

**TELUS CORPORATION**  
**Management's discussion and analysis**  
**2019 Q1**

## Caution regarding forward-looking statements

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

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

By their nature, forward-looking statements are subject to inherent risks and uncertainties and are based on assumptions, including assumptions about future economic conditions and courses of action. These assumptions may ultimately prove to have been inaccurate and, as a result, our actual results or events may differ materially from expectations expressed in or implied by the forward-looking statements. Updates to the assumptions on which our 2019 outlook is based are presented in *Section 9 Update to general trends, outlook and assumptions, and regulatory developments and proceedings* in this Management’s discussion and analysis (MD&A).

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

- Regulatory decisions and developments** including changes to our regulatory regime or the outcomes of proceedings, cases or inquiries relating to its application, such as: the potential of government intervention to further increase wireless competition, including a proposed policy direction to the CRTC; any new regulatory requirements as a result of the CRTC’s ongoing review of the wireless regulatory framework; the federal government’s announcement in its 2019 budget that it intends to propose new legislation and make necessary amendments to existing federal legislation in order to introduce a new critical cyber systems framework; the potential for government intervention concerning the CRTC’s decision on lower-cost data-only plans; changes to the cost burden associated with CRTC-mandated network interconnections; disputes with certain municipalities regarding rights-of-way bylaws, and other potential threats to unitary federal regulatory authority over telecommunications, including provincial wireless and consumer protection legislation; the impact of the CRTC’s wireline wholesale services review, with a review of rates and configurations for wholesale access currently in progress for TELUS; follow-up proceedings further to the CRTC’s report on the retail sales practices of Canada’s large telecommunications carriers; the Competition Bureau’s market study on competition in broadband services; the CRTC’s phase-out of the local service subsidy regime and corresponding establishment of a broadband funding regime to support the enhancement of high-speed Internet services focusing on unserved and underserved areas in Canada; the CRTC’s review of the price cap and local forbearance regimes; the CRTC’s proceeding to create a mandatory code of conduct to address the clarity and content of contracts for retail fixed Internet access and related issues; broadcasting-related issues, such as: the CRTC’s implementation of new initiatives discussed in its May 2018 report “Harnessing Change: The Future of Programming Distribution in Canada”; the federal government’s legislative review of the *Broadcasting Act*, *Telecommunications Act* and *Radiocommunication Act* as announced on June 5, 2018; the review of the *Copyright Act*, which began in early 2018; spectrum and compliance with licences, including our compliance with licence conditions, changes to spectrum licence fees, spectrum policy determinations such as restrictions on the purchase, sale and transfer of spectrum licences, and the cost and availability of spectrum in the 3500 MHz and millimeter wave (mmWave) bands; the impact on us and other Canadian telecommunications carriers of government or regulatory actions with respect to certain countries or suppliers; restrictions on non-Canadian ownership and control of TELUS common shares and the ongoing monitoring and compliance with such restrictions; and our ability to comply with complex and changing regulation of the healthcare and medical devices industry in the provinces of Canada in which we operate, including as an operator of health clinics.
- Competitive environment** including: our ability to continue to retain customers through an enhanced customer service experience, including through the deployment and operation of evolving wireless and wireline infrastructure; intense wireless competition, including the ability of industry competitors to successfully combine a mix of Internet services and, in some cases, wireless services under one bundled and/or discounted monthly rate, along with their existing broadcast or satellite-based TV services; the success of new products, new services and supporting systems, such as home automation security and Internet of Things (IoT) services for Internet-connected devices; wireline voice and data competition, including continued intense rivalry across all services among wireless and wireline telecommunications companies, cable-TV providers, other communications companies and over-the-top (OTT) services, which, among other things, places pressures on current and future mobile phone average billing per subscriber unit per month (ABPU), mobile phone average revenue per subscriber unit per month (ARPU), cost of acquisition, cost of retention and churn rate for all services, as do customer usage patterns, increased data bucket sizes or flat-rate pricing trends for voice and data, inclusive rate plans for voice and data and availability of Wi-Fi networks for data; mergers and acquisitions of industry competitors; pressures on Internet and TV ARPU and churn rate resulting from market conditions, government actions and customer usage patterns; residential voice and business network access line losses; subscriber additions and retention volumes, and associated costs for wireless, TV and Internet services; our ability to obtain and offer content on a timely basis across multiple devices on wireless and TV platforms at a reasonable cost; vertical integration in the broadcasting industry resulting in competitors owning broadcast content services, and timely and effective enforcement of related regulatory safeguards; our ability to compete successfully in customer care and business services (CCBS) given our competitors’ brand recognition, consolidation and strategic alliances as well as technology development and, in our TELUS Health business, our ability to compete with other providers of electronic medical records and pharmacy management products, systems integrators and health

service providers including those that own a vertically integrated mix of health services delivery, IT solutions, and related services, and global providers that could achieve expanded Canadian footprints.

- Technological substitution including: reduced utilization and increased commoditization of traditional wireline voice local and long distance services from impacts of OTT applications and wireless substitution, a declining overall market for paid TV services, including as a result of content piracy and signal theft and as a result of a rise in OTT direct to consumer video offerings and virtual multichannel video programming distribution platforms; the increasing number of households that have only wireless and/or Internet-based telephone services; potential mobile phone ABPU and mobile phone ARPU declines as a result of, among other factors, substitution to messaging and OTT applications; substitution to increasingly available Wi-Fi services; and disruptive technologies, such as OTT IP services, including Network as a Service in the business market, that may displace or re-rate our existing data services.
- Technology including: high subscriber demand for data that challenges wireless networks and spectrum capacity levels and may be accompanied by increases in delivery cost; our reliance on information technology and our need to streamline our legacy systems; the roll-out and evolution of wireless broadband technologies and systems, including video distribution platforms and telecommunications network technologies (broadband initiatives, such as fibre to the premises (FTTP), wireless small-cell deployment, 5G wireless and availability of resources and ability to build out adequate broadband capacity); our reliance on wireless network access agreements, which have facilitated our deployment of wireless technologies; choice of suppliers and those suppliers’ ability to maintain and service their product lines, which could affect the success of upgrades to, and evolution of, technology that we offer; supplier limitations and concentration and market power for network equipment, TELUS TV® and wireless handsets; the performance of wireless technology; our expected long-term need to acquire additional spectrum capacity through future spectrum auctions and from third parties to address increasing demand for data; deployment and operation of new wireline broadband network technologies at a reasonable cost and availability and success of new products and services to be rolled out using such network technologies; network reliability and change management; self-learning tools and automation that may change the way we interact with customers; and uncertainties around our strategy to replace certain legacy wireline network technologies, systems and services to reduce operating costs.
- Capital expenditure levels and potential outlays for spectrum licences in spectrum auctions or from third parties, due to: our broadband initiatives, including connecting more homes and businesses directly to fibre; our ongoing deployment of newer wireless technologies, including wireless small cells to improve coverage and capacity and prepare for a more efficient and timely evolution to 5G wireless services; utilizing acquired spectrum; investments in network resiliency and reliability; subscriber demand for data; evolving systems and business processes; implementing efficiency initiatives; supporting large complex deals; and future wireless spectrum auctions held by Innovation, Science and Economic Development Canada (ISED), including the 3500 MHz and mmWave spectrum auctions expected to take place in 2020 and 2021, respectively. Our capital expenditure levels could be impacted if we do not achieve our targeted operational and financial results.
- Operational performance and business combination risks including: our reliance on legacy systems and ability to implement and support new products and services and business operations in a timely manner; our ability to implement effective change management for system replacements and upgrades, process redesigns and business integrations (such as our ability to successfully integrate acquisitions, complete divestitures or establish partnerships in a timely manner and realize expected strategic benefits, including those following compliance with any regulatory orders); our ability to identify and manage new risks inherent to new service offerings that we may provide, including as a result of acquisitions, which could result in damage to our brand, our business in the relevant area or as a whole, additional exposure to litigation or regulatory proceedings; and real estate joint venture risks.
- Data protection including risks that malfunctions or unlawful acts could result in the unauthorized access to, change, loss, or distribution of data, which may compromise the privacy of individuals and could result in financial loss and harm to our reputation and brand.
- Security threats including intentional damage or unauthorized access to our physical assets or our IT systems and networks, which could prevent us from providing reliable service or result in unauthorized access to our information or that of our customers.
- Ability to successfully implement cost reduction initiatives and realize planned savings, net of restructuring and other costs, without losing customer service focus or negatively affecting business operations. Examples of these initiatives are: our operating efficiency and effectiveness program to drive improvements in financial results; business integrations; business product simplification; business process outsourcing; offshoring and reorganizations, including any full-time equivalent (FTE) employee reduction programs; procurement initiatives; and real estate rationalization.
- Implementation of large enterprise deals, which may be adversely impacted by available resources, system limitations and degree of co-operation from other service providers.
- Foreign operations and our ability to successfully manage operations in foreign jurisdictions, including managing risks such as currency fluctuations.
- Business continuity events including: our ability to maintain customer service and operate our network in the event of human error or human-caused threats, such as cyberattacks and equipment failures that could cause various degrees of network outages; supply chain disruptions, delays and economics, including as a result of government restrictions or trade actions; natural disaster threats; epidemics; pandemics; political instability in certain international locations; information security and privacy breaches, including data loss or theft of data; and the completeness and effectiveness of business continuity and disaster recovery plans and responses.
- Human resource matters including: recruitment, retention and appropriate training in a highly competitive industry, and the level of our employee engagement.

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

These risks are described in additional detail in *Section 9 General trends, outlook and assumptions, and regulatory developments and proceedings* and *Section 10 Risks and risk management* in our 2018 annual MD&A. Those descriptions are incorporated by reference in this cautionary statement but are not intended to be a complete list of the risks that could affect the Company.

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

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

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

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

May 9, 2019

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## 1. Introduction

The forward-looking statements in this section, including estimates regarding economic growth, are qualified by the Caution regarding forward-looking statements at the beginning of this Management’s discussion and analysis (MD&A).

### 1.1 Preparation of the MD&A

The following sections are a discussion of our consolidated financial position and financial performance for the three-month period ended March 31, 2019, and should be read together with our March 31, 2019, condensed interim consolidated statements of income and other comprehensive income, statements of financial position, statements of changes in owners’ equity and statements of cash flows, and the related notes (collectively referred to as the interim consolidated financial statements). The generally accepted accounting principles (GAAP) that we use are International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB). Our interim consolidated financial statements comply with IFRS-IASB and Canadian GAAP and have been prepared in accordance with International Accounting Standard 34, *Interim Financial Reporting*. In this MD&A, the term IFRS refers to these standards. We adopted IFRS 16, *Leases*, on January 1, 2019, with retrospective application, with the cumulative effect of the initial application of the new standard recognized at the date of initial application, January 1, 2019. This method of application does not result in the retrospective adjustment of amounts reported for periods prior to fiscal 2019. The most significant effect of the new standard is the lessee’s recognition of the initial present value of unavoidable future lease payments as right-of-use lease assets and lease liabilities, including those for most leases that would have previously been accounted for as operating leases. This results in depreciation of right-of-use lease assets and financing costs arising from lease liabilities, rather than as part of Goods and services purchased. The adoption of the new standard has resulted in an increase to Property, plant and equipment of approximately \$1.0 billion and long-term debt of approximately \$1.4 billion as at January 1, 2019. However, the implementation of IFRS 16 does not have any impact on economics or cash flows. In our discussion, we also use certain non-GAAP financial measures to evaluate our performance, monitor compliance with debt covenants and manage our capital structure. These measures are defined, qualified and reconciled with their nearest GAAP measures in *Section 11.1*. All currency amounts are in Canadian dollars, unless otherwise specified.

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

Our disclosure controls and procedures are designed to provide reasonable assurance that all relevant information is gathered and reported to senior management on a timely basis, so that appropriate decisions can be made regarding public disclosure. This MD&A and the interim consolidated financial statements were reviewed by our Audit Committee and authorized by our Board of Directors (Board) for issuance on May 9, 2019.

In this MD&A, unless otherwise indicated, results for the first quarter of 2019 (three-month period ended March 31, 2019) are compared with results for the first quarter of 2018 (three-month period ended March 31, 2018).

### 1.2 The environment in which we operate

The success of our business and the challenges we face can best be understood with reference to the environment in which we operate, including broader economic factors that affect our customers and us, and the competitive nature of our industry. Our estimates regarding our environment also form an important part of the assumptions on which our targets are based.

#### Economic growth

We have updated some of our assumptions since our 2018 annual MD&A. We now estimate that the rate of economic growth in Canada in 2019 will be 1.5% (previously 2.0% as reported in our 2018 annual MD&A) based on a composite of estimates from Canadian banks and other sources. For our incumbent local exchange carrier (ILEC) provinces in Western Canada, we estimate that economic growth will be 1.9% in 2019 in British Columbia (B.C.) (previously 2.3% as reported in our 2018 annual MD&A) and 1.2% in Alberta (previously 2.1% as reported in our 2018 annual MD&A). The Bank of Canada’s April 2019 Monetary Policy Report estimated that economic growth in Canada will be 1.2% in 2019 (1.8% in 2018). The extent to which these economic growth estimates affect us and the timing of their impact will depend upon the actual experience of specific sectors of the Canadian economy.

With respect to the national unemployment rate, Statistics Canada’s Labour Force Survey reported a rate of 5.8% for March 2019 (5.6% reported for December 2018 and 5.8% for March 2018). The unemployment rate for B.C. was 4.7% for March 2019 (4.4% for December 2018 and 4.7% for March 2018), while the unemployment rate for Alberta was 6.9% for March 2019 (6.4% for December 2018 and 6.3% for March 2018). Based on a composite of estimates from Canadian banks and other sources, we now estimate that the unemployment rate in 2019 will be 5.8% in Canada (unchanged from

our 2018 annual MD&A), 4.5% in B.C. (previously 4.9% as reported in our 2018 annual MD&A) and 6.8% in Alberta (previously 6.2% as reported in our 2018 annual MD&A).

With respect to the pace of housing starts, Canada Mortgage and Housing Corporation reported the seasonally adjusted annual rate (SAAR) of housing starts in March 2019 in Canada was approximately 193,000 units (224,000 units for March 2018). The SAAR of housing starts in March 2019 for B.C. and Alberta was approximately 35,000 and 20,000 units, respectively (49,000 and 27,000 units in March 2018, respectively). Based on a composite of estimates from Canadian banks and other sources, on an unadjusted basis, we estimate that housing starts in 2019 will total approximately 196,000 units in Canada (unchanged from our 2018 annual MD&A), 37,000 units in B.C., and 26,000 units in Alberta.

### 1.3 Consolidated highlights

#### **Business acquisition**

On January 14, 2019, we acquired a telecommunications business complementary to our existing lines of business, for consideration consisting of cash of \$74 million and TELUS Corporation Common Shares of \$38 million. The investment was made with a view to growing our managed network, cloud, security and unified communications services.

#### **Long-term debt issue**

On March 29, 2019, we announced an offering of \$1 billion of senior unsecured 3.30% 10-year notes which were issued on April 3, 2019, and will mature on May 2, 2029. The net proceeds from this offering will be used to repay outstanding indebtedness, including outstanding commercial paper, for the reduction of cash amounts outstanding under an arm’s-length securitization trust, and for general corporate purposes.

#### **600 MHz spectrum auction**

On April 10, 2019, we announced we were the successful bidder on 12 wireless spectrum licences in B.C., Alberta, Saskatchewan, Ontario and Quebec in Innovation, Science and Economic Development Canada’s (ISED) 600 MHz wireless spectrum auction. The 600 MHz band is important for its ability to travel great distances in rural areas and infiltrate barriers to better reach in-building locations such as elevators and parking garages, making it highly conducive to 5G deployment. The licences, acquired for \$931 million (\$2.35 per MHz-pop, where pop refers to the population in a licence area), equate to a national average of 11.3 MHz and will enable us to deliver enhanced mobile broadband connectivity as the industry transitions from 4G LTE to 5G. The design of the combinatorial clock auction (CCA), coupled with a 30 MHz set-aside for regional carriers (representing 43% of the spectrum at auction), led to national carriers paying a 134% premium over regional operators, and to the best of our knowledge, the highest prices for 600 MHz spectrum in the world. Outside of Canada, set-asides are very rare, and the few instances where there were CCAs with set-asides, the set asides have only been for approximately 5% of the spectrum at auction. We remitted an initial payment of \$186 million to ISED on April 26, 2019, and the remaining balance of \$745 million will be paid on, or before, May 27, 2019.

#### **Multi-year dividend growth program**

On May 9, 2019, we announced our intention to target ongoing semi-annual dividend increases, with the annual increase in the range of 7 to 10% from 2020 through to the end of 2022. This announcement further extends our dividend program originally announced in May 2011 and extended for three additional years in each of May 2013 and May 2016. So as to be consistent with the way we manage our business, we have revised our target guideline, effective January 1, 2020, to be calculated as 60 to 75% of free cash flow on a prospective basis. Notwithstanding this target, dividend decisions will continue to be subject to our Board’s assessment and the determination of our financial situation and outlook on a quarterly basis. There can be no assurance that we will maintain a dividend growth program through 2022. See *Section 4.3 Liquidity and capital resources*.

**Consolidated highlights**

Three-month periods ended March 31 (\$ millions, except footnotes and unless noted otherwise)	2019	2018	Change
<b>Consolidated statements of income</b>			
Operating revenues	3,506	3,377	3.8%
Operating income	762	719	6.0%
Income before income taxes	594	563	5.5%
Net income	437	412	6.1%
Net income attributable to Common Shares	428	410	4.4%
Adjusted Net income <sup>1</sup>	453	435	4.1%
Earnings per share (EPS) (\$)			
Basic EPS	0.71	0.69	2.9%
Adjusted basic EPS <sup>1</sup>	0.75	0.73	2.7%
Diluted EPS	0.71	0.69	2.9%
Dividends declared per Common Share (\$)	0.5450	0.5050	7.9%
Basic weighted-average Common Shares outstanding (millions)	600	595	0.8%
<b>Consolidated statements of cash flows</b>			
Cash provided by operating activities	790	838	(5.7)%
Cash used by investing activities	(962)	(932)	3.2%
Acquisitions	(162)	(204)	(20.6)%
Capital expenditures <sup>2</sup>	(646)	(650)	(0.6)%
Cash provided by financing activities	346	—	n/m
<b>Other highlights</b>			
Subscriber connections <sup>3,4</sup> (thousands)	13,979	13,431	4.1%
Earnings before interest, income taxes, depreciation and amortization (EBITDA) <sup>1</sup>	1,379	1,269	8.7%
Restructuring and other costs <sup>1</sup>	36	34	5.9%
Adjusted EBITDA <sup>1,5</sup>	1,415	1,303	8.6%
Adjusted EBITDA margin <sup>1,6</sup> (%)	40.4	38.6	1.8 pts.
Free cash flow <sup>1</sup>	153	443	(65.5)%
Net debt to EBITDA – excluding restructuring and other costs <sup>1</sup> (times)	2.84	2.71	0.13

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

- These are non-GAAP and other financial measures. See *Section 11.1 Non-GAAP and other financial measures*.
- Capital expenditures include assets purchased, excluding right-of-use lease assets, but not yet paid for, and consequently differ from Cash payments for capital assets, excluding spectrum licences, as reported in the interim consolidated financial statements. Refer to *Note 31* of the interim consolidated financial statements for further information.
- The sum of active mobile phone subscribers, mobile connected device subscribers, Internet access subscribers, residential voice subscribers and TELUS TV subscribers, measured at the end of the respective periods based on information in billing and other systems. Effective April 1, 2018, and on a prospective basis, we have adjusted cumulative subscriber connections to remove approximately 68,000 TELUS TV subscribers as we have ceased marketing our Satellite TV product. Fourth quarter of 2018 opening mobile phone subscriber connections have been adjusted to exclude an estimated 23,000 subscribers impacted by the CRTC’s final pro-rating ruling in June 2018, which was effective October 1, 2018. During the first quarter of 2019, we adjusted cumulative Internet subscriber connections to add approximately 16,000 subscribers from acquisitions undertaken during the quarter.
- Effective for the first quarter of 2019, with retrospective application, we have revised our definition of a wireless subscriber unit and now report mobile phone units and mobile connected device units as separate subscriber bases so as to be consistent with the way we manage our business and to align with global peers. As a result of the change, total subscribers and associated operating statistics (gross additions, net additions, churn, ABPU and ARPU) have been adjusted to reflect (i) the movement of certain subscriber units from the mobile phones subscriber base to the newly created mobile connected devices subscriber base, and (ii) the inclusion of previously undisclosed Internet of Things (IoT) and mobile health subscriber units in our mobile connected devices subscriber base. For additional information on our subscriber definitions, see *Section 11.2 Operating indicators*.
- Adjusted EBITDA for the first quarters of 2019 and 2018 excludes restructuring and other costs (see *Section 11.1* for restructuring and other costs amounts).
- Adjusted EBITDA margin is Adjusted EBITDA divided by Operating revenues.

