting entities before the Federal Court of Appeal. We were granted leave to intervene in the case and defended the CRTC’s regulatory powers as a cornerstone of its vertical integration framework, which aims to ensure the fair treatment by vertically integrated firms of rival broadcasting distributors and programming services. The Federal Court of Appeal’s decision is not expected before late 2020, at the earliest. While an adverse decision could weaken our negotiating position vis-a-vis vertically integrated firms that supply “must-have” channels to our broadcasting distribution business, it is too early to determine the impact it would have on our broadcasting distribution activities.

## 10. Risks and risk management

Reference is made as well to the summary of risks and uncertainties in the *Caution regarding forward-looking statements* at the beginning of this MD&A. The principal risks and uncertainties that could affect our future business results and associated risk mitigation activities were described in our 2019 annual MD&A and have not materially changed since December 31, 2019, except for the following updates:

### COVID-19

On March 11, 2020, the World Health Organization declared the outbreak of the novel coronavirus identified as COVID-19 to be a pandemic. In Canada, throughout March 2020, each province and territory either declared a state of emergency or a public health emergency. The nature of the pandemic and the responses to it and to its impacts by governments and the public sector, as well as by the private sector, are all continuing to evolve quickly and often unpredictably. Responses to date have included unprecedented restrictions on individuals’ movements and on gatherings of individuals, including international travel restrictions, and restrictions on how or whether businesses and institutions including schools may operate. Although these restrictions were eased in certain jurisdictions, they have been eased and then reinstated in other jurisdictions. There is no assurance that restrictions, if eased, will not be imposed again or that new restrictions will not be imposed.

Due to the wide range of possible COVID-19 pandemic outcomes and the uncertainty with regard to the duration and impact of both the pandemic and government policies implemented to limit its spread, we cannot accurately forecast the impact of the COVID-19 pandemic on our future operations. However, the COVID-19 pandemic may, directly or indirectly, materially and adversely affect our operations, condition and financial results.

Risks and uncertainties that could affect our business results, as described in our 2019 annual MD&A, as well as the price of our securities, and which could be accentuated by the COVID-19 pandemic or by any future pandemic or similar event include, but are not limited to:

- a) The extent and duration of restrictions on movement, business and other activities that are currently imposed by governments and regulatory bodies or other public sector actors or that may be imposed in the future in response to the pandemic, such as the required closing of conventional retail stores and travel bans (see also *Section 10.3* of our 2019 annual MD&A regarding regulatory matters).
- b) The impact of the pandemic and the restrictions imposed in response to it on our customers, both directly and indirectly, as a result of the deterioration of global and local economic conditions. This could result in financial hardship for our customers and could accentuate challenges faced by certain customers due to fluctuations in the price of oil, and these factors could affect our customers’ ability to pay for our products and services, or result in a material reduction in the demand for or profitability of the products and services that we offer (such as roaming and mobile data) (see also *Section 10.5* of our 2019 annual MD&A regarding technology and *Section 10.15* regarding the economy).
- c) Supply chain disruption and lack of resiliency in relation to the pandemic or related restrictions, which could result in supply shortages/price increases and extended lead times across electronic component and other product manufacturing segments, affecting our ability to maintain or upgrade our network and delaying the introduction of new products such as mobile phones (see also *Section 10.6* of our 2019 annual MD&A regarding suppliers).
- d) The impact on the health and well-being of our team, due to illness or due to changing responsibilities in their lives outside work (see also *Section 10.11* of our 2019 annual MD&A regarding our team).
- e) Increased capital expenditures required to maintain our leading network and adjust in short timeframes to changes in our customers’ usage, as well as increase expenses to meet the significantly increased demand for our virtual care solutions, such as Babylon by TELUS Health and Akira by TELUS Health, and impacts on the availability of capital and the cost of such capital in uncertain global markets (see also *Section 10.13* of our 2019 annual MD&A regarding financing).



Mitigation: See *Section 1.2* for a description of the operational measures currently undertaken or planned to address risks to our business relating to the COVID-19 pandemic. Although we believe these measures to mitigate these risks are reasonable, there can be no assurance that they will effectively or fully address the risks described.

## 11. Definitions and reconciliations

### 11.1 Non-GAAP and other financial measures

We have issued guidance on and report certain non-GAAP measures that are used to evaluate the performance of TELUS, as well as to determine compliance with debt covenants and to manage our capital structure. As non-GAAP measures generally do not have a standardized meaning, they may not be comparable to similar measures presented by other issuers. Securities regulations require such measures to be clearly defined, qualified and reconciled with their nearest GAAP measure. Certain of the metrics do not have generally accepted industry definitions.

**Adjusted Net income and adjusted basic earnings per share:** These measures are used to evaluate performance at a consolidated level and, in management’s view, exclude items that may obscure the underlying trends in business performance or items of an unusual nature that do not reflect our ongoing operations. These measures should not be considered alternatives to Net income and basic earnings per share in measuring TELUS’ performance. (See *Reconciliation of adjusted Net income* and *Reconciliation of adjusted basic EPS* in *Section 1.3*.)

**Capital expenditure intensity:** This measure is calculated as capital expenditures (excluding spectrum licences) divided by total operating revenues. This measure provides a basis for comparing the level of capital expenditures to those of other companies of varying size within the same industry.

**Dividend payout ratio:** Commencing in 2020, this is a historical measure calculated as the sum of the last four quarterly dividends declared, as reported in the financial statements, net of dividend reinvestment plan effects, divided by the sum of free cash flow amounts for the most recent four quarters for interim reporting periods. For fiscal years, the denominator is annual free cash flow. Our objective range for the annual dividend payout ratio is on a prospective basis, rather than on a trailing basis. (See *Section 7.5 Liquidity and capital resource measures*.)

#### Calculation of Dividend payout ratio, net of dividend reinvestment plan effects

*Determined using management measures*

12-month periods ended September 30 (\$ millions, except ratio)	2020	2019
Sum of the last four quarterly dividends declared	1,469	1,332
Sum of the last four quarterly amount of dividends declared reinvested in Common Shares	(539)	(183)
Numerator – Sum of the last four quarterly dividends declared, net of dividend reinvestment plan effects	930	1,149
Denominator – Free cash flow	1,352	929
<b>Ratio (%)</b>	<b>69</b>	<b>124</b>

#### Calculation of ratio of dividends declared to cash provided by operating activities less capital expenditures (excluding spectrum licences)

*Determined using most comparable IFRS-IASB measures*

12-month periods ended September 30 (\$ millions, except ratio)	2020	2019
Numerator – Sum of the last four quarterly dividends declared	1,469	1,332
Cash provided by operating activities	4,370	4,046
Less:		
Capital expenditures (excluding spectrum licences)	(2,904)	(2,875)
Denominator – Cash provided by operating activities less capital expenditures (excluding spectrum licences)	1,466	1,171
<b>Ratio (%)</b>	<b>100</b>	<b>114</b>

**Earnings coverage:** This measure is defined in the Canadian Securities Administrators’ National Instrument 41-101 and related instruments, and is calculated as follows:

**Calculation of Earnings coverage**

12-month periods ended September 30 (\$ millions, except ratio)	2020	2019
Net income attributable to Common Shares	1,315	1,735
Income taxes (attributable to Common Shares)	480	443
Borrowing costs (attributable to Common Shares) <sup>1</sup>	744	697
Numerator	2,539	2,875
Denominator – Borrowing costs	744	697
<b>Ratio (times)</b>	<b>3.4</b>	<b>4.1</b>

1 Interest on Long-term debt plus Interest on short-term borrowings and other plus long-term debt prepayment premium, adding capitalized interest and deducting borrowing costs attributable to non-controlling interests.

**EBITDA** (earnings before interest, income taxes, depreciation and amortization): We have issued guidance on and report EBITDA because it is a key measure used to evaluate performance at a consolidated level. EBITDA is commonly reported and widely used by investors and lending institutions as an indicator of a company’s operating performance and ability to incur and service debt, and as a valuation metric. EBITDA should not be considered an alternative to Net income in measuring TELUS’ performance, nor should it be used as a measure of cash flow. EBITDA as calculated by TELUS is equivalent to Operating revenues less the total of Goods and services purchased expense and Employee benefits expense.

We calculate EBITDA – excluding restructuring and other costs, as it is a component of the **EBITDA – excluding restructuring and other costs interest coverage** ratio and the **Net debt to EBITDA – excluding restructuring and other costs** ratio.

We also calculate **Adjusted EBITDA** to exclude items of an unusual nature that do not reflect our ongoing operations and should not, in our opinion, be considered in a long-term valuation metric or should not be included in an assessment of our ability to service or incur debt.

**EBITDA reconciliation**

(\$ millions)	Third quarters ended September 30		Nine-month periods ended September 30	
	2020	2019	2020	2019
<b>Net income</b>	<b>321</b>	440	<b>989</b>	1,397
Financing costs	187	201	581	558
Income taxes	109	144	365	332
Depreciation	540	489	1,568	1,429
Amortization of intangible assets	233	160	655	470
<b>EBITDA</b>	<b>1,390</b>	1,434	<b>4,158</b>	4,186
Add restructuring and other costs included in EBITDA	58	29	188	94
<b>EBITDA – excluding restructuring and other costs</b>	<b>1,448</b>	1,463	<b>4,346</b>	4,280
Add lease-up period and other equity losses related to real estate joint ventures	8	—	17	—
Deduct retirement of a provision arising from business acquisition-related written put options within TI	—	—	(71)	—
<b>Adjusted EBITDA</b>	<b>1,456</b>	1,463	<b>4,292</b>	4,280

**Calculation of Adjusted EBITDA margin**

(\$ millions)	Third quarters ended September 30		Nine-month periods ended September 30	
	2020	2019	2020	2019
Numerator – Adjusted EBITDA	1,456	1,463	4,292	4,280
Adjusted Operating revenues:				
Operating revenues	3,981	3,697	11,403	10,800
Lease-up period and other equity losses related to real estate joint ventures	8	—	17	—
Retirement of a provision arising from business acquisition-related written put options within TI	—	—	(71)	—
Denominator – Adjusted Operating revenues	3,989	3,697	11,349	10,800
<b>Adjusted EBITDA margin (%)</b>	<b>36.5</b>	39.6	<b>37.8</b>	39.6

**EBITDA – excluding restructuring and other costs interest coverage:** This measure is defined as EBITDA – excluding restructuring and other costs, divided by Net interest cost, calculated on a 12-month trailing basis. This measure is similar to the coverage ratio covenant in our credit facilities, as described in *Section 7.6 Credit facilities*.

**Free cash flow:** We report this measure as a supplementary indicator of our operating performance, and there is no generally accepted industry definition of free cash flow. It should not be considered an alternative to the measures in the Consolidated statements of cash flows. Free cash flow excludes certain working capital changes (such as trade receivables and trade payables), proceeds from divested assets and other sources and uses of cash, as found in the Consolidated statements of cash flows. It provides an indication of how much cash generated by operations is available after capital expenditures (excluding purchases of spectrum licences) that may be used to, among other things, pay dividends, repay debt, purchase shares or make other investments. We exclude impacts of accounting changes that do not impact cash, such as IFRS 15 and IFRS 16. Free cash flow may be supplemented from time to time by proceeds from divested assets or financing activities.

**Free cash flow calculation**

(\$ millions)	Third quarters ended September 30		Nine-month periods ended September 30	
	2020	2019	2020	2019
<b>EBITDA</b>	<b>1,390</b>	1,434	<b>4,158</b>	4,186
Deduct non-cash gains from the sale of property, plant and equipment	(1)	(3)	(3)	(13)
Restructuring and other costs, net of disbursements	(5)	(3)	21	(35)
Effects of contract asset, acquisition and fulfilment (IFRS 15 impact) and TELUS Easy Payment device financing	(59)	(31)	155	22
Effects of lease principal (IFRS 16 impact)	(90)	(62)	(255)	(214)
Leases formerly accounted for as finance leases (IFRS 16 impact)	16	13	70	39
Items from the condensed interim consolidated statements of cash flows:				
Share-based compensation, net	25	14	89	53
Net employee defined benefit plans expense	25	20	77	59
Employer contributions to employee defined benefit plans	(10)	(11)	(37)	(39)
Interest paid	(195)	(208)	(571)	(534)
Interest received	4	2	10	7
Capital expenditures (excluding spectrum licences) <sup>1</sup>	(741)	(748)	(2,162)	(2,164)
Free cash flow before income taxes	359	417	1,552	1,367
Income taxes paid, net of refunds	(198)	(97)	(335)	(570)
<b>Free cash flow</b>	<b>161</b>	320	<b>1,217</b>	797

1 Refer to Note 31 of the interim consolidated financial statements for further information.

The following reconciles our definition of free cash flow with cash provided by operating activities.

**Free cash flow reconciliation with Cash provided by operating activities**

(\$ millions)	Third quarters ended September 30		Nine-month periods ended September 30	
	2020	2019	2020	2019
<b>Free cash flow</b>	<b>161</b>	320	<b>1,217</b>	797
Add (deduct):				
Capital expenditures (excluding spectrum licences)	741	748	2,162	2,164
Adjustments to reconcile to Cash provided by operating activities	—	80	162	137
<b>Cash provided by operating activities</b>	<b>902</b>	1,148	<b>3,541</b>	3,098

**Free cash flow calculation**

12-month periods ended September 30 (\$ millions)	2020	2019
<b>EBITDA</b>	<b>5,526</b>	5,421
Deduct non-cash gains from the sale of property, plant and equipment	(11)	(43)
Restructuring and other costs, net of disbursements	20	(2)
Effects of contract asset, acquisition and fulfilment (IFRS 15 impact) and TELUS Easy Payment device financing	15	(147)
Effects of lease principal (IFRS 16 impact)	(374)	(214)
Leases formerly accounted for as finance leases (IFRS 16 impact)	139	39
Items from the Consolidated statements of cash flows:		
Share-based compensation, net	34	(18)
Net employee defined benefit plans expense	96	81
Employer contributions to employee defined benefit plans	(39)	(48)
Interest paid	(751)	(664)
Interest received	10	9
Capital expenditures (excluding spectrum licences) <sup>1</sup>	(2,904)	(2,875)
Free cash flow before income taxes	1,761	1,539
Income taxes paid, net of refunds	(409)	(610)
<b>Free cash flow</b>	<b>1,352</b>	929

1 Refer to Note 31 of the interim consolidated financial statements for further information.

**Free cash flow reconciliation with Cash provided by operating activities**

12-month periods ended September 30 (\$ millions)	2020	2019
<b>Free cash flow</b>	<b>1,352</b>	929
Add:		
Capital expenditures (excluding spectrum licences)	2,904	2,875
Adjustments to reconcile to Cash provided by operating activities	114	242
<b>Cash provided by operating activities</b>	<b>4,370</b>	4,046

**Net debt:** We believe that net debt is a useful measure because it represents the amount of Short-term borrowings and long-term debt obligations that are not covered by available Cash and temporary investments. The nearest IFRS measure to net debt is Long-term debt, including Current maturities of Long-term debt. Net debt is a component of the **Net debt to EBITDA – excluding restructuring and other costs** ratio.

**Calculation of Net debt**

As at September 30 (\$ millions)	2020	2019
Long-term debt including current maturities	18,889	17,196
Debt issuance costs netted against long-term debt	92	108
Derivative (assets) liabilities, net	(191)	(98)
Accumulated other comprehensive income amounts arising from financial instruments used to manage interest rate and currency risks associated with U.S. dollar-denominated long-term debt (excluding tax effects)	205	92
Cash and temporary investments, net	(621)	(370)
Short-term borrowings	115	101
<b>Net debt</b>	<b>18,489</b>	17,029

**Net debt to EBITDA – excluding restructuring and other costs:** This measure is defined as net debt at the end of the period divided by 12-month trailing EBITDA – excluding restructuring and other costs. (See discussion in *Section 7.5 Liquidity and capital resource measures*.) This measure is similar to the leverage ratio covenant in our credit facilities, as described in *Section 7.6 Credit facilities*.

**Net interest cost:** This measure is the denominator in the calculation of **EBITDA – excluding restructuring and other costs interest coverage**. Net interest cost is defined as financing costs, excluding capitalized long-term debt interest, employee defined benefit plans net interest and recoveries on redemption and repayment of debt, calculated on a 12-month trailing basis. Expenses recorded for the long-term debt prepayment premium, if any, are included in net interest cost. Net interest cost was \$782 million in the 12-month period ended September 30, 2020, and \$723 million in the 12-month period ended September 30, 2019.

**Restructuring and other costs:** With the objective of reducing ongoing costs, we incur associated incremental, non-recurring restructuring costs. We may also incur atypical charges, which are included in other costs, when undertaking major or transformational changes to our business or operating models or post-acquisition business integration. In other costs, we include incremental atypical external costs incurred in connection with business acquisition or disposition

activity, as well as significant litigation costs in respect of losses or settlements, adverse retrospective regulatory decisions and incremental atypical costs incurred due to the COVID-19 pandemic.

#### Components of restructuring and other costs

(\$ millions)	Third quarters ended September 30		Nine-month periods ended September 30	
	2020	2019	2020	2019
Goods and services purchased	38	17	148	43
Employee benefits expense	20	12	40	51
<b>Restructuring and other costs included in EBITDA</b>	<b>58</b>	<b>29</b>	<b>188</b>	<b>94</b>

## 11.2 Operating indicators

The following measures are industry metrics that are useful in assessing the operating performance of a wireless and wireline telecommunications entity, but do not have a standardized meaning under IFRS-IASB.

**Mobile phone average billing per subscriber per month (ABPU)** is calculated as network revenue derived from monthly service plan, roaming and usage charges, as well as monthly re-payments of the outstanding device balance owing from customers on contract; divided by the average number of mobile phone subscribers on the network during the period, and is expressed as a rate per month.

**Mobile phone average revenue per subscriber per month (ARPU)** is calculated as network revenue derived from monthly service plan, roaming and usage charges; divided by the average number of mobile phone subscribers on the network during the period, and is expressed as a rate per month.

**Churn** is calculated as the number of subscribers deactivated during a given period divided by the average number of subscribers on the network during the period, and is expressed as a rate per month. Mobile phone churn refers to the aggregate average of both prepaid and postpaid mobile phone churn. A TELUS, Koodo or Public Mobile brand prepaid mobile phone subscriber is deactivated when the subscriber has no usage for 90 days following expiry of the prepaid credits.

**Mobile connected device subscriber** means a TELUS subscriber on an active service plan with a recurring revenue-generating portable unit (e.g. tablets, internet keys, Internet of Things, wearables and connected cars) that is connected to the TELUS network and is intended for limited or no cellular voice capability.

**Mobile phone subscriber** means a TELUS subscriber on an active service plan with a recurring revenue-generating portable unit (e.g. feature phones and smartphones) that is connected to the TELUS network and provides voice, text and/or data connectivity.

**Internet subscriber** means a TELUS subscriber on an active internet plan with a recurring revenue-generating fixed unit that is connected to the TELUS network and provides internet connectivity.

**Residential voice subscriber** means a TELUS subscriber on an active phone plan with a recurring revenue-generating fixed unit that is connected to the TELUS network and provides voice service.

**Security subscriber** means a TELUS subscriber on an active security plan with a recurring revenue-generating fixed unit that is connected to the TELUS security and automation platform.

**TV subscriber** means a TELUS subscriber on an active TV plan with a recurring revenue-generating fixed unit subscription for video services from a TELUS TV platform (e.g. Optik TV and Pik TV).

**TELUS CORPORATION**  
**CONDENSED INTERIM CONSOLIDATED**  
**FINANCIAL STATEMENTS**

**(UNAUDITED)**

**SEPTEMBER 30, 2020**

condensed interim consolidated statements of income and other  
comprehensive income

(unaudited)

Periods ended September 30 (millions except per share amounts) <i>Note</i>	Three months		Nine months	
	2020	2019	2020	2019
<b>OPERATING REVENUES</b>				
Service	\$ 3,373	\$ 3,138	\$ 9,868	\$ 9,244
Equipment	588	549	1,412	1,519
Revenues arising from contracts with customers	6	3,687	11,280	10,763
Other operating income	7	10	123	37
	3,981	3,697	11,403	10,800
<b>OPERATING EXPENSES</b>				
Goods and services purchased	1,632	1,502	4,502	4,389
Employee benefits expense	8	761	2,743	2,225
Depreciation	17	489	1,568	1,429
Amortization of intangible assets	18	160	655	470
	3,364	2,912	9,468	8,513
<b>OPERATING INCOME</b>				
Financing costs	9	201	581	558
<b>INCOME BEFORE INCOME TAXES</b>				
Income taxes	10	144	365	332
<b>NET INCOME</b>				
	321	440	989	1,397
<b>OTHER COMPREHENSIVE INCOME</b>				
	11			
<b>Items that may subsequently be reclassified to income</b>				
Change in unrealized fair value of derivatives designated as cash flow hedges	(109)	110	16	71
Foreign currency translation adjustment arising from translating financial statements of foreign operations	46	5	88	22
	(63)	115	104	93
<b>Items never subsequently reclassified to income</b>				
Change in measurement of investment financial assets	4	4	4	4
Employee defined benefit plan re-measurements	65	(2)	(288)	30
	69	2	(284)	34
	6	117	(180)	127
<b>COMPREHENSIVE INCOME</b>				
	\$ 327	\$ 557	\$ 809	\$ 1,524
<b>NET INCOME ATTRIBUTABLE TO:</b>				
Common Shares	\$ 307	\$ 433	\$ 947	\$ 1,378
Non-controlling interests	14	7	42	19
	\$ 321	\$ 440	\$ 989	\$ 1,397
<b>COMPREHENSIVE INCOME ATTRIBUTABLE TO:</b>				
Common Shares	\$ 304	\$ 548	\$ 755	\$ 1,497
Non-controlling interests	23	9	54	27
	\$ 327	\$ 557	\$ 809	\$ 1,524
<b>NET INCOME PER COMMON SHARE*</b>				
	12			
Basic	\$ 0.24	\$ 0.36	\$ 0.75	\$ 1.15
Diluted	\$ 0.24	\$ 0.36	\$ 0.74	\$ 1.15
<b>TOTAL WEIGHTED AVERAGE COMMON SHARES OUTSTANDING*</b>				
Basic	1,284	1,204	1,270	1,202
Diluted	1,288	1,204	1,272	1,202

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

\* Amounts reflect retrospective application of March 17, 2020, share split (see Note 28(b)).



