TELUS CORPORATION

INTERIM CONSOLIDATED FINANCIAL STATEMENTS

(UNAUDITED)

SEPTEMBER 30, 2010

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

Periods ended September 30 (millions except per share amounts)	Three months 2010	Three months 2009	Nine months 2010	Nine months 2009
OPERATING REVENUES	**$ 2,455**	$ 2,411	**$ 7,228**	$ 7,163
OPERATING EXPENSES				
Operations	**1,501**	1,456	**4,390**	4,348
Restructuring costs *(Note 6)*	**17**	32	**42**	113
Depreciation	**332**	330	**993**	994
Amortization of intangible assets	**100**	100	**299**	287
	1,950	1,918	**5,724**	5,742
OPERATING INCOME	**505**	493	**1,504**	1,421
Other expense, net	**7**	6	**21**	22
Financing costs *(Note 7)*	**182**	101	**408**	302
INCOME BEFORE INCOME TAXES	**316**	386	**1,075**	1,097
Income taxes *(Note 8)*	**69**	106	**264**	251
NET INCOME	**247**	280	**811**	846
OTHER COMPREHENSIVE INCOME *(Note 17(b))*				
Change in unrealized fair value of derivatives designated as cash flow hedges	**35**	9	**54**	36
Foreign currency translation adjustment arising from translating financial statements of self-sustaining foreign operations	**3**	(4)	**2**	(12)
Change in unrealized fair value of available-for-sale financial assets	**—**	—	**—**	1
	38	5	**56**	25
COMPREHENSIVE INCOME	**$ 285**	$ 285	**$ 867**	$ 871
NET INCOME ATTRIBUTABLE TO:				
Common Shares and Non-Voting Shares	**$ 246**	$ 279	**$ 808**	$ 843
Non-controlling interests	**1**	1	**3**	3
	$ 247	$ 280	**$ 811**	$ 846
TOTAL COMPREHENSIVE INCOME ATTRIBUTABLE TO:				
Common Shares and Non-Voting Shares	**$ 284**	$ 284	**$ 864**	$ 868
Non-controlling interests	**1**	1	**3**	3
	$ 285	$ 285	**$ 867**	$ 871
NET INCOME PER COMMON SHARE AND NON-VOTING SHARE *(Note 9)*				
Basic	**$ 0.77**	$ 0.88	**$ 2.53**	$ 2.65
Diluted	**$ 0.76**	$ 0.87	**$ 2.52**	$ 2.65
DIVIDENDS DECLARED PER COMMON SHARE AND NON-VOTING SHARE *(Note 10)*	**$ 0.50**	$ 0.475	**$ 1.475**	$ 1.425
TOTAL WEIGHTED AVERAGE COMMON SHARES AND NON-VOTING SHARES OUTSTANDING				
Basic	**321**	318	**319**	318
Diluted	**322**	318	**320**	318

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

interim consolidated statements of financial position (unaudited)

As at (millions)	September 30, 2010	December 31, 2009
ASSETS		
Current Assets		
Cash and temporary investments, net	**$ 50**	$ 41
Accounts receivable *(Notes 13, 19(b))*	**830**	694
Income and other taxes receivable	**196**	16
Inventories *(Note 19(b))*	**226**	270
Prepaid expenses	**163**	105
Derivative assets *(Note 4(h))*	**1**	1
	1,466	1,127
Non-Current Assets		
Property, plant, equipment and other, net *(Note 14)*	**7,643**	7,729
Intangible assets, net *(Note 15)*	**5,090**	5,148
Goodwill, net *(Note 15)*	**3,572**	3,572
Other long-term assets *(Note 19(b))*	**1,717**	1,602
Investments	**41**	41
	18,063	18,092
	$ 19,529	$ 19,219
LIABILITIES AND OWNERS' EQUITY		
Current Liabilities		
Accounts payable and accrued liabilities *(Note 19(b))*	**$ 1,479**	$ 1,385
Income and other taxes payable	**5**	182
Restructuring accounts payable and accrued liabilities *(Note 6)*	**88**	135
Dividends payable *(Note 10(a))*	**160**	150
Advance billings and customer deposits *(Note 19(b))*	**635**	674
Current maturities of long-term debt *(Note 16)*	**770**	82
Current portion of derivative liabilities *(Note 4(h))*	**398**	62
Current portion of future income taxes	**490**	294
	4,025	2,964
Non-Current Liabilities		
Long-term debt *(Note 16)*	**5,379**	6,090
Other long-term liabilities *(Note 19(b))*	**643**	1,271
Future income taxes	**1,402**	1,319
	7,424	8,680
Liabilities	**11,449**	11,644
Owners' Equity		
Common Share and Non-Voting Share equity *(Note 17)*	**8,059**	7,554
Non-controlling interests	**21**	21
	8,080	7,575
	$ 19,529	$ 19,219

Commitments and Contingent Liabilities *(Note 18)*

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

interim consolidated statements of changes in owners' equity (unaudited)

	Common Share and Non-Voting Share equity										
	Equity contributed										
	Share capital										
	Common Shares		Non-Voting Shares								
($ in millions)	Number of shares	Share capital	Number of shares	Share capital	Total	Contributed surplus	Retained earnings	Accumulated other comprehensive income	Total	Non-controlling interests	Total
Balance as at January 1, 2009	174,817,514	$ 2,216	142,831,858	$ 3,069	$ 5,285	$ 168	$ 1,762	$ (130)	$ 7,085	$ 23	$ 7,108
Net income	—	—	—	—	—	—	843	—	843	3	846
Other comprehensive income	—	—	—	—	—	—	—	25	25	—	25
Dividends *(Note 10(a))*	—	—	—	—	—	—	(451)	—	(451)	(6)	(457)
Shares issued pursuant to cash exercise of share options *(Note 17(c))*	1,506	—	22,184	1	1	—	—	—	1	—	1
Shares issued pursuant to use of share option award net-equity settlement feature *(Note 17(c))*	—	—	1,905	—	—	—	—	—	—	—	—
Share option award expense recognized in period *(Note 11)*	—	—	—	—	—	10	—	—	10	—	10
Balance as at September 30, 2009	174,819,020	$ 2,216	142,855,947	$ 3,070	$ 5,286	$ 178	$ 2,154	$ (105)	$ 7,513	$ 20	$ 7,533
Balance as at January 1, 2010	**174,819,020**	**$ 2,216**	**142,875,516**	**$ 3,070**	**$ 5,286**	**$ 181**	**$ 2,159**	**$ (72)**	**$ 7,554**	**$ 21**	**$ 7,575**
Net income	**—**	**—**	**—**	**—**	**—**	**—**	**808**	**—**	**808**	**3**	**811**
Other comprehensive income	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**56**	**56**	**—**	**56**
Dividends *(Note 10(a))*	**—**	**—**	**—**	**—**	**—**	**—**	**(473)**	**—**	**(473)**	**(3)**	**(476)**
Shares issued pursuant to cash exercise of share options *(Note 17(c))*	**75,385**	**3**	**63,003**	**3**	**6**	**—**	**—**	**—**	**6**	**—**	**6**
Shares issued pursuant to use of share option award net-equity settlement feature *(Note 17(c))*	**—**	**—**	**56,202**	**1**	**1**	**—**	**—**	**—**	**1**	**—**	**1**
Dividend Reinvestment and Share Purchase Plan *(Note 10(b))*											
Dividends reinvested in shares	**—**	**—**	**2,826,360**	**98**	**98**	**—**	**—**	**—**	**98**	**—**	**98**
Optional cash payments	**—**	**—**	**25,102**	**1**	**1**	**—**	**—**	**—**	**1**	**—**	**1**
Share option award expense recognized in period *(Note 11)*	**—**	**—**	**—**	**—**	**—**	**8**	**—**	**—**	**8**	**—**	**8**
Balance as at September 30, 2010	**174,894,405**	**$ 2,219**	**145,846,183**	**$ 3,173**	**$ 5,392**	**$ 189**	**$ 2,494**	**$ (16)**	**$ 8,059**	**$ 21**	**$ 8,080**

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

TELUS®

interim consolidated statements of cash flows (unaudited)

Periods ended September 30 (millions)	Three months 2010	Three months 2009	Nine months 2010	Nine months 2009
OPERATING ACTIVITIES				
Net income	**$ 247**	$ 280	**$ 811**	$ 846
Adjustments to reconcile net income to cash provided by operating activities:				
Depreciation and amortization	**432**	430	**1,292**	1,281
Future income taxes	**81**	110	**258**	231
Share-based compensation *(Note 11(a))*	**3**	(3)	**10**	17
Net employee defined benefit plans expense	**7**	3	**21**	12
Employer contributions to employee defined benefit plans	**(21)**	(31)	**(110)**	(135)
Restructuring costs, net of cash payments *(Note 6)*	**5**	3	**(47)**	33
Other	**(14)**	(14)	**(20)**	9
Net change in non-cash working capital *(Note 19(c))*	**173**	36	**(365)**	(14)
Cash provided by operating activities	**913**	814	**1,850**	2,280
INVESTING ACTIVITIES				
Capital expenditures *(Notes 5, 14, 15)*	**(449)**	(558)	**(1,157)**	(1,589)
Acquisition	**—**	(26)	**—**	(26)
Proceeds from the sale of property and other assets	**—**	—	**3**	—
Other	**(3)**	(1)	**6**	—
Cash used by investing activities	**(452)**	(585)	**(1,148)**	(1,615)
FINANCING ACTIVITIES				
Common Shares and Non-Voting Shares issued	**5**	—	**7**	1
Dividends paid to holders of Common Shares and Non-Voting Shares *(Note 10(a))*	**(116)**	(149)	**(365)**	(451)
Long-term debt issued *(Notes 16, 19(c))*	**1,445**	936	**3,198**	7,109
Redemptions and repayment of long-term debt *(Notes 16, 19(c))*	**(1,784)**	(1,006)	**(3,530)**	(7,288)
Dividends paid by a subsidiary to non-controlling interests	**(2)**	(2)	**(3)**	(6)
Cash provided (used) by financing activities	**(452)**	(221)	**(693)**	(635)
CASH POSITION				
Increase in cash and temporary investments, net	**9**	8	**9**	30
Cash and temporary investments, net, beginning of period	**41**	26	**41**	4
Cash and temporary investments, net, end of period	**$ 50**	$ 34	**$ 50**	$ 34
SUPPLEMENTAL DISCLOSURE OF CASH FLOWS				
Interest (paid) (*Note19(c)*)	**$ (108)**	$ (38)	**$ (329)**	$ (271)
Interest received	**$ 2**	$ 19	**$ 2**	$ 54
Income taxes (inclusive of Investment Tax Credits *(Note 8)*) (paid) received, net	**$ (30)**	$ (48)	**$ (339)**	$ (270)

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

SEPTEMBER 30, 2010

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. (BC TELECOM) and the former Alberta-based TELUS Corporation (TC), BCT acquired all of the shares of BC TELECOM and TC in exchange for Common Shares and Non-Voting Shares of BCT. Subsequently on January 31, 1999, BC TELECOM was dissolved. On May 3, 2000, BCT changed its name to TELUS Corporation and in February 2005, the Company transitioned under the *Business Corporations Act* (British Columbia), successor to the *Company Act* (British Columbia). TELUS Corporation maintains its registered office at Floor 21, 3777 Kingsway, Burnaby, British Columbia, V5H 3Z7.

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

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1 interim financial statements

The notes presented in these interim consolidated financial statements include only significant events and transactions and are not fully inclusive of all matters normally disclosed in TELUS Corporation's annual audited financial statements. As a result, these interim consolidated financial statements should be read in conjunction with the TELUS Corporation audited consolidated financial statements for the year ended December 31, 2009. These interim consolidated financial statements follow the same accounting policies and methods of their application as set out in the TELUS Corporation consolidated financial statements for the year ended December 31, 2009, including that certain of the comparative amounts have been reclassified to conform to the presentation adopted currently. Accordingly, these interim consolidated financial statements reflect all adjustments (which are of a normal recurring nature) that are, in the opinion of the Company, necessary for a fair statement of the results for the interim periods presented.

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

2 accounting policy developments

Convergence with International Financial Reporting Standards as issued by the International Accounting Standards Board

In 2006, Canada's Accounting Standards Board ratified a strategic plan that will result in Canadian GAAP, as used by publicly accountable enterprises, being fully converged with International Financial Reporting Standards as issued by the International Accounting Standards Board (IFRS-IASB) over a transitional period to be complete by 2011. The Company will be required to report using the converged standards effective for interim and annual financial statements relating to fiscal years beginning no later than on or after January 1, 2011, the date which the Company has selected for adoption.

3 capital structure financial policies

The Company's objectives when managing capital are: (i) to maintain a flexible capital structure which optimizes the cost of capital at acceptable risk; and (ii) to manage capital in a manner which balances the interests of equity and debt holders.

In the management of capital, the Company includes Common Share and Non-Voting Share equity (excluding accumulated other comprehensive income), long-term debt (including any associated hedging assets or liabilities, net of amounts recognized in accumulated other comprehensive income), cash and temporary investments and securitized accounts receivable in the definition of capital.

The Company manages the capital structure and makes adjustments to it in the light of changes in economic conditions and the risk characteristics of the underlying assets. In order to maintain or adjust the capital structure, the Company may adjust the amount of dividends paid to holders of Common Shares and Non-Voting Shares, purchase shares for cancellation pursuant to permitted normal course issuer bids, issue new shares, issue new debt, issue new debt to replace existing debt with different characteristics and/or increase or decrease the amount of sales of trade receivables to an arm's-length securitization trust.

The Company monitors capital on a number of bases, including: net debt to Earnings Before Interest, Taxes, Depreciation and Amortization – excluding restructuring costs (EBITDA – excluding restructuring costs); and dividend payout ratios.

Net debt to EBITDA – excluding restructuring costs is calculated as net debt at the end of the period divided by twelve-month trailing EBITDA – excluding restructuring costs. Net debt is a measure that does not have any standardized meaning prescribed by GAAP and is therefore unlikely to be comparable to similar measures presented by other issuers; the calculation of net debt is as set out in the following schedule. Net debt is one component of a ratio used to determine compliance with debt covenants. The calculation of EBITDA – excluding restructuring costs is a measure that does not have any standardized meaning prescribed by GAAP and is therefore unlikely to be comparable to similar measures presented by other issuers; the calculation of EBITDA – excluding restructuring costs is as set out in the following schedule. This measure, historically, is substantially the same as the leverage ratio covenant in the Company's credit facilities.

The reported dividend payout ratio is calculated as the quarterly dividend declared per Common Share and Non-Voting Share, as recorded in the financial statements, multiplied by four and divided by the sum of basic earnings per share for the most recent four quarters for interim reporting periods (divided by annual basic earnings per share for fiscal years); the reported dividend payout ratio of adjusted net earnings differs in that it excludes: income tax-related adjustments; the loss on redemption of long term debt; and the ongoing impacts of the share options with the net-cash settlement feature.

