

TELUS CORPORATION

**CONDENSED INTERIM CONSOLIDATED
FINANCIAL STATEMENTS**

(UNAUDITED)

MARCH 31, 2015

condensed interim consolidated statements of income and
other comprehensive income

(unaudited)

Periods ended March 31 (millions except per share amounts)	Note	Three months	
		2015	2014
OPERATING REVENUES			
Service		\$ 2,829	\$ 2,702
Equipment		182	172
Revenues arising from contracts with customers		3,011	2,874
Other operating income	6	17	21
		3,028	2,895
OPERATING EXPENSES			
Goods and services purchased		1,284	1,222
Employee benefits expense	7	609	596
Depreciation	16	347	346
Amortization of intangible assets	17(a)	109	117
		2,349	2,281
OPERATING INCOME			
Financing costs	8	679	614
		117	102
INCOME BEFORE INCOME TAXES			
Income taxes	9	562	512
		147	135
NET INCOME			
		415	377
OTHER COMPREHENSIVE INCOME			
	10		
Items that may subsequently be reclassified to income			
Change in unrealized fair value of derivatives designated as cash flow hedges		(4)	3
Foreign currency translation adjustment arising from translating financial statements of foreign operations		10	7
Change in unrealized fair value of available-for-sale financial assets		(3)	(4)
		3	6
Item never subsequently reclassified to income			
Employee defined benefit plan re-measurements		237	162
		240	168
COMPREHENSIVE INCOME			
		\$ 655	\$ 545
NET INCOME PER COMMON SHARE			
	11		
Basic		\$ 0.68	\$ 0.61
Diluted		\$ 0.68	\$ 0.60
TOTAL WEIGHTED AVERAGE COMMON SHARES OUTSTANDING			
Basic		608	622
Diluted		610	624

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

condensed interim consolidated statements of financial position

(unaudited)

As at (millions)	Note	March 31, 2015	December 31, 2014
ASSETS			
Current assets			
Cash and temporary investments, net		\$ 1,579	\$ 60
Accounts receivable	25(a)	1,388	1,483
Income and other taxes receivable		19	97
Inventories	25(a)	315	320
Prepaid expenses		334	199
Real estate joint venture advances	18(c)	127	—
Current derivative assets	4(e)	22	27
		3,784	2,186
Non-current assets			
Property, plant and equipment, net	16	9,282	9,123
Intangible assets, net	17	7,818	7,797
AWS-3 spectrum licences deposits	17(a)	302	—
Goodwill, net	17	3,761	3,757
Real estate joint venture advances	18(c)	—	120
Real estate joint ventures	18(c)	22	21
Other long-term assets	25(a)	312	213
		21,497	21,031
		\$ 25,281	\$ 23,217
LIABILITIES AND OWNERS' EQUITY			
Current liabilities			
Short-term borrowings	19	\$ 100	\$ 100
Accounts payable and accrued liabilities	25(a)	1,934	2,019
Income and other taxes payable		27	2
Dividends payable	12	243	244
Advance billings and customer deposits	25(a)	743	753
Provisions	20	115	126
Current maturities of long-term debt	21	644	255
		3,806	3,499
Non-current liabilities			
Provisions	20	351	342
Long-term debt	21	10,795	9,055
Other long-term liabilities	25(a)	707	931
Deferred income taxes		1,944	1,936
		13,797	12,264
Liabilities		17,603	15,763
Owners' equity			
Common equity	22	7,678	7,454
		\$ 25,281	\$ 23,217

Contingent Liabilities

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

condensed interim consolidated statements of changes in
owners' equity

(unaudited)

(millions except number of shares)	Common equity					
	Equity contributed			Retained earnings	Accumulated other comprehensive income	Total
	Common Shares (Note 22)		Contributed surplus			
	Number of shares	Share capital				
Balance as at January 1, 2014	623,432,398	\$ 5,296	\$ 149	\$ 2,539	\$ 31	\$ 8,015
Net income	—	—	—	377	—	377
Other comprehensive income	10	—	—	162	6	168
Dividends	12	—	—	(224)	—	(224)
Share option award expense	13(a)	—	1	—	—	1
Shares issued pursuant to use of share option award net-equity settlement feature	13(b)	734,015	7	(7)	—	—
Normal course issuer bid purchase of Common Shares		(4,312,200)	(37)	—	(124)	(161)
Liability for automatic share purchase plan commitment pursuant to normal course issuer bids for Common Shares	22(b)	—	18	—	57	75
Reversal of opening liability		—	(16)	—	(59)	(75)
Recognition of closing liability		—	—	—	—	—
Balance as at March 31, 2014	619,854,213	\$ 5,268	\$ 143	\$ 2,728	\$ 37	\$ 8,176
Balance as at January 1, 2015	609,024,434	\$ 5,175	\$ 141	\$ 2,100	\$ 38	\$ 7,454
Net income	—	—	—	415	—	415
Other comprehensive income	10	—	—	237	3	240
Dividends	12	—	—	(243)	—	(243)
Share option award expense	13(a)	—	1	—	—	1
Shares issued pursuant to use of share option award net-equity settlement feature	13(b)	267,280	2	(2)	—	—
Normal course issuer bid purchase of Common Shares		(3,793,200)	(32)	—	(124)	(156)
Liability for automatic share purchase plan commitment pursuant to normal course issuer bids for Common Shares	22(b)	—	15	—	60	75
Reversal of opening liability		—	(22)	—	(86)	(108)
Recognition of closing liability		—	—	—	—	—
Balance as at March 31, 2015	605,498,514	\$ 5,138	\$ 140	\$ 2,359	\$ 41	\$ 7,678

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

condensed interim consolidated statements of cash flows

(unaudited)

Periods ended March 31 (millions)	Note	Three months	
		2015	2014
OPERATING ACTIVITIES			
Net income		\$ 415	\$ 377
Adjustments to reconcile net income to cash provided by operating activities:			
Depreciation and amortization		456	463
Deferred income taxes (recovery)	9	(73)	19
Share-based compensation expense, net	13(a)	(23)	16
Net employee defined benefit plans expense	14(a)	28	22
Employer contributions to employee defined benefit plans		(27)	(29)
Other		(4)	(22)
Net change in non-cash operating working capital	25(b)	(54)	(248)
Cash provided by operating activities		718	598
INVESTING ACTIVITIES			
Cash payments for capital assets, excluding spectrum licences	25(b)	(613)	(548)
Cash payments for spectrum licences deposits		(302)	(229)
Cash payments for acquisitions and related investments	25(b)	(4)	(37)
Real estate joint ventures advances and contributions	18(c)	(8)	(14)
Real estate joint venture receipts	18(c)	1	—
Proceeds on dispositions		5	5
Other		(5)	(4)
Cash used by investing activities		(926)	(827)
FINANCING ACTIVITIES			
Dividends paid to holders of Common Shares	25(b)	(244)	(222)
Purchase of Common Shares for cancellation	22(b), 25(b)	(156)	(159)
Issuance and repayment of short-term borrowings	19	—	(300)
Long-term debt issued	21, 25(b)	2,847	761
Redemptions and repayment of long-term debt	21, 25(b)	(711)	(135)
Other		(9)	—
Cash provided (used) by financing activities		1,727	(55)
CASH POSITION			
Increase (decrease) in cash and temporary investments, net		1,519	(284)
Cash and temporary investments, net, beginning of period		60	336
Cash and temporary investments, net, end of period		\$ 1,579	\$ 52
SUPPLEMENTAL DISCLOSURE OF OPERATING CASH FLOWS			
Interest paid		\$ (85)	\$ (61)
Interest received		\$ —	\$ 1
Income taxes paid, net		\$ (115)	\$ (224)

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

MARCH 31, 2015

TELUS Corporation is one of Canada's largest telecommunications companies, providing a wide range of telecommunications services and products, including wireless and wireline voice and data. Data services include: Internet protocol; television; hosting, managed information technology and cloud-based services; healthcare solutions; and business process outsourcing.

TELUS Corporation was incorporated under the *Company Act* (British Columbia) on October 26, 1998, under the name BCT.TELUS Communications Inc. (BCT). On January 31, 1999, pursuant to a court-approved plan of arrangement under the *Canada Business Corporations Act* among BCT, BC TELECOM Inc. and the former Alberta-based TELUS Corporation (TC), BCT acquired all of the shares of BC TELECOM Inc. and TC in exchange for Common Shares and Non-Voting Shares of BCT, and BC TELECOM Inc. was dissolved. On May 3, 2000, BCT changed its name to TELUS Corporation and in February 2005, TELUS Corporation transitioned under the *Business Corporations Act* (British Columbia), successor to the *Company Act* (British Columbia). TELUS Corporation maintains its registered office at Floor 5, 3777 Kingsway, Burnaby, British Columbia, V5H 3Z7.

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

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1 condensed interim consolidated financial statements

The notes presented in our condensed interim consolidated financial statements include only significant events and transactions and are not fully inclusive of all matters normally disclosed in our annual audited financial statements; thus, our interim consolidated financial statements are referred to as condensed. Our condensed interim consolidated financial statements should be read in conjunction with our audited consolidated financial statements for the year ended December 31, 2014.

Our condensed interim consolidated financial statements are expressed in Canadian dollars and follow the same accounting policies and methods of their application as set out in our consolidated financial statements for the year ended December 31, 2014, other than as set out in *Note 2*. The generally accepted accounting principles that we use are International Financial Reporting Standards as issued by the International Accounting Standards Board (IFRS-IASB) and Canadian generally accepted accounting principles. Our condensed interim consolidated financial statements comply with International Accounting Standard 34, *Interim Financial Reporting* and reflect all adjustments (which are of a normal recurring nature) that are, in our opinion, necessary for a fair statement of the results for the interim periods presented.

Our condensed interim consolidated financial statements for the three-month period ended March 31, 2015, were authorized by our Board of Directors for issue on May 7, 2015.

2 accounting policy developments

Standards, interpretations and amendments to standards not yet effective and not yet applied

Based upon current facts and circumstances, we do not expect to be materially affected by the application of the following standards, unless otherwise indicated, and we are currently determining which date(s) we will select for initial compliance if earlier than the required compliance dates.

- *Annual Improvements to IFRSs 2012-2014 Cycle*, which are required to be applied for years beginning on or after January 1, 2016.
- IFRS 9, *Financial Instruments*, is required to be applied for years beginning on or after January 1, 2018.
- IFRS 15, *Revenue from Contracts with Customers*, is required to be applied for years beginning on or after January 1, 2017. The International Accounting Standards Board and the Financial Accounting Standards Board of the United

States worked on this joint project to clarify the principles for the recognition of revenue and to develop the common revenue standard. The new standard was released in May 2014 and supersedes existing standards and interpretations including IAS 18, *Revenue*. We are currently assessing the impacts and transition provisions of the new standard.

On April 28, 2015, the International Accounting Standards Board proposed deferring the required application date by one year to January 1, 2018, following a similar proposal earlier in the month by the Financial Accounting Standards Board. There is no assurance that the International Accounting Standards Board will bring such proposed deferral into effect.