As at (millions)	Note	September 30, 2020	December 31, 2019
<b>ASSETS</b>			
<b>Current assets</b>			
Cash and temporary investments, net		\$ 621	\$ 535
Accounts receivable	6(b)	2,172	1,962
Income and other taxes receivable		154	127
Inventories	1(c)	350	437
Contract assets	6(c)	480	737
Prepaid expenses	20	588	547
Current derivative assets	4(d)	5	8
		<b>4,370</b>	<b>4,353</b>
<b>Non-current assets</b>			
Property, plant and equipment, net	17	14,834	14,232
Intangible assets, net	18	14,021	12,846
Goodwill, net	18	6,514	5,307
Contract assets	6(c)	233	328
Other long-term assets	20	1,237	919
		<b>36,839</b>	<b>33,632</b>
		<b>\$ 41,209</b>	<b>\$ 37,985</b>
<b>LIABILITIES AND OWNERS' EQUITY</b>			
<b>Current liabilities</b>			
Short-term borrowings	22	\$ 115	\$ 100
Accounts payable and accrued liabilities	23	3,092	2,749
Income and other taxes payable		113	55
Dividends payable	13	374	352
Advance billings and customer deposits	24	733	675
Provisions	25	75	288
Current maturities of long-term debt	26	1,055	1,332
Current derivative liabilities	4(d)	12	23
		<b>5,569</b>	<b>5,574</b>
<b>Non-current liabilities</b>			
Provisions	25	634	590
Long-term debt	26	17,834	17,142
Other long-term liabilities	27	1,096	806
Deferred income taxes		3,583	3,214
		<b>23,147</b>	<b>21,752</b>
<b>Liabilities</b>		<b>28,716</b>	<b>27,326</b>
<b>Owners' equity</b>			
Common equity	28	12,136	10,548
Non-controlling interests		357	111
		<b>12,493</b>	<b>10,659</b>
		<b>\$ 41,209</b>	<b>\$ 37,985</b>

Contingent Liabilities

29

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



condensed interim consolidated statements of changes in owners' equity

(unaudited)

(millions)	Note	Common equity							Non-controlling interests	Total
		Equity contributed			Retained earnings	Accumulated other comprehensive income	Total			
		Number of shares*	Share capital	Contributed surplus						
		Common Shares (Note 28)								
Balance as at January 1, 2019		1,197	\$ 5,390	\$ 383	\$ 4,321	\$ 11	\$ 10,105	\$ 74	\$ 10,179	
Net income		—	—	—	1,378	—	1,378	19	1,397	
Other comprehensive income	11	—	—	—	30	89	119	8	127	
Dividends	13	—	—	—	(1,006)	—	(1,006)	—	(1,006)	
Dividends reinvested and optional cash payments	13(b), 14(c)	4	69	—	—	—	69	—	69	
Equity accounted share-based compensation		—	—	17	—	—	17	—	17	
Share option award net-equity settlement feature		—	1	(1)	—	—	—	—	—	
Issue of Common Shares in business combination		3	72	—	—	—	72	—	72	
Balance as at September 30, 2019		1,204	\$ 5,532	\$ 399	\$ 4,723	\$ 100	\$ 10,754	\$ 101	\$ 10,855	
Balance as at January 1, 2020		1,209	\$ 5,660	\$ 398	\$ 4,371	\$ 119	\$ 10,548	\$ 111	\$ 10,659	
Net income		—	—	—	947	—	947	42	989	
Other comprehensive income	11	—	—	—	(288)	96	(192)	12	(180)	
Dividends	13	—	—	—	(1,117)	—	(1,117)	—	(1,117)	
Dividends reinvested and optional cash payments	13(b), 14(c)	17	402	—	—	—	402	—	402	
Equity accounted share-based compensation	14(b)	—	—	79	—	—	79	—	79	
Common Shares issued	28(a)	58	1,453	—	—	—	1,453	—	1,453	
Change of ownership interests of subsidiary	28(d)	—	—	17	—	—	17	192	209	
Other		—	(1)	—	—	—	(1)	—	(1)	
Balance as at September 30, 2020		1,284	\$ 7,514	\$ 494	\$ 3,913	\$ 215	\$ 12,136	\$ 357	\$ 12,493	

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

\* Amounts reflect retrospective application of March 17, 2020, share split (see Note 28(b)).



## condensed interim consolidated statements of cash flows

(unaudited)

Periods ended September 30 (millions)	Note	Three months		Nine months	
		2020	2019	2020	2019
<b>OPERATING ACTIVITIES</b>					
Net income		\$ 321	\$ 440	\$ 989	\$ 1,397
Adjustments to reconcile net income to cash provided by operating activities:					
Depreciation and amortization		773	649	2,223	1,899
Deferred income taxes	10	92	62	67	54
Share-based compensation expense, net	14(a)	25	14	89	53
Net employee defined benefit plans expense	15(a)	25	20	77	59
Employer contributions to employee defined benefit plans		(10)	(11)	(37)	(39)
Non-current contract assets		(21)	72	95	108
Non-current unbilled customer finance receivables	20	(67)	(139)	(161)	(124)
Loss from equity accounted investments	7, 21	9	—	22	1
Other		(51)	71	(93)	122
Net change in non-cash operating working capital	31(a)	(194)	(30)	270	(432)
Cash provided by operating activities		902	1,148	3,541	3,098
<b>INVESTING ACTIVITIES</b>					
Cash payments for capital assets, excluding spectrum licences	31(a)	(666)	(694)	(2,140)	(2,132)
Cash payments for spectrum licences		—	(11)	—	(942)
Cash payments for acquisitions, net	18(b)	(549)	(160)	(1,760)	(348)
Advances to, and investment in, real estate joint ventures and associate	21	(8)	(10)	(96)	(27)
Real estate joint venture receipts	21	1	1	4	3
Proceeds on disposition		85	12	85	12
Other		(39)	(9)	(51)	1
Cash used by investing activities		(1,176)	(871)	(3,958)	(3,433)
<b>FINANCING ACTIVITIES</b>					
Common Shares issued	31(b)	—	—	1,495	—
Dividends paid to holders of Common Shares	13(a)	(232)	(316)	(694)	(926)
Issue (repayment) of short-term borrowings, net		7	1	7	1
Long-term debt issued	26	427	1,705	2,804	5,293
Redemptions and repayment of long-term debt	26	(278)	(1,508)	(3,245)	(4,042)
Shares of subsidiary issued to non-controlling interests	28(d)	—	—	209	—
Other		—	(6)	(73)	(35)
Cash provided (used) by financing activities		(76)	(124)	503	291
<b>CASH POSITION</b>					
Increase (decrease) in cash and temporary investments, net		(350)	153	86	(44)
Cash and temporary investments, net, beginning of period		971	217	535	414
Cash and temporary investments, net, end of period		\$ 621	\$ 370	\$ 621	\$ 370
<b>SUPPLEMENTAL DISCLOSURE OF OPERATING CASH FLOWS</b>					
Interest paid		\$ (195)	\$ (208)	\$ (571)	\$ (534)
Interest received		\$ 4	\$ 2	\$ 10	\$ 7
<b>Income taxes paid, net</b>					
In respect of comprehensive income		\$ (198)	\$ (97)	\$ (302)	\$ (555)
In respect of business acquisitions		—	—	(33)	(15)
		\$ (198)	\$ (97)	\$ (335)	\$ (570)

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

**SEPTEMBER 30, 2020**

TELUS Corporation is one of Canada's largest telecommunications companies, providing a wide range of telecommunications services and products, including wireless and wireline voice and data. Data services include: internet protocol; television; hosting, managed information technology and cloud-based services; healthcare solutions; customer care and business services; and home and business smart technology (including security).

TELUS Corporation was incorporated under the *Company Act* (British Columbia) on October 26, 1998, under the name BCT.TELUS Communications Inc. (BCT). On January 31, 1999, pursuant to a court-approved plan of arrangement under the *Canada Business Corporations Act* among BCT, BC TELECOM Inc. and the former Alberta-based TELUS Corporation (TC), BCT acquired all of the shares of BC TELECOM Inc. and TC in exchange for Common Shares and Non-Voting Shares of BCT, and BC TELECOM Inc. was dissolved. On May 3, 2000, BCT changed its name to TELUS Corporation and in February 2005, TELUS Corporation transitioned under the *Business Corporations Act* (British Columbia), successor to the *Company Act* (British Columbia). TELUS Corporation maintains its registered office at Floor 7, 510 West Georgia Street, Vancouver, British Columbia, V6B 0M3.

The terms "TELUS", "we", "us", "our" or "ourselves" are used to refer to TELUS Corporation and, where the context of the narrative permits or requires, its subsidiaries.

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## 1 condensed interim consolidated financial statements

### (a) Basis of presentation

The notes presented in our condensed interim consolidated financial statements include only significant events and transactions and are not fully inclusive of all matters normally disclosed in our annual audited financial statements; thus, our interim consolidated financial statements are referred to as condensed. Our condensed interim consolidated financial statements should be read in conjunction with our audited consolidated financial statements for the year ended December 31, 2019.

Our condensed interim consolidated financial statements are expressed in Canadian dollars and follow the same accounting policies and methods of their application as set out in our consolidated financial statements for the year ended December 31, 2019. The generally accepted accounting principles that we use are International Financial Reporting Standards as issued by the International Accounting Standards Board (IFRS-IASB) and Canadian generally accepted accounting principles. Our condensed interim consolidated financial statements comply with International Accounting Standard 34, *Interim Financial Reporting* and reflect all adjustments (which are of a normal recurring nature) that are, in our opinion, necessary for a fair statement of the results for the interim periods presented.

These consolidated financial statements for the three-month and nine-month periods ended September 30, 2020, were authorized by our Board of Directors for issue on November 6, 2020.

### (b) Use of estimates and judgments

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates (including about the future effects of the COVID-19 pandemic), assumptions and judgments that affect: the reported amounts of assets and liabilities at the date of the financial statements; the disclosure of contingent assets and liabilities at the date of the financial statements; and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

### (c) Inventories

Our inventories primarily consist of wireless handsets, parts and accessories totalling \$269 million at September 30, 2020 (December 31, 2019 – \$375 million) and communications equipment held for resale. Costs of goods sold for the three-month and nine-month periods ended September 30, 2020, totalled \$568 million (2019 – \$519 million) and \$1,354 million (2019 – \$1,462 million), respectively.

## 2 accounting policy developments

### Initial application of standards, interpretations and amendments to standards and interpretations in the reporting period

In October 2018, the International Accounting Standards Board amended IFRS 3, *Business Combinations*, seeking to clarify whether an acquisition transaction results in the acquisition of an asset or the acquisition of a business. The amendments are effective for acquisition transactions on or after January 1, 2020, although earlier application was permitted. The amended standard has a narrower definition of a business, which could result in the recognition of fewer business combinations than under the previous standard; the implication of this is that amounts which may have been recognized as goodwill in a business combination under the previous standard may now be recognized as allocations to net identifiable assets acquired under the amended standard (with an associated effect in an entity's results of operations that would differ from the effect of goodwill having been recognized). We have applied the standard prospectively from January 1, 2020. The effects of the amended standard on our financial performance and disclosure will be dependent on the facts and circumstances of any future acquisition transactions and have not been material in the current fiscal year.

## 3 capital structure financial policies

### General

Our objective when managing capital is to maintain a flexible capital structure that optimizes the cost and availability of capital at acceptable risk.

In the management of capital and in its definition, we include common equity (excluding accumulated other comprehensive income), long-term debt (including long-term credit facilities, commercial paper backstopped by long-term credit facilities and any hedging assets or liabilities associated with long-term debt items, net of amounts recognized

in accumulated other comprehensive income), cash and temporary investments, and short-term borrowings arising from securitized trade receivables.

We manage our capital structure and make adjustments to it in light of changes in economic conditions and the risk characteristics of our business. In order to maintain or adjust our capital structure, we may adjust the amount of dividends paid to holders of Common Shares, purchase Common Shares for cancellation pursuant to normal course issuer bids, issue new shares, issue new debt, issue new debt to replace existing debt with different characteristics and/or increase or decrease the amount of trade receivables sold to an arm's-length securitization trust.

During 2020, our financial objectives, which are reviewed annually, were unchanged from 2019, excepting for a change in methodology of our dividend payout ratio. We believe that our financial objectives are supportive of our long-term strategy.

We monitor capital utilizing a number of measures, including: net debt to earnings before interest, income taxes, depreciation and amortization (EBITDA\*) – excluding restructuring and other costs ratio; coverage ratios; and dividend payout ratios.

#### Debt and coverage ratios

Net debt to EBITDA – excluding restructuring and other costs is calculated as net debt at the end of the period, divided by 12-month trailing EBITDA – excluding restructuring and other costs. This measure, historically, is substantially similar to the leverage ratio covenant in our credit facilities. Net debt and EBITDA – excluding restructuring and other costs are measures that do not have any standardized meanings prescribed by IFRS-IASB and are therefore unlikely to be comparable to similar measures presented by other companies. The calculation of these measures is set out in the following table. Net debt is one component of a ratio used to determine compliance with debt covenants.

As at, or for the 12-month periods ended, September 30 (\$ in millions)	Objective	2020	2019
Components of debt and coverage ratios			
Net debt <sup>1</sup>		\$ 18,489	\$ 17,029
EBITDA – excluding restructuring and other costs <sup>2</sup>		\$ 5,754	\$ 5,590
Net interest cost <sup>3</sup>		\$ 782	\$ 723
Debt ratio			
Net debt to EBITDA – excluding restructuring and other costs	2.20 – 2.70 <sup>4</sup>	3.21	3.05
Coverage ratios			
Earnings coverage <sup>5</sup>		3.4	4.1
EBITDA – excluding restructuring and other costs interest coverage <sup>6</sup>		7.4	7.7

1 Net debt and total capitalization are calculated as follows:

As at September 30	Note	2020	2019
Long-term debt	26	\$ 18,889	\$ 17,196
Debt issuance costs netted against long-term debt		92	108
Derivative (assets) liabilities, net		(191)	(98)
Accumulated other comprehensive income amounts arising from financial instruments used to manage interest rate and currency risks associated with U.S. dollar-denominated long-term debt – excluding tax effects		205	92
Cash and temporary investments, net		(621)	(370)
Short-term borrowings	22	115	101
<b>Net debt</b>		<b>18,489</b>	<b>17,029</b>
Common equity		12,136	10,754
Less: accumulated other comprehensive income included in common equity above		(215)	(100)
<b>Total capitalization</b>		<b>\$ 30,410</b>	<b>\$ 27,683</b>

2 EBITDA – excluding restructuring and other costs is calculated as follows:

	EBITDA (Note 5)	Restructuring and other costs (Note 16)	EBITDA – excluding restructuring and other costs
<b>Add</b>			
Nine-month period ended September 30, 2020	\$ 4,158	\$ 188	\$ 4,346
Year ended December 31, 2019	5,554	134	5,688
<b>Deduct</b>			
Nine-month period ended September 30, 2019	(4,186)	(94)	(4,280)
EBITDA – excluding restructuring and other costs	\$ 5,526	\$ 228	\$ 5,754

\* EBITDA does not have any standardized meaning prescribed by IFRS-IASB and is therefore unlikely to be comparable to similar measures presented by other issuers; we define EBITDA as operating revenues less goods and services purchased and employee benefits expense. We have issued guidance on, and report, EBITDA because it is a key measure that management uses to evaluate the performance of our business, and it is also utilized in measuring compliance with certain debt covenants.

- 3 Net interest cost is defined as financing costs, excluding employee defined benefit plans net interest, recoveries on long-term debt prepayment premium and repayment of debt, calculated on a 12-month trailing basis (expenses recorded for long-term debt prepayment premium, if any, are included in net interest cost) (see Note 9).
- 4 Our long-term objective range for this ratio is 2.20 – 2.70 times. The ratio as at September 30, 2020, is outside the long-term objective range. We may permit, and have permitted, this ratio to go outside the objective range (for long-term investment opportunities), but we will endeavour to return this ratio to within the objective range in the medium term (following upcoming spectrum auctions), as we believe that this range is supportive of our long-term strategy. We are in compliance with the leverage ratio covenant in our credit facilities, which states that we may not permit our net debt to operating cash flow ratio to exceed 4.25:1.00 (see Note 26(d)); the calculation of the debt ratio is substantially similar to the calculation of the leverage ratio covenant in our credit facilities.
- 5 Earnings coverage is defined by Canadian Securities Administrators National Instrument 41-101 as net income before borrowing costs and income tax expense, divided by borrowing costs (interest on long-term debt; interest on short-term borrowings and other; long-term debt prepayment premium), and adding back capitalized interest, all such amounts excluding amounts attributable to non-controlling interests.
- 6 EBITDA – excluding restructuring and other costs interest coverage is defined as EBITDA – excluding restructuring and other costs, divided by net interest cost. This measure is substantially similar to the coverage ratio covenant in our credit facilities.

Net debt to EBITDA – excluding restructuring and other costs was 3.21 times as at September 30, 2020, up from 3.05 times one year earlier. The effect of growth in EBITDA – excluding restructuring and other costs was exceeded by the effect of the increase in net debt. EBITDA growth was reduced by COVID-19 pandemic impacts. The earnings coverage ratio for the twelve-month period ended September 30, 2020, was 3.4 times, down from 4.1 times one year earlier. Higher borrowing costs reduced the ratio by 0.2 and a decrease in income before borrowing costs and income taxes reduced the ratio by 0.5. The EBITDA – excluding restructuring and other costs interest coverage ratio for the twelve-month period ended September 30, 2020, was 7.4 times, down from 7.7 times one year earlier. Growth in EBITDA – excluding restructuring and other costs increased the ratio by 0.2, while an increase in net interest costs reduced the ratio by 0.5.

#### Dividend payout ratio

Commencing in 2020, so as to be consistent with the way we manage our business, we updated our revised dividend payout ratio presented to be a historical measure calculated as the sum of the last four quarters' dividends declared for Common Shares as recorded in the financial statements, net of dividend reinvestment plan effects (see Note 13), divided by the sum of free cash flow\* amounts for the most recent four quarters for interim reporting periods (divided by annual free cash flow if the reported amount is in respect of a fiscal year).

For the 12-month periods ended September 30	Objective	2020	2019
<b>Determined using management measures</b>			
Dividend payout ratio – net of dividend reinvestment plan effects	60%–75% <sup>1</sup>	69%	124%
<b>Determined using most comparable IFRS-IASB measures</b>			
Ratio of dividends declared to cash provided by operating activities less capital expenditures (excluding spectrum licences)		100%	114%

1 Our objective range for the dividend payout ratio is 60%-75% of free cash flow on a prospective basis.

12-month periods ended September 30 (millions)	2020	2019
Dividends declared	\$ 1,469	\$ 1,332
Amount of dividends declared reinvested in Common Shares	(539)	(183)
Dividends declared, net of dividend reinvestment plan effects	\$ 930	\$ 1,149

\* Free cash flow does not have any standardized meaning prescribed by IFRS-IASB and is therefore unlikely to be comparable to similar measures presented by other issuers; we define free cash flow as EBITDA (operating revenues less goods and services purchased and employee benefits expense) excluding certain working capital changes (such as trade receivables and trade payables), proceeds from divested assets and other sources and uses of cash, as found in the consolidated statements of cash flows. We have issued guidance on, and report, free cash flow because it is a key measure that management, and investors, use to evaluate the performance of our business.

Our calculation of free cash flow, and the reconciliation to cash provided by operating activities, is as follows:

12-month periods ended September 30 (millions)	Note	2020	2019
EBITDA	5	\$ 5,526	\$ 5,421
Deduct non-cash gains from sale of property, plant and equipment		(11)	(43)
Restructuring and other costs, net of disbursements		20	(2)
Effects of contract asset, acquisition and fulfilment and TELUS Easy Payment device financing		15	(147)
Effects of lease principal	31(b)	(374)	(214)
Leases accounted for as finance leases prior to adoption of IFRS 16		139	39
Items from consolidated statements of cash flows:			
Share-based compensation, net	14	34	(18)
Net employee defined benefit plans expense	15	96	81
Employer contributions to employee defined benefit plans		(39)	(48)
Interest paid		(751)	(664)
Interest received		10	9
Capital expenditures (excluding spectrum licences)	5	(2,904)	(2,875)
Free cash flow before income taxes		1,761	1,539
Income taxes paid, net of refunds		(409)	(610)
<b>Free cash flow</b>		<b>1,352</b>	<b>929</b>
Add (deduct):			
Capital expenditures (excluding spectrum licences)	5	2,904	2,875
Adjustments to reconcile to Cash provided by operating activities		114	242
<b>Cash provided by operating activities</b>		<b>\$ 4,370</b>	<b>\$ 4,046</b>

## 4 financial instruments

### (a) Credit risk

Excluding credit risk, if any, arising from currency swaps settled on a gross basis, the best representation of our maximum exposure (excluding income tax effects) to credit risk, which is a worst-case scenario and does not reflect results we expect, is set out in the following table:

As at (millions)	September 30, 2020	December 31, 2019
Cash and temporary investments, net	\$ 621	\$ 535
Accounts receivable	2,558	2,187
Contract assets	713	1,065
Derivative assets	243	84
	<b>\$ 4,135</b>	<b>\$ 3,871</b>

#### *Cash and temporary investments, net*

Credit risk associated with cash and temporary investments is managed by ensuring that these financial assets are placed with: governments; major financial institutions that have been accorded strong investment grade ratings by a primary rating agency; and/or other creditworthy counterparties. An ongoing review evaluates changes in the status of counterparties.