**Operating highlights**

- Consolidated operating revenues** increased by \$129 million in the first quarter of 2019:

Service revenues increased by \$134 million in the first quarter of 2019, mainly due to growth in wireless network revenue and wireline data services revenue, partly offset by the ongoing declines in wireline legacy voice and legacy data service revenues.

Equipment revenues increased by \$4 million in the first quarter of 2019, primarily due to increased wireless revenue mainly from more higher-value smartphones in the sales mix and growth in revenue per handset.



Other operating income decreased by \$9 million in the first quarter of 2019 as there were higher net gains in the first quarter of 2018 from the sale of certain assets.

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

- During the 12-month period ending on March 31, 2019, our total **subscriber connections** increased by 548,000 reflecting a 3.1% increase in mobile phone subscribers, an 18.9% increase in mobile connected device subscribers, a 7.4% increase in Internet subscribers and a 0.5% increase in TELUS TV subscribers, partly offset by a 3.5% decline in residential voice subscribers.

Our mobile phone net additions were 11,000 in the first quarter of 2019, up 14,000 year over year due to a lower mobile phone churn rate, demographic shifts, and growth, in the Canadian population, in addition to successful promotions and expanded channels. Mobile connected device net additions were 49,000 in the first quarter of 2019, up 8,000 year over year due to growth in our IoT offerings including the connected device growth arising from our subscribers expanding their IoT services to their growing customer bases, partially offset by the strategic focus away from lower-margin subsidized tablets. Our comparatively low mobile phone churn rate was 1.02% in the first quarter of 2019, down from 1.10% in the first quarter of 2018. (See *Section 5.4 Wireless segment* for additional details.)

Internet net additions were 22,000 in the first quarter of 2019, flat year over year. TELUS TV net additions were 17,000 in the first quarter of 2019, up 11,000 year over year. Our continued focus on expanding our addressable high-speed Internet and Optik TV<sup>®</sup> footprint, connecting more homes and businesses directly to fibre, growing our diverse product offerings, and bundling these services together, as well as our ongoing focus on putting our customers first, resulted in a lower customer churn rate and contributed to combined Internet and TV subscriber growth of 137,000 or 4.8% over the last 12 months. We had made TELUS PureFibre<sup>®</sup> available to approximately 63% of our broadband footprint by March 31, 2019. As well, residential voice net losses improved by 31.3% due to our expanding fibre footprint and bundled product offerings, and the success of our stronger retention efforts, including lower-priced offerings. (See *Section 5.5 Wireline segment* for additional details.)

- **Operating income** increased by \$43 million in the first quarter of 2019, reflecting higher wireless network growth driven by a growing subscriber base and higher wireless equipment margins, in addition to growth in wireline data service margins and EBITDA contribution from our customer care and business services (CCBS) and TELUS Health businesses. These factors were partly offset by increased costs associated with a growing wireless subscriber base, declines from wireline legacy voice and legacy data services, and higher wireline restructuring and other costs related to efficiency initiatives, as well as increased depreciation and amortization, including the depreciation recorded arising from the application of IFRS 16 described in *Section 1.1*.

EBITDA, which includes restructuring and other costs, increased by \$110 million or 8.7% in the first quarter of 2019.

Adjusted EBITDA, which excludes restructuring and other costs, increased by \$112 million or 8.6% in the first quarter of 2019. The increase reflects both higher wireless network revenue growth driven by a growing subscriber base, higher wireless equipment margins, growth in wireline data service margins and EBITDA contribution from our CCBS and TELUS Health businesses. Additionally, upon the application of IFRS 16, Goods and services purchased decreased and, correspondingly, Adjusted EBITDA increased. These factors were partly offset by increased costs associated with a growing wireless subscriber base, declines in wireline legacy voice and legacy data services and a decline in the EBITDA contribution from our business services. Applying a retrospective IFRS 16 simulation to fiscal 2018 results, which are cash-based proxy adjustments, all as used by our chief operating decision-maker to assess performance, pro forma consolidated Adjusted EBITDA growth was approximately 4.4%. (See *Section 5.3 Consolidated operations* for additional details.)

- **Income before income taxes** increased by \$31 million in the first quarter of 2019. Higher Operating income, as noted above, was partly offset by an increase in Financing costs. The increase in Financing costs resulted primarily from higher average long-term debt outstanding and the financing costs recorded that arose from lease liabilities upon the application of IFRS 16 described in *Section 1.1*. (See *Financing costs* in *Section 5.3*.)
- **Income taxes** increased by \$6 million in the first quarter of 2019 although the effective tax rate decreased from 26.8% to 26.5%. The reduction in the effective tax rate was due to a number of factors including adjustments for foreign taxes as well as lower taxes applicable to gains on disposition.
- **Net income attributable to Common Shares** increased by \$18 million in the first quarter of 2019. This increase was driven by higher Operating income, partly offset by increased Financing costs and increased income taxes.

Adjusted Net income, which excludes the effects of restructuring and other costs, increased by \$18 million or 4.1% in the first quarter of 2019.

**Reconciliation of adjusted Net income**

Three-month periods ended March 31 (\$ millions)	2019	2018	Change
Net income attributable to Common Shares	428	410	18
Add:			
Restructuring and other costs, after income taxes	25	25	—
Adjusted Net income	453	435	18

- **Basic EPS** increased by \$0.02 or 2.9% in the first quarter of 2019. This increase was driven by higher Operating income, partly offset by increased Financing costs and increased income taxes.

Adjusted basic EPS, which excludes the effects of restructuring and other costs, increased by \$0.02 or 2.7% in the first quarter of 2019.

**Reconciliation of adjusted basic EPS**

Three-month periods ended March 31 (\$)	2019	2018	Change
Basic EPS	0.71	0.69	0.02
Add:			
Restructuring and other costs, after income taxes, per share	0.04	0.04	—
Adjusted basic EPS	0.75	0.73	0.02

- **Dividends declared per Common Share** were \$0.5450 in the first quarter of 2019, up 7.9% from one year earlier. On May 8, 2019, the Board declared a second quarter dividend of \$0.5625 per share on the issued and outstanding Common Shares, payable on July 2, 2019, to shareholders of record at the close of business on June 10, 2019. The second quarter dividend increased by \$0.0375 per share or 7.1% from the \$0.5250 per share dividend declared one year earlier, consistent with our multi-year dividend growth program described in *Section 4.3 Liquidity and capital resources*.

**Liquidity and capital resource highlights**

- **Net debt to EBITDA – excluding restructuring and other costs** was 2.84 times at March 31, 2019, up from 2.71 times at March 31, 2018, as the increase in net debt, which includes the \$1.4 billion recognition of lease liabilities upon the application of IFRS 16 effective January 1, 2019, exceeded the effect of the increase in EBITDA – excluding restructuring and other costs (including that the transition method for IFRS 16 has currently only included three months effect on the trailing EBITDA). (See *Section 4.3 Liquidity and capital resources* and *Section 7.5 Liquidity and capital resource measures*.)
- **Cash provided by operating activities** decreased by \$48 million in the first quarter of 2019, primarily due to increased income taxes paid, including a one-time catch-up payment of \$270 million, increased restructuring and other costs disbursements, and increased interest paid. This was partly offset by growth in EBITDA and other working capital changes.
- **Cash used by investing activities** increased by \$30 million in the first quarter of 2019, largely attributed to higher cash payments for capital assets, excluding spectrum licences, partially offset by lower cash payments for business acquisitions. **Acquisitions** decreased by \$42 million in the first quarter of 2019 as we made larger cash payments for business acquisitions in the first quarter of 2018. **Capital expenditures** decreased by \$4 million or 0.6% in the first quarter of 2019. We have made TELUS PureFibre available to approximately 63% of our broadband footprint at March 31, 2019. (See *Section 7.3 Cash used by investing activities*.)
- **Cash provided by financing activities** increased by \$346 million in the first quarter of 2019, primarily reflecting increased short-term borrowings, net of repayments. (See *Section 7.4 Cash provided by financing activities*.)
- **Free cash flow** decreased by \$290 million in the first quarter of 2019, largely resulting from increased income taxes paid, including the above-noted \$270 million one-time catch-up payment and increased interest paid. These decreases were partly offset by higher Adjusted EBITDA, and the timing of device subsidy repayments and associated revenue recognition. (See calculation in *Section 11.1 Non-GAAP and other financial measures*.)

**2. Core business and strategy**

Our core business and our strategic imperatives were described in our 2018 annual MD&A.

### 3. Corporate priorities for 2019

Our annual corporate priorities are used to advance our long-term strategic imperatives and address near-term opportunities and challenges. The following table provides a discussion of activities and initiatives that relate to our 2019 corporate priorities.

<p><b>Honouring our customers, communities and social purpose by our team delivering on our brand promise</b></p> <ul style="list-style-type: none"> <li>In April 2019, the Commission for Complaints for Telecom-television Services (CCTS) issued its mid-year report for the period August 1, 2018 to January 31, 2019, and TELUS again received the fewest customer complaints among the national service providers, while Koodo again received the fewest complaints among the national flanker brands, both in terms of absolute accepted complaints and on an estimated per subscriber basis. TELUS, Koodo and Public Mobile were the subjects of 7.6%, 3.4% and 0.8% of the total customer complaints accepted by the CCTS, respectively, or 11.8% of total customer complaints, in aggregate.</li> </ul>
<p><b>Leveraging our broadband networks to drive TELUS’ growth</b></p> <ul style="list-style-type: none"> <li>In OpenSignal’s <i>Mobile Network Experience Canada</i> report released in February 2019, we were recognized as being number one for LTE download speeds, latency and network availability, and tying for number one for LTE upload speeds and video experience.</li> <li>In the report <i>Canada: State of Mobile Networks March 2019</i>, published by Tutela, a Canadian independent mobile network data company, TELUS ranked number one for latency and tied for first place for consistent quality.</li> <li>We continue our significant ongoing investment in rural and remote communities to provide broadband Internet to all Canadians. In aggregate, we have invested more than \$175 billion in infrastructure and operations since 2000, and plan to invest approximately \$40 billion in infrastructure and operations over the next three years, for a total of \$215 billion.</li> <li>Throughout the quarter, we made a series of announcements regarding the connection of additional homes and businesses to our TELUS PureFibre infrastructure, including: <ul style="list-style-type: none"> <li>An investment of \$75 million in the city of Nanaimo and district of Lantzville, B.C., including the Snuneymuxw and Snaw-Naw-As Nations to connect by the spring of 2021</li> <li>An investment of \$60 million in the city of Airdrie, Alberta to connect by the end of 2020</li> <li>An investment of \$20 million in the city of Nelson, B.C. to connect by the end of 2019</li> <li>A further investment of \$95 million in our wireless and fibre-optic infrastructure across rural communities in Greater Quebec City and Eastern Quebec. This investment was made with support from the federal government’s Connect to Innovate program and the Quebec government’s Québec branché program. With this support, we will deploy our technology to reach 34,000 new families and businesses in 80 remote communities.</li> </ul> </li> <li>In March 2019, we completed construction on a new wireless communications site in the Village of Port Clements on Haida Gwaii, bringing high-speed wireless voice and Internet services to the community and some surrounding areas for the first time.</li> <li>In April 2019, we announced we were the successful bidder on 12 wireless spectrum licences across B.C., Alberta, Saskatchewan, Ontario and Quebec in Innovation, Science and Economic Development Canada’s 600 MHz wireless spectrum auction. The acquisition of 600 MHz spectrum will enable us to deliver enhanced urban and rural connectivity, and will advance our national 5G growth strategy.</li> </ul>
<p><b>Fuelling our future through recurring efficiency gains</b></p> <ul style="list-style-type: none"> <li>We are focusing on the expansion of customer self-serve adoption through virtual assistants and digital platforms, while improving productivity by utilizing robotic process automation.</li> <li>Through the deployment of Xavient’s capabilities, TELUS International is continuing to enhance digital experience offerings to customers while building strength in industries such as healthcare and games.</li> </ul>
<p><b>Driving emerging opportunities to build scale in TELUS Health and TELUS International</b></p> <ul style="list-style-type: none"> <li>In March 2019, we launched Babylon by TELUS Health, a virtual healthcare solution that provides Canadians with access to doctors and healthcare information where and when they need it through a new smartphone app. B.C. residents have been the first to have access to the app’s one-on-one video consultation feature, allowing them to speak directly and privately with a B.C.-licensed family doctor. Canadians across the country can also create a personal health record and use the app’s artificial intelligence chatbot Symptom Checker, which draws on more than 500 million streams of medical knowledge and asks patients questions about their symptoms and provides information on possible causes or courses of action.</li> <li>TELUS International continues its growth with significant customer acquisitions and expanded its global coverage with new customer care locations in Noida, India and Chengdu, China.</li> </ul>

## 4. Capabilities

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

### 4.1 Principal markets addressed and competition

For a discussion of our principal markets and an overview of competition, refer to *Section 4.1* of our 2018 annual MD&A.

### 4.2 Operational resources

#### Wireless

Our mobile phone churn rate was 1.02% in the first quarter of 2019, which represented our lowest reported first quarter mobile phone churn rate since we became a national carrier 19 years ago, despite strong competitive and economic pressures. This speaks to the success of our differentiated customers first culture and our ongoing focus on delivering an outstanding customer experience, combined with attractive new products and services, our retention programs and leading network quality. For a definition of churn, see *Section 11.2* of this MD&A.

During the first quarter of 2019, Innovation, Science and Economic Development Canada’s (ISED) held its 600 MHz auction. We were the successful bidder on 12 wireless licences equating to a national average of 11.3 MHz. The acquisition of this spectrum will enable us to deliver enhanced urban and rural connectivity, and will advance our national 5G growth strategy.

Since mid-2013, we have invested more than \$4.6 billion to acquire wireless spectrum licences in spectrum auctions and other transactions, which has more than doubled our national spectrum holdings in support of our top corporate priority to put customers first. Wireless data consumption has been increasing rapidly and we have responded by investing to extend the capacity of our network to support the additional data consumption and growth in our wireless subscriber base. This includes investments in wireless small cells connected to our fibre technology to improve coverage and capacity and to prepare for a more efficient and timely evolution to 5G wireless services.

As at March 31, 2019, our 4G LTE technology covered 99% of Canada’s population, consistent with March 31, 2018. Furthermore, we have continued to invest in the roll-out of our LTE advanced network, which covered approximately 93% of Canada’s population at March 31, 2019, up from more than 88% one year before.

#### Wireline

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

As at March 31, 2019, our high-speed broadband footprint covered more than 3.1 million households and businesses in B.C., Alberta and Eastern Quebec, including approximately 1.94 million households and businesses covered with fibre-optic cable (representing approximately 63% of our total high-speed broadband footprint), which provides these premises with immediate access to our gigabit-capable fibre-optic technology. This is up from approximately 1.54 million households and businesses in the first quarter of 2018, representing approximately 51% of households and businesses in our high-speed broadband footprint covered by fibre-optic cable.

### 4.3 Liquidity and capital resources

#### Capital structure financial policies

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

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

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

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

## Financing and capital structure management plans

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

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

- On May 9, 2019, we announced our intention to target ongoing semi-annual dividend increases, with the annual increase in the range of 7 to 10% from 2020 through to the end of 2022, thereby extending the policy first announced in May 2011. Notwithstanding this target, dividend decisions will continue to be subject to our Board’s assessment and the determination of our financial position and outlook on a quarterly basis. (See *Section 7.5 Liquidity and capital resource measures.*) There can be no assurance that we will maintain a dividend growth program or that it will be unchanged through 2022. (See *Caution regarding forward-looking statements – Ability to sustain our dividend growth program through 2022* and *Section 10.7 Financing, debt requirements and returning cash to shareholders* in our 2018 annual MD&A.)
- On May 8, 2019, the Board declared a second quarter dividend of \$0.5625 per share, payable on July 2, 2019, to shareholders of record at the close of business on June 10, 2019. The second quarter dividend for 2019 reflects a cumulative increase of \$0.0375 per share or 7.1% from the \$0.5250 per share dividend declared one year earlier.
- During the three-month period ending March 31, 2019, our dividend reinvestment and share purchase plan trustee purchased from Treasury dividend reinvestment Common Shares for \$23 million, with no discount applicable.

#### **Purchase Common Shares**

- During the three-month period ended March 31, 2019, and up to the date of this MD&A, we did not purchase or cancel any shares pursuant to our NCIB.

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

- Our issued and outstanding commercial paper was \$1,105 million at March 31, 2019, all of which was denominated in U.S. dollars (US\$827 million), compared to \$774 million (US\$569 million) at December 31, 2018, and \$843 million (US\$654 million) at March 31, 2018.
- Our net draws on the TELUS International (Cda) Inc. credit facility were \$412 million (\$405 million net of unamortized issue costs) at March 31, 2019, compared to \$427 million (\$419 million net of unamortized issue costs) at December 31, 2018, and \$441 million (\$433 million net of unamortized issue costs) at March 31, 2018. The credit facility is non-recourse to TELUS Corporation.
- Proceeds from securitized trade receivables were \$500 million at March 31, 2019 (December 31 and March 31, 2018 were \$100 million).