During 2010, the Company's strategy, which was unchanged from 2009 (other than to change the dividend payout ratio guideline to 55-65% of sustainable net earnings on a prospective basis), included maintaining the financial policy set out in the following schedule. The Company believes that its financial policies and guidelines, which are reviewed annually, are currently at the optimal level and, by maintaining credit ratings in the range of BBB+ to A-, or the equivalent, provide reasonable access to capital.

As at, or twelve-month periods ended, September 30 ($ in millions)	Policy	**2010**	2009
Components of debt and coverage ratios			
Net debt[1]		**$ 6,905**	$ 7,177
EBITDA – excluding restructuring costs[2]		**$ 3,704**	$ 3,790
Net interest cost[3]		**$ 638**	$ 420
Debt ratio			
Net debt to EBITDA – excluding restructuring costs	1.5 – 2.0	**1.9**	1.9
Coverage ratios			
Earnings coverage (interest coverage on long-term debt)[4]		**2.9**	4.1
EBITDA – excluding restructuring costs interest coverage[5]		**5.8**	9.0
Other measures			
Dividend payout ratio of adjusted net earnings[6]		**65%**	60%
Dividend payout ratio		**66%**	53%

(1) Net debt is calculated as follows:

	2010	2009
Long-term debt (Note 16)	**$ 6,149**	$ 5,891
Debt issuance costs netted against long-term debt	**30**	28
Derivative liabilities, net	**380**	1,001
Accumulated other comprehensive income amounts arising from financial instruments used to manage interest rate and currency risks associated with U.S. dollar denominated debt (excluding tax effects)	**(4)**	(109)
Cash and temporary investments, net	**(50)**	(34)
Cumulative proceeds from accounts receivable securitization (Note 13)	**400**	400
Net debt	**$ 6,905**	$ 7,177

(2) EBITDA – excluding restructuring costs is calculated as follows:

	2010				2009			
	Period-to-date: add (deduct)				Period-to-date: add (deduct)			
	Comparative quarter	Prior fiscal year	Current quarter	Total	Comparative quarter	Prior fiscal year	Current quarter	Total
EBITDA (Note 5)	**$ (2,702)**	**$ 3,491**	**$ 2,796**	**$ 3,585**	$ (2,842)	$ 3,779	$ 2,702	$ 3,639
Restructuring costs (Note 6)	**(113)**	**190**	**42**	**119**	(21)	59	113	151
EBITDA – excluding restructuring costs	**$ (2,815)**	**$ 3,681**	**$ 2,838**	**$ 3,704**	$ (2,863)	$ 3,838	$ 2,815	$ 3,790

(3) Net interest cost is defined as financing costs before gains on redemption and repayment of debt, calculated on a twelve-month trailing basis (losses recorded on the redemption of long-term debt, if any, are included in net interest cost).

(4) Earnings coverage (interest coverage on long-term debt) is defined as net income before interest expense on long-term debt and income tax expense, divided by interest expense on long-term debt (including losses recorded on the redemption of long-term debt, if any).
(5) EBITDA – excluding restructuring costs interest coverage is defined as EBITDA – excluding restructuring costs divided by net interest cost. This measure is substantially the same as the coverage ratio covenant in the Company's credit facilities.
(6) Adjusted net earnings per Common Share and Non-Voting Share is calculated as follows:

	2010	2009
Net income attributable to Common Shares and Non-Voting Shares	**$ 3.02**	$ 3.56
Income tax-related adjustments	**(0.29)**	(0.37)
Loss on redemption of long-term debt, net of income taxes	**0.34**	—
Impacts of share options with the net-cash settlement feature, net of income taxes	**(0.01)**	—
Adjusted net earnings per Common Share and Non-Voting Share - basic	**$ 3.06**	$ 3.19

The earnings coverage (interest coverage on long-term debt) ratio was 2.9 times, down from 4.1 times one year earlier. Increased long-term debt interest expense, mostly due to charges for early redemption on long-term debt ($99 million in December 2009 and $52 million in September 2010), reduced the ratio by 0.9, while lower income before income taxes and long-term debt interest expense decreased the ratio by 0.3. The EBITDA – excluding restructuring costs interest coverage ratio was 5.8 times, down from 9.0 times in 2009, due mainly to the charges for early redemption on long-term debt.

4 financial instruments

(a) Risks – overview

The Company's financial instruments and the nature of risks which they may be subject to are as set out in the following table.

	Risks				
			Market risks		
Financial instrument	Credit	Liquidity	Currency	Interest rate	Other price
Measured at cost or amortized cost					
Cash and temporary investments	X		X	X	
Accounts receivable	X		X		
Accounts payable		X	X		
Restructuring accounts payable		X			
Short-term obligations		X		X	
Long-term debt		X	X	X	
Measured at fair value					
Short-term investments				X	X
Long-term investments					X
Foreign exchange derivatives[1]	X	X	X		
Share-based compensation derivatives[1]	X	X			X
Cross currency interest rate swap derivatives[1]	X	X	X	X	

(1) Use of derivative financial instruments is subject to a policy which requires that no derivative transaction be entered into for the purpose of establishing a speculative or leveraged position (the corollary being that all derivative transactions are to be entered into for risk management purposes only) and sets criteria for the creditworthiness of the transaction counterparties.

(b) Credit risk

Excluding credit risk, if any, arising from currency swaps settled on a gross basis (see (c)), the best representation of the Company's maximum exposure (excluding tax effects) to credit risk, which is a worst-case scenario and does not reflect results expected by the Company, is as set out in the following table:

As at (millions)	**September 30, 2010**	December 31, 2009
Cash and temporary investments, net	**$ 50**	$ 41
Accounts receivable	**830**	694
Derivative assets	**1**	1
	$ 881	$ 736

Cash and temporary investments: Credit risk associated with cash and temporary investments is minimized substantially 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 is performed to evaluate changes in the status of counterparties.

Accounts receivable: Credit risk associated with accounts receivable is minimized by the Company's large and diverse customer base, which covers substantially all consumer and business sectors in Canada. The Company follows a program of credit evaluations of customers and limits the amount of credit extended when deemed necessary. The Company maintains allowances for potential credit losses, and any such losses to date have been within management's expectations.

The following table presents an analysis of the age of customer accounts receivable not allowed for as at the dates of the Consolidated Statements of Financial Position. As at September 30, 2010, the weighted average life of customer accounts receivable is 31 days (December 31, 2009 – 35 days) and the weighted average life of past-due customer accounts receivable is 65 days (December 31, 2009 – 72 days). No interest is charged on customer accounts which are current. Thereafter, interest is charged at a market rate on outstanding balances.

As at (millions)	**September 30, 2010**	December 31, 2009
Customer accounts receivable net of allowance for doubtful accounts		
Current	**$ 405**	$ 321
30-60 days past billing date	**119**	86
61-90 days past billing date	**29**	23
Greater than 90 days past billing date	**51**	67
	$ 604	$ 497
Customer accounts receivable (Note 19(b))	**$ 649**	$ 556
Allowance for doubtful accounts	**(45)**	(59)
	$ 604	$ 497

The Company must make significant estimates in respect of the allowance for doubtful accounts. Current economic conditions, historical information, why the accounts are past-due and line of business from which the customer accounts receivable arose are all considered when determining whether past-due accounts should be allowed for; the same factors are considered when determining whether to write off amounts charged to the allowance account against the customer account receivable. The provision for doubtful accounts is calculated on a specific-identification basis for customer accounts receivable over a specific balance threshold and on a statistically-derived allowance basis for the remainder. No customer accounts receivable are written off directly to the provision for doubtful accounts.

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

	Three months		Nine months	
Periods ended September 30 (millions)	**2010**	2009	**2010**	2009
Balance, beginning of period	**$ 49**	$ 65	**$ 59**	$ 77
Additions (provision for doubtful accounts)	**10**	14	**39**	64
Net use	**(14)**	(15)	**(53)**	(77)
Balance, end of period	**$ 45**	$ 64	**$ 45**	$ 64

Aside from the normal customer accounts receivable credit risk associated with its retained interest, the Company has no continuing exposure to credit risk associated with its trade receivables which are sold to an arm's-length securitization trust, as discussed further in Note 13.

Derivative assets (and derivative liabilities): Counterparties to the Company's cross currency interest rate swap agreements, share-based compensation cash-settled equity forward agreements and foreign exchange derivatives are major financial institutions that have all been accorded investment grade ratings by a primary rating agency. The dollar amount of credit exposure under contracts with any one financial institution is limited and counterparties' credit ratings are monitored. The Company does not give or receive collateral on swap agreements and hedging items due to its credit rating and those of its counterparties. While the Company is exposed to credit losses due to the non-performance of its counterparties, the Company considers the risk of this remote. The Company's derivative liabilities do not have credit-risk-related contingent features.

(c) Liquidity risk

As a component of the Company's capital structure financial policies, discussed further in Note 3, the Company manages liquidity risk by maintaining a daily cash pooling process which enables the Company to manage its liquidity surplus and liquidity requirements according to the actual needs of the Company and its subsidiaries, by maintaining bilateral bank facilities and syndicated credit facilities, by maintaining a commercial paper program, by the sales of trade receivables to an arm's-length securitization trust, by continuously monitoring forecast and actual cash flows and by managing maturity profiles of financial assets and financial liabilities. As disclosed in Note 16(d), the Company has significant debt maturities in

future years. As at September 30, 2010, the Company has access to a shelf prospectus, in effect until October 2011, pursuant to which it can offer $2 billion (December 31, 2009 – $3 billion) of debt or equity securities. The Company believes that its investment grade credit ratings provide reasonable access to capital markets.

The Company closely matches the derivative financial liability contractual maturities with those of the risk exposures that they are being used to manage.

The Company's undiscounted financial liability contractual maturities, including interest thereon (where applicable), are as set out in the following tables:

	Non-derivative			Derivative					
		Long-term debt (see Note 16)				Other financial liabilities			
				Currency swaps amounts to be exchanged[2]			Currency swaps amounts to be exchanged		
As at September 30, 2010 (millions)	Non-interest bearing financial liabilities	All except capital leases[1][2]	Capital leases	(Receive)	Pay	Other	(Receive)	Pay	Total
2010									
Fourth quarter	**$ 982**	**$ 125**	**$ 2**	**$ (30)**	**$ 48**	**$ 21**	**$ (133)**	**$ 133**	**$ 1,148**
2011	**286**	**1,098**	**8**	**(793)**	**1,183**	**—**	**(28)**	**28**	**1,782**
2012	**1**	**770**	**—**	**—**	**—**	**—**	**—**	**—**	**771**
2013	**—**	**583**	**—**	**—**	**—**	**—**	**—**	**—**	**583**
2014	**—**	**958**	**—**	**—**	**—**	**—**	**—**	**—**	**958**
Thereafter	**1**	**5,116**	**—**	**—**	**—**	**—**	**—**	**—**	**5,117**
Total	**$ 1,270**	**$ 8,650**	**$ 10**	**$ (823)**	**$ 1,231**	**$ 21**	**$ (161)**	**$ 161**	**$ 10,359**
		Total (see Note 16(d))			**$ 9,068**				

(1) Interest payment cash outflows in respect of commercial paper and amounts drawn under the Company's credit facilities (if any) have been calculated based upon the rates in effect as at September 30, 2010.

(2) The amounts included in the undiscounted non-derivative long-term debt in respect of the U.S. dollar denominated long-term debt, and the corresponding amounts included in the long-term debt currency swaps receive column, have been determined based upon the rates in effect as at September 30, 2010. The U.S. dollar denominated long-term debt contractual maturity amounts, in effect, are reflected in the long-term debt currency swaps pay column as gross cash flows are exchanged pursuant to the cross currency interest rate swap agreements.

	Non-derivative			Derivative					
		Long-term debt				Other financial liabilities			
				Currency swaps amounts to be exchanged[2]			Currency swaps amounts to be exchanged		
As at December 31, 2009 (millions)	Non-interest bearing financial liabilities	All except capital leases[1][2]	Capital leases	(Receive)	Pay	Other	(Receive)	Pay	Total
2010									
First quarter	$ 1,023	$ 35	$ 1	$ —	$ —	$ 51	$ (75)	$ 77	$ 1,112
Balance of year	309	420	1	(113)	175	9	(95)	95	801
2011	—	1,728	1	(1,473)	2,152	—	—	—	2,408
2012	—	1,014	—	—	—	—	—	—	1,014
2013	—	532	—	—	—	—	—	—	532
2014	—	907	—	—	—	—	—	—	907
Thereafter	1	3,813	—	—	—	—	—	—	3,814
Total	$ 1,333	$ 8,449	$ 3	$ (1,586)	$ 2,327	$ 60	$ (170)	$ 172	$ 10,588
		Total			$ 9,193				

(1) Interest payment cash outflows in respect of commercial paper and amounts drawn under the Company's credit facilities (if any) have been calculated based upon the rates in effect as at December 31, 2009.

(2) The amounts included in the undiscounted non-derivative long-term debt in respect of the U.S. dollar denominated long-term debt, and the corresponding amounts included in the long-term debt currency swaps receive column, have been determined based upon the rates in effect as at December 31, 2009. The U.S. dollar denominated long-term debt contractual maturity amounts, in effect, are reflected in the long-term debt currency swaps pay column as gross cash flows are exchanged pursuant to the cross currency interest rate swap agreements.

(d) Currency risk

The Company's functional currency is the Canadian dollar, but it regularly transacts in U.S. dollars due to certain routine revenues and operating costs being denominated in U.S. dollars, as well as sourcing some inventory purchases and capital asset acquisitions internationally. The U.S. dollar is the only foreign currency to which the Company has a significant exposure.

The Company's foreign exchange risk management includes the use of foreign currency forward contracts and currency options to fix the exchange rates on short-term U.S. dollar denominated transactions and commitments. Hedge accounting is applied to these short-term foreign currency forward contracts and currency options on an exception basis only.

The Company is also exposed to currency risks in that the fair value or future cash flows of its U.S. dollar denominated long-term debt will fluctuate because of changes in foreign exchange rates. Currency hedging relationships have been established for the related semi-annual interest payments and principal payment at maturity.

(e) Interest rate risk

Changes in market interest rates will cause fluctuations in the fair value or future cash flows of temporary investments, short-term investments, short-term obligations, long-term debt and/or cross currency interest rate swap derivatives.

When the Company has temporary investments, they have short maturities and fixed rates, thus their fair value will fluctuate with changes in market interest rates; absent monetization prior to maturity, the related future cash flows do not change due to changes in market interest rates.

If the balance of short-term investments includes debt instruments and/or dividend-paying equity instruments, the Company could be exposed to interest rate risks.