#### *Accounts receivable*

Credit risk associated with accounts receivable is inherently managed by the size and diversity of our large customer base, which includes substantially all consumer and business sectors in Canada. We follow a program of credit evaluations of customers and limit the amount of credit extended when deemed necessary. Accounts are considered to be past due (in default) when customers have failed to make the contractually required payments when due, which is generally within 30 days of the billing date. Any late payment charges are levied at an industry-based market or negotiated rate on outstanding non-current customer account balances.

As at (millions)	September 30, 2020			December 31, 2019			
	Note	Gross	Allowance	Net <sup>1</sup>	Gross	Allowance	Net <sup>1</sup>
<b>Customer accounts receivable, net of allowance for doubtful accounts</b>							
Less than 30 days past billing date		\$ 795	\$ (22)	\$ 773	\$ 803	\$ (10)	\$ 793
30-60 days past billing date		299	(19)	280	331	(8)	323
61-90 days past billing date		110	(21)	89	74	(5)	69
More than 90 days past billing date		151	(46)	105	73	(14)	59
Unbilled customer finance receivables		848	(32)	816	523	(18)	505
		\$ 2,203	\$ (140)	\$ 2,063	\$ 1,804	\$ (55)	\$ 1,749
Current		\$ 1,801	\$ (124)	\$ 1,677	\$ 1,570	\$ (46)	\$ 1,524
Non-current	20	402	(16)	386	234	(9)	225
		\$ 2,203	\$ (140)	\$ 2,063	\$ 1,804	\$ (55)	\$ 1,749

<sup>1</sup> Net amounts represent customer accounts receivable for which an allowance had not been made as at the dates of the Consolidated statements of financial position (see Note 6(b)).

We maintain allowances for lifetime expected credit losses related to doubtful accounts. Current economic conditions (including forward-looking macroeconomic data), historical information (including credit agency reports, if available), reasons for the accounts being past due and the line of business from which the customer accounts receivable arose are all considered when determining whether to make allowances for past-due accounts. The same factors are considered when determining whether to write off amounts charged to the allowance for doubtful accounts against the customer accounts receivable; amounts charged to the customer accounts receivable allowance for doubtful accounts that were written off but were still subject to enforcement activity as at September 30, 2020, totalled \$548 million (December 31, 2019 – \$449 million). The doubtful accounts expense is calculated on a specific-identification basis for customer accounts receivable above a specific balance threshold and on a statistically derived allowance basis for the remainder. No customer accounts receivable are written off directly to the doubtful accounts expense.

The following table presents a summary of the activity related to our allowance for doubtful accounts.

Periods ended September 30 (millions)	Three months		Nine months	
	2020	2019	2020	2019
Balance, beginning of period	\$ 104	\$ 42	\$ 55	\$ 53
Additions (doubtful accounts expense)	16	20	74	41
Recoveries greater (less) than accounts written off	12	(16)	(6)	(49)
Other	8	2	17	3
Balance, end of period	\$ 140	\$ 48	\$ 140	\$ 48

### Contract assets

Credit risk associated with contract assets is inherently managed by the size and diversity of our large customer base, which includes substantially all consumer and business sectors in Canada. We follow a program of credit evaluations of customers and limit the amount of credit extended when deemed necessary.

As at (millions)	September 30, 2020			December 31, 2019		
	Gross	Allowance	Net (Note 6(c))	Gross	Allowance	Net (Note 6(c))
<b>Contract assets, net of impairment allowance</b>						
<i>To be billed and thus reclassified to accounts receivable during:</i>						
The 12-month period ending one year hence	\$ 661	\$ (34)	\$ 627	\$ 952	\$ (42)	\$ 910
The 12-month period ending two years hence	231	(12)	219	322	(14)	308
Thereafter	15	(1)	14	21	(1)	20
	\$ 907	\$ (47)	\$ 860	\$ 1,295	\$ (57)	\$ 1,238

We maintain allowances for lifetime expected credit losses related to contract assets. Current economic conditions, historical information (including credit agency reports, if available), and the line of business from which the contract asset arose are all considered when determining impairment allowances. The same factors are considered when determining whether to write off amounts charged to the impairment allowance for contract assets against contract assets.

### Derivative assets (and derivative liabilities)

Counterparties to our share-based compensation cash-settled equity forward agreements and foreign exchange derivatives are major financial institutions that have been accorded investment grade ratings by a primary credit rating agency. The total dollar amount of credit exposure under contracts with any one financial institution is limited and counterparties' credit ratings are monitored. We do not give or receive collateral on swap agreements and hedging items



due to our credit rating and those of our counterparties. While we are exposed to the risk of potential credit losses due to the possible non-performance of our counterparties, we consider this risk remote. Our derivative liabilities do not have credit risk-related contingent features.

### (b) Liquidity risk

As a component of our capital structure financial policies, discussed further in *Note 3*, we manage liquidity risk by:

- maintaining a daily cash pooling process that enables us to manage our available liquidity and our liquidity requirements according to our actual needs;
- maintaining an agreement to sell trade receivables to an arm's-length securitization trust and bilateral bank facilities (*Note 22*), a commercial paper program (*Note 26(c)*) and syndicated credit facilities (*Note 26(d),(e)*);
- maintaining an in-effect shelf prospectus;
- continuously monitoring forecast and actual cash flows; and
- managing maturity profiles of financial assets and financial liabilities.

Our debt maturities in future years are as disclosed in *Note 26(g)*. As at September 30, 2020, we could offer \$2.0 billion of debt or equity securities pursuant to a shelf prospectus that is in effect until June 2022 (December 31, 2019 – \$2.0 billion pursuant to a shelf prospectus that was in effect until August 2021). We believe that our investment grade credit ratings contribute to reasonable access to capital markets.

We closely match the contractual maturities of our derivative financial liabilities with those of the risk exposures they are being used to manage.

The expected maturities of our undiscounted financial liabilities do not differ significantly from the contractual maturities, other than as noted below. The contractual maturities of our undiscounted financial liabilities, including interest thereon (where applicable), are set out in the following tables:

As at September 30, 2020 (millions)	Non-derivative		Composite long-term debt				Derivative			
	Non-interest bearing financial liabilities	Short-term borrowings <sup>1</sup>	Long-term debt, excluding leases <sup>1</sup> ( <i>Note 26</i> )	Leases ( <i>Note 26</i> )	Currency swap agreement amounts to be exchanged <sup>2</sup>		Other	Currency swap agreement amounts to be exchanged		Total
					(Receive)	Pay		(Receive)	Pay	
2020 (balance of year)	\$ 2,299	\$ 15	\$ 587	\$ 124	\$ (473)	\$ 471	\$ 2	\$ (135)	\$ 134	\$ 3,024
2021	459	101	858	474	(157)	152	—	(360)	365	1,892
2022	10	—	1,896	312	(156)	151	7	—	—	2,220
2023	8	—	1,129	224	(156)	151	—	—	—	1,356
2024	8	—	1,686	186	(157)	151	—	—	—	1,874
2025-2029	2	—	9,037	491	(2,399)	2,403	—	—	—	9,534
Thereafter	—	—	10,908	421	(3,101)	3,020	—	—	—	11,248
<b>Total</b>	<b>\$ 2,786</b>	<b>\$ 116</b>	<b>\$ 26,101</b>	<b>\$ 2,232</b>	<b>\$ (6,599)</b>	<b>\$ 6,499</b>	<b>\$ 9</b>	<b>\$ (495)</b>	<b>\$ 499</b>	<b>\$ 31,148</b>
			Total ( <i>Note 26(g)</i> )			\$ 28,233				

1 Cash outflows in respect of interest payments on our short-term borrowings, commercial paper and amounts drawn under our credit facilities (if any) have been calculated based upon the interest rates in effect as at September 30, 2020.

2 The amounts included in undiscounted non-derivative long-term debt in respect of U.S. dollar-denominated long-term debt, and the corresponding amounts in the long-term debt currency swaps receive column, have been determined based upon the currency exchange rates in effect as at September 30, 2020. The hedged U.S. dollar-denominated long-term debt contractual amounts at maturity, in effect, are reflected in the long-term debt currency swaps pay column as gross cash flows are exchanged pursuant to the currency swap agreements.

As at December 31, 2019 (millions)	Non-derivative			Composite long-term debt				Derivative			Total
	Non-interest bearing financial liabilities	Short-term borrowings <sup>1</sup>	Construction credit facilities commitment (Note 21)	Long-term debt, excluding leases <sup>1</sup>	Currency swap agreement amounts to be exchanged <sup>2</sup>		Currency swap agreement amounts to be exchanged				
					Leases	(Receive)	Pay	Other	(Receive)	Pay	
2020	\$ 2,639	\$ 3	\$ 10	\$ 1,657	\$ 373	\$ (1,140)	\$ 1,153	\$ —	\$ (917)	\$ 921	\$ 4,699
2021	43	103	—	1,698	338	(119)	118	—	—	—	2,181
2022	7	—	—	2,235	207	(119)	118	8	—	—	2,456
2023	5	—	—	1,021	189	(119)	118	—	—	—	1,214
2024	5	—	—	1,595	157	(119)	118	—	—	—	1,756
2025-2029	4	—	—	7,311	429	(1,919)	1,944	—	—	—	7,769
Thereafter	—	—	—	10,102	388	(3,019)	3,020	—	—	—	10,491
<b>Total</b>	<b>\$ 2,703</b>	<b>\$ 106</b>	<b>\$ 10</b>	<b>\$ 25,619</b>	<b>\$ 2,081</b>	<b>\$ (6,554)</b>	<b>\$ 6,589</b>	<b>\$ 8</b>	<b>\$ (917)</b>	<b>\$ 921</b>	<b>\$ 30,566</b>
							<b>\$ 27,735</b>				

- Cash outflows in respect of interest payments on our short-term borrowings, commercial paper and amounts drawn under our credit facilities (if any) have been calculated based upon the interest rates in effect as at December 31, 2019.
- The amounts included in undiscounted non-derivative long-term debt in respect of U.S. dollar-denominated long-term debt, and the corresponding amounts in the long-term debt currency swaps receive column, have been determined based upon the currency exchange rates in effect as at December 31, 2019. The hedged U.S. dollar-denominated long-term debt contractual amounts at maturity, in effect, are reflected in the long-term debt currency swaps pay column as gross cash flows are exchanged pursuant to the currency swap agreements.

### (c) Market risks

Net income and other comprehensive income for the nine-month periods ended September 30, 2020 and 2019, could have varied if the Canadian dollar: U.S. dollar exchange rate, the U.S. dollar: European euro exchange rate, market interest rates and our Common Share price varied by reasonably possible amounts from their actual statement of financial position date amounts.

The sensitivity analysis of our exposure to currency risk at the reporting date has been determined based upon a hypothetical change taking place at the relevant statement of financial position date. The U.S. dollar-denominated and European euro-denominated balances and derivative financial instrument notional amounts as at the statement of financial position dates have been used in the calculations.

The sensitivity analysis of our exposure to interest rate risk at the reporting date has been determined based upon a hypothetical change taking place at the beginning of the relevant fiscal year and being held constant through to the statement of financial position date. The relevant statement of financial position date principal and notional amounts have been used in the calculations.

The sensitivity analysis of our exposure to other price risk arising from share-based compensation at the reporting date has been determined based upon a hypothetical change taking place at the relevant statement of financial position date. The relevant notional number of Common Shares at the relevant statement of financial position date, which includes those in the cash-settled equity swap agreements, has been used in the calculations.

Income tax expense, which is reflected net in the sensitivity analysis, reflects the applicable statutory income tax rates for the reporting periods.

Nine-month periods ended September 30 (increase (decrease) in millions)	Net income		Other comprehensive income		Comprehensive income	
	2020	2019	2020	2019	2020	2019
Reasonably possible changes in market risks <sup>1</sup>						
10% change in C\$: US\$ exchange rate						
Canadian dollar appreciates	\$ 2	\$ 3	\$ (65)	\$ (82)	\$ (63)	\$ (79)
Canadian dollar depreciates	\$ (2)	\$ (3)	\$ 65	\$ 82	\$ 63	\$ 79
10% change in US\$: € exchange rate						
U.S. dollar appreciates	\$ —	\$ —	\$ (54)	\$ —	\$ (54)	\$ —
U.S. dollar depreciates	\$ —	\$ —	\$ 54	\$ —	\$ 54	\$ —
25 basis point change in interest rates						
Interest rates increase						
Canadian interest rate	\$ (1)	\$ (1)	\$ 116	\$ 102	\$ 115	\$ 101
US interest rate	\$ —	\$ —	\$ (122)	\$ (104)	\$ (122)	\$ (104)
Combined	\$ (1)	\$ (1)	\$ (6)	\$ (2)	\$ (7)	\$ (3)
Interest rates decrease						
Canadian interest rate	\$ 1	\$ 1	\$ (121)	\$ (107)	\$ (120)	\$ (106)
US interest rate	\$ —	\$ —	\$ 129	\$ 110	\$ 129	\$ 110
Combined	\$ 1	\$ 1	\$ 8	\$ 3	\$ 9	\$ 4

Nine-month periods ended September 30 (increase (decrease) in millions)	Net income		Other comprehensive income		Comprehensive income	
	2020	2019	2020	2019	2020	2019
25% <sup>2</sup> change in Common Share price <sup>3</sup>						
Price increases	\$ (8)	\$ (17)	\$ 2	\$ 7	\$ (6)	\$ (10)
Price decreases	\$ 16	\$ 24	\$ (2)	\$ (7)	\$ 14	\$ 17

- 1 These sensitivities are hypothetical and should be used with caution. Changes in net income and/or other comprehensive income generally cannot be extrapolated because the relationship of the change in assumption to the change in net income and/or other comprehensive income may not be linear. In this table, the effect of a variation in a particular assumption on the amount of net income and/or other comprehensive income is calculated without changing any other factors; in reality, changes in one factor may result in changes in another, which might magnify or counteract the sensitivities.  
The sensitivity analysis assumes that we would realize the changes in exchange rates and market interest rates; in reality, the competitive marketplace in which we operate would have an effect on this assumption.  
No consideration has been made for a difference in the notional number of Common Shares associated with share-based compensation awards made during the reporting period that may have arisen due to a difference in the Common Share price.
- 2 To facilitate ongoing comparison of sensitivities, a constant variance of approximate magnitude has been used. Reflecting a nine-month data period and calculated on a monthly basis, the volatility of our Common Share price as at September 30, 2020, was 19.3% (2019 – 8.7%).
- 3 The hypothetical effects of changes in the price of our Common Shares are restricted to those which would arise from our share-based compensation awards that are accounted for as liability instruments and the associated cash-settled equity swap agreements.

#### (d) Fair values

##### Derivative

The derivative financial instruments that we measure at fair value on a recurring basis subsequent to initial recognition are set out in the following table.

As at (millions)	September 30, 2020					December 31, 2019			
Designation	Maximum maturity date	Notional amount	Fair value <sup>1</sup> and carrying value	Price or rate	Maximum maturity date	Notional amount	Fair value <sup>1</sup> and carrying value	Price or rate	
<b>Current Assets<sup>2</sup></b>									
<i>Derivatives used to manage</i>									
Currency risk arising from U.S. dollar-denominated purchases									
HFH <sup>3</sup>	2021	\$ 173	\$ 2	US\$1.00: C\$1.32	—	\$ —	\$ —	—	
Currency risk arising from U.S. dollar revenues									
HFT <sup>4</sup>	2021	\$ 88	3	US\$1.00: C\$1.33	2020	\$ 36	1	US\$1.00: C\$1.30	
Changes in share-based compensation costs (Note 14(b))									
HFH <sup>3</sup>	—	\$ —	—	—	2020	\$ 72	4	\$ 24.40*	
Currency risk associated with European euro-denominated business acquisition									
HFH <sup>3</sup>	—	\$ —	—	—	2020	\$ 472	3	€1.00: US\$1.12	
			\$ 5				\$ 8		
<b>Other Long-Term Assets<sup>2</sup></b>									
<i>Derivatives used to manage</i>									
Currency risks arising from U.S. dollar-denominated long-term debt <sup>6</sup> (Note 26(b)-(c))									
HFH <sup>3</sup>	2049	\$ 5,471	\$ 238	US\$1.00: C\$1.30	2048	\$ 3,068	\$ 76	US\$1.00: C\$1.28	
Currency risk arising from U.S. dollar-denominated purchases									
HFH <sup>3</sup>	2021	\$ 8	—	US\$1.00: C\$1.31	—	\$ —	—	—	
			\$ 238				\$ 76		

\* Amounts reflect retrospective application of March 17, 2020, share split (see Note 28(b)).

As at (millions)		September 30, 2020				December 31, 2019			
	Designation	Maximum maturity date	Notional amount	Fair value <sup>1</sup> and carrying value	Price or rate	Maximum maturity date	Notional amount	Fair value <sup>1</sup> and carrying value	Price or rate
<b>Current Liabilities <sup>2</sup></b>									
<i>Derivatives used to manage</i>									
Currency risk arising from U.S. dollar-denominated purchases									
	HFH <sup>3</sup>	2021	\$ 208	\$ 6	US\$1.00: C\$1.38	2020	\$ 412	\$ 6	US\$1.00: C\$1.32
Currency risk arising from U.S. dollar revenues									
	HFT <sup>4</sup>	2021	\$ 21	—	US\$1.00: C\$1.33	—	\$ —	—	—
Changes in share-based compensation costs (Note 14(b))									
	HFH <sup>3</sup>	2020	\$ 72	2	\$ 24.39*	—	\$ —	—	—
Currency risk arising from U.S. dollar-denominated long-term debt (Note 26(b)-(c))									
	HFH <sup>3</sup>	2020	\$ 428	1	US\$1.00: C\$1.34	2020	\$ 1,037	17	US\$1.00: C\$1.32
Currency risk arising from European euro functional currency operations purchased with U.S. dollar-denominated long-term debt <sup>7</sup> (Notes 18(b), 26(e))									
	HFH <sup>5</sup>	2024	\$ 34	3	€1.00: US\$1.09	—	\$ —	—	—
Interest rate risk associated with non-fixed rate credit facility amounts drawn (Note 26(e))									
	HFH <sup>3</sup>	2022	\$ 8	—	2.64%	2022	\$ 8	—	2.64%
			\$ 12				\$ 23		
<b>Other Long-Term Liabilities <sup>2</sup></b>									
<i>Derivatives used to manage</i>									
Currency risk arising from U.S. dollar-denominated long-term debt <sup>6</sup> (Note 26(b)-(c))									
	HFH <sup>3</sup>	—	\$ —	\$ —	—	2049	\$ 2,485	22	US\$1.00: C\$1.34
Currency risk arising from European euro functional currency operations purchased with U.S. dollar-denominated long-term debt <sup>7</sup> (Notes 18(b), 26(e))									
	HFH <sup>5</sup>	2025	\$ 567	43	€1.00: US\$1.09	—	\$ —	—	—
Interest rate risk associated with non-fixed rate credit facility amounts drawn (Note 26(e))									
	HFH <sup>3</sup>	2022	\$ 128	7	2.64%	2022	\$ 130	4	2.64%
			\$ 50				\$ 26		

- 1 Fair value measured at reporting date using significant other observable inputs (Level 2).
- 2 Derivative financial assets and liabilities are not set off.
- 3 Designated as held for hedging (HFH) upon initial recognition (cash flow hedging item); hedge accounting is applied. Unless otherwise noted, hedge ratio is 1:1 and is established by assessing the degree of matching between the notional amounts of hedging items and the notional amounts of the associated hedged items.
- 4 Designated as held for trading (HFT) and classified as fair value through net income upon initial recognition; hedge accounting is not applied.
- 5 Designated as a hedge of a net investment in a foreign operation and hedge accounting is applied. Hedge ratio is 1:1 and is established by assessing the degree of matching between the notional amounts of hedging items and the notional amounts of the associated hedged items.
- 6 We designate only the spot element as the hedging item. As at September 30, 2020, the foreign currency basis spread included in the fair value of the derivative instruments, and which is used for purposes of assessing hedge ineffectiveness, was \$103 (December 31, 2019 – \$38).
- 7 We designate only the spot element as the hedging item. As at September 30, 2020, the foreign currency basis spread included in the fair value of the derivative instruments, and which is used for purposes of assessing hedge ineffectiveness was \$NIL.

**Non-derivative**

Our long-term debt, which is measured at amortized cost, and the fair value thereof, are set out in the following table.

As at (millions)	September 30, 2020		December 31, 2019	
	Carrying value	Fair value	Carrying value	Fair value
Long-term debt, excluding leases (Note 26)	\$ 17,073	\$ 19,231	\$ 16,813	\$ 17,930

\* Amounts reflect retrospective application of March 17, 2020, share split (see Note 28(b)).

**(e) Recognition of derivative gains and losses**

The following table sets out the gains and losses, excluding income tax effects, arising from derivative instruments that are classified as cash flow hedging items and their location within the Consolidated statements of income and other comprehensive income.

Credit risk associated with such derivative instruments, as discussed further in (a), would be the primary source of hedge ineffectiveness. There was no ineffective portion of the derivative instruments classified as cash flow hedging items for the periods presented.