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

- Maintain investment grade credit ratings in the range of BBB+ or the equivalent – On May 9, 2019, investment grade credit ratings from the four rating agencies that cover TELUS were in the desired range. (See *Section 7.8 Credit ratings.*)
- Net debt to EBITDA – excluding restructuring and other costs ratio of 2.00 to 2.50 times – As measured at March 31, 2019, the ratio was 2.84 times, outside of the objective range, primarily due to the funding of spectrum licences, the elevated strategic capital investments in our fibre-optic infrastructure and the application of IFRS 16 effective January 1, 2019 (including that the transition method for IFRS 16 has currently only included three months effect on the trailing EBITDA). Given the cash demands of the recent 2019 and upcoming spectrum auctions, the assessment of the guideline and return to the objective range remains to be determined; however, it is our intent to return to a ratio below 2.50 times in the medium term (following upcoming spectrum auctions), consistent with our long-term strategy. (See *Section 7.5 Liquidity and capital resource measures.*)
- Dividend payout ratio of 65 to 75% of net earnings per share for 2019 on a prospective basis – Our objective range is on a prospective basis. The dividend payout ratio we present in this MD&A is a historical measure utilizing the last four quarters of dividends declared and earnings per share, and is disclosed for illustrative purposes in evaluating our target guideline. As at March 31, 2019, the historical ratio of 79% and the adjusted historical ratio of 82% exceeded the objective range; however, we currently expect that we will be within our target guideline when considered on a prospective basis within the medium term. So as to be consistent with the way we manage our business, we have revised our target guideline, effective January 1, 2020, to be calculated as 60 to 75% of free cash flow on a prospective basis. (See *Section 7.5 Liquidity and capital resource measures.*)
- Generally maintain a minimum of \$1 billion in unutilized liquidity – As at March 31, 2019, our unutilized liquidity on a consolidated basis was over \$1.3 billion. (See *Section 7.6 Credit facilities.*)

#### 4.4 Changes in internal control over financial reporting

##### Disclosure controls and procedures

There were no changes in internal control over financial reporting that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

### 5. Discussion of operations

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

#### 5.1 General

A significant judgment we make is in respect of distinguishing between our wireless and wireline operations and cash flows (and this extends to allocations of both direct and indirect expenses and capital expenditures). The clarity of such distinction has been increasingly affected by the convergence and integration of our wireless and wireline telecommunications infrastructure and technology. The continued build-out of our technology-agnostic fibre-optic infrastructure, in combination with converged edge network technology, has significantly affected this judgment, as has the commercialization of fixed-wireless telecommunications solutions for customers and the consolidation of our non-customer facing operations. As a result, it has become increasingly difficult and impractical to objectively and clearly distinguish between our wireless and wireline operations and cash flows, and the assets from which those cash flows arise. As we do not currently aggregate operating segments, our reportable segments as at March 31, 2019, are also wireless and wireline. Segmented information in *Note 5* of the interim consolidated financial statements is regularly reported to our Chief Executive Officer (CEO) (our chief operating decision-maker).

We applied IFRS 16 with a transition date of January 1, 2019. As noted in *Section 1.1*, upon the application of IFRS 16, we did not retrospectively adjust amounts reported for periods prior to fiscal 2019. Refer to *Note 2* of the interim consolidated financial statements for further information.

## 5.2 Summary of consolidated quarterly results and trends

### Summary of quarterly results

(\$ millions, except per share amounts)	2019 Q1	2018 Q4	2018 Q3	2018 Q2	2018 Q1	2017 Q4	2017 Q3	2017 Q2
<b>Operating revenues<sup>1</sup></b>	<b>3,506</b>	3,764	3,774	3,453	3,377	3,541	3,404	3,280
<b>Operating expenses</b>								
Goods and services purchased <sup>2,3</sup>	1,421	1,784	1,685	1,491	1,408	1,635	1,522	1,423
Employee benefits expense <sup>2</sup>	706	745	740	711	700	683	638	649
Depreciation and amortization	617	586	572	559	550	564	547	526
Total operating expenses	2,744	3,115	2,997	2,761	2,658	2,882	2,707	2,598
<b>Operating income</b>	<b>762</b>	649	777	692	719	659	697	682
Financing costs before long-term debt prepayment premium	168	159	162	150	156	144	149	142
Long-term debt prepayment premium	—	—	34	—	—	—	—	—
<b>Income before income taxes</b>	<b>594</b>	490	581	542	563	515	548	540
Income taxes	157	122	134	145	151	161	142	144
<b>Net income</b>	<b>437</b>	368	447	397	412	354	406	396
<b>Net income attributable to Common Shares</b>	<b>428</b>	357	443	390	410	353	403	389
<b>Net income per Common Share:</b>								
Basic earnings per share (EPS)	0.71	0.60	0.74	0.66	0.69	0.59	0.68	0.66
Adjusted basic EPS <sup>4</sup>	0.75	0.69	0.74	0.70	0.73	0.66	0.70	0.70
Diluted EPS	0.71	0.60	0.74	0.66	0.69	0.59	0.68	0.66
<b>Dividends declared per Common Share</b>	<b>0.5450</b>	0.5450	0.5250	0.5250	0.5050	0.5050	0.4925	0.4925
<b>Additional information:</b>								
EBITDA <sup>4</sup>	1,379	1,235	1,349	1,251	1,269	1,223	1,244	1,208
Restructuring and other costs <sup>3,4</sup>	36	75	173	35	34	54	23	36
Non-recurring gains and equity income (non-recurring losses and equity losses) related to real estate joint ventures	—	—	171	—	—	(2)	—	3
MTS net recovery <sup>5</sup>	—	—	—	—	—	21	—	—
Adjusted EBITDA <sup>4</sup>	1,415	1,310	1,351	1,286	1,303	1,258	1,267	1,241
Cash provided by operating activities	790	948	1,066	1,206	838	979	1,133	1,126
Free cash flow <sup>4</sup>	153	122	303	329	443	274	215	260

- 1 In the third quarter of 2018, we recorded equity income related to real estate joint ventures of \$171 million arising from the sale of TELUS Garden.
- 2 Goods and services purchased and Employee benefits expense amounts include restructuring and other costs.
- 3 In the third quarter of 2018, we recorded a donation to the TELUS Friendly Future Foundation™ of \$118 million as part of other costs.
- 4 See Section 11.1 Non-GAAP and other financial measures.
- 5 Refer to our 2018 annual MD&A for definition.

### Trends

The trend of year-over-year increases in consolidated revenue reflects: (i) wireless network revenue generated from growth in our subscriber base; and (ii) growth in wireline data services revenues, including customer care and business services (CCBS), Internet and enhanced data, TELUS Health, TELUS TV services, and home and business smart technology (including security). Increased CCBS revenues, TELUS Health revenues, home smart technology and business smart technology revenues include revenues from business acquisitions. Increased Internet and TV service revenues are being generated by subscriber growth and higher Internet revenue per customer. Year-over-year wireless equipment revenues generally increased from a higher volume of new contracts and higher-value smartphones in the sales mix. Operating revenues in the third quarter of 2018 include equity income related to real estate joint ventures of \$171 million arising from the sale of TELUS Garden. For additional information on wireless and wireline revenue and subscriber trends, see Section 5.4 Wireless segment and Section 5.5 Wireline segment.

The trend of year-over-year increases in Goods and services purchased, excepting the effects of the application of IFRS 16 first evidenced in the first quarter of 2019, reflects increases in wireless and wireline customer service, roaming and external labour expenses to support growth in both our subscriber base and business acquisitions; higher wireless equipment expenses associated with a general increase in gross additions and increases in higher-value smartphones in the sales mix; and increased wireline TV costs of sales associated with a growing subscriber base. Goods and services

purchased in the third quarter of 2018 include a \$118 million charitable donation to the TELUS Friendly Future Foundation.

The trend of year-over-year increases in net Employee benefits expense reflects increases in the number of employees resulting from business acquisitions, including those supporting CCBS revenue growth, expansion of our TELUS Health offerings, and growth in our other complementary businesses. This was partly offset by moderating salaries expense resulting from reductions in the number of full-time equivalent (FTE) domestic employees related to cost efficiency and effectiveness programs.

The trend of year-over-year increases in Depreciation and amortization reflects increases due to growth in capital assets, which is supporting the expansion of our broadband footprint and enhanced LTE technology coverage, and growth in business acquisitions. The investments in our fibre-optic technology also support our small-cell technology strategy to improve coverage and capacity while preparing for a more efficient and timely evolution to 5G. Depreciation and amortization under the application of IFRS 16 is higher than would have been the case prior to IFRS 16.

The trend of year-over-year increases in Financing costs reflects an increase in long-term debt outstanding, mainly associated with our generational investments in fibre to homes and businesses and wireless technology, and our business acquisitions, in addition to a higher average effective interest rate in 2018. Financing costs include a long-term debt prepayment premium of \$34 million in the third quarter of 2018. Financing costs also includes Interest accretion on provisions and Employee defined benefit plans net interest expense. Additionally, for the eight periods shown, Financing costs include varying amounts of foreign exchange gains or losses and varying amounts of interest income. Financing costs under the application of IFRS 16 are higher than would have been the case prior to IFRS 16.

The trend in Net income reflects the items noted above, as well as non-cash adjustments arising from legislated income tax changes and adjustments recognized in the current periods for income taxes of prior periods, including any related after-tax interest on reassessments. Historically, the trend in basic EPS has been impacted by the same trends as Net income and can also be impacted by share purchases under our normal course issuer bid (NCIB) programs. While a 12-month program is currently in place, there have been no such purchases under the program, which commenced in January 2019.

The general trend of year-over-year increases in Cash provided by operating activities reflects generally higher year-over-year consolidated EBITDA, was impacted by a one-time catch-up payment in income taxes paid of \$270 million in the first quarter of 2019 and was impacted by IFRS 16 which prospectively results in the principal component of lease payments being reflected as a financing activity. This trend was reduced by increased interest payments arising from increases in debt outstanding and year-over-year fluctuations in fixed-term interest rates. The general trend of year-over-year increases in free cash flow reflects the above factors affecting Cash provided by operating activities excepting that the implementation of IFRS 16 (and the implementation of IFRS 15 on January 1, 2018) does not affect the free cash flow amount determined. For further discussion on these trends, see *Section 5.4 Wireless segment* and *Section 5.5 Wireline segment*.

### 5.3 Consolidated operations

The following is a discussion of our consolidated financial performance. Segment information in *Note 5* of the interim consolidated financial statements is regularly reported to our CEO. We discuss the performance of our segments in *Section 5.4 Wireless segment* and *Section 5.5 Wireline segment*.

Operating revenues			
Three-month periods ended March 31 (\$ in millions)	2019	2018	Change
Service	3,020	2,886	4.6%
Equipment	469	465	0.9%
Revenues arising from contracts with customers	3,489	3,351	4.1%
Other operating income	17	26	(34.6)%
Operating revenues	3,506	3,377	3.8%

Consolidated operating revenues increased by \$129 million in the first quarter of 2019.

- **Service revenues** increased by \$134 million in the first quarter of 2019, reflecting growth in wireless network revenue and wireline data services, partly offset by the continuing declines in wireline legacy voice and legacy data service revenues. Wireless network revenue increases reflect a growing wireless subscriber base. The increase in wireline data service revenue reflects increased CCBS revenue growth, as well as increases in Internet and enhanced data services, TELUS Health revenues, TELUS TV revenue and revenues from our home and business smart technology lines of business, partly offset by decreased legacy data service revenues. Internet and TV revenues increased due to subscriber growth, as well as higher Internet revenue per customer.



- **Equipment revenues** increased by \$4 million in the first quarter of 2019, primarily due to increased wireless revenue mainly from more higher-value smartphones in the sales mix and growth in revenue per handset as customers select higher-value smartphones.
- **Other operating income** decreased by \$9 million in the first quarter of 2019, largely due to higher net gains in the first quarter of 2018 from the sale of certain assets.

**Operating expenses**

Three-month periods ended March 31 (\$ in millions)	2019	2018	Change
Goods and services purchased	1,421	1,408	0.9%
Employee benefits expense	706	700	0.9%
Depreciation	470	411	14.4%
Amortization of intangible assets	147	139	5.8%
Operating expenses	2,744	2,658	3.2%

Consolidated operating expenses increased by \$86 million in the first quarter of 2019.

- **Goods and services purchased** increased by \$13 million in the first quarter of 2019, largely due to higher wireline product costs associated with TELUS Health services and higher TV content costs, higher administrative and other costs related to business acquisitions, and increased external labour costs to support a growing subscriber base. This was partly offset by the application of IFRS 16, as Goods and services purchased decreased by \$83 million as a result of the new accounting standard. Depreciation of right-of-use lease assets and financing costs arising from lease liabilities are the IFRS 16 accounting for certain components of lease payments which are no longer part of Goods and services purchased and we did not retrospectively adjust amounts reported for periods prior to fiscal 2019.
- **Employee benefits expense** increased by \$6 million in the first quarter of 2019, primarily due to higher compensation and benefit costs resulting from an increase in the number of employees from business acquisitions, as well as higher employee-related restructuring and other costs related to efficiency initiatives in the year. This was partly offset by lower compensation and benefit costs from a decrease in the number of domestic FTEs, excluding business acquisitions, and higher capitalized labour costs.
- **Depreciation** increased by \$59 million in the first quarter of 2019 due to higher expenditures associated with growth in capital assets over the last 12 months, including those arising from our investments in fibre and business acquisitions. Additionally, \$48 million of the increase in depreciation resulted from the application of IFRS 16 as we did not retrospectively adjust amounts reported for periods prior to fiscal 2019. This depreciation is largely related to our real estate leases (including cell site leases and retail store leases), whereas prior to the application of IFRS 16, these costs would have been accounted for in Goods and services purchased.
- **Amortization of intangible assets** increased by \$8 million in the first quarter of 2019, reflecting higher expenditures associated with the intangible asset base over the last 12 months, including those arising from business acquisitions.

**Operating income**

Three-month periods ended March 31 (\$ in millions)	2019	2018	Change
Wireless EBITDA (see Section 5.4)	908	836	8.6%
Wireline EBITDA (see Section 5.5)	471	433	8.8%
EBITDA	1,379	1,269	8.7%
Depreciation and amortization (discussed above)	(617)	(550)	n/m
Operating income	762	719	6.0%

Operating income increased by \$43 million in the first quarter of 2019, and EBITDA increased by \$110 million. These increases reflect higher wireless network revenue growth driven by a growing subscriber base and higher wireless equipment margins, in addition to growth in wireline data service margins and EBITDA contribution from our CCBS and TELUS Health businesses, and the effects of implementing IFRS 16. These factors were partly offset by increased costs associated with a growing wireless subscriber base, declines from wireline legacy voice and legacy data services, and higher wireline restructuring and other costs related to efficiency initiatives, as well as increased depreciation and amortization.

**Adjusted EBITDA**

Three-month periods ended March 31 (\$ in millions)	2019	2018	Change
Wireless Adjusted EBITDA (see Section 5.4)	917	846	8.4%
Wireline Adjusted EBITDA (see Section 5.5)	498	457	9.0%
Adjusted EBITDA	1,415	1,303	8.6%

Adjusted EBITDA increased by \$112 million or 8.6% in the first quarter of 2019, reflecting both higher wireless network revenue growth and higher wireless equipment margins driven by a growing subscriber base, growth in wireline data service margins and EBITDA contribution from our CCBS and TELUS Health businesses. These factors were partly offset by increased costs associated with a growing wireless subscriber base, declines in wireline legacy voice and legacy data services and a decline in the EBITDA contribution from our business services.

For purposes of the chief operating decision-maker’s assessment of performance during the 2019 fiscal year relative to the fiscal 2018 year, we have simulated IFRS 16 adjustments to the fiscal 2018 results in calculating pro forma results. This IFRS 16 simulation to fiscal 2018 results, which are cash-based proxy adjustments, all as used by our chief operating decision-maker to assess performance, resulted in pro forma consolidated Adjusted EBITDA growth of approximately 4.4%.

**Financing costs**

Three-month periods ended March 31 (\$ in millions)	2019	2018	Change
Interest expense	177	150	18.0%
Employee defined benefit plans net interest	—	4	(100.0)%
Foreign exchange (gains) losses	(7)	4	n/m
Interest income	(2)	(2)	—%
Financing costs	168	156	7.7%

Financing costs increased by \$12 million in the first quarter of 2019, mainly due to the following factors:

- **Interest expense** increased by \$27 million in the first quarter of 2019, resulting from:
  - Interest on long-term debt increased by \$6 million in the first quarter of 2019, due to an increase in average long-term debt balances outstanding, partly offset by a decrease in the effective interest rate. Our weighted average interest rate on long-term debt (excluding commercial paper, the revolving component of the TELUS International (Cda) Inc. credit facility and lease liabilities) was 4.17% at March 31, 2019, as compared to 4.22% one year earlier. (See *Long-term debt issues and repayments* in Section 7.4.)
  - Interest on lease liabilities of \$16 million represents the financing costs increase arising from lease liabilities upon the application of IFRS 16 as we did not retrospectively adjust amounts reported for periods prior to fiscal 2019. This interest on lease liabilities was largely related to our real estate leases (including cell site leases and retail store leases), whereas prior to the application of IFRS 16, these costs would have been accounted for in Goods and services purchased.
  - Interest on short-term borrowings and other increased by \$3 million, due to the draw-down of amounts advanced to us from an arm’s-length securitization trust. (See *Long-term debt issues and repayments* in Section 7.4.)
  - Interest accretion on provisions increased by \$2 million in the first quarter of 2019, attributed to written put options in respect of business acquisitions.
- **Employee defined benefit plans net interest** decreased by \$4 million in the first quarter of 2019, primarily due to the change in the defined benefit plan surplus as at December 31, 2018, to \$57 million (net of plan asset ceiling limit of \$263 million), compared to a defined benefit plan deficit of \$334 million (net of plan asset ceiling limit of \$110 million) one year earlier, partly offset by an increase in the discount rate.
- **Foreign exchange (gains) losses** have fluctuated as a result of movement of the Canadian dollar relative to the U.S. dollar.
- **Interest income** was flat in the first quarter of 2019.

**Income taxes**

Three-month periods ended March 31 (\$ in millions, except tax rates)	2019	2018	Change
Income tax computed at applicable statutory rates	161	152	5.9%
Other	(4)	(1)	n/m
Income taxes	157	151	4.0%
Income taxes computed at applicable statutory rates (%)	27.1	27.0	0.1 pts.
Effective tax rate (%)	26.5	26.8	(0.3)pts.

Total income tax expense increased by \$6 million in the first quarter of 2019. The effective tax rate decreased to 26.5% for the quarter due to a number of factors including adjustments for foreign taxes as well as lower taxes applicable to gains on disposition.

**Comprehensive income**

Three-month periods ended March 31 (\$ in millions)	2019	2018	Change
Net income	437	412	6.1%
Other comprehensive income (net of income taxes):			
Items that may subsequently be reclassified to income	(43)	(11)	n/m
Items never subsequently reclassified to income	24	(43)	n/m
Comprehensive income	418	358	16.8%

Comprehensive income increased by \$60 million in the first quarter of 2019, primarily as a result of changes in employee defined benefit plan re-measurement amounts arising from returns, which were significantly limited by the plan asset ceiling, on pension plan assets in excess of the discount rate. Items that may subsequently be reclassified to income are composed of changes in the unrealized fair value of derivatives designated as cash flow hedges and foreign currency translation adjustments arising from translating financial statements of foreign operations. Items never subsequently reclassified to income are composed of employee defined benefit plans re-measurement amounts.

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

The historical trend over the last eight quarters in wireless network revenue reflects growth in our subscriber base, as well as higher-value smartphones in the sales mix of gross additions and retention units. There has been a general year-over-year increase in equipment revenues from a higher volume of new contracts and higher-value smartphones in the sales mix. The general trend of year-over-year increases in subscriber net additions resulted from the success of our promotions; the effects of market growth arising from a growing population, changing population demographics and an increasing number of customers with multiple devices; and continuous improvements in the speed and quality of our network, combined with our low churn rate, which reflects our focus on customers first initiatives. Our expenditures on network improvements increase capacity and coverage, allowing us to grow revenue through net additions of wireless subscribers. Although there have historically been significant third and fourth quarter seasonal effects that result in increased loading, competitive intensity in both the consumer and business markets, launches of new devices and the strategic decision to focus on margin-accretive loading as opposed to lower-margin subsidized tablet loading and non-accretive prepaid-to-postpaid migrations, may impact subscriber addition results and trends for future periods.