As short-term obligations arising from bilateral bank facilities, which typically have variable interest rates, are rarely outstanding for periods that exceed one calendar week, interest rate risk associated with this item is not material.

In respect of the Company's currently outstanding long-term debt, other than for commercial paper and amounts drawn on its credit facilities (Note 16(c)), it is all fixed-rate debt. The fair value of fixed-rate debt fluctuates with changes in market interest rates; absent early redemption and/or foreign exchange rate fluctuations, the related future cash flows do not change. Due to the short maturities of commercial paper, its fair values are not materially affected by changes in market interest rates but its cash flows representing interest payments may be if the commercial paper is rolled over.

Amounts drawn on the Company's short-term and long-term credit facilities will be affected by changes in market interest rates in a manner similar to commercial paper.

Similar to fixed-rate debt, the fair value of the Company's cross currency interest rate swap derivatives fluctuates with changes in market interest rates as the interest rate swapped to is fixed; absent early redemption, the related future cash flows do not change due to changes in market interest rates.

(f) Other price risk

Short-term investments: If the balance of short-term investments includes equity instruments, the Company would be exposed to equity price risks.

Long-term investments: The Company is exposed to equity price risks arising from investments classified as available-for-sale. Such investments are held for strategic rather than trading purposes.

Share-based compensation derivatives: The Company is exposed to other price risk arising from cash-settled share-based compensation (appreciating Common Share and Non-Voting Share prices increase both the expense and the potential cash outflow). Cash-settled equity swap agreements have been entered into that establish a cap on the Company's cost associated with its net-cash settled share options (Note 11(b)) and fix the Company's cost associated with its restricted stock units (Note 11(c)).

(g) Market risk

Net income and other comprehensive income for the nine-month periods ended September 30, 2010 and 2009, could have varied if the Canadian dollar: U.S. dollar foreign exchange rates, market interest rates and the Company's Common Share and Non-Voting Share prices varied by reasonably possible amounts from their actual statement of financial position date values.

The sensitivity analysis of the Company's exposure to currency risk at the reporting date has been determined based upon the hypothetical change taking place at the statement of financial position date (as contrasted with applying the hypothetical change to all relevant transactions during the reported periods). The U.S. dollar denominated balances and derivative financial instrument notional amounts as at the statement of financial position dates have been used in the calculations.

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

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

The income tax provisions, which are reflected net in the sensitivity analysis, reflect the applicable basic blended federal and provincial statutory income tax rates for the reporting periods.

Nine-month periods ended September 30 ($ increase (decrease) in millions)	Net income		Other comprehensive income		Comprehensive income	
	2010	2009	**2010**	2009	**2010**	2009
Reasonably possible changes in market risks[1]						
10% change in Cdn. $: U.S.$ exchange rate						
Canadian dollar appreciates	**$ (3)**	$ (10)	**$ (10)**	$ (26)	**$ (13)**	$ (36)
Canadian dollar depreciates	**$ 3**	$ 10	**$ 10**	$ 26	**$ 13**	$ 36
25 basis point change in market interest rate						
Rate increases	**$ (1)**	$ (1)	**$ 1**	$ 3	**$ —**	$ 2
Rate decreases	**$ 1**	$ 1	**$ (1)**	$ (3)	**$ —**	$ (2)
25%[2] change in Common Share and Non-Voting Share prices[3]						
Price increases	**$ (4)**	$ (1)	**$ 4**	$ 3	**$ —**	$ 2
Price decreases	**$ 3**	$ (8)	**$ (4)**	$ (3)	**$ (1)**	$ (11)

(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 assumption; in reality, changes in one factor may result in changes in another (for example, increases in market interest rates may result in more favourable foreign exchange rates (increased strength of the Canadian dollar)), which might magnify or counteract the sensitivities.
The sensitivity analysis assumes that changes in exchange rates and market interest rates would be realized by the Company; in reality, the competitive marketplace in which the Company operates would impact this assumption.
No provision has been made for a difference in the notional number of shares associated with share-based compensation awards made during the reporting period that may have arisen due to a difference in the Non-Voting Share price.

(2) To facilitate ongoing comparison of sensitivities, a constant variance of approximate magnitude has been used. Reflecting a 4.5-year data period and calculated on a monthly basis, which is consistent with the current assumptions and methodology set out in Note 11(b), the volatility of the Company's Non-Voting Share price as at September 30, 2010, was 26.7% (2009 – 26.5%); reflecting the nine-month data period ended September 30, 2010, the volatility was 14.5% (2009 – 31.0%).

(3) The hypothetical effects of changes in the prices of the Company's Common Share and Non-Voting Shares are restricted to those which would arise from the Company's share-based compensation items which are accounted for as liability instruments and the associated cash-settled equity swap agreements.

The Company is exposed to other price risks in respect of its financial instruments, as discussed further in (f).

(h) Fair values

General: The carrying value of cash and temporary investments, accounts receivable, accounts payable, restructuring accounts payable and short-term obligations approximates their fair values due to the immediate or short-term maturity of these financial instruments. The carrying values of the Company's investments accounted for using the cost method do not exceed their fair values.

The carrying value of short-term investments, if any, equals their fair value as they are classified as held for trading. The fair value is determined directly by reference to quoted market prices in active markets.

The fair values of the Company's long-term debt are based on quoted market prices in active markets.

The fair values of the Company's derivative financial instruments used to manage exposure to interest rate and currency risks are estimated based on quoted market prices in active markets for the same or similar financial instruments or on the current rates offered to the Company for financial instruments of the same maturity as well as the use of discounted future cash flows using current rates for similar financial instruments subject to similar risks and maturities (such fair value estimates being largely based upon Canadian dollar: U.S. dollar foreign exchange forward rates and interest rate yield curves as at the statement of financial position dates).

The fair values of the Company's derivative financial instruments used to manage exposure to increases in compensation costs arising from certain forms of share-based compensation are based upon fair value estimates of the related cash-settled equity forward agreements provided by the counterparty to the transactions (such fair value estimates being largely based upon the Company's Common Share and Non-Voting Share prices as at the statement of financial position dates).

The Company's financial instruments that are measured at fair value on a recurring basis in periods subsequent to initial recognition and the level within the fair value hierarchy used to measure them are as set out in the following table.

	Carrying value		Fair value measurements at reporting date using: Quoted prices in active markets for identical items (Level 1)		Significant other observable inputs (Level 2)		Significant unobservable inputs (Level 3)	
As at (millions)	**Sept. 30, 2010**	Dec. 31, 2009	**Sept. 30, 2010**	Dec. 31, 2009	**Sept. 30, 2010**	Dec. 31, 2009	**Sept. 30, 2010**	Dec. 31, 2009
Assets								
Foreign exchange derivatives	**$ 1**	$ 1	**$ —**	$ —	**$ 1**	$ 1	**$ —**	$ —
Share-based compensation derivatives	**9**	—	**—**	—	**9**	—	**—**	—
	$ 10	$ 1	**$ —**	$ —	**$ 10**	$ 1	**$ —**	$ —
Liabilities								
Foreign exchange derivatives	**$ —**	$ 2	**$ —**	$ —	**$ —**	$ 2	**$ —**	$ —
Share-based compensation derivatives	**18**	60	**—**	—	**18**	60	**—**	—
Cross currency interest rate swap derivatives	**380**	721	**—**	—	**380**	721	**—**	—
	$ 398	$ 783	**$ —**	$ —	**$ 398**	$ 783	**$ —**	$ —

Derivative: The Company's derivative financial instruments that are measured at fair value on a recurring basis subsequent to initial recognition are as set out in the following table.

As at (millions)	**September 30, 2010**				December 31, 2009		
	Maximum maturity date	Notional amount	Carrying amount	Fair value	Notional amount	Carrying amount	Fair value
Current Assets							
Derivatives designated as held for trading upon initial recognition and used to manage currency risks arising from U.S. dollar revenues to which hedge accounting is not applied	2011	**$ 28**	**$ 1**	**$ 1**	$ 23	$ 1	$ 1
Derivatives[(1)] designated as held for hedging[(2)] upon initial recognition and used to manage currency risks arising from U.S. dollar denominated purchases	2011	**$ 87**	**—**	**—**	$ 79	—	—
Derivatives designated as held for trading upon initial recognition and used to manage currency risks arising from U.S. dollar denominated purchases to which hedge accounting is not applied	2010	**$ 15**	**—**	**—**	$ —	—	—
			$ 1	**$ 1**		$ 1	$ 1
Other Long-Term Assets							
Derivatives[(1)] used to manage changes in share-based compensation costs and classified as held for hedging[(2)] (Note 11(c))	2012	**$ 27**	**$ 9**	**$ 8**	$ 12	$ —	$ —
Deduct: Net amounts due to counterparties in respect of derivatives used to manage changes in share-based compensation costs and classified as held for hedging			**(1)**			—	
			$ 8	**$ 8**		$ —	$ —

As at (millions)	September 30, 2010				December 31, 2009		
	Maximum maturity date	Notional amount	Carrying amount	Fair value	Notional amount	Carrying amount	Fair value
Current Liabilities							
Derivatives designated as held for trading upon initial recognition and used to manage currency risks arising from U.S. dollar denominated purchases to which hedge accounting is not applied	2010	**$ 46**	**$ —**	**$ —**	$ 102	$ 2	$ 2
Derivatives used to manage changes in share-based compensation costs and classified as held for							
- Trading (Note 11(b))	2012	**$ 89**	**18**	**18**	$ 130	51	51
- Hedging[1][2] (Note 11(c))	2012	**$ 26**	**—**	**3**	$ 26	9	9
Current amount of derivatives[1] classified as held for hedging[2] and used to manage currency risks associated with U.S. dollar denominated debt	2011	**$ 1,133**	**380**	**391**	$ —	—	—
			398			62	
Add: Net amounts due to counterparties in respect of derivatives used to manage changes in share-based compensation costs and classified as held for hedging			**3**			—	
Add: Interest payable in respect of derivatives used to manage currency risks associated with U.S. dollar denominated debt and classified as held for hedging			**11**			—	
			$ 412	**$ 412**		$ 62	$ 62
Other Long-Term Liabilities							
Non-current amount of derivatives[1] classified as held for hedging[2] and used to manage currency risks associated with U.S. dollar denominated debt	2011	**$ —**	**$ —**	**$ —**	$ 2,064	$ 721	$ 726
Add: Interest payable in respect of derivatives used to manage currency risks associated with U.S. dollar denominated debt and classified as held for hedging			**—**			5	
			$ —	**$ —**		$ 726	$ 726

(1) Designated as cash flow hedging items.
(2) Hedge accounting is applied to derivatives that are designated as held for hedging.

Non-derivative: The Company's long-term debt, which is measured at amortized cost, and the fair value thereof, is as set out in the following table.

As at (millions)	September 30, 2010		December 31, 2009	
	Carrying amount	Fair value	Carrying amount	Fair value
Long-term debt	**$ 6,149**	**$ 6,816**	$ 6,172	$ 6,656

(i) Recognition of derivative gains and losses

The following table sets out the gains and losses, excluding tax effects, on derivative instruments classified as cash flow hedging items and their location within the Consolidated Statements of Income and Other Comprehensive Income; there was no ineffective portion of derivative instruments classified as cash flow hedging items for the periods presented.

	Amount of gain (loss) recognized in other comprehensive income (effective portion) (Note 17(b))		Gain (loss) reclassified from other comprehensive income into income (effective portion) (Note 17(b))		
				Amount	
Three-month periods ended September 30 (millions)	**2010**	2009	Location	**2010**	2009
Derivatives used to manage currency risks					
- Associated with U.S. dollar denominated debt	**$ (2)**	$ (166)	Financing costs	**$ (50)**	$ (178)
- Arising from U.S. dollar denominated purchases	**(1)**	(5)	Operations	**2**	(1)
Derivatives used to manage changes in share-based compensation costs (Note 11(c))	**3**	2	Operations	**—**	(2)
	$ —	$ (169)		**$ (48)**	$ (181)

Nine-month periods ended September 30 (millions)	Amount of gain (loss) recognized in other comprehensive income (effective portion) (Note 17(b))		Gain (loss) reclassified from other comprehensive income into income (effective portion) (Note 17(b))		
				Amount	
	2010	2009	Location	**2010**	2009
Derivatives used to manage currency risks					
- Associated with U.S. dollar denominated debt	**$ 33**	$ (223)	Financing costs	**$ (33)**	$ (283)
- Arising from U.S. dollar denominated purchases	**1**	(7)	Operations	**1**	7
Derivatives used to manage changes in share-based compensation costs (Note 11(c))	**7**	—	Operations	**(1)**	(5)
	$ 41	$ (230)		**$ (33)**	$ (281)

The following table sets out gains and losses arising from derivative instruments: that are classified as held for trading items; that are not designated as being in a hedging relationship; and their location within the Consolidated Statements of Income and Other Comprehensive Income.

Periods ended September 30 (millions)	Gain (loss) recognized in income on derivatives				
		Three months		Nine months	
	Location	**2010**	2009	**2010**	2009
Derivatives used to manage currency risks	Financing costs	**$ (1)**	$ (8)	**$ 1**	$ (13)
Derivatives used to manage changes in share-based compensation costs (Note 11(b))	Operations	**10**	11	**24**	(3)
		$ 9	$ 3	**$ 25**	$ (16)

5 segmented information

The Company’s reportable segments are Wireline and Wireless. The Wireline segment includes voice local, voice long distance, data and other telecommunications services excluding wireless. The Wireless segment includes digital personal communications services, equipment sales and wireless Internet services. Segmentation is based on similarities in technology, the technical expertise required to deliver the products and services, customer characteristics, the distribution channels used and regulatory treatment. Intersegment sales are recorded at the exchange value, which is the amount agreed to by the parties. The following segmented information is regularly reported to the Company’s Chief Executive Officer (the Company’s chief operating decision-maker).