The effects of the new standard and the materiality of those effects will vary by industry and entity. Like many other telecommunications companies, we currently expect to be materially affected by its application, primarily in respect of the timing of revenue recognition, the classification of revenue, the capitalization of costs of obtaining a contract with a customer and possibly the capitalization of the costs of contract fulfilment (as defined by the new standard). The timing of revenue recognition and the classification of our revenues as either service or equipment will be affected due to the allocation of consideration in multiple element arrangements (solutions for our customers that may involve the delivery of multiple services and products occurring at different points in time and/or over different periods of time) no longer being affected by limitation cap methodology.

The effects of the timing of revenue recognition and the classification of revenue are expected to be most pronounced in our wireless segment. Although the measurement of the total revenue recognized over the life of a contract will be largely unaffected by the new standard, the prohibition of the use of the limitation cap methodology will accelerate the recognition of such revenue, relative to both the associated cash inflows from customers and our current practice (using the limitation cap methodology). Although the underlying transaction economics would not differ, during sustained periods of growth in the number of wireless subscriber connection additions, assuming comparable contract-lifetime per unit cash inflows, revenues would appear to be greater than under current practice (using the limitation cap methodology). Wireline segment results arising from transactions that include the initial provision of subsidized hardware will be similarly affected.

Similarly, the measurement, over the life of a contract, of total costs of contract acquisition and contract fulfilment will be unaffected by the new standard, which will affect both our wireless and wireline segments. The new standard will result in such costs of contract acquisition and contract fulfilment, to the extent that they are material, being capitalized and subsequently recognized as an expense over the life of a contract on a rational, systematic basis consistent with the pattern of the transfer of goods or services to which the asset relates. Although the underlying transaction economics would not differ, during sustained periods of growth in the number of customer connection additions, assuming comparable per unit costs of contract acquisition and contract fulfilment, absolute profitability measures would appear to be greater than under the current practice of immediately expensing such costs.

Our operations and associated systems are complex and the accounting for millions of our multi-year contracts with our customers will be affected. Significantly, so as to effect the associated accounting, incremental compilation of historical data will be needed for the millions of our already existing multi-year contracts with our customers that are expected to be in-scope for purposes of transitioning to the new standard. Our current estimate of the time and effort necessary to develop and implement the accounting policies, estimates, judgments and processes (including incremental requirements of our information technology systems) necessary to comply with the new standard is expected to span a period of time ending no earlier than mid-2016. As a result, at this time, it is not possible to make reasonable quantitative estimates of the effects of the new standard.

3 capital structure financial policies

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

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

We manage our capital structure and make adjustments to it in light of changes in economic conditions and the risk characteristics of our telecommunications infrastructure. In order to maintain or adjust our capital structure, we may adjust the amount of dividends paid to holders of TELUS Corporation shares, purchase shares for cancellation pursuant

to normal course issuer bids, issue new shares, issue new debt, issue new debt to replace existing debt with different characteristics and/or increase or decrease the amount of trade receivables sold to an arm's-length securitization trust.

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

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

The dividend payout ratio is calculated as the quarterly dividend declared per Common 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 if the reported amount is in respect of a fiscal year). The dividend payout ratio of adjusted net earnings differs in that it excludes: long-term debt prepayment premium; income tax-related adjustments; and the ongoing impacts of share options with the net-cash settlement feature.

During 2015, our financial objectives, which are reviewed annually and which were unchanged from 2014 other than for a revision to our debt ratio objective, included maintaining the financial objectives set out in the following table. We believe that our financial objectives are consistent with maintaining investment grade credit ratings in the range of BBB+ or the equivalent and providing reasonable access to capital.

As at, or 12-month periods ended, March 31 (\$ in millions)	Objective	2015	2014
Components of debt and coverage ratios			
Net debt ¹		\$ 10,011	\$ 8,202
EBITDA – excluding restructuring and other like costs ²		\$ 4,358	\$ 4,156
Net interest cost ³		\$ 462	\$ 411
Debt ratio			
Net debt to EBITDA – excluding restructuring and other like costs	2.00 – 2.50 ⁴	2.30	1.97
Coverage ratios			
Earnings coverage ⁵		5.2	5.4
EBITDA – excluding restructuring and other like costs interest coverage ⁶		9.4	10.1
Other measures			
Dividend payout ratio of adjusted net earnings ⁷		67%	68%
Dividend payout ratio	65%–75% ⁸	67%	69%

1 Net debt is calculated as follows:

As at March 31	2015	2014
Long-term debt (Note 21)	\$ 11,439	\$ 8,120
Debt issuance costs netted against long-term debt	51	34
Cash and temporary investments, net	(1,579)	(52)
Short-term borrowings	100	100
Net debt	\$ 10,011	\$ 8,202

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

	EBITDA (Note 5)	Restructuring and other like costs affecting EBITDA (Note 15)	EBITDA – excluding restructuring and other like costs
Add			
Three-month period ended March 31, 2015	\$ 1,135	\$ 17	\$ 1,152
Year ended December 31, 2014	4,216	75	4,291
Deduct			
Three-month period ended March 31, 2014	(1,077)	(8)	(1,085)
12-month period currently ended	\$ 4,274	\$ 84	\$ 4,358

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

- 3 Net interest cost is defined as financing costs, excluding employee defined benefit plans net interest and recoveries on long-term debt prepayment premium and repayment of debt, calculated on a 12-month trailing basis (expenses recorded for long-term debt prepayment premium, if any, are included in net interest cost).
- 4 Our objective for the ratio is 2.00 – 2.50 times. The ratio as at March 31, 2015, is within the range of the objective. In the short term, we may permit this ratio to go outside the objective range (for long-term investment opportunities), but will endeavor to return to the objective range, as we believe that the objective range is supportive of our strategy. We are well in compliance with our credit facilities leverage ratio covenant which states that we may not permit our net debt to operating cash flow ratio to exceed 4.00:1.00 (see *Note 21(d)*); the calculation of the debt ratio is substantially similar to the calculation of the leverage ratio covenant in our credit facilities.
- 5 Earnings coverage is defined as net income before borrowing costs and income tax expense, divided by borrowing costs (interest on long-term debt; interest on short-term borrowings and other; and long-term debt prepayment premium).
- 6 EBITDA – excluding restructuring and other like costs interest coverage is defined as EBITDA – excluding restructuring and other like costs divided by net interest cost. This measure is substantially similar to the coverage ratio covenant in our credit facilities.
- 7 Adjusted net earnings attributable to Common Shares is calculated as follows:

12-month periods ended March 31	2015	2014
Net income	\$ 1,463	\$ 1,309
Long-term debt prepayment premium, after income tax	10	17
Income tax-related adjustments	(6)	8
Adjusted net earnings attributable to Common Shares	\$ 1,467	\$ 1,334

- 8 Our target guideline for the dividend payout ratio is 65%–75% of sustainable earnings on a prospective basis.

Net debt to EBITDA – excluding restructuring and other like costs was 2.30 times at March 31, 2015, up from 1.97 times one year earlier, resulting from an increase in net debt due to the issuance of incremental debt primarily for the acquisition of spectrum licences, partly offset by growth in EBITDA – excluding restructuring and other like costs. The earnings coverage ratio for the twelve-month period ended March 31, 2015, was 5.2 times, down from 5.4 times one year earlier. Higher borrowing costs reduced the ratio by 0.8, while growth in income before borrowing costs and income taxes increased the ratio by 0.6. The EBITDA – excluding restructuring and other like costs interest coverage ratio for the twelve-month period ended March 31, 2015, was 9.4 times, down from 10.1 times one year earlier. An increase in net interest costs (including the September 2014 long-term debt prepayment premium) reduced the ratio by 1.1, while growth in EBITDA – excluding restructuring and other like costs increased the ratio by 0.4.

4 financial instruments

(a) Credit risk

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

As at (millions)	March 31, 2015	December 31, 2014
Cash and temporary investments, net	\$ 1,579	\$ 60
Accounts receivable	1,388	1,483
Derivative assets	26	31
	\$ 2,993	\$ 1,574

Cash and temporary investments

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

Accounts receivable

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

The following table presents an analysis of the age of customer accounts receivable for which an allowance has not been made as at the dates of the consolidated statements of financial position. As at March 31, 2015, the weighted average life of customer accounts receivable was 29 days (December 31, 2014 – 29 days) and the weighted average life of past-due customer accounts receivable was 62 days (December 31, 2014 – 62 days). Any late payment charges are levied, at an industry-based market or negotiated rate, on outstanding non-current customer account balances.

As at (millions)	Note	March 31, 2015	December 31, 2014
Customer accounts receivable net of allowance for doubtful accounts			
Less than 30 days past billing date		\$ 773	\$ 833
30-60 days past billing date		196	214
61-90 days past billing date		57	55
Greater than 90 days past billing date		63	68
		\$ 1,089	\$ 1,170
Customer accounts receivable	25(a)	\$ 1,137	\$ 1,214
Allowance for doubtful accounts		(48)	(44)
		\$ 1,089	\$ 1,170

We maintain allowances for potential credit losses related to doubtful accounts. Current economic conditions, historical information, reasons for the accounts being past-due and line of business from which the customer accounts receivable arose are all considered when determining whether allowances should be made for past-due accounts; the same factors are considered when determining whether to write off amounts charged to the allowance for doubtful accounts against the customer accounts receivable. The doubtful accounts expense is calculated on a specific-identification basis for customer accounts receivable 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 doubtful accounts expense.

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

Periods ended March 31 (millions)	Three months	
	2015	2014
Balance, beginning of period	\$ 44	\$ 40
Additions (doubtful accounts expense)	19	11
Net use	(15)	(10)
Balance, end of period	\$ 48	\$ 41

Derivative assets (and derivative liabilities)

Counterparties to our share-based compensation cash-settled equity forward agreements and foreign exchange derivatives are major financial institutions that have 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. We do not give or receive collateral on swap agreements and hedging items due to our credit rating and those of our counterparties. While we are exposed to potential credit losses due to the possible non-performance of our counterparties, we consider this risk remote. Our derivative liabilities do not have credit risk-related contingent features.

(b) Liquidity risk

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

- maintaining a daily cash pooling process that enables us to manage our available liquidity and our liquidity requirements according to our actual needs;
- maintaining bilateral bank facilities (*Note 19*) and a syndicated credit facility (*Note 21(d)*);
- the selling of trade receivables to an arm's-length securitization trust (*Note 19*);
- maintaining a commercial paper program (*Note 21(c)*);
- continuously monitoring forecast and actual cash flows; and
- managing maturity profiles of financial assets and financial liabilities.

Our debt maturities in future years are as disclosed in *Note 21(f)*. As at March 31, 2015, we could offer \$1.25 billion (December 31, 2014 – \$3.0 billion) of debt or equity securities pursuant to the shelf prospectus that is effective until December 2016. We believe that our investment grade credit ratings contribute to reasonable access to capital markets.

