TELUS CORPORATION

Management's discussion and analysis

2023 Q1

TELUS

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 expectations regarding trends in the telecommunications industry (including demand for data and ongoing subscriber base growth), and our financing plans (including 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 other events may differ materially from expectations expressed in or implied by the forward-looking statements. Updates to the assumptions on which our 2023 outlook is based are presented in *Section 9 Update to general trends, outlook and assumptions, and regulatory developments and proceedings* in this Management's discussion and analysis (MD&A).

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

- <u>The COVID-19 pandemic</u> including its impacts on our customers, suppliers and vendors, our team members and our communities, as well as changes resulting from the pandemic to our business and operations.
- <u>Regulatory matters</u> 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 MD&A, such as the potential for government to allow consolidation of competitors in our industry or conversely for government to intervene with the intent of further increasing competition, for example, through mandated wholesale access; the potential for industry-wide competitive effects as a result of the conditions imposed by the Minister of Innovation, Science and Industry on the sale of Freedom Mobile to Videotron; the potential for additional government intervention on pricing, including internet overage charges and roaming fees; federal and provincial consumer protection legislation; new regulatory requirements enacted by the CRTC in response to a new policy direction from the Governor in Council; the introduction in Parliament of new federal privacy legislation that could materially expand or alter the scope of consumer privacy rights, include significant administrative monetary penalties and a privacy right of action, and implement a new regulatory regime for the use of artificial intelligence (AI) in the private sector, with significant enforcement powers; amendments to existing federal legislation; potential threats to unitary federal regulatory authority over communications in Canada; potential threats to the CRTC's ability to enforce competitive safeguards such as the Standstill Rule and the *Wholesale Code*, which aim to ensure the fair treatment by vertically integrated firms of rival competitors operating as both broadcasting distributors and programming services; regulatory action by the Competition Bureau or other regulatory agencies; spectrum allocation 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, use and transfer of spectrum licences, the cost and availability of spectrum and timing of spectrum allocation, and ongoing and future consultations and decisions on spectrum licensing and policy frameworks, auctions and allocation; draft legislation permitting the government to restrict the use in telecommunications networks of equipment made by specified companies, including Huawei and ZTE; draft legislation imposing new cybersecurity reporting requirements; the request by the Minister of Innovation, Science and Industry to telecommunications service providers, including TELUS, to improve network resiliency, along with CRTC proceedings to investigate network reliability and resiliency; potential limitations on international roaming fees and ancillary service fees; restrictions on non-Canadian ownership and control of the common shares of TELUS Corporation (Common Shares) and the ongoing monitoring of, and compliance with, such restrictions; unanticipated changes to the current copyright regime, which could impact obligations for internet service providers or broadcasting undertakings; our ability to comply with complex and changing regulation of the healthcare, virtual care, and medical devices industries in the jurisdictions in which we operate, including as an operator of health clinics; and risks related to the quality of care and provision of insured/uninsured services. The jurisdictions in which we operate, as well as the contracts that we enter into (particularly contracts entered into by TELUS International (Cda) Inc. (TELUS International or TI)), require us to comply with, or facilitate our clients' compliance with, numerous, complex and sometimes conflicting legal regimes, both domestically and internationally. See *TELUS International's financial performance which impacts our financial performance* below.
- <u>Competitive environment</u> including: our ability to continue to retain customers through an enhanced customer service experience that is differentiated from our competitors, including through the deployment and operation of evolving network infrastructure; intense competition, including the ability of industry competitors to successfully combine a mix of new service offerings, in some cases under one bundled and/or discounted monthly rate, along with their existing 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; continued intense competition across all services among telecommunications companies, cable companies, other communications companies and over-the-top (OTT) services, which, among other things, places pressures on current and future average revenue per subscriber per month (ARPU), cost of acquisition, cost of retention and churn rates for all services, as do

market conditions, government actions, customer usage patterns, increased data bucket sizes or flat-rate pricing trends for voice and data, inclusive rate plans for voice and data, and availability of Wi-Fi networks for data; consolidation, mergers and acquisitions of industry competitors (including the acquisition of Shaw by Rogers and associated assets divested to Videotron) as well as any related regulatory actions; subscriber additions, losses and retention volumes; our ability to obtain and offer content on a timely basis across multiple devices on mobile 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; TI's ability to compete with professional services companies that offer consulting services, information technology companies with digital capabilities, and traditional contact centre and business process outsourcing companies that are expanding their capabilities to offer higher-margin and higher-growth digital services; in our TELUS Health business, our ability to compete with other providers of employee and family assistance programs, benefits administration, electronic medical records and pharmacy management products, claims adjudicators, systems integrators and health service providers, including competitors with a vertically integrated mix of health services delivery, IT solutions and related services, global providers that could achieve expanded Canadian footprints, and providers of virtual healthcare services, preventative health services and personal emergency response services; and in our TELUS Agriculture & Consumer Goods business, our ability to compete with focused software and IoT competitors.

- Technology including: reduced utilization and increased commoditization of traditional fixed voice services (local and long distance) resulting from impacts of OTT applications and mobile substitution; a declining overall market for TV services, resulting in part from 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 with only mobile and/or internet-based telephone services; potential decline in 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, and self-installed technology solutions.

  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 continually streamline our legacy systems; the roll-out, anticipated benefits and efficiencies, and ongoing 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 and 5G wireless); 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 mobile 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 mobile 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 fixed 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, which 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 mobile technologies, including wireless small cells that can improve coverage and capacity; investments in network technology required to comply with laws and regulations relating to the security of cyber systems, including bans on the products and services of certain vendors; investments in network resiliency and reliability; the allocation of resources to acquisitions and future spectrum auctions held by Innovation, Science and Economic Development Canada (ISED), including the announcement of a second consultation on the auctioning of the 3800 MHz spectrum, which the Minister of Innovation, Science and Industry stated is expected to take place in 2023, and the millimetre wave spectrum auction, which is expected to commence in 2024. Our capital expenditure levels could be impacted if we do not achieve our targeted operational and financial results or if there are changes to our regulatory environment.

- Operational performance and business combination risks including: our reliance on legacy systems and our 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 in a timely manner to successfully complete and integrate acquisitions into our operations and culture, complete divestitures or establish partnerships 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; our ability to effectively manage the growth of our infrastructure and integrate new team members; and our reliance on third-party cloud-based computing services to deliver our IT services.

- Security and data protection including risks that malfunctions or unlawful acts could result in unauthorized access or change to, or loss or distribution of, data that may compromise the privacy of individuals and could result in financial loss and harm to our reputation and brand.

Security threats including intentional damage, unauthorized access or attempted access to our physical assets or our IT systems and network, or those of our customers or vendors, which could prevent us from providing reliable service or result in unauthorized access to our information or that of our customers.

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; technical disruptions and infrastructure breakdowns; supply chain disruptions, delays and rising costs, including as a result of government restrictions or trade actions; natural disaster threats; extreme weather events; epidemics; pandemics (including the COVID-19 pandemic); political instability in certain international locations, including war and other geopolitical developments; information security and privacy breaches, including loss or theft of data; and the completeness and effectiveness of business continuity and disaster recovery plans and responses.

- Our team including: recruitment, retention and appropriate training in a highly competitive industry (including retention of team members leading recent acquisitions in emerging areas of our business), the level of our employee engagement and impact on engagement or other aspects of our business or any unresolved collective agreements, including the future outcome of collective bargaining for new agreements with each of the Syndicat des agents de maîtrise de TELUS (SAMT) and the Syndicat québécois des employés de TELUS (SQET), following their expiry in 2022, our ability to maintain our unique culture as we grow, the risk that certain independent contractors in our business could be classified as employees, and the physical and mental health of our team, which are critical to engagement and productivity.
- Environment, health and safety including: loss of employee work time as a result of illness or injury; public concerns related to radio frequency emissions; environmental issues including climate-related risks (such as extreme weather events and other natural hazards), 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 epidemics or pandemics, including the COVID-19 pandemic and our response to it, which may add to or accentuate these factors.

  Energy use including: our ability to identify, procure and implement solutions to reduce energy consumption and adopt cleaner sources of energy; our ability to identify and make suitable investments in renewable energy, including in the form of virtual power purchase agreements; our ability to continue to realize significant absolute reductions in energy use and the resulting greenhouse gas (GHG) emissions in our operations (in part as a result of programs and initiatives focused on our buildings and network); and other risks associated with achieving our goals to achieve carbon neutrality and reduce our GHG emissions by 2030.
- Real estate matters including risks associated with our real estate investments, such as financing risks and uncertain future demand, occupancy and rental rates, especially during the COVID-19 pandemic.
- Financing, debt and dividend requirements including: our ability to carry out financing activities, refinance our maturing debt, lower our net debt to EBITDA ratio to our objective range given the cash demands of spectrum auctions, and/or our ability to maintain investment-grade credit ratings. 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 2025 and any further dividend growth programs. This program may be affected by factors such as the competitive environment, fluctuations in the Canadian economy or the global economy, 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. Common 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 our Common Shares. There can be no assurance that our dividend growth program or our NCIB will be maintained, unchanged and/or completed.
- Tax 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 depreciation and operating expenses; tax credits or other attributes; changes in tax laws, including tax rates; tax expenses that are materially different than anticipated, including the taxability of income and deductibility of tax attributes or retroactive application of new legislation; 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.
- The economy including: the state of the economy in Canada, which may be influenced by economic and other developments outside of Canada, including potential outcomes of future policies and actions of foreign governments, as well as public and private sector, responses to pandemics; expectations regarding future interest rates; inflation; unemployment levels; immigration levels; effects of volatility in oil prices; effects of low business spending (such as reducing investments and cost structure); pension investment returns and factors affecting pension benefit obligations, funding and solvency discount rates; fluctuations in exchange rates of the currencies of various countries in which we operate; sovereign credit ratings and effects on the cost of borrowing; the impact of tariffs on trade between Canada and the United States; and global implications of the dynamics of trade relationships among major world economies.

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.

- 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 exercise 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.
- Foreign operations and our ability to successfully manage operations in foreign jurisdictions, including managing risks such as currency fluctuations and exposure to various economic, international trade, political and other risks of doing business globally. See also *Section 10.3 Regulatory matters* and *TELUS International's financial performance which impacts our financial performance* in our 2022 annual MD&A.
- TELUS International's financial performance which impacts our financial performance. Factors that may affect TI's financial performance are described in TI's public filings available on SEDAR and EDGAR and may include: intense competition from companies offering similar services; attracting and retaining qualified team members to support its operations; the inelasticity of TI's labour costs relative to short-term movements in client demand could have adverse impacts on the business; TI's ability to grow and maintain profitability if changes in technology or client expectations outpace service offerings and internal tools and processes; TI maintaining its culture as it grows; effects of economic and geopolitical conditions on its clients' businesses and demand for its services; the significant portion of TI's revenue that is dependent on a limited number of large clients; continued consolidation in many of the verticals in which TI offers services resulting in potential client loss; the adverse impact on TI's business if certain independent contractors were classified as employees, and the costs associated with defending, settling or resolving any future lawsuits (including demands for arbitration) relating to the independent contractor classification; TI's ability to successfully identify, complete, integrate and realize the benefits of acquisitions and manage associated risks; cyberattacks or unauthorized disclosure resulting in access to sensitive or confidential information and data of its clients or their end customers, which could have a negative impact on its reputation and client confidence; TI's business not developing in ways it currently anticipates due to negative public reaction to offshore outsourcing, proposed legislation or otherwise; ability to meet client expectations regarding its content moderation services being adversely impacted due to factors beyond its control and its content moderation team members suffering adverse emotional or cognitive effects in the course of performing their work; and TI's short history operating as a separate, publicly traded company. TELUS International's primary functional and reporting currency is the U.S. dollar and the contribution to our consolidated results of positive results in our digitally-led customer experiences – TELUS International (DLCX) segment may be offset by any strengthening of the Canadian dollar (our reporting currency) compared to the U.S. dollar, the European euro, the Philippine peso and the currencies of other countries in which TI operates. The trading price of the subordinate voting shares of TI (TI Subordinate Voting Shares) may be volatile and is likely to fluctuate due to a number of factors beyond its control, including actual or anticipated changes in profitability; general economic, social or political developments; changes in industry conditions; changes in governance regulation; inflation; low trading volume; the general state of the securities markets; and other material events. TI may choose to publicize targets or provide other guidance regarding its business and it may not achieve such targets. Failure to do so could also result in a decline in the trading price of the TI Subordinate Voting Shares. A decline in the trading price of the TI Subordinate Voting Shares due to these or other factors could result in a decrease in the fair value of TI multiple voting shares held by TELUS.

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 2022 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 outside of our current expectations or knowledge. Additional risks and uncertainties that are 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)

May 4, 2023

Contents

1. Introduction

The forward-looking statements in this section, including, for example, estimates regarding economic growth, inflation, unemployment and housing starts, 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 period ended March 31, 2023, and should be read together with our March 31, 2023 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 and other specified 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, as required by National Instrument 52-112, *Non-GAAP and Other Financial Measures Disclosure*, 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**). Our information filed with or furnished to the Securities and Exchange Commission in the United States, including Form 40-F, is available on EDGAR (**sec.gov**). Additional information about our TELUS International (Cda) Inc. (TELUS International or TI) subsidiary, including discussion of its business and results, can be found in its public filings available on SEDAR and EDGAR.

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 May 4, 2023.

In this MD&A, unless otherwise indicated, results for the first quarter of 2023 (three-month period ended March 31, 2023) are compared with results for the first quarter of 2022 (three-month period ended March 31, 2022).

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 business operations.

TELUS technology solutions (TTech)

Across TTech, we are leveraging our leading technology and compassion to enable remarkable human outcomes. Our long-standing commitment to putting our customers first across the full range of our solutions spanning mobile, data, IP, voice, television, entertainment, video and security, delivered over our award-winning networks, has made us a distinct leader in customer service excellence and loyalty. The accolades we have earned over the years from independent, industry-leading network insight firms highlight the speed, reliability and expansiveness of our leading networks, reinforcing our commitment to provide Canadians with access to superior technology that connects us to the people, resources and information that matter most. The healthcare industry continues to move toward digitization of everyday functions within the healthcare ecosystem. We are helping Canadians and others live healthier lives by leveraging technology that enables access to health information and delivers improved health outcomes with solutions such as employer-focused healthcare. We are also developing innovative technology solutions to help feed the world, putting data to work for customers in the agriculture, food and consumer goods sectors. This efficient and effective collaboration helps ensure the quality and safety of food and consumer goods.

Digitally-led customer experiences – TELUS International (DLCX)

Technology is transforming the way businesses interact with their customers at an accelerating pace and scale and, across industries, customer experience has become a critically important competitive differentiator. DLCX clients and their customers have more information and more choices than ever before, and their expectations surrounding brand experiences and the speed at which companies must process and respond to customer interactions are changing rapidly. The proliferation of mobile devices, social media platforms and other methods of digital interaction has enabled customers to access information 24/7 and engage with companies through multiple digital channels. The COVID-19 pandemic had further accelerated the use of digital channels as the first, and sometimes only, point of customer interaction. Customers value a consistent and personalized experience across every channel when interacting with the companies that serve them. Businesses face pressure to engage with their customers across digital and human channels, and seek to do so by combining technology with an authentic human experience that demonstrates a genuine commitment to customer satisfaction.

Economic estimates

Our estimates regarding our economic and operational environment, including economic growth, inflation, unemployment and housing starts, serve as important inputs for the assumptions on which our targets are based. The extent of the impact these estimates will have on us, and the timing of that impact, will depend upon the actual outcomes in specific sectors of the Canadian economy.

	Economic growth (percentage points)		Inflation (percentage points)		Unemployment (percentage points)			Housing starts (thousands of units)		
	Estimated gross domestic product (GDP) growth rates	Our estimated GDP growth rates[1]	Estimated inflation rates	Our estimated annual inflation rates[1]	Unemployment rates		Our estimated annual unemployment rates[1]	Seasonally adjusted annual rate of housing starts[2]		Our estimated annual rate of housing starts on an unadjusted basis[1]
					For the month of			For the month of		
	2023	2023	2023	2023	March 2023[3]	March 2022[3]	2023	March 2023	March 2022	2023
Canada	**1.4**[4]	**0.9**	**3.5**[4]	**3.6**	**5.0**	5.3	**5.6**	**214**	246	**225**
B.C.	**0.4**[5]	**0.5**	**3.9**[5]	**3.6**	**4.5**	5.1	**5.2**	**52**	33	**42**
Alberta	**2.8**[5]	**1.9**	**3.3**[5]	**3.4**	**5.7**	6.5	**6.0**	**27**	32	**34**
Ontario	**0.2**[5]	**0.5**	**3.6**[5]	**3.5**	**5.1**	5.3	**5.8**	**80**	88	**80**
Quebec	**0.6**[5]	**0.4**	**3.5**[5]	**3.7**	**4.2**	4.1	**4.6**	**35**	70	**49**

1 Assumptions are as of April 14, 2023 and are based on a composite of estimates from Canadian banks and other sources.

2 Source: Statistics Canada. Table 34-10-0158-01 Canada Mortgage and Housing Corporation, housing starts, all areas, Canada and provinces, seasonally adjusted at annual rates, monthly (x 1,000).

3 Source: Statistics Canada Labour Force Survey, March 2023 and March 2022, respectively.

4 Source: Bank of Canada Monetary Policy Report, April 2023.

5 Source: British Columbia Ministry of Finance, Budget and fiscal plan, 2023/24 – 2025/26, February 28, 2023; Alberta Ministry of Treasury Board and Finance, 2023 – 26 Fiscal Plan, February 28, 2023; Ontario Ministry of Finance, 2023 Budget: Building a Strong Ontario, March 2023; and Ministère des Finances du Quebec, Budget 2023 – 2024, March 2023, respectively.

1.3 Consolidated highlights

WillowTree acquisition

On October 27, 2022, we announced a definitive agreement to acquire WillowTree, a full-service digital product provider focused on end-user experiences, such as native mobile applications and unified web interfaces. On January 3, 2023, subsequent to the satisfaction of the closing conditions, WillowTree was acquired through TELUS International and is consolidated in our DLCX segment. The acquisition brings key talent and diversity to DLCX's portfolio of next-generation solutions, and further augments its digital consulting and client-centric software development capabilities.

Collective bargaining

In October 2021, we commenced collective bargaining with the Telecommunications Workers Union, United Steelworkers Local 1944 (TWU), to renew the collective agreement that expired on December 31, 2021. In early March 2023, we reached a tentative agreement with the TWU. The tentative agreement was subject to ratification by members of the TWU. On March 17, 2023, the TWU and ourselves announced that the ratification process had been completed with a significant majority of TWU members who cast their ballots voting to accept the tentative agreement. The new four-year collective agreement with the TWU is effective from April 16, 2023 to March 31, 2027, and covers more than 6,500 team members nationally.

Long-term debt issue

On March 23, 2023, we announced an offering of $500 million of senior unsecured 4.95% Notes, Series CAJ. The notes were issued on March 28, 2023 and will mature on March 28, 2033. This is our fourth sustainability-linked bond (SLB) offering to date, issued pursuant to our SLB framework announced on June 14, 2021. This note affirms us as having the largest Canadian SLB program in the Canadian fixed income market and demonstrates our global leadership in social capitalism. The net proceeds from this offering will be used for the repayment of outstanding indebtedness, including the repayment of commercial paper and the reduction of cash amounts under an arm's-length securitization trust, and for other general corporate purposes.

Consolidated highlights

Three-month periods ended March 31 ($ millions, except footnotes and unless noted otherwise)	**2023**	2022	Change
Consolidated statements of income			
Operating revenues and other income	**4,964**	4,282	15.9%
Operating income	**599**	727	(17.6)%
Income before income taxes	**279**	548	(49.1)%
Net income	**224**	404	(44.6)%
Net income attributable to Common Shares	**217**	385	(43.6)%
Adjusted Net income[1]	**386**	415	(7.0)%
Earnings per share (EPS) ($)			
Basic EPS	**0.15**	0.28	(46.4)%
Adjusted basic EPS[1]	**0.27**	0.30	(10.0)%
Diluted EPS	**0.15**	0.28	(46.4)%
Dividends declared per Common Share ($)	**0.3511**	0.3274	7.2%
Basic weighted-average Common Shares outstanding (millions)	**1,439**	1,376	4.6%
Consolidated statements of cash flows			
Cash provided by operating activities	**761**	1,135	(33.0)%
Cash used by investing activities	**(2,333)**	(1,199)	94.6%
Acquisitions	**(1,262)**	(127)	n/m
Capital expenditures[2]	**(713)**	(833)	(14.4)%
Cash provided by financing activities	**1,475**	115	n/m
Other highlights			
Telecom subscriber connections[3] (thousands)	**18,236**	17,001	7.3%
Earnings before interest, income taxes, depreciation and amortization[1] (EBITDA)	**1,621**	1,569	3.3%
EBITDA margin[1] (%)	**32.7**	36.6	(3.9) pts.
Restructuring and other costs	**159**	39	n/m
Adjusted EBITDA[1]	**1,779**	1,608	10.7%
Adjusted EBITDA margin[1] (%)	**35.9**	37.6	(1.7) pts.
Free cash flow[1]	**535**	415	28.9%
Net debt to EBITDA – excluding restructuring and other costs[1] (times)	**3.85**	3.18	0.67

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

1 These are non-GAAP and other specified financial measures. See *Section 11.1 Non-GAAP and other specified financial measures.*

2 Capital expenditures include assets purchased, excluding right-of-use lease assets, but not yet paid for. Consequently, capital expenditures 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.

3 The sum of active mobile phone subscribers, 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. During the second quarter of 2022, we adjusted our cumulative security subscriber connections to add approximately 75,000 subscribers as a result of a business acquisition. Effective January 1, 2023, on a prospective basis, we adjusted our mobile phone and connected device subscriber bases to remove 50,000 subscribers and add 82,000 subscribers, respectively, due to a review of our subscriber bases. Effective January 1, 2023, on a prospective basis, we adjusted our internet subscriber base to add 70,000 subscribers as a result of business acquisitions.

Operating highlights

- **Consolidated Operating revenues and other income** increased by $682 million in the first quarter of 2023.

  Service revenues increased by $580 million in the first quarter of 2023. TTech service revenue growth was driven by growth in health services revenues inclusive of our acquisition of LifeWorks on September 1, 2022, higher mobile network revenues and an increase in fixed data service revenues. Increased DLCX revenues resulted from growth from expanded services for existing clients and growth from new clients, including new clients from our acquisition of WillowTree.

  Equipment revenues increased by $89 million in the first quarter of 2023, driven by higher mobile equipment revenues, in addition to growth in fixed equipment revenues.

  Other income increased by $13 million in the first quarter of 2023, reflecting a decrease in provisions arising from settlement of business acquisition-related written put options, partly offset by lower reversals of provisions for contingent consideration related to business acquisitions.

For additional details on Operating revenues and other income, see *Section 5.4 TELUS technology solutions segment* and *Section 5.5 Digitally-led customer experiences – TELUS International segment*.

- **Operating income** decreased by $128 million in the first quarter of 2023. (See *Section 5.3 Consolidated operations* for additional details.)

  EBITDA, which includes restructuring and other costs and other equity (income) losses related to real estate joint ventures, increased by $52 million in the first quarter of 2023.

  Adjusted EBITDA, which excludes restructuring and other costs and other equity income related to real estate joint ventures, increased by $171 million in the first quarter of 2023. This reflected: (i) higher mobile network revenues; (ii) increased fixed data service margins; (iii) the EBITDA contribution from our acquisition of LifeWorks on September 1, 2022; and (iv) an increase in our DLCX segment contribution, largely from the acquisition of WillowTree. These factors were partly offset by: (i) higher costs related to the scaling of our digital capabilities; (ii) merit-based compensation increases; and (iii) declining TV and fixed legacy voice margins. (See *Section 5.3 Consolidated operations* for additional details.)
- **Income before income taxes** decreased by $269 million in the first quarter of 2023 as a result of higher Financing costs and lower Operating income. The increase in Financing costs largely resulted from greater interest on long-term debt, excluding lease liabilities. (See *Financing costs* in *Section 5.3*.)
- **Income tax** expense decreased by $89 million in the first quarter of 2023. The effective income tax rate decreased from 26.3% to 19.8% in the first quarter of 2023, largely due to a lower weighted average statutory income tax rate resulting from a decreased portion of income earned in jurisdictions with higher statutory income tax rates, in addition to an increase in non-taxable amounts.
- **Net income attributable to Common Shares** decreased by $168 million in the first quarter of 2023, reflecting the after-tax impacts of lower Operating income and higher Financing costs.

  Adjusted Net income excludes the effects of restructuring and other costs, income tax-related adjustments, other equity income related to real estate joint ventures and virtual power purchase agreements unrealized change in forward element. Adjusted Net income decreased by $29 million or 7.0% in the first quarter of 2023.
- **Basic EPS** decreased by $0.13 or 46.4% in the first quarter of 2023, reflecting the after-tax impacts of lower Operating income and higher Financing costs, 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, other equity income related to real estate joint ventures and virtual power purchase agreements unrealized change in forward element. Adjusted basic EPS decreased by $0.03 or 10.0% in the first quarter of 2023.
- **Dividends declared per Common Share** were $0.3511 in the first quarter of 2023, an increase of 7.2% from one year earlier. On May 3, 2023, the Board declared a second quarter dividend of $0.3636 per share on our issued and outstanding Common Shares, payable on July 4, 2023, to shareholders of record at the close of business on June 9, 2023. The second quarter dividend increased by $0.0250 per share or 7.4% from the $0.3386 per share dividend declared one year earlier, consistent with our multi-year dividend growth program described in *Section 4.3 Liquidity and capital resources*.
- During the 12-month period ended on March 31, 2023, our total **telecom subscriber connections** increased by 1,235,000 or 7.3%. This reflected an increase of 3.8% in mobile phone subscribers, 21.5% in connected device subscribers, 9.4% in internet subscribers, 4.6% in TV subscribers and 20.5% in security subscribers, partly offset by a decline of 2.2% in residential voice subscribers. (See *Section 5.4 TELUS technology solutions segment* for additional details.)

Liquidity and capital resource highlights

- **Cash provided by operating activities** decreased by $374 million in the first quarter of 2023, primarily driven by other working capital changes and an increase in interest paid. These factors were partially offset by lower restructuring and other disbursements and growth in EBITDA. (See *Section 7.2 Cash provided by operating activities*.)
- **Cash used by investing activities** increased by $1,134 million in the first quarter of 2023, largely attributable to the acquisition of WillowTree. Capital expenditures decreased by $120 million in the first quarter of 2023, primarily due to a planned slowdown of our fibre and wireless network build consistent with 2023 build targets, when compared to accelerated investments in the first quarter of 2022. (See *Section 7.3 Cash used by investing activities*.)

- **Cash provided by financing activities** increased by $1,360 million in the first quarter of 2023, primarily reflecting an increase in our issuances of long-term debt, net of redemptions and repayment in addition to an increase in short-term borrowings. (See *Section 7.4 Cash provided by financing activities.*)
- **Net debt to EBITDA – excluding restructuring and other costs** ratio was 3.85 times at March 31, 2023, up from 3.18 times at March 31, 2022, as the effect of the increase in net debt exceeded the effect of the increase in EBITDA – excluding restructuring and other costs. As at March 31, 2023, the acquisition of spectrum licences increased the ratio by approximately 0.47 and business acquisitions over the past 12 months increased the ratio by approximately 0.32. (See *Section 4.3 Liquidity and capital resources* and *Section 7.5 Liquidity and capital resource measures.*)
- **Free cash flow** increased by $120 million in the first quarter of 2023, primarily reflecting lower capital expenditures and lower restructuring and other disbursements, partly offset by an increase in cash interest paid. 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.

2. Core business and strategy

Our core business and our strategic imperatives were described in our 2022 annual MD&A.

3. Corporate priorities for 2023

Our annual corporate priorities are used to advance our long-term strategic imperatives and address near-term opportunities and challenges. The following table provides a discussion of activities and initiatives that relate to our 2023 corporate priorities.

Elevating our customers, communities and social purpose by honouring our brand promise, Let's make the future friendly™

- In January 2023, we were named to the Corporate Knights 2023 Global 100 Most Sustainable Corporations in the World as the top North American telecommunications company ranking 37th overall; our 11th time being named since inception of the recognition in 2005.
- In February 2023, our global TELUS family announced an unprecedented $125 million in 2022 community giving, through cash, in-kind contributions, time and programs to support youth and build stronger communities. Since 2000, our extended TELUS family has provided $1.5 billion in cash, in-kind contributions, time and programs, including 2 million days of volunteering.
- Throughout the first quarter of 2023, we continued to leverage our Connecting for Good® programs to provide support for marginalized individuals. In line with our commitment to enable human connections and bridge digital divides, we have provided support for 364,000 individuals since the launch of our programs.
  - During the quarter, we welcomed 1,900 new households to our Internet for Good® program. Since we launched the program in 2016, more than 48,500 households and 155,000 low-income family members and seniors, in-need persons with disabilities and youth leaving foster care have all benefited from subsidized internet.
  - Our Mobility for Good® program offers free or subsidized smartphones and mobile phone rate plans to all youth aging out of foster care and to qualifying low-income seniors across Canada. In the quarter, we added over 1,950 youth, seniors and other marginalized individuals to the program. Since we launched Mobility for Good in 2017, the program has provided support for 45,000 persons.
  - Our Health for Good® mobile health clinics, now serving 24 communities across Canada, supported 14,000 patient visits during the quarter. Since the program's inception, we have facilitated more than 157,000 patient visits, bringing primary and mental healthcare to individuals experiencing homelessness.
    - In March 2023, we expanded our Health for Good program to support women in need of mental health services by providing free access to TELUS Health MyCare™ counselling services. Partnering with three women-focused charities – Dress for Success Vancouver, Mamas for Mamas and YWCA Metro Vancouver – we will provide over 1,000 free counselling sessions per year to women in B.C., Alberta, Saskatchewan and Ontario.
  - During the quarter, our Tech for Good® program provided access to personalized one-on-one training, support and customized recommendations on mobile devices and related assistive technology and/or access to discounted mobile plans for over 450 Canadians living with disabilities. Since the program's inception in 2017, we have provided professional assistance for nearly 7,000 Canadians living with disabilities to help them independently use or control their mobile device and the TELUS Wireless Accessibility Discount.
- We continued to help individuals stay safe in our digital world through our TELUS Wise® program. During the first three months of 2023, 45,000 individuals in Canada and beyond participated in virtual TELUS Wise workshops and events to improve digital literacy and online safety, bringing our cumulative participation to more than 600,000 individuals since the program launched in 2013.