Periods ended September 30 (millions)	Note	Amount of gain (loss) recognized in other comprehensive income (effective portion) (Note 11)		Location	Gain (loss) reclassified from other comprehensive income to income (effective portion) (Note 11)	
		2020	2019		Amount	
		2020	2019		2020	2019
<b>THREE-MONTH</b>						
<i>Derivatives used to manage currency risk</i>						
Arising from U.S. dollar-denominated purchases		\$ (7)	\$ 6	Goods and services purchased	\$ —	\$ 3
Arising from U.S. dollar-denominated long-term debt <sup>1</sup>	26(b)-(c)	(178)	190	Financing costs	(69)	39
Arising from net investment in a foreign operation <sup>2</sup>		(24)	—	Financing costs	(2)	—
		(209)	196		(71)	42
<i>Derivatives used to manage other market risk</i>						
Arising from changes in share-based compensation costs and other	14(b)	(2)	(5)	Employee benefits expense	1	(2)
		\$ (211)	\$ 191		\$ (70)	\$ 40
<b>NINE-MONTH</b>						
<i>Derivatives used to manage currency risk</i>						
Arising from U.S. dollar-denominated purchases		\$ 11	\$ (9)	Goods and services purchased	\$ 7	\$ 12
Arising from U.S. dollar-denominated long-term debt <sup>1</sup>	26(b)-(c)	246	39	Financing costs	154	(84)
Arising from net investment in a foreign operation <sup>2</sup>		(46)	—	Financing costs	(2)	—
		211	30		159	(72)
<i>Derivatives used to manage other market risk</i>						
Arising from changes in share-based compensation costs and other	14(b)	(12)	—	Employee benefits expense	—	4
		\$ 199	\$ 30		\$ 159	\$ (68)

1 Amounts recognized in other comprehensive income are net of the change in the foreign currency basis spread (which is used for purposes of assessing hedge ineffectiveness) included in the fair value of the derivative instruments; such amount for the three-month and nine-month periods ended September 30, 2020, were \$11 (2019 – \$24) and \$65 (2019 – \$31), respectively.

2 Amounts recognized in other comprehensive income are net of the change in the foreign currency basis spread (which is used for purposes of assessing hedge ineffectiveness) included in the fair value of the derivative instruments; such amount for the three-month and nine-month periods ended September 30, 2020, were \$(2) and \$NIL, respectively.

The following table sets out the gains and losses arising from derivative instruments that are classified as held for trading and that are not designated as being in a hedging relationship, and their location within the Consolidated statements of income and other comprehensive income.

Periods ended September 30 (millions)	Location	Gain recognized in income on derivatives			
		Three months		Nine months	
		2020	2019	2020	2019
Derivatives used to manage currency risk	Financing costs	\$ 4	\$ 1	\$ 8	\$ 6

**5 segment information***General*

Operating segments are components of an entity that engage in business activities from which they earn revenues and incur expenses (including revenues and expenses related to transactions with the other component(s)), the operations of which can be clearly distinguished and for which the operating results are regularly reviewed by a chief operating decision-maker to make resource allocation decisions and to assess performance. Effective January 1, 2020, we embarked upon modifying our internal and external reporting processes, systems and internal controls to accommodate the technology convergence-driven cessation of the historical distinction between our wireless and wireline operations at the level of regularly reported discrete performance measures that are provided to our chief operating decision-maker. Prior to the World Health Organization characterizing COVID-19 as a pandemic, we had anticipated transitioning to a new segment reporting structure during 2020, but did not, and do not, anticipate a substantive change to our products and services revenue reporting from such transition; we will continue to report wireless and wireline operations until such

transition is substantially completed, but the timing of such transition may be impacted as we prioritize managing through the pandemic.

The wireless segment includes network revenues and equipment sales arising from mobile technologies. The wireline segment includes data revenues (which include internet protocol; television; hosting, managed information technology and cloud-based services; customer care and business services; certain healthcare solutions; and home and business security), voice and other telecommunications services revenues (excluding wireless arising from mobile technologies), and equipment sales. Segmentation has been based on similarities in technology (mobile versus fixed), the technical expertise required to deliver the services and products, customer characteristics, the distribution channels used and regulatory treatment. Intersegment sales are recorded at the exchange value, which is the amount agreed to by the parties.

The segment information regularly reported to our Chief Executive Officer (our chief operating decision-maker), and the reconciliations thereof to our products and services view of revenues, other revenues and income before income taxes, are set out in the following table.

Three-month periods ended September 30 (millions)	Wireless		Wireline		Eliminations		Consolidated		
	2020	2019	2020	2019	2020	2019	2020	2019	
<b>Operating revenues</b>									
External revenues									
Service	\$ 1,553	\$ 1,588	\$ 1,820	\$ 1,550	\$ —	\$ —	\$ 3,373	\$ 3,138	
Equipment	521	494	67	55	—	—	588	549	
Revenues arising from contracts with customers	2,074	2,082	1,887	1,605	—	—	3,961	3,687	
Other operating income	11	4	9	6	—	—	20	10	
	2,085	2,086	1,896	1,611	—	—	3,981	3,697	
Intersegment revenues	15	13	67	67	(82)	(80)	—	—	
	\$ 2,100	\$ 2,099	\$ 1,963	\$ 1,678	\$ (82)	\$ (80)	\$ 3,981	\$ 3,697	
<b>EBITDA<sup>1</sup></b>	\$ 945	\$ 970	\$ 445	\$ 464	\$ —	\$ —	\$ 1,390	\$ 1,434	
CAPEX, excluding spectrum licences <sup>2</sup>	\$ 212	\$ 251	\$ 529	\$ 497	\$ —	\$ —	\$ 741	\$ 748	
							<b>Operating revenues – external (above)</b>	\$ 3,981	\$ 3,697
							Goods and services purchased	1,632	1,502
							Employee benefits expense	959	761
							<b>EBITDA (above)</b>	1,390	1,434
							Depreciation	540	489
							Amortization	233	160
							<b>Operating income</b>	617	785
							Financing costs	187	201
							<b>Income before income taxes</b>	\$ 430	\$ 584

Nine-month periods ended September 30 (millions)	Wireless		Wireline		Eliminations		Consolidated		
	2020	2019	2020	2019	2020	2019	2020	2019	
<b>Operating revenues</b>									
External revenues									
Service	\$ 4,561	\$ 4,622	\$ 5,307	\$ 4,622	\$ —	\$ —	\$ 9,868	\$ 9,244	
Equipment	1,230	1,357	182	162	—	—	1,412	1,519	
Revenues arising from contracts with customers	5,791	5,979	5,489	4,784	—	—	11,280	10,763	
Other operating income	9	14	114	23	—	—	123	37	
	5,800	5,993	5,603	4,807	—	—	11,403	10,800	
Intersegment revenues	44	40	194	183	(238)	(223)	—	—	
	\$ 5,844	\$ 6,033	\$ 5,797	\$ 4,990	\$ (238)	\$ (223)	\$ 11,403	\$ 10,800	
<b>EBITDA<sup>1</sup></b>	\$ 2,749	\$ 2,797	\$ 1,409	\$ 1,389	\$ —	\$ —	\$ 4,158	\$ 4,186	
CAPEX, excluding spectrum licences <sup>2</sup>	\$ 640	\$ 651	\$ 1,522	\$ 1,513	\$ —	\$ —	\$ 2,162	\$ 2,164	
							<b>Operating revenues – external (above)</b>	\$ 11,403	\$ 10,800
							Goods and services purchased	4,502	4,389
							Employee benefits expense	2,743	2,225
							<b>EBITDA (above)</b>	4,158	4,186
							Depreciation	1,568	1,429
							Amortization	655	470
							<b>Operating income</b>	1,935	2,287
							Financing costs	581	558
							<b>Income before income taxes</b>	\$ 1,354	\$ 1,729

- Earnings before interest, income taxes, depreciation and amortization (EBITDA) does not have any standardized meaning prescribed by IFRS-IASB and is therefore unlikely to be comparable to similar measures presented by other issuers; we define EBITDA as operating revenues less goods and services purchased and employee benefits expense. We have issued guidance on, and report, EBITDA because it is a key measure that management uses to evaluate the performance of our business, and it is also utilized in measuring compliance with certain debt covenants.
- Total capital expenditures (CAPEX); see Note 31(a) for a reconciliation of capital expenditures, excluding spectrum licences to cash payments for capital assets, excluding spectrum licences reported in the Consolidated statements of cash flows.

## 6 revenue from contracts with customers

### (a) Revenues

In the determination of the minimum transaction prices in contracts with customers, amounts are allocated to fulfilling, or completion of fulfilling, future contracted performance obligations. These unfulfilled, or partially unfulfilled, future contracted performance obligations are largely in respect of services to be provided over the duration of the contract. The following table sets out our aggregate estimated minimum transaction prices allocated to remaining unfulfilled, or partially unfulfilled, future contracted performance obligations and the timing of when we might expect to recognize the associated revenues; actual amounts could differ from these estimates due to a variety of factors, including the unpredictable nature of: customer behaviour; industry regulation; the economic environments in which we operate; and competitor behaviour.

As at (millions)	September 30, 2020	December 31, 2019
<b>Estimated minimum transaction price allocated to remaining unfulfilled, or partially unfulfilled, performance obligations to be recognized as revenue in a future period<sup>1,2</sup></b>		
During the 12-month period ending one year hence	\$ 2,241	\$ 2,405
During the 12-month period ending two years hence	811	930
Thereafter	23	40
	\$ 3,075	\$ 3,375

- Excludes constrained variable consideration amounts, amounts arising from contracts originally expected to have a duration of one year or less and, as a permitted practical expedient, amounts arising from contracts that are not affected by revenue recognition timing differences arising from transaction price allocation or from contracts under which we may recognize and bill revenue in an amount that corresponds directly with our completed performance obligations.
- IFRS-IASB requires the explanation of when we expect to recognize as revenue the amounts disclosed as the estimated minimum transaction price allocated to remaining unfulfilled, or partially unfulfilled, performance obligations. The estimated amounts disclosed are based upon contractual terms and maturities. Actual minimum transaction price revenues recognized, and the timing thereof, will differ from these estimates primarily due to the frequency with which the actual durations of contracts with customers do not match their contractual maturities.

**(b) Accounts receivable**

As at (millions)	Note	September 30, 2020	December 31, 2019
Customer accounts receivable		\$ 1,801	\$ 1,570
Accrued receivables – customer		227	180
Allowance for doubtful accounts	4(a)	(124)	(46)
		1,904	1,704
Accrued receivables – other		268	258
Accounts receivable – current		\$ 2,172	\$ 1,962

**(c) Contract assets**

Periods ended September 30 (millions)	Note	Three months		Nine months	
		2020	2019	2020	2019
Balance, beginning of period		\$ 901	\$ 1,441	\$ 1,238	\$ 1,475
Net additions arising from operations		299	215	646	886
Amounts billed in period and thus reclassified to accounts receivable <sup>1</sup>		(347)	(360)	(1,035)	(1,063)
Change in impairment allowance, net	4(a)	7	15	10	11
Other		—	—	1	2
Balance, end of period		\$ 860	\$ 1,311	\$ 860	\$ 1,311
To be billed and thus reclassified to accounts receivable during:					
The 12-month period ending one year hence				\$ 627	\$ 961
The 12-month period ending two years hence				219	334
Thereafter				14	16
Balance, end of period				\$ 860	\$ 1,311
<b>Reconciliation of contract assets presented in the Consolidated statements of financial position – current</b>					
Gross contract assets				\$ 627	\$ 961
Reclassification to contract liabilities of contracts with contract assets less than contract liabilities	24			(10)	(6)
Reclassification from contract liabilities of contracts with contract liabilities less than contract assets	24			(137)	(160)
				\$ 480	\$ 795

1 For the three-month and nine-month periods ended September 30, 2020, amounts billed for our wireless products and services and reclassified to accounts receivable totalled \$247 (2019 – \$328) and \$804 (2019 – \$978), respectively.

**7 other operating income**

Periods ended September 30 (millions)	Note	Three months		Nine months	
		2020	2019	2020	2019
Government assistance		\$ 3	\$ 4	\$ 9	\$ 16
Other sublet revenue	19	2	1	3	2
Investment income, gain (loss) on disposal of assets and other	21	4	4	(5)	16
Interest income	21(b)	1	1	3	3
Changes in business combination-related provisions	25	10	—	113	—
		\$ 20	\$ 10	\$ 123	\$ 37



## 8 employee benefits expense

Periods ended September 30 (millions)	Note	Three months		Nine months	
		2020	2019	2020	2019
<b>Employee benefits expense – gross</b>					
Wages and salaries <sup>1</sup>		\$ 946	\$ 769	\$ 2,727	\$ 2,234
Share-based compensation	14	46	31	124	95
Pensions – defined benefit	15(a)	25	20	77	59
Pensions – defined contribution	15(b)	21	24	67	67
Restructuring costs	16(a)	20	12	40	46
Other		46	42	135	131
		<b>1,104</b>	<b>898</b>	<b>3,170</b>	<b>2,632</b>
<b>Capitalized internal labour costs, net</b>					
Contract acquisition costs	20				
Capitalized		(17)	(14)	(50)	(38)
Amortized		12	13	38	36
Contract fulfilment costs	20				
Capitalized		—	(1)	(2)	(2)
Amortized		1	2	3	3
Property, plant and equipment		(89)	(88)	(259)	(263)
Intangible assets subject to amortization		(52)	(49)	(157)	(143)
		<b>(145)</b>	<b>(137)</b>	<b>(427)</b>	<b>(407)</b>
		<b>\$ 959</b>	<b>\$ 761</b>	<b>\$ 2,743</b>	<b>\$ 2,225</b>

1 For the three-month and nine-month periods ended September 30, 2020, wages and salaries are net Canada Emergency Wage Subsidy program amounts.

## 9 financing costs

Periods ended September 30 (millions)	Note	Three months		Nine months	
		2020	2019	2020	2019
<b>Interest expense</b>					
Interest on long-term debt, excluding lease liabilities – gross		\$ 169	\$ 160	\$ 508	\$ 471
Interest on long-term debt, excluding lease liabilities – capitalized <sup>1</sup>	18(a)	(11)	(9)	(28)	(13)
Interest on long-term debt, excluding lease liabilities		158	151	480	458
Interest on lease liabilities	19	17	18	52	50
Interest on short-term borrowings and other		1	1	5	9
Interest accretion on provisions	25	4	6	13	17
Long-term debt prepayment premium	26(a)	—	28	18	28
		<b>180</b>	<b>204</b>	<b>568</b>	<b>562</b>
<b>Employee defined benefit plans net interest</b>	15	<b>4</b>	<b>1</b>	<b>12</b>	<b>1</b>
<b>Foreign exchange</b>		<b>5</b>	<b>(3)</b>	<b>6</b>	<b>1</b>
		<b>189</b>	<b>202</b>	<b>586</b>	<b>564</b>
<b>Interest income</b>		<b>(2)</b>	<b>(1)</b>	<b>(5)</b>	<b>(6)</b>
		<b>\$ 187</b>	<b>\$ 201</b>	<b>\$ 581</b>	<b>\$ 558</b>
Net interest cost	3			\$ 597	\$ 570
Interest on long-term debt, excluding lease liabilities – capitalized <sup>1</sup>				(28)	(13)
Employee defined benefit plans net interest				12	1
				<b>\$ 581</b>	<b>\$ 558</b>

1 Interest on long-term debt, excluding lease liabilities, interest at a composite rate of 4.33% was capitalized to intangible assets with indefinite lives in the period.

## 10 income taxes

Periods ended September 30 (millions)	Three months		Nine months	
	2020	2019	2020	2019
<b>Current income tax expense</b>				
For the current reporting period	\$ 84	\$ 148	\$ 369	\$ 345
Adjustments recognized in the current period for income taxes of prior periods	(67)	(66)	(71)	(67)
	17	82	298	278
<b>Deferred income tax expense</b>				
Arising from the origination and reversal of temporary differences	27	12	(1)	126
Revaluation of deferred income tax liability to reflect future income tax rates	(3)	(2)	(8)	(123)
Adjustments recognized in the current period for income taxes of prior periods	68	52	76	51
	92	62	67	54
	\$ 109	\$ 144	\$ 365	\$ 332

Our income tax expense and effective income tax rate differ from those calculated by applying the applicable statutory rates for the following reasons:

Three-month periods ended September 30 (\$ in millions)	2020		2019	
Income taxes computed at applicable statutory rates	\$ 111	25.9%	\$ 157	26.9%
Revaluation of deferred income tax liability to reflect future income tax rates	(3)	(0.7)	(2)	(0.3)
Adjustments recognized in the current period for income taxes of prior periods	1	0.2	(14)	(2.4)
Other	—	—	3	0.5
Income tax expense per Consolidated statements of income and other comprehensive income	\$ 109	25.4%	\$ 144	24.7%

Nine-month periods ended September 30 (\$ in millions)	2020		2019	
Income taxes computed at applicable statutory rates	\$ 354	26.2%	\$ 465	26.9%
Revaluation of deferred income tax liability to reflect future income tax rates	(8)	(0.6)	(123)	(7.1)
Adjustments recognized in the current period for income taxes of prior periods	5	0.3	(16)	(0.9)
Other	14	1.0	6	0.3
Income tax expense per Consolidated statements of income and other comprehensive income	\$ 365	26.9%	\$ 332	19.2%

## 11 other comprehensive income

Periods ended September 30 (millions)	Items that may subsequently be reclassified to income							Item never reclassified to income	Item never reclassified to income			
	Change in unrealized fair value of derivatives designated as cash flow hedges in current period (Note 4(e))							Cumulative foreign currency translation adjustment	Change in measurement of investment financial assets	Accumulated other comp. income	Employee defined benefit plan re-measure- ments	Other comp. income
	Derivatives used to manage currency risk			Derivatives used to manage other market risks								
	Gains (losses) arising	Prior period (gains) losses transferred to net income	Total	Gains (losses) arising	Prior period (gains) losses transferred to net income	Total	Total					
<b>THREE-MONTH</b>												
Accumulated balance as at July 1, 2019			\$ (57)			\$ (1)	\$ (58)	\$ 39	\$ —	\$ (19)		
Other comprehensive income (loss)												
Amount arising	\$ 196	\$ (42)	154	\$ (5)	\$ 2	(3)	151	5	4	160	\$ (3)	\$ 157
Income taxes	\$ 51	\$ (9)	42	\$ (1)	\$ —	(1)	41	—	—	41	(1)	40
Net			112			(2)	110	5	4	119	\$ (2)	\$ 117
Accumulated balance as at September 30, 2019			\$ 55			\$ (3)	\$ 52	\$ 44	\$ 4	\$ 100		
Accumulated balance as at July 1, 2020			\$ 198			\$ (8)	\$ 190	\$ 84	\$ 12	\$ 286		
Other comprehensive income (loss)												
Amount arising	\$ (209)	\$ 71	(138)	\$ (2)	\$ (1)	(3)	(141)	46	5	(90)	\$ 87	\$ (3)
Income taxes	\$ (44)	\$ 10	(34)	\$ 2	\$ —	2	(32)	—	1	(31)	22	(9)
Net			(104)			(5)	(109)	46	4	(59)	\$ 65	\$ 6
<b>Accumulated balance as at September 30, 2020</b>			<b>\$ 94</b>			<b>\$ (13)</b>	<b>\$ 81</b>	<b>\$ 130</b>	<b>\$ 16</b>	<b>\$ 227</b>		

Periods ended September 30 (millions)	Items that may subsequently be reclassified to income							Cumulative foreign currency translation adjustment	Item never reclassified to income  Change in measurement of investment financial assets	Accumulated other comp. income	Item never reclassified to income	
	Derivatives used to manage currency risk			Derivatives used to manage other market risks			Total				Employee defined benefit plan re-measure- ments	Other comp. income
	Gains (losses) arising	Prior period (gains) losses transferred to net income	Total	Gains (losses) arising	Prior period (gains) losses transferred to net income	Total						
Change in unrealized fair value of derivatives designated as cash flow hedges in current period (Note 4(e))												
<b>NINE-MONTH</b>												
Accumulated balance as at January 1, 2019	\$ (19)			\$ —			\$ (19)	\$ 22	\$ —	\$ 3		
Other comprehensive income (loss)												
Amount arising	\$ 30	\$ 72	102	\$ —	\$ (4)	(4)	98	22	4	124	\$ 46	\$ 170
Income taxes	\$ 19	\$ 9	28	\$ —	\$ (1)	(1)	27	—	—	27	16	43
Net	74			(3)			71	22	4	97	\$ 30	\$ 127
Accumulated balance as at September 30, 2019	\$ 55			\$ (3)			\$ 52	\$ 44	\$ 4	\$ 100		
Accumulated balance as at January 1, 2020	\$ 66			\$ (1)			\$ 65	\$ 42	\$ 12	\$ 119		
Other comprehensive income (loss)												
Amount arising	\$ 211	\$ (159)	52	\$ (12)	\$ —	(12)	40	88	5	133	\$ (388)	\$ (255)
Income taxes	\$ 56	\$ (32)	24	\$ —	\$ —	—	24	—	1	25	(100)	(75)
Net	28			(12)			16	88	4	108	\$ (288)	\$ (180)
<b>Accumulated balance as at September 30, 2020</b>	<b>\$ 94</b>			<b>\$ (13)</b>			<b>\$ 81</b>	<b>\$ 130</b>	<b>\$ 16</b>	<b>\$ 227</b>		
<b>Attributable to:</b>												
Common Shares											\$ 215	
Non-controlling interests											12	
											\$ 227	

## 12 per share amounts

Basic net income per Common Share is calculated by dividing net income attributable to Common Shares by the total weighted average number of Common Shares outstanding during the period. Diluted net income per Common Share is calculated to give effect to share option awards and restricted share units.

The following table presents reconciliations of the denominators of the basic and diluted per share computations. Net income was equal to diluted net income for all periods presented.

Periods ended September 30 (millions)	Three months		Nine months	
	2020	2019*	2020	2019*
Basic total weighted average number of Common Shares outstanding	1,284	1,204	1,270	1,202
Effect of dilutive securities – Restricted share units	4	—	2	—
Diluted total weighted average number of Common Shares outstanding	1,288	1,204	1,272	1,202

For the three-month and nine-month periods ended September 30, 2020, no outstanding equity-settled restricted share unit awards were excluded in the computation of diluted income per common share. For the three-month and nine-month periods ended September 30, 2019, less than one million outstanding equity-settled restricted share unit awards were excluded in the computation of diluted income per common share. For the three-month and nine-month periods ended September 30, 2020, NIL and 1 million, respectively, outstanding TELUS Corporation share option awards were excluded in the calculation of diluted net income per Common Share.