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

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

As at March 31, 2015 (millions)	Non-derivative				Derivative			Total
	Non-interest bearing financial liabilities	Short-term borrowings ¹	Long-term debt ¹ (Note 21)	Construction credit facilities commitment (Note 18) ²	Other	Currency swap agreement amounts to be exchanged		
						(Receive)	Pay	
2015								
Second quarter	\$ 1,012	\$ —	\$ 647	\$ 76	\$ —	\$ (68)	\$ 65	\$ 1,732
Balance of year	642	1	365	—	—	(239)	228	997
2016	59	102	1,060	—	—	(11)	11	1,221
2017	12	—	1,132	—	3	—	—	1,147
2018	6	—	663	—	—	—	—	669
2019	4	—	1,411	—	—	—	—	1,415
Thereafter	8	—	11,838	—	—	—	—	11,846
Total	\$ 1,743	\$ 103	\$ 17,116	\$ 76	\$ 3	\$ (318)	\$ 304	\$ 19,027

1 Interest payment cash outflows in respect of short-term borrowings, commercial paper and amounts drawn under our credit facilities (if any) have been calculated based upon the interest rates in effect as at March 31, 2015.

2 The drawdowns on the construction credit facilities are expected to occur as construction progresses through 2016.

As at December 31, 2014 (millions)	Non-derivative				Derivative			Total
	Non-interest bearing financial liabilities	Short-term borrowings ¹	Long-term debt ¹ (Note 21)	Construction credit facilities commitment (Note 18) ²	Other	Currency swap agreement amounts to be exchanged		
						(Receive)	Pay	
2015								
First quarter	\$ 1,195	\$ —	\$ 214	\$ 85	\$ —	\$ (49)	\$ 47	\$ 1,492
Balance of year	604	1	471	—	—	(114)	111	1,073
2016	6	102	1,011	—	—	—	—	1,119
2017	9	—	1,083	—	—	—	—	1,092
2018	4	—	365	—	—	—	—	369
2019	3	—	1,365	—	—	—	—	1,368
Thereafter	7	—	9,696	—	—	—	—	9,703
Total	\$ 1,828	\$ 103	\$ 14,205	\$ 85	\$ —	\$ (163)	\$ 158	\$ 16,216

1 Interest payment cash outflows in respect of short-term borrowings, commercial paper and amounts drawn under our credit facilities (if any) have been calculated based upon the interest rates in effect as at December 31, 2014.

2 The drawdowns on the construction credit facilities are expected to occur as construction progresses through 2016.

(c) Currency risk

Our functional currency is the Canadian dollar, but certain routine revenues and operating costs are denominated in U.S. dollars and some inventory purchases and capital asset acquisitions are sourced internationally. The U.S. dollar is the only foreign currency to which we have a significant exposure.

Our 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 only on a limited basis.

(d) Market risk

Net income and other comprehensive income for the three-month periods ended March 31, 2015 and 2014, could have varied if the Canadian dollar: U.S. dollar exchange rates and our Common Share price varied by reasonably possible amounts from their actual statement of financial position date values.

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

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

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

Three-month periods ended March 31 (increase (decrease) in millions)	Net income		Other comprehensive income		Comprehensive income	
	2015	2014	2015	2014	2015	2014
Reasonably possible changes in market risks ¹						
10% change in Cdn.\$: U.S.\$ exchange rate						
Canadian dollar appreciates	\$ (22)	\$ (18)	\$ —	\$ (7)	\$ (22)	\$ (25)
Canadian dollar depreciates	\$ 21	\$ 13	\$ —	\$ 7	\$ 21	\$ 20
25% ² change in Common Share price ³						
Price increases	\$ (10)	\$ (5)	\$ 26	\$ 22	\$ 16	\$ 17
Price decreases	\$ 6	\$ 5	\$ (26)	\$ (22)	\$ (20)	\$ (17)

- These sensitivities are hypothetical and should be used with caution. Changes in net income and/or other comprehensive income generally cannot be extrapolated because the relationship of the change in assumption to the change in net income and/or other comprehensive income may not be linear. In this table, the effect of a variation in a particular assumption on the amount of net income and/or other comprehensive income is calculated without changing any other factors; in reality, changes in one factor may result in changes in another, which might magnify or counteract the sensitivities.
The sensitivity analysis assumes that we would realize the changes in exchange rates; in reality, the competitive marketplace in which we operate would have an effect on this assumption.
No consideration has been made for a difference in the notional number of shares associated with share-based compensation awards made during the reporting period that may have arisen due to a difference in the Common Share price.
- To facilitate ongoing comparison of sensitivities, a constant variance of approximate magnitude has been used. Reflecting a three-month data period and calculated on a monthly basis, the volatility of our Common Share price as at March 31, 2015, was 15.4% (2014 –10.1%).
- The hypothetical effects of changes in the price of our Common Shares are restricted to those which would arise from our share-based compensation items that are accounted for as liability instruments and the associated cash-settled equity swap agreements.

(e) Fair values

General

The carrying values of cash and temporary investments, accounts receivable, short-term obligations, short-term borrowings, accounts payable and certain provisions (including restructuring accounts payable) approximate their fair values due to the immediate or short-term maturity of these financial instruments. The carrying values of short-term investments, if any, equal their fair values as they are classified as held for trading. The fair values are determined directly by reference to quoted market prices in active markets.

The carrying values of our investments accounted for using the cost method do not exceed their fair values. The fair values of our investments accounted for as available-for-sale are based on quoted market prices in active markets or other clear and objective evidence of fair value.

The fair value of our long-term debt is based on quoted market prices in active markets.

The fair values of the derivative financial instruments we use to manage our exposure to currency risks are estimated based upon quoted market prices in active markets for the same or similar financial instruments or on the current rates offered to us for financial instruments of the same maturity, as well as discounted future cash flows determined using current rates for similar financial instruments subject to similar risks and maturities (such fair values being largely based on Canadian dollar: U.S. dollar forward exchange rates as at the statement of financial position dates).

The fair values of the derivative financial instruments we use to manage our 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 our Common Share price as at the statement of financial position dates).

The financial instruments that we measure at fair value on a recurring basis in periods subsequent to initial recognition and the level within the fair value hierarchy at which they are measured are as set out in the following table.

As at (millions)	Fair value measurements at reporting date using							
	Carrying value		Quoted prices in active markets for identical items (Level 1)		Significant other observable inputs (Level 2)		Significant unobservable inputs (Level 3)	
	Mar. 31, 2015	Dec. 31, 2014	Mar. 31, 2015	Dec. 31, 2014	Mar. 31, 2015	Dec. 31, 2014	Mar. 31, 2015	Dec. 31, 2014
Assets								
Foreign exchange derivatives	\$ 10	\$ 4	\$ —	\$ —	\$ 10	\$ 4	\$ —	\$ —
Share-based compensation derivatives	16	27	—	—	16	27	—	—
Available-for-sale portfolio investments	21	26	—	5	21	21	—	—
	\$ 47	\$ 57	\$ —	\$ 5	\$ 47	\$ 52	\$ —	\$ —
Liabilities								
Share-based compensation derivatives	\$ 3	\$ —	\$ —	\$ —	\$ 3	\$ —	\$ —	\$ —

Derivative

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

As at (millions)	Designation	Maximum maturity date	March 31, 2015		December 31, 2014	
			Notional amount	Fair value and carrying value	Notional amount	Fair value and carrying value
Current Assets¹						
<i>Derivatives used to manage</i>						
Currency risks arising from U.S. dollar denominated purchases	HFT ²	2016	\$ 258	\$ 10	\$ 109	\$ 4
Currency risks arising from U.S. dollar revenues	HFT ²	2015	\$ 31	—	\$ 30	—
Changes in share-based compensation costs (Note 13(c))	HFH ³	2015	\$ 78	12	\$ 91	23
				\$ 22		\$ 27
Other Long-Term Assets¹						
<i>Derivatives used to manage</i>						
Changes in share-based compensation costs (Note 13(c))	HFH ³	2016	\$ 68	\$ 4	\$ 64	\$ 4
Current Liabilities¹						
<i>Derivatives used to manage</i>						
Currency risks arising from U.S. dollar revenues	HFT ²	2015	\$ 15	\$ —	\$ 19	\$ —
Changes in share-based compensation costs (Note 13(c))	HFH ³	2015	\$ 3	—	\$ —	—
				\$ —		\$ —
Other Long-Term Liabilities¹						
<i>Derivatives used to manage</i>						
Changes in share-based compensation costs (Note 13(c))	HFH ³	2017	\$ 69	\$ 3	\$ —	\$ —

1 Derivative financial assets and liabilities are not set off.

2 Designated as held for trading (HFT) upon initial recognition; hedge accounting is not applied.

3 Designated as held for hedging (HFH) upon initial recognition (cash flow hedging item); hedge accounting is applied.

Non-derivative

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

As at (millions)	March 31, 2015		December 31, 2014	
	Carrying value	Fair value	Carrying value	Fair value
Long-term debt (Note 21)	\$ 11,439	\$ 12,490	\$ 9,310	\$ 10,143

(f) Recognition of derivative gains and losses

The following table sets out the gains and losses, excluding income tax effects, on derivative instruments that are classified as cash flow hedging items and their location within the condensed interim 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.

Three-month periods ended March 31 (millions)	Amount of gain (loss) recognized in other comprehensive income (effective portion) (Note 10)		Location	Gain (loss) reclassified from other comprehensive income to income (effective portion) (Note 10)	
	2015	2014		Amount	
	2015	2014	2015	2014	
Derivatives used to manage:					
Currency risks arising from U.S. dollar denominated purchases	\$ —	\$ 1	Goods and services purchased	\$ —	\$ 1
Changes in share-based compensation costs (Note 13(c))	—	10	Employee benefits expense	5	5
	\$ —	\$ 11		\$ 5	\$ 6

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

Three-month periods ended March 31 (millions)	Location	Gain (loss) recognized in income on derivatives	
		2015	2014
Derivatives used to manage currency risks	Financing costs	\$ 10	\$ 2

5 segmented information

General

The operating segments that are regularly reported to our Chief Executive Officer (our chief operating decision-maker) are wireless and wireline. Operating segments are components of an entity that engage in business activities from which they earn revenues and incur expenses (including revenues and expenses related to transactions with the other component(s)) and whose operating results are regularly reviewed by a chief operating decision-maker to make resource allocation decisions and to assess performance.

As we do not currently aggregate operating segments, our reportable segments are also wireless and wireline. The wireless segment includes network revenues (data and voice) and equipment sales. The wireline segment includes data (which includes Internet protocol; television; hosting, managed information technology and cloud-based services; business process outsourcing; and certain healthcare solutions), voice, and other telecommunications services excluding wireless. Segmentation is based on similarities in technology, the technical expertise required to deliver the services and products, customer characteristics, the distribution channels used and regulatory treatment. Intersegment sales are recorded at the exchange value, which is the amount agreed to by the parties.

The following segmented information is regularly reported to our chief operating decision-maker.