Three-month periods ended September 30 (millions)	Wireline 2010	Wireline 2009	Wireless 2010	Wireless 2009	Eliminations 2010	Eliminations 2009	Consolidated 2010	Consolidated 2009
Operating revenues								
External revenue	**$ 1,173**	$ 1,205	**$ 1,282**	$ 1,206	**$ —**	$ —	**$ 2,455**	$ 2,411
Intersegment revenue	**39**	34	**8**	7	**(47)**	(41)	**—**	—
	1,212	1,239	**1,290**	1,213	**(47)**	(41)	**2,455**	2,411
Operating expenses								
Operations expense	**795**	804	**753**	693	**(47)**	(41)	**1,501**	1,456
Restructuring costs	**15**	29	**2**	3	**—**	—	**17**	32
	810	833	**755**	696	**(47)**	(41)	**1,518**	1,488
EBITDA(1)	**$ 402**	$ 406	**$ 535**	$ 517	**$ —**	$ —	**$ 937**	$ 923
CAPEX(2)	**$ 336**	$ 365	**$ 113**	$ 193	**$ —**	$ —	**$ 449**	$ 558
EBITDA less CAPEX	**$ 66**	$ 41	**$ 422**	$ 324	**$ —**	$ —	**$ 488**	$ 365

	2010	2009
EBITDA (from above)	**$ 937**	$ 923
Depreciation	**332**	330
Amortization	**100**	100
Operating income	**505**	493
Other expense, net	**7**	6
Financing costs	**182**	101
Income before income taxes	**316**	386
Income taxes	**69**	106
Net income	**$ 247**	$ 280

(1) Earnings Before Interest, Taxes, Depreciation and Amortization (EBITDA) is a measure that does not have any standardized meaning prescribed by GAAP and is therefore unlikely to be comparable to similar measures presented by other issuers; EBITDA is defined by the Company as operating revenues less operations expense and restructuring costs. The Company has issued guidance on, and reports, EBITDA because it is a key measure used by management to evaluate performance of its business segments and is utilized in measuring compliance with certain debt covenants.

(2) Total capital expenditures (CAPEX).

Nine-month periods ended September 30 (millions)	Wireline 2010	Wireline 2009	Wireless 2010	Wireless 2009	Eliminations 2010	Eliminations 2009	Consolidated 2010	Consolidated 2009
Operating revenues								
External revenue	**$ 3,552**	$ 3,681	**$ 3,676**	$ 3,482	**$ —**	$ —	**$ 7,228**	$ 7,163
Intersegment revenue	**115**	98	**24**	21	**(139)**	(119)	**—**	—
	3,667	3,779	**3,700**	3,503	**(139)**	(119)	**7,228**	7,163
Operating expenses								
Operations expense	**2,388**	2,471	**2,141**	1,996	**(139)**	(119)	**4,390**	4,348
Restructuring costs	**38**	104	**4**	9	**—**	—	**42**	113
	2,426	2,575	**2,145**	2,005	**(139)**	(119)	**4,432**	4,461
EBITDA(1)	**$ 1,241**	$ 1,204	**$ 1,555**	$ 1,498	**$ —**	$ —	**$ 2,796**	$ 2,702
CAPEX(2)	**$ 886**	$ 1,011	**$ 271**	$ 578	**$ —**	$ —	**$ 1,157**	$ 1,589
EBITDA less CAPEX	**$ 355**	$ 193	**$ 1,284**	$ 920	**$ —**	$ —	**$ 1,639**	$ 1,113

	2010	2009
EBITDA (from above)	**$ 2,796**	$ 2,702
Depreciation	**993**	994
Amortization	**299**	287
Operating income	**1,504**	1,421
Other expense, net	**21**	22
Financing costs	**408**	302
Income before income taxes	**1,075**	1,097
Income taxes	**264**	251
Net income	**$ 811**	$ 846

(1) Earnings Before Interest, Taxes, Depreciation and Amortization (EBITDA) is a measure that does not have any standardized meaning prescribed by GAAP and is therefore unlikely to be comparable to similar measures presented by other issuers; EBITDA is defined by the Company as operating revenues less operations expense and restructuring costs. The Company has issued guidance on, and reports, EBITDA because it is a key measure used by management to evaluate performance of its business segments and is utilized in measuring compliance with certain debt covenants.

(2) Total capital expenditures (CAPEX).

6 restructuring costs

Periods ended September 30 (millions)	Three months 2010	Three months 2009	Nine months 2010	Nine months 2009
Restructuring costs				
Workforce				
Voluntary	**$ 8**	$ 20	**$ 22**	$ 59
Involuntary	**8**	10	**19**	51
Other	**1**	2	**1**	3
	17	32	**42**	113
Disbursements				
Workforce				
Voluntary	**4**	15	**35**	25
Involuntary and other	**8**	12	**53**	52
Other	**—**	2	**1**	3
	12	29	**89**	80
Expenses greater (less) than disbursements	**5**	3	**(47)**	33
Restructuring accounts payable and accrued liabilities				
Balance, beginning of period	**83**	81	**135**	51
Balance, end of period	**$ 88**	$ 84	**$ 88**	$ 84

In 2010 ongoing efficiency initiatives include:

- simplifying or automating processes to achieve operating efficiencies, which includes workforce reductions;
- simplifying organizational structures through consolidation of functions and reducing organizational layers;
- consolidating administrative real estate to create a smaller environmental footprint through mobile working, encouraging less inter-city travel, reduced daily commutes, and lower use of real estate space, which includes vacating premises;
- decommissioning uneconomic products and services; and
- leveraging business process outsourcing and off-shoring to the Company's own international call centres.

These initiatives were aimed to improve the Company's long-term operating productivity and competitiveness. The Company's estimate of restructuring costs for 2010 is approximately $75 million.

7 financing costs

Periods ended September 30 (millions)	Three months 2010	Three months 2009	Nine months 2010	Nine months 2009
Interest on long-term debt	**$ 114**	$ 120	**$ 339**	$ 350
Interest on short-term obligations and other	**20**	1	**21**	2
Foreign exchange	**(3)**	—	**(2)**	(3)
Loss on redemption of debt(1)	**52**	—	**52**	—
	183	121	**410**	349
Interest income				
Interest on tax refunds	**(1)**	(20)	**(1)**	(46)
Other interest income	**—**	—	**(1)**	(1)
	(1)	(20)	**(2)**	(47)
	$ 182	$ 101	**$ 408**	$ 302

(1) This amount includes a loss of $16 which arose from the associated settlement of financial instruments that were used to manage the foreign exchange rate risk associated with U.S. dollar denominated debt that was redeemed during the third quarter of 2010, as discussed in Note 16(b).

8 income taxes

Periods ended September 30 (millions)	Three months 2010	Three months 2009	Nine months 2010	Nine months 2009
Current	**$ (12)**	$ (4)	**$ 6**	$ 20
Future	**81**	110	**258**	231
	$ 69	$ 106	**$ 264**	$ 251

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

Three-month periods ended September 30 ($ in millions)		**2010**			2009	
Basic blended federal and provincial tax at statutory income tax rates	**$**	**92**	**29.1%**	$	117	30.3%
Revaluation of future income tax liability to reflect future statutory income tax rates		**(15)**			(10)	
Tax rate differential on, and consequential adjustments from, reassessment of prior year tax issues		**(8)**			—	
Share option award compensation		**1**			—	
Other		**(1)**			(1)	
Income tax expense per Consolidated Statements of Income and Other Comprehensive Income	**$**	**69**	**21.8%**	$	106	27.5%

Nine-month periods ended September 30 ($ in millions)		**2010**			2009	
Basic blended federal and provincial tax at statutory income tax rates	**$**	**311**	**28.9%**	$	332	30.3%
Revaluation of future income tax liability to reflect future statutory income tax rates		**(31)**			(36)	
Tax rate differential on, and consequential adjustments from, reassessment of prior year tax issues		**(19)**			(48)	
Share option award compensation		**3**			3	
Other		**—**			—	
Income tax expense per Consolidated Statements of Income and Other Comprehensive Income	**$**	**264**	**24.6%**	$	251	22.9%

The Company must make significant estimates in respect of the composition of its future income tax liability. The operations of the Company are complex and the related tax interpretations, regulations and legislation are continually changing. As a result, there are usually some tax matters in question. The Company conducts research and development activities, which are eligible to earn Investment Tax Credits. During the three-month and nine-month periods ended September 30, 2010, the Company recorded Investment Tax Credits of $1 million (2009 – $NIL) and $17 million (2009 – $2 million), respectively. Of the Investment Tax Credits recorded by the Company during the three-month and nine-month periods ended September 30, 2010, $1 million (2009 – $NIL) and $12 million (2009 – $NIL), respectively, was recorded as a reduction of capital and the balance was recorded as a reduction of Operations expense.

9 per share amounts

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

The following table presents the reconciliations of the denominators of the basic and diluted per share computations. Net income attributable to Common Shares and Non-Voting Shares equalled diluted income attributable to Common Shares and Non-Voting Shares for all periods presented.

	Three months		Nine months	
Periods ended September 30 (millions)	**2010**	2009	**2010**	2009
Basic total weighted average Common Shares and Non-Voting Shares outstanding	**321**	318	**319**	318
Effect of dilutive securities				
Share option awards	**1**	—	**1**	—
Diluted total weighted average Common Shares and Non-Voting Shares outstanding	**322**	318	**320**	318

For the three-month and nine-month periods ended September 30, 2010, certain outstanding share option awards, in the amount of 5 million (2009 – 7 million) and 6 million (2009 – 8 million), respectively, were not included in the computation of diluted income per Common Share and Non-Voting Share because the share option awards' exercise prices were greater than the average market price of the Common Shares and Non-Voting Shares during the reported periods.

10 dividends per share

(a) Dividends declared

Nine-month periods ended September 30	2010			2009		
(millions except per share amounts)	Declared effective	Paid to shareholders	Total	Declared effective	Paid to shareholders	Total
Dividend per Common Share and Non-Voting Share						
Dividend $0.475 (2009 – $0.475)	Mar. 11, 2010	Apr. 1, 2010	**$ 152**	Mar. 11, 2009	Apr. 1, 2009	$ 151
Dividend $0.50 (2009 – $0.475)	Jun. 10, 2010	Jul. 2, 2010	**161**	Jun. 10, 2009	Jul. 2, 2009	149
Dividend $0.50 (2009 – $0.475)	Sep. 10, 2010	Oct. 1, 2010	**160**	Sep. 10, 2009	Oct. 1, 2009	151
			$ 473			$ 451

Nine-month periods ended September 30 (millions)	2010			2009		
	Dividends declared in			Dividends declared in		
	Prior fiscal year	Current fiscal year	Total	Prior fiscal year	Current fiscal year	Total
Common Share and Non-Voting Share dividends						
Payable, beginning of period	**$ 150**	**$ —**	**$ 150**	$ 151	$ —	$ 151
Declared	**N/A**	**473**	**473**	N/A	451	451
Paid in cash	**(129)**	**(236)**	**(365)**	(151)	(300)	(451)
Re-invested in Non-Voting Shares issued from Treasury	**(21)**	**(77)**	**(98)**	—	—	—
Payable, end of period	**$ —**	**$ 160**	**$ 160**	$ —	$ 151	$ 151

On November 3, 2010, the Board of Directors declared a quarterly dividend of $0.525 per share on the issued and outstanding Common Shares and Non-Voting Shares of the Company payable on January 4, 2011, to holders of record at the close of business on December 10, 2010. The final amount of the dividend payment depends upon the number of Common Shares and Non-Voting Shares issued and outstanding at the close of business on December 10, 2010.

(b) Dividend Reinvestment and Share Purchase Plan

The Company has a Dividend Reinvestment and Share Purchase Plan under which eligible holders of Common Shares and Non-Voting Shares may acquire Non-Voting Shares through the reinvestment of dividends and making additional optional cash payments to the trustee. Under this Plan, the Company has the option of offering shares from Treasury or having the trustee acquire shares in the stock market.

Reinvestment of dividends: The Company, at its discretion, may offer the Non-Voting Shares at up to a 5% discount from the market price. During the three-month and nine-month periods ended September 30, 2010, in respect of dividends reinvested, the Company issued Non-Voting Shares from Treasury at a discount of 3%. In respect of Common Share and Non-Voting Share dividends declared during the three-month and nine-month periods ended September 30, 2010, $52 million (2009 – $6 million) and $129 million (2009 – $15 million), respectively, was to be reinvested in Non-Voting Shares.

Optional cash payments: Shares purchased through optional cash payments are subject to a minimum investment of $100 per transaction and a maximum investment of $20,000 per calendar year.

11 share-based compensation

(a) Details of share-based compensation expense

Reflected in the Consolidated Statements of Income and Other Comprehensive Income as Operations expense and in the Consolidated Statements of Cash Flows are the following share-based compensation amounts:

Three-month periods ended September 30	2010			2009		
(millions)	Operations expense	Associated operating cash outflows	Statement of cash flows adjustment	Operations expense	Associated operating cash outflows	Statement of cash flows adjustment
Share option awards[1]	**$ 1**	**$ (7)**	**$ (6)**	$ (4)	$ (8)	$ (12)
Restricted stock units[2]	**9**	**—**	**9**	9	—	9
Employee share purchase plan	**6**	**(6)**	**—**	8	(8)	—
	$ 16	**$ (13)**	**$ 3**	$ 13	$ (16)	$ (3)

(1) The expense (recovery) arising from share options with the net-cash settlement feature, net of cash-settled equity swap agreement effects (see Note 4(i)), was $(1) (2009 – $(6)).

(2) The expense arising from restricted stock units was net of cash-settled equity swap agreement effects (see Note 4(i)).

Nine-month periods ended September 30	2010			2009		
(millions)	Operations expense	Associated operating cash outflows	Statement of cash flows adjustment	Operations expense	Associated operating cash outflows	Statement of cash flows adjustment
Share option awards[1]	**$ 3**	**$ (16)**	**$ (13)**	$ 9	$ (15)	$ (6)
Restricted stock units[2]	**24**	**(1)**	**23**	24	(1)	23
Employee share purchase plan	**20**	**(20)**	**—**	22	(22)	—
	$ 47	**$ (37)**	**$ 10**	$ 55	$ (38)	$ 17

(1) The expense (recovery) arising from share options with the net-cash settlement feature, net of cash-settled equity swap agreement effects (see Note 4(i)), was $(5) (2009 – $(1)).
(2) The expense arising from restricted stock units was net of cash-settled equity swap agreement effects (see Note 4(i)).

For the three-month and nine-month periods ended September 30, 2010, the associated operating cash outflows in respect of share option awards include cash outflows arising from the cash-settled equity swap agreements of $4 million (2009 – $6 million) and $12 million (2009 – $12 million), respectively. For the three-month and nine-month periods ended September 30, 2010, the income tax benefit arising from share-based compensation was $5 million (2009 – $4 million) and $12 million (2009 – $14 million), respectively; as disclosed in Note 8, not all share-based compensation amounts are deductible for income tax purposes.

(b) Share option awards

General: The Company applies the fair value based method of accounting for share-based compensation awards granted to employees. The Company uses share option awards as a form of retention and incentive compensation. Share option awards typically vest over a three-year period (the requisite service period), but may vest over periods of up to five years. The vesting method of share option awards, which is determined on or before the date of grant, may be either cliff or graded; all share option awards granted subsequent to 2004 have been cliff-vesting awards.

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

	Three months		Nine months	
Periods ended September 30 (millions)	2010	2009	2010	2009
Share option award fair value (per share option)	**$ 6.04**	$ 4.14	**$ 4.28**	$ 3.64
Risk free interest rate	**2.0%**	2.5%	**2.5%**	2.3%
Expected lives[1] (years)	**4.5**	4.5	**4.5**	4.5
Expected volatility	**26.6%**	26.3%	**26.3%**	26.0%
Dividend yield	**4.8%**	5.9%	**5.8%**	6.2%

(1) The maximum contractual term of the share option awards granted in 2010 and 2009 was seven years.