Mobile phone ABPU growth has been moderating, primarily due to: (i) competitive pressures driving larger allotments of data and rate plans encompassing data sharing and international roaming features, as well as the consumer behavioural response to more frequent customer data usage notifications and offloading of data traffic to increasingly available Wi-Fi hotspots have put downward pressure on mobile phone ABPU growth; partly offset by (ii) an increased mix of higher-priced rate plans, such as data share plans, in addition to more higher-value smartphones in the sales mix, and an increased proportion of higher-rate customers in the subscriber mix. As a result of increased competitive pressures, customers have been able to gain access to higher network speeds and larger allotments of data included for a given price point, further limiting mobile phone ABPU expansion. The economic environment, consumer behaviour, the regulatory environment, device selection and other factors also impact mobile phone ABPU, and as a consequence, there can be no assurance that mobile phone ABPU will return to growth in the coming quarters.

Our connected device subscriber base has been increasing with our expanded IoT offerings. IoT technologies are expected to continue their growth and IoT customers, along with other connected device subscribers, will be able to realize greater benefits that are dependent upon 5G deployment.

The trend of our comparatively low mobile phone blended churn rate reflects our customers first efforts, retention programs and focus on building, maintaining and enhancing our high-quality network. With our improvements in customer loyalty resulting in a generally decreasing mobile phone churn rate, our lifetime revenue per customer has increased despite moderating mobile phone ABPU. We may experience pressure on our mobile phone blended churn

rate if the level of competitive intensity increases, in part due to increased promotional activity, if there is an increase in customers on expired or no contracts (compared to current experience), or due to regulatory changes. Accordingly, our wireless segment historical operating results and trends may not be reflective of results and trends for future periods.

The trends in wireless EBITDA-based operating metrics have been impacted by our adoption of IFRS 16 effective January 1, 2019, as discussed further in *Note 2* of the interim consolidated financial statements.

#### Wireless operating indicators

At March 31	2019	2018	Change
<b>Subscribers<sup>1,2</sup> (000s)</b>			
Mobile phones <sup>1</sup>	8,470	8,215	3.1%
Mobile connected devices	1,266	1,065	18.9%
Total	9,736	9,280	4.9%
HSPA+ population coverage <sup>3</sup> (millions)	37.0	36.7	0.8%
LTE population coverage <sup>3</sup> (millions)	36.9	36.6	0.8%
Three-month periods ended March 31	2019	2018	Change
Mobile phones gross additions <sup>2</sup> (000s)	269	263	2.3%
<b>Subscriber net additions (losses)<sup>2</sup> (000s):</b>			
Mobile phones	11	(3)	n/m
Mobile connected devices	49	41	19.5%
Total	60	38	57.9%
Mobile phones ABPU, per month <sup>2,4,5</sup> (\$)	72.19	72.15	0.1%
Mobile phones ARPU, per month <sup>2,4,5</sup> (\$)	59.33	60.26	(1.5)%
Mobile phones churn, per month <sup>2,4,5</sup> (%)	1.02	1.10	(0.08)pts.

1 Fourth quarter of 2018 opening mobile phone subscriber connections have been adjusted to exclude an estimated 23,000 subscribers impacted by the CRTC’s final pro-rating ruling in June 2018, which was effective October 1, 2018.

2 Effective for the first quarter of 2019, with retrospective application, we have revised our definition of a wireless subscriber unit and now report mobile phone units and mobile connected device units (e.g. tablets, internet keys, Internet of Things (IoT), wearables, connected automobile systems) as separate subscriber bases so as to be consistent with the way we manage our business and to align with global peers. As a result of the change, total subscribers and associated operating statistics (gross additions, net additions, churn, ABPU and ARPU) have been adjusted to reflect (i) the movement of certain subscriber units from the mobile phones subscriber base to the newly created mobile connected devices subscriber base, and (ii) the inclusion of previously undisclosed Internet of Things and mobile health subscriber units in our mobile connected devices subscriber base. For additional information on our subscriber definitions, see *Section 11.2 Operating indicators*.

3 Including network access agreements with other Canadian carriers.

4 Using the definitions set out in *Section 11.2* of our 2018 annual MD&A, for the first quarter of 2019, wireless subscriber blended ABPU was \$66.14 (\$66.51 for the first quarter of 2018), wireless subscriber blended ARPU was \$54.36 (\$55.55 for the first quarter of 2018) and wireless subscriber blended churn was 1.06% (1.14% for the first quarter of 2018).

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

#### Operating revenues – Wireless segment

Three-month periods ended March 31 (\$ in millions)	2019	2018	Change
Network revenue	1,492	1,472	1.4%
Equipment and other service revenues	427	411	3.9%
Revenues arising from contracts with customers	1,919	1,883	1.9%
Other operating income	5	7	(28.6)%
External operating revenues	1,924	1,890	1.8%
Intersegment revenues	13	11	18.2%
Wireless operating revenues	1,937	1,901	1.9%

Total wireless operating revenues increased by \$36 million in the first quarter of 2019.

**Network revenue** from external customers increased by \$20 million in the first quarter of 2019 or 1.4%, reflecting 4.9% growth in the subscriber base, partly offset by declining mobile phone ARPU as discussed below. **Mobile phone ABPU** was \$72.19 in the first quarter of 2019, reflecting an increase of \$0.04 or 0.1% as growth from customers selecting plans with larger data buckets or periodically topping up their data buckets, the introduction of our Platinum rate plan and more higher-value smartphones in the sales mix were partly offset by declines in chargeable data usage, the impact of the competitive environment putting pressure on base rate plan prices in the current and prior periods and the changing customer mix. **Mobile phone ARPU** was \$59.33 in the first quarter of 2019, reflecting a decrease of \$0.93 or

1.5% as the declines in chargeable data usage, competitive pressures on base rate plan prices mentioned above and the changing customer mix more than offset the increased number of customers selecting plans with larger data buckets.

- **Mobile phone gross additions** were 269,000 in the first quarter of 2019, reflecting an increase of 6,000 year over year, driven by higher-value, smartphone-centric postpaid customer additions and growth in prepaid customer additions, including demographic shifts, and growth, in the Canadian population, as well as successful promotions and expanded channels.
- Our **mobile phone churn rate** was 1.02% in the first quarter of 2019, as compared to 1.10% in the first quarter of 2018. The improvement in our mobile phone churn rate during the first quarter of 2019 reflects our focus on executing customers first initiatives and retention programs, as well as our leading network quality.
- **Net subscriber additions** were 60,000 in the first quarter of 2019, reflecting a year over year improvement of 22,000. Mobile phone net additions were 11,000 in the first quarter of 2019, a year over year increase of 14,000, driven by a lower mobile phone churn rate and higher mobile phone gross additions, as described above. We continue to focus on margin accretion growth with the focus away from non-accretive prepaid-to-postpaid migrations. Mobile connected device net additions were 49,000 in the first quarter of 2019, reflecting a year over year improvement of 8,000, driven by growth in our IoT offerings including the connected device growth arising from our subscribers expanding their IoT services to their growing customer bases, partly offset by less focus on lower-margin subsidized tablet loading.

**Equipment and other service revenues** increased by \$16 million in the first quarter of 2019, due to more higher-value smartphones in the sales mix and growth in revenue per handset.

**Other operating income** was relatively flat in the first quarter of 2019.

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

**Operating expenses – Wireless segment**

Three-month periods ended March 31 (\$ in millions)	2019	2018	Change
Goods and services purchased:			
Equipment sales expenses	422	418	1.0%
Network operating expenses	184	200	(8.0)%
Marketing expenses	89	83	7.2%
Other <sup>1</sup>	181	193	(6.2)%
Employee benefits expense <sup>1</sup>	153	171	(10.5)%
<b>Wireless operating expenses</b>	<b>1,029</b>	<b>1,065</b>	<b>(3.4)%</b>

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

Wireless operating expenses decreased by \$36 million in the first quarter of 2019.

**Equipment sales expenses** increased by \$4 million in the first quarter of 2019, reflecting an increase in higher-value smartphones in the sales mix.

**Network operating expenses** decreased by \$16 million in the first quarter of 2019, mainly due to the application of IFRS 16.

**Marketing expenses** increased by \$6 million in the first quarter of 2019, primarily due to higher commissions expense.

**Other goods and services purchased** decreased by \$12 million in the first quarter of 2019, mainly due to the application of IFRS 16, as well as the non-recurrence of higher costs associated with an aggressive holiday rate plan offer that stimulated significant traffic in the prior year, partly offset by higher external labour.

**Employee benefits expense** decreased by \$18 million in the first quarter of 2019, due to lower internal labour costs including lower FTEs, higher capitalized labour costs, and lower labour-related restructuring and other costs related to efficiency initiatives.

**EBITDA – Wireless segment**

Three-month periods ended March 31 (\$ in millions, except margins)	2019	2018	Change
EBITDA	908	836	8.6%
Add restructuring and other costs included in EBITDA	9	10	n/m
Adjusted EBITDA <sup>1</sup>	917	846	8.4%
EBITDA margin (%)	46.9	44.0	2.9 pts.
Adjusted EBITDA margin <sup>2</sup> (%)	47.4	44.5	2.9 pts.

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

2 Adjusted EBITDA margin is Adjusted EBITDA divided by Operating revenues.

Wireless EBITDA increased by \$72 million or 8.6% in the first quarter of 2019. Wireless Adjusted EBITDA increased by \$71 million or 8.4% in the first quarter of 2019, reflecting higher network revenue growth driven by a larger subscriber base, lower employee benefits expense, higher equipment margins which includes our strategic focus away from non-accretive prepaid-to-postpaid migrations and the implementation of IFRS 16 on certain expenses.

Applying a retrospective IFRS 16 simulation to fiscal 2018 results (see *Section 5.3*), pro forma wireless Adjusted EBITDA growth was approximately 5.0%.

**5.5 Wireline segment**

**Wireline trends**

The trend over the last eight quarters of increases in wireline service revenue reflects growth in Internet and enhanced data services, CCBS revenues, TELUS TV revenues, TELUS Health revenues, and home and business smart technology revenues, and is partly offset by declining wireline legacy voice and legacy data revenues. The increases in Internet and TV service revenues are being generated by subscriber growth and higher Internet revenue per customer resulting from upgrades to faster speeds, larger data usage rate plans and expansion of our fibre footprint. We expect continued Internet subscriber base growth as the economy grows and as we continue our investments in expanding our fibre-optic infrastructure. The total number of TELUS TV subscribers has increased as a result of our low customer churn rate, diverse product offerings, fibre expansion and bundled product offerings. Residential voice subscriber losses continue to reflect the ongoing trend of substitution to wireless and Internet-based services, but have been partly mitigated by the success of our bundled service offerings and lower-priced offerings. The trend of declining wireline voice revenues is due to technological substitution, greater use of inclusive long distance coupled with lower long distance minutes used, and intensification of competition in the small and medium-sized business market. The migration of business products and services offerings to IP services yield inherently lower margins compared to some legacy business products and service offerings. The general trend of increasing TELUS Health revenues and increasing CCBS revenues has been driven by both organic growth and business acquisitions.

The trends in wireline EBITDA-based operating metrics have been impacted by our adoption of IFRS 16 effective January 1, 2019, as discussed further in *Note 2* of the interim consolidated financial statements.

**Wireline operating indicators**

At March 31 (000s)	2019	2018	Change
<b>Subscriber connections:</b>			
Internet <sup>1</sup>	1,896	1,765	7.4%
TELUS TV <sup>2</sup>	1,110	1,104	0.5%
Residential voice	1,237	1,282	(3.5)%
Total wireline subscriber connections <sup>1,2</sup>	4,243	4,151	2.2%
Three-month periods ended March 31 (000s)	2019	2018	Change
<b>Subscriber connection net additions (losses):</b>			
Internet	22	22	—%
TELUS TV	17	6	n/m
Residential voice	(11)	(16)	31.3%
Total wireline subscriber connection net additions	28	12	133.3%

1 During the first quarter of 2019, we adjusted cumulative subscriber connections to add approximately 16,000 subscribers from acquisitions undertaken during the quarter.

2 Effective April 1, 2018, and on a prospective basis, we have adjusted cumulative subscriber connections to remove approximately 68,000 TELUS TV subscribers as we have ceased marketing our Satellite TV product.

**Operating revenues – Wireline segment**

Three-month periods ended March 31 (\$ in millions)	2019	2018	Change
Data services	1,219	1,089	11.9%
Voice services	253	281	(10.0)%
Other services and equipment	98	98	—%
Revenues arising from contracts with customers	1,570	1,468	6.9%
Other operating income	12	19	(36.8)%
External operating revenues	1,582	1,487	6.4%
Intersegment revenues	56	52	7.7%
Wireline operating revenues	1,638	1,539	6.4%

Total wireline operating revenues increased by \$99 million in the first quarter of 2019.

- **Data services** revenues increased by \$130 million in the first quarter of 2019. The increase was driven by: (i) growth in CCBS revenues, primarily due to growth in business volumes resulting from both organic growth and business acquisitions; (ii) increased Internet and enhanced data service revenues, reflecting higher revenue per customer as a result of upgrades to faster Internet speeds, larger data usage Internet rate plans and certain rate changes, as well as a 7.4% increase in our Internet subscribers over the last 12 months; (iii) increased TELUS Health revenues, driven by both business acquisitions and organic growth; (iv) revenues from our home and business smart technology lines of business; and (v) increased TELUS TV revenues, reflecting subscriber growth of 0.5% over the last 12 months. This growth was partly offset by the ongoing decline in legacy data service revenues.
- **Voice services** revenues decreased by \$28 million in the first quarter of 2019, reflecting the ongoing decline in legacy voice revenues from technological substitution, greater use of inclusive long distance plans and price plan changes. We experienced a 3.5% decline in residential voice subscribers over the last 12 months, as compared to a 5.1% decline in residential voice subscribers for the 12-month period ended March 31, 2018.
- **Other services and equipment** revenues was flat in the first quarter of 2019.
- **Wireline subscriber connection net additions** were 28,000 in the first quarter of 2019, reflecting an increase of 16,000 compared to the first quarter of 2018.
  - **Internet net additions** were 22,000 in the first quarter of 2019, flat compared to net additions in the first quarter of 2018 due to consistent customer demand for our high-speed broadband services, including fibre to the premises. Our continued focus on connecting more homes and businesses directly to fibre (with TELUS PureFibre available to approximately 63% of our broadband footprint at the end of the first quarter of 2019), expanding and enhancing our addressable high-speed Internet and Optik TV footprint, and bundling these services together contributed to combined Internet and TV subscriber growth of 137,000 over the last 12 months.
  - **TELUS TV net additions** were 17,000 in the first quarter of 2019, reflecting an increase of 11,000 due to a lower customer churn rate from stronger retention efforts and higher gross additions as a result of our diverse product offerings.
  - **Residential voice net losses** were 11,000 in the first quarter of 2019, as compared to residential voice subscriber net losses of 16,000 in the first quarter of 2018. The residential voice subscriber losses continue to reflect the trend of substitution to wireless and Internet-based services, partially mitigated by our expanding fibre footprint and bundled product offerings, and the success of our stronger retention efforts, including lower-priced offerings.

**Other operating income** decreased by \$7 million in the first quarter of 2019 due to the non-recurrence of first quarter 2018 gains on the sale of certain assets.

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

**Operating expenses – Wireline segment**

Three-month periods ended March 31 (\$ in millions)	2019	2018	Change
Goods and services purchased <sup>1</sup>	614	577	6.4%
Employee benefits expense <sup>1</sup>	553	529	4.5%
Wireline operating expenses	1,167	1,106	5.5%

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

Total wireline operating expenses increased by \$61 million in the first quarter of 2019.

**Goods and services purchased** increased by \$37 million in the first quarter of 2019, mainly due to higher product costs associated with growth in TELUS Health services, higher TV content costs mainly driven by our growing TV subscriber base, and increases in non-labour-related restructuring and other costs related to efficiency initiatives, as well as higher external labour and other administrative costs related to business acquisitions. The increase in Goods and services purchased was partly offset by the application of IFRS 16.

**Employee benefits expense** increased by \$24 million in the first quarter of 2019, mainly due to increases in compensation and benefit costs resulting from an increase in the number of employees from business acquisitions, partly offset by a decrease in the number of FTEs in Canada, excluding business acquisitions, and lower labour-related restructuring and other costs related to efficiency initiatives.

#### EBITDA – Wireline segment

Three-month periods ended March 31 (\$ in millions, except margins)	2019	2018	Change
EBITDA	471	433	8.8%
Add restructuring and other costs included in EBITDA	27	24	n/m
Adjusted EBITDA <sup>1</sup>	498	457	9.0%
EBITDA margin (%)	28.7	28.1	0.6 pts.
Adjusted EBITDA margin <sup>2</sup> (%)	30.4	29.7	0.7 pts.

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

2 Adjusted EBITDA margin is Adjusted EBITDA divided by Operating revenues.

Wireline EBITDA increased by \$38 million or 8.8% in the first quarter of 2019. Wireline Adjusted EBITDA increased by \$41 million or 9.0% in the first quarter of 2019, reflecting an increased contribution from our CCBS business from organic growth, higher Internet margins and higher TELUS Health margins inclusive of business acquisitions, as well as the implementation of IFRS 16 on certain expenses, partly offset by the continued declines in legacy voice and legacy data services, higher employee benefits expense and other costs related to business acquisitions, and a decline in the EBITDA contribution from our business services.

Applying a retrospective IFRS 16 simulation to fiscal 2018 results (see *Section 5.3*), pro forma wireline Adjusted EBITDA growth was approximately 3.3%.



## 6. Changes in financial position

Financial position at: (\$ millions)	Mar. 31 2019	Dec. 31 2018	Change	Change includes:
<b>Current assets</b>				
Cash and temporary investments, net	588	414	174	See <i>Section 7 Liquidity and capital resources</i>
Accounts receivable	1,645	1,600	45	An increase in wireless roaming revenue, partially offset by lower inventory-related amounts due from dealers
Income and other taxes receivable	48	3	45	Instalments to date are greater than the expense
Inventories	359	376	(17)	A decrease in inventories in transit
Contract assets	862	860	2	Refer to description in non-current assets
Prepaid expenses	626	539	87	Increased due to the annual prepayment of statutory employee benefits, maintenance contracts, property taxes and wireless spectrum license fees, net of amortization
Current derivative assets	27	49	(22)	A decrease in the spread between the hedging rate and the actual rate at the balance sheet date.
<b>Current liabilities</b>				
Short-term borrowings	500	100	400	See <i>Section 7.7 Sale of trade receivables</i>
Accounts payable and accrued liabilities	2,416	2,570	(154)	A decrease in network-related accruals, payroll and other employee-related liabilities, partly offset by the timing of accounts payable. See <i>Note 23</i> of the interim consolidated financial statements
Income and other taxes payable	47	218	(171)	Current income tax expense in excess of instalments
Dividends payable	329	326	3	Effects of an increase in the number of shares outstanding
Advance billings and customer deposits	667	653	14	An increase in TELUS Health advance billings during the period. See <i>Note 24</i> of the interim consolidated financial statements
Provisions	79	129	(50)	Restructuring disbursements exceeded new restructuring provisions. See <i>Note 25</i> of the interim consolidated financial statements
Current maturities of long-term debt	1,341	836	505	An increase in outstanding commercial paper and initial recognition of lease liabilities due to implementation of IFRS 16
Current derivative liabilities	19	9	10	An increase in the fair value of the interest rate swap.
<b>Working capital</b> (Current assets subtracting Current liabilities)	<b>(1,243)</b>	<b>(1,000)</b>	<b>(243)</b>	TELUS normally has a negative working capital position. See <i>Financing and capital structure management plans</i> in <i>Section 4.3</i> and the <i>Liquidity risk</i> discussion in <i>Section 7.9</i> .