- TELUS Friendly Future Foundation® (TFFF) and Canadian TELUS Community Boards are continuing to direct all financial support to charitable initiatives that help youth and marginalized populations. During its first quarter, TFFF had a direct impact on the lives of more than 300,000 youth by granting $2.1 million to 173 projects delivered by registered charities. Since its inception in 2018, TFFF has provided $38 million in cash donations to our communities, helping 14 million youth reach their full potential.
  - In February 2023, TFFF launched its $1 million *Livable Communities for our Youth Challenge*, providing funding to improve the lives of youth by connecting innovative entrepreneurs to Canadian charities.
- Our Canadian and global TELUS Community Boards entrust local leaders to make recommendations on the allocation of local grants. These grants support registered charities that offer health, education or technology programs that help youth thrive. Since 2005, our 19 TELUS Community Boards have contributed $102 million in cash donations to more than 9,000 initiatives, providing resources and support for underserved citizens, especially young people, around the world.
- During the first quarter of 2023, we enabled $600,000 in community giving, through cash and in-kind contributions, from our global TELUS family, our team members and customers, as well as TFFF, to support earthquake relief in Türkiye and Syria.
- During the first three months of 2023, TELUS Pollinator Fund for Good™ closed a Series A investment into Flash Forest, a Canadian reforestation company with a mission to plant one billion trees. Our Pollinator investments total $40 million across 26 socially innovative companies, with 42% led by women and 54% led by Indigenous or racialized founders since inception in 2020.
  - During the quarter, the Pollinator Fund was awarded Funder of the Year at the 2023 B.C. Cleantech Awards for supporting cleantech ventures as they grow and scale.
- We were recognized by Mediacorp Canada Inc. in the first quarter of 2023 as one of: Canada's Top Employers for Young People (2023) in January and Canada's Best Diversity Employers (2023) in March.
- Our renewable energy virtual power purchase agreements, including three solar facilities and one wind facility in Alberta, produced 80 GWh of electricity in the first quarter of 2023.
- During the ice storms in Ontario and Quebec in early April, we helped support impacted residents enabling approximately $400,000 in relief efforts through cash and in-kind contributions by distributing emergency kits with portable power suppliers and chargers as well as expediting network repairs. Additionally, we waived data overage fees, and, together with TELUS Friendly Future Foundation, also donated $25,000 cash (included above) to local food banks.

Leveraging TELUS' world-leading technology to drive superior growth across mobile, home and business services

- In independent global analytics company Opensignal's *2023 Canada Mobile Network Experience Report* released in February 2023, we were recognized as winning outright for Core Consistent Quality and Voice App Experience, and tying for first place in Excellent Consistent Quality, Games Experience, Upload Speed Experience and 4G Coverage Experience. Additionally, in Opensignal's *2023 Canada 5G Experience Report*, also released in February 2023, we won outright for 5G Video Experience and tied for first in 5G Availability, 5G Reach, 5G Games Experience and 5G Voice App Experience. These results made us Canada's most awarded network by Opensignal for the 12th consecutive time.
- In March 2023, U.S.-based PCMag published their Readers' Choice Awards 2023 and Business Choice Awards 2023 for their Best Mobile Phones and Service Providers in North America study. The awards, based entirely on reader rankings, rate overall satisfaction with major and mobile virtual network operator (MVNO) carriers in Canada. TELUS won both the Readers' Choice and Business Choice Awards for Major Carrier and Public Mobile won the Readers' Choice Award for MVNOs in Canada.
- In January 2023, we announced a partnership with the University of Windsor to launch a 5G-connected campus and commercial lab to support advanced research with 5G technology and establish the university as a go-to centre for innovation. The collaboration will support multidisciplinary research in the agriculture, advanced manufacturing, and connected and autonomous vehicles sectors.
- In February 2023, we announced a new collaboration with Amazon Web Services, Inc. (AWS) to create a new TELUS smart living solution that will use the latest advancements in cloud technologies, Internet of Things (IoT), machine learning and artificial intelligence to create automation experiences using all of a customer's connected devices. The smart living solution will reduce the complexity of installing and managing connected home devices and services from multiple vendors, device manufacturers and service providers.

Scaling our innovative digital capabilities in TELUS Health and TELUS Agriculture & Consumer Goods to build assets of consequence

TELUS Health

- In January 2023, the Canadian Centre for Agricultural Wellbeing welcomed TELUS Health as the exclusive provider for mental health services. These services will help break down barriers to mental health support for farmers who may not have considered reaching out for help before, such as when experiencing catastrophic events, as well as for farmers who do not have access to provincial and federal programming.
- In January 2023, the Canadian Men's Health Foundation (CMHF) expanded its MindFit Toolkit to support more men with anxiety and depression. CMHF is working with TELUS Health MyCare counsellors to help men and their families improve their mental wellness. MindFit Toolkit will offer men up to three virtual counselling sessions at a reduced rate or at no cost for those who qualify.
- In April 2023, TELUS Health brought virtual veterinary care to dogs and cats in Ontario with TELUS Health MyPet, a virtual

pet care platform bringing experienced local veterinarians together with dog and cat owners to provide care for a range of health issues, from nutritional management and parasite control to behavioural challenges and prescription of certain medications. This follows the initial August 2022 launch of TELUS Health MyPet in B.C.

- In April 2023, The Hazelden Betty Ford Foundation and TELUS Health announced a collaboration to expand access to substance use disorder treatment for people across the United States and Canada. The collaboration will introduce substance use disorder-specific programming to TELUS Health's AbilitiCBT solution that is currently being used by corporations, healthcare institutions and health insurance companies.

TELUS Agriculture & Consumer Goods

- In the first quarter of 2023, Ignition by TELUS, our supply chain software division, announced that it was a recipient of the Food Logistics 2022 Top Software & Technology Providers award. This award recognizes companies that aim to not only curb supply chain disruptions but also promote supply chain resilience, ensuring a safe, efficient and reliable global cold food and beverage supply chain.

Scaling our innovative digital capabilities in TELUS International to build an asset of consequence

- As described in *Section 1.3*, we closed our acquisition of WillowTree in January 2023. WillowTree, a full-service digital product provider that is focused on end-user experiences, brings key tech talent and capabilities to TELUS International's portfolio of next-generation solutions, and further augments its digital consulting and innovative client-centric software development capabilities. Additionally, WillowTree enhances TI's ability to accelerate TELUS' own ongoing digital transformation and support key product development across our business, particularly within health and agriculture and consumer goods.
- In April 2023, TI published its first stand-alone sustainability report, outlining its environmental, social and governance priorities, strategy and progress.
- TI continued to enhance its board of directors by welcoming two new directors, thereby increasing the board's diversity, increasing the number of independent directors and exceeding its goal of having 30% female representation prior to its 2023 annual general meeting of shareholders.
- For the fifth consecutive year, TI was named a winner of the 2023 Achievers 50 Most Engaged Workplaces Award. This award recognizes top employers who display leadership and innovation in employee engagement.
- For the seventh consecutive year, TI was named on IAOP's Global Outsourcing 100 list. This list reflects the best outsourcing providers across categories of size and growth, customer references, awards and certifications, programs for innovation and corporate social responsibility.

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* in our 2022 annual MD&A.

4.2 Operational resources

TELUS technology solutions (TTech)

From mid-2013 through March 31, 2023, we have invested more than $7.2 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 priority to put customers first.

Mobile data consumption has been increasing rapidly and is expected to continue growing at a fast rate as the industry transitions to 5G. We have responded by investing in the coverage, capacity, performance and reliability of our network to ensure that we are able to support additional data consumption and growth in our mobile subscriber base in a geographically diverse country, while maintaining the high quality of our network. 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 March 31, 2023, our 4G LTE technology covered 99% of Canada's population, consistent with March 31, 2022. We have continued to invest in the roll-out of our LTE advanced technology, which covered over 95% of Canada's population at March 31, 2023, consistent with one year earlier. Furthermore, our 5G network, covered approximately 83% of Canada's population at March 31, 2023, up from 74% at March 31, 2022.

We are continuing to invest in 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, including expanding our fibre footprint by connecting more homes and businesses directly to fibre in these communities. 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. Our home and business security integrates safety and security monitoring with smart devices.

Within our digital health solutions, our core areas of focus in the global marketplace are: employers (small, medium and large enterprise), payors (both insurers and public sector), providers (including physicians, clinicians, pharmacists) and consumer solutions. We offer a variety of integrated health and well-being products, solutions and services, including virtual care (comprehensive primary care, mental health support, wellness offerings for employees and individuals, pet care), remote patient monitoring and personal emergency response services, medication management (virtual pharmacy, pharmacy management systems), health records management (personal health records, electronic medical records (EMR)), claims management solutions, and the curation of health content. Upon our acquisition of LifeWorks, we expanded the global footprint of TELUS Health, primarily with respect to employer and employee-focused well-being. This includes well-being, health and productivity solutions (including employee and family assistance programs (EFAP), internet-based cognitive behavioural therapy (iCBT) and absence and disability management), corporate reward, recognition and perks programs, pension and benefits administrative solutions, and retirement and financial solutions.

Our agriculture and consumer goods solutions include agronomy record-keeping and recommendations, rebate management services, supplier management, animal health solutions, food traceability and quality assurance, cold chain tracking, data management solutions and software solutions for trade promotion management, optimization and analytics (TPx), retail execution, supply chain solutions and analytics capabilities

Digitally-led customer experiences – TELUS International (DLCX)

Our DLCX segment offers services that support the full lifecycle of our clients' digital transformation journeys. We enable our clients to more quickly embrace next-generation digital technologies to deliver better business outcomes. The solutions and services offered are relevant across multiple markets, including information technology (IT) services for digital transformation of customer experience systems and digital customer experience management.

Our DLCX segment has built an agile delivery model with global scale to support next-generation, digitally-led customer experiences. Substantially all of the delivery locations are connected through a carrier-grade infrastructure backed by cloud technologies, enabling globally distributed and virtualized teams. The interconnectedness of our DLCX teams and ability to seamlessly shift interactions between physical and digital channels enables our DLCX teams to tailor our delivery strategy to clients' evolving needs.

4.3 Liquidity and capital resources

Capital structure financial policies

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

In our definition of financial capital, we include Common equity (excluding Accumulated other comprehensive income), Non-controlling interests, 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, including those arising from securitized trade receivables.

We manage our financial 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 financial 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 (including Common Shares and TELUS International Subordinate Voting 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 financial capital utilizing a number of measures, including 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 specified financial measures*.)

Financing and capital structure management plans

Report on financing and capital structure management plans

Pay dividends to the holders of the common shares of TELUS Corporation (Common Shares) under our multi-year dividend growth program

- In May 2022, we announced our intention to target ongoing semi-annual dividend increases, with the annual increase in the range of 7 to 10% from 2023 through to the end of 2025, thereby extending the policy first announced in May 2011. Notwithstanding this target, 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 Common Share 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 2025. (See *Caution regarding forward-looking statements – 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 2025 and any further dividend growth programs* and *Section 10.14 Financing, debt and dividends* in our 2022 annual MD&A.)
- On May 3, 2023, the Board elected to declare a second quarter dividend of $0.3636 per share, payable on July 4, 2023, to shareholders of record at the close of business on June 9, 2023. The second quarter dividend for 2023 reflects a cumulative increase of $0.0250 per share or 7.4% from the $0.3386 per share dividend declared one year earlier.
- 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 DRISP. Effective with the dividends paid beginning on October 1, 2019, we offered Common Shares from Treasury at a discount of 2%. During the first quarter of 2023, for the dividends paid on January 3, 2023, our DRISP plan trustee acquired from Treasury approximately 7 million dividend reinvestment Common Shares for $184 million. For the dividends paid on April 3, 2023, the DRISP participation rate, calculated as the DRISP investment of $186 million (including the employee share purchase plan) as a percentage of gross dividends, was approximately 37%.
- TELUS International currently intends to retain all available funds and any future earnings to support operations and to finance the growth and development of its business.

Purchase Common Shares

- During the three-month period ending March 31, 2023, and up to the date of this MD&A, we did not purchase or cancel any shares pursuant to our 2023 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 $1.9 billion at March 31, 2023, all of which was denominated in U.S. dollars (US$1.4 billion), compared to $1.5 billion (US$1.1 billion) at December 31, 2022, and $1.4 billion (US$1.1 billion) at March 31, 2022.
- Net draws due to a syndicate of financial institutions (excluding TELUS Corporation) on the TI credit facility were US$1.6 billion at March 31, 2023, compared to US$689 million at December 31, 2022, and US$818 million at March 31, 2022. The TI credit facility is non-recourse to TELUS Corporation.
- Proceeds from securitized trade receivables were $589 million at March 31, 2023, compared to $100 million at both December 31, 2022 and March 31, 2022.

Maintain compliance with financial objectives

- <u>Maintain investment-grade credit ratings</u> – On May 4, 2023, investment-grade credit ratings from the four rating agencies that cover TELUS were in the desired range. (See *Section 7.8 Credit ratings*.)
- <u>Net debt to EBITDA – excluding restructuring and other costs ratio of 2.20 to 2.70 times</u> – As measured at March 31, 2023, this ratio was 3.85 times, outside of the objective range, primarily due to the acquisition of spectrum licences (as spectrum is our largest indefinite life asset) and business acquisitions. Given the cash demands of the 600 MHz auction in 2019, the 3500 MHz auction in 2021 and upcoming spectrum auctions in 2023 and 2024, the assessment of the guideline and timing of 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 the spectrum auction in 2021, and the spectrum auctions upcoming in 2023 and 2024), consistent with our long-term strategy. (See *Section 7.5 Liquidity and capital resource measures*.)
- <u>Common Share dividend payout ratio of 60 to 75% of free cash flow on a prospective basis</u> – Our objective range is on a prospective basis. The Common Share dividend payout ratio[1] we present in this MD&A is a historical measure utilizing the dividends declared in the most recent four quarters, net of dividend reinvestment plan effects, and free cash flow, and is disclosed for illustrative purposes in evaluating our target guideline. As at March 31, 2023, the ratio was 89%, outside of the objective range, primarily due to our planned accelerated capital expenditures program to support our broadband capital investments, the build-out of our TELUS PureFibre® infrastructure and the acceleration of our 5G network roll-out. Excluding the effects of our accelerated capital expenditures program of $623 million for the most recent four quarters, as at March 31, 2023, the ratio was 62%. (See *Section 7.5 Liquidity and capital resource measures*.)
- <u>Generally maintain a minimum of $1 billion in available liquidity</u> – As at March 31, 2023, our available liquidity[1] was approximately $1.8 billion. (See *Section 7.6 Credit facilities* and *Liquidity risk* in *Section 7.9*.)

1 These are non-GAAP and other specified financial measures. See *Section 11.1 Non-GAAP and other specified financial measures*.

4.4 Changes in internal control over financial reporting and limitations on scope of design

Changes in internal control over financial reporting

For the three-month period ended March 31, 2023, 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.

Limitations on scope of design

In our assessment of the scope of disclosure controls and procedures and internal control over financial reporting, we have excluded the controls, policies and procedures of LifeWorks, which was acquired on September 1, 2022, and WillowTree, which was acquired on January 3, 2023. This scope limitation is in accordance with National Instrument 52-109 *Certification of Disclosure in Issuers' Annual and Interim Filings*, which allows an issuer to limit its design of internal controls over financial reporting and disclosure controls and procedures to exclude the controls, policies and procedures of a company acquired not more than 365 days before the end of the financial period to which the certificate relates.

For the three-month period ended March 31, 2023, LifeWorks contributed revenues of $269 million and generated net loss of $53 million, based on information in source systems for the consolidated legal entity. As at March 31, 2023, LifeWorks' current assets and current liabilities represented approximately 6% and 12% of TELUS' consolidated current assets and current liabilities, respectively, while LifeWorks' non-current assets and non-current liabilities represented approximately 6% and 6% of TELUS' consolidated non-current assets and non-current liabilities, respectively, based on information in source systems.

From January 3, 2023 (the acquisition date) to March 31, 2023, WillowTree contributed revenues of $77 million and generated net loss of $28 million, such amounts as measured at the end of the period based on information in source systems for the consolidated legal entity. As at March 31, 2023, WillowTree's current assets and current liabilities represented approximately 2% and 3% of TELUS' consolidated current assets and current liabilities, respectively, while WillowTree's non-current assets and non-current liabilities represented approximately 4% and 5% of TELUS' consolidated non-current assets and non-current liabilities, respectively, based on information in source systems. The amounts recognized for the assets acquired and liabilities assumed as at the acquisition date are described in *Note 18* of the interim consolidated financial statements.

5. Discussion of operations

This section contains forward-looking statements, including those with respect to mobile phone average revenue per subscriber per month (ARPU) growth, products and services 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. See *Caution regarding forward-looking statements* at the beginning of this MD&A.

5.1 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, and in particular, Adjusted EBITDA, are regularly reviewed by a chief operating decision-maker to make resource allocation decisions and to assess performance. Effective September 1, 2022, we embarked upon the modification of our internal and external reporting processes, systems and internal controls concurrent with the acquisition and integration of LifeWorks, and correspondingly are assessing our segmented reporting structure. Segmented information in *Note 5* of the interim consolidated financial statements is regularly reported to our CEO (our chief operating decision-maker).

The TELUS technology solutions (TTech) segment includes: network revenues and equipment sales arising from mobile technologies; data revenues (which include internet protocol; television; hosting, managed information technology and cloud-based services; and home and business security); healthcare software and technology solutions (including employee and family assistance programs and benefits administration); agriculture and consumer goods services (software, data management and data analytics-driven smart-food chain and consumer goods technologies); voice and other telecommunications services revenues; and equipment sales.

The digitally-led customer experiences – TELUS International (DLCX) segment, which has the U.S. dollar as its primary functional currency, is comprised of digital customer experience and digital-enablement transformation solutions, including artificial intelligence (AI) and content management, provided by TELUS International.

5.2 Summary of consolidated quarterly results and trends

Summary of quarterly results

($ millions, except per share amounts)	**2023 Q1**	2022 Q4	2022 Q3	2022 Q2	2022 Q1	2021 Q4	2021 Q3	2021 Q2
Operating revenues and other income[1]	**4,964**	5,058	4,671	4,401	4,282	4,872	4,251	4,111
Operating expenses								
Goods and services purchased[2]	**1,803**	2,082	1,794	1,637	1,594	1,882	1,660	1,609
Employee benefits expense[2]	**1,540**	1,378	1,231	1,171	1,119	1,108	1,095	1,051
Depreciation and amortization	**1,022**	929	850	831	842	830	804	793
Total operating expenses	**4,365**	4,389	3,875	3,639	3,555	3,820	3,559	3,453
Operating income	**599**	669	796	762	727	1,052	692	658
Financing costs before long-term debt prepayment premium	**320**	322	34	97	179	192	184	203
Long-term debt prepayment premium	**—**	—	—	—	—	—	10	—
Income before income taxes	**279**	347	762	665	548	860	498	455
Income taxes	**55**	82	211	167	144	197	140	111
Net income	**224**	265	551	498	404	663	358	344
Net income attributable to Common Shares	**217**	248	514	468	385	644	345	335
Net income per Common Share:								
Basic earnings per share (EPS)	**0.15**	0.17	0.37	0.34	0.28	0.47	0.25	0.25
Adjusted basic EPS[3]	**0.27**	0.23	0.34	0.32	0.30	0.23	0.29	0.26
Diluted EPS	**0.15**	0.17	0.37	0.34	0.28	0.47	0.25	0.25
Dividends declared per Common Share	**0.3511**	0.3511	0.3386	0.3386	0.3274	0.3274	0.3162	0.3162
Additional information:								
EBITDA	**1,621**	1,598	1,646	1,593	1,569	1,882	1,496	1,451
Restructuring and other costs	**159**	94	78	29	39	44	63	38
Other equity (income) losses related to real estate joint ventures	**(1)**	(3)	—	—	—	1	—	1
Gain on disposition of financial solutions business	**—**	—	—	—	—	410	—	—
Adjusted EBITDA	**1,779**	1,689	1,724	1,622	1,608	1,517	1,559	1,490
Cash provided by operating activities	**761**	1,126	1,300	1,250	1,135	896	1,309	1,244
Free cash flow	**535**	323	331	205	415	43	203	210

1 In the fourth quarter of 2021, we recorded a gain on disposition of our financial solutions business of $410 million.

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

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

Trends

For trends discussions related to revenues, EBITDA and Adjusted EBITDA, see *Section 5.4 TELUS technology solutions segment* and *Section 5.5 Digitally-led customer experiences – TELUS International segment*.

The trend of year-over-year increases in Depreciation and amortization reflects increases related to capital assets acquired in business acquisitions; growth in capital assets in support of the expansion of our broadband footprint, including our generational investment to connect homes and businesses to TELUS PureFibre and 5G technology coverage; and growth in internet, TV and security subscriber loading. The investments in our fibre-optic technology also support our technology strategy to improve coverage and capacity, including the ongoing build-out of our 5G network.

The trend of general year-over-year increases in Financing costs reflects greater long-term debt outstanding, mainly associated with our investments in spectrum and fibre technology, as well as business acquisitions. Financing costs include a long-term debt prepayment premium of $10 million in the third quarter of 2021. Moreover, Financing costs are net of capitalized interest related to spectrum licences acquired during the 600 MHz spectrum auction, which we commenced deploying into our existing network in 2021, and during the 3500 MHz spectrum auction. Financing costs also include 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, varying amounts of interest income and, effective for the second quarter of 2022, virtual power purchase agreements unrealized change in forward element.

The trend in Net income reflects the items noted above and historically, the trend in basic EPS has reflected trends in Net income. For further discussion of trends, see *Section 5.4 TELUS technology solutions segment* and *Section 5.5 Digitally-led customer experiences – TELUS International 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 TELUS technology solutions segment* and *Section 5.5 Digitally-led customer experiences – TELUS International segment*.

Operating revenues

Three-month periods ended March 31 ($ in millions)	2023	2022	Change
Operating revenues			
Service	**4,345**	3,765	15.4%
Equipment	**580**	491	18.1%
Operating revenues (arising from contracts with customers)	**4,925**	4,256	15.7%
Other income	**39**	26	50.0%
Operating revenues and other income	**4,964**	4,282	15.9%

Consolidated Operating revenues and other income increased by $682 million in the first quarter of 2023.

- **Service revenues** increased by $580 million in the first quarter of 2023. TTech service revenue increased due to: (i) growth in health services revenues mainly driven by our acquisition of LifeWorks on September 1, 2022; (ii) higher mobile network revenues attributable to roaming revenue improvements and subscriber growth; and (iii) an increase in fixed data service revenues, resulting from subscriber growth, business acquisitions and higher revenue per internet customer. These factors were partly offset by lower TV and fixed legacy voice services revenues, primarily due to technological substitution. Growth in DLCX operating revenues resulted from expanded services for existing clients and growth from new clients, including new clients from our acquisition of WillowTree on January 3, 2023, and favourable foreign exchange impacts.
- **Equipment revenues** increased by $89 million in the first quarter of 2023, driven by higher mobile equipment revenues due to higher-value smartphones in the sales mix and increased contract volumes, in addition to growth in fixed equipment revenues resulting from higher sales of premise equipment.
- **Other income** increased by $13 million in the first quarter of 2023, reflecting a decrease in provisions arising from settlement of business acquisition-related written put options, partly offset by lower reversals of provisions for contingent consideration related to business acquisitions.

Operating expenses

Three-month periods ended March 31 ($ in millions)	2023	2022	Change
Goods and services purchased	**1,803**	1,594	13.1%
Employee benefits expense	**1,540**	1,119	37.6%
Depreciation	**640**	551	16.2%
Amortization of intangible assets	**382**	291	31.3%
Operating expenses	**4,365**	3,555	22.8%

Consolidated operating expenses increased by $810 million in the first quarter of 2023.

- **Depreciation** increased by $89 million in the first quarter of 2023, primarily due to growth in capital assets over the past 12 months, including business acquisitions and our expanded broadband footprint, as well as increased depreciation from real estate right-of-use lease asset impairments, partially offset by lower asset retirements.
- **Amortization of intangible assets** increased by $91 million in the first quarter of 2023, arising from business acquisitions and higher expenditures associated with the intangible asset base over the past 12 months.

Operating income

Three-month periods ended March 31 ($ in millions)	2023	2022	Change
TTech EBITDA[1] (see *Section 5.4*)	**1,453**	1,400	3.7%
DLCX EBITDA[1] (see *Section 5.5*)	**168**	169	(0.6)%
EBITDA	**1,621**	1,569	3.3%
Depreciation and amortization (discussed above)	**(1,022)**	(842)	21.4%
Operating income (consolidated earnings before interest and income taxes (EBIT))	**599**	727	(17.6)%

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

Operating income decreased by $128 million in the first quarter of 2023, while EBITDA increased by $52 million in the first quarter of 2023. As a partial offset to the growth drivers discussed within *Adjusted EBITDA* below, EBITDA also reflects higher restructuring and other costs of $120 million, inclusive of lump sum amounts recorded of $67 million from the ratification of the new collective agreement between the TWU and ourselves.

Adjusted EBITDA

Three-month periods ended March 31 ($ in millions)	2023	2022	Change
TTech Adjusted EBITDA[1] (see *Section 5.4*)	**1,593**	1,435	11.0%
DLCX Adjusted EBITDA[1,2] (see *Section 5.5*)	**186**	173	8.1%
Adjusted EBITDA	**1,779**	1,608	10.7%

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

2 For certain financial metrics, there are definitional differences between TELUS and TELUS International reporting. These differences largely arise from TELUS International adopting definitions consistent with practice in its industry.

Adjusted EBITDA increased by $171 million or 10.7% in the first quarter of 2023, reflecting: (i) higher mobile network revenues driven by our roaming recovery and subscriber growth; (ii) increased fixed data services margins; (iii) the EBITDA contribution from our acquisition of LifeWorks on September 1, 2022; and (iv) an increase in our DLCX segment contribution, largely from the acquisition of WillowTree. These factors were partly offset by: (i) higher costs related to business acquisitions, inclusive of a greater number of team members; (ii) higher costs related to the scaling of our digital capabilities, inclusive of increased subscription-based licences and contractor costs; (iii) merit-based compensation increases; and (iv) declining TV and fixed legacy voice margins.

Financing costs

Three-month periods ended March 31 ($ in millions)	2023	2022	Change
Interest on long-term debt, excluding lease liabilities – gross	**263**	169	55.6%
Interest on long-term debt, excluding lease liabilities – capitalized	**(2)**	(15)	(86.7)%
Interest on lease liabilities	**28**	16	75.0%
Interest on short-term borrowings and other	**3**	4	(25.0)%
Interest accretion on provisions	**8**	3	n/m
Interest expense	**300**	177	69.5%
Employee defined benefit plans net interest	**2**	2	— %
Foreign exchange losses	**4**	1	n/m
Virtual power purchase agreements unrealized change in forward element	**19**	—	n/m
Interest income	**(5)**	(1)	n/m
Financing costs	**320**	179	78.8%

Financing costs increased by $141 million in the first quarter of 2023, mainly due to the following factors:

- **Interest expense** increased by $123 million in the first quarter of 2023, resulting from:
  - Gross interest expense on long-term debt, excluding lease liabilities, increased by $94 million in the first quarter of 2023, primarily driven by an increase in average long-term debt balances outstanding, attributable in part to business acquisitions, in addition to an increase in the effective interest rate. Our weighted average interest rate on long-term debt (excluding commercial paper, TELUS bank credit facilities, the revolving components of the TI credit facility, lease liabilities and other long-term debt) was 4.18% at March 31, 2023, compared to 3.75% one year earlier. (See *Long-term debt issued and Redemptions and repayments of long-term debt* 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 3500 MHz spectrum auction held in June to July 2021 by Innovation, Science and Economic Development Canada (ISED).
  - Interest on lease liabilities increased by $12 million resulting from an increase in both lease principal and effective interest rate.
- **Virtual power purchase agreements unrealized change in forward element** represents the estimated unrealized decline recorded from our virtual power purchase agreements (VPPAs) with renewable energy projects as of March 31, 2023. We have entered into VPPAs with renewable energy projects that develop solar and wind power facilities as part of our commitment to reduce our carbon footprint.

Income taxes

Three-month periods ended March 31 ($ in millions, except tax rates)	**2023**	2022	Change
Income taxes computed at applicable statutory rates (%)	**22.5**	25.5	(3.0) pts.
Adjustments recognized in the current period for income taxes of prior periods (%)	**0.4**	—	0.4 pts.
Non-deductible amounts (%)	**(3.1)**	(0.3)	(2.8) pts.
Other (%)	**—**	1.1	(1.1) pts.
Effective tax rate (%)	**19.8**	26.3	(6.5) pts.
Income tax computed at applicable statutory rates	**63**	140	(55.0)%
Adjustments recognized in the current period for income taxes of prior periods	**1**	—	n/m
(Non-taxable) non-deductible amounts, net	**(9)**	(2)	n/m
Other	**—**	6	(100)%
Income taxes	**55**	144	(61.8)%

Total income tax expense decreased by $89 million in the first quarter of 2023. The effective tax rate decreased from 26.3% to 19.8% in the first quarter of 2023, largely due to a lower weighted average statutory income tax rate resulting from a decreased portion of income earned in jurisdictions with higher statutory income tax rates in addition to an increase in non-taxable amounts.

Comprehensive income

Three-month periods ended March 31 ($ in millions)	**2023**	2022	Change
Net income	**224**	404	(44.6)%
Other comprehensive income (net of income taxes):			
Items that may be subsequently reclassified to income	**12**	22	(45.5)%
Items never subsequently reclassified to income	**(10)**	164	n/m
Comprehensive income	**226**	590	(61.7)%

Comprehensive income decreased by $364 million in the first quarter of 2023, largely as a result of the decrease in Net income and employee defined benefit plan re-measurement amounts. 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 and changes in measurement of investment financial assets.

5.4 TELUS technology solutions segment

TTech trends and seasonality

The historical trend over the past eight quarters in mobile network revenue primarily reflects growth in our mobile phone subscriber base, as well as an increase in Internet of Things (IoT) connections. Supplementing this, the trend of mobile phone ARPU is supported by the progressive recovery of international roaming revenues from increasing travel volumes and our ameliorating domestic historical ARPU declines. Domestic historical ARPU declines were largely attributable to changing industry dynamics, as customers have been able to gain access to higher network speeds and larger allotments of data for a given price point.

Mobile equipment revenue growth has been moderating as a result of higher value smartphones in the sales mix, largely offset by overall declines in device sales volumes. Declines in mobile equipment device sales are mainly attributed to the improving durability and increasing cost of popular devices that result in customers deferring upgrades, which we have attempted to moderate through offering certified pre-owned devices and our Bring-it-Back® program, with these supply chain sustainability programs also contributing to a circular economy. The growth in our mobile phone subscriber base is attributable to: (i) the success of our promotions, including the bundling of our mobility and home services; (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, performance and reliability of our network, as well as our enhanced digital capabilities; and (iv) our relatively low churn rate, which reflects our customers first efforts and upgrade volume programs, despite increased switching activity as a result of the post-pandemic opening of retail channels.

Our connected device subscriber base has been growing, primarily in response to our expanded IoT offerings. Our spectrum investments and capital expenditures on network improvements increase capacity, reliability and coverage, allowing us to grow revenue through net additions of new mobile phone and connected devices subscribers.