## 13 dividends per share

### (a) Dividends declared

Common Share dividends	2020				2019			
	Declared		Paid to		Declared		Paid to	
	Effective	Per share*	shareholders	Total	Effective	Per share*	shareholders	Total
Quarter 1 dividend	Mar. 11, 2020	\$ 0.29125	Apr. 1, 2020	\$ 371	Mar. 11, 2019	\$ 0.27250	Apr. 1, 2019	\$ 329
Quarter 2 dividend	Jun. 10, 2020	0.29125	Jul. 2, 2020	372	Jun. 10, 2019	0.28125	Jul. 2, 2019	339
Quarter 3 dividend	Sep. 10, 2020	0.29125	Oct. 1, 2020	374	Sep. 10, 2019	0.28125	Oct. 1, 2019	338
		\$ 0.87375		\$ 1,117		\$ 0.83500		\$ 1,006

On November 5, 2020, the Board of Directors declared a quarterly dividend of \$0.3112 per share on our issued and outstanding Common Shares payable on January 4, 2021, to holders of record at the close of business on December 11, 2020. The final amount of the dividend payment depends upon the number of Common Shares issued and outstanding at the close of business on December 11, 2020.

### (b) Dividend Reinvestment and Share Purchase Plan

We have a Dividend Reinvestment and Share Purchase Plan under which eligible holders of Common Shares may acquire additional Common Shares by reinvesting dividends and by making additional optional cash payments to the trustee. Under this plan, we have the option of offering Common Shares from Treasury or having the trustee acquire Common Shares in the stock market. We may, at our discretion, offer Common Shares at a discount of up to 5% from the market price under the plan. Effective with our dividends paid October 1, 2019, we offered Common Shares from Treasury at a discount of 2%. In respect of Common Shares held by eligible shareholders who have elected to participate in the plan, dividends declared during the three-month and nine-month periods ended September 30, 2020, of \$129 million (2019 – \$106 million) and \$382 million (2019 – \$134 million), respectively, were to be reinvested in Common Shares.

\* Amounts reflect retrospective application of March 17, 2020, share split (see Note 28(b)).

## 14 share-based compensation

### (a) Details of share-based compensation expense

Reflected in the Consolidated statements of income and other comprehensive income as Employee benefits expense and in the Consolidated statements of cash flows are the following share-based compensation amounts:

Periods ended September 30 (millions)	Note	2020			2019		
		Employee benefits expense	Associated operating cash outflows	Statement of cash flows adjustment	Employee benefits expense	Associated operating cash outflows	Statement of cash flows adjustment
<b>THREE-MONTH</b>							
Restricted share units	(b)	\$ 35	\$ (12)	\$ 23	\$ 22	\$ (8)	\$ 14
Employee share purchase plan	(c)	9	(9)	—	9	(9)	—
Share option awards	(d)	2	—	2	—	—	—
		\$ 46	\$ (21)	\$ 25	\$ 31	\$ (17)	\$ 14
<b>NINE-MONTH</b>							
Restricted share units	(b)	\$ 95	\$ (12)	\$ 83	\$ 67	\$ (15)	\$ 52
Employee share purchase plan	(c)	23	(23)	—	27	(27)	—
Share option awards	(d)	6	—	6	1	—	1
		\$ 124	\$ (35)	\$ 89	\$ 95	\$ (42)	\$ 53

For the three-month and nine-month periods ended September 30, 2020, the associated operating cash outflows in respect of restricted share units were net of cash inflows arising from cash-settled equity forward agreements of \$1 million (2019 – \$2 million) and \$3 million (2019 – \$5 million), respectively. For the three-month and nine-month periods ended September 30, 2020, the income tax benefit arising from share-based compensation was \$12 million (2019 – \$8 million) and \$31 million (2019 – \$25 million), respectively.

### (b) Restricted share units

#### TELUS Corporation restricted share units

We also award restricted share units that largely have the same features as our general restricted share units, but have a variable payout (0% – 200%) that depends upon the achievement of our total customer connections performance condition (with a weighting of 25%) and the total shareholder return on our Common Shares relative to an international peer group of telecommunications companies (with a weighting of 75%). The grant-date fair value of the notional subset of our restricted share units affected by the total customer connections performance condition equals the fair market value of the corresponding Common Shares at the grant date, and thus the notional subset has been included in the presentation of our restricted share units with only service conditions. The estimate, which reflects a variable payout, of the fair value of the notional subset of our restricted share units affected by the relative total shareholder return performance condition is determined using a Monte Carlo simulation. Grants of restricted share units in 2020 and 2019 are accounted for as equity-settled as that was their expected manner of settlement when granted.

The following table presents a summary of outstanding TELUS Corporation non-vested restricted share units.

	September 30, 2020*	December 31, 2019*
Number of non-vested restricted share units as at		
<b>Restricted share units without market performance conditions</b>		
Restricted share units with only service conditions	9,036,310	6,186,854
Notional subset affected by total customer connections performance condition	455,612	282,100
	9,491,922	6,468,954
<b>Restricted share units with market performance conditions</b>		
Notional subset affected by relative total shareholder return performance condition	1,366,837	846,298
	10,858,759	7,315,252

\* Amounts reflect retrospective application of March 17, 2020, share split (see Note 28(b)).

The following table presents a summary of the activity related to TELUS Corporation restricted share units without market performance conditions.

Periods ended September 30, 2020	Three months			Nine months		
	Number of restricted share units <sup>1</sup>		Weighted average grant-date fair value	Number of restricted share units <sup>1</sup>		Weighted average grant-date fair value
	Non-vested	Vested		Non-vested	Vested	
Outstanding, beginning of period *						
Non-vested	9,380,824	—	\$ 23.98	6,468,954	—	\$ 23.37
Vested	—	12,509	\$ 19.15	—	30,800	\$ 22.02
Granted						
Initial award	55,993	—	\$ 24.09	2,966,875	—	\$ 25.38
In lieu of dividends	117,273	160	\$ 22.73	312,888	468	\$ 22.85
Vested	(11,482)	11,482	\$ 23.65	(39,793)	39,793	\$ 23.79
Settled in cash	—	(11,482)	\$ 23.65	—	(58,392)	\$ 18.69
Forfeited	(50,686)	—	\$ 15.92	(217,002)	—	\$ 14.52
Outstanding, end of period						
Non-vested	9,491,922	—	\$ 23.99	9,491,922	—	\$ 23.99
Vested	—	12,669	\$ 23.10	—	12,669	\$ 23.10

1 Excluding the notional subset of restricted share units affected by the relative total shareholder return performance condition.

With respect to 2.9 million TELUS Corporation restricted share units vesting in the year ending December 31, 2020, we have entered into cash-settled equity forward agreements that fix our cost at \$24.39 per restricted share unit.

#### TELUS International (Cda) Inc. restricted share units

We also award restricted share units that largely have the same features as the TELUS Corporation restricted share units, but have a variable payout (0% – 150%) that depends upon the achievement of TELUS International (Cda) Inc. financial performance and non-market quality-of-service performance conditions.

The following table presents a summary of the activity related to TELUS International (Cda) Inc. restricted share units.

Periods ended September 30, 2020	Three months			Nine months		
	Number of restricted share units		Weighted average grant-date fair value	Number of restricted share units		Weighted average grant-date fair value
	Non-vested	Vested		Non-vested	Vested	
Outstanding, beginning of period	522,432	—	US\$ 30.45	465,245	—	US\$ 27.49
Granted	16,005	—	US\$ 52.85	75,934	—	US\$ 52.85
Vested	(134,219)	134,219	US\$ 25.58	(134,219)	134,219	US\$ 25.58
Settled in cash	—	(134,219)	US\$ 25.58	—	(134,219)	US\$ 25.58
Forfeited	(9,520)	—	US\$ 35.02	(12,262)	—	US\$ 30.09
Outstanding, end of period	394,698	—	US\$ 34.08	394,698	—	US\$ 34.08

#### (c) Employee share purchase plan

We have an employee share purchase plan under which eligible employees up to a certain job classification can purchase our Common Shares through regular payroll deductions. In respect of Common Shares held within the employee share purchase plan, Common Share dividends declared during the three-month and nine-month periods ended September 30, 2020, of \$9 million (2019 – \$8 million) and \$27 million (2019 – \$25 million), respectively, were to be reinvested in Common Shares acquired by the trustee from Treasury, with no discount applicable prior to October 1, 2019; subsequent to that date, a discount was applicable as set out in Note 13(b).

#### (d) Share option awards

##### TELUS Corporation share options

Employees may be granted options to purchase Common Shares at an exercise price equal to the fair market value at the time of grant. Share option awards granted under the plan may be exercised over specific periods not to exceed seven years from the time of grant. No share option awards were granted in fiscal 2019.

These share option awards have a net-equity settlement feature. The optionee does not have the choice of exercising the net-equity settlement feature; it is at our option whether the exercise of a share option award is settled as a share option or settled using the net-equity settlement feature.

\* Amounts reflect retrospective application of March 17, 2020, share split (see Note 28(b)).



The following table presents a summary of the activity related to the TELUS Corporation share option plan.

Periods ended September 30, 2020	Three months		Nine months	
	Number of share options	Weighted average share option price	Number of share options	Weighted average share option price <sup>1</sup>
Outstanding, beginning of period*	3,075,000	\$ 21.50	—	\$ —
Granted	89,700	\$ 24.24	3,171,000	\$ 21.57
Forfeited	(91,200)	\$ 21.27	(97,500)	\$ 21.27
Outstanding, end of period	3,073,500	\$ 21.58	3,073,500	\$ 21.58

1 The weighted average remaining contractual life is 6.5 years. No options were exercisable as at the balance sheet date.

The weighted average fair value of share option awards granted, and the weighted average assumptions used in the fair value estimation at the time of grant, calculated by using the Black-Scholes model (a closed-form option pricing model), are as follows:

Periods ended September 30, 2020	Three months	Nine months
Share option award fair value (per share option)	\$ 0.65	\$ 0.65
Risk free interest rate	0.36%	0.95%
Expected lives <sup>(1)</sup> (years)	4.25	4.25
Expected volatility	11.7%	12.3%
Dividend yield	4.8%	5.4%

(1) The maximum contractual term of the share option awards granted in 2020 was seven years.

Share option awards have a net-equity settlement feature. The optionee does not have the choice of exercising the net-equity settlement feature; it is at our option whether the exercise of a share option award is settled as a share option or settled using the net-equity settlement feature.

#### *TELUS International (Cda) Inc. share options*

Employees may receive equity share options (equity-settled) to purchase TELUS International (Cda) Inc. common shares at a price equal to, or a multiple of, the fair market value at the time of grant and/or phantom share options (cash-settled) that provide them with exposure to TELUS International (Cda) Inc. common share price appreciation. Share option awards granted under the plan may be exercised over specific periods not to exceed ten years from the time of grant. All equity share option awards and most phantom share option awards have a variable payout (0% – 100%) that depends upon the achievement of TELUS International (Cda) Inc. financial performance and non-market quality-of-service performance conditions.

The following table presents a summary of the activity related to the TELUS International (Cda) Inc. share option plan.

Periods ended September 30, 2020	Three months and nine months			
	US\$ denominated		Canadian \$ denominated	
	Number of share options	Weighted average share option price <sup>1</sup>	Number of share options	Share option price <sup>2</sup>
Outstanding, beginning and end of period	996,620	US\$31.11	53,832	\$ 21.36

1 The range of share option prices is US\$21.90 – US\$40.26 per TELUS International (Cda) Inc. equity share and the weighted average remaining contractual life is 6.7 years.

2 The weighted average remaining contractual life is 5.7 years.

\* Amounts reflect retrospective application of March 17, 2020, share split (see Note 28(b)).



## 15 employee future benefits

### (a) Defined benefit pension plans – details

Our defined benefit pension plan expense (recovery) was as follows:

Three-month periods ended September 30 (millions)	2020				2019			
	Employee benefits expense (Note 8)	Financing costs (Note 9)	Other comp. income (Note 11)	Total	Employee benefits expense (Note 8)	Financing costs (Note 9)	Other comp. income (Note 11)	Total
Recognized in								
<b>Current service cost</b>	\$ 23	\$ —	\$ —	\$ 23	\$ 18	\$ —	\$ —	\$ 18
<b>Past service costs</b>	—	—	—	—	—	—	—	—
<b>Net interest; return on plan assets</b>								
Interest expense arising from defined benefit obligations accrued	—	75	—	75	—	85	—	85
Return, including interest income, on plan assets <sup>1</sup>	—	(72)	(155)	(227)	—	(86)	85	(1)
Interest effect on asset ceiling limit	—	1	—	1	—	2	—	2
	—	4	(155)	(151)	—	1	85	86
<b>Administrative fees</b>	2	—	—	2	2	—	—	2
<b>Re-measurements arising from:</b>								
Financial assumptions <sup>2</sup>	—	—	68	68	—	—	—	—
<b>Changes in the effect of limiting net defined benefit assets to the asset ceiling</b>	—	—	—	—	—	—	(82)	(82)
	\$ 25	\$ 4	\$ (87)	\$ (58)	\$ 20	\$ 1	\$ 3	\$ 24

Nine-month periods ended September 30 (millions)	2020				2019			
	Employee benefits expense (Note 8)	Financing costs (Note 9)	Other comp. income (Note 11)	Total	Employee benefits expense (Note 8)	Financing costs (Note 9)	Other comp. income (Note 11)	Total
Recognized in								
<b>Current service cost</b>	\$ 69	\$ —	\$ —	\$ 69	\$ 54	\$ —	\$ —	\$ 54
<b>Past service costs</b>	3	—	—	3	—	—	—	—
<b>Net interest; return on plan assets</b>								
Interest expense arising from defined benefit obligations accrued	—	223	—	223	—	252	—	252
Return, including interest income, on plan assets <sup>1</sup>	—	(214)	(187)	(401)	—	(258)	(405)	(663)
Interest effect on asset ceiling limit	—	3	—	3	—	7	—	7
	—	12	(187)	(175)	—	1	(405)	(404)
<b>Administrative fees</b>	5	—	—	5	5	—	—	5
<b>Re-measurements arising from:</b>								
Financial assumptions <sup>2</sup>	—	—	575	575	—	—	—	—
<b>Changes in the effect of limiting net defined benefit assets to the asset ceiling</b>	—	—	—	—	—	—	359	359
	\$ 77	\$ 12	\$ 388	\$ 477	\$ 59	\$ 1	\$ (46)	\$ 14

1 The interest income on the plan assets portion of the employee defined benefit plans net interest amount included in Financing costs reflects a rate of return on plan assets equal to the discount rate used in determining the defined benefit obligations accrued.

2 The discount rate used to estimate the defined benefit obligations accrued as at September 30, 2020, was 2.70% (December 31, 2019 – 3.10%).

### (b) Defined contribution plans – expense

Our total defined contribution pension plan costs recognized were as follows:

Periods ended September 30 (millions)	Three months		Nine months	
	2020	2019	2020	2019
Union pension plan and public service pension plan contributions	\$ 5	\$ 5	\$ 15	\$ 16
Other defined contribution pension plans	16	19	52	51
	\$ 21	\$ 24	\$ 67	\$ 67

## 16 restructuring and other costs

### (a) Details of restructuring and other costs

With the objective of reducing ongoing costs, we incur associated incremental non-recurring restructuring costs, as discussed further in (b) following. We may also incur atypical charges when undertaking major or transformational changes to our business or operating models or post-acquisition business integration. In other costs, we include incremental atypical external costs incurred in connection with business acquisition or disposition activity, as well as significant litigation costs, in respect of losses or settlements, adverse retrospective regulatory decisions and certain incremental atypical costs incurred due to the COVID-19 pandemic.

Restructuring and other costs are presented in the Consolidated statements of income and other comprehensive income, as set out in the following table:

Periods ended September 30 (millions)	Restructuring (b)		Other (c)		Total	
	2020	2019	2020	2019	2020	2019
<b>THREE-MONTH</b>						
Goods and services purchased	\$ 23	\$ 17	\$ 15	\$ —	\$ 38	\$ 17
Employee benefits expense	20	12	—	—	20	12
	\$ 43	\$ 29	\$ 15	\$ —	\$ 58	\$ 29
<b>NINE-MONTH</b>						
Goods and services purchased	\$ 112	\$ 36	\$ 36	\$ 7	\$ 148	\$ 43
Employee benefits expense	40	46	—	5	40	51
	\$ 152	\$ 82	\$ 36	\$ 12	\$ 188	\$ 94

### (b) Restructuring provisions

Employee-related provisions and other provisions, as presented in Note 25, include amounts in respect of restructuring activities. In 2020, restructuring activities included ongoing and incremental efficiency initiatives, some of which involved personnel-related costs and rationalization of real estate. These initiatives were intended to improve our long-term operating productivity and competitiveness.

### (c) Other

During the three-month and nine-month periods ended September 30, 2020, incremental external costs were incurred in connection with business acquisition activity. In connection with business acquisitions, non-recurring atypical business integration expenditures that would be considered neither restructuring costs nor part of the fair value of the net assets acquired have been included in other costs.

Also during the three-month and nine-month periods ended September 30, 2020, other costs were incurred in connection with the COVID-19 pandemic. Incremental costs were incurred due to proactive steps we elected to take to keep our customers and employees safe, including adjustments to real estate cleaning and maintenance frequency, among other items. As well, costs that have been incurred in the normal course but which are unable to contribute normally to the earning of revenues have been deemed atypical.

## 17 property, plant and equipment

(millions)	Note	Owned assets						Right-of-use lease assets (Note 19)				Total
		Network assets	Buildings and leasehold improvements	Other	Land	Assets under construction	Total	Network assets	Real estate	Other	Total	
<b>AT COST</b>												
As at January 1, 2020		\$ 31,713	\$ 3,314	\$ 1,373	\$ 48	\$ 421	\$ 36,869	\$ 219	\$ 1,267	\$ 60	\$ 1,546	\$ 38,415
Additions		625	27	37	5	992	1,686	179	170	17	366	2,052
Additions arising from business acquisitions	18(b)	4	21	12	—	—	37	—	73	1	74	111
Dispositions, retirements and other		(434)	(33)	(105)	—	—	(572)	1	(28)	(7)	(34)	(606)
Assets under construction put into service		435	45	58	—	(538)	—	—	—	—	—	—
Net foreign exchange differences		2	4	7	—	—	13	—	12	—	12	25
<b>As at September 30, 2020</b>		<b>\$ 32,345</b>	<b>\$ 3,378</b>	<b>\$ 1,382</b>	<b>\$ 53</b>	<b>\$ 875</b>	<b>\$ 38,033</b>	<b>\$ 399</b>	<b>\$ 1,494</b>	<b>\$ 71</b>	<b>\$ 1,964</b>	<b>\$ 39,997</b>
<b>ACCUMULATED DEPRECIATION</b>												
As at January 1, 2020		\$ 21,060	\$ 2,052	\$ 875	\$ —	\$ —	\$ 23,987	\$ 6	\$ 174	\$ 16	\$ 196	\$ 24,183
Depreciation <sup>1</sup>		1,152	94	117	—	—	1,363	23	169	13	205	1,568
Dispositions, retirements and other		(434)	(45)	(106)	—	—	(585)	—	(8)	(4)	(12)	(597)
Net foreign exchange differences		1	1	4	—	—	6	—	3	—	3	9
<b>As at September 30, 2020</b>		<b>\$ 21,779</b>	<b>\$ 2,102</b>	<b>\$ 890</b>	<b>\$ —</b>	<b>\$ —</b>	<b>\$ 24,771</b>	<b>\$ 29</b>	<b>\$ 338</b>	<b>\$ 25</b>	<b>\$ 392</b>	<b>\$ 25,163</b>
<b>NET BOOK VALUE</b>												
As at December 31, 2019		\$ 10,653	\$ 1,262	\$ 498	\$ 48	\$ 421	\$ 12,882	\$ 213	\$ 1,093	\$ 44	\$ 1,350	\$ 14,232
<b>As at September 30, 2020</b>		<b>\$ 10,566</b>	<b>\$ 1,276</b>	<b>\$ 492</b>	<b>\$ 53</b>	<b>\$ 875</b>	<b>\$ 13,262</b>	<b>\$ 370</b>	<b>\$ 1,156</b>	<b>\$ 46</b>	<b>\$ 1,572</b>	<b>\$ 14,834</b>

1 For the nine-month period ended September 30, 2020, depreciation includes \$22 in respect of impairment of real estate right-of-use lease assets.

As at September 30, 2020, our contractual commitments for the acquisition of property, plant and equipment totalled \$124 million over a period ending December 31, 2022 (December 31, 2019 – \$136 million over a period ending December 31, 2022).

## 18 intangible assets and goodwill

### (a) Intangible assets and goodwill, net

(millions)	Note	Intangible assets subject to amortization				Total	Intangible assets with indefinite lives	Total intangible assets	Goodwill 1,2	Total intangible assets and goodwill
		Customer contracts, related customer relationships and subscriber base	Software 1	Access to rights-of-way and other 1	Assets under construction		Spectrum licences			
<b>AT COST</b>										
As at January 1, 2020		\$ 1,032	\$ 5,870	\$ 137	\$ 254	\$ 7,293	\$ 9,937	\$ 17,230	\$ 5,671	\$ 22,901
Additions		—	72	3	406	481	—	481	—	481
Additions arising from business acquisitions	(b)	977	223	101	—	1,301	9	1,310	1,145	2,455
Dispositions, retirements and other (including capitalized interest)	9	35	(356)	8	—	(313)	(45)	(358)	—	(358)
Assets under construction put into service		—	377	—	(377)	—	—	—	—	—
Net foreign exchange differences		50	1	—	—	51	—	51	62	113
<b>As at September 30, 2020</b>		<b>\$ 2,094</b>	<b>\$ 6,187</b>	<b>\$ 249</b>	<b>\$ 283</b>	<b>\$ 8,813</b>	<b>\$ 9,901</b>	<b>\$ 18,714</b>	<b>\$ 6,878</b>	<b>\$ 25,592</b>
<b>ACCUMULATED AMORTIZATION</b>										
As at January 1, 2020		\$ 285	\$ 4,028	\$ 71	\$ —	\$ 4,384	\$ —	\$ 4,384	\$ 364	\$ 4,748
Amortization		151	491	13	—	655	—	655	—	655
Dispositions, retirements and other		(11)	(349)	10	—	(350)	—	(350)	—	(350)
Net foreign exchange differences		3	1	—	—	4	—	4	—	4
<b>As at September 30, 2020</b>		<b>\$ 428</b>	<b>\$ 4,171</b>	<b>\$ 94</b>	<b>\$ —</b>	<b>\$ 4,693</b>	<b>\$ —</b>	<b>\$ 4,693</b>	<b>\$ 364</b>	<b>\$ 5,057</b>
<b>NET BOOK VALUE</b>										
As at December 31, 2019		\$ 747	\$ 1,842	\$ 66	\$ 254	\$ 2,909	\$ 9,937	\$ 12,846	\$ 5,307	\$ 18,153
<b>As at September 30, 2020</b>		<b>\$ 1,666</b>	<b>\$ 2,016</b>	<b>\$ 155</b>	<b>\$ 283</b>	<b>\$ 4,120</b>	<b>\$ 9,901</b>	<b>\$ 14,021</b>	<b>\$ 6,514</b>	<b>\$ 20,535</b>

1 The opening balance of software, access to rights-of-way and other and goodwill have been adjusted as set out in (c).

2 Accumulated amortization of goodwill is amortization recorded prior to 2002; there are no accumulated impairment losses in the accumulated amortization of goodwill.