Three-month periods ended March 31 (millions)	Wireless		Wireline		Eliminations		Consolidated		
	2015	2014	2015	2014	2015	2014	2015	2014	
Operating revenues									
External revenue	\$ 1,672	\$ 1,555	\$ 1,356	\$ 1,340	\$ —	\$ —	\$ 3,028	\$ 2,895	
Intersegment revenue	14	13	43	41	(57)	(54)	—	—	
	\$ 1,686	\$ 1,568	\$ 1,399	\$ 1,381	\$ (57)	\$ (54)	\$ 3,028	\$ 2,895	
EBITDA¹	\$ 744	\$ 690	\$ 391	\$ 387	\$ —	\$ —	\$ 1,135	\$ 1,077	
CAPEX, excluding spectrum licences ²	\$ 248	\$ 165	\$ 387	\$ 331	\$ —	\$ —	\$ 635	\$ 496	
EBITDA less CAPEX, excluding spectrum licences	\$ 496	\$ 525	\$ 4	\$ 56	\$ —	\$ —	\$ 500	\$ 581	
							Operating revenues (above)	\$ 3,028	\$ 2,895
							Goods and services purchased	1,284	1,222
							Employee benefits expense	609	596
							EBITDA (above)	1,135	1,077
							Depreciation	347	346
							Amortization	109	117
							Operating income	679	614
							Financing costs	117	102
							Income before income taxes	\$ 562	\$ 512

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

2 Total capital expenditures (CAPEX); see Note 25(b) for a reconciliation of capital expenditures excluding spectrum licences to cash payments for capital assets, excluding spectrum licences reported in the condensed interim consolidated statements of cash flows.

Geographical information

We attribute revenues from external customers to individual countries on the basis of the location where the goods and/or services are provided. We do not have material revenues that we attribute to countries other than Canada (our country of domicile), nor do we have material amounts of property, plant, equipment, intangible assets and/or goodwill located outside of Canada; information about such non-material amounts is not regularly reported to our chief operating decision-maker.

6 other operating income

Periods ended March 31 (millions)	Note	Three months	
		2015	2014
Government assistance, including deferral account amortization		\$ 12	\$ 15
Interest income	18(c)	1	1
Gain on disposal of assets and other		4	5
		\$ 17	\$ 21

7 employee benefits expense

Periods ended March 31 (millions)	Note	Three months	
		2015	2014
Employee benefits expense – gross			
Wages and salaries		\$ 595	\$ 579
Share-based compensation	13	30	26
Pensions – defined benefit	14(a)	28	22
Pensions – defined contribution	14(b)	25	23
Restructuring costs	15(b)	5	8
Other		40	41
		723	699
Capitalized internal labour costs			
Property, plant and equipment		(77)	(70)
Intangible assets subject to amortization		(37)	(33)
		(114)	(103)
		\$ 609	\$ 596

8 financing costs

Periods ended March 31 (millions)	Note	Three months	
		2015	2014
Interest expense¹			
Interest on long-term debt		\$ 113	\$ 97
Interest on short-term borrowings and other		1	3
Interest accretion on provisions	20	3	2
		117	102
Employee defined benefit plans net interest	14(a)	7	1
Foreign exchange		(7)	—
Interest income		—	(1)
		\$ 117	\$ 102

1 No financing costs were capitalized to property, plant and equipment and/or intangible assets during the three-month periods ended March 31, 2015 and 2014.

9 income taxes

Periods ended March 31 (millions)	Three months	
	2015	2014
Current income tax expense	\$ 220	\$ 116
Deferred income tax expense (recovery) arising from the origination and reversal of temporary differences	(73)	19
	\$ 147	\$ 135

Our income tax expense differs from that calculated by applying statutory rates for the following reasons:

Three-month periods ended March 31 (\$ in millions)	2015		2014	
Basic blended income tax at weighted average statutory income tax rates	\$ 148	26.3%	\$ 134	26.2%
Other	(1)	(0.1)	1	0.1
Income tax expense per condensed interim consolidated statements of income and other comprehensive income	\$ 147	26.2%	\$ 135	26.3%

Our basic blended weighted average statutory income tax rate is the aggregate of the following:

Periods ended March 31	Three months	
	2015	2014
Basic federal rate	14.5%	14.7%
Weighted average provincial rate	10.7	10.8
Non-Canadian jurisdictions	1.1	0.7
	26.3%	26.2%

10 other comprehensive income

Three-month periods ended March 31 (millions)	Items that may subsequently be reclassified to income						Item never reclassified to income	
	Change in unrealized fair value of derivatives designated as cash flow hedges in current period (Note 4(f))			Cumulative foreign currency translation adjustment	Change in unrealized fair value of available-for-sale financial assets	Accumulated other comp. income	Employee defined benefit plan re-measurements	Other comp. income
	Gains (losses) arising	Prior period (gains) losses transferred to net income	Total					
Accumulated balance as at January 1, 2014			\$ 3	\$ 8	\$ 20	\$ 31		
Other comprehensive income (loss)								
Amount arising	\$ 11	\$ (6)	5	7	(5)	7	\$ 219	\$ 226
Income taxes	\$ 3	\$ (1)	2	—	(1)	1	57	58
Net			3	7	(4)	6	\$ 162	\$ 168
Accumulated balance as at March 31, 2014			\$ 6	\$ 15	\$ 16	\$ 37		
Accumulated balance as at January 1, 2015			\$ 4	\$ 18	\$ 16	\$ 38		
Other comprehensive income (loss)								
Amount arising	\$ —	\$ (5)	(5)	10	(4)	1	\$ 321	\$ 322
Income taxes	\$ —	\$ (1)	(1)	—	(1)	(2)	84	82
Net			(4)	10	(3)	3	\$ 237	\$ 240
Accumulated balance as at March 31, 2015			\$ —	\$ 28	\$ 13	\$ 41		

As at March 31, 2015, our estimate of the net amount of existing gains arising from the unrealized fair value of derivatives designated as cash flow hedges that are reported in accumulated other comprehensive income and are expected to be reclassified to net income in the next twelve months, excluding income tax effects, is \$3 million.

11 per share amounts

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

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

Periods ended March 31 (millions)	Three months	
	2015	2014
Basic total weighted average number of Common Shares outstanding	608	622
Effect of dilutive securities		
Share option awards	2	2
Diluted total weighted average number of Common Shares outstanding	610	624

For the three-month periods ended March 31, 2015 and 2014, no outstanding share option awards were excluded in the computation of diluted net income per Common Share.

12 dividends per share

Three-month periods ended
March 31 (millions except per
share amounts)

Common share dividends	2015				2014			
	Declared		Paid to shareholders	Total	Declared		Paid to shareholders	Total
	Effective	Per share			Effective	Per share		
Quarter 1 dividend	Mar. 11, 2015	\$ 0.40	Apr. 1, 2015	\$ 243	Mar. 11, 2014	\$ 0.36	Apr. 1, 2014	\$ 224

On May 6, 2015, the Board of Directors declared a quarterly dividend of \$0.42 per share on our issued and outstanding Common Shares payable on July 2, 2015, to holders of record at the close of business on June 10, 2015. The final amount of the dividend payment depends upon the number of Common Shares issued and outstanding at the close of business on June 10, 2015.

Reinvestment of dividends

We may, at our discretion, offer the Common Shares at a discount of up to 5% from the market price. We opted to have the trustee acquire the Common Shares in the stock market with no discount offered. In respect of Common Share dividends declared during the three-month period ended March 31, 2015, \$15 million (2014 – \$10 million) was to be reinvested in Common Shares.

13 share-based compensation

(a) Details of share-based compensation expense

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

Three-month periods ended March 31 (millions)	2015			2014		
	Employee benefits expense	Associated operating cash outflows	Statement of cash flows adjustment	Employee benefits expense	Associated operating cash outflows	Statement of cash flows adjustment
Share option awards	\$ 1	\$ —	\$ 1	\$ 1	\$ —	\$ 1
Restricted stock units ¹	19	(43)	(24)	16	(1)	15
Employee share purchase plan	10	(10)	—	9	(9)	—
	\$ 30	\$ (53)	\$ (23)	\$ 26	\$ (10)	\$ 16

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

For the three-month period ended March 31, 2015, the associated operating cash outflows in respect of restricted stock units are net of cash inflows arising from the cash-settled equity swap agreements of \$15 million (2014 – \$2 million). For the three-month period ended March 31, 2015, the income tax benefit arising from share-based compensation was \$8 million (2014 – \$7 million).

(b) Share option awards

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

Period ended March 31, 2015	Three months	
	Number of share options	Weighted average share option price
Outstanding, beginning of period	4,667,422	\$ 23.53
Exercised ¹	(511,828)	\$ 21.00
Forfeited	(37,144)	\$ 28.69
Expired	(155,376)	\$ 21.90
Outstanding, end of period	3,963,074	\$ 23.88

1 The total intrinsic value of share option awards exercised for the three-month period ended March 31, 2015, was \$11 million (reflecting a weighted average price at the dates of exercise of \$43.42 per share). The difference between the number of share options exercised and the number of shares issued (as reflected in the condensed interim consolidated statements of changes in owners' equity) is the effect of our choosing to settle share option award exercises using the net-equity settlement feature.

The following is a life and exercise price stratification of our outstanding share options, all of which are for Common Shares, as at March 31, 2015.

Options outstanding					Options exercisable	
Total					Number of shares	Weighted average price
Range of option prices						
Low	\$ 14.91	\$ 21.42	\$ 28.56	\$ 14.91		
High	\$ 18.92	\$ 25.64	\$ 31.69	\$ 31.69		
Year of expiry and number of shares						
2015	—	5,700	—	5,700	5,700	\$ 22.13
2016	443,104	—	—	443,104	443,104	\$ 15.32
2017	733,277	38,230	—	771,507	771,507	\$ 16.61
2018	—	878,601	—	878,601	878,601	\$ 23.29
2019	—	—	1,864,162	1,864,162	—	\$ —
	1,176,381	922,531	1,864,162	3,963,074	2,098,912	
Weighted average remaining contractual life (years)	1.5	2.9	4.1	3.1		
Weighted average price	\$ 15.96	\$ 23.21	\$ 29.20	\$ 23.88		
Aggregate intrinsic value ¹ (millions)	\$ 31	\$ 17	\$ 24	\$ 72		
Options exercisable						
Number of shares	1,176,381	922,531	—	2,098,912		
Weighted average remaining contractual life (years)	1.5	2.9	—	2.1		
Weighted average price	\$ 15.96	\$ 23.21	\$ —	\$ 19.15		
Aggregate intrinsic value ¹ (millions)	\$ 31	\$ 17	\$ —	\$ 48		

1 The aggregate intrinsic value is calculated based on the March 31, 2015, price of \$42.07 per Common Share.

(c) Restricted stock units

We use restricted stock units as a form of retention and incentive compensation. Each restricted stock unit is nominally equal in value to one Common Share and is nominally entitled to the dividends that would arise thereon if it were an issued and outstanding Common Share. The notional dividends are recorded as additional issuances of restricted stock units during the life of the restricted stock unit. Due to the notional dividend mechanism, the grant-date fair value of restricted stock units equals the fair market value of the corresponding shares at the grant date. The restricted stock units generally 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 majority of restricted stock units outstanding have cliff vesting. The associated liability is normally cash-settled.

We also award restricted stock units that largely have the same features as our general restricted stock units, but have a variable payout (0% – 200%) depending upon the achievement of our total customer connections performance condition (with a weighting of 25%) and the total shareholder return on our shares relative to an international peer group of telecommunications companies (with a weighting of 75%). The grant-date fair value of the notional subset of our restricted stock units affected by the total customer connections performance condition equals the fair market value of the corresponding shares at the grant date and thus the notional subset has been included with the presentation of our restricted stock units with only service conditions. The recurring estimation, which reflects a variable payout, of the fair value of the notional subset of our restricted stock units affected by the relative total shareholder return performance element is determined using a Monte Carlo simulation.