Growth in our internet subscriber base has been supported by our continued investments in building out our fibre-optic infrastructure, supplemented by our relatively low customer churn rate. The total number of TV subscribers has increased (in contrast to market-reported declines in conventional television viewing habits), reflecting net subscriber additions in response to our diverse and flexible product offerings, combined with our low customer churn rate. Our security subscriber base growth is increasing as a result of organic growth and business acquisitions, including our acquisition of Vivint Smart Home, Inc. in the second quarter of 2022. Our home services growth is also attributable to the adoption of our bundling of home services, as well as the bundling of mobility and home services to meet the demand for multiple services per home. Adoption increases our services per home and positively impacts churn for most services, in addition to the effectiveness of our self-install and virtual-install models. Residential voice subscriber losses have decelerated as a result of the success of our bundled services and lower-priced offerings, as well as strong retention efforts to mitigate the ongoing substitution to mobile and internet-based services.

The trend of growing fixed data services revenues is attributable to the sustained demand for faster internet speeds and larger bandwidth, as well as our diverse suite of TV, home and business security offerings and other advanced applications, which are enabled by investments in our fibre-optic footprint. The trend of declining legacy fixed voice revenues is due to technological substitution and intensification of competition in the small and medium-sized business market; however, we are mitigating this trend with our bundled product offerings, lower-priced offerings and successful retention efforts. The migration of business product and service offerings to IP services and the entry of new competitors have yielded inherently lower margins compared to some legacy business product and service offerings; however, we are continually refining and diversifying our portfolio of innovative business offerings, which now includes managed IT services through our acquisition of Fully Managed Inc. in the first quarter of 2022.

The trend of growth in health services revenues has been propelled by the acquisition of LifeWorks in the third quarter of 2022, as well as our organic health offerings, which include: virtual care and virtual pharmacy solutions, collaborative health records, health benefits management, personal health monitoring solutions, and employee and family assistance programs and benefits administration. The LifeWorks acquisition immediately enabled the opportunity for health services to operate and grow internationally through long-standing corporate relationships globally, with notable areas of focus in employee health and wellness programs, mental and physical health solutions, pensions and benefits management, and retirement solutions. Inclusive of LifeWorks, we are well-positioned to continue improving health and wellness outcomes for people around the world. Our competencies and assets in health, combined with the trend in digitization and automation, position us well to bolster the global healthcare system in a complementary fashion. With our technology heritage, we see the trend moving the healthcare system to improved efficiency and outcomes through better insights. We also believe Canadians will have greater control of their healthcare outcomes through the integration of disparate data (better flow of information across the system) and consent-based data management. Our diversified virtual care offerings continue to grow to meet the healthcare needs of Canadians and drive better health outcomes, including the accelerated adoption of virtual consultations, as reflected in the growing number of virtual care members. Our growing number of lives covered are largely driven by the expansion of our employee and family assistance programs, in addition to our health benefits management solutions correlated with the number of benefit claims captured in our digital health transactions.

The general trend of growth in agriculture and consumer goods services is attributable to business acquisitions, as well as an expansion of our solutions and organic growth in an effort to meet the growing demand for digital solutions in the agriculture industry. Through our global team and cloud-based solutions, we are able to service our diverse client base, including growers, producers, agronomists, advisors, processors and retailers, by helping to drive more effective and agile decision-making that will address changing consumer demands, improve profitability and generate a better flow of information across the value chain. This improves the safety and sustainability of our food system, as well as the way other goods are produced, distributed and consumed.

TTech operating indicators

At March 31	**2023**	2022	Change
Subscriber connections (thousands):			
Mobile phone[1]	**9,688**	9,336	3.8%
Connected device[1]	**2,608**	2,146	21.5%
Internet[2]	**2,518**	2,301	9.4%
TV	**1,334**	1,275	4.6%
Residential voice	**1,088**	1,113	(2.2)%
Security[3]	**1,000**	830	20.5%
Total telecom subscriber connections	**18,236**	17,001	7.3%
LTE population coverage[4] (millions)	**36.7**	36.7	— %
5G population coverage[4] (millions)	**30.6**	27.4	11.7%
Three-month periods ended March 31	**2023**	2022	Change
Mobile phone gross additions (thousands):	**300**	272	10.3%
Subscriber connection net additions (losses) (thousands):			
Mobile phone	**47**	46	2.2%
Connected device	**58**	46	26.1%
Internet	**35**	30	16.7%
TV	**9**	10	(10.0)%
Residential voice	**(8)**	(10)	20.0%
Security	**22**	26	(15.4)%
Total telecom subscriber connection net additions	**163**	148	10.1%
Mobile phone ARPU, per month[5] ($)	**58.61**	56.45	3.8%
Mobile phone churn, per month[6] (%)	**0.88**	0.81	0.07 pts.
Health services (millions)			
At March 31	**2023**	2022	Change
Healthcare lives covered[7]	**67.0**	21.9	n/m
Virtual care members	**5.2**	3.3	57.6%
Three-month periods ended March 31	**2023**	2022	Change
Digital health transactions	**148.9**	139.6	6.7%

1 Effective January 1, 2023, on a prospective basis, we adjusted our mobile phone and connected device subscriber bases to remove 50,000 subscribers and add 82,000 subscribers, respectively, due to a review of our subscriber bases.

2 Effective January 1, 2023, on a prospective basis, we adjusted our internet subscriber base to add 70,000 subscribers as a result of business acquisitions.

3 During the second quarter of 2022, we adjusted our cumulative security subscriber connections to add approximately 75,000 subscribers as a result of a business acquisition.

4 Including network access agreements with other Canadian carriers.

5 This is an other specified financial measure. See *Section 11.1 Non-GAAP and other specified financial measures*. This is an industry measure useful in assessing operating performance of a mobile products and services company, but is not a measure defined under IFRS-IASB.

6 See *Section 11.2 Operating indicators*.

7 During the third quarter of 2022, we added 36.9 million healthcare lives covered as a result of the LifeWorks acquisition.

- **Mobile phone gross additions** were 300,000 in the first quarter of 2023, an increase of 28,000, driven by growth in high-value customer additions due to increased levels of retail traffic as compared to the prior year when pandemic-related restrictions were still in place, successful promotions, including bundling of our mobility and home services, and growth in the Canadian population.
- Our **mobile phone churn rate** was 0.88% in the first quarter of 2023, compared to 0.81% in the first quarter of 2022, which grew largely due to increased customer switching activity corresponding with higher levels of retail traffic as compared to the prior year when pandemic-related restrictions were still in place, in addition to increased travel-related prepaid deactivations, mitigated by our continued focus on customer retention through promotions and bundled offerings.
- **Mobile phone net additions** were 47,000 in the first quarter of 2023, an increase of 1,000, driven by higher mobile phone gross additions, partially offset by higher mobile phone churn, as described above.
- **Mobile phone ARPU** was $58.61 in the first quarter of 2023, an increase of $2.16 or 3.8%, largely due to roaming improvements as a result of increased international travel. Domestic ARPU has modestly increased as we continue to focus our efforts on driving higher-value loading, partly offset by family discounts and bundling credits offered to our customers and lower overage revenues as customers continue to adopt larger or unlimited data and voice allotments in their rate plans.

- **Connected device net additions** were 58,000 in the first quarter of 2023, an increase of 12,000, attributable to increased IoT connections, as well as sales of other connected devices, such as tablets and mobile internet.
- **Internet net additions** were 35,000 in the first quarter of 2023, an increase of 5,000, due to our success in driving strong gross additions through bundled product offerings, partly offset by a modestly higher churn rate driven by macroeconomic pressures impacting consumer purchasing decisions.
- **TV net additions** were 9,000 in the first quarter of 2023, a decrease of 1,000, due to modestly higher churn related to the same factors as internet, offset by our diverse offerings.
- **Residential voice net losses** were 8,000 in the first quarter of 2023, an improvement of 2,000, due to our bundled product and lower-priced offerings, as well as our strong retention efforts, partly offset by the substitution to mobile and internet-based services.
- **Security net additions** were 22,000 in the first quarter of 2023, a decrease of 4,000, due to higher churn related to the same factors as internet, partly offset by increased demand for our bundled product offerings and diverse suite of products and services.
- **Healthcare lives covered** were 67.0 million as of the end of the first quarter of 2023, an increase of 45.1 million over the past 12 months, mainly due to the addition of 36.9 million lives covered from our third quarter 2022 acquisition of LifeWorks, as well as healthy post-acquisition growth resulting from both new and existing clients across all of our regions. Organically, lives covered also increased due to continued demand for virtual solutions and personal health records.
- **Virtual care members** were 5.2 million as of the end of the first quarter of 2023, an increase of 1.9 million over the past 12 months, attributable to the continued adoption of virtual solutions that keep Canadians and others safely connected to health and wellness care.
- **Digital health transactions** were 148.9 million in the first quarter of 2023, an increase of 9.3 million, largely driven by increased demand for elective health services.

Operating revenues and other income – TTech segment

Three-month periods ended March 31 ($ in millions)	2023	2022	Change
Mobile network revenue	**1,697**	1,577	7.6%
Mobile equipment and other service revenues	**517**	440	17.5%
Fixed data services[1]	**1,128**	1,057	6.7%
Fixed voice services	**192**	200	(4.0)%
Fixed equipment and other service revenues	**128**	113	13.3%
Health services	**423**	140	n/m
Agriculture and consumer goods services	**84**	85	(1.2)%
Operating revenues (arising from contracts with customers)	**4,169**	3,612	15.4%
Other income	**39**	26	50.0%
External Operating revenues and other income	**4,208**	3,638	15.7%
Intersegment revenues	**4**	4	— %
TTech Operating revenues and other income	**4,212**	3,642	15.7%

1 Excludes health services and agriculture and consumer goods services.

TTech Operating revenues and other income increased by $570 million in the first quarter of 2023.

Mobile network revenue increased by $120 million or 7.6% in the first quarter of 2023, largely due to roaming revenue recovery attributed to the easing of pandemic-related restrictions, which principally started in the second quarter of 2022, bolstered by mobile phone and connected device subscriber base growth as well as contribution from higher base rate plans.

Mobile equipment and other service revenues increased by $77 million in the first quarter of 2023, largely attributable to the impact of higher-value smartphones in the sales mix and increased contract volumes.

Fixed data services revenues increased by $71 million in the first quarter of 2023. The increase was driven by: (i) an increase in our internet, security and TV subscribers; (ii) business acquisitions; and (iii) higher revenue per customer as a result of internet speed upgrades, internet rate plans with larger allotted data amounts, and rate changes. This growth was partially offset by lower TV revenue per customer, reflecting an increased mix of customers selecting smaller TV combination packages and technological substitution.

Fixed voice services revenues decreased by $8 million in the first quarter of 2023, reflecting the ongoing decline in legacy voice revenues as a result of technological substitution and price plan changes. Declines were partly mitigated by the success of our bundled product offerings, retention efforts and the migration from legacy to IP services offerings.

Fixed equipment and other service revenues increased by $15 million in the first quarter of 2023, reflecting higher sales volumes and lower discounts on business and consumer premise equipment.

Health services revenues increased by $283 million in the first quarter of 2023, driven by: (i) our acquisition of LifeWorks on September 1, 2022; (ii) the continued adoption of our virtual solutions; and (iii) growth in health benefits management services, with plan members continuing to increase their use of elective health services, partly offset by rate changes associated with a contract renewal.

Agriculture and consumer goods services revenues decreased by $1 million in the first quarter of 2023, reflecting transient headwinds, including one-time sales last year and some softness related to macroeconomic challenges, mostly offset by our diverse collection of offerings including Software-as-a-Service (SaaS)-based revenue management software for consumer goods manufacturers and animal health pharmacy and research. Our agriculture and consumer goods revenues are largely earned in U.S. dollars, and in the first quarter of 2023 compared to the first quarter of 2022, the Canadian dollar weakened against the U.S. dollar, resulting in higher reported revenues in the period.

Other income increased by $13 million in the first quarter of 2023, reflecting a decrease in provisions arising from the settlement of business acquisition-related written put options, partly offset by lower reversals of provisions for contingent consideration related to business acquisitions.

Intersegment revenues represent services provided to the DLCX segment that are eliminated upon consolidation, together with the associated DLCX expenses.

Direct contribution – TTech segment

Three-month periods ended March 31 ($ in millions)	Mobile products and services			Fixed products and services[1]			Total TTech		
	2023	2022	Change	**2023**	2022	Change	**2023**	2022	Change
REVENUES									
Service	**1,725**	1,600	7.8%	**1,864**	1,521	22.6%	**3,589**	3,121	15.0%
Equipment	**489**	417	17.3%	**91**	74	23.0%	**580**	491	18.1%
Operating revenues (arising from contracts with customers)	**2,214**	2,017	9.8%	**1,955**	1,595	22.6%	**4,169**	3,612	15.4%
EXPENSES									
Direct expenses	**656**	593	10.6%	**660**	461	43.2%	**1,316**	1,054	24.9%
Direct contribution	**1,558**	1,424	9.4%	**1,295**	1,134	14.2%	**2,853**	2,558	11.5%

1 Includes health services and agriculture and consumer goods services.

The direct expenses included in the direct contribution calculations in the preceding table represent a component of the Goods and services purchased and Employee benefits expense totals included in the table below and have been calculated in accordance with the accounting policies used to prepare the totals presented in the financial statements. TTech direct contribution increased by $295 million or 11.5% in the first quarter of 2023.

TTech mobile products and services direct contribution increased by $134 million or 9.4% in the first quarter of 2023, largely reflecting higher roaming margins associated with an increase in international travel volumes, mobile subscriber growth and higher equipment margins. These were partly offset by higher commissions attributed to increased levels of retail traffic.

TTech fixed products and services direct contribution increased by $161 million or 14.2% in the first quarter of 2023, reflecting growth in health, inclusive of business acquisitions and organic growth, as well as increased margins for internet, data and security, primarily driven by subscriber growth. These were partly offset by declining TV and legacy voice margins, principally due to technological substitution.

Operating expenses – TTech segment

Three-month periods ended March 31 ($ in millions)	**2023**	2022	Change
Goods and services purchased[1]	**1,810**	1,561	16.0%
Employee benefits expense[1]	**949**	681	39.4%
TTech operating expenses	**2,759**	2,242	23.1%

1 Includes restructuring and other costs.

TTech operating expenses increased by $517 million in the first quarter of 2023. See *TTech Adjusted EBITDA* below for further details.

EBITDA – TTech segment

Three-month periods ended March 31 ($ in millions, except margins)	2023	2022	Change
EBITDA	**1,453**	1,400	3.7%
Add restructuring and other costs included in EBITDA	**141**	35	n/m
Deduct other equity income related to real estate joint ventures	**(1)**	—	n/m
Adjusted EBITDA	**1,593**	1,435	11.0%
EBITDA margin[1] (%)	**34.5**	38.4	(3.9) pts.
Adjusted EBITDA margin[1] (%)	**37.8**	39.4	(1.6) pts.

1 These are non-GAAP and other specified financial measures. See *Section 11.1 Non-GAAP and other specified financial measures*.

TTech EBITDA increased by $53 million or 3.7% in the first quarter of 2023. As a partial offset to the growth drivers discussed within *TTech Adjusted EBITDA* below, EBITDA also reflects higher restructuring and other costs, inclusive of lump sum amounts recorded of $67 million from the ratification of the new collective agreement between the TWU and ourselves.

TTech Adjusted EBITDA increased by $158 million or 11.0% in the first quarter of 2023, reflecting an increase in direct contribution. This was partially offset by: (i) higher costs related to business acquisitions, inclusive of a greater number of team members; (ii) higher costs related to the scaling of our digital capabilities, inclusive of increased subscription-based licences and contractor costs; and (iii) merit-based compensation increases.

Adjusted EBITDA less capital expenditures – TTech segment

Three-month periods ended March 31 ($ in millions)	2023	2022	Change
Adjusted EBITDA	**1,593**	1,435	11.0%
Capital expenditures	**(693)**	(802)	(13.6)%
Adjusted EBITDA less capital expenditures[1]	**900**	633	42.2%

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

TTech Adjusted EBITDA less capital expenditures increased by $267 million in the first quarter of 2023. See *Section 7.3* for further discussion on capital expenditures.

EBIT – TTech segment

Three-month periods ended March 31 ($ in millions)	2023	2022	Change
EBITDA	**1,453**	1,400	3.7%
Depreciation	**(597)**	(514)	16.1%
Amortization	**(320)**	(245)	30.6%
EBIT[1]	**536**	641	(16.4)%

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

TTech EBIT decreased by $105 million in the first quarter of 2023. Depreciation and amortization increased, reflecting business acquisitions and growth in capital assets over the past 12 months, including our expanded fibre footprint and 5G network roll-out, in addition to higher depreciation on right-of-use lease asset impairments, partly offset by the prior period's accelerated depreciation resulting from asset retirement activity.

5.5 Digitally-led customer experiences – TELUS International segment

DLCX trends

The trend over the past eight quarters of increases in DLCX revenue reflects both the growth in our organic customer base, as well as the scale-up of new service programs provided to existing external customers. The higher revenue also includes revenue from internal services provided to the TTech segment and revenue growth from business acquisitions, including our acquisition of WillowTree on January 3, 2023.

Goods and services purchased and Employee benefits expense have increased in correspondence with increases in our team member base as a result of growing service volumes from both our existing and new customers (including the expansion of our service offerings), increases in external labour to support the growth in our digital business, increases in our software licensing costs associated with our growing subscriber base, and increases in administrative expenses and facility costs to support growth in the overall business and business acquisitions.

Depreciation and amortization have increased due to growth in our capital assets, which is supporting the expansion of our sites required to service the increased customer demand, and growth in intangible assets recognized in connection with our business acquisitions.

DLCX operating indicators

Three-month periods ended March 31 ($ in millions)	2023	2022	Change
Operating revenues by industry vertical			
Tech and games	**388**	355	9.3%
Communications and media	**207**	176	17.6%
eCommerce and fintech	**107**	100	7.0%
Banking, financial services and insurance	**60**	42	42.9%
Healthcare	**54**	15	n/m
All others[1]	**112**	71	57.7%
	928	759	22.3%
Operating revenues by geographic region			
Europe	**291**	297	(2.0)%
North America	**284**	177	60.5%
Asia-Pacific	**210**	179	17.3%
Central America	**143**	106	34.9%
	928	759	22.3%

1 All others includes, among others, travel and hospitality, retail and consumer packaged goods industry verticals.

Across all of our verticals, the reported revenue growth rates were positively impacted by the strengthening U.S. dollar to Canadian dollar movements compared to the same period in the prior year.

Revenue from our tech and games industry vertical increased by $33 million in the first quarter of 2023, due to continued growth within our existing clients and the addition of new clients, which were partially offset by lower revenue from a leading social media client. Revenue from our communications and media industry vertical increased by $31 million in the first quarter of 2023, driven primarily by more services provided to the TTech segment, growth in other telecommunication partners and the addition of new clients. Revenue from our eCommerce and fintech industry vertical increased by $7 million in the first quarter of 2023, due to growth in service volumes in eCommerce and the positive impact of foreign exchange rates, partially offset by lower service volumes from our existing fintech clients. Revenue from our banking, financial services and insurance industry vertical increased by $18 million in the first quarter of 2023, primarily driven by continued growth within our existing clients. Revenue from our healthcare industry vertical increased by $39 million in the first quarter of 2023, which was primarily due to more services provided to the TTech segment.

We serve our clients, who are primarily domiciled in North America, from multiple delivery locations across four geographic regions. In addition, our TELUS International AI Data Solutions (TIAI) clients are largely supported by crowdsourced contractors that are globally dispersed and not limited to the physical locations of our delivery centres. In general, revenue growth in each geographic region corresponds with the overall growth of the business and our consolidated revenue. The decline in revenue in our Europe region for the three-month period ended March 31, 2023 was due to lower service volumes from clients in the tech and games and eCommerce and fintech industry verticals serviced from this region, accentuated by a reduction from a leading social media client. The table above presents the revenue generated in each geographic region, based on the location of our delivery centre or where the services were provided from, for the periods presented.

Operating revenues and other income – DLCX segment

Three-month periods ended March 31 ($ in millions)	2023	2022	Change
Operating revenues (arising from contracts with customers)	**756**	644	17.4%
Intersegment revenues	**172**	115	49.6%
DLCX Operating revenues and other income	**928**	759	22.3%

DLCX Operating revenues and other income increased by $169 million in the first quarter of 2023.

Our **digital and customer experience solutions revenues** increased by $112 million in the first quarter of 2023, primarily attributable to growth in our tech and games, banking, financial services and insurance, and other industry vertical clients, arising from additional services provided to existing clients and new clients added since the prior year, including new clients from the acquisition of WillowTree. In addition, the strengthening of the U.S. dollar against the Canadian dollar resulted in a favourable foreign currency impact on our DLCX operating results. Revenues from contracts denominated in U.S. dollars, European euros and other currencies will be affected by changes in foreign exchange rates.

Intersegment revenues represent services provided to the TTech segment, including those from the TELUS master services agreement. Such revenue is eliminated upon consolidation, together with the associated TTech expenses. The increase in intersegment revenues reflects the competitive benefits TELUS derives from the lower cost structure in the DLCX segment and the significant amounts of value-generating digital, AI, telecommunications, health, and agriculture and consumer goods solutions TELUS receives, while maintaining control over the quality of the associated services delivered and not incurring the margin that a third-party vendor would require.

Operating expenses – DLCX segment

Three-month periods ended March 31 ($ in millions)	2023	2022	Change
Goods and services purchased[1]	**169**	152	11.2%
Employee benefits expense[1]	**591**	438	34.9%
DLCX operating expenses	**760**	590	28.8%

1 Includes restructuring and other costs.

DLCX operating expenses increased by $170 million in the first quarter of 2023.

EBITDA – DLCX segment

Three-month periods ended March 31 ($ in millions, except margins)	2023	2022	Change
EBITDA	**168**	169	(0.6)%
Add restructuring and other costs included in EBITDA	**18**	4	n/m
Adjusted EBITDA[1]	**186**	173	8.1%
EBITDA margin[2] (%)	**18.1**	22.2	(4.1) pts.
Adjusted EBITDA margin[2] (%)	**20.1**	22.7	(2.6) pts.

1 For certain metrics, there are definitional differences between TELUS and TELUS International reporting. These differences largely arise from TELUS International adopting definitions consistent with practice in its industry.

2 These are non-GAAP and other specified financial measures. See *Section 11.1 Non-GAAP and other specified financial measures*.

DLCX EBITDA decreased by $1 million in the first quarter of 2023. DLCX Adjusted EBITDA increased by $13 million or 8.1% in the first quarter of 2023, primarily due to the addition of WillowTree. Adjusted EBITDA margin decreased by 2.6 percentage points in the first quarter of 2023. The decrease in Adjusted EBITDA margin in the first quarter of 2023 was due to to higher service delivery costs primarily in Europe, and higher share-based compensation expense as the current quarter expense was primarily attributable to equity-accounted awards, which are not subject to mark-to-market adjustments, while the comparative first quarter of 2022 benefited from a lower average share price of TELUS International resulting in a downward mark-to-market adjustment on liability-accounted awards.

Adjusted EBITDA less capital expenditures – DLCX segment

Three-month periods ended March 31 ($ in millions)	2023	2022	Change
Adjusted EBITDA	**186**	173	8.1%
Capital expenditures	**(20)**	(31)	(35.5)%
Adjusted EBITDA less capital expenditures[1]	**166**	142	16.9%

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

DLCX Adjusted EBITDA less capital expenditures increased by $24 million in the first quarter of 2023. See *Section 7.3* for further discussion on capital expenditures.

EBIT – DLCX segment

Three-month periods ended March 31 ($ in millions)	2023	2022	Change
EBITDA	**168**	169	(0.6)%
Depreciation	**(43)**	(37)	16.2%
Amortization	**(62)**	(46)	34.8%
EBIT[1]	**63**	86	(26.7)%

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

DLCX EBIT decreased by $23 million in the first quarter of 2023, primarily due to higher amortization related to the acquisition of WillowTree and corresponding intangible assets acquired on January 3, 2023.

6. Changes in financial position

Financial position at: ($ millions)	Mar 31. 2023	Dec. 31 2022	Change	Change includes:
Current assets				
Cash and temporary investments, net	**877**	974	(97)	See *Section 7 Liquidity and capital resources*
Accounts receivable	**3,209**	3,297	(88)	An improvement in days sales outstanding primarily driven by a decrease in accounts receivable arising from receipt of vendor credits and from wireless roaming
Income and other taxes receivable	**135**	143	(8)	Instalments to date are less than the expense, as well as income tax refunds received
Inventories	**584**	537	47	An increase primarily driven by an increase in rates and volume of new handsets
Contract assets	**437**	441	(4)	Refer to description in non-current contract assets
Prepaid expenses	**758**	617	141	An increase in prepayment of maintenance contracts net of amortization, annual prepayment of statutory employee benefits and licensing fees
Current derivative assets	**71**	83	(12)	A decrease in the notional amount of currency hedging items for U.S. dollar-denominated purchases and for European euro operations purchased with U.S. Dollar denominated long-term debt.
Current liabilities				
Short-term borrowings	**593**	104	489	See *Note 22* of the interim consolidated financial statements
Accounts payable and accrued liabilities	**3,198**	3,947	(749)	A decrease primarily driven by a reduction in liabilities associated with capital expenditures, trade account payables and a decrease in payroll and other employee-related liabilities. See *Note 23* of the interim consolidated financial statements
Income and other taxes payable	**131**	112	19	Instalments to date are less than the expense
Dividends payable	**506**	502	4	Effects of an increase in the number of shares outstanding
Advance billings and customer deposits	**929**	891	38	An increase in advance billings primarily due to business growth during the period. See *Note 24* of the interim consolidated financial statements
Provisions	**208**	166	42	An increase primarily driven by employee-related provisions, partly offset by the reversal of provisions for contingent consideration related to a business acquisition
Current maturities of long-term debt	**2,511**	2,541	(30)	A decrease due to maturity of $500 million Notes, Series CJ, in March 2023, partly offset by an increase in commercial paper and draws on TELUS International credit facility
Current derivative liabilities	**8**	18	(10)	A decrease in the notional amount of hedging items.
Working capital (Current assets subtracting Current liabilities)	**(2,013)**	(2,189)	176	TELUS normally has a negative working capital position. See *Financing and capital structure management plans* in *Section 4.3* and *Note 4(c)* of the interim consolidated financial statements.

Financial position at: ($ millions)	Mar 31. 2023	Dec. 31 2022	Change	Change includes:
Non-current assets				
Property, plant and equipment, net	**17,113**	17,084	29	See *Capital expenditures* in *Section 7.3 Cash used by investing activities* and *Depreciation* in *Section 5.3 Consolidated operations*
Intangible assets, net	**20,036**	19,239	797	See *Capital expenditures* in *Section 7.3 Cash used by investing activities* and *Amortization of intangible assets* in *Section 5.3 Consolidated operations*
Goodwill, net	**10,058**	9,122	936	An increase primarily due to the acquisitions of WillowTree, and individually immaterial business acquisitions. See *Note 18* of the interim consolidated financial statements
Contract assets	**306**	320	(14)	A decrease driven by lower subsidized devices from the introduction of our TELUS Easy Payment device financing program.
Other long-term assets	**2,203**	2,203	—	—
Non-current liabilities				
Provisions	**705**	538	167	A net increase primarily driven by business acquisitions
Long-term debt	**24,055**	22,496	1,559	See *Section 7.4 Cash provided by financing activities*
Other long-term liabilities	**647**	636	11	An increase due to pension and post-employment benefit liabilities, partly offset by an increase in the notional amount of hedging items. See *Note 27* of the interim consolidated financial statements
Deferred income taxes	**4,465**	4,451	14	An increase primarily driven by business acquisitions.
Owners' equity				
Common equity	**16,607**	16,569	38	See *Consolidated statements of changes in owners' equity* in the interim consolidated financial statements
Non-controlling interests	**1,224**	1,089	135	See *Consolidated statements of changes in owners' equity* in the interim consolidated financial statements.

7. Liquidity and capital resources

This section contains forward-looking statements, including those with respect to our TELUS Corporation Common Share (Common Share) 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.

7.1 Overview

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

Cash flows

Three-month periods ended March 31 ($ millions)	2023	2022	Change
Cash provided by operating activities	**761**	1,135	(374)
Cash used by investing activities	**(2,333)**	(1,199)	(1,134)
Cash provided by financing activities	**1,475**	115	1,360
Increase (decrease) in Cash and temporary investments, net	**(97)**	51	(148)
Cash and temporary investments, net, beginning of period	**974**	723	251
Cash and temporary investments, net, end of period	**877**	774	103

7.2 Cash provided by operating activities

Analysis of changes in cash provided by operating activities

Three-month periods ended March 31 ($ millions)	**2023**	2022	Change
Operating revenues and other income (see *Section 5.3*)	**4,964**	4,282	682
Goods and services purchased (see *Section 5.3*)	**(1,803)**	(1,594)	(209)
Employee benefits expense (see *Section 5.3*)	**(1,540)**	(1,119)	(421)
Restructuring and other costs, net of disbursements	**85**	(25)	110
Net employee defined benefit plans expense	**15**	27	(12)
Employer contributions to employee defined benefit plans	**(9)**	(17)	8
Share-based compensation expense, net of payments	**43**	26	17
Unrealized change in forward element of virtual power purchase agreements (VPPAs) (see *Section 5.3*)	**19**	—	19
Interest paid	**(286)**	(180)	(106)
Interest received	**4**	1	3
Income taxes paid, net of recoveries received	**(127)**	(108)	(19)
Other operating working capital changes	**(604)**	(158)	(446)
Cash provided by operating activities	**761**	1,135	(374)

Cash provided by operating activities decreased by $374 million in the first quarter of 2023.

- Restructuring and other costs, net of disbursements, represented a net change of $110 million in the first quarter of 2023. We incurred lower restructuring and other costs disbursements net of expense, related to improving our overall cost structure and operational efficiency, which includes $67 million in lump sum amounts recorded from the ratification of the new collective agreement between the TWU and ourselves that will be paid subsequent to March 31, 2023.
- Interest paid increased by $106 million in the first quarter of 2023, largely due to: (i) the issuances of the third quarter 2022 three-tranche $2.0 billion of notes and Series CAJ notes described in *Section 7.4*; (ii) increased draws on the TELUS International (TI) credit facility; (iii) the unsecured non-revolving $1.1 billion bank credit facility maturing July 9, 2024; and (iv) increased interest paid on commercial paper, as we had more commercial paper outstanding during the first quarter of 2023 at higher interest rates.
- 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

Three-month periods ended March 31 ($ millions)	**2023**	2022	Change
Cash payments for capital assets, excluding spectrum licences	**(976)**	(1,013)	37
Cash payments for acquisitions, net	**(1,262)**	(127)	(1,135)
Advances to, and investment in, real estate joint ventures and associates	**(5)**	—	(5)
Real estate joint venture receipts	**2**	1	1
Proceeds on disposition	**—**	5	(5)
Investment in portfolio investments and other	**(92)**	(65)	(27)
Cash used by investing activities	**(2,333)**	(1,199)	(1,134)

Cash used by investing activities increased by $1,134 million in the first quarter of 2023.