Financial position at: (\$ millions)	Mar. 31 2019	Dec. 31 2018	Change	Change includes:
<b>Non-current assets</b>				
Property, plant and equipment, net	13,321	12,091	1,230	See <i>Capital expenditures</i> in Section 7.3 <i>Cash used by investing activities</i> and <i>Depreciation</i> in Section 5.3
Intangible assets, net	11,015	10,934	81	See <i>Capital expenditures</i> in Section 7.3 <i>Cash used by investing activities</i> and <i>Amortization of intangible assets</i> in Section 5.3
Goodwill, net	4,877	4,745	132	Acquisitions including a telecommunications business
Contract assets	437	458	(21)	A decrease primarily driven by a lower number of contracted subscribers, as well as lower contract amounts per subscriber, in the period
Other long-term assets	911	986	(75)	A decrease in derivative assets due to the movement of foreign exchange rates relative to hedged rates, as well as the movement in non-designated valuation elements. See <i>Note 20</i> of the interim consolidated financial statements.
<b>Non-current liabilities</b>				
Provisions	684	728	(44)	Decrease due to implementation of IFRS 16. See <i>Note 25</i> of the interim consolidated financial statements
Long-term debt	14,434	13,265	1,169	See <i>Section 7.4 Cash provided by financing activities</i>
Other long-term liabilities	706	730	(24)	A decrease in pension and post-retirement liabilities resulting from actual returns being in excess of the discount rate, as well as a decrease in the tenant inducement allowance as a result of the implementation of IFRS 16, and the movement of foreign exchange rates relative to hedged rates, as well as the movement in non-designated valuation elements. See <i>Note 27</i> of the interim consolidated financial statements
Deferred income taxes	3,130	3,150	(20)	An overall decrease in temporary differences between the accounting and tax basis of assets and liabilities primarily due to adjustments for IFRS 16.
<b>Owners’ equity</b>				
Common equity	10,278	10,259	19	See <i>condensed interim consolidated statements of changes in owners’ equity</i> in the interim consolidated financial statements
Non-controlling interests	86	82	4	See <i>condensed interim consolidated statements of changes in owners’ equity</i> in the interim consolidated financial statements.

## 7. Liquidity and capital resources

This section contains forward-looking statements, including those with respect to our dividend payout ratio and net debt to EBITDA – excluding restructuring and other costs ratio. See *Caution regarding forward-looking statements* at the beginning of this MD&A.

### 7.1 Overview

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

#### Cash flows

Three-month periods ended March 31 (\$ millions)	2019	2018	Change
Cash provided by operating activities	790	838	(48)
Cash used by investing activities	(962)	(932)	(30)
Cash provided by financing activities	346	—	346
Increase (decrease) in Cash and temporary investments, net	174	(94)	268
Cash and temporary investments, net, beginning of period	414	509	(95)
Cash and temporary investments, net, end of period	588	415	173

## 7.2 Cash provided by operating activities

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

Three-month periods ended March 31 (\$ millions)	2019	2018	Change
EBITDA (see <i>Section 5.4</i> and <i>Section 5.5</i> )	1,379	1,269	110
Restructuring and other costs, net of disbursements	(33)	(4)	(29)
Employee defined benefit plans expense, net of employer contributions	4	4	—
Share-based compensation expense, net of payments	19	18	1
Interest paid, net of interest received	(177)	(148)	(29)
Income taxes paid, net of recoveries received	(351)	(56)	(295)
Other operating working capital changes	(51)	(245)	194
Cash provided by operating activities	790	838	(48)

- Income taxes paid, net of recoveries received increased by \$295 million largely due to a one-time catch-up payment of \$270 million, in addition to higher required instalment payments.
- Restructuring and other costs, net of disbursements represented a net change of \$29 million in the first quarter of 2019. This was attributed to increased disbursements of restructuring and other costs related to improving our overall cost structure and operational effectiveness.
- Interest paid, net of interest received increased by \$29 million, largely due to an increase in the average long-term debt balance, partly offset by a lower weighted-average interest rate on long-term debt, as well as interest paid on lease liabilities.
- For a discussion of Other operating working capital changes, see *Section 6 Changes in financial position* and *Note 31(a)* of the interim consolidated financial statements.

## 7.3 Cash used by investing activities

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

Three-month periods ended March 31 (\$ millions)	2019	2018	Change
Cash payments for capital assets, excluding spectrum licences	(793)	(738)	(55)
Cash payments for acquisitions, net	(162)	(204)	42
Real estate joint ventures advances, net of receipts	(7)	(5)	(2)
Proceeds on dispositions	—	15	(15)
Cash used by investing activities	(962)	(932)	(30)

- The increase in Cash payments for capital assets, excluding spectrum licences for the first quarter of 2019, was primarily composed of:
  - A decrease in capital expenditures of \$4 million in the first quarter of 2019 (see *Capital expenditure measures* table and discussion below).
  - Higher capital expenditure payments with respect to payment timing differences, as the change in associated Accounts payable and accrued liabilities increased by \$59 million in the first quarter of 2019.
- In the first quarter of 2019, we made cash payments for business acquisitions, including a telecommunications business and other individually immaterial acquisitions complementary to our existing lines of business. This is compared to business acquisition activity in the first quarter of 2018, which included certain assets of AlarmForce Industries Inc., 65% of Xavient Information Systems and other individually immaterial acquisitions complementary to our existing lines of business.
- Proceeds on dispositions in the first quarter of 2018 were primarily related to the sale of small portfolio investments. There was no comparable activity in the first quarter of 2019.

**Capital expenditure measures**

Three-month periods ended March 31 (\$ millions, except capital intensity)	2019	2018	Change
<b>Capital expenditures<sup>1</sup></b>			
Wireless segment	177	182	(2.7)%
Wireline segment	469	468	0.2 %
Consolidated	646	650	(0.6)%
Wireless segment capital intensity (%)	9	10	(1) pt.
Wireline segment capital intensity (%)	29	30	(1) pt.
Consolidated capital intensity <sup>2</sup> (%)	18	19	(1) pt.

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

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

**Consolidated capital expenditures** decreased slightly by \$4 million in the first quarter of 2019, representing a decline of 0.6%. With our ongoing investments, we are continuing to advance wireless speeds and coverage, including pre-positioning for 5G, as well as continuing to connect additional homes and businesses directly to our fibre-optic technology and support systems reliability and operational efficiency and effectiveness efforts. These investments also support our Internet and TELUS TV subscriber growth, as well as our customers’ demand for faster Internet speeds, and extend the reach and functionality of our business and healthcare solutions. At March 31, 2019, we made TELUS PureFibre available to approximately 63% of our broadband footprint.

**7.4 Cash provided by financing activities****Analysis of changes in cash provided by financing activities**

Three-month periods ended March 31 (\$ millions)	2019	2018	Change
Dividends paid to holders of Common Shares	(303)	(279)	(24)
Issue (repayment) of short-term borrowings, net	400	(6)	406
Long-term debt issued, net of redemptions and repayment	249	266	(17)
Issue of shares by subsidiary to non-controlling interests	—	24	(24)
Other	—	(5)	5
	346	—	346

**Dividends paid to holders of Common Shares**

In connection with dividends declared during the first quarter of 2019, the dividend reinvestment and share purchase plan trustee (Trustee) purchased shares from Treasury for the dividend reinvestment and share purchase plan instead of acquiring Common Shares in the stock market. During the first quarter of 2019, cash dividends paid to the holders of Common Shares increased by \$24 million, which reflects higher dividend rates under our dividend growth program (see Section 4.3), as well as an increase in the number of shares outstanding. During the first quarter of 2019, the Trustee purchased dividend reinvestment Common Shares for \$23 million, with no discount applicable.

In April 2019, we paid dividends of \$329 million to the holders of Common Shares.

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

In the first quarter of 2019, we drew-down amounts advanced to us from an arm’s-length securitization trust to finance working capital.

### Long-term debt issues and repayments

For the first quarter of 2019, long-term debt issues net of repayments were \$249 million, a decrease of \$17 million, primarily composed of:

- A net increase in commercial paper outstanding, including foreign exchange effects, of \$331 million to a balance of \$1,105 million (US\$827 million) at March 31, 2019, from a balance of \$774 million (US\$569 million) at December 31, 2018. Our commercial paper program, when utilized, provides low-cost funds and is fully backstopped by the five-year committed credit facility (see *Section 7.6 Credit facilities*).
- A decrease in net draws on the TELUS International (Cda) Inc. credit facility, including foreign exchange effects, of \$15 million (US\$5 million). As at March 31, 2019, net draws were \$412 million (\$405 million net of unamortized issue costs), all of which were denominated in U.S. dollars (US\$308 million). As at December 31, 2018, net draws were \$427 million (\$419 million net of unamortized issue costs), all of which were denominated in U.S. dollars (US\$313 million). The credit facility is non-recourse to TELUS Corporation.
- Repayments of lease liabilities of \$88 million, largely related to the implementation of IFRS 16, where the principal component of leases which were previously accounted for as operating leases and previously classified within cash provided by operating activities is reflected as cash used by financing activities under the new accounting standard.

In comparison, for the first quarter of 2018, long-term debt issues net of repayments were \$266 million and were primarily composed of:

- A net decrease in commercial paper outstanding, including foreign exchange effects, of \$297 million from a balance of \$1,140 million (US\$908 million) at December 31, 2017.
- An increase in net draws on the TELUS International (Cda) Inc. credit facility, including foreign exchange effects, of \$95 million (US \$66 million). As at December 31, 2017, net draws were \$346 million (\$339 million net of unamortized issue costs), all of which were denominated in U.S. dollars (US\$276 million).
- The March 1, 2018, issues of \$600 million of senior unsecured Series CX notes at 3.625% due March 1, 2028, and \$150 million through the re-opening of Series CW notes at 4.70% due March 6, 2048.
- The March 2018 repayment of \$250 million of Series CS notes.

The average term to maturity of our long-term debt (excluding commercial paper, the revolving component of the TELUS International (Cda) Inc. credit facility and lease liabilities) was approximately 12.0 years as at March 31, 2019, a decrease from approximately 12.2 years as at December 31, 2018, and an increase from approximately 10.8 years at March 31, 2018. Additionally, our weighted average cost of long-term debt (excluding commercial paper, the revolving component of the TELUS International (Cda) Inc. credit facility and lease liabilities) was 4.17% as at March 31, 2019, as compared to 4.18% as at December 31, 2018, and 4.22% at March 31, 2018.

### Issue of shares by subsidiary to non-controlling interests

In connection with our February 2018 acquisition of 65% of Xavient, our TELUS International (Cda) Inc. subsidiary issued shares to non-controlling interests. There was no comparable activity in the first quarter of 2019.

## 7.5 Liquidity and capital resource measures

**Net debt** was \$15.7 billion at March 31, 2019, an increase of \$1.9 billion when compared to one year earlier, resulting mainly from the \$1.4 billion recognition of lease liabilities upon the application of IFRS 16 effective January 1, 2019, an increase in Short-term borrowings and an increase in commercial paper outstanding. These increases were partially offset by higher Cash and temporary investments, net.

**Fixed-rate debt as a proportion of total indebtedness** was 87% as at March 31, 2019, down from 90% one year earlier, mainly due to an increase in Short-term borrowings and a net increase in commercial paper outstanding, which emulates floating-rate debt. This was partly offset by a decrease in the amounts drawn on the TELUS International (Cda) Inc. credit facility, which is non-recourse to TELUS Corporation.

**Net debt to EBITDA – excluding restructuring and other costs** ratio was 2.84 times, as measured at March 31, 2019, up from 2.71 times one year earlier, largely attributed to the \$1.4 billion recognition of lease liabilities upon the application of IFRS 16 effective January 1, 2019 as we did not retrospectively adjust amounts reported for periods prior to fiscal 2019 (see *Note 2(a)* of the interim consolidated financial statements). Our long-term objective for this measure is within a range of 2.00 to 2.50 times, which we believe is consistent with maintaining investment grade credit ratings in the range of BBB+, or the equivalent, and providing reasonable access to capital. As at March 31, 2019, this ratio remains outside of the long-term objective range due to prior issuances of incremental debt, primarily due to the funding of spectrum licences, and the elevated strategic capital investments in our fibre-optic infrastructure, partially offset by growth in EBITDA – excluding restructuring and other costs (including that the transition method for IFRS 16 has currently only included three months effect on the trailing EBITDA). These acquired licences have more than doubled our national spectrum holdings and represent an investment to extend our network capacity to support continuing data consumption growth, as well as growth in our wireless subscriber base. Given the cash demands of the recent 2019 and upcoming spectrum auctions, the assessment of the guideline and return to the objective range remains to be determined; however, it is our intent to return to a ratio below 2.50 times in the medium term (following upcoming spectrum auctions), consistent with our long-term strategy. While this ratio exceeds our long-term objective range, we are well in compliance with the leverage ratio covenant in our credit facilities, which states that we may not permit our net debt to operating cash flow ratio to exceed 4.00:1.00 (see *Section 7.6 Credit facilities*).

#### Liquidity and capital resource measures

As at, or 12-month periods ended, March 31	2019	2018	Change
<b>Components of debt and coverage ratios<sup>1</sup> (\$ millions)</b>			
Net debt	15,732	13,785	1,947
EBITDA – excluding restructuring and other costs	5,533	5,091	442
Net interest cost	660	582	78
<b>Debt ratios</b>			
Fixed-rate debt as a proportion of total indebtedness (%)	87	90	(3) pts.
Average term to maturity of long-term debt (excluding commercial paper, the revolving component of the TELUS International (Cda) Inc. credit facility and lease liabilities) (years)	12.0	10.8	1.2
Weighted average interest rate on long-term debt (excluding commercial paper, the revolving component of the TELUS International (Cda) Inc. credit facility and lease liabilities) (%)	4.17	4.22	(0.05) pts.
Net debt to EBITDA – excluding restructuring and other costs <sup>1</sup> (times)	2.84	2.71	0.13
<b>Coverage ratios<sup>1</sup> (times)</b>			
Earnings coverage	4.3	4.8	(0.5)
EBITDA – excluding restructuring and other costs interest coverage	8.4	8.8	(0.4)
<b>Other measures<sup>1</sup> (%)</b>			
Dividend payout ratio	79	76	3 pts.
Dividend payout ratio of adjusted net earnings	82	76	6 pts.
1 See <i>Section 11.1 Non-GAAP and other financial measures</i> .			

**Earnings coverage** ratio for the 12-month period ended March 31, 2019 was 4.3 times, down from 4.8 times one year earlier. An increase in income before borrowing costs and income taxes increased the ratio by 0.2, while an increase in borrowing costs, including the recognition of interest (currently only for the three-month period ended March 31, 2019) on lease liabilities upon the application of IFRS 16, reduced the ratio by 0.7.

**EBITDA – excluding restructuring and other costs interest coverage** ratio for the 12-month period ended March 31, 2019 was 8.4 times, down from 8.8 times one year earlier. Growth in EBITDA – excluding restructuring and other costs increased the ratio by 0.6, while an increase in net interest costs, including the recognition of interest (currently only for the three-month period ended March 31, 2019) on lease liabilities upon the application of IFRS 16, reduced the ratio by 1.0.

**Dividend payout ratios:** Actual dividend payout decisions will continue to be subject to our Board’s assessment and the determination of our financial position and outlook, as well as our dividend payout objective range of 65 to 75% of prospective net earnings per share for 2019. The disclosed basic and adjusted dividend payout ratios are historical measures utilizing the last four quarters of dividends declared and earnings per share. We currently expect that we will be within our objective range when considered on a prospective dividend payout ratio basis within the medium term. So as to be consistent with the way we manage our business, we have revised our target guideline, effective January 1, 2020, to be calculated as 60 to 75% of free cash flow on a prospective basis. The historical measures for the 12-month period ended March 31, 2019, are presented for illustrative purposes in evaluating our target guideline, and both exceeded the objective range.

## 7.6 Credit facilities

At March 31, 2019, we had available liquidity of approximately \$1.1 billion from the TELUS revolving credit facility and approximately \$204 million of available liquidity from the TELUS International (Cda) Inc. credit facility. In addition, we had drawn the maximum amount of \$500 million available under our trade receivables securitization program (see *Section 7.7 Sale of trade receivables*). We are well within our objective of generally maintaining at least \$1.0 billion of available liquidity.

### TELUS revolving credit facility

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

#### TELUS revolving credit facility at March 31, 2019

(\$ millions)	Expiry	Size	Drawn	Outstanding undrawn letters of credit	Backstop for commercial paper program	Available liquidity
Five-year revolving facility <sup>1</sup>	May 31, 2023	2,250	—	—	(1,105)	1,145
1 Canadian dollars or U.S. dollar equivalent.						

Our revolving credit facility contains customary covenants, including a requirement that we not permit our consolidated leverage ratio to exceed 4.00 to 1.00 and that we not permit our consolidated coverage ratio to be less than 2.00 to 1.00 at the end of any financial quarter. As at March 31, 2019, our consolidated leverage ratio was approximately 2.84 to 1.00, and our consolidated coverage ratio was approximately 8.38 to 1.00. These ratios are expected to remain well within the covenants. There are certain minor differences in the calculation of the leverage ratio and coverage ratio under the revolving credit facility, as compared with the calculation of Net debt to EBITDA – excluding restructuring and other costs and EBITDA – excluding restructuring and other costs interest coverage. Historically, the calculations have not been materially different. The covenants are not impacted by revaluation, if any, of Property, plant and equipment, Intangible assets or Goodwill for accounting purposes. Continued access to our credit facilities is not contingent on maintaining a specific credit rating.

### Commercial paper

TELUS Corporation has an unsecured commercial paper program, which is backstopped by our revolving credit facility, enabling us to issue commercial paper up to a maximum aggregate amount of \$1.4 billion as at March 31, 2019, including a U.S. dollar-denominated commercial paper program for up to US\$1.0 billion within this maximum aggregate amount. Foreign currency forward contracts are used to manage currency risk arising from issuing commercial paper denominated in U.S. dollars. The commercial paper program is to be used for general corporate purposes, including, but not limited to, capital expenditures and investments. Our ability to reasonably access the commercial paper market in Canada and the U.S. is dependent on our credit ratings (see *Section 7.8 Credit ratings*).

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

As at March 31, 2019, TELUS International (Cda) Inc. had a bank credit facility, secured by its assets, expiring on December 20, 2022, with a syndicate of financial institutions. The credit facility is composed of a US\$350 million revolving component and an amortizing US\$120 million term loan component. The credit facility is non-recourse to TELUS Corporation. As at March 31, 2019, \$412 million (\$405 million net of unamortized issue costs) was outstanding, all of which was denominated in U.S. dollars (US\$308 million), with the revolving component having a weighted average interest rate of 4.22%.

### Other letter of credit facilities

At March 31, 2019, we had \$186 million of letters of credit outstanding (December 31, 2018 – \$184 million) issued under various uncommitted facilities; such letter of credit facilities are in addition to the ability to provide letters of credit pursuant to our committed bank credit facility. Available liquidity under various uncommitted letters of credit facilities was \$129 million at March 31, 2019. We arranged \$880 million of incremental letters of credit to allow us to participate in Innovation, Science and Economic Development Canada’s 600 MHz wireless spectrum auction that was held in March-April 2019, as discussed further in *Note 18(a)* of the interim consolidated financial statements. Such letters of credit will remain outstanding until such time as our final payment for any awarded spectrum licences have been made.

## 7.7 Sale of trade receivables

TELUS Communications Inc., a wholly owned subsidiary of TELUS, is a party to an agreement with an arm’s-length securitization trust associated with a major Schedule I Canadian bank, under which it is able to sell an interest in certain trade receivables for an amount up to a maximum of \$500 million. The agreement is in effect until December 31, 2021, and as at March 31, 2019, we had drawn the maximum amount of \$500 million. (See *Note 22* of the interim consolidated financial statements.) Sales of trade receivables in securitization transactions are recognized as collateralized Short-term borrowings and thus do not result in our de-recognition of the trade receivables sold.