The following table presents a summary of our outstanding non-vested restricted stock units.

Non-vested restricted stock units as at	March 31, 2015	December 31, 2014
Restricted stock units without market performance conditions		
Restricted stock units with only service conditions	5,800,962	5,455,368
Notional subset affected by total customer connections performance condition	131,309	69,072
	5,932,271	5,524,440
Restricted stock units with market performance conditions		
Notional subset affected by relative total shareholder return performance condition	393,927	207,215
	6,326,198	5,731,655

The following table presents a summary of the activity related to our restricted stock units without market performance conditions.

Period ended March 31, 2015	Three months		
	Number of restricted stock units ¹		Weighted average grant-date fair value
	Non-vested	Vested	
Outstanding, beginning of period			
Non-vested	5,524,440	—	\$ 35.04
Vested	—	38,717	\$ 34.20
Issued			
Initial award	1,676,982	—	\$ 44.27
In lieu of dividends	55,165	86	\$ 42.16
Vested	(1,271,014)	1,271,014	\$ 29.35
Settled in cash	—	(1,300,615)	\$ 29.45
Forfeited and cancelled	(53,302)	—	\$ 35.42
Outstanding, end of period			
Non-vested	5,932,271	—	\$ 38.90
Vested	—	9,202	\$ 35.67

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

With respect to certain issuances of restricted stock units, we have entered into cash-settled equity forward agreements that fix our cost; that information, as well as a schedule of our non-vested restricted stock units outstanding as at March 31, 2015, is set out in the following table.

Vesting in years ending December 31	Number of fixed-cost restricted stock units	Our fixed cost per restricted stock unit	Number of variable-cost restricted stock units	Total number of non-vested restricted stock units ¹
2015	2,174,000	\$ 38.18	295,023	2,469,023
2016	1,727,000	\$ 41.07	239,421	1,966,421
2017	1,473,000	\$ 45.76	23,827	1,496,827
	5,374,000		558,271	5,932,271

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

(d) Employee share purchase plan

Periods ended March 31 (millions)	Three months	
	2015	2014
Employee contributions	\$ 32	\$ 29
Employer contributions	10	9
	\$ 42	\$ 38

14 employee future benefits

(a) Defined benefit plans – funded status overview

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

Three-month periods ended March 31
(millions)

Recognized in	2015				2014			
	Employee benefits expense (Note 7)	Financing costs (Note 8)	Other comp. income (Note 10)	Total	Employee benefits expense (Note 7)	Financing costs (Note 8)	Other comp. income (Note 10)	Total
Current service cost	\$ 26	\$ —	\$ —	\$ 26	\$ 20	\$ —	\$ —	\$ 20
Past service costs	1	—	—	1	1	—	—	1
Net interest; return on plan assets								
Interest expense arising from accrued benefit obligations	—	88	—	88	—	93	—	93
Return, including interest income, on plan assets ¹	—	(81)	(324)	(405)	—	(92)	(219)	(311)
	—	7	(324)	(317)	—	1	(219)	(218)
Administrative fees	1	—	—	1	1	—	—	1
Changes in the effect of limiting net defined benefit assets to the asset ceiling	—	—	3	3	—	—	—	—
	\$ 28	\$ 7	\$ (321)	\$ (286)	\$ 22	\$ 1	\$ (219)	\$ (196)

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

(b) Defined contribution plans – expense

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

Periods ended March 31 (millions)	Three months	
	2015	2014
Union pension plan and public service pension plan contributions	\$ 8	\$ 8
Other defined contribution pension plans	17	15
	\$ 25	\$ 23

15 restructuring and other like costs

(a) Details of restructuring and other like costs

With the objective of reducing ongoing costs, we incur associated incremental, non-recurring restructuring costs, as discussed further in (b) following. We may also incur atypical charges when undertaking major or transformational changes to our business or operating models. We also include incremental external costs incurred in connection with business acquisition activity in other like costs.

Restructuring and other like costs are presented in the condensed interim consolidated statements of income and other comprehensive income as set out in the following table:

Periods ended March 31 (millions)	Three months	
	2015	2014
Goods and services purchased	\$ 12	\$ —
Employee benefits expense	5	8
	\$ 17	\$ 8

(b) Restructuring provisions

Employee related provisions and other provisions, as presented in Note 20, include amounts in respect of restructuring activities. In 2015, restructuring activities included ongoing efficiency initiatives such as: business integrations; business process outsourcing; internal offshoring and reorganizations; procurement initiatives; and consolidation of real estate.

Three-month periods ended March 31 (millions)	2015			2014		
	Employee related ¹	Other ¹	Total ¹	Employee related ¹	Other ¹	Total ¹
Restructuring costs						
Additions and expense	\$ 5	\$ 12	\$ 17	\$ 8	\$ —	\$ 8
Use	(22)	(2)	(24)	(21)	(2)	(23)
Expenses greater (less) than disbursements	(17)	10	(7)	(13)	(2)	(15)
Restructuring provisions						
Balance, beginning of period	41	28	69	35	33	68
Balance, end of period	\$ 24	\$ 38	\$ 62	\$ 22	\$ 31	\$ 53

¹ The transactions and balances in this column are included in, and thus are a subset of, the transactions and balances in the column with the same caption in Note 20.

These initiatives were intended to improve our long-term operating productivity and competitiveness. We expect that substantially all of the cash outflows in respect of the balance accrued as at the financial statement date will occur within twelve months thereof.

16 property, plant and equipment

(millions)	Network assets	Buildings and leasehold improvements	Other	Land	Assets under construction	Total
At cost						
As at January 1, 2015	\$ 26,415	\$ 2,801	\$ 1,163	\$ 55	\$ 504	\$ 30,938
Additions	162	5	17	—	326	510
Dispositions, retirements and other	(467)	(25)	(141)	—	—	(633)
Assets under construction put into service	219	18	14	—	(251)	—
As at March 31, 2015	\$ 26,329	\$ 2,799	\$ 1,053	\$ 55	\$ 579	\$ 30,815
Accumulated depreciation						
As at January 1, 2015	\$ 19,202	\$ 1,808	\$ 805	\$ —	\$ —	\$ 21,815
Depreciation	296	23	28	—	—	347
Dispositions, retirements and other	(471)	(25)	(133)	—	—	(629)
As at March 31, 2015	\$ 19,027	\$ 1,806	\$ 700	\$ —	\$ —	\$ 21,533
Net book value						
As at December 31, 2014	\$ 7,213	\$ 993	\$ 358	\$ 55	\$ 504	\$ 9,123
As at March 31, 2015	\$ 7,302	\$ 993	\$ 353	\$ 55	\$ 579	\$ 9,282

The gross carrying value of fully depreciated property, plant and equipment that was still in use as at March 31, 2015, was \$2.8 billion (December 31, 2014 – \$2.9 billion).

As at March 31, 2015, our contractual commitments for the acquisition of property, plant and equipment were \$309 million over a period ending December 31, 2016 (December 31, 2014 – \$321 million over a period ending December 31, 2015).

17 intangible assets and goodwill

(a) Intangible assets and goodwill, net

(millions)	Intangible assets subject to amortization						Intangible assets with indefinite lives	Total intangible assets	Goodwill ¹	Total intangible assets and goodwill
	Subscriber base	Customer contracts, related customer relationships and leasehold interests	Software	Access to rights-of-way and other	Assets under construction	Total	Spectrum licences			
At cost										
As at January 1, 2015	\$ 245	\$ 228	\$ 3,406	\$ 83	\$ 222	\$ 4,184	\$ 6,390	\$ 10,574	\$ 4,121	\$ 14,695
Additions	—	—	3	1	121	125	—	125	—	125
Additions arising from business acquisitions (c)	—	—	2	—	—	2	—	2	4	6
Dispositions, retirements and other	—	—	(75)	8	—	(67)	(5)	(72)	—	(72)
Assets under construction put into service	—	—	123	—	(123)	—	—	—	—	—
As at March 31, 2015	\$ 245	\$ 228	\$ 3,459	\$ 92	\$ 220	\$ 4,244	\$ 6,385	\$ 10,629	\$ 4,125	\$ 14,754
Accumulated amortization										
As at January 1, 2015	\$ 98	\$ 139	\$ 2,490	\$ 50	\$ —	\$ 2,777	\$ —	\$ 2,777	\$ 364	\$ 3,141
Amortization	3	7	96	3	—	109	—	109	—	109
Dispositions, retirements and other	—	—	(75)	—	—	(75)	—	(75)	—	(75)
As at March 31, 2015	\$ 101	\$ 146	\$ 2,511	\$ 53	\$ —	\$ 2,811	\$ —	\$ 2,811	\$ 364	\$ 3,175
Net book value										
As at December 31, 2014	\$ 147	\$ 89	\$ 916	\$ 33	\$ 222	\$ 1,407	\$ 6,390	\$ 7,797	\$ 3,757	\$ 11,554
As at March 31, 2015	\$ 144	\$ 82	\$ 948	\$ 39	\$ 220	\$ 1,433	\$ 6,385	\$ 7,818	\$ 3,761	\$ 11,579

¹ Accumulated amortization of goodwill is amortization recorded prior to 2002; there are no accumulated impairment losses in the accumulated amortization of goodwill.

The gross carrying value of fully amortized intangible assets subject to amortization that were still in use as at March 31, 2015, was \$714 million (December 31, 2014 – \$706 million). As at March 31, 2015, our contractual commitments for the acquisition of intangible assets, excluding AWS-3 licences, were \$86 million over a period ending December 31, 2018 (December 31, 2014 – \$89 million over a period ending December 31, 2018).

Industry Canada's AWS-3 spectrum auction occurred during the three-month period ended March 31, 2015. We were the successful auction participant on 15 spectrum licences for a total purchase price of \$1.5 billion. In accordance with the auction terms, 20% (\$302 million) was remitted to Industry Canada on March 20, 2015, while the remaining balance (\$1,209 million) was paid on April 21, 2015. The amount remitted in respect of the AWS-3 licences as at March 31, 2015, has been presented in the condensed interim consolidated

financial statements of financial position as "AWS-3 spectrum licence deposits" as we did not have the right to commercially use the licences as at that date. Subsequent to March 31, 2015, we reclassified the AWS-3 spectrum licences to intangible assets as Industry Canada determined that we qualified as a radio communications carrier and complied with the Canadian Ownership and Control rules and thus may commercially use the licences.

Industry Canada's 2500 MHz spectrum auction commenced April 14, 2015, and had not been concluded as of May 7, 2015, the date which these condensed interim financial statements were authorized for issue.

(b) Intangible assets subject to amortization

Estimated aggregate amortization expense for intangible assets subject to amortization, calculated for such assets held as at March 31, 2015, for each of the next five fiscal years is as follows:

Years ending December 31 (millions)

2015 (balance of year)	\$	314
2016		324
2017		215
2018		124
2019		83

(c) Business acquisitions*Various*

During the three-month period ended March 31, 2015, we acquired 100% ownership of a business complementary to our existing lines of business. The primary factor that contributed to the recognition of goodwill was the earnings capacity of the acquired business in excess of the net tangible assets and net intangible assets acquired (such excess arising from: the low degree of tangible assets relative to the earnings capacity of the business; expected synergies; the benefits of acquiring the established business with certain capabilities in the industry; and the geographic presence of the acquired business). A portion of the amounts assigned to goodwill may be deductible for income tax purposes.