- The decrease in Cash payments for capital assets, excluding spectrum licences in the first quarter of 2023 was primarily composed of:
  - Higher capital expenditure payments of $83 million in the first quarter of 2023 with respect to payment timing differences
  - A decrease in capital expenditures of $120 million (see *Capital expenditure measures* table and discussion below).
- In the first quarter of 2023, we made cash payments for the acquisition of WillowTree, as noted in *Section 1.3*, as well as individually immaterial business acquisitions that are complementary to our existing lines of business. This is compared to the first quarter of 2022, where we made cash payments for the acquisition of Fully Managed Inc. and other individually immaterial business acquisitions that were complementary to our existing lines of business.
- Investment in portfolio investments and other increased by $27 million, primarily from investments in a greater number of portfolio investments in the first quarter of 2023 and an increase of capital inventory.

Capital expenditure measures

Three-month periods ended March 31 ($ millions, except capital intensity)	2023	2022	Change
Capital expenditures[1]			
TELUS technology solutions (TTech) segment			
TTech operations	**688**	793	(13.2)%
TTech real estate development	**5**	9	(44.4)%
	693	802	(13.6)%
Digitally-led customer experiences – TELUS International (DLCX) segment	**20**	31	(35.5)%
Consolidated	**713**	833	(14.4)%
TTech segment capital expenditure intensity[2] (%)	**16**	22	(6) pts.
DLCX segment capital expenditure intensity[2] (%)	**2**	4	(2) pts.
Consolidated capital expenditure intensity[2] (%)	**14**	19	(5) pts.

1 Capital expenditures include assets purchased, excluding right-of-use lease assets, but not yet paid for. Consequently, capital expenditures 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 specified financial measures*.

Consolidated capital expenditures decreased by $120 million in the first quarter of 2023. TTech drove $109 million of this decrease, primarily due to a planned slowdown of fibre and wireless network build, which is consistent with 2023 build targets when compared to our accelerated investments in the first quarter of 2022. Our capital investments have enabled: (i) our internet, TV and security subscriber growth, as well as more premises connected to our fibre network; (ii) increased coverage of our 5G network; (iii) the expansion of our health product offerings and capabilities, including our acquisition of LifeWorks on September 1, 2022, as well as to support business integration; and (iv) enhancement of our product and digital development to increase our system capacity and reliability. By March 31, 2023, our 5G network covered over 30.6 million Canadians, representing approximately 83% of the population.

7.4 Cash provided by financing activities

Analysis of changes in cash provided by financing activities

Three-month periods ended March 31 ($ millions)	2023	2022	Change
Dividends paid to holders of Common Shares	**(318)**	(293)	(25)
Issue (repayment) of short-term borrowings, net	**489**	(6)	495
Long-term debt issued	**3,681**	2,287	1,394
Redemptions and repayment of long-term debt	**(2,372)**	(1,859)	(513)
Other	**(5)**	(14)	9
Cash provided by financing activities	**1,475**	115	1,360

Cash provided by financing activities increased by $1,360 million in the first quarter of 2023.

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 increased by $25 million in the first quarter of 2023, which reflected higher dividend rates under our dividend growth program (see *Section 4.3*) and an increase in the number of shares outstanding. This was partly offset by a higher discounted DRISP issuance. During the first quarter of 2023, our DRISP plan trustee acquired Common Shares for $184 million.

In April 2023, we paid dividends of $320 million to the holders of Common Shares and the trustee acquired dividend reinvestment Common Shares from Treasury for $186 million, totalling $506 million.

Issue (repayment) of short-term borrowings, net

In the first quarter of 2023, we drew down amounts advanced to us from an arm's-length securitization trust to finance working capital.

Long-term debt issued and Redemptions and repayment of long-term debt

In the first quarter of 2023, long-term debt issued increased by $1,394 million, while redemptions and repayment of long-term debt increased by $513 million. These changes were primarily composed of:

- A net increase in commercial paper outstanding, including foreign exchange effects, of $416 million to a balance of $1.9 billion (US$1.4 billion) at March 31, 2023, from a balance of $1.5 billion (US$1.1 billion) at December 31, 2022. Our commercial paper program, when utilized, provides lower-cost funds and is fully backstopped by the revolving credit facility (see *Section 7.6 Credit facilities*).

- An increase in net draws on the TI credit facility, including foreign exchange effects, of $1.2 billion. As at March 31, 2023, net draws due to a syndicate of financial institutions (excluding TELUS Corporation) were US$1.6 billion, whereas as at December 31, 2022, net draws were US$689 million. The increase in net draws on the TI credit facility was used to fund the acquisition of WillowTree. The TI credit facility is non-recourse to TELUS Corporation.
- The March 28, 2023 issue of $500 million of senior unsecured 4.95% Sustainability-Linked Notes, Series CAJ, maturing on March 28, 2033. The net proceeds were used for the repayment of outstanding indebtedness and other general corporate purposes.
- The repayment upon maturity of $500 million of 3.35% Notes, Series CJ due March 2023.

The average term to maturity of our long-term debt (excluding commercial paper, TELUS bank credit facilities, the revolving components of the TI credit facility, lease liabilities and other long-term debt) was 11.8 years at March 31, 2023, a decrease from 12.1 years at both December 31, 2022 and March 31, 2022. Additionally, the weighted average cost of our long-term debt (excluding commercial paper, TELUS bank credit facilities, the revolving components of the TI credit facility, lease liabilities and other long-term debt) was 4.18% at March 31, 2023, an increase from 4.03% at December 31, 2022, and an increase from 3.75% at March 31, 2022.

Other

We incurred debt issuance costs in connection with the issuance of our senior unsecured 4.95% Sustainability-Linked Notes, Series CAJ, in the first quarter of 2023 which was lesser than debt issuance costs in connection with the issuance of our senior unsecured 3.40% U.S. Dollar Sustainability-Linked Notes in the first quarter of 2022.

7.5 Liquidity and capital resource measures

Net debt was $26.3 billion at March 31, 2023, an increase of $5.3 billion compared to one year earlier, resulting mainly from: the draw-down of the unsecured non-revolving $1.1 billion bank credit facility maturing July 9, 2024; the third quarter 2022 three-tranche issuance of $2.0 billion of notes; an increase in net draws due to a syndicate of financial institutions (excluding TELUS Corporation) on the TI credit facility, which is non-recourse to TELUS Corporation; the first quarter 2023 issuance of $500 million of sustainability-linked notes, Series CAJ, as described in *Section 7.4*; the draw-down of amounts advanced to us from an arm's-length securitization trust; and an increase in commercial paper outstanding. These factors were partially offset by: the repayment upon maturities of Series 5, 9.65% debentures of TCI in the second quarter of 2022, and 3.35% Notes, Series CJ in the first quarter of 2023, respectively; and greater Cash and temporary investments.

Fixed-rate debt as a proportion of total indebtedness, which excludes lease liabilities and other long-term debt, was 80% as at March 31, 2023, down from 90% one year earlier. The decrease was primarily due to draws on the unsecured non-revolving $1.1 billion bank credit facility maturing July 9, 2024, which is classified as floating-rate debt in this calculation; an increase in net draws due to a syndicate of financial institutions (excluding TELUS Corporation) on the TI credit facility; the draw-down of amounts advanced to us from an arm's-length securitization trust; an increase in commercial paper outstanding, which is also classified as floating-rate debt in this calculation; and the repayment upon maturities of Series 5, 9.65% debentures of TCI in the second quarter of 2022 and 3.35% Notes, Series CJ in the first quarter of 2023, respectively. These factors were partially offset by: the third quarter 2022 three-tranche issuance of $2.0 billion of notes; and the first quarter 2023 issuance of $500 million of sustainability-linked notes, Series CAJ, as described in *Section 7.4*.

Our **Net debt to EBITDA – excluding restructuring and other costs** ratio supports our financial objective of maintaining investment-grade credit ratings, which facilitates reasonable access to capital. This ratio was 3.85 times, as measured at March 31, 2023, up from 3.18 times one year earlier. As at March 31, 2023, this ratio remains outside of the long-term objective range of 2.20 to 2.70 times, resulting from prior issuances of incremental debt, primarily due to the acquisition of spectrum licences (as spectrum is our largest indefinite life asset) and business acquisitions, partially offset by growth in EBITDA – excluding restructuring and other costs. As at March 31, 2023, the acquisition of spectrum licences increased the ratio by approximately 0.47 and business acquisitions over the past 12 months increased the ratio by approximately 0.32. Our recent acquisitions of spectrum licences have increased our national spectrum holdings and represent an investment to extend our network capacity to support continuing growth in demand for data, as well as growth in our mobile subscriber base. Given the cash demands of the 600 MHz auction in 2019, the 3500 MHz auction in 2021 and upcoming spectrum auctions in 2023 and 2024, the assessment of the guideline and timing of 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 the spectrum auction in 2021, and the spectrum auctions upcoming in 2023 and 2024), 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 March 31, 2023 (see *Section 7.6 Credit facilities*).

Liquidity and capital resource measures

As at, or for the 12-month periods ended, March 31	2023	2022	Change
Components of debt and coverage ratios ($ millions)			
Long-term debt	**26,566**	21,319	5,247
Net debt[1]	**26,250**	20,960	5,290
Net income	**1,538**	1,769	(231)
EBITDA – excluding restructuring and other costs[1]	**6,818**	6,582	236
Financing costs	**773**	768	5
Net interest cost[1]	**956**	764	192
Debt ratios			
Fixed-rate debt as a proportion of total indebtedness (excluding lease liabilities and other long-term debt) (%)	**80**	90	(10) pts.
Average term to maturity of long-term debt (excluding commercial paper, TELUS bank credit facilities, the revolving components of the TI credit facility, lease liabilities and other long-term debt) (years)	**11.8**	12.1	(0.3)
Weighted average interest rate on long-term debt (excluding commercial paper, TELUS bank credit facilities, the revolving components of the TI credit facility, lease liabilities and other long-term debt) (%)	**4.18**	3.75	0.43 pts.
Net debt to EBITDA – excluding restructuring and other costs[1] (times)	**3.85**	3.18	0.67
Coverage ratios[1] (times)			
Earnings coverage	**3.1**	4.0	(0.9)
EBITDA – excluding restructuring and other costs interest coverage	**7.1**	8.6	(1.5)
Other measures[1] (%)			
Determined using most comparable IFRS-IASB measures			
Ratio of Common Share dividends declared to cash provided by operating activities less capital expenditures	**180**	187	(7) pts.
Determined using management measures			
Common Share dividend payout ratio – net of dividend reinvestment plan effects	**89**	129	(40) pts.

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

Earnings coverage ratio for the 12-month period ended March 31, 2023 was 3.1 times, down from 4.0 times one year earlier. A decrease in income before borrowing costs and income taxes decreased the ratio by 0.2, while an increase in borrowing costs decreased the ratio by 0.7.

EBITDA – excluding restructuring and other costs interest coverage ratio for the 12-month period ended March 31, 2023 was 7.1 times, down from 8.6 times one year earlier. Growth in EBITDA – excluding restructuring and other costs increased the ratio by 0.3 and an increase in net interest costs decreased the ratio by 1.8.

Common Share dividend payout ratios: Actual Common Share dividend payout decisions will continue to be subject to our Board's assessment of our financial position and outlook, as well as our long-term Common Share dividend payout objective range of 60 to 75% of prospective free cash flow. So as to be consistent with the way we manage our business, our Common Share dividend payout ratio is presented as a historical measure calculated as the sum of the dividends declared in the most recent four quarters for Common Shares, as recorded in the financial statements, net of dividend reinvestment plan effects, divided by the sum of the most recent four quarters' free cash flow amounts for interim reporting periods. For fiscal years, the denominator is annual free cash flow. The historical measure for the 12-month period ended March 31, 2023 is presented for illustrative purposes in evaluating our target guideline. As at March 31, 2023, the ratio was outside of the objective range, primarily due to our planned accelerated capital expenditures program to support our broadband capital investments, the build-out of our TELUS PureFibre infrastructure and the acceleration of our 5G network roll-out. Excluding the effects of our accelerated capital expenditures program of $623 million for the four most recent quarters, as at March 31, 2023, the ratio was 62%.

TI intends to retain all available funds and any future earnings to support operations and to finance the growth and development of its business.

7.6 Credit facilities

At March 31, 2023, we had $876 million of liquidity available from the TELUS revolving credit facility and $408 million of liquidity available from the TI credit facility with a syndicate of financial institutions (excluding TELUS Corporation). We are well within our objective of generally maintaining at least $1 billion of available liquidity.

TELUS credit facilities

We have a $2.75 billion (or U.S. dollar equivalent) unsecured revolving credit facility with a syndicate of financial institutions, expiring April 6, 2026. The revolving credit facility is used for general corporate purposes, including the backstop of commercial paper, as required. As at March 31, 2023, we had an unsecured non-revolving $1.1 billion bank credit facility, maturing July 9, 2024, with a syndicate of financial institutions, which is to be used for general corporate purposes. As at March 31, 2022, we had drawn $1.1 billion on the non-revolving bank credit facility, with an effective average interest rate of 5.5% through April 2023.

TELUS revolving credit facility at March 31, 2023

($ millions)	Expiry	Size	Drawn	Outstanding undrawn letters of credit	Backstop for commercial paper program	Available liquidity
Revolving credit facility[1]	April 6, 2026	2,750	—	—	(1,874)	876

1 Canadian dollars or U.S. dollar equivalent.

Our credit facilities contain 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 March 31, 2023, our consolidated leverage ratio was 3.85 to 1.00 and our consolidated coverage ratio was 7.13 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 are substantially similar other than the covenant includes in EBITDA the unrealized effects of non-currency risk-related derivative financial instruments that are held for trading (see *Note 4(d)* of the interim consolidated financial statements). 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 equivalent amount at any one time of $2.0 billion (US$1.5 billion maximum) as at March 31, 2023. 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 credit facility

As at March 31, 2023, TELUS International (Cda) Inc. had a credit facility, secured by its assets, expiring on January 3, 2028, with a syndicate of financial institutions, including TELUS Corporation. The TI credit facility is comprised of revolving components totalling US$800 million (TELUS Corporation as approximately 7.2% lender) and amortizing term loan components totalling US$1.2 billion (TELUS Corporation as approximately 7.2% lender). The TI credit facility is non-recourse to TELUS Corporation. The outstanding revolving components and term loan components had a weighted average interest rate of 6.9% as at March 31, 2023.

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

Other letter of credit facilities

At March 31, 2023, we had $120 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 revolving bank credit facility. Available liquidity under various uncommitted letters of credit facilities was $185 million at March 31, 2023.

Other long-term debt

Other liabilities bear interest at 3.4%, are secured by the AWS-4 spectrum licences associated with these other liabilities and a real estate holding, and are subject to amortization schedules, so that the principal is repaid over the periods to maturity, the last period ending March 31, 2035.

7.7 Sale of trade receivables

TCI, 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 currently able to sell an interest in certain trade receivables for an amount up to a maximum of $600 million. The agreement is in effect until December 31, 2024, and available liquidity was $11 million as at March 31, 2023. (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.

TCI is required to maintain a credit rating of at least 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 May 4, 2023.

7.8 Credit ratings

In February 2023, Moody's Investor Service downgraded TELUS Corporation's issuer rating and the rating of our senior unsecured notes to Baa2 (stable outlook) from Baa1.

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.

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* in our 2022 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 March 31, 2023, TELUS Corporation could offer an unlimited amount of securities in Canada, and US$3.5 billion of securities in the U.S., qualified pursuant to a Canadian shelf prospectus that is in effect until September 2024. TI has a Canadian shelf prospectus that is in effect until May 2024 under which an unlimited amount of debt or equity securities could be offered.

As at March 31, 2023, we had $876 million of liquidity available from the TELUS revolving credit facility and $408 million of liquidity available from the TI credit facility with a syndicate of financial institutions (excluding TELUS Corporation) (see *Section 7.6 Credit facilities*). Excluding the TI credit facility and including cash and temporary investments of $877 million, we had available liquidity of approximately $1.8 billion at March 31, 2023 (see *Section 11.1 Non-GAAP and other specified financial measures*). 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 March 31, 2023, our contractual commitments related to the acquisition of Property, plant and equipment were $267 million through to December 31, 2027, as compared to $275 million over a period ending December 31, 2027 reported as at December 31, 2022 and did not materially change.

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 mobile 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 mobile 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(a)* of the interim consolidated financial statements.

7.10 Outstanding share information

Outstanding shares (millions)	March 31, 2023	April 30, 2023
Common Shares	1,440	1,447
Common Share options	3	2
Restricted share units – equity-settled	11	12

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 Team. Total compensation expense for key management personnel was $24 million in the first quarter of 2023, compared to $27 million in the first quarter of 2022. See *Note 30(a)* of the interim consolidated financial statements for additional details.

Transactions with defined benefit pension plans

We provided our defined benefit pension plans with management and administrative services on a cost recovery basis and actuarial services on an arm's-length basis. Charges for these services were immaterial.

Transactions with real estate joint venture

In the first quarter of 2023, 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. The new-build tower was completed in 2020.

For the TELUS Sky real estate joint venture, commitments and contingent liabilities include 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 July 15, 2023. We have entered into lease agreements with the TELUS Sky real estate joint venture.

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, 2022. 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 and classification of income and expense during the reporting period. Actual results could differ from those estimates. Our critical accounting estimates and significant judgments are generally discussed with the Audit Committee each quarter and are described in *Section 8.1* in our 2022 annual MD&A, which is hereby incorporated by reference.

8.2 Accounting policy developments

Our accounting policy developments were discussed in *Section 8.2 Accounting policy developments* in our 2022 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 for our 2023 outlook, as described in *Section 9* in our 2022 annual MD&A, remain the same, except for the following:

- Our revised estimates for 2023 economic growth in Canada, B.C., Alberta, Ontario and Quebec are 0.9%, 0.5%, 1.9%, 0.5% and 0.4%, respectively (compared to 0.6%, 0.4%, 1.5%, 0.3% and 0.5%, respectively, as reported in our 2022 annual MD&A).
- Our revised estimates for 2023 annual inflation rates in Canada, B.C., Alberta and Ontario are 3.6%, 3.6%, 3.4% and 3.5%, respectively (compared to 3.7%, 3.7%, 3.8% and 3.6%, respectively, as reported in our 2022 annual MD&A).
- Our revised estimates for 2023 annual unemployment rates in Canada, B.C., Alberta, Ontario and Quebec are 5.6%, 5.2%, 6.0%, 5.8% and 4.6%, respectively (compared to 6.1%, 5.6%, 5.9%, 6.6% and 5.5%, respectively, as reported in our 2022 annual MD&A).
- Our revised estimates for 2023 annual rates of housing starts on an unadjusted basis in Canada, B.C., Alberta, Ontario and Quebec are 225,000 units, 42,000 units, 34,000 units, 80,000 units and 49,000 units, respectively (compared to 212,000 units, 34,000 units, 31,000 units, 71,000 units and 50,000 units, respectively, as reported in our 2022 annual MD&A).

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 operations of our health business are also subject to various federal and provincial health laws and regulations, as well as policies, guidelines and directives issued by regulatory and administrative bodies. See *Section 10.3 Regulatory matters* in our 2022 annual MD&A.

The following is a summary of certain significant communications industry regulatory developments and proceedings relevant to our telecommunications 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* in our 2022 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.

Spectrum transfer moratorium and review of the spectrum transfer framework

On March 31, 2023, the Minister of Innovation, Science and Industry announced a moratorium on high-impact transfers of spectrum licences in commercial mobile bands. "High-impact" transfers are those that would have a significant effect on the ability of telecommunications service providers to offer wireless services in Canada. The Minister also directed ISED to launch a comprehensive review of Canada's spectrum transfer framework, with the moratorium expiring once a new framework comes into effect. No details were released about when the framework review would take place, or when a new framework will be implemented. There is a risk that this moratorium could have a material impact on us depending on how long it remains in place.

Decision on amendments to SRSP-520, Technical requirements for fixed and/or mobile systems, including flexible use broadband systems, in the band 3450-3650 MHz

On November 18, 2021, ISED issued its decision on amendments to the 3500 MHz technical requirements due to its concern that 5G equipment operating on 3500 MHz spectrum may have the potential to cause interference with radio altimeters on aircraft. The decision included limiting use in areas around major airports and restricting the transmission of energy above the horizon. On December 19, 2022, ISED issued a Consultation on SRSP-520, issue 3 and RSS-192, issue 5, on further changes to the technical requirement for the 3500 MHz and 3800 MHz bands, including updates to the radio altimeter protection issue based on the results of new studies. There is a risk that this decision could have a material impact on TELUS depending on how long it remains in application.

mmWave spectrum auction 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. On June 6, 2022, ISED issued its Consultation on a Policy and Licensing Framework for Spectrum in the 26, 28 and 38 GHz bands, which is the first step in setting the auction framework rules, including competitive measures for these mmWave bands. 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 spectrum. ISED maintains its projection that the mmWave auction will commence in 2024.

3800 MHz spectrum auction to support 5G

The 3800 MHz spectrum band is seen as an extension to the 3500 MHz band. On May 21, 2021, ISED released its *Decision on the Technical and Policy Framework for the 3650-4200 MHz Band and Changes to the Frequency Allocation of the 3500-3650 MHz Band*, which will make 250 MHz of spectrum available for auction. The 3800 MHz spectrum will only be cleared and available by March 2025 in urban areas and March 2027 in many rural areas. Certain rural areas (in Northwest Territories, Yukon and Nunavut, and northern parts of British Columbia, Alberta, Saskatchewan, Manitoba, Ontario, Quebec and Newfoundland and Labrador) are still deemed satellite-dependent and this spectrum is considered encumbered for mobile use in these areas. On June 30, 2022, ISED released its *Decision on a Policy and Licensing Framework for Spectrum in the 3800 MHz Band*, which defines the auction rules and conditions of licence for the 3800 MHz band. The auction framework includes a 100 MHz cap across the 3500 MHz and 3800 MHz bands and unlike previous auctions, it does not include set-asides. In 38 of the 172 licence areas, only 50 MHz of unencumbered spectrum is available and the remaining 200 MHz will be encumbered by coexistence with satellite earth stations. The limited amount of unencumbered spectrum may impact our ability to acquire an adequate quantity of 3800 MHz band spectrum in satellite-dependent areas. The deadline for receipt of applications and financial deposits for participation in the 3800 MHz spectrum auction is July 25, 2023. Auction bidding is scheduled to start October 24, 2023.

Regulatory and federal government reviews

The CRTC and the federal government have initiated public proceedings to review various matters. A number of key proceedings are discussed below.

Acquisition of Shaw by Rogers approved

In March 2021, Rogers Communications Inc. and Shaw Communications Inc. announced their agreement for Rogers to acquire Shaw. Subsequently, Rogers and Shaw announced a transaction to divest Shaw's Freedom Mobile assets to Quebecor Inc.'s Videotron. In addition to approval by shareholders of Shaw, the acquisition required approvals by the Competition Bureau, the CRTC and the Minister of Innovation, Science and Industry. The CRTC issued its approval on March 24, 2022. The Commissioner of Competition brought an application to the Competition Tribunal to block the transaction in May 2022. The Commissioner's application was dismissed on December 31, 2022 and his appeal was dismissed by the Federal Court of Appeal on January 24, 2023. On March 31, 2023, the Minister issued his decision approving the transfer of Shaw's spectrum licenses to Videotron. The approval is subject to 21 conditions as prescribed in written undertakings by Rogers and Videotron. Having received all necessary approvals, the parties closed the transaction on April 3, 2023.

We will respond as appropriate to the new commercial and competitive environment borne out of both the Rogers-Shaw merger and the entry of Videotron into the broader Canadian market.

Review of the wholesale high-speed access service framework

On March 8, 2023, the CRTC issued Review of the wholesale high-speed access service framework, Telecom Notice of Consultation CRTC 2023-56. The Notice of Consultation first creates a rate reduction by requiring incumbent carriers to revise their rates to reflect a 10% decrease in the costs of traffic-sensitive components. The Notice of Consultation then seeks comment on a number of issues, including whether wholesale access to fibre-to-the-premises (FTTP) service should be offered on an aggregated basis and whether any further regulation, including retail regulation is warranted. The Notice of Consultation further expresses the CRTC's preliminary view that incumbents should be required to provide an interim aggregated wholesale FTTP service pending the disposition of the consultation. To that effect, the CRTC required incumbent carriers to file cost studies and proposed rates for an interim aggregated wholesale FTTP service by April 24, 2023. The CRTC has also provided a series of comment periods, both for the interim aggregated wholesale FTTP service and the remaining issues in the consultation. The consultation is scheduled to conclude with an oral hearing at a date to be fixed. Until the CRTC releases its decisions in this matter, it is too early to determine the impact of this proceeding on us.

Review of mobile wireless services

On April 15, 2021, the CRTC released its decision in the *Wireless Regulatory Framework Review*. The CRTC determined that Bell, Rogers, TELUS and SaskTel must provide wholesale mobile virtual network operator (MVNO) access to facilities-based regional wireless providers in areas where those providers hold a mobile wireless spectrum licence. MVNO access is based on commercially negotiated rates and will be phased out after seven years. On October 25, 2022, the CRTC released Telecom Decision CRTC 2022-288, where it made determinations on the draft terms and conditions of the MVNO tariffs of Bell, Rogers and TELUS, and required the carriers to update their respective tariffs for Commission approval. Bell, Rogers and TELUS are required to have MVNO service operational within 30 days of final Commission tariff approval. Companies desiring MVNO access are entitled to commence negotiations as of the date of the decision and the CRTC expects that the first MVNO agreements are to be completed within 90 days of final tariff approval. We are working to implement the new MVNO and other requirements, including updating our domestic roaming tariff to include the provision of seamless roaming. The impact of this decision on us will be dependent on the commercial rates that are negotiated for MVNO access.

We were also granted leave to appeal two determinations from this decision to the Federal Court of Appeal: (i) the requirement for the national mobile carriers, including us, to offer seamless roaming as an additional condition under which the existing mandated wholesale roaming service must be offered; and (ii) the ruling that sections 43 and 44 of the *Telecommunications Act* do not provide the CRTC with jurisdiction to adjudicate disputes involving mobile wireless transmission facilities. The appeal was heard in December 2022 and was dismissed on April 13, 2023.

Consultation on amending the CRTC MVNO mandate to include additional retail market segments

On March 1, 2023, the CRTC issued *Facilities-based wholesale mobile virtual network operator (MVNO) access tariffs – Considering the inclusion of additional retail market segments*, Telecom Notice of Consultation CRTC 2023-48. In this consultation, the CRTC is soliciting comments on whether the wholesale MVNO framework should be broadened to include enterprise, Internet of Things (IoT) and machine-to-machine service. Until the CRTC issues a decision in this consultation, it is too early to determine its impact on us.

Application to seek a review of domestic wholesale roaming rates

On May 19, 2022, Bragg Communications Inc., Cogeco Communications Inc., Videotron Ltd., Xplornet Communications Inc. and Xplore Mobile Inc. filed a joint application to the CRTC seeking a review of the tariffed rates currently charged by Rogers, Bell and TELUS for domestic wholesale roaming, claiming that the current rates are no longer just and reasonable. We have filed an answer to this application demonstrating why such a review is not warranted at this time and the CRTC has since issued requests for information to wireless services providers. The impact of this application is dependent upon whether the CRTC decides to undertake a review of mandated roaming rates and to what extent there are any changes for current tariffed rates.

New policy direction to CRTC

On February 9, 2023, the Governor in Council issued a new policy direction to the CRTC. The new direction repeals the two previously existing policy directions but incorporates much of the language that the 2019 policy direction contained, including requirements concerning competition, investment and affordability. The new policy direction also requires the CRTC to take certain steps, including to mandate the provision of aggregated wholesale high-speed internet access until there is sufficient competition to no longer require it, as well as to consider extending the seven-year time period during which users of the CRTC's MVNO mandate are required to build their own facilities. Because the new policy direction is limited under the *Telecommunications Act* to providing directions of a general application to the CRTC on broad policy matters, it does not independently create any new obligations or risk for us. However, its directions on wholesale access and affordability may lead the CRTC to design or implement policies that could affect our business in the future.

New draft cybersecurity legislation

On June 14, 2022, the federal government introduced Bill C-26, *An Act respecting cyber security, amending the Telecommunications Act and making consequential amendments to other Acts*. The legislation would amend the *Telecommunications Act*, among other things, to allow the Governor in Council to prohibit telecommunications service providers from using equipment from designated companies in their networks. In practice, this will allow the federal government to ban the use of Huawei and ZTE equipment in our network and impose penalties for non-compliance. The Minister of Innovation, Science and Industry stated that the government intends to use its powers under Bill C-26, if passed, to, among other things, require the removal of existing Huawei and ZTE 5G equipment by June 28, 2024. The legislation would also create a new statute, the *Critical Cyber Systems Protection Act* (CCSPA). The CCSPA would require designated federally regulated corporations to maintain cybersecurity plans, impose reporting requirements and impose penalties for non-compliance. Bill C-26 received second reading on March 27, 2023. If we are ultimately subject to an order requiring us to remove a significant amount of equipment from our network, the effect could be material.

Government of Canada and CRTC activities to improve Canadian network resiliency

As a result of a July 8, 2022 Rogers network outage, on July 11, 2022, the Minister of Innovation, Science and Industry held a meeting with representatives of Bell, Eastlink, Rogers, SaskTel, Shaw, Videotron and TELUS to discuss improving the resiliency of networks across Canada. The Minister requested that these carriers enter into a formal agreement to ensure mutual assistance during any future outages, emergency roaming and communications protocols to ensure that the public and authorities are well informed during future network disruptions. A memorandum of understanding (MOU) on these issues was signed by various carriers, including TELUS, with an effective date of September 9, 2022. Among other things, the MOU requires that wireless service providers with overlapping network coverage areas sign reciprocal emergency roaming agreements within nine months of September 9, 2022.

On February 22, 2023, the CRTC issued *Call for comments – Development of a regulatory framework to improve network reliability and resiliency – Mandatory notification and reporting about major telecommunications service outages*, Telecom Notice of Consultation CRTC 2023-39, in which it sought comments on a notification and reporting regime for major service outages. In addition, the Commission mandated the implementation of an interim notification and reporting regime for major service outages while the consultation is ongoing. We implemented the interim regime on March 8, 2023, and are also participating in the consultation. ISED is also conducting further steps via the Canadian Security Telecommunications Advisory Committee (CSTAC) to examine network resiliency. The Canadian Telecommunications Network Resiliency Working Group under CSTAC released its non-binding best practices document in March 2023. We continue to fully participate in all follow-up initiatives as required. It is too early to determine if these initiatives will have a material impact until they are concluded.