TELUS Communications Inc. is required to maintain at least a BB credit rating by DBRS Ltd., or the securitization trust may require the sale program to be wound down prior to the end of the term. The minimum credit rating was exceeded as of May 9, 2019.

## 7.8 Credit ratings

There were no changes to our investment grade credit ratings as of May 9, 2019.

## 7.9 Financial instruments, commitments and contingent liabilities

### Financial instruments

Our financial instruments and the nature of certain risks that they may be subject to were described in *Section 7.9* of our 2018 annual MD&A.

#### *Liquidity risk*

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

As at March 31, 2019, we could, after reflecting the offering of the 3.30% Notes (see *Section 1.3*), offer \$1.5 billion of debt or equity securities pursuant to a shelf prospectus that is in effect until June 2020.

As at the date of this MD&A, we had liquidity of approximately \$1.1 billion available from the TELUS revolving credit facility and approximately \$204 million of available liquidity from the TELUS International (Cda) Inc. credit facility (see *Section 7.6 Credit facilities*). In addition, we had drawn the maximum amount of \$500 million available under our trade receivables securitization program (see *Section 7.7 Sale of trade receivables*). This adheres to our objective of generally maintaining at least \$1 billion of available liquidity. We believe that our investment grade credit ratings contribute to reasonable access to capital markets.

### Commitments and contingent liabilities

#### *Purchase obligations*

As at March 31, 2019, our contractual commitments related to the acquisition of property, plant and equipment were \$205 million through to December 31, 2022, as compared to \$177 million over a period ending December 31, 2018, reported in our 2018 annual report. The increase was primarily due to higher purchase commitments at March 31, 2019, related to a new purchase agreement with a supplier.

#### *Claims and lawsuits*

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

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

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



*Indemnification obligations*

As at March 31, 2019, we had no liability recorded in respect of our indemnification obligations.

**7.10 Outstanding share information**

Outstanding shares (millions)	March 31, 2019	April 30, 2019
Common Shares	601	601
Common Share options – all exercisable (one for one)	<1	<1

**7.11 Transactions between related parties****Transactions with key management personnel**

Our key management personnel have authority and responsibility for overseeing, planning, directing and controlling our activities and consist of our Board of Directors and our Executive Leadership Team. Total compensation expense for key management personnel was \$19 million in the first quarter of 2019, as compared to \$7 million in the first quarter of 2018. The increase in compensation expense for key management personnel was due to greater share-based compensation primarily arising from metrics affecting the fair value of the relative total shareholder return market performance condition-based restricted share units. See *Note 30(a)* of the interim consolidated financial statements for additional details.

**Transactions with defined benefit pension plans**

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

**Transactions with real estate joint ventures**

In the first quarter of 2019, we had transactions with real estate joint ventures, which are related parties to us, as set out in *Note 21* of the interim consolidated financial statements.

For the TELUS Sky real estate joint venture, commitments and contingent liabilities include construction-related contractual commitments through to 2020 (approximately \$42 million at March 31, 2019) and construction financing (\$342 million with three Canadian financial institutions as 66-2/3% lender and TELUS as 33-1/3% lender). We have entered into a lease agreement with the TELUS Sky real estate joint venture; for lease accounting purposes, the lease commenced during the three-month period ended March 31, 2019.

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

Our significant accounting policies are described in *Note 1* of the Consolidated financial statements for the year ended December 31, 2018. The preparation of financial statements in conformity with generally accepted accounting principles (GAAP) requires management to make estimates, assumptions and judgments that affect: the reported amounts of assets and liabilities at the date of the financial statements; the disclosure of contingent assets and liabilities at the date of the financial statements; and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates. Our critical accounting estimates and significant judgments are generally discussed with the Audit Committee each quarter and are described in *Section 8.1* of our 2018 annual MD&A, which is hereby incorporated by reference.

**8.2 Accounting policy developments**

Our accounting policy developments were discussed in *Section 8.2 Accounting policy developments* of our 2018 annual MD&A. See *Note 2* of the interim consolidated financial statements for additional details.

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

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

The assumptions for our 2019 outlook, as described in *Section 9 General trends, outlook and assumptions, and regulatory developments and proceedings* of our 2018 annual MD&A, remain the same, except for the following updates:

- Our revised estimate for economic growth in Canada in 2019 is 1.5% (previously 2.0% as reported in our 2018 annual MD&A). For our incumbent local exchange carrier provinces in Western Canada, we currently estimate that

annual rates of economic growth will be 1.9% in 2019 in B.C. (previously 2.3% as reported in our 2018 annual MD&A) and 1.2% in Alberta (previously 2.1% as reported in our 2018 annual MD&A).

- Our revised estimate for the unemployment rate will be 4.5% in 2019 in B.C. (previously 4.9% as reported in our 2018 annual MD&A) and 6.8% in Alberta (previously 6.2% as reported in our 2018 annual MD&A).

The extent to which these economic growth estimates affect us and the timing of their impact will depend upon the actual experience of specific sectors of the Canadian economy.

## 9.1 Communications industry regulatory developments and proceedings

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

The following is a summary of certain significant regulatory developments and proceedings relevant to our business and our industry. This summary is not intended to be a comprehensive legal analysis and description of all of the specific issues described. Although we have indicated where we do not currently expect the outcome of a development or proceeding to be material to us, there can be no assurance that the expected outcome will occur or that our current assessment of its likely impact on us will be accurate. See *Section 10.2 Regulatory matters* of our 2018 annual MD&A.

### Radiocommunication licences and spectrum-related matters

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

#### *600 MHz spectrum auction*

On March 12, 2019, ISED commenced the auction of 600 MHz band spectrum, which included a 30 MHz set-aside for facilities-based providers who serve less than 10% of the national subscriber share and are actively providing commercial telecommunication services to the general public in the licensed area of interest. The 600 MHz auction concluded on April 4, 2019, and ISED published the results on April 10, 2019. TELUS successfully acquired 20 MHz in B.C., Alberta, Saskatchewan, Eastern Ontario, Southern Quebec and Eastern Quebec equating to a national average of 11.3 MHz, at a cost of \$931 million (\$2.35 per MHz-pop).

#### *Repurposing the 3500 MHz spectrum to support 5G*

On December 18, 2014, ISED released its *Decisions Regarding Policy Changes in the 3500 MHz Band (3475 – 3650 MHz) and a New Licensing Process* noting the band would be fundamentally reallocated for flexible (mobile and fixed) use in the near future. On June 6, 2018, ISED released its *Consultation on Revisions to the 3500 MHz Band to Accommodate Flexible Use and Preliminary Consultation on Changes to the 3800 MHz Band*, proposing to claw back 56 to 66% of the band from fixed wireless incumbents (predominantly Inukshuk, which is a joint venture owned by Bell and Rogers, and Xplornet) and to auction the amount clawed back in 2020. In our consultation response, we called for a 100% clawback in large population centres. After ISED issues a transition decision, it will then consult on a licensing framework (i.e. auction rules and conditions of licence) for the 3500 MHz band. There is a risk that the transition decision and the auction rules will favour certain carriers over us and impact our ability to acquire 3500 MHz band spectrum.

#### *Repurposing mmWave spectrum to support 5G*

On June 5, 2017, ISED issued a *Consultation on Releasing Millimetre Wave Spectrum to Support 5G*, proposing to release 3.25 GHz of millimetre wave (mmWave) spectrum for licensed use and 7 GHz for licence-exempt use largely in line with recent U.S. mmWave developments. On June 6, 2018, ISED released an *Addendum to the Consultation on Releasing Millimetre Wave Spectrum to Support 5G*, proposing to release an additional 1 GHz of spectrum in the 26.5 – 27.5 GHz range. After issuing a repurposing decision, ISED will then consult on a licensing framework (i.e. auction rules and conditions of licence) for the mmWave bands. There is a risk that the repurposing decisions and the auction rules will favour certain carriers over us and impact our ability to acquire mmWave band spectrum.

### Regulatory and federal government reviews

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

#### *Review of mobile wireless services*

On February 28, 2019, the CRTC released its anticipated consultation to review the regulatory framework for wireless services. The review will examine three major issues – the level of competition in the retail market, the current wholesale mobile wireless service regulatory framework, with a focus on wholesale mobile virtual network operator (MVNO) access

and the future of mobile wireless services in Canada, with a focus on reducing barriers to infrastructure deployment. The CRTC also provided a preliminary view that there should be more opportunity for MVNOs. We will participate in this proceeding, which will take place over the remainder of 2019 and into 2020. An oral hearing is scheduled to begin on January 13, 2020. We will file evidence to demonstrate the high-performance of Canadian wireless services on dimensions including network coverage, network quality and availability of service and pricing. The impact of this proceeding on us will not be known until a decision is issued by the CRTC. That decision is not expected until mid-2020, at the earliest.

*Wireline wholesale services follow-up*

On July 22, 2015, the CRTC released *Review of wholesale wireline services and associated policies, Telecom Regulatory Policy CRTC 2015-326*. The major component of this decision was that the CRTC ordered the introduction of a disaggregated wholesale high-speed Internet access service for Internet service provider (ISP) competitors. This will include access to fibre to the premises (FTTP) facilities. This requirement is being phased in geographically beginning in the largest markets in Ontario and Quebec (i.e. in the serving territories of Bell, Cogeco, Rogers and Videotron). The CRTC initiated a follow-up proceeding to determine the technical configurations, appropriate costs and wholesale cost-based rates in those regions.

The FTTP follow-up activities directed in *Telecom Regulatory Policy CRTC 2015-326* remain ongoing. For the second phase, which involves FTTP wholesale services for the rest of Canada (including our serving territories), a proceeding on technical configurations for disaggregated wholesale services commenced in 2017 and the associated cost study and tariff review will follow. The timing of the implementation of disaggregated wholesale services will also be affected by the recent application filed by the Canadian Network Operators Consortium Inc. (CNOc) to review the wholesale high-speed Internet access services framework. The CRTC, after conducting a review of CNOc’s proposed interim relief, has issued an order to suspend the transition period for aggregated wholesale services pending the review of the substantive elements of CNOc’s application. We anticipate no material adverse impact in the short term from the CRTC’s decision on the CNOc application. Given the phased implementation of the mandated provision of wholesale access to our FTTP network, it is too early to determine the impact *Telecom Regulatory Policy 2015-326* will have on us in the longer term.

*Follow-up proceedings further to the CRTC report on sales practices of large telecommunications carriers*

On February 20, 2019, the CRTC released its *Report on Aggressive or Misleading Communications Retail Sales Practices*. The CRTC published this report further to a proceeding it commenced, at the direction of the Governor in Council, to examine claims of aggressive or misleading sales practices concerning telecommunications services, the prevalence and impact on consumers, and potential solutions. While the report itself is not a legally binding direction or order, it does note that the CRTC may commence certain follow-up proceedings and activities, including, but not limited to, a new secret shopper program, enhanced consumer information tools and complaints disclosure, and a proceeding to determine whether mandatory compliance measures and enhanced public reporting measures should be imposed on providers that fall below a threshold of acceptable behaviour. Until the CRTC releases greater details on its follow-up activities, we are unable to determine any new potential impacts on us.

*Competition Bureau market study on competition in broadband services*

On May 10, 2018, the Competition Bureau commenced a market study to better understand the competitive dynamics of Canada’s broadband Internet services industry. The Bureau states that the purpose of the study is to better understand these market outcomes and the competitive dynamics of Canadian broadband markets more generally, including whether resellers are fulfilling their role in placing increased competitive discipline on traditional broadband services provided by telephone and cable companies. The Bureau expects to publish the results of the study in a public report, which may include recommendations to relevant government authorities, as appropriate. The Bureau states that the study will enable it to, among other things: make informed regulatory interventions regarding steps that regulators or policymakers could take to further support competition in the broadband industry; and increase its knowledge and understanding of the competitive dynamics of the broadband industry, and the telecommunications industry more generally, to inform the Bureau’s future work. We are participating in this proceeding and filed our initial submissions with the Bureau on August 31, 2018. The Bureau continues to undertake further stakeholder engagement and research, as well as information analysis. The Bureau intends to publish a draft report in May 2019, at which point it will hold public consultations and then publish a final report in June 2019.

*Phase-out of the local service subsidy regime*

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

regime in place. The record of this proceeding is now closed with a decision anticipated later this year. If upheld, the impact of this decision is not expected to be material.

*Review of the price cap and local forbearance regimes*

Simultaneously with the release of the *Phase-out of the local service subsidy regime* decision noted above, the CRTC issued *Review of the price cap and local forbearance regimes, Telecom Notice of Consultation CRTC 2018-214*. In this proceeding, the CRTC is reviewing, among other things: pricing constraints for residential local exchange services; whether compensation to ILECs is required given that the local service subsidy is being eliminated further to the *Phase-out of the local service subsidy regime* decision; whether there is still a need for an exogenous factor mechanism in the price cap regimes; and whether changes are necessary to test for local forbearance. Final submissions were filed on March 22, 2019 with a decision anticipated later this year. The impact of this decision is unknown at this time.

*Code of conduct for retail Internet services*

On November 9, 2018, the CRTC issued *Call for comments – Proceeding to establish a mandatory code for Internet services, Telecom Notice of Consultation CRTC 2018-422*. In this proceeding, the CRTC is considering establishing a mandatory code of conduct to address the clarity of contracts for retail fixed access Internet services and related issues. Among other things, the CRTC is proposing mandating the provision of a critical information summary, limiting early cancellation fees, and requiring that ISPs offer a cooling-off period for customers who sign term contracts. In our written submissions filed December 19, 2018 and reply filed January 28, 2019, we stressed that TELUS already undertakes many of these initiatives as part of our customers first initiatives, but argued that certain proposals should not be adopted, including, among other things, certain restrictions, early cancellation fees and the CRTC’s proposal to give a new code retrospective effect. The proceeding remains ongoing, with a decision anticipated by the end of 2019. It is too early to determine the impact of this proceeding on us.

*Proposed policy direction to CRTC*

Under section 8 of the *Telecommunications Act*, the Governor in Council may provide broad direction to the CRTC on how to implement the policy objectives set out in the Act. On February 26, 2019, the Governor in Council proposed a new direction under this power. The draft direction would require the CRTC, when regulating, to take into account how regulation can promote competition, affordability, consumer interests and innovation. The Governor in Council has further advised that it intends for the draft direction, if implemented, to exist in complementary fashion to the previous policy direction, which requires the CRTC to, among other things, rely on market forces to the maximum extent feasible as the means of achieving the telecommunications policy objectives. The degree, if any, to which this could affect us is unknown at this point and it is too early to conclusively determine any potential impact on us.

*Potential for new security legislation*

In the federal budget released March 19, 2019, the government announced its intention to propose new legislation and make necessary amendments to existing federal legislation in order to introduce a new critical cyber systems framework. The degree, if any, to which this could affect us is unknown at this point and it is too early to conclusively determine any potential impact on us.

**Broadcasting-related issues**

*Broadcasting licences held by TELUS*

Our regional licences to operate broadcasting distribution undertakings in B.C. and Alberta have been granted renewals in Broadcasting Decision CRTC 2018-267, which extend the licence terms to August 31, 2023. Our regional broadcasting distribution licence to serve Quebec has also been granted an additional administrative renewal, which has extended the current licence terms to June 30, 2019. A renewal of our regional licence to operate broadcasting distribution undertakings in Quebec is expected by the end of the second quarter of 2019. Our licence to operate a national video-on-demand service was renewed to August 31, 2023, as part of Broadcasting Decision CRTC 2018-20.

*CRTC ordered to report back to federal government on distribution models of the future*

On September 22, 2017, the Governor in Council issued an Order in Council pursuant to section 15 of the *Broadcasting Act* to request that the CRTC hold hearings and report on distribution models of the future and how Canadians will access programming. On May 31, 2018, the CRTC issued its report, titled *Harnessing Change: The Future of Programming Distribution in Canada*, which provides an overview of the state of programming content distribution in Canada and sets out some options for change to the policy framework for consideration. This report will likely form part of the record for the joint review of the *Broadcasting Act* and *Telecommunications Act* by a panel of experts as described below. The CRTC has also announced in its forecast of activities for 2019 to 2020 that it intends to implement some of the new initiatives discussed in its report. Further consultations are anticipated but the outcomes are not expected to have any negative material impact on us.

*Review of the Telecommunications Act and the Broadcasting Act*

On June 5, 2018, the federal government announced a joint review of the *Telecommunications Act* and the *Broadcasting Act* to be conducted by a panel of seven experts, which will have until January 31, 2020 to provide its final

recommendations. Written submissions in response to the panel’s call for comments were filed on January 11, 2019, and the panel expects to issue an interim report no later than June 30, 2019 on what it has heard during this consultation process. At this time, we do not know the impact of the review and any resulting amendments to the *Telecommunications Act*, the *Broadcasting Act* or the *Radiocommunication Act* (all three of which form the main legislative framework for communications).

#### *Review of the Copyright Act and Copyright Board*

The *Copyright Act’s* mandated five-year review was due in 2017 and the process for review via parliamentary committee was announced in December 2017. The Standing Committee on Industry, Science and Technology, with the assistance of the Standing Committee on Canadian Heritage, completed the review of the *Copyright Act* and its policy framework in January 2019. The issuance of a report providing recommendations to the government for amendments to the *Copyright Act* is expected in the first half of 2019. The policy approach for copyright has traditionally been based on a balance of interests of creators and consumers, and as a result, changes to the *Copyright Act* are not expected to have a negative material impact on us.

The Copyright Board reform process was completed in 2018, and reforms were implemented by the government through *Bill C-86, A second Act to implement certain provisions of the budget tabled in Parliament on February 27, 2018 and other measures*, which received Royal Assent on December 13, 2018. The Copyright Act provisions relating to Copyright Board reform came into force on April 1, 2019.

## 10. Risks and risk management

The principal risks and uncertainties that could affect our future business results and associated risk mitigation activities were described in our 2018 annual MD&A and have not materially changed since December 31, 2018. Reference is made as well to the summary of risks and uncertainties in the *Caution regarding forward-looking statements* at the beginning of this MD&A.

## 11. Definitions and reconciliations

### 11.1 Non-GAAP and other financial measures

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

**Adjusted Net income and adjusted basic earnings per share:** These measures are used to evaluate performance at a consolidated level and exclude items that may obscure the underlying trends in business performance. These measures should not be considered alternatives to Net income and basic earnings per share in measuring TELUS’ performance. Items that may, in management’s view, obscure the underlying trends in business performance include significant gains or losses associated with real estate development partnerships, gains on exchange of wireless spectrum licences, restructuring and other costs, long-term debt prepayment premiums (when applicable), income tax-related adjustments, asset retirements related to restructuring activities and gains arising from business combinations. (See *Reconciliation of adjusted Net income* and *Reconciliation of adjusted basic EPS* in *Section 1.3*.)

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

**Dividend payout ratio:** This is a historical measure calculated as the sum of the last four quarterly dividends declared per Common Share, as reported in the financial statements, divided by the sum of basic earnings per share for the most recent four quarters for interim reporting periods. For fiscal years, the denominator is annual basic earnings per share. Our objective range for the annual dividend payout ratio is on a prospective basis, rather than on a trailing basis. (See *Section 7.5 Liquidity and capital resource measures*.)

**Calculation of Dividend payout ratio**

12-month periods ended March 31 (\$)	2019	2018
Numerator – Sum of the last four quarterly dividends declared per Common Share	2.14	1.995
Denominator – Net income per Common Share	2.70	2.62
<b>Ratio (%)</b>	<b>79</b>	76

**Dividend payout ratio of adjusted net earnings:** This ratio is a historical measure calculated as the sum of the last four quarterly dividends declared per Common Share, as reported in the financial statements, divided by adjusted net earnings per share. Adjusted net earnings per share is basic earnings per share, as used in the **Dividend payout ratio**, adjusted to exclude the gain on the exchange of wireless spectrum licences, gains and equity income related to real estate joint ventures, provisions related to business combinations, long-term debt prepayment premium (when applicable) and income tax-related adjustments.