Acquisition-date fair values

The acquisition-date fair values assigned to assets acquired and liabilities assumed in the individually immaterial acquisition and the preliminary purchase price allocations are as set out in the following table:

As at acquisition-date fair values (millions)	Purchase price amount assigned ¹
Assets	
Current assets – Accounts receivable ²	\$ 1
Non-current assets – Intangible assets subject to amortization – Software	2
Total identifiable assets acquired	3
Liabilities	
Current liabilities – Advance billings and customer deposits	1
Net identifiable assets acquired	2
Goodwill	4
Net assets acquired	\$ 6
Acquisition effected by way of:	
Cash consideration	\$ 3
Accounts payable and accrued liabilities	3
	\$ 6

- 1 The purchase price allocation, specifically in respect of accounts receivable and advance billings and customer deposits valuation, had not been finalized as of the date of issuance of these condensed interim consolidated financial statements. As is customary in business acquisition transactions, until the time of acquisition of control, we did not have access to the acquired business' books and records. Upon having sufficient time to review the acquired business' books and records, we expect to finalize our purchase price allocations.
- 2 The fair value of the accounts receivable is equal to the gross contractual amounts receivable and reflects the best estimates at the acquisition dates of the contractual cash flows expected to be collected.

Pro forma disclosures

Any differences between the results of operations currently presented and the pro forma operating revenues, net income and basic and diluted net income per Common Share amounts reflecting the results of operations as if the business acquisition noted above had been completed at the beginning of the fiscal year are immaterial (as are the post-acquisition operating revenues and net income of the acquired business for the three-month period ended March 31, 2015).

18 real estate joint ventures

(a) General

In 2011 we partnered, as equals, with an arm's-length party in a residential condominium, retail and commercial real estate redevelopment project, TELUS Garden, in Vancouver, British Columbia. The project will result in us, as one of the tenants, having new national headquarters. The new-build office tower, scheduled for completion in 2015, is being built to the 2009 Leadership in Energy and Environmental Design (LEED) Platinum standard and the neighbouring new-build residential condominium tower, scheduled for completion in 2016, is being built to the LEED Gold standard.

In 2013 we partnered, as equals, with two arm's-length parties (one of which is also our TELUS Garden partner) in a residential, retail and commercial real estate redevelopment project, TELUS Sky, in Calgary, Alberta. The new-build tower, scheduled for completion in 2018, is to be built to the LEED Platinum standard.

(b) Real estate joint ventures – summarized financial information

As at (millions)	March 31, 2015	December 31, 2014
ASSETS		
Current assets		
Cash and temporary investments, net	\$ 16	\$ 11
Sales contract deposits held by arm's-length trustee	22	30
Other	9	7
Property under development – Residential condominiums (subject to sales contracts)	121	—
	168	48
Non-current assets		
Property under development		
Residential condominiums (subject to sales contracts)	—	106
Investment property	254	228
	254	334
	\$ 422	\$ 382
LIABILITIES AND OWNERS' EQUITY		
Current liabilities		
Accounts payable and accrued liabilities	\$ 26	\$ 7
Sales contract deposits		
Payable	44	—
Held by arm's-length trustee	22	—
Construction credit facilities	218	—
Construction holdback liabilities	13	—
Other financial liabilities ¹	18	—
	341	7
Non-current liabilities		
Sales contract deposits		
Payable	—	36
Held by arm's-length trustee	—	30
Construction credit facilities	—	204
Construction holdback liabilities	—	10
Other financial liabilities ¹	—	18
	—	298
Liabilities	341	305
Owners' equity		
TELUS ²	33	32
Other partners	48	45
	81	77
	\$ 422	\$ 382

1 Other financial liabilities are due to us; such amounts are non-interest bearing, are secured by an \$18 mortgage on the residential condominium tower, are payable in cash and are due subsequent to repayment of construction credit facilities.

2 The equity amounts recorded by the real estate joint ventures differ from those recorded by us by the amount of the deferred gains on our real estate contributed.

During the three-month period ended March 31, 2015, the real estate joint ventures capitalized \$2 million (2014 – \$1 million) of financing costs.

(c) Our transactions with the real estate joint ventures

Three-month periods ended March 31 (millions)	2015			2014		
	Loans and receivables; other	Equity ¹	Total	Loans and receivables; other	Equity ¹	Total
Related to real estate joint ventures' statements of financial position						
<i>Items not affecting currently reported cash flows</i>						
Construction credit facilities financing costs charged by us and other (Note 6)	\$ 1	\$ —	\$ 1	\$ 1	\$ —	\$ 1
<i>Cash flows in the currently reported period</i>						
Construction credit facilities						
Amounts advanced	7	—	7	13	—	13
Financing costs paid to us	(1)	—	(1)	—	—	—
Funds we advanced or contributed, excluding construction credit facilities	—	1	1	—	1	1
Net increase	7	1	8	14	1	15
Accounts with real estate joint ventures²						
Balance, beginning of period	120	21	141	69	11	80
Balance, end of period	\$ 127	\$ 22	\$ 149	\$ 83	\$ 12	\$ 95

1 We account for our interests in the real estate joint ventures using the equity method of accounting.

2 Non-current loans and receivables are included in our condensed interim consolidated statements of financial position as Real estate joint venture advances and are comprised of advances under construction credit facilities (see (d)) and an \$18 mortgage on the residential condominium tower.

(d) Commitments and contingent liabilities*Construction commitments*

The TELUS Garden real estate joint venture is expected to spend a combined total of approximately \$470 million on the construction of an office tower and a residential condominium tower. As at March 31, 2015, the real estate joint venture's construction-related contractual commitments were approximately \$88 million through to 2016 (December 31, 2014 – \$100 million through to 2016).

The TELUS Sky real estate joint venture is expected to spend a combined total of approximately \$400 million on the construction of a mixed-use tower. As at March 31, 2015, the real estate joint venture's construction-related contractual commitments were approximately \$60 million through to 2018 (December 31, 2014 – \$4 million through to 2018).

Construction credit facilities – TELUS Garden

The real estate joint venture has credit agreements with two Canadian financial institutions (as 50% lender) and TELUS Corporation (as 50% lender) to provide \$369 million (December 31, 2014 – \$374 million) of construction financing for the TELUS Garden project. The facilities contain customary real estate construction financing representations, warranties and covenants and are secured by demand debentures constituting first fixed and floating charge mortgages over the underlying real estate assets. The facilities are available by way of bankers' acceptance or prime loan and bear interest at rates in line with similar construction financing facilities.

As at (millions)	Note	March 31, 2015	December 31, 2014
Construction credit facilities commitment – TELUS Corporation			
Undrawn	4(b)	\$ 76	\$ 85
Advances		109	102
		185	187
Construction credit facilities commitment – other			
		184	187
		\$ 369	\$ 374

19 short-term borrowings

On July 26, 2002, one of our subsidiaries, TELUS Communications Inc. (see Note 24(a)), entered into an agreement with an arm's-length securitization trust associated with a major Schedule I bank under which it is able to sell an interest in certain trade receivables up to a maximum of \$500 million (December 31, 2014 – \$500 million). This revolving-period securitization agreement was renewed in 2014, its current term ends December 31, 2016, and it requires minimum cash proceeds from monthly sales of interests in certain trade receivables of \$100 million. TELUS Communications Inc. is

required to maintain at least a BB (December 31, 2014 – BB) 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.

When we sell our trade receivables, we retain reserve accounts, which are retained interests in the securitized trade receivables, and servicing rights. As at March 31, 2015, we had sold to the trust (but continued to recognize) trade receivables of \$115 million (December 31, 2014 – \$113 million). Short-term borrowings of \$100 million (December 31, 2014 – \$100 million) are comprised of amounts loaned to us by the arm's-length securitization trust pursuant to the sale of trade receivables.

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

20 provisions

(millions)	Asset retirement obligation	Employee related	Other	Total
As at January 1, 2015	\$ 320	\$ 41	\$ 107	\$ 468
Additions	—	5	17	22
Use	—	(21)	(6)	(27)
Interest effect ¹	3	—	—	3
As at March 31, 2015	\$ 323	\$ 25	\$ 118	\$ 466
Current	\$ 21	\$ 25	\$ 69	\$ 115
Non-current	302	—	49	351
As at March 31, 2015	\$ 323	\$ 25	\$ 118	\$ 466

¹ The difference between the interest effect in this table and the amount disclosed in *Note 8* is in respect of the change in the discount rates applicable to the provision, such difference being included in the cost of the associated asset(s) by way of being included with (netted against) the additions in *Note 16*.

Asset retirement obligation

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

Employee related

The employee related provisions are largely in respect of restructuring activities (as discussed further in *Note 15*). The timing of the cash outflows in respect of the balance accrued as at the financial statement date is substantially short-term in nature.

Other

The provision for other includes: legal disputes; non-employee related restructuring activities (as discussed further in *Note 15*); and written put options, contract termination costs and onerous contracts related to business acquisitions. Other than as set out following, we expect that the cash outflows in respect of the balance accrued as at the financial statement date will occur over an indeterminate multi-year period.

As discussed further in *Note 23*, we are involved in a number of legal disputes and are aware of certain other possible legal disputes. In respect of legal disputes, we establish provisions, when warranted, after taking into account legal assessments, information presently available, and the expected availability of insurance or other recourse. The timing of cash outflows associated with legal claims cannot be reasonably determined.

In connection with business acquisitions, we have established provisions for contingent consideration, written put options in respect of non-controlling interests, contract termination costs and onerous contracts acquired. Cash outflows for the written put options are not expected to occur prior to their initial exercisability in December 2015. The majority of cash outflows in respect of contract termination costs and onerous contracts acquired are expected to occur in 2015.