Nova Scotia 911 legislation

In November 2022, Nova Scotia passed amendments to the *Emergency 911 Act* and the *Emergency Management Act* that, among other things, require telecommunications service providers to take certain actions to prevent certain outages, to inform stakeholders, and to refund customers in the case of certain outages. These amendments have received royal assent but have not been proclaimed into force. Most of the obligations of telecommunications service providers are to be set out in regulations, which have yet to be made by the Governor in Council. Until the regulations are made, it is too early to determine the impact of this legislation 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 sought 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. The record of the proceeding is now closed and we anticipate a decision this year. It is too early to determine the impact of the proceeding on us.

CRTC proceeding regarding access to poles owned by Canadian carriers

On February 15, 2023, the CRTC issued *Regulatory measures to make access to poles owned or controlled by Canadian carriers more efficient*, Telecom Regulatory Policy CRTC 2023-31, following a lengthy review that began in 2020. Among other things, the decision preserves the ability of support structure owners to reserve spare pole capacity with no express time limit; implements a "one touch make ready" regime; sets out a timeline for owners to reply to access requests; and obligates owners to assume the cost of pre-existing corrective work.

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. It is too early to determine the impact of the proceeding on us.

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

On June 14, 2021, the CRTC issued Telecom Decision CRTC 2021-199, *Establishment of new deadlines for Canada's transition to next-generation 9-1-1* (NG9-1-1), where the CRTC stipulated revised implementation for NG9-1-1 service in Canada. The CRTC directed NG9-1-1 network providers, including us, to establish their NG9-1-1 networks, complete all NG9-1-1 production onboarding activities, and be ready to provide NG9-1-1 voice service by transiting live NG9-1-1 traffic, wherever public safety answering points have been established in a particular region, by March 1, 2022. Consistent with this directive, we are now transiting live NG9-1-1 traffic over our NG9-1-1 network, but full implementation of NG9-1-1 in our NG9-1-1 territory is contingent on interconnections with 9-1-1 call centres, and such implementation is dependent upon local government authorities. We continue our work to fully implement NG9-1-1.

Development of a network-level blocking framework to limit botnet traffic

On June 23, 2022, the CRTC released *Development of a network-level blocking framework to limit botnet traffic and strengthen Canadians' online safety*, Compliance and Enforcement and Telecom Decision CRTC 2022-170. The Commission has asked its technical working group, the CRTC Interconnection Steering Committee, to examine the issue and produce a report within nine months about how internet service providers (ISPs) can implement network blocking of malicious botnet traffic. Parties will have an opportunity to comment on the report prior to the Commission rendering any further determinations. The outcome is not expected to be material.

Federal private sector privacy bill proposes to repeal and replace the Personal Information Protection and Electronic Documents Act

On June 16, 2022, Bill C-27 was introduced and received first reading in the House of Commons. The *Digital Charter Implementation Act, 2022* proposes to enact the *Consumer Privacy Protection Act* (replacing the existing private sector privacy legislation and implementing new consumer privacy rights, enhanced enforcement powers and a private right of action), the *Personal Information and Data Protection Tribunal Act* (a new adjudicative body to provide independent oversight on enforcement activities by the regulator) and the *Artificial Intelligence and Data Act* (a new regulatory regime for the use of AI in the private sector, using a risk-based framework supported by extensive enforcement powers). The bill proposes significant changes to federal privacy legislation in Canada; however, until the bill is passed in its final form, we are unable to determine the materiality of the proposed changes.

Amendments to Quebec's public and private sector privacy law

On September 22, 2021, *An Act to modernize legislative provisions as regards the protection of personal information*, received assent. Extensive new requirements governing the collection, use and disclosure of the personal information of individuals in Quebec will be phased in over three years (September 2022 to September 2024). The Act also creates a new enforcement regime with significant criminal fines and administrative monetary penalties for certain infractions and a private right of action with minimum statutory punitive damages. The full impact of the Act is not yet known because some key provisions, such as those relating to artificial intelligence, have to be further elaborated through government regulations and interpretive guidance from the regulator. The materiality of the change cannot be fully assessed at this time.

Ontario introduces bill to change handling of personal health information

On April 14, 2022, the *Pandemic and Emergency Preparedness Act, 2022* received royal assent. The Act amends the *Personal Health Information Protection Act* to empower the government to make regulations specifying the following: acceptable electronic formats for access rights to personal health information (PHI); the circumstances persons or entities may collect, use and disclose PHI; the security requirements; the disclosure requirements; and additional categories of persons or entities, who can collect, use or disclose PHI. The materiality of the change cannot be fully assessed before the regulations are available.

Proposed subsidy increases for Northwestel

On November 2, 2020, the CRTC initiated the first phase of a review of its regulatory framework for Northwestel Inc. and the state of telecommunications services in Canada's North in Telecom Notice of Consultation CRTC 2020-367. On January 20, 2021, a number of interveners proposed large subsidy increases to Northwestel and other companies providing service in Canada's North. On June 8, 2022, the CRTC released Telecom Notice of Consultation CRTC 2022-147 initiating the second phase of this review, leaving open the potential for subsidy increases. On October 24, 2022, the CRTC added three TELUS communities (High Level, Alberta, Atlin, B.C. and Fort St. John, B.C.) to the scope of the proceeding. A decision is unlikely before 2024. The impact of this proceeding is not expected to be material.

Consultation on amendments to the Competition Act

In February 2022, ISED announced its intention to undertake a review of the *Competition Act*, beginning with immediate, targeted amendments to the Act. The targeted amendments received royal assent on June 23, 2022 and included: (i) addition of a new provision to protect workers from agreements between employers that fix wages and restrict job mobility; (ii) addition of a new provision regarding "drip pricing" to both the civil and criminal prohibition on false or misleading representations; (iii) addition of an expanded list of factors to be considered when assessing the competitive impact of mergers, business practices and competitor collaborations; (iv) amendments to clarify an "anti-competitive act" for abuse of dominance; (v) amendments to provide access by private parties to the Competition Tribunal if they are directly and substantially affected by the conduct of another party; and (vi) introduction of an anti-avoidance provision to the notifiable transactions provisions of the *Competition Act*.

In November 2022, ISED commenced a consultation seeking input on further amendments to the *Competition Act*. The further consultations were commenced by the issuance of a discussion paper entitled *The Future of Competition Policy in Canada,* released in November 2022, soliciting feedback from the public until March 31, 2023. ISED has outlined five areas of focus for the consultation: (i) merger review; (ii) unilateral conduct; (iii) competitor collaborations; (iv) deceptive marketing; and (v) administration and enforcement of the law. We filed comments setting out our views on these topics in response.

Broadcasting and content-related issues

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 Bill C-10 to amend the *Broadcasting Act*. On June 21, 2021, Senate debate of Bill C-10 was cut short upon the proroguing of Parliament and the calling of the federal election. On February 2, 2022, the government introduced Bill C-11, which is largely the same as its predecessor Bill C-10, that seeks to: bring streaming services that operate over the internet expressly within the scope of the *Broadcasting Act*; 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 for Canadian content going forward. Bill C-11 is currently awaiting final approval at the House of Commons, having passed third reading at the Senate in early February 2023. Until Bill C-11 is finalized, and the CRTC provides clarity on how it intends to implement the new legislation, it is too early to determine if it will have a material impact on us.

Review of the Copyright Act and consultations on copyright reform to address specific issues

The *Copyright Act*'s last statutorily mandated review was launched in 2017 and resulted in reports from the Standing Committee on Industry, Science and Technology and the Standing Committee on Canadian Heritage being presented to the House of Commons in the summer of 2019. The parliamentary review led to further government consultations (described below) launched in 2021 to explore specific issues raised during the review, such as how to modernize the copyright framework for online intermediary liability, AI and IoT. The timeline for potential changes to the *Copyright Act* is uncertain, although the next statutorily mandated review was supposed to be launched in 2022 and it is unclear whether or how this might impact the timeline for comprehensive copyright reform legislation. In the meantime, the federal government has made smaller changes to the *Copyright Act*, such as the inclusion in the 2022 budget of proposed amendments to extend the term of copyright by 20 years, which was required to satisfy Canada's obligations under the Canada-United States-Mexico Agreement. The policy approach for copyright has traditionally been based on a balance between the rights of copyright owners and user rights, and as a result, the impact of this proceeding is not expected to be material.

On April 14, 2021, ISED announced the launch of a consultation to modernize the copyright framework for online intermediaries. The consultation builds on the work done in 2018 and 2019 as part of the parliamentary review of the *Copyright Act*. ISED sought comments on a broad range of issues, including the role of intermediaries in policing online copyright infringement, how to remunerate rights holders for the use of their content on online platforms, and what types of enforcement tools (such as website-blocking orders) should be available against intermediaries. We participated in this consultation and filed joint comments with other ISPs on May 31, 2021. Among other things, the comments advocated for a continuation of existing government policy that provides ISPs with unconditional safe harbour protection for the potentially infringing activities of their customers. It is too early to tell whether this consultation will have a material impact on us.

On July 19, 2021, the government announced a consultation to modernize the copyright framework applicable to AI and IoT. The government's objectives were to support innovation and investment in AI and other digital and emerging technologies, support Canada's cultural industries and preserve the incentive to create and invest provided by the economic rights set out in the Act, and support competition and marketplace needs regarding IoT devices and other software-enabled products. We participated in this consultation and filed joint comments with other ISPs on September 17, 2021. Among other things, the joint comments advocated that no changes should be made to the *Copyright Act* that would unduly burden or create potential liability risks for ISPs. Similar to the broader *Copyright Act* review, the impact of this proceeding is not expected to be material.

Consultation on the government's proposed approach to address harmful content online

On July 29, 2021, the government launched a consultation on its proposed approach to address harmful content online. The government's proposals largely target social media and content platforms, but a few proposals would also have impacted ISPs. Accordingly, we participated in this consultation and filed joint comments with other ISPs on September 25, 2021. Among other things, the joint comments advocated that the legal framework for addressing harmful online content should not create undue obligations or liability for telecommunications carriers, and that requirements to block access to content online or to provide subscriber information should continue to require judicial orders. In March 2022, the government established an expert advisory group on online safety, with a mandate to provide the Minister of Canadian Heritage with advice on how to design the legislative and regulatory framework to address harmful content online and how to best incorporate the feedback received during the national consultation held from July to September 2021. Following the publication of the group's report, the government conducted further consultations with stakeholder groups regarding the advice it received from the expert advisory group. The government has indicated it expects to table a bill to address online harms in 2023. The impact of this consultation is not expected to be material.

10. Risks and risk management

The principal risks and uncertainties that could affect our future business results and associated risk mitigation activities were described in our 2022 annual MD&A and have not materially changed since December 31, 2022, except for the ratification of the new collective agreement between the TWU and ourselves as further described in *Section 1.3* and *Note 29(b)* of the interim consolidated financial statements. 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.

11. Definitions and reconciliations

11.1 Non-GAAP and other specified 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. For certain financial metrics, there are definitional differences between TELUS and TELUS International reporting. These differences largely arise from TELUS International adopting definitions consistent with practice in its industry. 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 (EPS): These are non-GAAP measures that do not have any standardized meaning prescribed by IFRS-IASB and are therefore unlikely to be comparable to similar measures presented by other issuers. Adjusted Net income excludes the effects of restructuring and other costs, income tax-related adjustments, other equity (income) losses related to real estate joint ventures, long-term debt prepayment premium and other adjustments (identified in the following tables). Adjusted basic EPS is calculated as adjusted net income divided by the basic weighted-average number of Common Shares outstanding. These measures are used to evaluate performance at a consolidated level and exclude items that, in management's view, may obscure underlying trends in business performance or items of an unusual nature that do not reflect our ongoing operations. They should not be considered alternatives to Net income and basic EPS in measuring TELUS' performance.

Reconciliation of adjusted Net income

Three-month periods ended March 31 ($ millions)	2023	2022	Change
Net income attributable to Common Shares	**217**	385	(168)
Add (deduct) amounts net of amount attributable to non-controlling interests:			
Restructuring and other costs	**149**	37	112
Tax effect of restructuring and other costs	**(32)**	(8)	(24)
Real estate rationalization-related restructuring impairments	**52**	1	51
Tax effect of real estate rationalization-related restructuring impairments	**(14)**	—	(14)
Income tax-related adjustments	**1**	—	1
Other equity income related to real estate joint ventures	**(1)**	—	(1)
Virtual power purchase agreements unrealized change in forward element	**19**	—	19
Tax effect of virtual power purchase agreements unrealized change in forward element	**(5)**	—	(5)
Adjusted Net income	**386**	415	(29)

Reconciliation of adjusted basic EPS

Three-month periods ended March 31 ($)	2023	2022	Change
Basic EPS	**0.15**	0.28	(0.13)
Add (deduct) amounts net of amount attributable to non-controlling interests:			
Restructuring and other costs, per share	**0.10**	0.03	0.07
Tax effect of restructuring and other costs, per share	**(0.02)**	(0.01)	(0.01)
Real estate rationalization-related restructuring impairments, per share	**0.04**	—	0.04
Tax effect of real estate rationalization-related restructuring impairments, per share	**(0.01)**	—	(0.01)
Virtual power purchase agreements unrealized change in forward element, per share	**0.01**	—	0.01
Adjusted basic EPS	**0.27**	0.30	(0.03)

Available liquidity: This is a non-GAAP measure that does not have any standardized meaning prescribed by IFRS-IASB and is therefore unlikely to be comparable to similar measures presented by other issuers. Available liquidity is calculated as the sum of Cash and temporary investments, net, amounts available from the revolving credit facility and amounts available under our trade receivables securitization program measured at the end of the period. We believe this to be a useful measure because it allows us to monitor compliance with our financial objectives. It should not be considered as an alternative to Cash and temporary investments, net in measuring TELUS' performance.

Available liquidity reconciliation

As at March 31 ($ millions)	2023	2022
Cash and temporary investments, net	**877**	774
Net amounts available from the TELUS Corporation revolving credit facility	**876**	1,336
Amounts available under trade receivables securitization program	**11**	500
Available liquidity[1]	**1,764**	2,610

1 Excludes available liquidity from the unsecured non-revolving $1.1 billion bank credit facility.

Capital expenditure intensity: This measure is calculated as capital expenditures excluding real estate development divided by Operating revenues and other income. It provides a basis for comparing the level of capital expenditures to those of other companies of varying size within the same industry.

Calculation of Capital expenditure intensity

Three-month periods ended March 31 ($ millions, except ratio)	TTech 2023	TTech 2022	DLCX 2023	DLCX 2022	Eliminations 2023	Eliminations 2022	Total 2023	Total 2022
Capital expenditures excluding real estate development	**688**	793	**20**	31	**—**	—	**708**	824
Denominator – Operating revenues and other income	**4,212**	3,642	**928**	759	**(176)**	(119)	**4,964**	4,282
Capital expenditure intensity (%)	**16**	22	**2**	4	**n/m**	n/m	**14**	19

TELUS Corporation Common Share (Common Share) dividend payout ratio: This is a historical measure calculated as the sum of the most recent four quarterly dividends declared, as recorded 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 TELUS Corporation Common Share dividend payout ratio is on a prospective basis, rather than on a trailing basis. (See *Section 4.3 Liquidity and capital resources* and *Section 7.5 Liquidity and capital resource measures.*)

Calculation of ratio of Common Share dividends declared to cash provided by operating activities less capital expenditures
Determined using most comparable IFRS-IASB measures

For the 12-month periods ended March 31 ($ millions, except ratio)	2023	2022
Numerator – Sum of the last four quarterly dividends declared	**1,955**	1,757
Cash provided by operating activities	**4,437**	4,584
Less:		
Capital expenditures	**(3,352)**	(3,646)
Denominator – Cash provided by operating activities less capital expenditures	**1,085**	938
Ratio (%)	**180**	187

Calculation of Common Share dividend payout ratio, net of dividend reinvestment plan effects
Determined using management measures

For the 12-month periods ended March 31 ($ millions, except ratio)	2023	2022
Sum of the last four quarterly dividends declared	**1,955**	1,757
Sum of the amounts of the last four quarterly dividends declared reinvested in Common Shares	**(712)**	(631)
Numerator – Sum of the last four quarterly dividends declared, net of dividend reinvestment plan effects	**1,243**	1,126
Denominator – Free cash flow[1]	**1,394**	871
Ratio (%)	**89**	129

1 Reflects the impacts of our accelerated capital program announced on March 25, 2021.

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

For the 12-month periods ended March 31 ($ millions, except ratio)	2023	2022
Net income attributable to Common Shares	**1,447**	1,709
Income taxes (attributable to Common Shares)	**491**	551
Borrowing costs (attributable to Common Shares)[1]	**937**	749
Numerator	**2,875**	3,009
Denominator – Borrowing costs	**937**	749
Ratio (times)	**3.1**	4.0

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 as 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 and other income 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.

EBIT (earnings before interest and income taxes) is calculated for our reportable segments because we believe it is a meaningful indicator of our operating performance, as it represents our earnings from operations before costs of capital structure and income taxes.

EBITDA and Adjusted EBITDA reconciliations

	TTech		**DLCX**		**Total**	
Three-month periods ended March 31 ($ millions)	**2023**	2022	**2023**	2022	**2023**	2022
Net income					**224**	404
Financing costs					**320**	179
Income taxes					**55**	144
EBIT	**536**	641	**63**	86	**599**	727
Depreciation	**597**	514	**43**	37	**640**	551
Amortization of intangible assets	**320**	245	**62**	46	**382**	291
EBITDA	**1,453**	1,400	**168**	169	**1,621**	1,569
Add restructuring and other costs included in EBITDA	**141**	35	**18**	4	**159**	39
EBITDA – excluding restructuring and other costs	**1,594**	1,435	**186**	173	**1,780**	1,608
Other equity income related to real estate joint ventures	**(1)**	—	**—**	—	**(1)**	—
Adjusted EBITDA	**1,593**	1,435	**186**	173	**1,779**	1,608

Adjusted EBITDA less capital expenditures is calculated for our reportable segments, as it represents a simple cash flow view that may be more comparable to other issuers.

Adjusted EBITDA less capital expenditures reconciliation

	TTech		**DLCX**		**Total**	
Three-month periods ended March 31 ($ millions)	**2023**	2022	**2023**	2022	**2023**	2022
Adjusted EBITDA	**1,593**	1,435	**186**	173	**1,779**	1,608
Capital expenditures	**(693)**	(802)	**(20)**	(31)	**(713)**	(833)
Adjusted EBITDA less capital expenditures	**900**	633	**166**	142	**1,066**	775

We calculate **EBITDA margin** and **Adjusted EBITDA margin** to evaluate the performance of our operating segments and we believe these measures are also used by investors as indicators of a company's operating performance. We calculate EBITDA margin as EBITDA divided by Operating revenues and other income. Adjusted EBITDA margin is a non-GAAP ratio that 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 calculate Adjusted EBITDA margin as Adjusted EBITDA divided by adjusted Operating revenues and other income.

Calculation of EBITDA margin

Three-month periods ended March 31	**TTech**		**DLCX**		**Eliminations**		**Total**	
($ millions, except margin)	**2023**	2022	**2023**	2022	**2023**	2022	**2023**	2022
Numerator – EBITDA	**1,453**	1,400	**168**	169	**—**	—	**1,621**	1,569
Denominator – Operating revenues and other income	**4,212**	3,642	**928**	759	**(176)**	(119)	**4,964**	4,282
EBITDA margin (%)	**34.5**	38.4	**18.1**	22.2	**n/m**	n/m	**32.7**	36.6

Calculation of Adjusted EBITDA margin

Three-month periods ended March 31 ($ millions, except margin)	TTech **2023**	 2022	DLCX **2023**	 2022	Eliminations **2023**	 2022	Total **2023**	 2022
Numerator – Adjusted EBITDA	**1,593**	1,435	**186**	173	**—**	—	**1,779**	1,608
Adjusted Operating revenues and other income:								
Operating revenues and other income	**4,212**	3,642	**928**	759	**(176)**	(119)	**4,964**	4,282
Other equity income related to real estate joint ventures	**(1)**	—	**—**	—	**—**	—	**(1)**	—
Denominator – Adjusted Operating revenues and other income	**4,211**	3,642	**928**	759	**(176)**	(119)	**4,963**	4,282
Adjusted EBITDA margin (%)	**37.8**	39.4	**20.1**	22.7	**n/m**	n/m	**35.9**	37.6

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. It is similar to the coverage ratio covenant in our credit facilities, as described in *Section 7.6 Credit facilities*.

Calculation of EBITDA – excluding restructuring and other costs interest coverage

For the 12-month periods ended March 31 ($ millions, except ratio)	**2023**	2022
Numerator – EBITDA – excluding restructuring and other costs	**6,818**	6,582
Denominator – Net interest cost	**956**	764
Ratio (times)	**7.1**	8.6

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 as an alternative to the measures in the condensed interim 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 condensed interim consolidated statements of cash flows. It provides an indication of how much cash generated by operations is available after capital expenditures that may be used to, among other things, pay dividends, repay debt, purchase shares or make other investments. We exclude impacts of accounting standards 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

Three-month periods ended March 31 ($ millions)	**2023**	2022
EBITDA	**1,621**	1,569
Restructuring and other costs, net of disbursements	**85**	(25)
Effects of contract asset, acquisition and fulfilment (IFRS 15 impact) and TELUS Easy Payment® device financing	**32**	78
Effects of lease principal (IFRS 16 impact)	**(130)**	(123)
Items from the condensed interim consolidated statements of cash flows:		
Share-based compensation, net	**43**	26
Net employee defined benefit plans expense	**15**	27
Employer contributions to employee defined benefit plans	**(9)**	(17)
Interest paid	**(286)**	(180)
Interest received	**4**	1
Capital expenditures[1]	**(713)**	(833)
Free cash flow before income taxes	**662**	523
Income taxes paid, net of refunds	**(127)**	(108)
Free cash flow	**535**	415

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

Three-month periods ended March 31 ($ millions)	2023	2022
Free cash flow	**535**	415
Add (deduct):		
Capital expenditures[1]	**713**	833
Effects of lease principal and leases accounted for as finance leases prior to adoption of IFRS 16	**130**	123
Individually immaterial items included in Net income neither providing nor using cash	**(617)**	(236)
Cash provided by operating activities	**761**	1,135

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

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.

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.

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*.

Calculation of Net debt to EBITDA – excluding restructuring and other costs

For the 12-month periods ended March 31 ($ millions, except ratio)	2023	2022
Numerator – Net debt	**26,250**	20,960
Denominator – EBITDA – excluding restructuring and other costs	**6,818**	6,582
Ratio (times)	**3.85**	3.18

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, virtual power purchase agreements unrealized change in forward element, 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.

Calculation of Net interest cost

For the 12-month periods ended March 31 ($ millions)	2023	2022
Financing costs	**773**	768
Deduct employee defined benefit plans net interest	**(8)**	(22)
Add interest on long-term debt, excluding lease liabilities – capitalized	**17**	18
Add virtual power purchase agreements unrealized change in forward element	**174**	—
Net interest cost	**956**	764

11.2 Operating indicators

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

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.

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

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

Internet subscriber means a subscriber on an active TELUS internet plan with a recurring revenue-generating unit where TELUS provides internet connectivity.

Residential voice subscriber means a subscriber on an active TELUS phone plan with a recurring revenue-generating unit where TELUS provides voice service.

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

TV subscriber means a subscriber on an active TELUS TV plan with a recurring revenue-generating subscription for video services from a TELUS TV platform.

Healthcare lives covered means the number of users (primary members and their dependents) enrolled in various health programs supported by TELUS Health services (e.g. virtual care, health benefits management, preventative care, personal health security, and employee and family assistance programs). It is probable that some members and their dependents will be a user of multiple TELUS Health services.

Virtual care member means primary enrolment to receive services on an active TELUS Health virtual care plan.

Digital health transactions mean the total number of health claims, dental claims, consultations or other paid transactions facilitated by TELUS Health services.

TELUS CORPORATION

CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

(UNAUDITED)

MARCH 31, 2023

condensed interim consolidated statements of income and other comprehensive income (unaudited)

Periods ended March 31 (millions except per share amounts)	Note	Three months 2023	2022
OPERATING REVENUES			
Service		**$ 4,345**	$ 3,765
Equipment		**580**	491
Operating revenues (arising from contracts with customers)	*6*	**4,925**	4,256
Other income	*7*	**39**	26
Operating revenues and other income		**4,964**	4,282
OPERATING EXPENSES			
Goods and services purchased	*16*	**1,803**	1,594
Employee benefits expense	*8, 16*	**1,540**	1,119
Depreciation	*17*	**640**	551
Amortization of intangible assets	*18*	**382**	291
		4,365	3,555
OPERATING INCOME		**599**	727
Financing costs	*9*	**320**	179
INCOME BEFORE INCOME TAXES		**279**	548
Income taxes	*10*	**55**	144
NET INCOME		**224**	404
OTHER COMPREHENSIVE INCOME (LOSS)	*11*		
Items that may subsequently be reclassified to income			
Change in unrealized fair value of derivatives designated as cash flow hedges		**(19)**	89
Foreign currency translation adjustment arising from translating financial statements of foreign operations		**31**	(67)
		12	22
Items never subsequently reclassified to income			
Change in measurement of investment financial assets		**(6)**	5
Employee defined benefit plan re-measurements		**(4)**	159
		(10)	164
		2	186
COMPREHENSIVE INCOME		**$ 226**	$ 590
NET INCOME ATTRIBUTABLE TO:			
Common Shares		**$ 217**	$ 385
Non-controlling interests		**7**	19
		$ 224	$ 404
COMPREHENSIVE INCOME ATTRIBUTABLE TO:			
Common Shares		**$ 211**	$ 591
Non-controlling interests		**15**	(1)
		$ 226	$ 590
NET INCOME PER COMMON SHARE	*12*		
Basic		**$ 0.15**	$ 0.28
Diluted		**$ 0.15**	$ 0.28
TOTAL WEIGHTED AVERAGE COMMON SHARES OUTSTANDING			
Basic		**1,439**	1,376
Diluted		**1,440**	1,380

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

As at (millions)	Note	March 31, 2023	December 31, 2022
ASSETS			
Current assets			
Cash and temporary investments, net		**$ 877**	$ 974
Accounts receivable	*6(b)*	**3,209**	3,297
Income and other taxes receivable		**135**	143
Inventories	*1(b)*	**584**	537
Contract assets	*6(c)*	**437**	441
Prepaid expenses	*20*	**758**	617
Current derivative assets	*4(d)*	**71**	83
		6,071	6,092
Non-current assets			
Property, plant and equipment, net	*17*	**17,113**	17,084
Intangible assets, net	*18*	**20,036**	19,239
Goodwill, net	*18*	**10,058**	9,122
Contract assets	*6(c)*	**306**	320
Other long-term assets	*20*	**2,203**	2,203
		49,716	47,968
		$ 55,787	$ 54,060
LIABILITIES AND OWNERS' EQUITY			
Current liabilities			
Short-term borrowings	*22*	**$ 593**	$ 104
Accounts payable and accrued liabilities	*23*	**3,198**	3,947
Income and other taxes payable		**131**	112
Dividends payable	*13*	**506**	502
Advance billings and customer deposits	*24*	**929**	891
Provisions	*25*	**208**	166
Current maturities of long-term debt	*26*	**2,511**	2,541
Current derivative liabilities	*4(d)*	**8**	18
		8,084	8,281
Non-current liabilities			
Provisions	*25*	**705**	538
Long-term debt	*26*	**24,055**	22,496
Other long-term liabilities	*27*	**647**	636
Deferred income taxes	*10*	**4,465**	4,451
		29,872	28,121
Liabilities		**37,956**	36,402
Owners' equity			
Common equity	*28*	**16,607**	16,569
Non-controlling interests		**1,224**	1,089
		17,831	17,658
		$ 55,787	$ 54,060
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)

		Common equity							
		Equity contributed							
		Common Shares *(Note 28)*							
(millions)	*Note*	Number of shares	Share capital	Contributed surplus	Retained earnings	Accumulated other comprehensive income	Total	Non-controlling interests	Total
Balance as at January 1, 2022		1,370	$ 9,644	$ 1,013	$ 4,256	$ 203	$ 15,116	$ 943	$ 16,059
Net income		—	—	—	385	—	385	19	404
Other comprehensive income (loss)	*11*	—	—	—	159	47	206	(20)	186
Dividends	*13*	—	—	—	(450)	—	(450)	—	(450)
Dividends reinvested and optional cash payments	*13(b), 14(c)*	6	157	—	—	—	157	—	157
Equity accounted share-based compensation		—	—	28	—	—	28	6	34
Issue of Common Shares in business combination		—	6	—	—	—	6	—	6
Change in ownership interests of subsidiaries	*28(c)*	—	—	3	—	—	3	5	8
Balance as at March 31, 2022		1,376	$ 9,807	$ 1,044	$ 4,350	$ 250	$ 15,451	$ 953	$ 16,404
Balance as at January 1, 2023		**1,431**	**$ 11,399**	**$ 956**	**$ 4,104**	**$ 110**	**$ 16,569**	**$ 1,089**	**$ 17,658**
Net income		**—**	**—**	**—**	**217**	**—**	**217**	**7**	**224**
Other comprehensive income (loss)	*11*	**—**	**—**	**—**	**(4)**	**(2)**	**(6)**	**8**	**2**
Dividends	*13*	**—**	**—**	**—**	**(506)**	**—**	**(506)**	**—**	**(506)**
Dividends reinvested and optional cash payments	*13(b), 14(c)*	**7**	**184**	**—**	**—**	**—**	**184**	**—**	**184**
Equity accounted share-based compensation	*14(b)*	**—**	**—**	**26**	**—**	**—**	**26**	**3**	**29**
Change in ownership interests of subsidiaries	*25, 28(c)*	**2**	**54**	**69**	**—**	**—**	**123**	**117**	**240**
Balance as at March 31, 2023		**1,440**	**$ 11,637**	**$ 1,051**	**$ 3,811**	**$ 108**	**$ 16,607**	**$ 1,224**	**$ 17,831**

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

TELUS

condensed interim consolidated statements of cash flows (unaudited)

Periods ended March 31 (millions)	Note	Three months 2023	2022
OPERATING ACTIVITIES			
Net income		**$ 224**	$ 404
Adjustments to reconcile net income to cash provided by operating activities:			
Depreciation and amortization		**1,022**	842
Deferred income taxes	*10*	**(93)**	(1)
Share-based compensation expense, net	*14(a)*	**43**	26
Net employee defined benefit plans expense	*15(a)*	**15**	27
Employer contributions to employee defined benefit plans	*15(a)*	**(9)**	(17)
Non-current contract assets		**14**	26
Non-current unbilled customer finance receivables	*20*	**(14)**	(82)
Unrealized change in forward element of virtual power purchase agreements	*9*	**19**	—
Loss from equity accounted investments	*7, 21*	**4**	4
Other		**2**	(4)
Net change in non-cash operating working capital	*31(a)*	**(466)**	(90)
Cash provided by operating activities		**761**	1,135
INVESTING ACTIVITIES			
Cash payments for capital assets, excluding spectrum licences	*31(a)*	**(976)**	(1,013)
Cash payments for acquisitions, net	*18(b)*	**(1,262)**	(127)
Advances to, and investment in, real estate joint ventures and associates	*21*	**(5)**	—
Real estate joint venture receipts	*21*	**2**	1
Proceeds on disposition		**—**	5
Investment in portfolio investments and other		**(92)**	(65)
Cash used by investing activities		**(2,333)**	(1,199)
FINANCING ACTIVITIES	*31(a)*		
Dividends paid to holders of Common Shares	*13(a)*	**(318)**	(293)
Issue (repayment) of short-term borrowings, net		**489**	(6)
Long-term debt issued	*26*	**3,681**	2,287
Redemptions and repayment of long-term debt	*26*	**(2,372)**	(1,859)
Other		**(5)**	(14)
Cash provided by financing activities		**1,475**	115
CASH POSITION			
Increase (decrease) in cash and temporary investments, net		**(97)**	51
Cash and temporary investments, net, beginning of period		**974**	723
Cash and temporary investments, net, end of period		**$ 877**	$ 774
SUPPLEMENTAL DISCLOSURE OF OPERATING CASH FLOWS			
Interest paid		**$ (286)**	$ (180)
Interest received		**$ 4**	$ 1
Income taxes paid, net		**$ (127)**	$ (108)

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

MARCH 31, 2023

TELUS Corporation is one of Canada's largest telecommunications companies, providing a wide range of technology solutions, which include mobile and fixed voice and data telecommunications services and products, healthcare software and technology solutions (including employee and family assistance programs and benefits administration), agriculture and consumer goods services (software, data management and data analytics-driven smart-food chain and consumer goods technologies), and digitally-led customer experiences. Data services include: internet protocol; television; hosting, managed information technology and cloud-based services; and home and business 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" refer to TELUS Corporation and, where the context of the narrative permits or requires, its subsidiaries. Our principal subsidiaries are: TELUS Communications Inc., in which, as at March 31, 2023, we have a 100% equity interest; and TELUS International (Cda) Inc., in which, as at March 31, 2023, we have a 55.2% equity interest, as discussed further in *Note 28(c)*, and which completed its initial public offering in February 2021. Although it has not had any effect on our current determination of which are our principal subsidiaries, we also made a material business acquisition during the three-month period ended March 31, 2023, as set out in *Note 18(b)*.