**Calculation of Dividend payout ratio of adjusted net earnings**

12-month periods ended March 31 (\$)	2019	2018
Numerator – Sum of the last four quarterly dividends declared per Common Share	2.14	1.995
Adjusted net earnings (\$ millions):		
Net income attributable to Common Shares	1,618	1,555
Deduct non-recurring gains and equity income related to real estate joint ventures, after income taxes	(150)	(1)
Provisions related to business combinations, after income taxes	(17)	(22)
(Deduct net favourable) add net unfavourable income tax-related adjustments	(7)	21
Add long-term debt prepayment premium, after income taxes	25	—
Add initial and committed donation to TELUS Friendly Future Foundation, after income taxes	90	—
	<b>1,559</b>	1,553
Denominator – Adjusted net earnings per Common Share	2.60	2.62
<b>Adjusted ratio (%)</b>	<b>82</b>	76

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

**Calculation of Earnings coverage**

12-month periods ended March 31 (\$ millions, except ratio)	2019	2018
Net income attributable to Common Shares	1,618	1,555
Income taxes (attributable to Common Shares)	546	592
Borrowing costs (attributable to Common Shares) <sup>1</sup>	653	569
Numerator	2,817	2,716
Denominator – Borrowing costs	653	569
<b>Ratio (times)</b>	<b>4.3</b>	4.8

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

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

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

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

**EBITDA reconciliation**

Three-month periods ended March 31 (\$ millions)	2019	2018
<b>Net income</b>	<b>437</b>	412
Financing costs	168	156
Income taxes	157	151
Depreciation	470	411
Amortization of intangible assets	147	139
<b>EBITDA</b>	<b>1,379</b>	1,269
Add restructuring and other costs included in EBITDA	36	34
<b>EBITDA – excluding restructuring and other costs and Adjusted EBITDA</b>	<b>1,415</b>	1,303

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

**Free cash flow:** We report this measure as a supplementary indicator of our operating performance. It should not be considered an alternative to the measures in the condensed interim consolidated statements of cash flows. Free cash flow excludes certain working capital changes (such as trade receivables and trade payables), proceeds from divested assets and other sources and uses of cash, as found in the condensed interim consolidated statements of cash flows. It provides an indication of how much cash generated by operations is available after capital expenditures (excluding purchases of spectrum licences) that may be used to, among other things, pay dividends, repay debt, purchase shares or make other investments. Free cash flow may be supplemented from time to time by proceeds from divested assets or financing activities.

**Free cash flow calculation**

Three-month periods ended March 31 (\$ millions)	2019	2018
<b>EBITDA</b>	<b>1,379</b>	1,269
Deduct non-cash gains from the sale of property, plant and equipment	(5)	(8)
Restructuring and other costs, net of disbursements	(33)	(4)
Effects of contract asset, acquisition and fulfilment *	38	18
Effects of lease principal	(88)	—
Leases formerly accounted for as finance leases	13	—
Items from the condensed interim consolidated statements of cash flows:		
Share-based compensation, net	19	18
Net employee defined benefit plans expense	20	25
Employer contributions to employee defined benefit plans	(16)	(21)
Interest paid <sup>1</sup>	(179)	(150)
Interest received	2	2
Capital expenditures (excluding spectrum licences) <sup>2</sup>	(646)	(650)
Free cash flow before income taxes	504	499
Income taxes paid, net of refunds	(351)	(56)
<b>Free cash flow</b>	<b>153</b>	443

1 Includes \$15 million interest paid on lease liabilities.

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

**\* Reconciliation of effects of contract asset, acquisition and fulfilment**

Three-month periods ended March 31 (\$ millions)	2019	2018
From <i>Note 6(c)</i> of the interim consolidated financial statements:		
Net additions arising from operations	321	281
Amounts billed in period and thus reclassified to accounts receivable	(346)	(304)
Change in impairment allowance, net	—	(1)
Other	1	—
From <i>Note 20</i> of the interim consolidated financial statements:		
Additions – Total	62	76
Amortization – Total	(76)	(70)
<b>Effects of contract asset, acquisition and fulfilment</b>	<b>(38)</b>	(18)

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

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

Three-month periods ended March 31 (\$ millions)	2019	2018
<b>Free cash flow</b>	<b>153</b>	443
Add (deduct):		
Capital expenditures (excluding spectrum licences)	<b>646</b>	650
Adjustments to reconcile to Cash provided by operating activities	<b>(9)</b>	(255)
<b>Cash provided by operating activities</b>	<b>790</b>	838

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

**Calculation of Net debt**

As at March 31 (\$ millions)	2019	2018
Long-term debt including current maturities	<b>15,775</b>	13,990
Debt issuance costs netted against long-term debt	<b>90</b>	75
Derivative (assets) liabilities, net	<b>41</b>	59
Accumulated other comprehensive income amounts arising from financial instruments used to manage interest rate and currency risks associated with U.S. dollar-denominated long-term debt (excluding tax effects)	<b>(86)</b>	(24)
Cash and temporary investments, net	<b>(588)</b>	(415)
Short-term borrowings	<b>500</b>	100
<b>Net debt</b>	<b>15,732</b>	13,785

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

**Net interest cost:** This measure is the denominator in the calculation of **EBITDA – excluding restructuring and other costs interest coverage**. Net interest cost is defined as financing costs, excluding capitalized long-term debt interest, employee defined benefit plans net interest and recoveries on redemption and repayment of debt, calculated on a 12-month trailing basis. Expenses recorded for the long-term debt prepayment premium, if any, are included in net interest cost. Net interest cost was \$660 million in the 12-month period ended March 31, 2019, and \$582 million in the 12-month period ended March 31, 2018; currently, this reflects interest on lease liabilities only for the three-month period ended March 31, 2019, due to the IFRS 16 transition methodology.

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

**Components of restructuring and other costs**

Three-month periods ended March 31 (\$ millions)	2019	2018
Goods and services purchased	<b>18</b>	5
Employee benefits expense	<b>18</b>	29
<b>Restructuring and other costs included in EBITDA</b>	<b>36</b>	34



## 11.2 Operating indicators

As a result of our subscriber definition changes effective the first quarter of 2019, certain subscriber units were moved from the mobile phones subscriber base to the newly created mobile connected devices subscriber base. Specifically, data-centric devices intended for limited or no cellular voice capabilities, such as tablets, internet keys, connected cars, and wearable technology were moved to the mobile connected devices subscriber base in alignment with the revised definitions. Our newly created mobile connected devices subscriber base combines these data-centric devices moved from mobile phone subscriber units with previously undisclosed Internet of Things and mobile health subscriber units.

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

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

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

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

**Mobile connected device subscriber unit** is defined as an active data-centric recurring revenue-generating device (e.g. tablets, internet keys, Internet of Things, wearables, connected automobile systems) with a unique subscriber identifier (SIM or IMEI number) that is intended for limited or no cellular voice capability. In addition, TELUS has a direct billing or support relationship with the user of each device.

**Mobile phone subscriber unit** is defined as an active mobile recurring revenue-generating unit (e.g. feature phones, smartphones) with a unique subscriber identifiers (SIM or IMEI number) that is a multi-purpose mobile handset which provides cellular voice, text and data connectivity. In addition, TELUS has a direct billing or support relationship with the user of each device.

**Wireline subscriber unit** is defined as an active recurring revenue-generating unit that has access to stand-alone services, including fixed Internet access, TELUS TV and residential voice (previously residential network access lines). In addition, TELUS has a direct billing or support relationship with the user of each service.

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

**(UNAUDITED)**

**MARCH 31, 2019**

condensed interim consolidated statements of income and other  
comprehensive income

(unaudited)

Periods ended March 31 (millions except per share amounts)	Note	Three months	
		2019	2018
<b>OPERATING REVENUES</b>			
Service		\$ 3,020	\$ 2,886
Equipment		469	465
Revenues arising from contracts with customers	6	3,489	3,351
Other operating income	7	17	26
		<b>3,506</b>	<b>3,377</b>
<b>OPERATING EXPENSES</b>			
Goods and services purchased		1,421	1,408
Employee benefits expense	8	706	700
Depreciation	17	470	411
Amortization of intangible assets	18	147	139
		<b>2,744</b>	<b>2,658</b>
<b>OPERATING INCOME</b>			
Financing costs	9	762	719
		<b>168</b>	<b>156</b>
<b>INCOME BEFORE INCOME TAXES</b>			
Income taxes	10	594	563
		<b>157</b>	<b>151</b>
<b>NET INCOME</b>			
		<b>437</b>	<b>412</b>
<b>OTHER COMPREHENSIVE INCOME</b>			
<b>Items that may subsequently be reclassified to income</b>			
Change in unrealized fair value of derivatives designated as cash flow hedges		(49)	(7)
Foreign currency translation adjustment arising from translating financial statements of foreign operations		6	(4)
		<b>(43)</b>	<b>(11)</b>
<b>Items never subsequently reclassified to income</b>			
Employee defined benefit plan re-measurements		24	(43)
		<b>(19)</b>	<b>(54)</b>
<b>COMPREHENSIVE INCOME</b>			
		<b>\$ 418</b>	<b>\$ 358</b>
<b>NET INCOME ATTRIBUTABLE TO:</b>			
Common Shares		\$ 428	\$ 410
Non-controlling interests		9	2
		<b>\$ 437</b>	<b>\$ 412</b>
<b>COMPREHENSIVE INCOME ATTRIBUTABLE TO:</b>			
Common Shares		\$ 406	\$ 357
Non-controlling interests		12	1
		<b>\$ 418</b>	<b>\$ 358</b>
<b>NET INCOME PER COMMON SHARE</b>			
	12		
Basic		\$ 0.71	\$ 0.69
Diluted		\$ 0.71	\$ 0.69
<b>TOTAL WEIGHTED AVERAGE COMMON SHARES OUTSTANDING</b>			
Basic		600	595
Diluted		600	595

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



As at (millions)	Note	March 31, 2019	December 31, 2018
<b>ASSETS</b>			
<b>Current assets</b>			
Cash and temporary investments, net		\$ 588	\$ 414
Accounts receivable	6(b)	1,645	1,600
Income and other taxes receivable		48	3
Inventories	1(b)	359	376
Contract assets	6(c)	862	860
Prepaid expenses	20	626	539
Current derivative assets	4(d)	27	49
		<b>4,155</b>	<b>3,841</b>
<b>Non-current assets</b>			
Property, plant and equipment, net	17	13,321	12,091
Intangible assets, net	18	11,015	10,934
Goodwill, net	18	4,877	4,745
Contract assets	6(c)	437	458
Other long-term assets	20	911	986
		<b>30,561</b>	<b>29,214</b>
		<b>\$ 34,716</b>	<b>\$ 33,055</b>
<b>LIABILITIES AND OWNERS' EQUITY</b>			
<b>Current liabilities</b>			
Short-term borrowings	22	\$ 500	\$ 100
Accounts payable and accrued liabilities	23	2,416	2,570
Income and other taxes payable		47	218
Dividends payable	13	329	326
Advance billings and customer deposits	24	667	653
Provisions	25	79	129
Current maturities of long-term debt	26	1,341	836
Current derivative liabilities	4(d)	19	9
		<b>5,398</b>	<b>4,841</b>
<b>Non-current liabilities</b>			
Provisions	25	684	728
Long-term debt	26	14,434	13,265
Other long-term liabilities	27	706	730
Deferred income taxes		3,130	3,150
		<b>18,954</b>	<b>17,873</b>
<b>Liabilities</b>		<b>24,352</b>	<b>22,714</b>
<b>Owners' equity</b>			
Common equity	28	10,278	10,259
Non-controlling interests		86	82
		<b>10,364</b>	<b>10,341</b>
		<b>\$ 34,716</b>	<b>\$ 33,055</b>

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)	Note	Common equity							
		Equity contributed			Retained earnings	Accumulated other comprehensive income	Total	Non-controlling interests	Total
		Common Shares (Note 28)		Contributed surplus					
		Number of shares	Share capital						
Balance as at January 1, 2018		595	\$ 5,205	\$ 370	\$ 3,794	\$ 47	\$ 9,416	\$ 42	\$ 9,458
Net income	2(c)	—	—	—	410	—	410	2	412
Other comprehensive income	11	—	—	—	(43)	(10)	(53)	(1)	(54)
Dividends	13	—	—	—	(299)	—	(299)	—	(299)
Dividends reinvested and optional cash payments	13(b), 14(c)	—	20	—	—	—	20	—	20
Share option award net-equity settlement feature	14(d)	—	1	(1)	—	—	—	—	—
Change in ownership interests of subsidiary	31(a)	—	—	14	—	—	14	29	43
Balance as at March 31, 2018		595	\$ 5,226	\$ 383	\$ 3,862	\$ 37	\$ 9,508	\$ 72	\$ 9,580
Balance as at January 1, 2019									
As previously reported		599	\$ 5,390	\$ 383	\$ 4,474	\$ 12	\$ 10,259	\$ 82	\$ 10,341
IFRS 16, Leases transitional amount	2(c)	—	—	—	(153)	(1)	(154)	(8)	(162)
As adjusted		599	5,390	383	4,321	11	10,105	74	10,179
Net income		—	—	—	428	—	428	9	437
Other comprehensive income	11	—	—	—	24	(46)	(22)	3	(19)
Dividends	13	—	—	—	(329)	—	(329)	—	(329)
Dividends reinvested and optional cash payments	13(b), 14(c)	—	24	—	—	—	24	—	24
Issue of shares in business combination	18(b)	2	72	—	—	—	72	—	72
Balance as at March 31, 2019		601	\$ 5,486	\$ 383	\$ 4,444	\$ (35)	\$ 10,278	\$ 86	\$ 10,364

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



Periods ended March 31 (millions)	Note	Three months	
		2019	2018
<b>OPERATING ACTIVITIES</b>			
Net income		\$ 437	\$ 412
Adjustments to reconcile net income to cash provided by operating activities:			
Depreciation and amortization		617	550
Deferred income taxes	10	31	7
Share-based compensation expense, net	14(a)	19	18
Net employee defined benefit plans expense	15(a)	20	25
Employer contributions to employee defined benefit plans		(16)	(21)
Non-current contract assets		21	19
Other		79	4
Net change in non-cash operating working capital	31(a)	(418)	(176)
Cash provided by operating activities		790	838
<b>INVESTING ACTIVITIES</b>			
Cash payments for capital assets, excluding spectrum licences	31(a)	(793)	(738)
Cash payments for acquisitions, net	18(b)	(162)	(204)
Real estate joint ventures advances	21(c)	(8)	(6)
Real estate joint venture receipts	21(c)	1	1
Proceeds on dispositions		—	15
Cash used by investing activities		(962)	(932)
<b>FINANCING ACTIVITIES</b>			
Dividends paid to holders of Common Shares	31(b) 13(a)	(303)	(279)
Issue (repayment) of short-term borrowings, net		400	(6)
Long-term debt issued	26	1,166	2,161
Redemptions and repayment of long-term debt	26	(917)	(1,895)
Issue of shares by subsidiary to non-controlling interests	31(a)	—	24
Other		—	(5)
Cash provided by financing activities		346	—
<b>CASH POSITION</b>			
Increase (decrease) in cash and temporary investments, net		174	(94)
Cash and temporary investments, net, beginning of period		414	509
Cash and temporary investments, net, end of period		\$ 588	\$ 415
<b>SUPPLEMENTAL DISCLOSURE OF OPERATING CASH FLOWS</b>			
Interest paid		\$ (179)	\$ (150)
Interest received		\$ 2	\$ 2
<b>Income taxes paid, net</b>			
In respect of comprehensive income		\$ (336)	\$ (56)
In respect of business acquisitions		(15)	—
		\$ (351)	\$ (56)

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

**MARCH 31, 2019**

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

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

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

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## 1 condensed interim consolidated financial statements

### (a) Basis of presentation

The notes presented in our condensed interim consolidated financial statements include only significant events and transactions and are not fully inclusive of all matters normally disclosed in our annual audited financial statements; thus, our interim consolidated financial statements are referred to as condensed. Our condensed interim consolidated financial statements should be read in conjunction with our audited consolidated financial statements for the year ended December 31, 2018.

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, 2018, 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, 2019, were authorized by our Board of Directors for issue on May 9, 2019.

### (b) Inventories

Our inventories primarily consist of wireless handsets, parts and accessories totalling \$303 million at March 31, 2019 (December 31, 2018 – \$320 million), and communications equipment held for resale. Costs of goods sold for the three-month period ended March 31, 2019, totalled \$459 million (2018 – \$467 million).

## 2 accounting policy developments

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

- In January 2016, the International Accounting Standards Board released IFRS 16, *Leases*, which is required to be applied for years beginning on or after January 1, 2019, and which supersedes IAS 17, *Leases*. The International Accounting Standards Board and the Financial Accounting Standards Board of the United States worked together to modify the accounting for leases, generally by eliminating lessees' classification of leases as either operating leases or finance leases and, for IFRS-IASB, introducing a single lessee accounting model.

The most significant effect of the new standard is the lessee's recognition of the initial present value of unavoidable future lease payments as right-of-use lease assets and lease liabilities on the statement of financial position, including those for most leases that would previously have been accounted for as operating leases. Both leases with durations of 12 months or less and leases for low-value assets may be exempted.

The measurement of the total lease expense over the term of a lease will be unaffected by the new standard. However, the new standard will result in an acceleration of the timing of lease expense recognition for leases that would previously have been accounted for as operating leases; the International Accounting Standards Board expects that this effect may be muted by a lessee having a portfolio of leases with varying maturities and lengths of term, and we expect that we will be similarly affected. The presentation on the statement of income and other comprehensive income required by the new standard will result in the presentation of most non-executory lease expenses as depreciation of right-of-use lease assets and financing costs arising from lease liabilities, rather than as a part of goods and services purchased (executory lease expenses will remain a part of goods and services purchased); reported operating income would thus be higher under the new standard.

Relative to the results of applying the previous standard, although actual cash flows will be unaffected, the lessee's statement of cash flows will reflect increases in cash flows from operating activities offset equally by decreases in cash flows from financing activities. This is the result of the presentation of the payments of the "principal" component of leases, which were previously accounted for as operating leases, as a cash flow use within financing activities under the new standard.

We have applied the standard retrospectively, with the cumulative effect of the initial application of the new standard recognized at the date of initial application, January 1, 2019, subject to permitted and elected practical



expedients; such method of application does not result in the retrospective adjustment of amounts reported for periods prior to fiscal 2019. The nature of the transition method selected is such that the lease population as at January 1, 2019, and the discount rates determined contemporaneously, is the basis for the cumulative effects recorded as of that date.

#### *Implementation*

As a transitional practical expedient permitted by the new standard, we have not reassessed whether contracts are, or contained, leases as at January 1, 2019, applying the criteria of the new standard; as at January 1, 2019, only contracts that were previously identified as leases applying IAS 17, *Leases*, and IFRIC 4, *Determining whether an Arrangement contains a Lease*, are a part of the transition to the new standard. Only contracts entered into (or changed) after December 31, 2018, will be assessed for being, or containing, leases applying the criteria of the new standard.

The weighted average discount rate reflected in the lease liability recognized on transition was 4.16%. The difference between the total of the minimum lease payments set out in *Note 19* of our audited consolidated financial statements for the year ended December 31, 2018, and the additions to long-term debt set out in (c) following arises because of the effect of discounting the minimum lease payments (approximately two-thirds of the difference) and because the minimum lease payments set out in *Note 19* of our audited consolidated financial statements for the year ended December 31, 2018, include payments for leases that have commencement dates subsequent to December 31, 2018 (approximately one-third of the difference).