21 long-term debt

(a) Details of long-term debt

As at (millions)	Note	March 31, 2015	December 31, 2014
TELUS Corporation Notes ¹	(b)	\$ 10,177	\$ 8,437
TELUS Corporation Commercial Paper	(c)	519	130
TELUS Communications Inc. Debentures ¹	(e)	743	743
Long-term debt		\$ 11,439	\$ 9,310
Current		\$ 644	\$ 255
Non-current		10,795	9,055
Long-term debt		\$ 11,439	\$ 9,310

1 Interest is payable semi-annually.

(b) TELUS Corporation Notes

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

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

Series	Issued	Maturity	Issue price	Principal face amount		Redemption present value spread	
				Originally issued	Outstanding at financial statement date	Basis points	Cessation date
4.95% Notes, Series CD	March 2007	March 2017	\$999.53	\$700 million	\$700 million	24 ¹	N/A
5.05% Notes, Series CG ²	December 2009	December 2019	\$994.19	\$1.0 billion	\$1.0 billion	45.5 ¹	N/A
5.05% Notes, Series CH ²	July 2010	July 2020	\$997.44	\$1.0 billion	\$1.0 billion	47 ¹	N/A
3.65% Notes, Series CI ²	May 2011	May 2016	\$996.29	\$600 million	\$600 million	29.5 ¹	N/A
3.35% Notes, Series CJ ²	December 2012	March 2023	\$998.83	\$500 million	\$500 million	40 ³	Dec. 15, 2022
3.35% Notes, Series CK ²	April 2013	April 2024	\$994.35	\$1.1 billion	\$1.1 billion	36 ³	Jan. 2, 2024
4.40% Notes, Series CL ²	April 2013	April 2043	\$997.68	\$600 million	\$600 million	47 ³	Oct. 1, 2042
3.60% Notes, Series CM ²	November 2013	January 2021	\$997.15	\$400 million	\$400 million	35 ¹	N/A
5.15% Notes, Series CN ²	November 2013	November 2043	\$995.00	\$400 million	\$400 million	50 ³	May 26, 2043
3.20% Notes, Series CO ²	April 2014	April 2021	\$997.39	\$500 million	\$500 million	30 ³	Mar. 5, 2021
4.85% Notes, Series CP ²	April 2014	April 2044	\$998.74	\$500 million	\$500 million	46 ³	Oct. 5, 2043
3.75% Notes, Series CQ ²	September 2014	January 2025	\$997.75	\$800 million	\$800 million	38.5 ³	Oct. 17, 2024
4.75% Notes, Series CR ²	September 2014	January 2045	\$992.91	\$400 million	\$400 million	51.5 ³	July 17, 2044
1.50% Notes, Series CS ²	March 2015	March 2018	\$999.62	\$250 million	\$250 million	N/A ⁴	N/A
2.35% Notes, Series CT ²	March 2015	March 2022	\$997.31	\$1.0 billion	\$1.0 billion	35.5 ³	Feb. 28, 2022
4.40% Notes, Series CU ²	March 2015	January 2046	\$999.72	\$500 million	\$500 million	60.5 ³	July 29, 2045

- The notes are redeemable at our option, 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 Government of Canada yield 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.
- This series of notes requires us to make an offer to repurchase the notes at a price equal to 101% of their principal amount plus accrued and unpaid interest to the date of repurchase upon the occurrence of a change in control triggering event, as defined in the supplemental trust indenture.
- At any time prior to the respective maturity dates set out in the table, the notes are redeemable at our option, 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 Government of Canada yield plus the redemption present value spread calculated over the period to maturity other than in the case of the Series CT and Series CU notes where it is calculated over the period to the redemption present value spread cessation date, 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. On or after the respective redemption present value spread cessation dates set out in the table, the notes are redeemable at our option, in whole but not in part, on not fewer than 30 and not more than 60 days' prior notice, at redemption prices equal to 100% of the principal amounts thereof.
- The notes are not redeemable at our option other than in the instance of certain changes in tax laws.

(c) TELUS Corporation commercial paper

TELUS Corporation has an unsecured commercial paper program, which is backstopped by our \$2.25 billion syndicated credit facility (see (d)), enabling us to issue commercial paper up to a maximum aggregate amount of \$1.2 billion, which is to be used for general corporate purposes, including capital expenditures and investments. Commercial paper debt is due within one year and is classified as a current portion of long-term debt as the amounts are fully supported, and we

expect that they will continue to be supported, by the revolving credit facility, which has no repayment requirements within the next year. As at March 31, 2015, we had \$519 million of commercial paper outstanding, with a weighted average interest rate of 0.95%, maturing in June 2015.

On March 19, 2015, DBRS Ltd. issued a press release stating that it had placed TELUS Corporation's issuer rating, notes rating and commercial paper rating, and the senior debentures rating for TELUS Communications Inc., under review with negative implications due to actual and anticipated changes in our debt and interest coverage ratios. Specifically, DBRS Ltd. cited the, then potential, issuance of debt (see (b)) to fund the acquisition of the AWS-3 spectrum licences (see Note 17(a)) as an event that would affect our financial risk profile. DBRS Ltd.'s announcement limits our ability to access the commercial paper markets in Canada.

(d) TELUS Corporation credit facility

As at March 31, 2015, TELUS Corporation had an unsecured, revolving \$2.25 billion bank credit facility, expiring on May 31, 2019, with a syndicate of financial institutions, which is to be used for general corporate purposes, including the backstopping of commercial paper.

TELUS Corporation's credit facility bears interest at prime rate, U.S. Dollar Base Rate, a bankers' acceptance rate or London interbank offered rate (LIBOR) (all such terms as used or defined in the credit facility), plus applicable margins. The credit facility contains customary representations, warranties and covenants, including two financial quarter-end financial ratio tests. The financial ratio tests are that our net debt to operating cash flow ratio must not exceed 4.00:1.00 and our operating cash flow to interest expense ratio must not be less than 2.00:1.00, each as defined under the credit facility.

Continued access to TELUS Corporation's credit facility is not contingent on TELUS Corporation maintaining a specific credit rating.

As at (millions)	March 31, 2015	December 31, 2014
Net available	\$ 1,731	\$ 2,120
Backstop of commercial paper	519	130
Gross available	\$ 2,250	\$ 2,250

We had \$181 million of letters of credit outstanding as at March 31, 2015 (December 31, 2014 – \$164 million), issued under various uncommitted facilities; such letter of credit facilities are in addition to the ability to provide letters of credit pursuant to our committed bank credit facility. We have also arranged incremental letters of credit to allow us to participate in Industry Canada's AWS-3 auction and 2500 MHz auction, which were held in March 2015 and commenced in April 2015, respectively, (see Note 17(a)). Concurrent with funding the purchase of the AWS-3 spectrum licences on April 21, 2015, \$65 million of these incremental lines of credit were extinguished. Under the terms of the auctions, communications between bidders that would provide insights into bidding strategies, including reference to preferred blocks, technologies or valuations are precluded until the deadlines for the final payments in the auctions. Disclosure of the precise amount of our letters of credit could be interpreted as a signal of bidding intentions. The maximum amount of letters of credit, for the two auctions combined, that we could be required to deliver is approximately \$200 million.

(e) TELUS Communications Inc. debentures

The outstanding Series 2, 3 and 5 Debentures were issued by a predecessor corporation of TELUS Communications Inc., BC TEL, under a Trust Indenture dated May 31, 1990. The outstanding Series B Debentures were issued by a predecessor corporation of TELUS Communications Inc., AGT Limited, under a Trust Indenture dated August 24, 1994, and a supplemental trust indenture dated September 22, 1995.

Series	Issued	Maturity	Issue price	Principal face amount		Redemption present value spread
				Originally issued	Outstanding at financial statement date	Basis points
11.90% Debentures, Series 2	November 1990	November 2015	\$998.50	\$125 million	\$125 million	N/A (non-redeemable)
10.65% Debentures, Series 3	June 1991	June 2021	\$998.00	\$175 million	\$175 million	N/A (non-redeemable)
9.65% Debentures, Series 5 ¹	April 1992	April 2022	\$972.00	\$150 million	\$249 million	N/A (non-redeemable)
8.80% Debentures, Series B	September 1995	September 2025	\$995.10	\$200 million	\$200 million	15 ²

1 Series 4 debentures were exchangeable, at the holder's option, effective on April 8 of any year during the four-year period from 1996 to 1999 for Series 5 debentures; \$99 million of Series 4 debentures were exchanged for Series 5 debentures.

2 At any time prior to the maturity date set out in the table, the debenture is redeemable at our option, in whole at any time, or in part from time to time, on not less than 30 days' prior notice. The redemption price is equal to the greater of (i) the present value of the debentures discounted at the Government of Canada yield 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.

The debentures became obligations of TELUS Communications Inc. pursuant to an amalgamation on January 1, 2001, are not secured by any mortgage, pledge or other charge and are governed by certain covenants, including a negative pledge and a limitation on issues of additional debt, subject to a debt to capitalization ratio and interest coverage test. Effective June 12, 2009, TELUS Corporation guaranteed the payment of the debentures' principal and interest.

(f) Long-term debt maturities

Anticipated requirements to meet long-term debt repayments, calculated upon such long-term debts owing as at March 31, 2015, for each of the next five fiscal years are as follows:

Years ending December 31 (millions)

2015 (balance of year)	\$ 644
2016	600
2017	700
2018	250
2019	1,000
Thereafter	8,324
Future cash outflows in respect of long-term debt principal repayments	11,518
Future cash outflows in respect of associated interest and like carrying costs ¹	5,598
Undiscounted contractual maturities (<i>Note 4(b)</i>)	\$ 17,116

¹ Future cash outflows in respect of associated interest and like carrying costs for commercial paper and amounts drawn under our credit facilities (if any) have been calculated based upon the rates in effect at March 31, 2015.

22 Common Share capital

(a) General

Our authorized share capital is as follows:

As at	March 31, 2015	December 31, 2014
First Preferred Shares	1 billion	1 billion
Second Preferred Shares	1 billion	1 billion
Common Shares	2 billion	2 billion

Only holders of Common Shares may vote at our general meetings, 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 our liquidation, dissolution or winding-up, whether voluntary or involuntary, or any other distribution of our assets among our shareholders for the purpose of winding up our affairs, preferences are as follows: First Preferred Shares; Second Preferred Shares; and finally Common Shares.

As at March 31, 2015, approximately 48 million Common Shares were reserved for issuance, from Treasury, under a share option plan (see *Note 13(b)*).

(b) Purchase of shares for cancellation pursuant to normal course issuer bid

As referred to in *Note 3*, we may purchase our shares for cancellation pursuant to normal course issuer bids in order to maintain or adjust our capital structure. During the three-month period ended March 31, 2015, we purchased for cancellation, through the facilities of the Toronto Stock Exchange, the New York Stock Exchange and/or alternative trading platforms or otherwise as may be permitted by applicable securities laws and regulations, including privately negotiated block purchases, approximately 4 million of our Common Shares, pursuant to a normal course issuer bid which is to run until September 30, 2015. The excess of the purchase price over the average stated value of shares purchased for cancellation is charged to retained earnings. We cease to consider shares outstanding on the date of our purchase of the shares, although the actual cancellation of the shares by the transfer agent and registrar occurs on a timely basis on a date shortly thereafter.

Additionally, we have entered into an automatic share purchase plan with a broker for the purpose of permitting us to purchase our Common Shares under the normal course issuer bid at such times when we would not be permitted to trade in our own shares during internal blackout periods, including during regularly scheduled quarterly blackout periods. Such purchases will be determined by the broker in its sole discretion based on parameters we have established. We record a liability and charge share capital and retained earnings for purchases that may occur during such blackout periods based upon the parameters of the normal course issuer bid as at the statement of financial position date.

In respect of our 2015 normal course issuer bid, during the month ended April 30, 2015, 491,600 of our Common Shares were purchased by way of the automatic share purchase plan at a cost of \$21 million.