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, 2022.

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, 2022. 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 period ended March 31, 2023, were authorized by our Board of Directors for issue on May 4, 2023.

(b) Inventories

Our inventories primarily consist of mobile handsets, parts and accessories totalling $467 million as at March 31, 2023 (December 31, 2022 – $414 million), and communications equipment held for resale. Inventories are valued at the lower of cost and net realizable value, with cost being determined on an average cost basis. Costs of goods sold for the three-month period March 31, 2023, totalled $0.6 billion (2022 – $0.5 billion).

2 accounting policy developments

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

- In February 2021, the International Accounting Standards Board issued narrow-scope amendments to IAS 1, *Presentation of Financial Statements*, IFRS Practice Statement 2, *Making Materiality Judgements*, and IAS 8*, Accounting Policies, Changes in Accounting Estimates and Errors*. The amendments are effective for annual periods beginning on or after January 1, 2023, although earlier application was permitted. The amendments require the disclosure of material accounting policy information rather than disclosing significant accounting policies, and clarify how to distinguish changes in accounting policies from changes in accounting estimates. Our financial disclosure is currently not materially affected by the application of the amendments.
- In May 2021, the International Accounting Standards Board issued targeted amendments to IAS 12, *Income Taxes*. The amendments are effective for annual periods beginning on or after January 1, 2023, although earlier application was permitted. With a view to reducing diversity in reporting, the amendments clarify that companies are required to recognize deferred taxes on transactions where both assets and liabilities are recognized, such as with leases and asset retirement (decommissioning) obligations. Our financial performance and disclosure is currently not materially affected by the application of the amendments.

3 capital structure financial policies

General

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

In our definition of financial capital, we include common equity (excluding accumulated other comprehensive income), non-controlling interests, 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, including those arising from securitized trade receivables.

We manage our financial 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 financial 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 (including Common Shares and TELUS International (Cda) Inc. subordinate voting 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 2023, our financial objectives, which are reviewed annually, were unchanged from 2022. We believe that our financial objectives are supportive of our long-term strategy.

We monitor financial 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, except that the covenant includes in EBITDA the unrealized effects of non-currency risk-related derivative financial instruments that are held for trading (see *Note 4(d)*). 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 issuers. 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, March 31 ($ in millions)	Objective	**2023**	2022
Components of debt and coverage ratios			
Net debt [1]		**$ 26,250**	$ 20,960
EBITDA – excluding restructuring and other costs [2]		**$ 6,818**	$ 6,582
Net interest cost [3] (*Note 9*)		**$ 956**	$ 764
Debt ratio			
Net debt to EBITDA – excluding restructuring and other costs	2.20 – 2.70 [4]	**3.85**	3.18
Coverage ratios			
Earnings coverage [5]		**3.1**	4.0
EBITDA – excluding restructuring and other costs interest coverage [6]		**7.1**	8.6

1 Net debt and total managed capitalization are calculated as follows:

As at March 31	*Note*	**2023**	2022
Long-term debt	*26*	**$ 26,566**	$ 21,319
Debt issuance costs netted against long-term debt		**119**	103
Derivative (assets) liabilities used to manage interest rate and currency risks associated with U.S. dollar-denominated long-term debt, net		**(79)**	(12)
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		**(72)**	216
Cash and temporary investments, net		**(877)**	(774)
Short-term borrowings	*22*	**593**	108
Net debt		**26,250**	20,960
Common equity		**16,607**	15,451
Non-controlling interests		**1,224**	953
Less: accumulated other comprehensive income amounts included above in common equity and non-controlling interests		**(139)**	(213)
Total managed capitalization		**$ 43,942**	$ 37,151

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
Add			
Three-month period ended March 31, 2023	$ 1,621	$ 159	$ 1,780
Year ended December 31, 2022	6,406	240	6,646
Deduct			
Three-month period ended March 31, 2022	(1,569)	(39)	(1,608)
EBITDA – excluding restructuring and other costs	$ 6,458	$ 360	$ 6,818

3 Net interest cost is defined as financing costs, excluding employee defined benefit plans net interest, virtual power purchase agreements unrealized change in forward element, 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 March 31, 2023, 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 the spectrum auction in 2021, and the spectrum auctions upcoming in 2023 and 2024), as we believe that this range is supportive of

* EBITDA is not a standardized financial measure under IFRS-IASB and might not be comparable to similar measures disclosed by other issuers; we define EBITDA as operating revenues and other income less goods and services purchased and employee benefits expense. We 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.

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 those 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 3.85 times as at March 31, 2023, as compared to 3.18 times one year earlier. The effect of the increase in net debt, primarily due to the acquisition of spectrum licences and business acquisitions, exceeded the effect of growth in EBITDA – excluding restructuring and other costs.

The earnings coverage ratio for the twelve-month period ended March 31, 2023, was 3.1 times, down from 4.0 times one year earlier. A decrease in income before borrowing costs and income taxes decreased the ratio by 0.2 and an increase in borrowing costs decreased the ratio by 0.7. The EBITDA – excluding restructuring and other costs interest coverage ratio for the twelve-month period ended March 31, 2023, was 7.1 times, down from 8.6 times one year earlier. Growth in EBITDA – excluding restructuring and other costs increased the ratio by 0.3 and an increase in net interest costs decreased the ratio by 1.8.

TELUS Corporation Common Share dividend payout ratio

So as to be consistent with the way we manage our business, our TELUS Corporation Common Share dividend payout ratio is presented as a historical measure calculated as the sum of the dividends declared in the most recent four quarters for TELUS Corporation 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 March 31	Objective	**2023**	2022
Determined using most comparable IFRS-IASB measures			
Ratio of TELUS Corporation Common Share dividends declared to cash provided by operating activities – less capital expenditures		**180%**	187%
Determined using management measures			
TELUS Corporation Common Share dividend payout ratio – net of dividend reinvestment plan effects	60%–75% [1]	**89%**	129%

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

For the 12-month periods ended March 31 (millions)	**2023**	2022
TELUS Corporation Common Share dividends declared	**$ 1,955**	$ 1,757
Amount of TELUS Corporation Common Share dividends declared reinvested in TELUS Corporation Common Shares	**(712)**	(631)
TELUS Corporation Common Share dividends declared – net of dividend reinvestment plan effects	**$ 1,243**	$ 1,126

* Free cash flow is not a standardized financial measure under IFRS-IASB and might not be comparable to similar measures presented by other issuers; we define free cash flow as EBITDA (operating revenues and other income less goods and services purchased and employee benefits expense) excluding items that we consider to be of limited predictive value, including 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 performance measure that management and investors use to evaluate the performance of our business.

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

For the 12-month periods ended March 31 (millions)	Note	2023	2022
EBITDA	5	$ 6,458	$ 6,398
Deduct gain on disposition of financial solutions business		—	(410)
Restructuring and other costs, net of disbursements		179	(3)
Effects of contract asset, acquisition and fulfilment and TELUS Easy Payment device financing		(141)	(19)
Effect of lease principal	31(b)	(502)	(502)
Items from the Consolidated statements of cash flows:			
Share-based compensation, net	14	139	130
Net employee defined benefit plans expense	15	89	114
Employer contributions to employee defined benefit plans		(36)	(54)
Interest paid		(922)	(725)
Interest received		20	16
Capital expenditures	5	(3,352)	(3,646)
Free cash flow before income taxes		1,932	1,299
Income taxes paid, net of refunds		(538)	(489)
Effect of disposition of financial solutions business on income taxes paid		—	61
Free cash flow		1,394	871
Add (deduct):			
Capital expenditures	5	3,352	3,646
Effects of lease principal		502	502
Gain on disposition of financial solutions business, net of effect on income taxes paid		—	(349)
Individually immaterial items included in net income neither providing nor using cash		(811)	(86)
Cash provided by operating activities		$ 4,437	$ 4,584

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)	March 31, 2023	December 31, 2022
Cash and temporary investments, net	$ 877	$ 974
Accounts receivable	3,794	3,868
Contract assets	743	761
Derivative assets	291	333
	$ 5,705	$ 5,936

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 rate or a negotiated rate on outstanding non-current customer account balances.

As at (millions)		March 31, 2023						December 31, 2022					
	Note	Gross		Allowance		Net [1]		Gross		Allowance		Net [1]	
Customer accounts receivable, net of allowance for doubtful accounts													
Less than 30 days past billing date		$	**1,073**	$	**(12)**	$	**1,061**	$	936	$	(11)	$	925
30-60 days past billing date			**341**		**(12)**		**329**		400		(11)		389
61-90 days past billing date			**106**		**(14)**		**92**		185		(15)		170
More than 90 days past billing date			**180**		**(30)**		**150**		192		(33)		159
Unbilled customer finance receivables			**1,516**		**(38)**		**1,478**		1,509		(39)		1,470
		$	**3,216**	$	**(106)**	$	**3,110**	$	3,222	$	(109)	$	3,113
Current	*6(b)*	$	**2,616**	$	**(91)**	$	**2,525**	$	2,636	$	(94)	$	2,542
Non-current	*20*		**600**		**(15)**		**585**		586		(15)		571
		$	**3,216**	$	**(106)**	$	**3,110**	$	3,222	$	(109)	$	3,113

1 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. The doubtful accounts expense is calculated on a specific-identification basis for customer accounts receivable balances above a specific 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.

	Three months			
Periods ended March 31 (millions)		**2023**		2022
Balance, beginning of period	$	**109**	$	110
Additions (doubtful accounts expense)		**21**		18
Accounts written off [1] less than recoveries		**(28)**		(23)
Other		**4**		2
Balance, end of period	$	**106**	$	107

1 For the three-month period ended March 31, 2023, accounts that were written off but were still subject to enforcement activity totalled $44 (2022 – $32).

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)	March 31, 2023						December 31, 2022					
	Gross		Allowance		Net *(Note 6(c))*		Gross		Allowance		Net *(Note 6(c))*	
Contract assets, net of impairment allowance												
To be billed and thus reclassified to accounts receivable during:												
The 12-month period ending one year hence	$	**596**	$	**(23)**	$	**573**	$	611	$	(23)	$	588
The 12-month period ending two years hence		**257**		**(10)**		**247**		277		(11)		266
Thereafter		**60**		**(1)**		**59**		55		(1)		54
	$	**913**	$	**(34)**	$	**879**	$	943	$	(35)	$	908

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 material 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 in-effect shelf prospectuses;
- continuously monitoring forecast and actual cash flows; and
- managing maturity profiles of financial assets and financial liabilities.

Our debt maturities in future years are disclosed in *Note 26(h)*. As at March 31, 2023, unchanged from December 31, 2022, TELUS Corporation could offer an unlimited amount of securities in Canada, and US$3.5 billion of securities in the U.S., qualified pursuant to a Canadian shelf prospectus that is in effect until September 2024. We believe that our investment grade credit ratings contribute to reasonable access to capital markets. TELUS International (Cda) Inc. has a Canadian shelf prospectus that is in effect until May 2024 under which an unlimited amount of debt or equity securities could be offered.

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.

	Non-derivative						Derivative			
			Composite long-term debt							
					Currency swap agreement amounts to be exchanged [2]			Currency swap agreement amounts to be exchanged		
As at March 31, 2023 (millions)	Non-interest bearing financial liabilities	Short-term borrowings [1]	Long-term debt, excluding leases [1] (*Note 26*)	Leases (*Note 26*)	(Receive)	Pay	Other	(Receive)	Pay	Total
2023 (remainder of year)	**$ 2,811**	**$ 29**	**$ 2,725**	**$ 454**	**$ (2,094)**	**$ 2,069**	**$ —**	**$ (523)**	**$ 512**	**$ 5,983**
2024	**182**	**622**	**3,271**	**552**	**(224)**	**208**	**—**	**(143)**	**142**	**4,610**
2025	**16**	**—**	**1,940**	**400**	**(218)**	**207**	**1**	**—**	**—**	**2,346**
2026	**92**	**—**	**2,291**	**291**	**(216)**	**206**	**1**	**—**	**—**	**2,665**
2027	**139**	**—**	**2,330**	**234**	**(1,692)**	**1,653**	**1**	**—**	**—**	**2,665**
2028-2032	**49**	**—**	**11,044**	**472**	**(2,246)**	**2,169**	**—**	**—**	**—**	**11,488**
Thereafter	**—**	**—**	**12,061**	**372**	**(2,919)**	**2,805**	**—**	**—**	**—**	**12,319**
Total	**$ 3,289**	**$ 651**	**$ 35,662**	**$ 2,775**	**$ (9,609)**	**$ 9,317**	**$ 3**	**$ (666)**	**$ 654**	**$ 42,076**
			Total (*Note 26(h)*)			**$ 38,145**				

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 March 31, 2023.

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 swap receive column, have been determined based upon the currency exchange rates in effect as at March 31, 2023. The hedged U.S. dollar-denominated long-term debt contractual amounts at maturity, in effect, are reflected in the long-term debt currency swap pay column as gross cash flows are exchanged pursuant to the currency swap agreements.

	Non-derivative						Derivative		
			Composite long-term debt						
					Currency swap agreement amounts to be exchanged [2]		Currency swap agreement amounts to be exchanged		
As at December 31, 2022 (millions)	Non-interest bearing financial liabilities	Short-term borrowings [1]	Long-term debt, excluding leases [1] (*Note 26*)	Leases (*Note 26*)	(Receive)	Pay	(Receive)	Pay	Total
2023	**$ 3,613**	**$ 9**	**$ 2,907**	**$ 596**	**$ (1,679)**	**$ 1,674**	**$ (669)**	**$ 648**	**$ 7,099**
2024	**254**	**105**	**3,126**	**537**	**(201)**	**193**	**—**	**—**	**4,014**
2025	**16**	**—**	**1,800**	**379**	**(599)**	**586**	**—**	**—**	**2,182**
2026	**12**	**—**	**2,154**	**273**	**(165)**	**162**	**—**	**—**	**2,436**
2027	**1**	**—**	**2,197**	**218**	**(1,644)**	**1,610**	**—**	**—**	**2,382**
2028-2032	**—**	**—**	**9,929**	**446**	**(1,785)**	**1,707**	**—**	**—**	**10,297**
Thereafter	**—**	**—**	**11,551**	**364**	**(2,921)**	**2,805**	**—**	**—**	**11,799**
Total	**$ 3,896**	**$ 114**	**$ 33,664**	**$ 2,813**	**$ (8,994)**	**$ 8,737**	**$ (669)**	**$ 648**	**$ 40,209**
			Total			**$ 36,220**			

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 December 31, 2022.

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 swap receive column, have been determined based upon the currency exchange rates in effect as at December 31, 2022. The hedged U.S. dollar-

denominated long-term debt contractual amounts at maturity, in effect, are reflected in the long-term debt currency swap 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 three-month periods ended March 31, 2023 and 2022, could have varied if the Canadian dollar: U.S. dollar exchange rate, the U.S. dollar: European euro exchange rate, market interest rates and virtual power purchase agreement forward element valuation 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 the notional amounts of our derivative financial instruments as at the relevant 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 principal and notional amounts as at the relevant statement of financial position date have been used in the calculations.

The sensitivity analysis of our exposure to wind discount risk and solar premium risk at the reporting date has been determined based upon a hypothetical change taking place at the relevant statement of financial position date. The notional amounts of the virtual power purchase agreements as at the relevant statement of financial position dates have 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.

Three-month periods ended March 31 (increase (decrease) in millions)	Net income		Other comprehensive income		Comprehensive income	
	2023	2022	**2023**	2022	**2023**	2022
Reasonably possible changes in market risks [1]						
10% change in C$: US$ exchange rate						
Canadian dollar appreciates	**$ (5)**	$ —	**$ 127**	$ (14)	**$ 122**	$ (14)
Canadian dollar depreciates	**$ 5**	$ —	**$ (123)**	$ 14	**$ (118)**	$ 14
10% change in US$: € exchange rate						
U.S. dollar appreciates	**$ 18**	$ 11	**$ (74)**	$ (59)	**$ (56)**	$ (48)
U.S. dollar depreciates	**$ (18)**	$ (11)	**$ 74**	$ 59	**$ 56**	$ 48
25 basis point change in interest rates						
Interest rates increase						
Canadian interest rate	**$ (6)**	$ (1)	**$ 80**	$ 91	**$ 74**	$ 90
U.S. interest rate	**$ —**	$ —	**$ (74)**	$ (96)	**$ (74)**	$ (96)
Combined	**$ (6)**	$ (1)	**$ 6**	$ (5)	**$ —**	$ (6)
Interest rates decrease						
Canadian interest rate	**$ 6**	$ 1	**$ (80)**	$ (94)	**$ (74)**	$ (93)
U.S. interest rate	**$ —**	$ —	**$ 82**	$ 100	**$ 82**	$ 100
Combined	**$ 6**	$ 1	**$ 2**	$ 6	**$ 8**	$ 7
20 basis point change in wind discount						
Wind discount increases	**$ (41)**	$ —	**$ —**	$ —	**$ (41)**	$ —
Wind discount decreases	**$ 41**	$ —	**$ —**	$ —	**$ 41**	$ —
20 basis point change in solar premium						
Solar premium increases	**$ 24**	$ —	**$ —**	$ —	**$ 24**	$ —
Solar premium decreases	**$ (24)**	$ —	**$ —**	$ —	**$ (24)**	$ —

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.

(d) Fair values

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)	**March 31, 2023**		December 31, 2022	
	Carrying value	Fair value	Carrying value	Fair value
Long-term debt, excluding leases (*Note 26*)	**$ 24,277**	**$ 23,001**	$ 22,967	$ 21,000

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)		**March 31, 2023**				December 31, 2022			
	Designation	Maximum maturity date	Notional amount	Fair value[1] and carrying value	Price or rate	Maximum maturity date	Notional amount	Fair value[1] and carrying value	Price or rate
Current Assets[2]									
Derivatives used to manage									
Currency risk arising from U.S. dollar revenues	HFT[4]	2024	**$ 112**	**$ 3**	US$1.00: ₱55	2023	$ 72	$ 1	US$1.00: ₱55
Currency risk arising from U.S. dollar-denominated purchases	HFH[3]	2024	**$ 328**	**13**	US$1.00: C$1.30	2023	$ 397	21	US$1.00: C$1.28
Currency risk arising from U.S. dollar-denominated long-term debt (*Note 26(b)-(c)*)	HFH[3]	2023	**$ 1,182**	**11**	US$1.00: C$1.34	2023	$ 526	9	US$1.00: C$1.33
Currency risk arising from European euro functional currency operations purchased with U.S. dollar-denominated long-term debt[7] (*Note 26(e)*)	HFH[5]	2028	**$ 46**	**19**	€1.00: US$1.09	2025	$ 31	26	€1.00: US$1.09
Interest rate risk associated with non-fixed rate credit facility amounts drawn (*Note 26(e)*)	HFH[3]	2028	**$ 12**	**2**	3.5%	—	$ —	—	—
Price risk associated with purchase of electrical power	HFT[4]	2047	**$ 32**	**23**	$34.73/ MWh	2047	$ 36	26	$34.73/ MWh
				$ 71				$ 83	
Other Long-Term Assets[2]									
Derivatives used to manage									
Currency risk arising from U.S. dollar-denominated long-term debt[6] (*Note 26(b)-(c)*)	HFH[3]	2048	**$ 3,746**	**$ 60**	US$1.00: C$1.29	2048	$ 4,443	$ 66	US$1.00: C$1.30
Currency risk arising from European euro functional currency operations purchased with U.S. dollar-denominated long-term debt[7] (*Note 26(e)*)	HFH[5]	2028	**$ 628**	**9**	€1.00: US$1.09	2025	$ 454	17	€1.00: US$1.09
Price risk associated with purchase of electrical power	HFT[4]	2047	**$ 247**	**151**	$34.73/ MWh	2047	$ 264	167	$34.73/ MWh
				$ 220				$ 250	
Current Liabilities[2]									
Derivatives used to manage									
Currency risk arising from U.S. dollar revenues	HFT[4]	2024	**$ 38**	**$ 1**	US$1.00: ₱55	2023	$ 68	$ 3	US$1.00: ₱55
Currency risk arising from U.S. dollar-denominated purchases	HFH[3]	2024	**$ 177**	**1**	US$1.00: C$1.36	2023	$ 111	1	US$1.00: C$1.36
Currency risk arising from U.S. dollar-denominated long-term debt (*Note 26(b)-(c)*)	HFH[3]	2023	**$ 714**	**6**	US$1.00: C$1.36	2023	$ 957	14	US$1.00: C$1.37
				$ 8				$ 18	

As at (millions)	March 31, 2023					December 31, 2022			
	Designation	Maximum maturity date	Notional amount	Fair value [1] and carrying value	Price or rate	Maximum maturity date	Notional amount	Fair value [1] and carrying value	Price or rate
Other Long-Term Liabilities [2]									
Derivatives used to manage									
Currency risk arising from U.S. dollar-denominated long-term debt [6] (*Note 26(b)-(c)*)	HFH [3]	2049	**$ 3,003**	**$ 14**	US$1.00: C$1.33	2049	$ 2,329	$ 24	US$1.00: C$1.33
Interest rate risk associated with non-fixed rate credit facility amounts drawn (*Note 26(e)*)	HFH [3]	2028	**$ 218**	**3**	3.5%	—	$ —	—	—
				$ 17				$ 24	

1 Fair value measured at the reporting date using significant other observable inputs (Level 2), except the fair value of virtual power purchase agreements (which we use to manage the price risk associated with the purchase of electrical power), which is measured at the reporting date using significant unobservable inputs (Level 3). Changes in the fair value of derivative financial instruments classified as Level 3 in the fair value hierarchy were as follows:

Period ended March 31, 2023	Three months
Virtual power purchase agreements unrealized change in forward element	
Included in net income, excluding income taxes	$ (19)
Balance, beginning of period	193
Balance, end of period	$ 174

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; 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 March 31, 2023, the foreign currency basis spread included in the fair value of the derivative instruments, which is used for purposes of assessing hedge ineffectiveness, was $105 (December 31, 2022 – $123).
7 We designate only the spot element as the hedging item. As at March 31, 2023, the foreign currency basis spread included in the fair value of the derivative instruments, which is used for purposes of assessing hedge ineffectiveness, was $2 (December 31, 2022 – $1).

(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.

		Amount of gain (loss) recognized in other comprehensive income (effective portion) (*Note 11*)		Gain (loss) reclassified from other comprehensive income to income (effective portion) (*Note 11*)		
					Amount	
Periods ended March 31 (millions)	*Note*	**2023**	2022	Location	**2023**	2022
THREE-MONTH						
Derivatives used to manage currency risk						
Arising from U.S. dollar-denominated purchases		**$ (19)**	$ (6)	Goods and services purchased	**$ 9**	$ 1
Arising from U.S. dollar-denominated long-term debt [1]	*26(b)-(c)*	**25**	(12)	Financing costs	**—**	(108)
Arising from net investment in a foreign operation [2]		**(21)**	24	Financing costs	**(6)**	—
		(15)	6		**3**	(107)
Derivatives used to manage other market risks						
Other		**(1)**	—	Financing costs	**—**	(1)
		$ (16)	$ 6		**$ 3**	$ (108)

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 period ended March 31, 2023, was $(18) (2022 – $(25)).
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 period ended March 31, 2023, was $1 (2022 – $(2)).

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, as well as their location within the Consolidated statements of income and other comprehensive income.

Periods ended March 31 (millions)	Location	Gain (loss) on derivatives recognized in income 2023	2022
Derivatives used to manage currency risk	Financing costs	**$ 3**	$ (3)
Virtual power purchase agreements unrealized change in forward element	Financing costs	**$ (19)**	$ —

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 September 1, 2022, we embarked upon the modification of our internal and external reporting processes, systems and internal controls concurrent with the acquisition and integration of LifeWorks Inc. and correspondingly are assessing our segmented reporting structure.

The TELUS technology solutions segment includes: network revenues and equipment sales arising from mobile technologies; data revenues (which include internet protocol; television; hosting, managed information technology and cloud-based services; and home and business security); healthcare software and technology solutions (including employee and family assistance programs and benefits administration); agriculture and consumer goods services (software, data management and data analytics-driven smart-food chain and consumer goods technologies); voice and other telecommunications services revenues; and equipment sales.

The digitally-led customer experiences – TELUS International (DLCX) segment, which has the U.S. dollar as its primary functional currency, is comprised of digital customer experience and digital-enablement transformation solutions, including artificial intelligence and content management, provided by our TELUS International (Cda) Inc. subsidiary.

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 March 31 (millions)	TELUS technology solutions – Mobile 2023	Mobile 2022	Fixed 2023	Fixed 2022	Segment total 2023	Segment total 2022	Digitally-led customer experiences – TELUS International[1] 2023	2022	Eliminations 2023	Eliminations 2022	Total 2023	Total 2022
Operating revenues												
External revenues												
Service	**$ 1,725**	$ 1,600	**$ 1,864**	$ 1,521	**$ 3,589**	$ 3,121	**$ 756**	$ 644	**$ —**	$ —	**$ 4,345**	$ 3,765
Equipment	**489**	417	**91**	74	**580**	491	**—**	—	**—**	—	**580**	491
Revenues arising from contracts with customers	**$ 2,214**	$ 2,017	**$ 1,955**	$ 1,595	**4,169**	3,612	**756**	644	**—**	—	**4,925**	4,256
Other income (*Note 7*)					**39**	26	**—**	—	**—**	—	**39**	26
					4,208	3,638	**756**	644	**—**	—	**4,964**	4,282
Intersegment revenues					**4**	4	**172**	115	**(176)**	(119)	**—**	—
					$ 4,212	$ 3,642	**$ 928**	$ 759	**$ (176)**	$ (119)	**$ 4,964**	$ 4,282
EBITDA[2]					**$ 1,453**	$ 1,400	**$ 168**	$ 169	**$ —**	$ —	**$ 1,621**	$ 1,569
Restructuring and other costs included in EBITDA (*Note 16*)					**141**	35	**18**	4	**—**	—	**159**	39
Equity (income) loss related to real estate joint venture					**(1)**	—	**—**	—	**—**	—	**(1)**	—
Adjusted EBITDA[2]					**$ 1,593**	$ 1,435	**$ 186**	$ 173	**$ —**	$ —	**$ 1,779**	$ 1,608
Capital expenditures[3]					**$ 693**	$ 802	**$ 20**	$ 31	**$ —**	$ —	**$ 713**	$ 833
Adjusted EBITDA less capital expenditures[2]					**$ 900**	$ 633	**$ 166**	$ 142	**$ —**	$ —	**$ 1,066**	$ 775

	2023	2022
Operating revenues – external and other income (above)	**$ 4,964**	$ 4,282
Goods and services purchased	**1,803**	1,594
Employee benefits expense	**1,540**	1,119
EBITDA (above)	**1,621**	1,569
Depreciation	**640**	551
Amortization of intangible assets	**382**	291
Operating income	**599**	727
Financing costs	**320**	179
Income before income taxes	**$ 279**	$ 548

1 The digitally-led customer experiences – TELUS International segment is comprised of our consolidated TELUS International (Cda) Inc. subsidiary. All of our other international operations are included in the TELUS technology solutions segment.

2 Earnings before interest, income taxes, depreciation and amortization (EBITDA), both unadjusted and adjusted, are not standardized financial measures under IFRS-IASB and may not be comparable to similar measures disclosed by other issuers (including those disclosed by TELUS International (Cda) Inc.); we define EBITDA as operating revenues and other income less goods and services purchased and employee benefits expense. We calculate adjusted EBITDA to exclude items that do not reflect our ongoing operations and, in our opinion, should not be considered in a long-term valuation metric or included in an assessment of our ability to service or incur debt. We report EBITDA, adjusted EBITDA and adjusted EBITDA less capital expenditures, because they are key measures that management uses to evaluate the performance of our business, and EBITDA is also utilized in measuring compliance with certain debt covenants.

3 See *Note 31(a)* for a reconciliation of capital asset additions, 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)	**March 31, 2023**	December 31, 2022
Estimated minimum transaction price allocated to remaining unfulfilled, or partially unfulfilled, performance obligations to be recognized as revenue in a future period [1, 2]		
During the 12-month period ending one year hence	**$ 2,515**	$ 2,539
During the 12-month period ending two years hence	**992**	1,034
Thereafter	**85**	81
	$ 3,592	$ 3,654

1 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.