The risk free interest rate used in determining the fair value of the share option awards is based on a Government of Canada yield curve that is current at the time of grant. The expected lives of the share option awards are based on historical share option award exercise data of the Company. Similarly, expected volatility considers the historical volatility of the Company's Non-Voting Shares. The dividend yield is the annualized dividend current at the date of grant divided by the share option award exercise price. Dividends are not paid on unexercised share option awards and are not subject to vesting.

Some share option awards have a net-equity settlement feature. As discussed further in Note 17(c), it is at the Company's option whether the exercise of a share option award is settled as a share option or settled using the net-equity settlement feature.

Share option awards accounted for as liability instruments: Substantially all of the Company's outstanding share option awards that were granted prior to January 1, 2005, have a net-cash settlement feature; the optionee has the choice of exercising the net-cash settlement feature. The affected outstanding share option awards largely take on the characteristics of liability instruments rather than equity instruments. For the outstanding share option awards that were amended and which were granted subsequent to 2001, the minimum expense recognized for them will be their grant-date fair values.

The Company entered into a cash-settled equity swap agreement that establishes a cap on the Company's cost associated with substantially all of the affected outstanding share option awards. The following table sets out the number of affected outstanding share option awards and the composition of their capped exercise date fair values.

As at September 30, 2010 ($ in millions except per affected outstanding share option award)	Weighted average Exercise price	Weighted average Grant-date fair value	Weighted average Incremental expense arising from net-cash settlement feature	Exercise date fair value capped by cash-settled equity swap agreement	Affected share option awards outstanding	Aggregate intrinsic value[(1)]	Associated notional amount of cash-settled equity swap agreement (Note 4(h))
Affected share option awards granted for							
Non-Voting Shares prior to 2002	$ 30.62	$ N/A[(2)]	$ 24.53	$ 55.15	1,039,596	$ 13	$ 53
Non-Voting Shares after 2001	$ 23.23	$ 7.36	$ 24.56	$ 55.15	687,056	14	36
					1,726,652	$ 27	$ 89

(1) The aggregate intrinsic value is calculated upon September 30, 2010, per share prices of $43.61 for Non-Voting Shares. The difference between the aggregate intrinsic value amount in this table and the amount disclosed in Note 19(b) is the effect, if any, of recognizing no less than the expense arising from the grant-date fair values for the affected share option awards outstanding.
(2) Canadian GAAP did not require that grant date fair values be determined for share option awards made prior to 2002.

(c) Restricted stock units

The Company uses restricted stock units as a form of incentive compensation. Each restricted stock unit is equal in value to one Non-Voting Share and the dividends that would have arisen thereon had it been an issued and outstanding Non-Voting Share; the notional dividends are recorded as additional issuances of restricted stock units during the life of the restricted stock unit. The restricted stock units become payable when vesting is completed. The restricted stock units typically vest over a period of 33 months (the requisite service period). The vesting method of restricted stock units, which is determined on or before the date of grant, may be either cliff or graded. The associated liability is normally cash-settled.

The following table presents a summary of the activity related to the Company's restricted stock units.

Periods ended September 30, 2010	Three months			Nine months		
	Number of restricted stock units		Weighted average grant-date fair value	Number of restricted stock units		Weighted average grant-date fair value
	Non-vested	Vested		Non-vested	Vested	
Outstanding, beginning of period						
Non-vested	2,060,919	—	$ 36.14	1,385,091	—	$ 37.76
Vested	—	772	39.17	—	24,226	37.03
Issued						
Initial award	41,855	—	41.91	731,607	—	33.50
In lieu of dividends	23,568	9	43.41	75,254	40	39.53
Vested	(4,661)	4,661	38.53	(13,044)	13,044	38.17
Settled in cash	—	(4,661)	38.53	—	(36,529)	37.39
Forfeited and cancelled	(25,638)	—	36.84	(82,865)	—	37.19
Outstanding, end of period						
Non-vested	2,096,043	—	36.24	2,096,043	—	36.24
Vested	—	781	$ 39.17	—	781	$ 39.17

With respect to certain issuances of restricted stock units, the Company entered into cash-settled equity forward agreements that fix the cost to the Company; that information, as well as a schedule of the Company's non-vested restricted stock units outstanding as at September 30, 2010, is set out in the following table.

	Number of fixed-cost restricted stock units	Cost fixed to the Company per restricted stock unit	Number of variable-cost restricted stock units	Total number of non-vested restricted stock units
Vesting in years ending December 31:				
2010	600,000	$ 49.22	160,922	760,922
2011	390,000	$ 33.79	234,765	624,765
2012	420,000	$ 35.91	290,356	710,356
	1,410,000		686,043	2,096,043

(d) Employee share purchase plan

The Company has an employee share purchase plan under which eligible employees up to a certain job classification can purchase Common Shares through regular payroll deductions by contributing between 1% and 10% of their pay; for more highly compensated job classifications, employees may contribute between 1% and 55% of their pay. For every dollar contributed by an employee, up to a maximum of 6% of eligible employee pay, the Company is required to contribute a percentage between 20% and 40% as designated by the Company. For the three-month and nine-month

periods ended September 30, 2010, the Company contributed 40% (2009 – 40%) for employees up to a certain job classification; for more highly compensated job classifications, the Company contributed 35% (2009 – 35%). The Company records its contributions as a component of operating expenses and, prior to fiscal 2010, there were no vesting requirements. Subsequent to 2009, the Company's contribution vests on the earlier of a plan participant's last day in the Company's employ or the last business day of the calendar year of the Company's contribution, unless the plan participant's employment was terminated with cause, in which case the plan participant will forfeit their in-year Company contribution.

	Three months		Nine months	
Periods ended September 30 (millions)	**2010**	2009	**2010**	2009
Employee contributions	**$ 16**	$ 21	**$ 54**	$ 60
Company contributions	**6**	8	**20**	22
	$ 22	$ 29	**$ 74**	$ 82

Under this plan, the Company has the option of offering shares from Treasury or having the trustee acquire shares in the stock market. For the three-month and nine-month periods ended September 30, 2010 and 2009, all Common Shares issued to employees under the plan were purchased in the stock market at normal trading prices.

12 employee future benefits

(a) Defined benefit pension plans – cost

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

Three-month periods ended September 30	**2010**			2009		
(millions)	Incurred in period	Matching adjustments[1]	Recognized in period	Incurred in period	Matching adjustments[1]	Recognized in period
Pension benefit plans						
Current service cost (employer portion)	**$ 19**	**$ —**	**$ 19**	$ 12	$ —	$ 12
Interest cost	**91**	**—**	**91**	93	—	93
Return on plan assets	**(381)**	**268**	**(113)**	(340)	240	(100)
Past service costs	**—**	**1**	**1**	—	1	1
Actuarial loss	**21**	**—**	**21**	9	—	9
Amortization of transitional asset	**—**	**(12)**	**(12)**	—	(11)	(11)
	$ (250)	**$ 257**	**$ 7**	$ (226)	$ 230	$ 4

(1) Accounting adjustments to allocate costs to different periods so as to recognize the long-term nature of employee future benefits.

Nine-month periods ended September 30	**2010**			2009		
(millions)	Incurred in period	Matching adjustments[1]	Recognized in period	Incurred in period	Matching adjustments[1]	Recognized in period
Pension benefit plans						
Current service cost (employer portion)	**$ 55**	**$ —**	**$ 55**	$ 38	$ —	$ 38
Interest cost	**275**	**—**	**275**	279	—	279
Return on plan assets	**(317)**	**(22)**	**(339)**	(659)	358	(301)
Past service costs	**—**	**3**	**3**	—	3	3
Actuarial loss	**63**	**—**	**63**	27	—	27
Amortization of transitional asset	**—**	**(36)**	**(36)**	—	(33)	(33)
	$ 76	**$ (55)**	**$ 21**	$ (315)	$ 328	$ 13

(1) Accounting adjustments to allocate costs to different periods so as to recognize the long-term nature of employee future benefits.

(b) Defined contribution plans

The Company's total defined contribution pension plan costs recognized were as follows:

	Three months		Nine months	
Periods ended September 30 (millions)	**2010**	2009	**2010**	2009
Union pension plan and public service pension plan contributions	**$ 6**	$ 7	**$ 19**	$ 22
Other defined contribution pension plans	**8**	7	**26**	24
	$ 14	$ 14	**$ 45**	$ 46

13 accounts receivable

On July 26, 2002, TELUS Communications Inc., a wholly owned subsidiary of TELUS, entered into an agreement with an arm's-length securitization trust associated with a major Schedule I bank under which TELUS Communications Inc. is able to sell an interest in certain of its trade receivables up to a maximum of $500 million (December 31, 2009 – $500 million). This revolving-period securitization agreement had an initial term ending July 18, 2007; a November 30, 2006, amendment resulted in the term being extended to July 18, 2008; a March 31, 2008, amendment resulted in the term being extended to July 17, 2009; and a May 6, 2009, amendment resulted in the term being extended to May 6, 2012.

Transfers of receivables in securitization transactions are recognized as sales when the Company is deemed to have surrendered control over the transferred receivables and consideration, other than for its beneficial interests in the transferred receivables, has been received. When the Company sells its receivables, it retains reserve accounts, which are retained interests in the securitized receivables, and servicing rights. When a transfer is considered a sale, the Company derecognizes all receivables sold, recognizes at fair value the assets received and the liabilities incurred and records the gain or loss on sale in the Consolidated Statements of Income and Other Comprehensive Income as Other expense, net. The amount of gain or loss recognized on the sale of receivables depends in part on the previous carrying amount of the receivables involved in the transfer, allocated between the receivables sold and the retained interests based upon their relative fair market value at the sale date. The Company estimates the fair value for its retained interests based on the present value of future expected cash flows using management's best estimates of the key assumptions (credit losses, the weighted average life of the receivables sold and discount rates commensurate with the risks involved).

As a result of selling the interest in certain of the trade receivables on a fully-serviced basis, a servicing liability is recognized on the date of sale and is, in turn, amortized to earnings over the expected life of the trade receivables.

TELUS Communications Inc. is required to maintain at least a BBB (low) credit rating by Dominion Bond Rating Service or the securitization trust may require the sale program to be wound down prior to the end of the term; at September 30, 2010, the rating was A (low).

As at (millions)	**September 30, 2010**	December 31, 2009
Total managed portfolio	**$ 1,236**	$ 1,201
Securitized receivables	**(467)**	(598)
Retained interest in receivables sold	**61**	91
Receivables held	**$ 830**	$ 694

For the three-month and nine-month periods ended September 30, 2010, the Company recognized composite losses of $2 million (2009 – $3 million) and $6 million (2009 – $7 million), respectively, on the sale of receivables arising from the securitization.

Cash flows from the securitization were as follows:

	Three months		Nine months	
Periods ended September 30 (millions)	**2010**	2009	**2010**	2009
Cumulative proceeds from securitization, beginning of period	**$ 400**	$ 400	**$ 500**	$ 300
Proceeds from new securitizations	**—**	—	**—**	100
Securitization reduction payments	**—**	—	**(100)**	—
Cumulative proceeds from securitization, end of period	**$ 400**	$ 400	**$ 400**	$ 400
Proceeds from collections reinvested in revolving-period securitizations	**$ 1,081**	$ 1,129	**$ 3,231**	$ 2,996
Proceeds from collections pertaining to retained interest	**$ 173**	$ 224	**$ 571**	$ 570

The key economic assumptions used to determine the loss on sale of receivables, the future cash flows and fair values attributed to the retained interest were as follows:

	Three months		Nine months	
Periods ended September 30 (millions)	**2010**	2009	**2010**	2009
Expected credit losses as a percentage of accounts receivable sold	**1.0%**	1.2%	**1.0%**	1.3%
Weighted average life of the receivables sold (days)	**33**	32	**34**	32
Effective annual discount rate	**1.4%**	0.7%	**1.0%**	0.9%
Servicing	**1.0%**	1.0%	**1.0%**	1.0%

Generally, the sold trade receivables do not experience prepayments.

At September 30, 2010, key economic assumptions and the sensitivity of the current fair value of residual cash flows to immediate 10% and 20% changes in those assumptions were as follows:

($ in millions)	September 30, 2010	Hypothetical change in assumptions[(1)] 10%	20%
Carrying amount/fair value of future cash flows	$ 61		
Expected credit losses as a percentage of accounts receivable sold		$ —	$ 1
Weighted average life of the receivables sold (days)		$ —	$ —
Effective annual discount rate		$ —	$ —

(1) These sensitivities are hypothetical and should be used with caution. Favourable hypothetical changes in the assumptions result in an increased value, and unfavourable hypothetical changes in the assumptions result in a decreased value, of the retained interest in receivables sold. As the figures indicate, changes in fair value based on a 10% variation in assumptions generally cannot be extrapolated because the relationship of the change in assumption to the change in fair value may not be linear. Also, in this table, the effect of a variation in a particular assumption on the fair value of the retained interest is calculated without changing any other assumption; in reality, changes in one factor may result in changes in another (for example, increases in market interest rates may result in increased credit losses), which might magnify or counteract the sensitivities.