23 contingent liabilities

Claims and lawsuits

General

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

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

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

Certified class actions

Certified class actions against us include:

- A 2004 class action brought in Saskatchewan against a number of past and present wireless service providers, including us, which alleged breach of contract, misrepresentation, unjust enrichment and violation of competition, trade practices and consumer protection legislation across Canada in connection with the collection of system access fees. In September 2007, a national class was certified by the Saskatchewan Court of Queen's Bench in relation to the unjust enrichment claim only; all appeals of this decision have now been exhausted.
- A 2008 class action brought in Ontario which alleged breach of contract, breach of the Ontario *Consumer Protection Act*, breach of the *Competition Act* and unjust enrichment, in connection with our practice of "rounding up" wireless airtime to the nearest minute and charging for the full minute. In November 2014, an Ontario class was certified by the Ontario Superior Court of Justice in relation to the breach of contract, breach of *Consumer Protection Act*, and unjust enrichment claims. The certification decision is currently under appeal.
- A 2012 class action brought in Quebec alleging that we improperly unilaterally amended customer contracts to increase various wireless rates for optional services, contrary to the Quebec Consumer Protection Act and the Civil Code of Quebec. On June 13, 2013, the Superior Court of Quebec authorized this matter as a class action. This class action follows on a non-material 2008 class action brought in Quebec alleging that we improperly unilaterally amended customer contracts to charge for incoming SMS messages. On April 8, 2014, judgment was granted in part against TELUS in the 2008 class action. That judgment is under appeal.

We believe that we have good defences to these actions. Should the ultimate resolution of these actions differ from management's assessments and assumptions, a material adjustment to our financial position and the results of our operations could result. Management's assessments and assumptions include that a reliable estimate of any such exposure cannot be made considering the continued uncertainty about the causes of action.

Uncertified class actions

Uncertified class actions against us include:

- Two 2005 class actions brought against us in British Columbia and Alberta, respectively, alleging that we have engaged in deceptive trade practices in charging incoming calls from the moment the caller connects to the network, and not from the moment the incoming call is connected to the recipient;
- A 2008 class action brought in Saskatchewan against us and other Canadian telecommunications carriers alleging that, among other matters, we failed to provide proper notice of 9-1-1 charges to the public and have been deceitfully passing them off as government charges. A virtually identical class action was filed in Alberta at the same time, but the Alberta Court of Queen's Bench has declared that that class action expired as of 2009;
- A 2013 class action brought in British Columbia against us, other telecommunications carriers, and cellular telephone manufacturers alleging that prolonged usage of cellular telephones causes adverse health effects;
- 2014 class actions brought against us in Quebec and Ontario on behalf of Public Mobile's customers, alleging that changes to the technology, services and rate plans made by us contravene our statutory and common law obligations;

- A number of class actions against Canadian telecommunications carriers alleging various causes of action in connection with the collection of system access fees, including:
 - Companion class actions to the certified 2004 Saskatchewan class action, filed in eight of the nine other Canadian provinces. The class actions filed in British Columbia and Manitoba have been dismissed or stayed, and applications are pending to dismiss the Alberta and Ontario class actions. An application by other defendants to stay the Nova Scotia class action was initially unsuccessful, but on April 9, 2015, the Nova Scotia Court of Appeal ordered that the claim be permanently and unconditionally stayed against those defendants. The remaining class actions have not proceeded;
 - A second class action filed in 2009 in Saskatchewan by plaintiff's counsel acting in the certified 2004 Saskatchewan class action, following the enactment of opt-out class action legislation in that province. This claim makes substantially the same allegations as the certified 2004 Saskatchewan class action, and 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. The plaintiff's separate applications to appeal and lift the stay were denied in 2013;
 - A class action filed in 2011 in British Columbia, alleging misrepresentation and unjust enrichment. On June 5, 2014, the B.C. Supreme Court dismissed the Plaintiff's application for certification of this class action; the plaintiff has appealed that dismissal and we are awaiting judgment on that appeal; and
 - A class action filed in 2013 in Alberta by plaintiff's counsel acting in the certified 2004 Saskatchewan class action. This class action appears to be a nullity, and plaintiff's counsel filed a replacement class action in 2014. On March 10, 2015, the Alberta Court of Queen's Bench stayed the 2014 class action on an interim basis. That decision is under appeal.

We believe that we have good defences to these actions. Should the ultimate resolution of these actions differ from management's assessments and assumptions, a material adjustment to our financial position and the results of our operations could result. Management's assessments and assumptions include that a reliable estimate of any such exposure cannot be made considering the continued uncertainty about the causes of action.

Intellectual property infringement claims

Claims and possible claims received by us include notice of one claim that certain wireless products used on our network infringe two third-party patents. The potential for liability and magnitude of potential loss cannot be readily determined at this time.

24 related party transactions

(a) Investments in significant controlled entities

As at		March 31, 2015	December 31, 2014
	Country of incorporation	Per cent of equity held by immediate parent	
Parent entity			
TELUS Corporation	Canada		
Controlled entities			
TELUS Communications Inc.	Canada	100%	100%
TELE-MOBILE COMPANY	Canada	100%	100%
TELUS Communications Company	Canada	100%	100%

(b) Transactions with key management personnel

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

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

Periods ended March 31 (millions)	Three months	
	2015	2014
Short-term benefits	\$ 3	\$ 2
Post-employment pension ¹ and other benefits	2	1
Share-based compensation ²	6	7
	\$ 11	\$ 10

- 1 Our Executive Leadership Team members, including our Executive Chair, are either: members of our *Pension Plan for Management and Professional Employees of TELUS Corporation* and non-registered, non-contributory supplementary defined benefit pension plans; or members of one of our defined contribution pension plans.
- 2 For the three-month period ended March 31, 2015, share-based compensation is net of \$2 (2014 – \$2) of the effects of derivatives used to manage share-based compensation costs (*Note 13(c)*). For the three-month period ended March 31, 2015, \$(1) (2014 – \$3) is included in share-based compensation representing restricted stock unit and deferred share unit expense arising from changes in the fair market value of the corresponding shares, which is not affected by derivatives used to manage share-based compensation costs.

As disclosed in *Note 13*, we made awards of share-based compensation in fiscal 2015 and 2014. In respect of our key management personnel, for the three-month period ended March 31, 2015, the total fair value, at date of grant, of restricted stock units awarded was \$27 million (2014 – \$22 million); no share options were awarded to our key management personnel in fiscal 2015 or 2014. As most of these awards are cliff-vesting or graded-vesting and have multi-year requisite service periods, the expense will be recognized ratably over a period of years and thus only a portion of the fiscal 2015 and 2014 awards are included in the amounts in the table above.

During the three-month period ended March 31, 2015, key management personnel (including retirees) exercised no share options. In the comparative 2014 period, key management personnel (including retirees) exercised 36,700 share options that had an intrinsic value of less than \$1 million at the time of exercise, reflecting a weighted average price at the date of exercise of \$36.49.

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

As at (millions)	March 31, 2015	December 31, 2014
Restricted stock units	\$ 29	\$ 50
Deferred share units ¹	32	31
	\$ 61	\$ 81

- 1 Our *Directors' Deferred Share Unit Plan* provides that, in addition to his or her annual equity grant of deferred share units, a director may elect to receive his or her annual retainer and meeting fees in deferred share units, Common Shares or cash. Deferred share units entitle directors to a specified number of, or a cash payment based on the value of, our Common Shares. Deferred share units are paid out when a director ceases to be a director, for any reason, at a time elected by the director in accordance with the *Directors' Deferred Share Unit Plan*; during the three-month period ended March 31, 2015, \$NIL (2014 – \$2) was paid out.

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

(c) Transactions with defined benefit pension plans

During the three-month period ended March 31, 2015, we provided management and administrative services to our defined benefit pension plans; the charges for these services were on a cost recovery basis and amounted to \$2 million (2014 – \$1 million).

(d) Transactions with real estate joint ventures

During the three-month periods ended March 31, 2015 and 2014, we had transactions with the real estate joint ventures, which are related parties, as set out in *Note 18*.

25 additional financial information

(a) Statements of financial position

As at (millions)	<i>Note</i>	March 31, 2015	December 31, 2014
Accounts receivable			
Customer accounts receivable	4(a)	\$ 1,137	\$ 1,214
Accrued receivables – customer		124	120
Allowance for doubtful accounts	4(a)	(48)	(44)
		1,213	1,290
Accrued receivables – other		175	193
		\$ 1,388	\$ 1,483
Inventories¹			
Wireless handsets, parts and accessories		\$ 274	\$ 284
Other		41	36
		\$ 315	\$ 320
Other long-term assets			
Pension assets		\$ 122	\$ 49
Investments		61	49
Other		129	115
		\$ 312	\$ 213
Accounts payable and accrued liabilities			
Accrued liabilities		\$ 863	\$ 857
Payroll and other employee related liabilities		293	399
Restricted stock units liability		79	122
		1,235	1,378
Trade accounts payable		487	458
Interest payable		130	105
Other		82	78
		\$ 1,934	\$ 2,019
Advance billings and customer deposits			
Advance billings		\$ 680	\$ 686
Regulatory deferral accounts		15	17
Deferred customer activation and connection fees		20	21
Customer deposits		28	29
		\$ 743	\$ 753
Other long-term liabilities			
Pension and other post-retirement liabilities		\$ 450	\$ 690
Other		138	128
Restricted stock units and deferred share units liabilities		70	60
		658	878
Regulatory deferral accounts		14	16
Deferred customer activation and connection fees		35	37
		\$ 707	\$ 931

1 Cost of goods sold for the three-month periods ended March 31, 2015, was \$388 (2014 – \$344).

(b) Statements of cash flows

Periods ended March 31 (millions)	<i>Note</i>	Three months	
		2015	2014
Net change in non-cash operating working capital			
Accounts receivable		\$ 96	\$ 37
Inventories		5	23
Prepaid expenses		(135)	(101)
Accounts payable and accrued liabilities		(99)	(85)
Income and other taxes receivable and payable, net		103	(108)
Advance billings and customer deposits		(12)	13
Provisions		(12)	(27)
		\$ (54)	\$ (248)

Periods ended March 31 (millions)	Note	Three months	
		2015	2014
Cash payments for capital assets, excluding spectrum licences			
Capital asset additions, excluding spectrum licences			
Capital expenditures			
Property, plant and equipment	16	\$ (510)	\$ (400)
Intangible assets	17(a)	(125)	(96)
		(635)	(496)
Change in associated non-cash investing working capital		22	(52)
		\$ (613)	\$ (548)
Cash payments for acquisitions and related investments			
Acquisitions and related investments	17(c)	\$ (6)	\$ (30)
Change in associated non-cash investing working capital and non-current provisions		2	(7)
		\$ (4)	\$ (37)
Dividends paid to holders of Common Shares			
Current period dividends			
Declared		\$ (243)	\$ (224)
Of which was payable at end of period		243	224
		—	—
Dividends declared in a previous fiscal period, payable in current fiscal period		(244)	(222)
		\$ (244)	\$ (222)
Purchase of Common Shares for cancellation (excluding changes in liability for automatic share purchase plan)			
Normal course issuer bid purchase of Common Shares		\$ (156)	\$ (161)
Change in associated non-cash financing working capital		—	2
		\$ (156)	\$ (159)
Long-term debt issued			
TELUS Corporation Commercial Paper		\$ 990	\$ 761
TELUS Corporation credit facility		110	—
TELUS Corporation Notes		1,747	—
		\$ 2,847	\$ 761
Redemptions and repayment of long-term debt			
TELUS Corporation Commercial Paper		\$ (601)	\$ (135)
TELUS Corporation credit facility		(110)	—
		\$ (711)	\$ (135)