2 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*	**March 31, 2023**	December 31, 2022
Customer accounts receivable		**$ 2,616**	$ 2,636
Accrued receivables – customer		**496**	468
Allowance for doubtful accounts	*4(a)*	**(91)**	(94)
		3,021	3,010
Accrued receivables – other		**188**	287
Accounts receivable – current		**$ 3,209**	$ 3,297

(c) Contract assets

Periods ended March 31 (millions)	*Note*	Three months **2023**	2022
Balance, beginning of period		**$ 908**	$ 877
Net additions arising from operations		**350**	301
Amounts billed in the period and thus reclassified to accounts receivable		**(381)**	(348)
Change in impairment allowance, net	*4(a)*	**1**	1
Other		**1**	—
Balance, end of period		**$ 879**	$ 831
To be billed and thus reclassified to accounts receivable during:			
The 12-month period ending one year hence		**$ 573**	$ 558
The 12-month period ending two years hence		**247**	223
Thereafter		**59**	50
Balance, end of period		**$ 879**	$ 831
Reconciliation of contract assets presented in the Consolidated statements of financial position – current			
Gross contract assets		**$ 573**	$ 558
Reclassification to contract liabilities of contracts with contract assets less than contract liabilities	*24*	**(14)**	(13)
Reclassification from contract liabilities of contracts with contract liabilities less than contract assets	*24*	**(122)**	(112)
		$ 437	$ 433

7 other income

Periods ended March 31 (millions)	Note	Three months 2023	2022
Government assistance		**$ 1**	$ 2
Other sublet revenue	*19*	**1**	1
Investment income (loss), gain (loss) on disposal of assets and other		**(3)**	(4)
Interest income	*21(a)*	**2**	1
Changes in business combination-related provisions	*25*	**38**	26
		$ 39	$ 26

8 employee benefits expense

Periods ended March 31 (millions)	Note	Three months 2023	2022
Employee benefits expense – gross			
Wages and salaries		**$ 1,508**	$ 1,105
Share-based compensation [1]	*14*	**54**	49
Pensions – defined benefit	*15(a)*	**15**	27
Pensions – defined contribution	*15(b)*	**28**	26
Restructuring costs [1]	*16(a)*	**48**	10
Employee health and other benefits		**55**	57
		1,708	1,274
Capitalized internal labour costs, net			
Contract acquisition costs	*20*		
Capitalized		**(16)**	(18)
Amortized		**23**	19
Contract fulfilment costs	*20*		
Capitalized		**(4)**	—
Amortized		**1**	—
Property, plant and equipment		**(100)**	(93)
Intangible assets subject to amortization		**(72)**	(63)
		(168)	(155)
		$ 1,540	$ 1,119

1 For the three-month period ended March 31, 2023, $2 (2022 – $1) of share-based compensation in the digitally-led customer experiences segment was included in restructuring costs.

9 financing costs

Periods ended March 31 (millions)	Note	Three months 2023	2022
Interest expense			
Interest on long-term debt, excluding lease liabilities – gross		**$ 263**	$ 169
Interest on long-term debt, excluding lease liabilities – capitalized [1]		**(2)**	(15)
Interest on long-term debt, excluding lease liabilities		**261**	154
Interest on lease liabilities	*19*	**28**	16
Interest on short-term borrowings and other		**3**	4
Interest accretion on provisions	*25*	**8**	3
		300	177
Employee defined benefit plans net interest	*15*	**2**	2
Foreign exchange		**4**	1
Virtual power purchase agreements unrealized change in forward element		**19**	—
		325	180
Interest income		**(5)**	(1)
		$ 320	$ 179
Net interest cost	*3*	**$ 301**	$ 192
Interest on long-term debt, excluding lease liabilities – capitalized [1]		**(2)**	(15)
Employee defined benefit plans net interest		**2**	2
Virtual power purchase agreements unrealized change in forward element		**19**	—
		$ 320	$ 179

1 Interest on long-term debt, excluding lease liabilities, at a composite rate of 3.10% was capitalized to intangible assets with indefinite lives during the period.

10 income taxes

Expense composition and rate reconciliation

Periods ended March 31 (millions)	Three months 2023	2022
Current income tax expense		
For the current reporting period	**$ 147**	$ 145
Adjustments recognized in the current period for income taxes of prior periods	**1**	—
	148	145
Deferred income tax expense		
Arising from the origination and reversal of temporary differences	**(93)**	(1)
	$ 55	$ 144

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

Three-month periods ended March 31 ($ in millions)	2023		2022	
Income taxes computed at applicable statutory rates	**$ 63**	**22.5%**	$ 140	25.5%
Adjustments recognized in the current period for income taxes of prior periods	**1**	**0.4**	—	—
(Non-taxable) non-deductible amounts, net	**(9)**	**(3.1)**	(2)	(0.3)
Other	**—**	**—**	6	1.1
Income tax expense per Consolidated statements of income and other comprehensive income	**$ 55**	**19.8%**	$ 144	26.3%

11 other comprehensive income

	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)*)											
	Derivatives used to manage currency risk			Derivatives used to manage other market risks								
Periods ended March 31 (millions)	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	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
THREE-MONTH												
Accumulated balance as at January 1, 2022			$ 81			$ (3)	$ 78	$ 25	$ 83	$ 186		
Other comprehensive income (loss)												
Amount arising	$ 6	$ 107	113	$ —	$ 1	1	114	(67)	6	53	$ 214	$ 267
Income taxes	$ 4	$ 21	25	$ —	$ —	—	25	—	1	26	55	81
Net			88			1	89	(67)	5	27	$ 159	$ 186
Accumulated balance as at March 31, 2022			$ 169			$ (2)	$ 167	$ (42)	$ 88	$ 213		
Accumulated balance as at January 1, 2023			**$ (20)**			**$ (3)**	**$ (23)**	**$ 66**	**$ 90**	**$ 133**		
Other comprehensive income (loss)												
Amount arising	**$ (15)**	**$ (3)**	**(18)**	**$ (1)**	**$ —**	**(1)**	**(19)**	**31**	**(7)**	**5**	**$ (6)**	**$ (1)**
Income taxes	**$ (1)**	**$ 1**	**—**	**$ —**	**$ —**	**—**	**—**	**—**	**(1)**	**(1)**	**(2)**	**(3)**
Net			**(18)**			**(1)**	**(19)**	**31**	**(6)**	**6**	**$ (4)**	**$ 2**
Accumulated balance as at March 31, 2023			**$ (38)**			**$ (4)**	**$ (42)**	**$ 97**	**$ 84**	**$ 139**		
Attributable to:												
Common Shares										**$ 108**		
Non-controlling interests										**31**		
										$ 139		

TELUS

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 unit awards.

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 March 31 (millions)	Three months 2023	2022
Basic total weighted average number of Common Shares outstanding	**1,439**	1,376
Effect of dilutive securities – Restricted share units	**1**	4
Diluted total weighted average number of Common Shares outstanding	**1,440**	1,380

For the three-month periods ended March 31, 2023 and 2022, no outstanding equity-settled restricted share unit awards or TELUS Corporation share option awards were excluded in the calculation of diluted income per Common Share.

13 dividends per share

(a) TELUS Corporation Common Share dividends declared

Three-month periods ended March 31 (millions except per share amounts)	**2023**				2022			
TELUS Corporation Common Share dividends	Declared Effective	Declared Per share	Paid to shareholders	Total	Declared Effective	Declared Per share	Paid to shareholders	Total
Quarter 1 dividend	**Mar. 10, 2023**	**$ 0.3511**	**Apr. 3, 2023**	**$ 506**	Mar. 11, 2022	$ 0.3274	Apr. 1, 2022	$ 450

On May 3, 2023, the Board of Directors declared a quarterly dividend of $0.3636 per share on our issued and outstanding TELUS Corporation Common Shares payable on July 4, 2023, to holders of record at the close of business on June 9, 2023. The final amount of the dividend payment depends upon the number of TELUS Corporation Common Shares issued and outstanding at the close of business on June 9, 2023.

(b) Dividend Reinvestment and Share Purchase Plan

We have a Dividend Reinvestment and Share Purchase Plan under which eligible holders of TELUS Corporation Common Shares may acquire additional TELUS Corporation Common Shares by reinvesting dividends and by making additional optional cash payments to the trustee. Under this plan, we have the option of offering TELUS Corporation Common Shares from Treasury or having the trustee acquire TELUS Corporation Common Shares in the stock market. We may, at our discretion, offer TELUS Corporation 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 TELUS Corporation Common Shares from Treasury at a discount of 2%. In respect of TELUS Corporation Common Shares held by eligible shareholders who have elected to participate in the plan, dividends declared during the three-month period ended March 31, 2023, of $173 million (2022 – $149 million) were to be reinvested in TELUS Corporation Common Shares.

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 March 31 (millions)		**2023**			2022		
	Note	Employee benefits expense [1]	Associated operating cash outflows	Statement of cash flows adjustment	Employee benefits expense	Associated operating cash outflows	Statement of cash flows adjustment
THREE-MONTH							
Restricted share units	*(b)*	**$ 44**	**$ (2)**	**$ 42**	$ 41	$ (7)	$ 34
Employee share purchase plan	*(c)*	**11**	**(11)**	**—**	11	(11)	—
Share option awards	*(d)*	**1**	**—**	**1**	(2)	(6)	(8)
		$ 56	**$ (13)**	**$ 43**	$ 50	$ (24)	$ 26
TELUS technology solutions		**$ 37**	**$ (12)**	**$ 25**	$ 40	$ (18)	$ 22
Digitally-led customer experiences		**19**	**(1)**	**18**	10	(6)	4
		$ 56	**$ (13)**	**$ 43**	$ 50	$ (24)	$ 26

1 Within employee benefits expense (see *Note 8*), for the three-month period ended March 31, 2023, restricted share units expense of $42 (2022 – $40) is presented as share-based compensation expense and the balance is included in restructuring costs (see *Note 16*) of the digitally-led customer experiences segment.

(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 TELUS Corporation 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 TELUS Corporation 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. Reflecting a variable payout, our estimate 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 2023 and 2022 are accounted for as equity-settled, as that was the expected manner of their settlement when granted.

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

Number of non-vested restricted share units as at	**March 31, 2023**	December 31, 2022
Restricted share units without market performance conditions		
Restricted share units with only service conditions	**7,988,027**	5,224,220
Notional subset affected by total customer connections performance condition	**547,139**	357,263
	8,535,166	5,581,483
Restricted share units with market performance conditions		
Notional subset affected by relative total shareholder return performance condition	**1,674,287**	1,071,789
	10,209,453	6,653,272

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

Period ended March 31, 2023	Three months		
	Number of restricted share units [1]		Weighted average grant-date fair value
	Non-vested	Vested	
Outstanding, beginning of period			
Non-vested	5,581,483	—	$ 30.62
Vested	—	35,819	$ 27.00
Granted			
Initial award	3,039,431	—	$ 27.41
In lieu of dividends	73,150	476	$ 26.44
Vested	(42,614)	42,614	$ 27.93
Settled – in cash	—	(43,012)	$ 27.94
Forfeited	(116,284)	—	$ 27.30
Outstanding, end of period			
Non-vested	8,535,166	—	$ 28.31
Vested	—	35,897	$ 26.98

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

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. Grants of restricted share units in 2023 and 2022 are accounted for as equity-settled, as that was the expected manner of their settlement when granted.

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

Period ended March 31, 2023	Three months		
	Number of restricted share units		Weighted average grant-date fair value
	Non-vested	Vested	
Outstanding, beginning of period	1,605,821	—	US$ 27.10
Granted – initial award	1,102,860	72,763	US$ 21.18
Vested	(277,024)	277,024	US$ 25.79
Settled – in equity	—	(349,787)	US$ 24.83
Forfeited	(3,784)	—	US$ 27.46
Outstanding, end of period	2,427,873	—	US$ 24.56

(c) TELUS Corporation employee share purchase plan

We have an employee share purchase plan under which eligible employees can purchase TELUS Corporation Common Shares through regular payroll deductions. In respect of TELUS Corporation Common Shares held within the employee share purchase plan, TELUS Corporation Common Share dividends declared during the three-month period ended March 31, 2023, of $13 million (2022 – $11 million) were to be reinvested in TELUS Corporation Common Shares acquired by the trustee from Treasury, with a discount applicable, as set out in *Note 13(b)*.

(d) Share option awards

TELUS Corporation share options

Employees may be granted share option awards to purchase TELUS Corporation 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 date of grant.

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.

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

Period ended March 31, 2023	Three months	
	Number of share options	Weighted average share option price[1]
Outstanding, beginning of period	2,755,300	$ 22.05
Exercised[2]	(88,975)	$ 21.19
Forfeited	(38,400)	$ 22.25
Outstanding, end of period	2,627,925	$ 22.08

1 The weighted average remaining contractual life is 4.1 years. 1,821,425 options were exercisable as at the balance sheet date.
2 The weighted average price at the date of exercise was $27.13.

TELUS International (Cda) Inc. share options

Employees may be granted equity share options (equity-settled) to purchase TELUS International (Cda) Inc. subordinate voting 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. subordinate voting 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.

Period ended March 31, 2023	Three months	
	Number of share options	Weighted average share option price[1]
Outstanding, beginning of period	2,677,297	US$ 11.31
Forfeited	(16,177)	US$ 5.77
Outstanding, end of period	2,661,120	US$ 11.35
Exercisable, end of period	2,316,683	US$ 9.50

1 For 2,220,919 share options, the range of share option prices is US$4.87 – US$8.95 per TELUS International (Cda) Inc. subordinated voting share and the weighted average remaining contractual life is 3.9 years; for the balance of share options, the price is US$25.00 and the weighted average remaining contractual life is 7.9 years.

15 employee future benefits

(a) Defined benefit pension plans – summary

Amounts in the primary financial statements relating to defined benefit pension plans

Three-month periods ended March 31		2023			2022		
(millions)	*Note*	Plan assets	Defined benefit obligations accrued [1]	Net	Plan assets	Defined benefit obligations accrued [1]	Net
Employee benefits expense	*8*						
Benefits earned for current service		**$ —**	**$ (18)**		$ —	$ (27)	
Benefits earned for past service		**—**	**—**		—	(3)	
Employees' contributions		**4**	**—**		4	—	
Administrative fees		**(1)**	**—**		(1)	—	
		3	**(18)**	**$ (15)**	3	(30)	$ (27)
Financing costs	*9*						
Notional income on plan assets [2] and interest on defined benefit obligations accrued		**110**	**(100)**		74	(75)	
Interest effect on asset ceiling limit		**(12)**	**—**		(1)	—	
		98	**(100)**	**(2)**	73	(75)	(2)
DEFINED BENEFIT (COST) INCLUDED IN NET INCOME [3]				**(17)**			(29)
Other comprehensive income	*11*						
Difference between actual results and estimated plan assumptions [4]		**226**	**—**		(543)	—	
Changes in plan financial assumptions		**—**	**(191)**		—	1,491	
Changes in the effect of limiting net defined benefit assets to the asset ceilings		**(41)**	**—**		(734)	—	
		185	**(191)**	**(6)**	(1,277)	1,491	214
DEFINED BENEFIT (COST) INCLUDED IN COMPREHENSIVE INCOME [3]				**(23)**			185
AMOUNTS INCLUDED IN OPERATING ACTIVITIES CASH FLOWS							
Employer contributions		**9**	**—**	**9**	17	—	17
BENEFITS PAID BY PLANS		**(117)**	**117**	**—**	(117)	117	—
PLAN ACCOUNT BALANCES [5]							
Change in period		**178**	**(192)**	**(14)**	(1,301)	1,503	202
Balance, beginning of period		**7,990**	**(8,075)**	**(85)**	10,043	(10,233)	(190)
Balance, end of period		**$ 8,168**	**$ (8,267)**	**$ (99)**	$ 8,742	$ (8,730)	$ 12
FUNDED STATUS – PLAN SURPLUS (DEFICIT)							
Pension plans that have plan assets in excess of defined benefit obligations accrued	*20*	**$ 7,344**	**$ (7,037)**	**$ 307**	$ 7,881	$ (7,417)	$ 464
Pension plans that have defined benefit obligations accrued in excess of plan assets							
Funded		**824**	**(1,023)**	**(199)**	861	(1,091)	(230)
Unfunded		**—**	**(207)**	**(207)**	—	(222)	(222)
	27	**824**	**(1,230)**	**(406)**	861	(1,313)	(452)
		$ 8,168	**$ (8,267)**	**$ (99)**	$ 8,742	$ (8,730)	$ 12

1 Defined benefit obligations accrued are the actuarial present values of benefits attributed to employee services rendered to a particular date.
2 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 at the end of the immediately preceding fiscal year.
3 Excluding income taxes.
4 Financial assumptions in respect of plan assets (interest income on plan assets 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) and demographic assumptions in respect of the actuarial present values of the defined benefit obligations accrued, as at the end of the immediately preceding fiscal year for both.
5 Effect of asset ceiling limit at March 31, 2023, was $971 (December 31, 2022 – $918).

(b) Defined contribution plans – expense

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

Periods ended March 31 (millions)	Three months 2023	2022
Union pension plan and public service pension plan contributions	**$ 4**	$ 4
Other defined contribution pension plans	**24**	22
	$ 28	$ 26

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; significant litigation costs in respect of losses or settlements; and adverse retrospective regulatory decisions.

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

	Restructuring [1] *(b)*		Other *(c)*		Total	
Periods ended March 31 (millions)	**2023**	2022	**2023**	2022	**2023**	2022
THREE-MONTH						
Goods and services purchased	**$ 42**	$ 26	**$ 2**	$ 3	**$ 44**	$ 29
Employee benefits expense	**48**	10	**67**	—	**115**	10
	$ 90	$ 36	**$ 69**	$ 3	**$ 159**	$ 39

1 For the three-month period ended March 31, 2023, excludes real estate rationalization-related restructuring impairments of property, plant and equipment of $52 (2022 – $1), which are included in depreciation.

(b) Restructuring provisions

Employee-related provisions and other provisions, as presented in *Note 25,* include amounts in respect of restructuring activities. In 2023, 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 period ended March 31, 2023, incremental external costs were incurred in connection with business acquisition and collective bargaining activities. 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. Employee benefits expense is in respect of lump sum payments, to be made subsequent to March 31, 2023, to substantially all of our existing unionized members of Telecommunications Workers Union, United Steelworkers Local 1944 (TWU), for the ratification of the new collective agreement between the TWU and ourselves, as discussed in *Note 29(b)*.

17 property, plant and equipment

(millions)	Note	Owned assets: Network assets	Owned assets: Buildings and leasehold improvements	Owned assets: Computer hardware and other	Owned assets: Land	Owned assets: Assets under construction	Owned assets: Total	Right-of-use lease assets (*Note 19*): Network assets	Right-of-use lease assets (*Note 19*): Real estate	Right-of-use lease assets (*Note 19*): Other	Right-of-use lease assets (*Note 19*): Total	Total
AT COST												
As at January 1, 2023		$ 36,036	$ 3,746	$ 1,772	$ 83	$ 815	$ 42,452	$ 835	$ 2,095	$ 122	$ 3,052	$ 45,504
Additions		**213**	**7**	**14**	**—**	**263**	**497**	**3**	**38**	**4**	**45**	**542**
Additions arising from business acquisitions	*18(b)*	**36**	**13**	**2**	**—**	**—**	**51**	**—**	**28**	**—**	**28**	**79**
Assets under construction put into service		**231**	**42**	**25**	**—**	**(298)**	**—**	**—**	**—**	**—**	**—**	**—**
Dispositions, retirements and other		**(226)**	**1**	**13**	**—**	**—**	**(212)**	**—**	**10**	**(3)**	**7**	**(205)**
Net foreign exchange differences		**—**	**1**	**1**	**—**	**—**	**2**	**—**	**—**	**—**	**—**	**2**
As at March 31, 2023		**$ 36,290**	**$ 3,810**	**$ 1,827**	**$ 83**	**$ 780**	**$ 42,790**	**$ 838**	**$ 2,171**	**$ 123**	**$ 3,132**	**$ 45,922**
ACCUMULATED DEPRECIATION												
As at January 1, 2023		$ 24,112	$ 2,322	$ 1,094	$ —	$ —	$ 27,528	$ 50	$ 795	$ 47	$ 892	$ 28,420
Depreciation [1]		**401**	**60**	**57**	**—**	**—**	**518**	**26**	**91**	**5**	**122**	**640**
Dispositions, retirements and other		**(225)**	**2**	**(29)**	**—**	**—**	**(252)**	**1**	**—**	**(2)**	**(1)**	**(253)**
Net foreign exchange differences		**—**	**—**	**2**	**—**	**—**	**2**	**—**	**—**	**—**	**—**	**2**
As at March 31, 2023		**$ 24,288**	**$ 2,384**	**$ 1,124**	**$ —**	**$ —**	**$ 27,796**	**$ 77**	**$ 886**	**$ 50**	**$ 1,013**	**$ 28,809**
NET BOOK VALUE												
As at December 31, 2022		$ 11,924	$ 1,424	$ 678	$ 83	$ 815	$ 14,924	$ 785	$ 1,300	$ 75	$ 2,160	$ 17,084
As at March 31, 2023		**$ 12,002**	**$ 1,426**	**$ 703**	**$ 83**	**$ 780**	**$ 14,994**	**$ 761**	**$ 1,285**	**$ 73**	**$ 2,119**	**$ 17,113**

1 For the three-month period ended March 31, 2023, depreciation includes $28 in respect of impairment of real estate right-of-use lease assets.

As at March 31, 2023, our contractual commitments for the acquisition of property, plant and equipment totalled $267 million over a period ending December 31, 2027 (December 31, 2022 – $275 million over a period ending December 31, 2027).

18 intangible assets and goodwill

(a) Intangible assets and goodwill, net

		Intangible assets subject to amortization					Intangible assets with indefinite lives			
(millions)	Note	Customer contracts, related customer relationships and subscriber base [1]	Software [1]	Access to rights-of-way, crowdsource assets and other	Assets under construction	Total	Spectrum licences	Total intangible assets	Goodwill [1, 2]	Total intangible assets and goodwill
AT COST										
As at January 1, 2023		$ 4,489	$ 7,522	$ 498	$ 535	$ 13,044	$ 12,215	$ 25,259	$ 9,486	$ 34,745
Additions		**—**	**43**	**1**	**172**	**216**	**1**	**217**	**—**	**217**
Additions arising from business acquisitions	*(b)*	**834**	**—**	**129**	**—**	**963**	**—**	**963**	**932**	**1,895**
Assets under construction put into service		**—**	**268**	**17**	**(285)**	**—**	**—**	**—**	**—**	**—**
Dispositions, retirements and other (including capitalized interest)	*9*	**9**	**(176)**	**(20)**	**—**	**(187)**	**2**	**(185)**	**—**	**(185)**
Net foreign exchange differences		**2**	**—**	**—**	**—**	**2**	**—**	**2**	**4**	**6**
As at March 31, 2023		**$ 5,334**	**$ 7,657**	**$ 625**	**$ 422**	**$ 14,038**	**$ 12,218**	**$ 26,256**	**$ 10,422**	**$ 36,678**
ACCUMULATED AMORTIZATION										
As at January 1, 2023		$ 1,082	$ 4,713	$ 225	$ —	$ 6,020	$ —	$ 6,020	$ 364	$ 6,384
Amortization		**117**	**241**	**24**	**—**	**382**	**—**	**382**	**—**	**382**
Dispositions, retirements and other		**(7)**	**(180)**	**1**	**—**	**(186)**	**—**	**(186)**	**—**	**(186)**
Net foreign exchange differences		**3**	**—**	**1**	**—**	**4**	**—**	**4**	**—**	**4**
As at March 31, 2023		**$ 1,195**	**$ 4,774**	**$ 251**	**$ —**	**$ 6,220**	**$ —**	**$ 6,220**	**$ 364**	**$ 6,584**
NET BOOK VALUE										
As at December 31, 2022		$ 3,407	$ 2,809	$ 273	$ 535	$ 7,024	$ 12,215	$ 19,239	$ 9,122	$ 28,361
As at March 31, 2023		**$ 4,139**	**$ 2,883**	**$ 374**	**$ 422**	**$ 7,818**	**$ 12,218**	**$ 20,036**	**$ 10,058**	**$ 30,094**

1 The amounts for customer relationships, software and goodwill arising from business acquisitions for the year ended December 31, 2022, 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 March 31, 2023, our contractual commitments for the acquisition of intangible assets totalled $24 million over a period ending December 31, 2025 (December 31, 2022 – $14 million over a period ending December 31, 2023).

TELUS

(b) Business acquisitions

WillowTree

On October 27, 2022, we announced a definitive agreement to acquire WillowTree, a full-service digital product provider focused on end-user experiences, such as native mobile applications and unified web interfaces. On January 3, 2023, subsequent to the satisfaction of the closing conditions, WillowTree was acquired through our TELUS International (Cda) Inc. subsidiary and is consolidated in our digitally-led customer experiences – TELUS International segment.

The acquisition brings key talent and diversity to our segment's portfolio of next-generation solutions, and further augments its digital consulting and client-centric software development capabilities. The primary factor that gave rise 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 low level of tangible assets relative to the earnings capacity of the business). A portion of the amounts assigned to goodwill may be deductible for income tax purposes.

In respect of the acquired business, we concurrently provided written put options to the remaining selling shareholders for their approximate 14% economic interest, which will be settled subject to certain performance-based criteria and will become exercisable in tranches over a three-year period starting in 2026. The acquisition-date fair value of the puttable shares held by the non-controlling shareholders was recorded as a provision in the three-month period ended March 31, 2023. The provision may be settled in cash or, at our option, in a combination of cash and up to 70% in TELUS International (Cda) Inc. subordinate voting shares. Concurrent with this acquisition, the non-controlling shareholders provided us with purchased call options, which substantially mirror the written put options.

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 WillowTree. Upon having sufficient time to review the books and records of WillowTree, as well as obtaining new and additional information about the related facts and circumstances as of the acquisition date, we will adjust provisional amounts for identifiable assets acquired and liabilities assumed and thus finalize our purchase price allocation.

Individually immaterial transactions

During the three-month period ended March 31, 2023, we acquired 100% ownership of businesses that were 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 capacity of the businesses). A portion of the amount 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:

(millions)	WillowTree [1]	Individually immaterial transactions [1]	Total
Assets			
Current assets			
Cash	$ 7	$ 5	$ 12
Accounts receivable [2]	84	—	84
Other	3	2	5
	94	7	101
Non-current assets			
Property, plant and equipment			
Owned assets	20	31	51
Right-of-use lease assets	27	1	28
Intangible assets subject to amortization [3]	947	16	963
	994	48	1,042
Total identifiable assets acquired	1,088	55	1,143
Liabilities			
Current liabilities			
Accounts payable and accrued liabilities	50	6	56
Income and other taxes payable	16	—	16
Advance billings and customer deposits	5	2	7
Current maturities of long-term debt	126	—	126
	197	8	205
Non-current liabilities			
Long-term debt	22	28	50
Deferred income taxes	94	—	94
	116	28	144
Total liabilities assumed	313	36	349
Net identifiable assets acquired	775	19	794
Goodwill	831	101	932
Net assets acquired	$ 1,606	$ 120	$ 1,726
Acquisition effected by way of:			
Cash consideration	$ 1,169	$ 105	$ 1,274
Accounts payable and accrued liabilities	—	15	15
Provisions	266	—	266
Issue of shares by a subsidiary to a non-controlling interest [4]	171	—	171
	$ 1,606	$ 120	$ 1,726

1 The purchase price allocation, primarily in respect of customer contracts, related customer relationships 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 estimate at the acquisition date 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 a period of 15 years; and other intangible assets are expected to be amortized over a period of 4-10 years.

4 The fair value of the TELUS International (Cda) Inc. subordinate voting shares was measured based upon market prices observed at the date of acquisition of control.

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 2023 year.

Period ended March 31, 2023 (millions except per share amounts)	Three months As reported [1]	Three months Pro forma [2]
Operating revenues and other income	$ 4,964	$ 4,965
Net income	$ 224	$ 224
Net income per Common Share		
Basic	$ 0.15	$ 0.15
Diluted	$ 0.15	$ 0.15

1 Operating revenues and other income and net income (loss) for the three-month period ended March 31, 2023, include: $77 and $(28), respectively, in respect of WillowTree.

2 Pro forma amounts for the three-month period ended March 31, 2023, 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 2022, we acquired businesses that were complementary to our existing lines of business. As at December 31, 2022, purchase price allocations had not been finalized. During the three-month period ended March 31, 2023, the preliminary acquisition-date fair values for customer relationships, software, goodwill and deferred income tax liabilities were decreased by $118 million, increased by $179 million, decreased by $47 million and increased by $14 million, respectively; as required by IFRS-IASB, comparative amounts have been adjusted so as to reflect those increases (decreases) effective the dates of acquisition.

19 leases

Maturity analyses of lease liabilities are set out in *Note 4(b)* and *Note 26(h)*; the period interest expense in respect thereof is set out in *Note 9*. The additions to, the depreciation charges for, and the carrying amounts 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 March 31 (millions)	*Note*	Three months **2023**	Three months 2022
Income from subleasing right-of-use lease assets			
Co-location sublet revenue included in operating service revenues		**$ 4**	$ 4
Other sublet revenue included in other income	7	**$ 1**	$ 1
Lease payments		**$ 160**	$ 139

20 other long-term assets

As at (millions)	Note	March 31, 2023	December 31, 2022
Pension assets	*15*	**$ 307**	$ 307
Unbilled customer finance receivables	*4(a)*	**585**	571
Derivative assets	*4(d)*	**220**	250
Deferred income taxes		**34**	19
Costs incurred to obtain or fulfill contracts with customers		**159**	154
Real estate joint venture advances	*21(a)*	**114**	114
Investment in real estate joint venture	*21(a)*	**1**	1
Investment in associates	*21(b)*	**110**	120
Portfolio investments [1]			
At fair value through net income		**23**	21
At fair value through other comprehensive income		**462**	467
Prepaid maintenance		**56**	61
Refundable security deposits and other		**132**	118
		$ 2,203	$ 2,203

1 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:

Period ended March 31, 2023 (millions)	Three months		
	Costs incurred to		
	Obtain contracts with customers	Fulfill contracts with customers	Total
Balance, beginning of period	$ 404	$ 15	$ 419
Additions	**69**	**6**	**75**
Amortization	**(73)**	**(1)**	**(74)**
Balance, end of period	**$ 400**	**$ 20**	**$ 420**
Current [1]	**$ 255**	**$ 6**	**$ 261**
Non-current	**145**	**14**	**159**
	$ 400	**$ 20**	**$ 420**

1 Presented in the Consolidated statements of financial position in prepaid expenses.

21 real estate joint ventures and investments in associates

(a) 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, completed in 2020, was to be built to the LEED Platinum standard.