14 property, plant, equipment and other

(millions)	Network assets	Buildings and leasehold improvements	Assets under capital lease	Other	Land	Assets under construction	Total
At cost							
As at January 1, 2010	$ 22,050	$ 2,244	$ 13	$ 1,644	$ 49	$ 431	$ 26,431
Additions	**329**	**8**	**10**	**29**	**—**	**537**	**913**
Dispositions and retirements	**(271)**	**(6)**	**(1)**	**(11)**	**—**	**—**	**(289)**
Reclassifications	**397**	**40**	**—**	**33**	**—**	**(470)**	**—**
As at September 30, 2010	**$ 22,505**	**$ 2,286**	**$ 22**	**$ 1,695**	**$ 49**	**$ 498**	**$ 27,055**
Accumulated depreciation							
As at January 1, 2010	$ 16,052	$ 1,333	$ 9	$ 1,308	$ —	$ —	$ 18,702
Depreciation	**805**	**89**	**2**	**97**	**—**	**—**	**993**
Dispositions and retirements	**(270)**	**(6)**	**(1)**	**(6)**	**—**	**—**	**(283)**
Reclassifications	**(5)**	**5**	**—**	**—**	**—**	**—**	**—**
As at September 30, 2010	**$ 16,582**	**$ 1,421**	**$ 10**	**$ 1,399**	**$ —**	**$ —**	**$ 19,412**
Net book value							
As at December 31, 2009	$ 5,998	$ 911	$ 4	$ 336	$ 49	$ 431	$ 7,729
As at September 30, 2010	**$ 5,923**	**$ 865**	**$ 12**	**$ 296**	**$ 49**	**$ 498**	**$ 7,643**

15 intangible assets and goodwill

(a) Intangible assets and goodwill, net

	Intangible assets subject to amortization						Intangible assets with indefinite lives					
(millions)	Subscriber base	Customer contracts and the related customer relationships	Software	Access to rights-of-way and other	Assets under construction	Total	Spectrum licences[1]	Acquired brand	Total	Total intangible assets	Goodwill[1]	Total intangible assets and goodwill
At cost												
As at January 1, 2010	$ 245	$ 137	$ 2,408	$ 104	$ 158	$ 3,052	$ 4,867	$ 7	$ 4,874	$ 7,926	$ 3,936	$ 11,862
Additions	—	—	**27**	**6**	**211**	**244**	—	—	—	**244**	—	**244**
Dispositions and retirements	—	—	**(210)**	—	—	**(210)**	—	—	—	**(210)**	—	**(210)**
Reclassifications	—	—	**175**	—	**(175)**	—	—	—	—	—	—	—
As at September 30, 2010	**$ 245**	**$ 137**	**$ 2,400**	**$ 110**	**$ 194**	**$ 3,086**	**$ 4,867**	**$ 7**	**$ 4,874**	**$ 7,960**	**$ 3,936**	**$ 11,896**
Accumulated amortization												
As at January 1, 2010	$ 52	$ 27	$ 1,605	$ 76	$ —	$ 1,760	$ 1,018	$ —	$ 1,018	$ 2,778	$ 364	$ 3,142
Amortization	**5**	**11**	**280**	**3**	—	**299**	—	—	—	**299**	—	**299**
Dispositions and retirements	—	—	**(207)**	—	—	**(207)**	—	—	—	**(207)**	—	**(207)**
As at September 30, 2010	**$ 57**	**$ 38**	**$ 1,678**	**$ 79**	**$ —**	**$ 1,852**	**$ 1,018**	**$ —**	**$ 1,018**	**$ 2,870**	**$ 364**	**$ 3,234**
Net book value												
As at December 31, 2009	$ 193	$ 110	$ 803	$ 28	$ 158	$ 1,292	$ 3,849	$ 7	$ 3,856	$ 5,148	$ 3,572	$ 8,720
As at September 30, 2010	**$ 188**	**$ 99**	**$ 722**	**$ 31**	**$ 194**	**$ 1,234**	**$ 3,849**	**$ 7**	**$ 3,856**	**$ 5,090**	**$ 3,572**	**$ 8,662**

(1) Accumulated amortization of spectrum licences and goodwill is amortization recorded prior to 2002.

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(b) Intangible assets subject to amortization

Estimated aggregate amortization expense for intangible assets subject to amortization, calculated upon such assets held as at September 30, 2010, for each of the next five fiscal years is as follows:

Years ending December 31 (millions)	
2010 (balance of year)	**$ 99**
2011	**339**
2012	**220**
2013	**74**
2014	**37**

(c) Other

As at September 30, 2010, goodwill amounts attributable to the Company's Wireline segment and Wireless segment were $966 million (December 31, 2009 – $966 million) and $2,606 million (December 31, 2009 – $2,606 million), respectively.

16 long-term debt

(a) Details of long-term debt

As at ($ in millions) *Series*	*Rate of interest*	*Maturity*	**September 30, 2010**	December 31, 2009
TELUS Corporation Notes				
U.S.[2]	8.00%[1]	June 2011	**$ 761**	$ 1,411
CB	5.00%[1]	June 2013	**299**	299
CC	4.50%[1]	March 2012	**300**	299
CD	4.95%[1]	March 2017	**690**	690
CE	5.95%[1]	April 2015	**498**	498
CF	4.95%[1]	May 2014	**697**	697
CG	5.05%[1]	December 2019	**990**	989
CH	5.05%[1]	July 2020	**992**	—
			5,227	4,883
TELUS Corporation Commercial Paper	0.93%	Through December 2010	**172**	467
TELUS Communications Inc. Debentures				
1	12.00%[1]	May 2010	**—**	50
2	11.90%[1]	November 2015	**124**	124
3	10.65%[1]	June 2021	**174**	173
5	9.65%[1]	April 2022	**245**	245
B	8.80%[1]	September 2025	**198**	198
			741	790
TELUS Communications Inc. First Mortgage Bonds				
U	11.50%[1]	July 2010	**—**	30
Capital leases issued at varying rates of interest from 2.74% to 5.30% and maturing on various dates up to 2013			**9**	2
Long-Term Debt			**6,149**	6,172
Less: Current maturities			**770**	82
Long-Term Debt – non-current			**$ 5,379**	$ 6,090

(1) Interest is payable semi-annually.
(2) Principal face value of notes is U.S.$741 million (December 31, 2009 – U.S.$1,348 million).

(b) TELUS Corporation notes

The notes are senior, unsecured and unsubordinated obligations of the Company and rank equally in right of payment with all existing and future unsecured, unsubordinated obligations of the Company, are senior in right of payment to all existing and future subordinated indebtedness of the Company, and are effectively subordinated to all existing and future obligations of, or guaranteed by, the Company's subsidiaries.

The indentures governing the notes contain certain covenants which, among other things, place limitations on the ability of TELUS and certain of its subsidiaries to: grant security in respect of indebtedness, enter into sale and lease-back transactions and incur new indebtedness.

On July 27, 2010, the Company exercised its right to early and partially redeem, on September 2, 2010, U.S.$607 million of its publicly held 2011 (U.S. Dollar) Notes. The loss on the redemption of $52 million, which included the loss arising on early settlement of the associated cross currency interest rate swap agreements, was recorded in the three-month period ended September 30, 2010, as set out in Note 7.

On December 1, 2009, the Company exercised its right to early and partially redeem, on December 31, 2009, U.S.$577 million of its publicly held 2011 (U.S. Dollar) Notes. The loss on redemption of $99 million, which includes the loss arising on early settlement of the associated cross currency interest rate swap agreements, was recorded in the three-month period ended December 31, 2009.

2011 Cross Currency Interest Rate Swap Agreements: With respect to the 2011 (U.S. Dollar) Notes, U.S.$0.7 billion (December 31, 2009 – U.S.$1.3 billion) in aggregate, the Company entered into cross currency interest rate swap agreements which effectively convert the principal repayments and interest obligations to Canadian dollar obligations with an effective fixed interest rate of 8.493% and an effective fixed economic exchange rate of $1.5327.

The counterparties of the swap agreements are highly rated financial institutions and the Company does not anticipate any non-performance. TELUS has not required collateral or other security from the counterparties due to its assessment of their creditworthiness.

The Company translates items such as the U.S. Dollar notes into equivalent Canadian dollars at the rate of exchange in effect at the statement of financial position date. The swap agreements at September 30, 2010, comprised a net derivative liability of $380 million (December 31, 2009 – $721 million), as set out in Note 4(h). The asset value of the swap agreements increases (decreases) when the statement of financial position date exchange rate increases (decreases) the Canadian dollar equivalent of the U.S. Dollar notes.

			Principal face amount		
Series	Issued	Issue price	Originally issued	Outstanding at financial statement date	Redemption present value spread (basis points)(1)
8.00% (U.S. Dollar) Notes due 2011	May 2001	U.S.$994.78	U.S.$2.0 billion	U.S.$0.7 billion	30
5.00% Notes, Series CB	May 2006	$998.80	$300 million	$300 million	16
4.50% Notes, Series CC	March 2007	$999.91	$300 million	$300 million	15
4.95% Notes, Series CD	March 2007	$999.53	$700 million	$700 million	24
5.95% Notes, Series CE(2)	April 2008	$998.97	$500 million	$500 million	66
4.95% Notes, Series CF(2)	May 2009	$999.96	$700 million	$700 million	71
5.05% Notes, Series CG(2)	December 2009	$994.19	$1.0 billion	$1.0 billion	45.5
5.05% Notes, Series CH(2)	July 2010	$997.44	$1.0 billion	$1.0 billion	47

(1) The notes are redeemable at the option of the Company, in whole at any time, or in part from time to time, on not fewer than 30 and not more than 60 days' prior notice. The redemption price is equal to the greater of (i) the present value of the notes discounted at the Adjusted Treasury Rate (in respect of the U.S. dollar denominated notes) or the Government of Canada yield (in respect of the Canadian dollar denominated notes) plus the redemption present value spread, or (ii) 100% of the principal amount thereof. In addition, accrued and unpaid interest, if any, will be paid to the date fixed for redemption.

(2) The Series CE Notes, Series CF Notes, Series CG Notes and Series CH Notes each require the Company to make an offer to repurchase the Series CE Notes, Series CF Notes, Series CG Notes and Series CH Notes at a price equal to 101% of their principal 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.

(c) TELUS Corporation credit facilities

On March 2, 2007, TELUS Corporation entered into a $2.0 billion bank credit facility with a syndicate of financial institutions. The credit facility consists of a $2.0 billion (or U.S. dollar equivalent) revolving credit facility expiring on May 1, 2012, to be used for general corporate purposes including the backstop of commercial paper.

TELUS Corporation's credit facility expiring on May 1, 2012, is unsecured and bears interest at prime rate, U.S. Dollar Base Rate, a bankers' acceptance rate or London interbank offered rate (LIBOR) (all such terms as used or defined in the credit facility), plus applicable margins. The credit facility contains customary representations, warranties and covenants including two financial quarter-end financial ratio tests. The financial ratio tests are that the Company may not permit its net debt to operating cash flow ratio to exceed 4.0:1 and may not permit its operating cash flow to interest expense ratio to be less than 2.0:1, each as defined under the credit facility.

On June 19, 2009, TELUS Corporation entered into an amended $300 million revolving credit facility with a syndicate of financial institutions, expiring December 31, 2010; during the quarter ended September 30, 2010, the Company exercised its right to cancel the facility in its entirety. The credit facility was unsecured and bore interest at prime rate or bankers' acceptance rate (all such terms as used or defined in the credit facility), plus applicable margins.

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

As at (millions)	September 30, 2010	December 31, 2009		
Revolving credit facility expiring	May 1, 2012	May 1, 2012	December 31, 2010	Total
Net available	**$ 1,710**	$ 1,410	$ 300	$ 1,710
Outstanding, undrawn letters of credit	**118**	123	—	123
Backstop of commercial paper	**172**	467	—	467
Gross available	**$ 2,000**	$ 2,000	$ 300	$ 2,300

(d) Long-term debt maturities

Anticipated requirements to meet long-term debt repayments, including related hedge amounts and calculated upon such long-term debts owing as at September 30, 2010, but excluding events after the date of the statement of financial position set out in (c) above, for each of the next five fiscal years are as follows:

Long-term debt denominated in	Canadian dollars		U.S. dollars				
				Derivative liability			
Years ending December 31 (millions)	All except capital leases	Capital leases	Debt[1]	(Receive)[1]	Pay	Total	Total
2010 (balance of year)	$ —	$ 2	$ —	$ —	$ —	$ —	$ 2
2011	—	7	763	(763)	1,135	1,135	1,142
2012	472	—	—	—	—	—	472
2013	300	—	—	—	—	—	300
2014	700	—	—	—	—	—	700
Thereafter	3,949	—	—	—	—	—	3,949
Future cash outflows in respect of long-term debt principal repayments	5,421	9	763	(763)	1,135	1,135	6,565
Future cash outflows in respect of associated interest and like carrying costs[2]	2,406	1	60	(60)	96	96	2,503
Undiscounted contractual maturities (Note 4(c))	$ 7,827	$ 10	$ 823	$ (823)	$ 1,231	$ 1,231	$ 9,068

(1) Where applicable, principal-related cash flows reflect foreign exchange rates at September 30, 2010.
(2) Future cash outflows in respect of associated interest and like carrying costs for commercial paper and amounts drawn under the Company's credit facilities (if any) have been calculated based upon the rates in effect as at September 30, 2010.

17 Common Share and Non-Voting Share equity

(a) Authorized share capital

As at September 30, 2010 and December 31, 2009, the Company's authorized share capital consisted of 1 billion no par value shares of each of the following classes: First Preferred Shares; Second Preferred Shares; Common Shares; and Non-Voting Shares. Only holders of Common Shares may vote at general meetings of the Company with each holder of Common Shares being entitled to one vote per Common Share held at all such meetings.

With respect to priority in payment of dividends and in the distribution of assets in the event of liquidation, dissolution or winding-up of the Company, whether voluntary or involuntary, or any other distribution of the assets of the Company among its shareholders for the purpose of winding-up its affairs, preferences are as follows: First Preferred Shares; Second Preferred Shares; and finally Common Shares and Non-Voting Shares participating equally, without preference or distinction.

Non-Voting Shares have conversion rights that, in certain instances (such as if a change in foreign ownership restrictions were to occur), allow the holders of Non-Voting Shares to convert them to Common Shares on a one-for-one basis.

(b) Accumulated other comprehensive income (loss)

Three-month periods ended September 30 (millions)	2010					2009				
	Other comprehensive income (loss)			Accumulated other comprehensive income (loss)		Other comprehensive income (loss)			Accumulated other comprehensive income (loss)	
	Amount arising	Income taxes	Net	Beginning of period	End of period	Amount arising	Income taxes	Net	Beginning of period	End of period
Change in unrealized fair value of derivatives designated as cash flow hedges (Note 4(i))										
Gains (losses) arising in current period	**$ —**	**$ 6**	**$ (6)**			$ (169)	$ (24)	$ (145)		
(Gains) losses arising in prior periods and transferred to net income in the current period	**48**	**7**	**41**			181	27	154		
	48	**13**	**35**	**$ (34)**	**$ 1**	12	3	9	$ (95)	$ (86)
Cumulative foreign currency translation adjustment	**3**	**—**	**3**	**(20)**	**(17)**	(4)	—	(4)	(15)	(19)
Change in unrealized fair value of available-for-sale financial assets and recognition of amounts realized	**—**	**—**	**—**	**—**	**—**	—	—	—	—	—
	$ 51	**$ 13**	**$ 38**	**$ (54)**	**$ (16)**	$ 8	$ 3	$ 5	$ (110)	$ (105)

Nine-month periods ended September 30 (millions)	2010					2009				
	Other comprehensive income (loss)			Accumulated other comprehensive income (loss)		Other comprehensive income (loss)			Accumulated other comprehensive income (loss)	
	Amount arising	Income taxes	Net	Beginning of period	End of period	Amount arising	Income taxes	Net	Beginning of period	End of period
Change in unrealized fair value of derivatives designated as cash flow hedges (Note 4(i))										
Gains (losses) arising in current period	**$ 41**	**$ 15**	**$ 26**			$ (230)	$ (26)	$ (204)		
(Gains) losses arising in prior periods and transferred to net income in the current period	**33**	**5**	**28**			281	41	240		
	74	**20**	**54**	**$ (53)**	**$ 1**	51	15	36	$ (122)	$ (86)
Cumulative foreign currency translation adjustment	**2**	**—**	**2**	**(19)**	**(17)**	(12)	—	(12)	(7)	(19)
Change in unrealized fair value of available-for-sale financial assets and recognition of amounts realized	**—**	**—**	**—**	**—**	**—**	1	—	1	(1)	—
	$ 76	**$ 20**	**$ 56**	**$ (72)**	**$ (16)**	$ 40	$ 15	$ 25	$ (130)	$ (105)

As at September 30, 2010, the Company's estimate of the net amount of existing gains (losses) arising from the unrealized fair value of derivatives designated as cash flow hedges which are reported in accumulated other comprehensive income and are expected to be reclassified to net income in the next twelve months, excluding tax effects, is $4 million.