As at September 30, 2020, our contractual commitments for the acquisition of intangible assets totalled \$61 million over a period ending December 31, 2024 (December 31, 2019 – \$45 million over a period ending December 31, 2024).

**(b) Business acquisitions***Competence Call Center*

On January 31, 2020, we acquired 100% of Competence Call Center, a provider of higher-value-added business services with a focus on customer relationship management and content moderation. The acquisition is complementary to, and was made with a view to growing, our existing lines of business and has been consolidated with our TELUS International (Cda) Inc. subsidiary.

The primary factor that contributed to the recognition of goodwill was the earnings capacity of the acquired business in excess of the net tangible and intangible assets acquired (such excess arising from the acquired workforce and the benefits of acquiring an established business). The amount assigned to goodwill is not expected to be deductible for income tax purposes.

*Mobile Service Centre Canada Ltd. (d.b.a. Mobile Klinik)*

On July 1, 2020, we acquired 100% of Mobile Klinik, a storefront wireless device repair and sales business complementary to our existing wireless lines of business. Consideration includes contingent consideration of \$34 million, payment of which is dependent upon achieving revenue, profitability, store expansion and wireless subscriber addition targets through 2023. The investment was made with a view to growing our wireless business.

The primary factor that contributed to the recognition of goodwill was the earnings capacity of the acquired business in excess of the net tangible and intangible assets acquired (such excess arising from the acquired workforce and the benefits of acquiring an established business). The amount assigned to goodwill is not expected to be deductible for income tax purposes.

*AFS Technologies Inc.*

On August 19, 2020, we acquired 100% of AFS Technologies Inc., a business complementary to our existing technology-related lines of business providing trade promotion and supply chain software solutions to consumer packaged goods companies, food distributors and food manufacturers. The investment was made with a view to growing our existing smart data solutions business.

The primary factor that contributed to the recognition of goodwill was the earnings capacity of the acquired business in excess of the net tangible and intangible assets acquired (such excess arising from the acquired workforce and the benefits of acquiring an established business). The amount assigned to goodwill is not expected to be deductible for income tax purposes.

*Individually immaterial transactions*

During the nine-month period ended September 30, 2020, we acquired 100% ownership of businesses complementary to our existing lines of business. The primary factor that gave rise to the recognition of goodwill was the earnings capacity of the acquired businesses in excess of the net tangible and intangible assets acquired (such excess arising from the low level of tangible assets relative to the earnings capacities of the businesses). A portion of the amounts assigned to goodwill may be deductible for income tax purposes.

*Acquisition-date fair values*

Acquisition-date fair values assigned to the assets acquired and liabilities assumed are set out in the following table:

	Competence Call Center	Mobile Klinik	AFS Technologies Inc.	Individually immaterial transactions	Total <sup>1</sup>
<b>Assets</b>					
Current assets					
Cash	\$ 90	\$ 2	\$ 35	\$ 15	\$ 142
Accounts receivable <sup>2</sup>	64	4	19	4	91
Other	2	4	3	2	11
	156	10	57	21	244
Non-current assets					
Property, plant and equipment					
Owned assets	21	11	1	4	37
Right-of-use lease assets	43	17	7	7	74
Intangible assets subject to amortization <sup>3</sup>	754	61	354	132	1,301
Intangible assets with indefinite lives	—	—	—	9	9
Other	2	—	—	—	2
	820	89	362	152	1,423
Total identifiable assets acquired	976	99	419	173	1,667
<b>Liabilities</b>					
Current liabilities					
Accounts payable and accrued liabilities	42	4	24	5	75
Income and other taxes payable	65	—	—	—	65
Advance billings and customer deposits	—	—	21	20	41
Current maturities of long-term debt	11	8	7	4	30
	118	12	52	29	211
Non-current liabilities					
Long-term debt	216	13	120	6	355
Other long-term liabilities	—	—	3	—	3
Deferred income taxes	218	11	107	32	368
	434	24	230	38	726
Total liabilities assumed	552	36	282	67	937
<b>Net identifiable assets acquired</b>	424	63	137	106	730
Goodwill	731	106	178	130	1,145
<b>Net assets acquired</b>	\$ 1,155	\$ 169	\$ 315	\$ 236	\$ 1,875
<b>Acquisition effected by way of:</b>					
Cash consideration	\$ 1,155	\$ 129	\$ 315	\$ 225	\$ 1,824
Provisions	—	37	—	11	48
Pre-existing relationship effectively settled	—	3	—	—	3
	\$ 1,155	\$ 169	\$ 315	\$ 236	\$ 1,875

1 The purchase price allocation, primarily in respect of customer contracts, related customer relationships and leasehold interests and deferred income taxes, had not been finalized as of the date of issuance of these consolidated financial statements. As is customary in a business acquisition transaction, until the time of acquisition of control, we did not have full access to the books and records of the acquired businesses. Upon having sufficient time to review the books and records of the acquired businesses, we expect to finalize our purchase price allocations.

2 The fair value of accounts receivable is equal to the gross contractual amounts receivable and reflects the best estimates at the acquisition dates of the contractual cash flows expected to be collected.

3 Customer contracts and customer relationships (including those related to customer contracts) are generally expected to be amortized over periods of 8-10 years; software is expected to be amortized over periods of 5-10 years; other intangible assets are expected to be amortized over periods of 2-5 years.

*Pro forma disclosures*

The following pro forma supplemental information represents certain results of operations as if the business acquisitions noted above had been completed at the beginning of the fiscal 2020 year.

Periods ended September 30, 2020 (millions except per share amounts)	Three months		Nine months	
	As reported <sup>1</sup>	Pro forma <sup>2</sup>	As reported <sup>1</sup>	Pro forma <sup>2</sup>
Operating revenues	\$ 3,981	\$ 4,001	\$ 11,403	\$ 11,559
Net income	\$ 321	\$ 317	\$ 989	\$ 949
Net income per Common Share*				
Basic	\$ 0.24	\$ 0.24	\$ 0.75	\$ 0.71
Diluted	\$ 0.24	\$ 0.24	\$ 0.74	\$ 0.71

- Operating revenues and net income for the three-month period ended September 30, 2020, include: \$152 and \$12, respectively, in respect of Competence Call Center; \$7 and \$(5), respectively, in respect of Mobile Klinik; and \$13 and \$(1), respectively, in respect of AFS Technologies. Operating revenues and net income (loss) for the nine-month period ended September 30, 2020, include: \$378 and \$1, respectively, in respect of Competence Call Center; \$7 and \$(5), respectively, in respect of Mobile Klinik; and \$13 and \$(1), respectively, in respect of AFS Technologies.
- Pro forma amounts for the three-month and nine-month periods ended September 30, 2020, reflect the acquired businesses. The results of the acquired businesses have been included in our Consolidated statements of income and other comprehensive income effective the dates of acquisition.

The pro forma supplemental information is based on estimates and assumptions that are believed to be reasonable. The pro forma supplemental information is not necessarily indicative of our consolidated financial results in future periods or the actual results that would have been realized had the business acquisitions been completed at the beginning of the periods presented. The pro forma supplemental information includes incremental property, plant and equipment depreciation, intangible asset amortization, financing and other charges as a result of the acquisitions, net of the related tax effects.

**(c) Business acquisitions – prior period**

In 2019, we acquired businesses that were complementary to our existing lines of business. As at December 31, 2019, purchase price allocations had not been finalized. During the nine-month period ended September 30, 2020, the preliminary acquisition-date values for software, other intangible assets, goodwill and deferred income taxes were increased (decreased) by \$32 million, \$2 million, \$(24 million) and \$10 million, respectively; as required by IFRS-IASB, comparative amounts have been adjusted so as to reflect those increases (decreases) effective the acquisition date.

**(d) Business acquisitions – subsequent to reporting period***Lionbridge AI*

On November 6, 2020, we announced that we had entered into an agreement to acquire 100% of Lionbridge AI, an artificial intelligence-enablement business complementary to our existing TELUS International business, for approximately \$1.2 billion (US\$935 million), subject to customary closing conditions including regulatory approval.

## 19 leases

Maturity analyses of lease liabilities are set out in *Note 4(b)* and *Note 26(g)*; the period interest expense in respect thereof is set out in *Note 9*. The additions to, the depreciation charges for, and the carrying amount of, right-of-use lease assets are set out in *Note 17*. We have not currently elected to exclude low-value and short-term leases from lease accounting.

Periods ended September 30 (millions)	Note	Three months		Nine months	
		2020	2019	2020	2019
<b>Income from subleasing right-of-use lease assets</b>					
Co-location sublet revenue included in operating service revenues		\$ 4	\$ 5	\$ 13	\$ 14
Other sublet revenue included in other operating income	7	\$ 2	\$ 1	\$ 3	\$ 2
<b>Lease payments</b>		<b>\$ 107</b>	<b>\$ 80</b>	<b>\$ 307</b>	<b>\$ 264</b>

\* Amounts reflect retrospective application of March 17, 2020, share split (see *Note 28(b)*).

## 20 other long-term assets

As at (millions)	Note	September 30, 2020	December 31, 2019
Pension assets		\$ 1	\$ 155
Unbilled customer finance receivables	4(a)	386	225
Derivative assets	4(d)	238	76
Costs incurred to obtain or fulfill a contract with a customer		97	109
Real estate joint venture advances	21(b)	114	104
Investment in real estate joint venture	21(b)	1	3
Investment in associate	21	70	—
Portfolio investments <sup>1</sup>		143	110
Prepaid maintenance		55	55
Other		132	82
		\$ 1,237	\$ 919

<sup>1</sup> Fair value measured at reporting date using significant other observable inputs (Level 2).

The costs incurred to obtain and fulfill contracts with customers are set out in the following table:

Periods ended September 30, 2020 (millions)	Three months			Nine months		
	Costs incurred to			Costs incurred to		
	Obtain contracts with customers	Fulfill contracts with customers	Total	Obtain contracts with customers	Fulfill contracts with customers	Total
Balance, beginning of period	\$ 314	\$ 14	\$ 328	\$ 344	\$ 14	\$ 358
Additions	70	1	71	183	3	186
Amortization	(69)	(2)	(71)	(212)	(4)	(216)
Balance, end of period	\$ 315	\$ 13	\$ 328	\$ 315	\$ 13	\$ 328
Current <sup>1</sup>				\$ 224	\$ 7	\$ 231
Non-current				91	6	97
				\$ 315	\$ 13	\$ 328

<sup>1</sup> Presented on the Consolidated statements of financial position in prepaid expenses.

## 21 real estate joint ventures and investment in associate

### (a) General

#### *Real estate joint ventures*

In 2013, we partnered, as equals, with two arm's-length parties in a residential, retail and commercial real estate redevelopment project, TELUS Sky, in Calgary, Alberta. The new-build tower, scheduled for completion in 2020, is to be built to the LEED Platinum standard.

#### *Associate*

On January 13, 2020, for cash consideration of approximately \$73 million, we acquired a 28% basic equity interest in Miovision Technologies Incorporated, an associate that is complementary to, and is viewed to grow, our existing Internet of Things business; our judgment is that we obtained significant influence over the associate concurrent with obtaining the newly acquired equity interest.



**(b) Real estate joint ventures**

*Summarized financial information*

As at (millions)	September 30, 2020	December 31, 2019	As at (millions)	September 30, 2020	December 31, 2019
<b>ASSETS</b>			<b>LIABILITIES AND OWNERS' EQUITY</b>		
<b>Current assets</b>			<b>Current liabilities</b>		
Cash and temporary investments, net	\$ 8	\$ 15	Accounts payable and accrued liabilities	\$ 19	\$ 25
Other	16	18	Construction holdback liabilities	1	15
			Construction credit facilities	342	—
	24	33		362	40
<b>Non-current assets</b>			<b>Non-current liabilities</b>		
Investment property under development	336	318	Construction credit facilities	—	312
Other	14	2	Other	—	3
	350	320		—	315
				362	355
			<b>Owners' equity</b>		
			TELUS <sup>1</sup>	5	1
			Other partners	7	(3)
				12	(2)
	\$ 374	\$ 353		\$ 374	\$ 353

1 The equity amounts recorded by the real estate joint venture differ from those recorded by us by the amount of the deferred gains on our real estate contributed and the valuation provision we have recorded in excess of that recorded by the real estate joint venture.

Periods ended September 30 (millions)	Three months		Nine months	
	2020	2019	2020	2019
Revenue	\$ —	\$ —	\$ —	\$ —
Depreciation and amortization	\$ —	\$ —	\$ —	\$ —
Interest expense <sup>1</sup>	\$ —	\$ —	\$ —	\$ —
Net income (loss) and comprehensive income (loss) <sup>2</sup>	\$ (3)	\$ —	\$ (36)	\$ (1)

- 1 During the three-month and nine-month periods ended September 30, 2020, the real estate joint venture capitalized \$1 (2019 – \$3) and \$5 (2019 – \$9), respectively, of financing costs.
- 2 As the real estate joint ventures are partnerships, no provision for income taxes of the partners is made in determining the real estate joint ventures' net income and comprehensive income.

*Our real estate joint ventures activity*

Our real estate joint ventures investment activity is set out in the following table.

Three-month periods ended September 30 (millions)	2020			2019		
	Loans and receivables <sup>1</sup>	Equity <sup>2</sup>	Total	Loans and receivables <sup>1</sup>	Equity <sup>2</sup>	Total
<b>Related to real estate joint ventures' statements of income and other comprehensive income</b>						
Comprehensive income attributable to us <sup>3</sup>	\$ —	\$ (1)	\$ (1)	\$ —	\$ —	\$ —
<b>Related to real estate joint ventures' statements of financial position</b>						
<i>Items not affecting currently reported cash flows</i>						
Construction credit facilities financing costs charged by us and other (Note 7)	1	—	1	1	—	1
<i>Cash flows in the current reporting period</i>						
Construction credit facilities						
Amounts advanced	—	—	—	10	—	10
Financing costs paid to us	(1)	—	(1)	(1)	—	(1)
Funds we advanced or contributed, excluding construction credit facilities	—	8	8	—	—	—
Net increase	—	7	7	10	—	10
<b>Real estate joint ventures carrying amounts</b>						
Balance, beginning of period	114	(9)	105	86	5	91
Valuation provision	—	(7)	(7)	—	—	—
Balance, end of period	\$ 114	\$ (9)	\$ 105	\$ 96	\$ 5	\$ 101

Nine-month periods ended September 30 (millions)	2020			2019		
	Loans and receivables <sup>1</sup>	Equity <sup>2</sup>	Total	Loans and receivables <sup>1</sup>	Equity <sup>2</sup>	Total
<b>Related to real estate joint ventures' statements of income and other comprehensive income</b>						
Comprehensive income attributable to us <sup>3</sup>	\$ —	\$ (12)	\$ (12)	\$ —	\$ —	\$ —
<b>Related to real estate joint ventures' statements of financial position</b>						
<i>Items not affecting currently reported cash flows</i>						
Construction credit facilities financing costs charged by us (Note 7)	3	—	3	3	—	3
<i>Cash flows in the current reporting period</i>						
Construction credit facilities						
Amounts advanced	10	—	10	27	—	27
Financing costs paid to us	(3)	—	(3)	(3)	—	(3)
Funds we advanced or contributed, excluding construction credit facilities	—	13	13	—	—	—
Funds repaid to us and earnings distributed	—	(1)	(1)	—	—	—
Net increase	10	—	10	27	—	27
<b>Real estate joint ventures carrying amounts</b>						
Balance, beginning of period	104	(2)	102	69	5	74
Valuation provision	—	(7)	(7)	—	—	—
Balance, end of period	\$ 114	\$ (9)	\$ 105	\$ 96	\$ 5	\$ 101

- Loans and receivables are included in our Consolidated statements of financial position as Real estate joint venture advances and are comprised of advances under construction credit facilities.
- We account for our interests in the real estate joint ventures using the equity method of accounting. As at September 30, 2020, and December 31, 2019, we had recorded equity losses in excess of our recorded equity investment in respect of one of the real estate joint ventures; such resulting balance has been included in long-term liabilities (Note 27).
- As the real estate joint ventures are partnerships, no provision for income taxes of the partners is made in determining the real estate joint ventures' net income and comprehensive income.

We have entered into a lease agreement with the TELUS Sky real estate joint venture; for lease accounting purposes, the lease commenced during the three-month period ended March 31, 2019.

#### Real estate joint ventures commitments and contingent liabilities

##### Construction commitments

The TELUS Sky real estate joint venture is expected to spend a total of approximately \$475 million (December 31, 2019 – \$450 million) on the construction of a mixed-use tower. As at September 30, 2020, the real estate joint venture's construction-related contractual commitments were approximately \$20 million through to 2020 (December 31, 2019 – \$37 million through to 2020).

##### Construction credit facilities

The TELUS Sky real estate joint venture has a credit agreement, maturing August 31, 2021, with Canadian financial institutions (as 66-2/3% lender) and TELUS Corporation (as 33-1/3% lender) to provide \$342 million of construction financing for the project. The construction credit facilities contain customary real estate construction financing representations, warranties and covenants and are secured by demand debentures constituting first fixed and floating charge mortgages over the underlying real estate assets. The construction credit facilities are available by way of bankers' acceptance or prime loan and bear interest at rates in line with similar construction financing facilities.

As at (millions)	Note	September 30, 2020	December 31, 2019
<b>Construction credit facilities commitment – TELUS Corporation</b>			
Undrawn	4(b)	\$ —	\$ 10
Advances		114	104
		114	114
<b>Construction credit facilities commitment – other</b>			
		228	228
		\$ 342	\$ 342

## 22 short-term borrowings

On July 26, 2002, one of our subsidiaries, TELUS Communications Inc., entered into an agreement with an arm's-length securitization trust associated with a major Schedule I bank under which it is able to sell an interest in certain trade receivables up to a maximum of \$500 million (December 31, 2019 – \$500 million). The term of this revolving-period securitization agreement ends December 31, 2021, and it requires minimum cash proceeds of \$100 million from monthly sales of interests in certain trade receivables. TELUS Communications Inc. is required to maintain a credit rating of at least BB (December 31, 2019 – BB) from DBRS Limited or the securitization trust may require the sale program to be wound down prior to the end of the term.

Sales of trade receivables in securitization transactions are recognized as collateralized short-term borrowings and thus do not result in our de-recognition of the trade receivables sold. When we sell our trade receivables, we retain reserve accounts, which are retained interests in the securitized trade receivables, and servicing rights. As at September 30, 2020, we had sold to the trust (but continued to recognize) trade receivables of \$120 million (December 31, 2019 – \$124 million). Short-term borrowings of \$100 million (December 31, 2019 – \$100 million) are comprised of amounts advanced to us by the arm's-length securitization trust pursuant to the sale of trade receivables.

The balance of short-term borrowings (if any) is comprised of amounts drawn on our bilateral bank facilities.

## 23 accounts payable and accrued liabilities

As at (millions)	September 30, 2020	December 31, 2019
Accrued liabilities	\$ 1,309	\$ 1,091
Payroll and other employee-related liabilities	538	422
Restricted share units liability	100	77
	<b>1,947</b>	1,590
Trade accounts payable	844	892
Interest payable	155	160
Indirect taxes payable and other	146	107
	<b>\$ 3,092</b>	<b>\$ 2,749</b>

## 24 advance billings and customer deposits

As at (millions)	September 30, 2020	December 31, 2019
Advance billings	\$ 545	\$ 522
Deferred customer activation and connection fees	8	9
Customer deposits	40	14
Contract liabilities	593	545
Other	140	130
	<b>\$ 733</b>	<b>\$ 675</b>

Contract liabilities represent our future performance obligations to customers in respect of services and/or equipment and for which we have received consideration from the customer or for which an amount is due from the customer. Our contract liability balances, and the changes in those balances, are set out in the following table:

Periods ended September 30 (millions)	Note	Three months		Nine months	
		2020	2019	2020	2019
Balance, beginning of period		\$ 802	\$ 811	\$ 801	\$ 811
Revenue deferred in previous period and recognized in current period		(596)	(621)	(577)	(648)
Net additions arising from operations		575	592	552	613
Additions arising from business acquisitions	18(b)	36	10	41	16
Balance, end of period		\$ 817	\$ 792	\$ 817	\$ 792
Current				\$ 740	\$ 710
Non-current	27				
Deferred revenues				66	68
Deferred customer activation and connection fees				11	14
				\$ 817	\$ 792
<b>Reconciliation of contract liabilities presented in the consolidated statements of financial position – current</b>					
Gross contract liabilities				\$ 740	\$ 710
Reclassification to contract assets for contracts with contract liabilities less than contract assets				(137)	(160)
Reclassification from contract assets for contracts with contract assets less than contract liabilities				(10)	(6)
				\$ 593	\$ 544

## 25 provisions

(millions)	Asset retirement obligation	Employee-related	Written put options	Other	Total
As at July 1, 2020	\$ 500	\$ 41	\$ 3	\$ 152	\$ 696
Additions	—	18	—	68	86
Reversal	—	—	—	(11)	(11)
Use	(1)	(9)	—	(56)	(66)
Interest effect	4	—	—	—	4
Effects of foreign exchange, net	—	—	—	—	—
<b>As at September 30, 2020</b>	<b>\$ 503</b>	<b>\$ 50</b>	<b>\$ 3</b>	<b>\$ 153</b>	<b>\$ 709</b>
As at January 1, 2020	\$ 495	\$ 64	\$ 196	\$ 123	\$ 878
Additions	—	38	—	163	201
Reversal	—	—	(103)	(27)	(130)
Use	(3)	(52)	(104)	(107)	(266)
Interest effect	11	—	2	—	13
Effects of foreign exchange, net	—	—	12	1	13
<b>As at September 30, 2020</b>	<b>\$ 503</b>	<b>\$ 50</b>	<b>\$ 3</b>	<b>\$ 153</b>	<b>\$ 709</b>
Current	\$ 9	\$ 43	\$ —	\$ 23	\$ 75
Non-current	494	7	3	130	634
<b>As at September 30, 2020</b>	<b>\$ 503</b>	<b>\$ 50</b>	<b>\$ 3</b>	<b>\$ 153</b>	<b>\$ 709</b>

### Asset retirement obligation

We establish provisions for liabilities associated with the retirement of property, plant and equipment when those obligations result from the acquisition, construction, development and/or normal operation of the assets. We expect that the cash outflows in respect of the balance accrued as at the financial statement date will occur proximate to the dates these assets are retired.