Summarized financial information

As at (millions)	March 31, 2023	December 31, 2022
ASSETS		
Current assets		
Cash and temporary investments, net	**$ 8**	$ 8
Other	**32**	27
	40	35
Non-current assets		
Investment property	**330**	330
Other	**10**	10
	340	340
	$ 380	$ 375

As at (millions)	March 31, 2023	December 31, 2022
LIABILITIES AND OWNERS' EQUITY		
Current liabilities		
Accounts payable and accrued liabilities	**$ 14**	$ 18
Construction credit facilities	**342**	342
	356	360
Owners' equity		
TELUS [1]	**8**	5
Other partners	**16**	10
	24	15
	$ 380	$ 375

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 March 31 (millions)	Three months 2023	2022
Revenue	**$ 6**	$ 4
Depreciation and amortization	**$ 2**	$ 2
Interest expense	**$ 3**	$ 3
Net income (loss) and comprehensive income (loss) [1]	**$ (6)**	$ (4)

1 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 March 31 (millions)	**2023**			2022		
	Loans and receivables [1]	Equity [2]	Total	Loans and receivables [1]	Equity [2]	Total
Related to real estate joint ventures' statements of income and other comprehensive income						
Comprehensive income (loss) attributable to us [3]	**$ —**	**$ (1)**	**$ (1)**	$ —	$ —	$ —
Related to real estate joint ventures' statements of financial position						
Items not affecting currently reported cash flows						
Construction credit facilities financing costs charged by us *(Note 7)*	**2**	**—**	**2**	1	—	1
Cash flows in the current reporting period						
Construction credit facilities						
Financing costs paid to us	**(2)**	**—**	**(2)**	(1)	—	(1)
Funds we advanced or contributed, excluding construction credit facilities	**—**	**1**	**1**	—	—	—
Net increase (decrease)	**—**	**—**	**—**	—	—	—
Real estate joint ventures carrying amounts						
Balance, beginning of period	**114**	**(8)**	**106**	114	(8)	106
Balance, end of period	**$ 114**	**$ (8)**	**$ 106**	$ 114	$ (8)	$ 106

1 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.
2 We account for our interests in the real estate joint ventures using the equity method of accounting. As at March 31, 2023, and December 31, 2022, 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 other long-term liabilities (*Note 27*).
3 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 lease agreements with the TELUS Sky real estate joint venture. During the three-month period ended March 31, 2023, the TELUS Sky real estate joint venture recognized $2 million (2022 – $2 million) of revenue from our office tenancy; of this amount, one-third was due to our economic interest and two-thirds was due to our partners' economic interests.

Construction credit facilities

The TELUS Sky real estate joint venture has a credit agreement, maturing July 15, 2023, 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.

(b) Investments in associates

We have, as at March 31, 2023, and December 31, 2022, acquired a 35% 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 acquiring our initial equity interest. Our aggregate interests in Miovision Technologies Incorporated and in individually immaterial associates as at March 31, 2023, totalled $72 million (December 31, 2022 – $75 million) and $38 million (December 31, 2022 – $45 million), respectively.

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 currently able to sell an interest in certain trade receivables up to a maximum of $600 million (unchanged from December 31, 2022). The term of this revolving-period securitization agreement ends December 31, 2024 (unchanged from December 31, 2022), 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 (unchanged from December 31, 2022) from DBRS Limited or the securitization trust may require that the sale program 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 March 31, 2023, we had sold to the trust (but continued to recognize) trade receivables of $697 million (December 31, 2022 – $118 million). Short-term borrowings of $589 million (December 31, 2022 – $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 bilateral bank facilities and/or other.

23 accounts payable and accrued liabilities

As at (millions)	**March 31, 2023**	December 31, 2022
Accrued liabilities	**$ 1,426**	$ 1,593
Payroll and other employee-related liabilities	**563**	656
Restricted share units liability	**1**	1
	1,990	2,250
Trade accounts payable	**867**	1,382
Interest payable	**214**	206
Indirect taxes payable and other	**127**	109
	$ 3,198	$ 3,947

24 advance billings and customer deposits

As at (millions)	**March 31, 2023**	December 31, 2022
Advance billings	**$ 722**	$ 662
Deferred customer activation and connection fees	**4**	5
Customer deposits	**17**	12
Contract liabilities	**743**	679
Other	**186**	212
	$ 929	$ 891

Contract liabilities represent our future performance obligations to customers in respect of services and/or equipment 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 March 31 (millions)	Note	Three months 2023	2022
Balance, beginning of period		$ 914	$ 870
Revenue deferred in previous period and recognized in current period		(625)	(630)
Net additions arising from operations		669	637
Additions arising from business acquisitions		7	6
Balance, end of period		$ 965	$ 883
Current		$ 879	$ 792
Non-current	27		
Deferred revenues		80	83
Deferred customer activation and connection fees		6	8
		$ 965	$ 883
Reconciliation of contract liabilities presented in the Consolidated statements of financial position – current			
Gross contract liabilities		$ 879	$ 792
Reclassification to contract assets of contracts with contract liabilities less than contract assets	6(c)	(122)	(112)
Reclassification from contract assets of contracts with contract assets less than contract liabilities	6(c)	(14)	(13)
		$ 743	$ 667

25 provisions

(millions)	Asset retirement obligation	Employee-related	Written put options and contingent consideration	Other	Total
As at January 1, 2023	$ 316	$ 84	$ 157	$ 147	$ 704
Additions	—	115	266	63	444
Reversals	—	—	(38)	—	(38)
Uses [1]	(3)	(57)	(108)	(37)	(205)
Interest effects	4	—	4	—	8
As at March 31, 2023	$ 317	$ 142	$ 281	$ 173	$ 913
Current	$ 12	$ 129	$ 2	$ 65	$ 208
Non-current	305	13	279	108	705
As at March 31, 2023	$ 317	$ 142	$ 281	$ 173	$ 913

1 Written put options and contingent consideration uses include $54 satisfied by way of Common Shares issued.

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 associated 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 associated cash outflows in respect of the balance accrued as at the financial statement date is substantially short-term in nature.

Written put options and contingent consideration

In connection with certain business acquisitions, we have established provisions for written put options in respect of non-controlling interests. Provisions for some written put options are determined based on the net present value of estimated future earnings, and such provisions require us to make key economic assumptions about the future. Similarly, we have established provisions for contingent consideration. No cash outflows in respect of the written put options are expected prior to their initial exercisability, and no cash outflows in respect of contingent consideration are expected prior to completion of the periods during which the contingent consideration can be earned.

Other

The provisions for other include: legal claims; non-employee-related restructuring activities; and contract termination costs and onerous contracts related to business acquisitions. Other than as set out following, we expect that the associated 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 contract termination costs and onerous contracts acquired.

26 long-term debt

(a) Details of long-term debt

As at (millions)	Note	**March 31, 2023**	December 31, 2022
Senior unsecured			
TELUS Corporation senior notes	*(b)*	**$ 18,656**	$ 18,660
TELUS Corporation commercial paper	*(c)*	**1,874**	1,458
TELUS Corporation credit facilities	*(d)*	**1,145**	1,145
TELUS Communications Inc. debentures		**199**	199
Secured			
TELUS International (Cda) Inc. credit facility	*(e)*	**2,086**	914
Other	*(f)*	**317**	321
		24,277	22,697
Lease liabilities	*(g)*	**2,289**	2,340
Long-term debt		**$ 26,566**	$ 25,037
Current		**$ 2,511**	$ 2,541
Non-current		**24,055**	22,496
Long-term debt		**$ 26,566**	$ 25,037

(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 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 them 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.

					Principal face amount		Redemption present value spread	
Series	Issued	Maturity	Issue price	Effective interest rate [1]	Originally issued	Outstanding at financial statement date	Basis points [2]	Cessation date
3.35% Notes, Series CJ	December 2012	March 2023	$998.83	3.36%	$500 million	$NIL	40	Dec. 15, 2022
3.35% Notes, Series CK	April 2013	April 2024	$994.35	3.41%	$1.1 billion	$1.1 billion	36	Jan. 2, 2024
3.75% Notes, Series CQ	September 2014	January 2025	$997.75	3.78%	$800 million	$800 million	38.5	Oct. 17, 2024
3.75% Notes, Series CV	December 2015	March 2026	$992.14	3.84%	$600 million	$600 million	53.5	Dec. 10, 2025
2.75% Notes, Series CZ	July 2019	July 2026	$998.73	2.77%	$800 million	$800 million	33	May 8, 2026
2.80% U.S. Dollar Notes [3]	September 2016	February 2027	US$991.89	2.89%	US$600 million	US$600 million	20	Nov. 16, 2026
3.70% U.S. Dollar Notes [3]	March 2017	September 2027	US$998.95	3.71%	US$500 million	US$500 million	20	June 15, 2027
2.35% Notes, Series CAC	May 2020	January 2028	$997.25	2.39%	$600 million	$600 million	48	Nov. 27, 2027
3.625% Notes, Series CX	March 2018	March 2028	$989.49	3.75%	$600 million	$600 million	37	Dec. 1, 2027
3.30% Notes, Series CY	April 2019	May 2029	$991.75	3.40%	$1.0 billion	$1.0 billion	43.5	Feb. 2, 2029
5.00% Notes, Series CAI	September 2022	September 2029	$995.69	5.07%	$350 million	$350 million	46.5	July 13, 2029

Series	Issued	Maturity	Issue price	Effective interest rate [1]	Principal face amount: Originally issued	Principal face amount: Outstanding at financial statement date	Redemption present value spread: Basis points [2]	Redemption present value spread: Cessation date
3.15% Notes, Series CAA	December 2019	February 2030	$996.49	3.19%	$600 million	$600 million	39.5	Nov. 19, 2029
2.05% Notes, Series CAD	October 2020	October 2030	$997.93	2.07%	$500 million	$500 million	38	July 7, 2030
2.85% Sustainability-Linked Notes, Series CAF	June 2021	November 2031	$997.52	2.88% [4]	$750 million	$750 million	34	Aug. 13, 2031
3.40% U.S. Dollar Sustainability-Linked Notes [3]	February 2022	May 2032	US$997.13	3.43% [4]	US$900 million	US$900 million	25	Feb. 13, 2032
5.25% Sustainability-Linked Notes, Series CAG	September 2022	November 2032	$996.73	5.29% [4]	$1.1 billion	$1.1 billion	51.5	Aug. 15, 2032
4.95% Sustainability-Linked Notes, Series CAJ	March 2023	March 2033	$998.28	4.97%	$500 million	$500 million	54.5	Dec. 28, 2032
4.40% Notes, Series CL	April 2013	April 2043	$997.68	4.41%	$600 million	$600 million	47	Oct. 1, 2042
5.15% Notes, Series CN	November 2013	November 2043	$995.00	5.18%	$400 million	$400 million	50	May 26, 2043
4.85% Notes, Series CP	Multiple [5]	April 2044	$987.91 [5]	4.93% [5]	$500 million [5]	$900 million [5]	46	Oct. 5, 2043
4.75% Notes, Series CR	September 2014	January 2045	$992.91	4.80%	$400 million	$400 million	51.5	July 17, 2044
4.40% Notes, Series CU	March 2015	January 2046	$999.72	4.40%	$500 million	$500 million	60.5	July 29, 2045
4.70% Notes, Series CW	Multiple [6]	March 2048	$998.06 [6]	4.71% [6]	$325 million [6]	$475 million [6]	58.5	Sept. 6, 2047
4.60% U.S. Dollar Notes [3]	June 2018	November 2048	US$987.60	4.68%	US$750 million	US$750 million	25	May 16, 2048
4.30% U.S. Dollar Notes [3]	May 2019	June 2049	US$990.48	4.36%	US$500 million	US$500 million	25	Dec. 15, 2048
3.95% Notes, Series CAB	Multiple [7]	February 2050	$997.54 [7]	3.97% [7]	$400 million [7]	$800 million [7]	57.5	Aug. 16, 2049
4.10% Notes, Series CAE	April 2021	April 2051	$994.70	4.13%	$500 million	$500 million	53	Oct. 5, 2050
5.65% Notes, Series CAH	September 2022	September 2052	$996.13	5.68%	$550 million	$550 million	61.5	Mar. 13, 2052

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

2 For Canadian dollar-denominated notes, 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 the redemption present value spread cessation date, or (ii) 100% of the principal amount thereof.

For U.S. dollar-denominated notes, the redemption price is equal to the greater of (i) the present value of the notes discounted at the U.S. Adjusted Treasury Rate (at the U.S. Treasury Rate for the 3.40% U.S. Dollar Sustainability-Linked Notes) 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.

3 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
3.40% U.S. Dollar Sustainability-Linked Notes	3.89%	$1,148 million	$1.2753
4.60% U.S. Dollar Notes	4.41%	$974 million	$1.2985
4.30% U.S. Dollar Notes	4.27%	$672 million	$1.3435

4 If we have not obtained a sustainability performance target verification assurance certificate for the fiscal year ended December 31, 2030, the sustainability-linked notes will bear interest at an increased rate from the trigger date through to their individual maturities. The interest rate on certain of the sustainability-linked notes may also increase (MFN step-up) in certain circumstances if we fail to meet additional sustainability and/or environmental, social or governance targets as may be provided for in a sustainability-linked bond; the interest rate on the sustainability-linked notes, however, in no event can exceed the initial rate by more than the aggregate MFN step-up and trigger event limit, whether as a result of not obtaining a sustainability performance target verification assurance certificate and/or any targets provided for in one or more future sustainability-linked bonds. Similarly, if we redeem any of the sustainability-linked notes and we have not obtained a sustainability performance target verification assurance certificate at the end of the fiscal year immediately preceding the date fixed for redemption, the interest accrued (if any) will be determined using the rates set out in the following table.

Series	Sustainability performance target verification assurance certificate: Fiscal year	Trigger date	Post-trigger event interest rate	Aggregate MFN step-up and trigger event limit	Redemption interest accrual rate if certificate not obtained
2.85% Sustainability-Linked Notes, Series CAF	2030	Nov. 14, 2030	3.85%	N/A	3.85%
3.40% U.S. Dollar Sustainability-Linked Notes	2030	Nov. 14, 2030	4.40%	1.50%	4.40%
5.25% Sustainability-Linked Notes, Series CAG	2030	Nov. 15, 2030	6.00%	1.50%	6.00%
4.95% Sustainability-Linked Notes, Series CAJ	2030	Mar. 28, 2031	5.70%	1.50%	5.70%

5 $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%.

6 $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 in March 2018 at an issue price of $1,014.11 and an effective interest rate of 4.61%.

7 $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 revolving $2.75 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 equivalent amount at any one time of $2.0 billion (US$1.5 billion maximum). 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 March 31, 2023, we had $1.9 billion (December 31, 2022 – $1.5 billion) of commercial paper outstanding, all of which was denominated in U.S. dollars (US$1.4 billion; December 31, 2022 – US$1.1 billion), with an effective average interest rate of 5.2%, maturing through August 2023.

(d) TELUS Corporation credit facilities

As at March 31, 2023, TELUS Corporation had an unsecured revolving $2.75 billion bank credit facility, expiring on April 6, 2026 (unchanged from December 31, 2022), with a syndicate of financial institutions, which is to be used for general corporate purposes, including the backstopping of commercial paper. As at March 31, 2023, TELUS Corporation had an unsecured non-revolving $1.1 billion bank credit facility, maturing July 9, 2024, with a syndicate of financial institutions, which is to be used for general corporate purposes. As at March 31, 2023, we had drawn $1.1 billion on the non-revolving bank credit facility, with an effective average interest rate of 5.5% through April 2023.

The TELUS Corporation credit facilities bear 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 facilities), plus applicable margins. The credit facilities contain 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 facilities.

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

As at (millions)	**March 31, 2023**	December 31, 2022
Net available	**$ 876**	$ 1,292
Backstop of commercial paper	**1,874**	1,458
Gross available revolving $2.75 billion bank credit facility	**$ 2,750**	$ 2,750

We had $120 million of letters of credit outstanding as at March 31, 2023 (December 31, 2022 – $119 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 revolving bank credit facility.

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

As at March 31, 2023, and December 31, 2022, TELUS International (Cda) Inc. had a credit facility, secured by its assets, expiring on January 3, 2028, with a syndicate of financial institutions, including TELUS Corporation. The credit facility is comprised of revolving components totalling US$800 million, with TELUS Corporation as approximately 7.2% lender and amortizing term loan components totalling US$1.2 billion, with TELUS Corporation as approximately 7.2% lender. The credit facility is non-recourse to TELUS Corporation. The outstanding revolving components and term loan components had a weighted average interest rate of 6.9% as at March 31, 2023.

As at (millions)	**March 31, 2023**			December 31, 2022		
	Revolving components	Term loan components [1]	Total	Revolving components	Term loan components [1]	Total
Available [2]	**US$ 325**	**US$ —**	**US$ 325**	US$ 658	US$ 600	US$ 1,258
Outstanding						
Due to other	**441**	**1,114**	**1,555**	132	557	689
Due to TELUS Corporation	**34**	**86**	**120**	10	43	53
	US$ 800	**US$ 1,200**	**US$ 2,000**	US$ 800	US$ 1,200	US$ 2,000

1 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$448 of the principal payments, and associated interest obligations, to European euro obligations with an effective fixed interest rate of 2.6% and an effective fixed economic exchange rate of US$1.088:€1.00. These have been accounted for as a net investment hedge in a foreign operation (see *Note 4*).

2 Of the amounts available at December 31, 2022, US$525 of the revolving components and US$600 of the term loan components had a condition precedent of consummating the WillowTree acquisition, which occurred on January 3, 2023 (see *Note 18(b)*).

The TELUS International (Cda) Inc. credit facility bears interest at prime rate, U.S. Dollar Base Rate, a bankers' acceptance rate or term secured overnight financing rate (SOFR) (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: the TELUS International (Cda) Inc. quarter-end net debt to operating cash flow ratio must not exceed 4.25:1.00 through fiscal 2023, 3.75:1.00 through fiscal 2024, and 3.25:1.00 subsequently; and 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 components are subject to amortization schedules 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) Other

Other liabilities bear interest at 3.4%, are secured by the AWS-4 spectrum licences associated with these other liabilities and a real estate holding, and are subject to amortization schedules, so that the principal is repaid over the periods to maturity, the last period ending March 31, 2035.

(g) Lease liabilities

Lease liabilities are subject to amortization schedules, so that the principal is repaid over various periods, including reasonably expected renewals. The weighted average interest rate on lease liabilities was approximately 4.9% as at March 31, 2023.

(h) Long-term debt maturities

Anticipated requirements to meet long-term debt repayments, calculated for long-term debt owing as at March 31, 2023, are as follows:

Composite long-term debt denominated in	Canadian dollars			U.S. dollars					Other currencies	
						Currency swap agreement amounts to be exchanged				
Years ending December 31 (millions)	Long-term debt, excluding leases	Leases (*Note 19*)	Total	Long-term debt, excluding leases	Leases (*Note 19*)	(Receive) [1]	Pay	Total	Leases (*Note 19*)	Total
2023 (remainder of year)	**$ 32**	**$ 312**	**$ 344**	**$ 1,931**	**$ 22**	**$ (1,926)**	**$ 1,920**	**$ 1,947**	**$ 42**	**$ 2,333**
2024	**2,268**	**388**	**2,656**	**75**	**25**	**(32)**	**32**	**100**	**50**	**2,806**
2025	**1,024**	**268**	**1,292**	**75**	**25**	**(32)**	**32**	**100**	**38**	**1,430**
2026	**1,462**	**182**	**1,644**	**38**	**25**	**(32)**	**32**	**63**	**30**	**1,737**
2027	**63**	**158**	**221**	**1,526**	**20**	**(1,520)**	**1,491**	**1,517**	**17**	**1,755**
2028-2032	**5,629**	**307**	**5,936**	**2,964**	**29**	**(1,680)**	**1,610**	**2,923**	**33**	**8,892**
Thereafter	**5,612**	**283**	**5,895**	**1,767**	**—**	**(1,692)**	**1,646**	**1,721**	**15**	**7,631**
Future cash outflows in respect of composite long-term debt principal repayments	**16,090**	**1,898**	**17,988**	**8,376**	**146**	**(6,914)**	**6,763**	**8,371**	**225**	**26,584**
Future cash outflows in respect of associated interest and like carrying costs [2]	**7,951**	**404**	**8,355**	**3,245**	**60**	**(2,695)**	**2,554**	**3,164**	**42**	**11,561**
Undiscounted contractual maturities (*Note 4(b)*)	**$ 24,041**	**$ 2,302**	**$ 26,343**	**$ 11,621**	**$ 206**	**$ (9,609)**	**$ 9,317**	**$ 11,535**	**$ 267**	**$ 38,145**

1 Where applicable, cash flows reflect foreign exchange rates as at March 31, 2023.
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 March 31, 2023.

27 other long-term liabilities

As at (millions)	Note	March 31, 2023	December 31, 2022
Contract liabilities	*24*	**$ 80**	$ 82
Other		**2**	2
Deferred revenues		**82**	84
Pension benefit liabilities	*15*	**406**	392
Other post-employment benefit liabilities		**73**	68
Derivative liabilities	*4(d)*	**17**	24
Investment in real estate joint ventures	*21(a)*	**8**	9
Other		**55**	53
		641	630
Deferred customer activation and connection fees	*24*	**6**	6
		$ 647	$ 636

28 owners' equity

(a) TELUS Corporation Common Share capital – general

Our authorized share capital is as follows:

As at	March 31, 2023	December 31, 2022
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 the 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 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.

As at March 31, 2023, approximately 32 million Common Shares were reserved for issuance from Treasury under a dividend reinvestment and share purchase plan (see *Note 13(b)*); approximately 16 million Common Shares were reserved for issuance from Treasury under a restricted share unit plan (see *Note 14(b)*); and approximately 12 million Common Shares were reserved for issuance from Treasury under a share option plan (see *Note 14(d)*).

(b) Purchase of TELUS Corporation 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 June 2022, we received approval for a normal course issuer bid to purchase and cancel up to 10 million of our Common Shares (up to a maximum amount of $250 million) from June 6, 2022, to June 5, 2023. During the three-month periods ending March 31, 2023 and 2022, we did not purchase or cancel any shares pursuant to normal course issuer bids.

(c) 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.

Changes in interests during the three-month periods ended March 31, 2023 and 2022, and which are reflected in the Consolidated statement of changes in owners' equity, are set out in the following table.

Three-month periods ended March 31	Economic interest [1] 2023	Economic interest [1] 2022	Voting interest [1] 2023	Voting interest [1] 2022
Interest in TELUS International (Cda) Inc., beginning of period	**56.6%**	55.1%	**72.4%**	70.9%
Effect of				
Issue of subordinate voting shares as consideration in business acquisition (*Note 18(b)*)	**(1.4)**	—	**(0.2)**	—
Share-based compensation and other	**—**	(0.1)	**—**	—
Interest in TELUS International (Cda) Inc., end of period	**55.2%**	55.0%	**72.2%**	70.9%

1 Due to the voting rights associated with the multiple voting shares held by TELUS Corporation, our economic and voting interests subsequent to the initial public offering differ.

Summarized financial information
Summarized financial information of our TELUS International (Cda) Inc. subsidiary is set out in the following table.

As at, or for the periods ended, (millions) [1]	Three months **March 31, 2023**	Three months March 31, 2022	December 31, 2022
Statement of financial position			
Current assets	**$ 1,088**		$ 926
Non-current assets	**$ 5,632**		$ 3,875
Current liabilities	**$ 830**		$ 733
Non-current liabilities	**$ 3,177**		$ 1,581
Statement of income and other comprehensive income			
Revenue and other income	**$ 928**	$ 759	
Net income	**$ 18**	$ 45	
Comprehensive income	**$ 36**	$ 2	
Statement of cash flows			
Cash provided by operating activities	**$ 65**	$ 153	
Cash used by investing activities	**$ (1,169)**	$ (27)	
Cash provided (used) by financing activities	**$ 1,125**	$ (66)	

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

29 contingent liabilities

(a) 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 mobile 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 mobile 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” mobile 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. Notice of this certified class action was provided to potential class members in 2022.

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 mobile 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*. On June 28, 2021, the Quebec Superior Court approved the discontinuance of this claim against TELUS. 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.

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.

(b) Concentration of labour
In October 2021, we commenced collective bargaining with the Telecommunications Workers Union, United Steelworkers Local 1944 (TWU), to renew the collective agreement that expired on December 31, 2021. In early March 2023, we reached a tentative agreement with the TWU. The tentative agreement was subject to ratification by members of the TWU. On March 17, 2023, the TWU and ourselves announced that the ratification process had been completed with a majority of the TWU members who cast their ballots voting to accept the tentative agreement. The new collective agreement with the TWU is effective from April 16, 2023, to March 31, 2027, and currently covers more than 6,500 team members nationally.

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 Team.

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

Periods ended March 31 (millions)	Three months 2023	Three months 2022
Short-term benefits	**$ 5**	$ 4
Post-employment pension [1] and other benefits	**2**	5
Share-based compensation [2]	**17**	18
	$ 24	$ 27

1 Our Executive 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 and defined contribution pension plans.

2 We accrue an expense for the notional subset of our restricted share units with market performance conditions using a fair value determined by a Monte Carlo simulation. Restricted share units with 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 2023 and 2022, 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 is being recognized rateably over a period of years and thus only a portion of the 2023 and 2022 initial awards are included in the amounts in the table above.

Three-month periods ended March 31	**2023**			2022		
($ in millions)	Number of units	Notional value [1]	Grant-date fair value [1]	Number of units	Notional value [1]	Grant-date fair value [1]
TELUS Corporation						
Restricted share units	**1,220,549**	**$ 33**	**$ 35**	1,007,431	$ 32	$ 39
TELUS International (Cda) Inc.						
Restricted share units	**353,789**	**10**	**10**	263,567	9	9
		$ 43	**$ 45**		$ 41	$ 48

1 The notional value of restricted share units is determined by multiplying the equity 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)*). The notional value of share options has been determined using an option pricing model.

The amount recorded for liability-accounted restricted share units and share options outstanding as at March 31, 2023 was $1 million (December 31, 2022 – $1 million).

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, TELUS Corporation Common Shares or cash. Deferred share units entitle directors to a specified number of TELUS Corporation Common Shares. Deferred share units accounted for as liabilities have been paid out when a director ceased 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 periods ended March 31, 2023 and 2022, no amounts were paid out. As at March 31, 2023, and December 31, 2022, no liability-accounted share-based compensation awards were outstanding.

Employment agreements with members of the Executive 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 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 period ended March 31, 2023, we provided our defined benefit pension plans with management and administrative services on a cost recovery basis and actuarial services on an arm's-length basis; the charges for these services amounted to $3 million (2022 – $2 million).

(c) Transactions with real estate joint venture

During the three-month periods ended March 31, 2023 and 2022, we had transactions with the TELUS Sky real estate joint venture, which is a related party, as set out in *Note 21.* As at March 31, 2023, we had recorded lease liabilities of

$87 million (December 31, 2022 – $87 million) in respect of our TELUS Sky lease, and monthly cash payments are made in accordance with the lease agreement; one-third of those amounts is due to our economic interest in the real estate joint venture.

31 additional statement of cash flow information

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

Periods ended March 31 (millions)	*Note*	Three months **2023**	2022
OPERATING ACTIVITIES			
Net change in non-cash operating working capital			
Accounts receivable		**$ 172**	$ 235
Inventories		**(47)**	(65)
Contract assets		**4**	17
Prepaid expenses		**(136)**	(142)
Accounts payable and accrued liabilities		**(543)**	(155)
Income and other taxes receivable and payable, net		**11**	24
Advance billings and customer deposits		**31**	15
Provisions		**42**	(19)
		$ (466)	$ (90)
INVESTING ACTIVITIES			
Cash payments for capital assets, excluding spectrum licences			
Capital asset additions			
Gross capital expenditures			
Property, plant and equipment	*17*	**$ (542)**	$ (709)
Intangible assets subject to amortization	*18*	**(216)**	(198)
		(758)	(907)
Additions arising from leases	*17*	**45**	74
Capital expenditures	*5*	**(713)**	(833)
Other non-cash items included above			
Change in associated non-cash investing working capital		**(263)**	(180)
		$ (976)	$ (1,013)

(b) Changes in liabilities arising from financing activities

	Three-month period ended March 31, 2022						**Three-month period ended March 31, 2023**					
		Statement of cash flows		Non-cash changes				Statement of cash flows		Non-cash changes		
(millions)	Beginning of period	Issued or received	Redemptions, repayments or payments	Foreign exchange movement (*Note 4(e)*)	Other	End of period	Beginning of period	Issued or received	Redemptions, repayments or payments	Foreign exchange movement (*Note 4(e)*)	Other	End of period
Dividends payable to holders of Common Shares	$ 449	$ —	$ (449)	$ —	$ 450	$ 450	**$ 502**	**$ —**	**$ (502)**	**$ —**	**$ 506**	**$ 506**
Dividends reinvested in shares from Treasury	—	—	156	—	(156)	—	**—**	**—**	**184**	**—**	**(184)**	**—**
	$ 449	$ —	$ (293)	$ —	$ 294	$ 450	**$ 502**	**$ —**	**$ (318)**	**$ —**	**$ 322**	**$ 506**
Short-term borrowings	$ 114	$ —	$ (6)	$ —	$ —	$ 108	**$ 104**	**$ 489**	**$ —**	**$ —**	**$ —**	**$ 593**
Long-term debt												
TELUS Corporation senior notes	$ 15,258	$ 1,143	$ —	$ (61)	$ (12)	$ 16,328	**$ 18,660**	**$ 500**	**$ (500)**	**$ (4)**	**$ —**	**$ 18,656**
TELUS Corporation commercial paper	1,900	1,144	(1,616)	(14)	—	1,414	**1,458**	**1,960**	**(1,546)**	**2**	**—**	**1,874**
TELUS Corporation credit facilities	—	—	—	—	—	—	**1,145**	**—**	**—**	**—**	**—**	**1,145**
TELUS Communications Inc. debentures	448	—	—	—	—	448	**199**	**—**	**—**	**—**	**—**	**199**
TELUS International (Cda) Inc. credit facility	1,062	—	(39)	(15)	1	1,009	**914**	**1,221**	**(38)**	**(11)**	**—**	**2,086**
Other	308	—	(75)	—	71	304	**321**	**—**	**(152)**	**—**	**148**	**317**
Lease liabilities	1,876	—	(123)	(6)	69	1,816	**2,340**	**—**	**(130)**	**12**	**67**	**2,289**
Derivatives used to manage currency risk arising from U.S. dollar-denominated long-term debt – liability (asset)	4	1,623	(1,629)	63	(73)	(12)	**(80)**	**1,546**	**(1,552)**	**12**	**(5)**	**(79)**
	20,856	3,910	(3,482)	(33)	56	21,307	**24,957**	**5,227**	**(3,918)**	**11**	**210**	**26,487**
To eliminate effect of gross settlement of derivatives used to manage currency risk arising from U.S. dollar-denominated long-term debt	—	(1,623)	1,623	—	—	—	**—**	**(1,546)**	**1,546**	**—**	**—**	**—**
	$ 20,856	$ 2,287	$ (1,859)	$ (33)	$ 56	$ 21,307	**$ 24,957**	**$ 3,681**	**$ (2,372)**	**$ 11**	**$ 210**	**$ 26,487**