(c) Share option plans

The Company has a number of share option plans under which officers and other employees may receive options to purchase Non-Voting Shares at a price equal to the fair market value at the time of grant; prior to 2001, options were also similarly awarded in respect of Common Shares. Prior to 2002, directors were also awarded options to purchase Non-Voting Shares and Common Shares at a price equal to the fair market value at the time of grant. Option awards currently granted under the plans may be exercised over specific periods not to exceed seven years from the time of grant; prior to 2003, share option awards were granted with exercise periods not to exceed ten years.

The following table presents a summary of the activity related to the Company's share option plans.

Periods ended September 30, 2010	Three months		Nine months	
	Number of share options	Weighted average share option price	Number of share options	Weighted average share option price
Outstanding, beginning of period	13,011,210	$ 37.20	11,057,916	$ 38.08
Granted	41,840	42.05	2,763,761	32.90
Exercised[(1)]	(412,872)	30.71	(703,416)	28.74
Forfeited	(168,986)	40.00	(524,064)	39.72
Expired	(6,029)	44.47	(129,034)	38.60
Outstanding, end of period	12,465,163	$ 37.39	12,465,163	$ 37.39

(1) The total intrinsic value of share option awards exercised for the three-month and nine-month periods ended September 30, 2010, was $5 million (reflecting a weighted average price at the dates of exercise of $41.94 per share) and $8 million (reflecting a weighted average price at the dates of exercise of $39.72 per share), respectively. The tax benefit realized for the tax deductions from share option exercises for the three-month and nine-month periods ended September 30, 2010, was $NIL and $NIL, respectively.

In 2006, certain outstanding grants of share option awards, which were made after 2001, had a net-equity settlement feature applied to them. This event did not result in the optionees receiving incremental value and therefore modification accounting was not required for it. The optionee does not have the choice of exercising the net-equity settlement feature. It is at the Company's discretion whether an exercise of the share option award is settled as a share option or using the net-equity settlement feature. In 2007, certain outstanding grants of share option awards had a net-cash settlement feature applied to them, as further discussed in Note 11(b); the optionee has the choice of exercising the net-cash settlement feature.

The following table reconciles the number of share options exercised and the associated number of Common Shares and Non-Voting Shares issued.

Periods ended September 30, 2010	Three months			Nine months		
	Common Shares	Non-Voting Shares	Total	Common Shares	Non-Voting Shares	Total
Shares issued pursuant to exercise of share options	73,509	36,333	109,842	75,385	63,003	138,388
Impact of optionee choosing to settle share option award exercises using net-cash settlement feature	2,831	177,039	179,870	25,225	344,744	369,969
Shares issued pursuant to use of share option award net-equity settlement feature	N/A[(1)]	34,393	34,393	N/A[(1)]	56,202	56,202
Impact of Company choosing to settle share option award exercises using net-equity settlement feature	N/A[(1)]	88,767	88,767	N/A[(1)]	138,857	138,857
Share options exercised	76,340	336,532	412,872	100,610	602,806	703,416

(1) Share option awards for Common Shares do not have a net-equity settlement feature.

The following is a life and exercise price stratification of the Company's share options outstanding as at September 30, 2010.

Options outstanding[1]							**Options exercisable**	
Range of option prices						Total	Number of shares	Weighted average price
Low	$ 8.43	$ 14.93	$ 23.08	$ 34.81	$ 53.09	$ 8.43		
High	$ 10.75	$ 22.06	$ 33.14	$ 50.47	$ 64.64	$ 64.64		
2010	—	—	237,100	21,141	—	258,241	258,241	$ 25.26
2011	—	3,950	690,769	611,659	—	1,306,378	1,306,378	$ 29.35
2012	4,733	92,300	65,000	1,112,306	—	1,274,339	1,019,044	$ 35.14
2013	—	—	—	1,159,061	51,741	1,210,802	1,068,629	$ 43.31
2014	—	—	—	30,120	983,735	1,013,855	973,995	$ 56.70
2015	—	—	19,475	2,348,216	—	2,367,691	—	$ —
2016	—	—	2,328,854	—	—	2,328,854	—	$ —
2017	—	—	2,576,367	128,636	—	2,705,003	—	$ —
	4,733	96,250	5,917,565	5,411,139	1,035,476	12,465,163	4,626,287	$ 39.38
Weighted average remaining contractual life (years)	2.0	2.1	5.1	3.0	3.4	4.0		
Weighted average price	$ 10.10	$ 16.33	$ 30.45	$ 41.68	$ 56.70	$ 37.39		
Aggregate intrinsic value[2] (millions)	$ —	$ 3	$ 78	$ 12	$ —	$ 93		
Options exercisable								
Number of shares	4,733	96,250	992,869	2,541,679	990,756	4,626,287		
Weighted average remaining contractual life (years)	2.0	2.1	0.7	1.6	3.4	1.8		
Weighted average price	$ 10.10	$ 16.33	$ 24.37	$ 39.42	$ 56.69	$ 39.38		
Aggregate intrinsic value[2] (millions)	$ —	$ 3	$ 19	$ 11	$ —	$ 33		

(1) As at September 30, 2010, 11,547,781 share options, with a weighted average remaining contractual life of 3.9 years, a weighted average price of $37.52 and an aggregate intrinsic value of $85 million, are vested or were expected to vest; these amounts differ from the corresponding amounts for all share options outstanding due to an estimate for expected forfeitures.

(2) The aggregate intrinsic value is calculated upon September 30, 2010, per share prices of $45.72 for Common Shares and $43.61 for Non-Voting Shares.

As at September 30, 2010, less than one million Common Shares and approximately 30 million Non-Voting Shares were reserved for issuance, from Treasury, under the share option plans.

18 commitments and contingent liabilities

(a) Guarantees

Guarantees: Canadian generally accepted accounting principles require the disclosure of certain types of guarantees and their maximum, undiscounted amounts. The maximum potential payments represent a worst-case scenario and do not necessarily reflect results expected by the Company. Guarantees requiring disclosure are those obligations that require payments contingent on specified types of future events. In the normal course of its operations, the Company enters into obligations that GAAP may consider to be guarantees. As defined by Canadian GAAP, guarantees subject to these disclosure guidelines do not include guarantees that relate to the future performance of the Company. As at September 30, 2010, the Company's maximum undiscounted guarantee amounts, without regard for the likelihood of having to make such payment, were not material.

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

In connection with its 2001 disposition of TELUS' directory business, the Company agreed to bear a proportionate share of the new owner's increased directory publication costs if the increased costs were to arise from a change in the applicable CRTC regulatory requirements. The Company's proportionate share is 40% through May 2011 and then 15% in the final five years, ending May 2016. As well, should the CRTC take any action which would result in the owner being prevented from carrying on the directory business as specified in the agreement, TELUS would indemnify the owner in respect of any losses that the owner incurred.

As at September 30, 2010, the Company has no liability recorded in respect of indemnification obligations.

(b) Claims and lawsuits

General: A number of claims and lawsuits (including class actions) seeking damages and other relief are pending against the Company. As well, the Company has received or is aware of certain potential claims (including intellectual property infringement claims) against the Company and, in some cases, numerous other wireless carriers and telecommunications service providers. In some instances, the matters are at a preliminary stage and the potential for liability and magnitude of potential loss cannot be readily determined currently. It is impossible at this time for the Company to predict with any certainty the outcome of any such claims, potential claims and lawsuits. However, subject to the foregoing limitations, management is of the opinion, based upon legal assessment and information presently available, that it is unlikely that any liability, to the extent not provided for through insurance or otherwise, would be material in relation to the Company's consolidated financial position, excepting the items enumerated following.

Certified class action: A class action was brought in August 2004, under the *Class Actions Act* (Saskatchewan), against a number of past and present wireless service providers including the Company. That claim (the Frey matter) alleges that each of the carriers is in breach of contract and has violated competition, trade practices and consumer protection legislation across Canada in connection with the collection of system access fees, and seeks to recover direct and punitive damages in an unspecified amount. In September 2007, the class was certified by the Saskatchewan Court of Queen's Bench as an opt-in national class. In February 2008, the same court removed from the class all customers of the Company who are bound by an arbitration clause, applying two recent decisions of the Supreme Court of Canada. In March 2010, the Company obtained leave to appeal the certification decision. A parallel proceeding (the Collins matter) was commenced in Saskatchewan in July 2009 after the enactment of opt-out national class action legislation in Saskatchewan. In Collins, plaintiff's counsel applied to certify a new national class in Saskatchewan making substantially the same allegations as in the Frey matter. That application was stayed by the court in December 2009 upon an application by the defendants to dismiss it for abuse of process, conditional on possible future changes in circumstance. In March, 2010, the plaintiffs applied for leave to appeal the stay decision. That application is adjourned pending the outcome of the appeal in the Frey matter. The Company believes that it has good defences to both actions.

Similar proceedings have also been filed by, or on behalf of, plaintiffs' counsel in other provincial jurisdictions.

Should the ultimate resolution of these actions differ from management's assessments and assumptions, a material adjustment to the Company's financial position and the results of its operations could result; management's assessments and assumptions include that a reliable estimate of the exposure cannot be made at this preliminary stage of the lawsuit.

Uncertified class actions: Uncertified class actions against the Company include a 2008 class action brought in Saskatchewan alleging that, among other things, Canadian telecommunications carriers including the Company have failed to provide proper notice of 9-1-1 charges to the public and have been deceitfully passing them off as government charges, as well as a 2008 class action brought in Ontario alleging that the Company has misrepresented its practice of "rounding up" wireless airtime to the nearest minute and charging for the full minute. The plaintiffs in these actions seek direct and punitive damages and other relief. The Company is assessing the merits of these claims but the potential for liability and magnitude of potential loss cannot be readily determined at this time.

19 additional financial information

(a) Statement of income and other comprehensive income

Periods ended September 30 (millions)	Three months 2010	Three months 2009	Nine months 2010	Nine months 2009
Operations expense[1]:				
Cost of sales and service	**$ 837**	$ 810	**$ 2,431**	$ 2,406
Selling, general and administrative	**664**	646	**1,959**	1,942
	$ 1,501	$ 1,456	**$ 4,390**	$ 4,348
Advertising expense	**$ 81**	$ 71	**$ 210**	$ 189
Employee benefits expense				
Wages and salaries[2]	**$ 511**	$ 512	**$ 1,514**	$ 1,559
Pensions – defined benefit (Note 12(a))	**7**	4	**21**	13
Pensions – defined contribution (Note 120)	**14**	14	**45**	46
Other defined benefits	**—**	—	**—**	(1)
Restructuring costs (Note 6)	**16**	30	**41**	110
Other	**32**	31	**99**	103
	580	591	**1,720**	1,830
Capitalized internal labour costs	**(91)**	(91)	**(270)**	(283)
	$ 489	$ 500	**$ 1,450**	$ 1,547

(1) Cost of sales and service excludes depreciation and amortization of intangible assets and includes cost of goods sold and costs to operate and maintain access to and usage of the Company's telecommunications infrastructure. Selling, general and administrative costs include sales and marketing costs (including commissions), customer care, bad debt expense, real estate costs and corporate overhead costs such as information technology, finance (including billing services, credit and collection), legal, human resources and external affairs.

Employee salaries, benefits and related costs are included in one of the two components of operations expense to the extent that the costs are related to the component functions.

(2) Wages and salaries include share-based compensation for the three-month and nine-month periods ended September 30, 2010, of $16 (2009 – $13) and $47 (2009 – $55), respectively, as disclosed in Note 11.

(b) Statement of financial position

As at (millions)	September 30, 2010	December 31, 2009
Accounts receivable		
Customer accounts receivable	**$ 649**	$ 556
Accrued receivables – customer	**128**	103
Allowance for doubtful accounts	**(45)**	(59)
	732	600
Accrued receivables – other	**98**	93
Other	**—**	1
	$ 830	$ 694
Inventories		
Wireless handsets, parts and accessories	**$ 175**	$ 226
Other	**51**	44
	$ 226	$ 270
Other long-term assets		
Recognized transitional pension assets and pension plan contributions in excess of charges to income	**$ 1,660**	$ 1,565
Other	**57**	37
	$ 1,717	$ 1,602
Accounts payable and accrued liabilities		
Accrued liabilities	**$ 491**	$ 560
Payroll and other employee-related liabilities	**333**	272
Accrual for net-cash settlement feature for share option awards (Note 11(b))	**27**	14
Asset retirement obligations	**3**	3
	854	849
Trade accounts payable	**388**	382
Interest payable	**114**	60
Other	**123**	94
	$ 1,479	$ 1,385

As at (millions)		September 30, 2010		December 31, 2009
Advance billings and customer deposits				
Advance billings	**$**	**512**	$	470
Regulatory deferral accounts		**62**		144
Deferred customer activation and connection fees		**37**		40
Customer deposits		**24**		20
	$	**635**	$	674
Other long-term liabilities				
Derivative liabilities (Note 4(h))	**$**	**—**	$	721
Pension and other post-retirement liabilities		**220**		214
Other		**170**		173
		390		1,108
Regulatory deferral accounts		**102**		—
Deferred customer activation and connection fees		**70**		80
Deferred gain on sale-leaseback of buildings		**32**		38
Asset retirement obligations		**49**		45
	$	**643**	$	1,271

(c) Supplementary cash flow information

	Three months				Nine months			
Periods ended September 30 (millions)		**2010**		2009		**2010**		2009
Net change in non-cash working capital								
Accounts receivable	**$**	**(50)**	$	(56)	**$**	**(136)**	$	185
Inventories		**(53)**		24		**44**		157
Prepaid expenses		**54**		52		**(58)**		(22)
Accounts payable and accrued liabilities		**192**		75		**53**		(55)
Income and other taxes receivable and payable, net		**(45)**		(55)		**(357)**		(236)
Advance billings and customer deposits		**75**		(4)		**89**		(43)
	$	**173**	$	36	**$**	**(365)**	$	(14)
Long-term debt issued								
TELUS Corporation Commercial Paper	**$**	**445**	$	936	**$**	**2,198**	$	4,384
TELUS Corporation Credit Facility expiring May 1, 2012		**—**		—		**—**		2,025
Other		**1,000**		—		**1,000**		700
	$	**1,445**	$	936	**$**	**3,198**	$	7,109
Redemptions and repayment of long-term debt								
TELUS Corporation Commercial Paper	**$**	**(797)**	$	(1,006)	**$**	**(2,493)**	$	(4,281)
TELUS Corporation Credit Facility expiring May 1, 2012		**—**		—		**—**		(3,003)
Other		**(987)**		—		**(1,037)**		(4)
	$	**(1,784)**	$	(1,006)	**$**	**(3,530)**	$	(7,288)
Interest (paid)								
Amount (paid) in respect of interest expense	**$**	**(56)**	$	(38)	**$**	**(277)**	$	(271)
Amount (paid) in respect of loss on redemption of long-term debt (Note 16(b))		**(52)**		—		**(52)**		—
	$	**(108)**	$	(38)	**$**	**(329)**	$	(271)

20 differences between Canadian and United States generally accepted accounting principles

The Consolidated financial statements have been prepared in accordance with Canadian GAAP. As discussed further in Note 2, Canadian GAAP is being converged with IFRS-IASB. The United States Securities and Exchange Commission, effective March 4, 2008, no longer requires certain reporting issuers, such as the Company, to reconcile their financial statements included in their filings with the United States Securities and Exchange Commission and prepared in accordance with IFRS-IASB to U.S. GAAP. Upon the commencement of presenting the Company's financial statements in accordance with IFRS-IASB in fiscal 2011, the Company currently expects that it will cease reconciling its financial statements to U.S. GAAP.