### Employee-related

The employee-related provisions are largely in respect of restructuring activities (as discussed further in Note 16(b)). The timing of the cash outflows in respect of the balance accrued as at the financial statement date is substantially short-term in nature.

### Written put options

In connection with certain business acquisitions, we have established provisions for written put options in respect of non-controlling interests. Provisions for written put options are determined based on the net present value of estimated future earnings results and require us to make key economic assumptions about the future. No cash outflows for the written put options are expected prior to their initial exercisability.

*Other*

The provisions for other include: legal claims; non-employee-related restructuring activities; contract termination costs and onerous contracts related to business acquisitions; and costs incurred in connection with the COVID-19 pandemic. Other than as set out following, we expect that the cash outflows in respect of the balance accrued as at the financial statement date will occur over an indeterminate multi-year period.

As discussed further in *Note 29*, we are involved in a number of legal claims and we are aware of certain other possible legal claims. In respect of legal claims, we establish provisions, when warranted, after taking into account legal assessments, information presently available, and the expected availability of recourse. The timing of cash outflows associated with legal claims cannot be reasonably determined.

In connection with business acquisitions, we have established provisions for contingent consideration, contract termination costs and onerous contracts acquired.

## 26 long-term debt

### (a) Details of long-term debt

As at (millions)	Note	September 30, 2020	December 31, 2019
<b>Senior unsecured</b>			
TELUS Corporation senior notes	(b)	\$ 14,665	\$ 14,479
TELUS Corporation commercial paper	(c)	427	1,015
TELUS Communications Inc. debentures		622	621
<b>Secured</b>			
TELUS International (Cda) Inc. credit facility	(e)	1,084	431
Other		275	267
		17,073	16,813
<b>Lease liabilities</b>			
	(f)	1,816	1,661
<b>Long-term debt</b>			
		\$ 18,889	\$ 18,474
Current		\$ 1,055	\$ 1,332
Non-current		17,834	17,142
<b>Long-term debt</b>			
		\$ 18,889	\$ 18,474

### (b) TELUS Corporation senior notes

The notes are senior unsecured and unsubordinated obligations and rank equally in right of payment with all of our existing and future unsecured unsubordinated obligations, are senior in right of payment to all of our existing and future subordinated indebtedness, and are effectively subordinated to all existing and future obligations of, or guaranteed by, our subsidiaries. The indentures governing the notes contain certain covenants that, among other things, place limitations on our ability, and the ability of certain of our subsidiaries, to: grant security in respect of indebtedness; enter into sale-leaseback transactions; and incur new indebtedness.

Interest is payable semi-annually. The notes require us to make an offer to repurchase the notes at a price equal to 101% of their principal amount plus accrued and unpaid interest to the date of repurchase upon the occurrence of a change in control triggering event, as defined in the supplemental trust indenture.

At any time prior to the respective maturity dates set out in the table below, the notes are redeemable at our option, in whole at any time, or in part from time to time, on not fewer than 30 days' and not more than 60 days' prior notice. On or after the respective redemption present value spread cessation dates set out in the table below, the notes are redeemable at our option, in whole but not in part, on not fewer than 30 days' and not more than 60 days' prior notice, at redemption prices equal to 100% of the principal amounts thereof. In addition, accrued and unpaid interest, if any, will be paid to the date fixed for redemption.

Series	Issued	Maturity	Issue price	Effective interest rate <sup>1</sup>	Principal face amount		Redemption present value spread	
					Originally issued	Outstanding at financial statement date	Basis points	Cessation date
3.60% Notes, Series CM	November 2013	January 2021 <sup>2</sup>	\$997.15	3.65%	\$400 million	\$NIL	35 <sup>3</sup>	N/A
3.20% Notes, Series CO	April 2014	April 2021 <sup>2</sup>	\$997.39	3.24%	\$500 million	\$NIL	30 <sup>3</sup>	Mar. 5, 2021
2.35% Notes, Series CT	March 2015	March 2022	\$997.31	2.39%	\$1.0 billion	\$1.0 billion	35.5 <sup>3</sup>	Feb. 28, 2022
3.35% Notes, Series CJ	December 2012	March 2023	\$998.83	3.36%	\$500 million	\$500 million	40 <sup>3</sup>	Dec. 15, 2022
3.35% Notes, Series CK	April 2013	April 2024	\$994.35	3.41%	\$1.1 billion	\$1.1 billion	36 <sup>3</sup>	Jan. 2, 2024
3.75% Notes, Series CQ	September 2014	January 2025	\$997.75	3.78%	\$800 million	\$800 million	38.5 <sup>3</sup>	Oct. 17, 2024

Series	Issued	Maturity	Issue price	Effective interest rate <sup>1</sup>	Principal face amount		Redemption present value spread	
					Originally issued	Outstanding at financial statement date	Basis points	Cessation date
3.75% Notes, Series CV	December 2015	March 2026	\$992.14	3.84%	\$600 million	\$600 million	53.5 <sup>3</sup>	Dec. 10, 2025
2.75% Notes, Series CZ	July 2019	July 2026	\$998.73	2.77%	\$800 million	\$800 million	33 <sup>3</sup>	May 8, 2026
2.80% U.S. Dollar Notes <sup>4</sup>	September 2016	February 2027	US\$991.89	2.89%	US\$600 million	US\$600 million	20 <sup>5</sup>	Nov. 16, 2026
3.70% U.S. Dollar Notes <sup>4</sup>	March 2017	September 2027	US\$998.95	3.71%	US\$500 million	US\$500 million	20 <sup>5</sup>	June 15, 2027
2.35% Notes, Series CAC	May 2020	January 2028	\$997.25	2.39%	\$600 million	\$600 million	48 <sup>3</sup>	Nov. 27, 2027
3.625% Notes, Series CX	March 2018	March 2028	\$989.49	3.75%	\$600 million	\$600 million	37 <sup>3</sup>	Dec. 1, 2027
3.30% Notes, Series CY	April 2019	May 2029	\$991.75	3.40%	\$1.0 billion	\$1.0 billion	43.5 <sup>3</sup>	Feb. 2, 2029
3.15% Notes, Series CAA	December 2019	February 2030	\$996.49	3.19%	\$600 million	\$600 million	39.5 <sup>3</sup>	Nov. 19, 2029
2.05% Notes, Series CAD	October 2020	October 2030 <sup>6</sup>	\$997.93	2.07%	\$500 million	\$NIL	38 <sup>3</sup>	July 7, 2030
4.40% Notes, Series CL	April 2013	April 2043	\$997.68	4.41%	\$600 million	\$600 million	47 <sup>3</sup>	Oct. 1, 2042
5.15% Notes, Series CN	November 2013	November 2043	\$995.00	5.18%	\$400 million	\$400 million	50 <sup>3</sup>	May 26, 2043
4.85% Notes, Series CP	Multiple <sup>7</sup>	April 2044	\$987.91 <sup>7</sup>	4.93% <sup>7</sup>	\$500 million <sup>7</sup>	\$900 million <sup>7</sup>	46 <sup>3</sup>	Oct. 5, 2043
4.75% Notes, Series CR	September 2014	January 2045	\$992.91	4.80%	\$400 million	\$400 million	51.5 <sup>3</sup>	July 17, 2044
4.40% Notes, Series CU	March 2015	January 2046	\$999.72	4.40%	\$500 million	\$500 million	60.5 <sup>3</sup>	July 29, 2045
4.70% Notes, Series CW	Multiple <sup>8</sup>	March 2048	\$998.06 <sup>8</sup>	4.71% <sup>8</sup>	\$325 million <sup>8</sup>	\$475 million <sup>8</sup>	58.5 <sup>3</sup>	Sept. 6, 2047
4.60% U.S. Dollar Notes <sup>4</sup>	June 2018	November 2048	US\$987.60	4.68%	US\$750 million	US\$750 million	25 <sup>5</sup>	May 16, 2048
4.30% U.S. Dollar Notes <sup>4</sup>	May 2019	June 2049	US\$990.48	4.36%	US\$500 million	US\$500 million	25 <sup>5</sup>	Dec. 15, 2048
3.95% Notes, Series CAB	Multiple <sup>9</sup>	February 2050	\$997.54 <sup>9</sup>	3.97% <sup>9</sup>	\$400 million <sup>9</sup>	\$800 million <sup>9</sup>	57.5 <sup>3</sup>	Aug. 16, 2049

1 The effective interest rate is that which the notes would yield to an initial debt holder if held to maturity.

2 On May 22, 2020, we exercised our right to early redeem, on June 23, 2020, all of our 3.60% Notes, Series CM and all of our 3.20% Notes, Series CO. The long-term debt prepayment premium recorded in the three-month period ended June 30, 2020, was \$18 million before income taxes (see Note 9).

3 The redemption price is equal to the greater of (i) the present value of the notes discounted at the Government of Canada yield plus the redemption present value spread calculated over the period to maturity, other than in the case of the Series CT, Series CU, Series CV, Series CW, Series CX, Series CY, Series CZ, Series CAA, Series CAB, Series CAC and Series CAD notes, for which it is calculated over the period to the redemption present value spread cessation date, or (ii) 100% of the principal amount thereof.

4 We have entered into foreign exchange derivatives (cross currency interest rate exchange agreements) that effectively converted the principal payments and interest obligations to Canadian dollar obligations as follows:

Series	Interest rate fixed at	Canadian dollar equivalent principal	Exchange rate
2.80% U.S. Dollar Notes	2.95%	\$792 million	\$1.3205
3.70% U.S. Dollar Notes	3.41%	\$667 million	\$1.3348
4.60% U.S. Dollar Notes	4.41%	\$974 million	\$1.2985
4.30% U.S. Dollar Notes	4.27%	\$672 million	\$1.3435

5 The redemption price is equal to the greater of (i) the present value of the notes discounted at the U.S. Adjusted Treasury Rate plus the redemption present value spread calculated over the period to the redemption present value spread cessation date, or (ii) 100% of the principal amount thereof.

6 Issued subsequent to the statement of financial position date and prior to the issuance of these condensed interim consolidated financial statements.

7 \$500 million of 4.85% Notes, Series CP were issued in April 2014 at an issue price of \$998.74 and an effective interest rate of 4.86%. This series of notes was reopened in December 2015 and a further \$400 million of notes were issued at an issue price of \$974.38 and an effective interest rate of 5.02%.

8 \$325 million of 4.70% Notes, Series CW were issued in March 2017 at an issue price of \$990.65 and an effective interest rate of 4.76%. This series of notes was reopened in February 2018 and a further \$150 million of notes were issued at an issue price of \$1,014.11 and an effective interest rate of 4.61% in March 2018.

9 \$400 million of 3.95% Notes, Series CAB were issued in December 2019 at an issue price of \$991.54 and an effective interest rate of 4.00%. This series of notes was reopened in May 2020 and a further \$400 million of notes were issued at an issue price of \$1,003.53 and an effective interest rate of 3.93%.

### (c) TELUS Corporation commercial paper

TELUS Corporation has an unsecured commercial paper program, which is backstopped by our \$2.25 billion syndicated credit facility (see (d)) and is to be used for general corporate purposes, including capital expenditures and investments. This program enables us to issue commercial paper, subject to conditions related to debt ratings, up to a maximum aggregate amount at any one time of \$1.4 billion (December 31, 2019 – \$1.4 billion). Foreign currency forward contracts are used to manage currency risk arising from issuing commercial paper denominated in U.S. dollars. Commercial paper debt is due within one year and is classified as a current portion of long-term debt, as the amounts are fully supported, and we expect that they will continue to be supported, by the revolving credit facility, which has no repayment requirements within the next year. As at September 30, 2020, we had \$427 million (December 31, 2019 – \$1,015 million) of commercial paper outstanding, which was denominated in U.S. dollars (US\$320 million; December 31, 2019 – US\$781 million), with an effective average interest rate of 0.19%, maturing through October 2020.

### (d) TELUS Corporation credit facility

As at September 30, 2020, TELUS Corporation had an unsecured revolving \$2.25 billion bank credit facility, expiring on May 31, 2023, with a syndicate of financial institutions, which is to be used for general corporate purposes, including the backstopping of commercial paper.

The TELUS Corporation credit facility bears interest at prime rate, U.S. Dollar Base Rate, a bankers' acceptance rate or London interbank offered rate (LIBOR) (as such terms are used or defined in the credit facility), plus applicable margins. The credit facility contains customary representations, warranties and covenants, including two financial quarter-end ratio tests. These tests are that our leverage ratio must not exceed 4.25:1.00 and our operating cash flow to interest expense ratio must not be less than 2.00:1.00, all as defined in the credit facility.

Continued access to the TELUS Corporation credit facility is not contingent upon TELUS Corporation maintaining a specific credit rating.

As at (millions)	September 30, 2020	December 31, 2019
Net available	\$ 1,823	\$ 1,235
Backstop of commercial paper	427	1,015
Gross available	\$ 2,250	\$ 2,250

We had \$190 million of letters of credit outstanding as at September 30, 2020 (December 31, 2019 – \$184 million), issued under various uncommitted facilities; such letter of credit facilities are in addition to the ability to provide letters of credit pursuant to our committed bank credit facility.

#### (e) TELUS International (Cda) Inc. credit facility

As at September 30, 2020, TELUS International (Cda) Inc. had a credit facility, secured by its assets, expiring on January 28, 2025 (December 31, 2019 – December 20, 2022), with a syndicate of financial institutions (as 87.5% lender) and, joined in 2020, TELUS Corporation (as 12.5% lender). The credit facility is comprised of a US\$600 million (December 31, 2019 – US\$350 million) revolving component and an amortizing US\$600 million (December 31, 2019 – US\$120 million) term loan component. The credit facility is non-recourse to TELUS Corporation. The outstanding revolving component and term loan component had a weighted average interest rate of 2.40% as at September 30, 2020. In connection with the acquisition of Competence Call Center during the three-month period ended March 31, 2020, as discussed further in *Note 18(b)*, incremental amounts were drawn on the facility.

As at (millions)	September 30, 2020			December 31, 2019		
	Revolving component <sup>1</sup>	Term loan component <sup>2</sup>	Total	Revolving component	Term loan component	Total
<b>Available</b>	US\$ 248	US\$ N/A	US\$ 248	US\$ 121	US\$ N/A	US\$ 121
<b>Outstanding</b>						
Due to other	308	512	820	229	107	336
Due to TELUS Corporation	44	73	117	N/A	N/A	N/A
	US\$ 600	US\$ 585	US\$ 1,185	US\$ 350	US\$ 107	US\$ 457

1 Revolving component available is gross of swingline draw of US\$11.

2 We have entered into a receive-floating interest rate, pay-fixed interest rate exchange agreement that effectively converts our interest obligations on US\$102 of the debt to a fixed rate of 2.64%.

Relative to amounts owed to the syndicate of financial institutions, excluding TELUS Corporation, we have entered into foreign exchange derivatives (cross currency interest rate exchange agreements) that effectively convert an amortizing amount of US\$410 of the principal payments and associated interest obligations to European euro obligations with an effective fixed interest rate of 0.65% and an effective fixed economic exchange rate of US\$1.0932:€1.00. These have been accounted for as a net investment hedge in a foreign operation (see *Note 4*).

TELUS International (Cda) Inc.'s credit facility bears interest at prime rate, U.S. Dollar Base Rate, a bankers' acceptance rate or London interbank offered rate (LIBOR) (all such terms as used or defined in the credit facility), plus applicable margins. The credit facility contains customary representations, warranties and covenants, including two financial quarter-end ratio tests. TELUS International (Cda) Inc.'s quarter-end net debt to operating cash flow ratio must not exceed: 4.75:1.00 during fiscal 2020; 4.25:1.00 during fiscal 2021; and 3.50:1.00 subsequently. The quarter-end operating cash flow to debt service (interest and scheduled principal repayment) ratio must not be less than 1.50:1.00, all as defined in the credit facility.

The term loan is subject to an amortization schedule which requires that 5% of the principal advanced be repaid each year of the term of the agreement, with the balance due at maturity.

#### (f) Lease liabilities

Lease liabilities are subject to amortization schedules, which results in the principal being repaid over various periods, including reasonably expected renewals. The weighted average interest rate on lease liabilities was approximately 4.27% as at September 30, 2020.

**(g) Long-term debt maturities**

Anticipated requirements to meet long-term debt repayments, calculated for long-term debts owing as at September 30, 2020, are as follows:

Composite long-term debt denominated in	Canadian dollars			U.S. dollars				Other currencies		
	Long-term debt, excluding leases	Leases (Note 19)	Total	Long-term debt, excluding leases	Leases (Note 19)	Currency swap agreement amounts to be exchanged		Leases (Note 19)	Total	
Years ending December 31 (millions)						(Receive) <sup>1</sup>	Pay			
2020 (remainder of year)	\$ 3	\$ 88	\$ 91	\$ 436	\$ 6	\$ (434)	\$ 436	\$ 444	\$ 12	\$ 547
2021	188	336	524	35	25	(28)	32	64	45	633
2022	1,263	197	1,460	35	24	(28)	32	63	35	1,558
2023	530	127	657	35	20	(28)	32	59	30	746
2024	1,115	115	1,230	35	9	(28)	32	48	24	1,302
2025-2029	4,685	317	5,002	2,412	16	(1,894)	1,917	2,451	47	7,500
Thereafter	4,789	302	5,091	1,667	—	(1,667)	1,646	1,646	17	6,754
Future cash outflows in respect of composite long-term debt principal repayments	12,573	1,482	14,055	4,655	100	(4,107)	4,127	4,775	210	19,040
Future cash outflows in respect of associated interest and like carrying costs <sup>2</sup>	6,306	376	6,682	2,567	18	(2,492)	2,372	2,465	46	9,193
Undiscounted contractual maturities (Note 4(b))	\$ 18,879	\$ 1,858	\$ 20,737	\$ 7,222	\$ 118	\$ (6,599)	\$ 6,499	\$ 7,240	\$ 256	\$ 28,233

1 Where applicable cash flows reflect foreign exchange rates as at September 30, 2020.

2 Future cash outflows in respect of associated interest and like carrying costs for commercial paper and amounts drawn under our credit facilities (if any) have been calculated based upon the rates in effect as at September 30, 2020.

**27 other long-term liabilities**

As at (millions)	Note	September 30, 2020	December 31, 2019
Contract liabilities	24	\$ 66	\$ 70
Other		5	7
Deferred revenues		71	77
Pension benefit liabilities		866	580
Other post-employment benefit liabilities		60	53
Restricted share unit and deferred share unit liabilities		9	42
Derivative liabilities	4(d)	50	26
Investment in real estate joint ventures	21(b)	10	5
Other		19	10
		1,085	793
Deferred customer activation and connection fees	24	11	13
		\$ 1,096	\$ 806

**28 owners' equity****(a) Common Share capital – general**

Our authorized share capital is as follows:

As at	September 30, 2020	December 31, 2019
First Preferred Shares	1 billion	1 billion
Second Preferred Shares	1 billion	1 billion
Common Shares	4 billion	4 billion*

Only holders of Common Shares may vote at our general meetings, with each holder of Common Shares entitled to one vote per Common Share held at all such meetings so long as not less than 66-2/3% of the issued and outstanding Common Shares are owned by Canadians. With respect to priority in payment of dividends and in the distribution of assets in the event of our liquidation, dissolution or winding-up, whether voluntary or involuntary, or any other distribution

\* Amounts reflect retrospective application of March 17, 2020, share split (see Note 28(b)).



of our assets among our shareholders for the purpose of winding up our affairs, preferences are as follows: First Preferred Shares; Second Preferred Shares; and finally Common Shares.

During the three-month period ended March 31, 2020, we issued approximately 58 million\* shares for gross proceeds of \$1.5 billion.

As at September 30, 2020, approximately 26 million\* Common Shares were reserved for issuance, from Treasury, under a dividend reinvestment and share purchase plan (see *Note 13(b)*), approximately 24 million\* Common Shares were reserved for issuance, from Treasury, under a restricted share unit plan (see *Note 14(b)*) and approximately 90 million\* Common Shares were reserved for issuance, from Treasury, under a share option plan (see *Note 14(d)*).

### (b) Common Share split

On February 13, 2020, we announced a subdivision of our Common Shares on a two-for-one basis to be effected March 17, 2020. All references, unless otherwise indicated, to the number of shares authorized, the number of shares outstanding, the number of shares reserved; per share amounts and share-based compensation information in the consolidated financial statements have been retrospectively restated to reflect the impact of the subdivision.

### (c) Purchase of Common Shares for cancellation pursuant to normal course issuer bid

As referred to in *Note 3*, we may purchase a portion of our Common Shares for cancellation pursuant to normal course issuer bids in order to maintain or adjust our capital structure. In December 2019, we received approval for a normal course issuer bid to purchase and cancel up to 16 million\* of our Common Shares (up to a maximum amount of \$250 million) from January 2, 2020, to January 1, 2021.

### (d) Subsidiary with significant non-controlling interest

Our TELUS International (Cda) Inc. subsidiary is incorporated under the *Business Corporations Act* (British Columbia) and has geographically dispersed operations with principal places of business in Asia, Central America, Europe and North America. During the three-month period ended March 31, 2020, non-controlling shareholders purchased TELUS International (Cda) Inc. shares from treasury for \$209 million, which resulted in the non-controlling interests' ownership interest increasing to 37.7% as at March 31, 2020, up from 35.9% as at December 31, 2019. Associated with the transaction, an adjustment reflecting the approximately 1.8% increase in the non-controlling interest in the net book value of the subsidiary was credited to non-controlling interests in our Consolidated statement of changes in owners' equity, and the net balance of proceeds was credited to contributed surplus.

On a continuing basis, we review our corporate organization and effect changes as appropriate so as to enhance the value of TELUS Corporation. This process can affect our subsidiaries, including TELUS International (Cda) Inc.; during the three-month period ended June 30, 2020, this process resulted in the non-controlling interests' ownership interest decreasing to 36.2% as at June 30, 2020, with an adjustment reflecting the approximately 1.5% decrease in the non-controlling interest in the net book value of the subsidiary having been credited to non-controlling interests in our Consolidated statement of changes in owners' equity, offset by an equal amount having been charged to contributed surplus.

### Summarized financial information

As at, or for the three-month and nine-month periods ended (millions) <sup>1</sup>	Three months		Nine months		December 31, 2019
	September 30, 2020	September 30, 2019	September 30, 2020	September 30, 2019	
<b>Statement of financial position</b>					
Current assets			\$ 674		\$ 476
Non-current assets			\$ 2,747		\$ 1,057
Current liabilities			\$ 680		\$ 570
Non-current liabilities			\$ 1,745		\$ 647
<b>Statement of income and other comprehensive income</b>					
Revenue <sup>2</sup>	\$ 569	\$ 351	\$ 1,646	\$ 996	
Goods and services purchased	\$ 100	\$ 64	\$ 304	\$ 183	
Employee benefits expense	\$ 337	\$ 212	\$ 951	\$ 609	
Depreciation	\$ 34	\$ 25	\$ 99	\$ 71	
Amortization of intangible assets	\$ 30	\$ 6	\$ 81	\$ 13	
Net income	\$ 38	\$ 20	\$ 116	\$ 53	
Comprehensive income	\$ 66	\$ 24	\$ 151	\$ 75	

1 As required by IFRS-IASB, this summarized financial information excludes inter-company eliminations.

2 For the three-month period ended September 30, 2020, includes revenue from wireless segment and wireline segment of \$46 (2019 – \$45) and \$61 (2019 – \$50), respectively. For the nine-month period ended September 30, 2020, includes revenue from wireless segment and wireline segment of \$130 (2019 – \$118) and \$178 (2019 – \$138), respectively.

\* Amounts reflect retrospective application of March 17, 2020, share split (see *Note 28(b)*).

## 29 contingent liabilities

### Claims and lawsuits

#### *General*

A number of claims and lawsuits (including class actions and intellectual property infringement claims) seeking damages and other relief are pending against us and, in some cases, other wireless carriers and telecommunications service providers. As well, we have received notice of, or are aware of, certain possible claims (including intellectual property infringement claims) against us and, in some cases, other wireless carriers and telecommunications service providers.

It is not currently possible for us to predict the outcome of such claims, possible claims and lawsuits due to various factors, including: the preliminary nature of some claims; uncertain damage theories and demands; an incomplete factual record; uncertainty concerning legal theories and procedures and their resolution by the courts, at both the trial and the appeal levels; and the unpredictable nature of opposing parties and their demands.

However, subject to the foregoing limitations, management is of the opinion, based upon legal assessments and information presently available, that it is unlikely that any liability, to the extent not provided for through insurance or otherwise, would have a material effect on our financial position and the results of our operations, including cash flows, with the exception of the items enumerated following.

#### *Certified class actions*

Certified class actions against us include the following:

##### *Per minute billing class action*

In 2008 a class action was brought in Ontario against us alleging breach of contract, breach of the Ontario *Consumer Protection Act*, breach of the *Competition Act* and unjust enrichment, in connection with our practice of “rounding up” wireless airtime to the nearest minute and charging for the full minute. The action sought certification of a national class. In November 2014, an Ontario class only was certified by the Ontario Superior Court of Justice in relation to the breach of contract, breach of *Consumer Protection Act*, and unjust enrichment claims; all appeals of the certification decision have now been exhausted. At the same time, the Ontario Superior Court of Justice declined to stay the claims of our business customers notwithstanding an arbitration clause in our customer service agreements with those customers. This latter decision was appealed and on May 31, 2017, the Ontario Court of Appeal dismissed our appeal. The Supreme Court of Canada granted us leave to appeal this decision and on April 4, 2019, granted our appeal and stayed the claims of business customers.

##### *Call set-up time class actions*

In 2005 a class action was brought against us in British Columbia alleging that we have engaged in deceptive trade practices in charging for incoming calls from the moment the caller connects to the network, and not from the moment the incoming call is connected to the recipient. In 2011, the Supreme Court of Canada upheld a stay of all of the causes of action advanced by the plaintiff in this class action, with one exception, based on the arbitration clause that was included in our customer service agreements. The sole exception was the cause of action based on deceptive or unconscionable practices under the British Columbia *Business Practices and Consumer Protection Act*, which the Supreme Court of Canada declined to stay. In January 2016, the British Columbia Supreme Court certified this class action in relation to the claim under the *Business Practices and Consumer Protection Act*. The class is limited to residents of British Columbia who contracted wireless services with us in the period from January 21, 1999, to April 2010. We have appealed the certification decision. A companion class action was brought against us in Alberta at the same time as the British Columbia class action. The Alberta class action duplicates the allegations in the British Columbia action, but has not proceeded to date and is not certified. Subject to a number of conditions, including court approval, we have now settled both the British Columbia and the Alberta class actions.

#### *Uncertified class actions*

Uncertified class actions against us include:

##### *9-1-1 class actions*

In 2008 a class action was brought in Saskatchewan against us and other Canadian telecommunications carriers alleging that, among other matters, we failed to provide proper notice of 9-1-1 charges to the public, have been deceitfully passing them off as government charges, and have charged 9-1-1 fees to customers who reside in areas where 9-1-1 service is not available. The plaintiffs advance causes of action in breach of contract, misrepresentation

and false advertising and seek certification of a national class. A virtually identical class action was filed in Alberta at the same time, but the Alberta Court of Queen's Bench declared that class action expired against us as of 2009. No steps have been taken in this proceeding since 2016.

#### *Public Mobile class actions*

In 2014 class actions were brought against us in Quebec and Ontario on behalf of Public Mobile's customers, alleging that changes to the technology, services and rate plans made by us contravene our statutory and common law obligations. In particular, the Quebec action alleges that our actions constitute a breach of the Quebec *Consumer Protection Act*, the Quebec *Civil Code*, and the Ontario *Consumer Protection Act*. It has not yet proceeded to an authorization hearing. The Ontario class action alleges negligence, breach of express and implied warranty, breach of the *Competition Act*, unjust enrichment, and waiver of tort. No steps have been taken in this proceeding since it was filed and served.

#### *Handset subsidy class action*

In 2016 a class action was brought in Quebec against us and other telecommunications carriers alleging that we breached the Quebec *Consumer Protection Act* and the *Civil Code of Quebec* by making false or misleading representations relating to the handset subsidy provided to our wireless customers, and by charging our wireless customers inflated rate plan prices and termination fees higher than those permitted under the *Act*. The claim was later amended to also seek compensation for amounts paid by class members to unlock their mobile devices. The authorization hearing was held on April 30 and May 1, 2019, and on July 15, 2019, the Quebec Superior Court dismissed the authorization application. The Plaintiff has appealed this decision.

#### *Other claims*

Claims and possible claims received by us include:

#### *Area code 867 blocking claim*

In 2018 a claim was brought against us alleging breach of a Direct Connection Call Termination Services Agreement, breach of a duty of good faith, and intentional interference with economic relations. The plaintiffs allege that we have improperly blocked calls to area code 867 (including to customers of a plaintiff), for which a second plaintiff provides wholesale session initiation trunking services. The plaintiffs seek damages of \$135 million. On April 23, 2019, the Ontario Superior Court stayed this claim on the ground that the court has no jurisdiction over, or is not the appropriate forum, for the subject matter of this action.

#### *Summary*

We believe that we have good defences to the above matters. Should the ultimate resolution of these matters differ from management's assessments and assumptions, a material adjustment to our financial position and the results of our operations, including cash flows, could result. Management's assessments and assumptions include that reliable estimates of any such exposure cannot be made considering the continued uncertainty about: the nature of the damages that may be sought by the plaintiffs; the causes of action that are being, or may ultimately be, pursued; and, in the case of the uncertified class actions, the causes of action that may ultimately be certified.

## 30 related party transactions

### (a) Transactions with key management personnel

Our key management personnel have authority and responsibility for overseeing, planning, directing and controlling our activities and consist of our Board of Directors and our Executive Leadership Team.

Total compensation expense for key management personnel, and the composition thereof, is as follows:

Periods ended September 30 (millions)	Three months		Nine months	
	2020	2019	2020	2019
Short-term benefits	\$ 3	\$ 4	\$ 7	\$ 9
Post-employment pension <sup>1</sup> and other benefits	1	1	3	3
Share-based compensation <sup>2</sup>	11	1	21	21
	\$ 15	\$ 6	\$ 31	\$ 33

1 Our Executive Leadership Team members are members of our *Pension Plan for Management and Professional Employees of TELUS Corporation* and certain other non-registered, non-contributory supplementary defined benefit pension plans.

2 In respect of restricted share units with neither an equity settlement feature nor market performance conditions, we accrue a liability equal to the product of the number of vesting restricted share units multiplied by the fair market value of the corresponding Common Shares at the end of the reporting period. Similarly,

we accrue a liability for the notional subset of our restricted share units without an equity settlement feature and with market performance conditions using a Monte Carlo simulation-determined fair value. Restricted share units that have an equity settlement feature are accounted for as equity instruments. The expense for restricted share units that do not ultimately vest is reversed against the expense that was previously recorded in their respect.

As disclosed in *Note 14*, we made initial awards of share-based compensation in 2020 and 2019, including, as set out in the following table, to our key management personnel. As most of these awards are cliff-vesting or graded-vesting and have multi-year requisite service periods, the related expense will be recognized rateably over a period of years and thus only a portion of the 2020 and 2019 initial awards are included in the amounts in the table above.

Nine-month periods ended September 30	2020			2019		
	Number of restricted share units*	Notional value <sup>1</sup>	Grant-date fair value <sup>1</sup>	Number of restricted share units*	Notional value <sup>1</sup>	Grant-date fair value <sup>1</sup>
(\$ in millions)						
Awarded in period	811,954	\$ 20	\$ 28	949,408	\$ 23	\$ 15

<sup>1</sup> Notional value is determined by multiplying the Common Share price at the time of award by the number of units awarded. The grant-date fair value differs from the notional value because the fair values of some awards have been determined using a Monte Carlo simulation (see *Note 14(b)*). No share options were awarded to our key management personnel in fiscal 2020 or 2019.

The liability amounts accrued for share-based compensation awards to key management personnel are as follows:

As at (millions)	September 30, 2020	December 31, 2019
Restricted share units	\$ 32	\$ 25
Deferred share units <sup>1</sup>	1	23
	\$ 33	\$ 48

<sup>1</sup> Our *Directors' Deferred Share Unit Plan* provides that, in addition to his or her annual equity grant of deferred share units, a director may elect to receive his or her annual retainer and meeting fees in deferred share units, Common Shares or cash (for non-equity-settled deferred share units). Deferred share units entitle directors to a specified number of, or a cash payment based on the value of, our Common Shares. Deferred share units are paid out when a director ceases to be a director, for any reason, at a time elected by the director in accordance with the *Directors' Deferred Share Unit Plan*; during the three-month and nine-month periods ended September 30, 2020, \$2 (2019 – \$1) and \$2 (2019 – \$4), respectively, was paid out.

Employment agreements with members of the Executive Leadership Team typically provide for severance payments if an executive's employment is terminated without cause: generally 18–24 months of base salary, benefits and accrual of pension service in lieu of notice, and 50% of base salary in lieu of an annual cash bonus. In the event of a change in control, Executive Leadership Team members are not entitled to treatment any different than that given to our other employees with respect to non-vested share-based compensation.

#### (b) Transactions with defined benefit pension plans

During the three-month and nine-month periods ended September 30, 2020, we provided management and administrative services to our defined benefit pension plans; the charges for these services were on a cost recovery basis and amounted to \$2 million (2019 – \$2 million) and \$5 million (2019 – \$5 million), respectively.

#### (c) Transactions with real estate joint venture and associate

During the three-month and nine-month periods ended September 30, 2020 and 2019, we had transactions with the TELUS Sky real estate joint ventures, which is a related party, as set out in *Note 21*. As at September 30, 2020, we had recorded lease liabilities of \$76 million (December 31, 2019 – \$77 million) in respect of our TELUS Sky lease and monthly cash payments are made in accordance with the lease agreement; one-third of the amounts is due to our economic interest in the real estate joint venture.

\* Amounts reflect retrospective application of March 17, 2020, share split (see *Note 28(b)*).

## 31 additional statement of cash flow information

## (a) Statements of cash flows – operating activities and investing activities

Periods ended September 30 (millions)	Note	Three months		Nine months	
		2020	2019	2020	2019
<b>OPERATING ACTIVITIES</b>					
<b>Net change in non-cash operating working capital</b>					
Accounts receivable		\$ (143)	\$ 7	\$ (119)	\$ (216)
Inventories		(15)	(33)	87	9
Contract assets		58	64	257	65
Prepaid expenses		(35)	35	(30)	(75)
Accounts payable and accrued liabilities		112	(64)	202	126
Income and other taxes receivable and payable, net		(179)	(16)	(34)	(285)
Advance billings and customer deposits		1	(23)	17	(20)
Provisions		7	—	(110)	(36)
		<b>\$ (194)</b>	<b>\$ (30)</b>	<b>\$ 270</b>	<b>\$ (432)</b>
<b>INVESTING ACTIVITIES</b>					
<b>Cash payments for capital assets, excluding spectrum licences</b>					
Capital asset additions					
Gross capital expenditures					
Property, plant and equipment	17	\$ (757)	\$ (701)	\$ (2,052)	\$ (2,058)
Intangible assets subject to amortization	18	(157)	(164)	(481)	(463)
		<b>(914)</b>	<b>(865)</b>	<b>(2,533)</b>	<b>(2,521)</b>
Additions arising from leases	17	174	116	366	348
Additions arising from non-monetary transactions		(1)	1	5	9
Capital expenditures	5	(741)	(748)	(2,162)	(2,164)
Change in associated non-cash investing working capital		75	54	22	32
		<b>\$ (666)</b>	<b>\$ (694)</b>	<b>\$ (2,140)</b>	<b>\$ (2,132)</b>

**(b) Changes in liabilities arising from financing activities**

(millions)	Beginning of period	Statement of cash flows		Non-cash changes		End of period
		Issued or received	Redemptions, repayments or payments	Foreign exchange movement (Note 4(e))	Other	
<b>THREE-MONTH PERIOD ENDED SEPTEMBER 30, 2019</b>						
<b>Dividends payable to holders of Common Shares</b>	\$ 339	\$ —	\$ (339)	\$ —	\$ 338	\$ 338
Dividends reinvested in shares from Treasury	—	—	23	—	(23)	—
	\$ 339	\$ —	\$ (316)	\$ —	\$ 315	\$ 338
<b>Short-term borrowings</b>	\$ 100	\$ 43	\$ (42)	\$ —	\$ —	\$ 101
<b>Long-term debt</b>						
TELUS Corporation senior notes	\$ 13,715	\$ 800	\$ (1,000)	\$ 36	\$ (3)	\$ 13,548
TELUS Corporation commercial paper	293	905	(441)	3	—	760
TELUS Communications Inc. debentures	621	—	—	—	—	621
TELUS International (Cda) Inc. credit facility	396	—	(2)	5	—	399
Other	—	—	(5)	—	275	270
Lease liabilities	1,554	—	(62)	(1)	107	1,598
Derivatives used to manage currency risks arising from U.S. dollar-denominated long-term debt – liability (asset)	92	441	(439)	(39)	(153)	(98)
	16,671	2,146	(1,949)	4	226	17,098
To eliminate effect of gross settlement of derivatives used to manage currency risks arising from U.S. dollar-denominated long-term debt	—	(441)	441	—	—	—
	\$ 16,671	\$ 1,705	\$ (1,508)	\$ 4	\$ 226	\$ 17,098
<b>THREE-MONTH PERIOD ENDED SEPTEMBER 30, 2020</b>						
<b>Dividends payable to holders of Common Shares</b>	\$ 372	\$ —	\$ (372)	\$ —	\$ 374	\$ 374
Dividends reinvested in shares from Treasury	—	—	140	—	(140)	—
	\$ 372	\$ —	\$ (232)	\$ —	\$ 234	\$ 374
<b>Short-term borrowings</b>	\$ 100	\$ 15	\$ (8)	\$ —	\$ 8	\$ 115
<b>Long-term debt</b>						
TELUS Corporation senior notes	\$ 14,729	\$ —	\$ —	\$ (68)	\$ 4	\$ 14,665
TELUS Corporation commercial paper	—	427	—	—	—	427
TELUS Communications Inc. debentures	622	—	—	—	—	622
TELUS International (Cda) Inc. credit facility	1,167	—	(60)	(25)	2	1,084
Other	279	—	(122)	—	118	275
Lease liabilities	1,721	—	(90)	(2)	187	1,816
Derivatives used to manage currency risk arising from U.S. dollar-denominated long-term debt – liability (asset)	(392)	7	(13)	99	108	(191)
	18,126	434	(285)	4	419	18,698
To eliminate effect of gross settlement of derivatives used to manage currency risk arising from U.S. dollar-denominated long-term debt	—	(7)	7	—	—	—
	\$ 18,126	\$ 427	\$ (278)	\$ 4	\$ 419	\$ 18,698

(millions)	Beginning of period	Statement of cash flows		Non-cash changes		End of period
		Issued or received	Redemptions, repayments or payments	Foreign exchange movement (Note 4(e))	Other	
<b>NINE-MONTH PERIOD ENDED SEPTEMBER 30, 2019</b>						
Dividends payable to holders of Common Shares	\$ 326	\$ —	\$ (994)	\$ —	\$ 1,006	\$ 338
Dividends reinvested in shares from Treasury	—	—	68	—	(68)	—
	\$ 326	\$ —	\$ (926)	\$ —	\$ 938	\$ 338
<b>Short-term borrowings</b>	\$ 100	\$ 450	\$ (449)	\$ —	\$ —	\$ 101
<b>Long-term debt</b>						
TELUS Corporation senior notes	\$ 12,186	\$ 2,474	\$ (1,000)	\$ (86)	\$ (26)	\$ 13,548
TELUS Corporation commercial paper	774	2,806	(2,804)	(16)	—	760
TELUS Communications Inc. debentures	620	—	—	—	1	621
TELUS International (Cda) Inc. credit facility	419	13	(23)	(12)	2	399
Other	—	—	(5)	—	275	270
Lease liabilities	1,483	—	(214)	(14)	343	1,598
Derivatives used to manage currency risk arising from U.S. dollar-denominated long-term debt – liability (asset)	(73)	2,804	(2,800)	102	(131)	(98)
	15,409	8,097	(6,846)	(26)	464	17,098
To eliminate effect of gross settlement of derivatives used to manage currency risk arising from U.S. dollar-denominated long-term debt	—	(2,804)	2,804	—	—	—
	\$ 15,409	\$ 5,293	\$ (4,042)	\$ (26)	\$ 464	\$ 17,098
<b>NINE-MONTH PERIOD ENDED SEPTEMBER 30, 2020</b>						
Dividends payable to holders of Common Shares	\$ 352	\$ —	\$ (1,095)	\$ —	\$ 1,117	\$ 374
Dividends reinvested in shares from Treasury	—	—	401	—	(401)	—
	\$ 352	\$ —	\$ (694)	\$ —	\$ 716	\$ 374
<b>Short-term borrowings</b>	\$ 100	\$ 215	\$ (208)	\$ —	\$ 8	\$ 115
<b>Long-term debt</b>						
TELUS Corporation senior notes	\$ 14,479	\$ 1,000	\$ (900)	\$ 82	\$ 4	\$ 14,665
TELUS Corporation commercial paper	1,015	1,039	(1,692)	65	—	427
TELUS Communications Inc. debentures	621	—	—	—	1	622
TELUS International (Cda) Inc. credit facility	431	765	(128)	20	(4)	1,084
Other	267	—	(313)	—	321	275
Lease liabilities	1,661	—	(255)	15	395	1,816
Derivatives used to manage currency risk arising from U.S. dollar-denominated long-term debt – liability (asset)	(37)	1,706	(1,663)	(95)	(102)	(191)
	18,437	4,510	(4,951)	87	615	18,698
To eliminate effect of gross settlement of derivatives used to manage currency risk arising from U.S. dollar-denominated long-term debt	—	(1,706)	1,706	—	—	—
	\$ 18,437	\$ 2,804	\$ (3,245)	\$ 87	\$ 615	\$ 18,698