The principles currently adopted in these financial statements conform in all material respects to those generally accepted in the United States except as summarized below.

Significant differences between Canadian GAAP and U.S. GAAP would have the following effect on reported net income of the Company:

Periods ended September 30 (millions)	Three months 2010	2009	Nine months 2010	2009
Net income in accordance with Canadian GAAP	**$ 247**	$ 280	**$ 811**	$ 846
Adjustments:				
Operating expenses				
Operations (b)	**(13)**	(12)	**(42)**	(40)
Amortization of intangible assets (c)	**(12)**	(12)	**(38)**	(38)
Taxes on the above adjustments and tax rate changes (e)	**7**	7	**26**	26
Net income in accordance with U.S. GAAP	**229**	263	**757**	794
Other comprehensive income (loss), net of taxes (f)				
In accordance with Canadian GAAP	**38**	5	**56**	25
Change in pension related other comprehensive income accounts	**18**	8	**51**	24
In accordance with U.S. GAAP	**56**	13	**107**	49
Comprehensive income in accordance with U.S. GAAP	**$ 285**	$ 276	**$ 864**	$ 843
Net income in accordance with U.S. GAAP attributable to:				
Common Shares and Non-Voting Shares	**$ 228**	$ 262	**$ 754**	$ 791
Non-controlling interests	**1**	1	**3**	3
	$ 229	$ 263	**$ 757**	$ 794
Comprehensive income in accordance with U.S. GAAP attributable to:				
Common Shares and Non-Voting Shares	**$ 284**	$ 275	**$ 861**	$ 840
Non-controlling interests	**1**	1	**3**	3
	$ 285	$ 276	**$ 864**	$ 843
Net income in accordance with U.S. GAAP per Common Share and Non-Voting Share				
- Basic	**$ 0.71**	$ 0.82	**$ 2.36**	$ 2.49
- Diluted	**$ 0.70**	$ 0.82	**$ 2.35**	$ 2.49

The following is an analysis of retained earnings reflecting the application of U.S. GAAP:

Nine-month periods ended September 30 (millions)	2010	2009
Balance at beginning of period	**$ 553**	$ 227
Net income in accordance with U.S. GAAP attributable to Common Shares and Non-Voting Shares	**754**	791
	1,307	1,018
Dividends	**(474)**	(451)
Balance at end of period	**$ 833**	$ 567

The following is an analysis of major statement of financial position categories reflecting the application of U.S. GAAP:

As at (millions)	September 30, 2010	December 31, 2009
Current Assets	**$ 1,466**	$ 1,127
Non-Current Assets		
Property, plant, equipment and other	**7,643**	7,729
Intangible assets	**6,509**	6,605
Goodwill	**3,974**	3,974
Other assets	**504**	362
	18,630	18,670
	$ 20,096	$ 19,797
Current Liabilities	**$ 4,026**	$ 2,964
Non-Current Liabilities		
Long-term debt	**5,408**	6,120
Other long-term liabilities	**782**	1,413
Deferred income taxes	**1,403**	1,323
	7,593	8,856
Total Liabilities	**11,619**	11,820
Owners' Equity		
Common Share and Non-Voting Share equity	**8,456**	7,956
Non-controlling interests	**21**	21
	8,477	7,977
	$ 20,096	$ 19,797

The following is a reconciliation of Common Share and Non-Voting Share equity incorporating the significant differences between Canadian and U.S. GAAP:

	Common Share and Non-Voting Share equity					
As at September 30, 2010 (millions)	Common Shares	Non-Voting Shares	Contributed surplus	Retained earnings	Accumulated other comprehensive income (loss)	Total
Under Canadian GAAP	$ 2,219	$ 3,173	$ 189	$ 2,494	$ (16)	$ 8,059
Adjustments:						
Merger of BC TELECOM and TELUS (a), (c), (d)	1,733	883	—	(1,564)	(778)	274
Share-based compensation (b)	10	55	28	(93)	—	—
Acquisition of Clearnet Communications Inc.						
Goodwill (d)	—	131	—	(8)	—	123
Convertible debentures	—	(3)	(1)	4	—	—
Under U.S. GAAP	$ 3,962	$ 4,239	$ 216	$ 833	$ (794)	$ 8,456

	Common Share and Non-Voting Share equity					
As at December 31, 2009 (millions)	Common Shares	Non-Voting Shares	Contributed surplus	Retained earnings	Accumulated other comprehensive income (loss)	Total
Under Canadian GAAP	$ 2,216	$ 3,070	$ 181	$ 2,159	$ (72)	$ 7,554
Adjustments:						
Merger of BC TELECOM and TELUS (a), (c), (d)	1,733	883	—	(1,508)	(829)	279
Share-based compensation (b)	10	53	31	(94)	—	—
Acquisition of Clearnet Communications Inc.						
Goodwill (d)	—	131	—	(8)	—	123
Convertible debentures	—	(3)	(1)	4	—	—
Under U.S. GAAP	$ 3,959	$ 4,134	$ 211	$ 553	$ (901)	$ 7,956

(a) Merger of BC TELECOM and TELUS

The business combination between BC TELECOM and TELUS Corporation (renamed TELUS Holdings Inc., which was wound up June 1, 2001) was accounted for using the pooling of interests method under Canadian GAAP. Under Canadian GAAP, the application of the pooling of interests method of accounting for the merger of BC TELECOM and TELUS Holdings Inc. resulted in a restatement of prior periods as if the two companies had always been combined. Under U.S. GAAP, the merger is accounted for using the purchase method. Use of the purchase method resulted in TELUS (TELUS Holdings Inc.) being acquired by BC TELECOM for $4,662 million (including merger related costs of $52 million) effective January 31, 1999.

(b) Operating expenses – Operations

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

Unlike Canadian GAAP, U.S. GAAP requires the full recognition of obligations associated with its employee future benefit plans. Under U.S. GAAP, the funded states of the Company's plans are shown gross on the consolidated statements of financial position and the difference between the net funded plan states and the net accrued benefit assets or liabilities are included as a component of accumulated other comprehensive income.

Share-based compensation: Both Canadian GAAP and U.S. GAAP require the use of the fair value method of accounting for share-based compensation for awards made after 2001 and 1994, respectively.

On a prospective basis, commencing January 1, 2006, there is no longer a difference between Canadian GAAP and U.S. GAAP share-based compensation expense recognized in the results of operations arising from current share-based compensation awards accounted for as equity instruments. As share option awards granted subsequent to 1994 and prior to 2002 are captured by U.S. GAAP, but are not captured by Canadian GAAP, differences in owners' equity accounts arising from these awards will continue.

Substantially all of the Company's outstanding share option awards that were granted prior to January 1, 2005, have a net-cash settlement feature; the optionee has the choice of exercising the net-cash settlement feature. The affected outstanding share option awards largely take on the characteristics of liability instruments rather than equity instruments; the minimum expense recognized for the affected share option awards will be their grant-date fair values. Under U.S. GAAP, the grant-date fair values of affected outstanding share option awards granted subsequent to 1994 affected the transitional amount whereas Canadian GAAP only considered grant-date fair values for affected outstanding share

option awards granted subsequent to 2001; for the three-month and nine-month periods ended September 30, 2010, this resulted in the U.S. GAAP expense being greater (less) than the Canadian GAAP expense by $NIL (2009 – $NIL) and $(1) million (2009 – $1 million), respectively.

(c) Operating expenses – Amortization of intangible assets

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

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

As at (millions)	Cost	Accumulated amortization	Net book value **September 30, 2010**	Net book value December 31, 2009
Intangible assets subject to amortization				
Subscribers – wireline	$ 1,950	$ 531	**$ 1,419**	$ 1,457
Intangible assets with indefinite lives				
Spectrum licences[(1)]	1,833	1,833	**—**	—
	$ 3,783	$ 2,364	**$ 1,419**	$ 1,457

(1) Accumulated amortization of spectrum licences is amortization recorded prior to 2002 and the transitional impairment amount.

Estimated aggregate amortization expense for intangible assets subject to amortization, calculated upon such assets held as at September 30, 2010, for each of the next five fiscal years is as follows:

Years ending December 31 (millions)	
2010 (balance of year)	**$ 112**
2011	**389**
2012	**270**
2013	**124**
2014	**87**

(d) Goodwill

Merger of BC TELECOM and TELUS: Under the purchase method of accounting, TELUS' assets and liabilities at acquisition (see (a)) have been recorded at their fair values with the excess purchase price being allocated to goodwill in the amount of $403 million. Commencing January 1, 2002, rather than being systematically amortized, the carrying value of goodwill is periodically tested for impairment.

Additional goodwill on Clearnet purchase: Under U.S. GAAP, shares issued by the acquirer to effect an acquisition are measured at the date the acquisition was announced; however, under Canadian GAAP, at the time the transaction took place, shares issued to effect an acquisition were measured at the transaction date. This results in the purchase price under U.S. GAAP being $131 million higher than under Canadian GAAP. The resulting difference is assigned to goodwill. Commencing January 1, 2002, rather than being systematically amortized, the carrying value of goodwill is periodically tested for impairment.

(e) Income taxes

Periods ended September 30 (millions)	Three months **2010**	Three months 2009	Nine months **2010**	Nine months 2009
Current	**$ (12)**	$ (4)	**$ 6**	$ 20
Deferred	**77**	103	**239**	207
	65	99	**245**	227
Investment Tax Credits	**—**	—	**(5)**	(2)
	$ 65	$ 99	**$ 240**	$ 225

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

Three-month periods ended September 30 ($ in millions)	**2010**		2009	
Basic blended federal and provincial tax at statutory income tax rates	**$ 85**	**29.1%**	$ 110	30.3%
Revaluation of deferred income tax liability to reflect future statutory income tax rates	**(12)**		(10)	
Tax rate differential on, and consequential adjustments from, reassessment of prior year tax issues	**(8)**		—	
Share option award compensation	**1**		—	
Investment Tax Credits, net of tax	**—**		—	
Other	**(1)**		(1)	
U.S. GAAP income tax expense	**$ 65**	**22.3%**	$ 99	27.3%

Nine-month periods ended September 30 ($ in millions)		2010			2009	
Basic blended federal and provincial tax at statutory income tax rates	$	**288**	**28.9%**	$	309	30.3%
Revaluation of deferred income tax liability to reflect future statutory income tax rates		**(28)**			(38)	
Tax rate differential on, and consequential adjustments from, reassessment of prior year tax issues		**(19)**			(48)	
Share option award compensation		**3**			3	
Investment Tax Credits, net of tax		**(4)**			(1)	
Other		**—**			—	
U.S. GAAP income tax expense	$	**240**	**24.1%**	$	225	22.1%

The Company must make significant estimates in respect of the composition of its deferred income tax asset and deferred income tax liability. The operations of the Company are complex, and related tax interpretations, regulations and legislation are continually changing. As a result, there are usually some tax matters in question.

(f) Comprehensive income (loss)

U.S. GAAP requires that a statement of comprehensive income be displayed with the same prominence as other financial statements. Comprehensive income, which incorporates net income, includes all changes in equity during a period except those resulting from investments by and distributions to owners.

Three-month periods ended September 30	2010			2009		
(millions)	Canadian GAAP other comprehensive income (loss)	Pension and other benefit plans	U.S. GAAP other comprehensive income (loss)	Canadian GAAP other comprehensive income (loss)	Pension and other benefit plans	U.S. GAAP other comprehensive income (loss)
Amount arising	**$ 51**	**$ 23**	**$ 74**	$ 8	$ 11	$ 19
Income tax expense	**13**	**5**	**18**	3	3	6
Net	**38**	**18**	**56**	5	8	13
Accumulated other comprehensive income (loss), beginning of period	**(54)**	**(796)**	**(850)**	(110)	(374)	(484)
Accumulated other comprehensive income (loss), end of period	**$ (16)**	**$ (778)**	**$ (794)**	$ (105)	$ (366)	$ (471)

Nine-month periods ended September 30	2010			2009		
(millions)	Canadian GAAP other comprehensive income (loss)	Pension and other benefit plans	U.S. GAAP other comprehensive income (loss)	Canadian GAAP other comprehensive income (loss)	Pension and other benefit plans	U.S. GAAP other comprehensive income (loss)
Amount arising	**$ 76**	**$ 67**	**$ 143**	$ 40	$ 33	$ 73
Income tax expense	**20**	**16**	**36**	15	9	24
Net	**56**	**51**	**107**	25	24	49
Accumulated other comprehensive income (loss), beginning of period	**(72)**	**(829)**	**(901)**	(130)	(390)	(520)
Accumulated other comprehensive income (loss), end of period	**$ (16)**	**$ (778)**	**$ (794)**	$ (105)	$ (366)	$ (471)

(g) Accounting policy developments

Accounting for transfers of financial assets and consolidation of variable interest entities: Under U.S. GAAP, for interim and annual reporting effective with its 2010 fiscal year, the Company is required to comply with amended standards in respect of transfers of financial assets and variable interest entities, as prescribed by Accounting Standards Codification topic 860, *Transfers and Servicing* and Accounting Standards Codification topic 810, *Consolidation*. Earlier application was prohibited. The Company's current accounting policies and practices are not affected by the provisions of these topics.

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