The new standard requires a number of incremental recurring disclosures, as well as setting out how those disclosures are to be made; we have made these disclosures, or incorporated them by cross-reference from other notes to the financial statements, in *Note 19*.

#### **(b) Standards, interpretations and amendments to standards not yet effective and not yet applied**

- In October 2018, the International Accounting Standards Board amended IFRS 3, *Business Combinations*, seeking to clarify whether an acquisition transaction results in the acquisition of an asset or the acquisition of a business. The amendments are effective for acquisition transactions on or after January 1, 2020, although earlier application is permitted. The amended standard has a narrower definition of a business, which could result in the recognition of fewer business combinations than under the current standard; the implication of this is that amounts which may have been recognized as goodwill in a business combination under the current standard may now be recognized as allocations to net identifiable assets acquired under the amended standard (with an associated effect in an entity's results of operations that would differ from the effect of goodwill having been recognized). We are currently assessing the impacts and transition provisions of the amended standard; however, we expect that we will apply the standard prospectively from January 1, 2020. The effects, if any, of the amended standard on our financial performance and disclosure will be dependent on the facts and circumstances of any future acquisition transactions.

**(c) Impacts of application of new standard in fiscal 2019**IFRS 16, *Leases*, affected our Consolidated statement of income and other comprehensive income as follows:

Period ended March 31, 2019 (millions except per share amounts)	Three months		
	Excluding effects of IFRS 16	IFRS 16 effects	As currently reported
<b>Operating revenues</b>	\$ 3,506	\$ —	\$ 3,506
<b>Operating expenses</b>			
Goods and services purchased	1,504	(83)	1,421
Employee benefits expense	706	—	706
Depreciation	422	48	470
Amortization of intangible assets	147	—	147
	2,779	(35)	2,744
<b>Operating income</b>	727	35	762
Financing costs	153	15	168
<b>Income before income taxes</b>	574	20	594
Income taxes	152	5	157
<b>Net income</b>	422	15	437
<b>Other comprehensive income</b>			
Cumulative foreign currency translation adjustment	1	5	6
Other	(25)	—	(25)
	(24)	5	(19)
<b>Comprehensive income</b>	\$ 398	\$ 20	\$ 418
<b>Net income attributable to:</b>			
Common Shares	\$ 413	\$ 15	\$ 428
Non-controlling interests	9	—	9
	\$ 422	\$ 15	\$ 437
<b>Comprehensive income attributable to:</b>			
Common Shares	\$ 388	\$ 18	\$ 406
Non-controlling interests	10	2	12
	\$ 398	\$ 20	\$ 418
<b>Net income per Common Share</b>			
Basic	\$ 0.69	\$ 0.02	\$ 0.71
Diluted	\$ 0.69	\$ 0.02	\$ 0.71

IFRS 16, *Leases*, affected our opening January 1, 2019, Consolidated statement of financial position as follows:

As at January 1, 2019 (millions)	Note	Excluding effects of IFRS 16	IFRS 16 effects	As currently reported
<b>Current assets</b>				
Prepaid expense		\$ 539	\$ 12	\$ 551
<b>Non-current assets</b>				
Property, plant and equipment, net	17	\$ 12,091	\$ 1,041	\$ 13,132
<b>Current liabilities</b>				
Accounts payable and accrued liabilities		\$ 2,570	\$ (6)	\$ 2,564
Provisions		\$ 129	\$ (9)	\$ 120
Current maturities of long-term debt		\$ 836	\$ 180	\$ 1,016
<b>Non-current liabilities</b>				
Provisions	25	\$ 728	\$ (48)	\$ 680
Long-term debt		\$ 13,265	\$ 1,201	\$ 14,466
Other long-term liabilities		\$ 730	\$ (50)	\$ 680
Deferred income taxes		\$ 3,150	\$ (53)	\$ 3,097
<b>Owners' equity</b>				
Retained earnings		\$ 4,474	\$ (153)	\$ 4,321
Accumulated other comprehensive income – cumulative foreign currency translation adjustment	11	\$ 12	\$ (1)	\$ 11
Non-controlling interests		\$ 82	\$ (8)	\$ 74

IFRS 16, *Leases*, affected our Consolidated statement of cash flows as follows:

Period ended March 31, 2019 (millions)	Three months		
	Excluding effects of IFRS 16	IFRS 16 effects	As currently reported
<b>OPERATING ACTIVITIES</b>			
Net income	\$ 422	\$ 15	\$ 437
Adjustments to reconcile net income to cash provided by operating activities:			
Depreciation and amortization	569	48	617
Deferred income taxes	26	5	31
All other operating activity line items	(302)	7	(295)
Cash provided by operating activities	715	75	790
<b>INVESTING ACTIVITIES</b>			
Cash used by investing activities	(962)	—	(962)
<b>FINANCING ACTIVITIES</b>			
Redemptions and repayment of long-term debt	(842)	(75)	(917)
All other financing activity line items	1,263	—	1,263
Cash provided (used) by financing activities	421	(75)	346
<b>CASH POSITION</b>			
Increase (decrease) in cash and temporary investments, net	\$ 174	\$ —	\$ 174
<b>SUPPLEMENTAL DISCLOSURE OF OPERATING CASH FLOWS</b>			
Interest paid	\$ (164)	\$ (15)	\$ (179)

### 3 capital structure financial policies

#### *General*

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

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

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

During 2019, our financial objectives, which are reviewed annually, were unchanged from 2018. We believe that our financial objectives are supportive of our long-term strategy.

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

#### *Debt and coverage ratios*

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

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

As at, or for the 12-month periods ended, March 31 (\$ in millions)	Objective	2019	2018
<b>Components of debt and coverage ratios</b>			
Net debt <sup>1</sup>		\$ 15,732	\$ 13,785
EBITDA – excluding restructuring and other costs <sup>2</sup>		\$ 5,533	\$ 5,091
Net interest cost <sup>3</sup>		\$ 660	\$ 582
<b>Debt ratio</b>			
Net debt to EBITDA – excluding restructuring and other costs	2.00 – 2.50 <sup>4</sup>	2.84	2.71
<b>Coverage ratios</b>			
Earnings coverage <sup>5</sup>		4.3	4.8
EBITDA – excluding restructuring and other costs interest coverage <sup>6</sup>		8.4	8.8

1 Net debt is calculated as follows:

As at March 31	Note	2019	2018
Long-term debt	26	\$ 15,775	\$ 13,990
Debt issuance costs netted against long-term debt		90	75
Derivative (assets) liabilities, net		41	59
Accumulated other comprehensive income amounts arising from financial instruments used to manage interest rate and currency risks associated with U.S. dollar-denominated long-term debt – excluding tax effects		(86)	(24)
Cash and temporary investments, net		(588)	(415)
Short-term borrowings	22	500	100
<b>Net debt</b>		<b>\$ 15,732</b>	<b>\$ 13,785</b>

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

	EBITDA (Note 5)	Restructuring and other costs (Note 16)	EBITDA – excluding restructuring and other costs
<b>Add</b>			
Three-month period ended March 31, 2019	\$ 1,379	\$ 36	\$ 1,415
Year ended December 31, 2018	5,104	317	5,421
<b>Deduct</b>			
Three-month period ended March 31, 2018	(1,269)	(34)	(1,303)
<b>EBITDA – excluding restructuring and other costs</b>	<b>\$ 5,214</b>	<b>\$ 319</b>	<b>\$ 5,533</b>

- 3 Net interest cost is defined as financing costs, excluding employee defined benefit plans net interest, recoveries on long-term debt prepayment premium and repayment of debt, calculated on a 12-month trailing basis (expenses recorded for long-term debt prepayment premium, if any, are included in net interest cost).
- 4 Our long-term objective range for this ratio is 2.00 – 2.50 times. The ratio as at March 31, 2019, is outside the long-term objective range. We may permit, and have permitted, this ratio to go outside the objective range (for long-term investment opportunities), but we will endeavour to return this ratio to within the objective range in the medium term (following upcoming spectrum auctions), as we believe that this range is supportive of our long-term strategy. We are in compliance with the leverage ratio covenant in our credit facilities, which states that we may not permit our net debt to operating cash flow ratio to exceed 4.00:1.00 (see Note 26(d)); the calculation of the debt ratio is substantially similar to the calculation of the leverage ratio covenant in our credit facilities.
- 5 Earnings coverage is defined as net income before borrowing costs and income tax expense, divided by borrowing costs (interest on long-term debt; interest on short-term borrowings and other; long-term debt prepayment premium), and adding back capitalized interest.
- 6 EBITDA – excluding restructuring and other costs interest coverage is defined as EBITDA – excluding restructuring and other costs, divided by net interest cost. This measure is substantially similar to the coverage ratio covenant in our credit facilities.

Net debt to EBITDA – excluding restructuring and other costs was 2.84 times as at March 31, 2019, up from 2.71 times one year earlier. The effect of the increase in net debt, largely attributed to the recognition of lease liabilities upon the application of IFRS 16 effective January 1, 2019 (see Note 2(a)), was exceeded by the effect of growth in EBITDA – excluding restructuring and other costs (including that the transition method for IFRS 16 has currently only included three months' effect on the trailing EBITDA). The earnings coverage ratio for the twelve-month period ended March 31, 2019, was 4.3 times, down from 4.8 times one year earlier. Higher borrowing costs, including the recognition of interest (currently only for the three-month period ended March 31, 2019) on lease liabilities upon the application of IFRS 16, reduced the ratio by 0.7 and an increase in income before borrowing costs and income taxes increased the ratio by 0.2. The EBITDA – excluding restructuring and other costs interest coverage ratio for the twelve-month period ended March 31, 2019, was 8.4 times, down from 8.8 times one year earlier. Growth in EBITDA – excluding restructuring and other costs increased the ratio by 0.6, while an increase in net interest costs, including the recognition of interest (currently only for the three-month period ended March 31, 2019) on lease liabilities upon the application of IFRS 16, reduced the ratio by 1.0.

#### Dividend payout ratio

The dividend payout ratio presented is a historical measure calculated as the sum of the last four quarterly dividends declared per Common Share, as recorded in the financial statements, 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 presented, also a historical measure, differs in that it excludes the gain on exchange of wireless spectrum licences, net gains and equity income from real estate joint ventures, provisions related to business combinations, immediately vesting transformative compensation expense, long-term debt prepayment premium and income tax-related adjustments.

For the 12-month periods ended March 31 (\$ in millions)	Objective	2019	2018
Dividend payout ratio	65%–75% <sup>1</sup>	79%	76%
Dividend payout ratio of adjusted net earnings		82%	76%

1 Our objective range for the dividend payout ratio is 65%–75% of sustainable earnings on a prospective basis through 2019; we currently expect that we will be within our target guideline on a prospective basis within the medium term. So as to be consistent with the way we manage our business, we have revised our target guideline, effective January 1, 2020, to be calculated as 60% to 75% of free cash flow on a prospective basis (free cash flow does not have any standardized meaning prescribed by IFRS-IASB and is therefore unlikely to be comparable to similar measures presented by other issuers). Adjusted net earnings attributable to Common Shares is calculated as follows:

12-month periods ended March 31	2019	2018
Net income attributable to Common Shares	\$ 1,618	\$ 1,555
Gain and net equity income related to real estate redevelopment project, after income taxes	(150)	(1)
Business combination-related provisions, after income taxes	(17)	(22)
Income tax-related adjustments	(7)	21
Long-term debt prepayment premium, after income taxes	25	—
Initial and committed donation to TELUS Friendly Future Foundation, after income taxes	90	—
Adjusted net earnings attributable to Common Shares	\$ 1,559	\$ 1,553

## 4 financial instruments

### (a) Credit risk

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

As at (millions)	March 31, 2019	December 31, 2018
Cash and temporary investments, net	\$ 588	\$ 414
Accounts receivable	1,645	1,600
Contract assets	1,299	1,318
Derivative assets	31	103
	\$ 3,563	\$ 3,435

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

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

#### *Accounts receivable*

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

As at March 31, 2019, the weighted average age of customer accounts receivable was 28 days (December 31, 2018 – 30 days) and the weighted average age of past-due customer accounts receivable was 61 days (December 31, 2018 – 56 days). Accounts are considered to be past due (in default) when customers have failed to make the contractually required payments when due, which is generally within 30 days of the billing date. Any late payment charges are levied at an industry-based market or negotiated rate on outstanding non-current customer account balances.

As at (millions)	March 31, 2019			December 31, 2018		
	Gross	Allowance	Net <sup>1</sup>	Gross	Allowance	Net <sup>1</sup>
<b>Customer accounts receivable, net of allowance for doubtful accounts</b>						
Less than 30 days past billing date	\$ 867	\$ (12)	\$ 855	\$ 762	\$ (13)	\$ 749
30-60 days past billing date	230	(8)	222	354	(10)	344
61-90 days past billing date	67	(6)	61	80	(8)	72
More than 90 days past billing date	76	(17)	59	67	(22)	45
	\$ 1,240	\$ (43)	\$ 1,197	\$ 1,263	\$ (53)	\$ 1,210

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

We maintain allowances for lifetime expected credit losses related to doubtful accounts. Current economic conditions (including forward-looking macroeconomic data), historical information (including credit agency reports, if available), reasons for the accounts being past due and the line of business from which the customer accounts receivable arose are all considered when determining whether to make allowances for past-due accounts. The same factors are considered when determining whether to write off amounts charged to the allowance for doubtful accounts against the customer accounts receivable; amounts charged to the customer accounts receivable allowance for doubtful accounts that were written off but were still subject to enforcement activity as at March 31, 2019, totalled \$434 million (December 31, 2018 – \$353 million). The doubtful accounts expense is calculated on a specific-identification basis for customer accounts receivable above a specific balance threshold and on a statistically derived allowance basis for the remainder. No customer accounts receivable are written off directly to the doubtful accounts expense.

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

Periods ended March 31 (millions)	Three months	
	2019	2018
Balance, beginning of period	\$ 53	\$ 43
Additions (doubtful accounts expense)	11	16
Accounts written off, net of recoveries	(22)	(14)
Other	1	2
Balance, end of period	\$ 43	\$ 47

### Contract assets

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

As at (millions)	March 31, 2019			December 31, 2018		
	Gross	Allowance	Net (Note 6(c))	Gross	Allowance	Net (Note 6(c))
<b>Contract assets, net of impairment allowance</b>						
<i>To be billed and thus reclassified to accounts receivable during:</i>						
The 12-month period ending one year hence	\$ 1,064	\$ (52)	\$ 1,012	\$ 1,068	\$ (51)	\$ 1,017
The 12-month period ending two years hence	446	(23)	423	466	(22)	444
Thereafter	15	(1)	14	15	(1)	14
	\$ 1,525	\$ (76)	\$ 1,449	\$ 1,549	\$ (74)	\$ 1,475

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

### Derivative assets (and derivative liabilities)

Counterparties to our share-based compensation cash-settled equity forward agreements and foreign exchange derivatives are major financial institutions that have been accorded investment grade ratings by a primary credit rating agency. The total dollar amount of credit exposure under contracts with any one financial institution is limited and counterparties' credit ratings are monitored. We do not give or receive collateral on swap agreements and hedging items due to our credit rating and those of our counterparties. While we are exposed to the risk of potential credit losses due to the possible non-performance of our counterparties, we consider this risk remote. Our derivative liabilities do not have credit risk-related contingent features.

### (b) Liquidity risk

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

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

Our debt maturities in future years are as disclosed in *Note 26(g)*. As at March 31, 2019, we could, after reflecting the offering of the 3.30% Notes, Series CY (see *Note 26(b)*), offer \$1.5 billion of debt or equity securities pursuant to a shelf prospectus that is in effect until June 2020 (December 31, 2018 – \$2.5 billion). We believe that our investment grade credit ratings contribute to reasonable access to capital markets.

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

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

As at March 31, 2019 (millions)	Non-derivative				Derivative						
	Non-interest bearing financial liabilities	Short-term borrowings <sup>1</sup>	Construction credit facilities commitment <sup>2</sup> (Note 21)	Composite long-term debt				Other	Currency swap agreement amounts to be exchanged		Total
				Long-term debt, excluding leases <sup>1</sup> (Note 26)	Leases (Notes 2(c), 26)	Currency swap agreement amounts to be exchanged <sup>3</sup>			(Receive)	Pay	
2019 (balance of year)	\$ 2,095	\$ 10	\$ 37	\$ 1,518	\$ 231	\$ (1,183)	\$ 1,170	\$ —	\$ (430)	\$ 420	\$ 3,868
2020	308	13	—	1,565	293	(93)	89	—	(103)	101	2,173
2021	90	513	—	1,564	216	(93)	89	—	—	—	2,379
2022	5	—	—	2,071	184	(93)	89	2	—	—	2,258
2023	8	—	—	884	166	(93)	89	—	—	—	1,054
2024-2028	3	—	—	6,201	471	(1,878)	1,847	—	—	—	6,644
Thereafter	—	—	—	7,704	417	(1,924)	1,832	—	—	—	8,029
<b>Total</b>	<b>\$ 2,509</b>	<b>\$ 536</b>	<b>\$ 37</b>	<b>\$ 21,507</b>	<b>\$ 1,978</b>	<b>\$ (5,357)</b>	<b>\$ 5,205</b>	<b>\$ 2</b>	<b>\$ (533)</b>	<b>\$ 521</b>	<b>\$ 26,405</b>
				Total (Note 26(g))			\$ 23,333				

1 Cash outflows in respect of interest payments on our short-term borrowings, commercial paper and amounts drawn under our credit facilities (if any) have been calculated based upon the interest rates in effect as at March 31, 2019.

2 The drawdowns on the construction credit facilities are expected to occur as construction progresses through 2020.

3 The amounts included in undiscounted non-derivative long-term debt in respect of U.S. dollar-denominated long-term debt, and the corresponding amounts in the long-term debt currency swaps receive column, have been determined based upon the currency exchange rates in effect as at March 31, 2019. The hedged U.S. dollar-denominated long-term debt contractual amounts at maturity, in effect, are reflected in the long-term debt currency swaps pay column as gross cash flows are exchanged pursuant to the currency swap agreements.

As at December 31, 2018 (millions)	Non-derivative				Derivative						
	Non-interest bearing financial liabilities	Short-term borrowings <sup>1</sup>	Construction credit facilities commitment <sup>2</sup> (Note 21)	Composite long-term debt				Other	Currency swap agreement amounts to be exchanged		Total
				Long-term debt <sup>1</sup>	Finance leases <sup>1</sup>	Currency swap agreement amounts to be exchanged <sup>3</sup>			(Receive)	Pay	
2019	\$ 2,372	\$ 3	\$ 45	\$ 1,349	\$ 55	\$ (877)	\$ 851	\$ —	\$ (542)	\$ 516	\$ 3,772
2020	251	3	—	1,567	51	(95)	89	1	—	—	1,867
2021	102	103	—	1,567	—	(95)	89	—	—	—	1,766
2022	18	—	—	2,086	—	(95)	89	1	—	—	2,099
2023	19	—	—	886	—	(95)	89	—	—	—	899
2024-2028	20	—	—	6,240	—	(1,917)	1,847	—	—	—	6,190
Thereafter	—	—	—	7,744	—	(1,964)	1,832	—	—	—	7,612
<b>Total</b>	<b>\$ 2,782</b>	<b>\$ 109</b>	<b>\$ 45</b>	<b>\$ 21,439</b>	<b>\$ 106</b>	<b>\$ (5,138)</b>	<b>\$ 4,886</b>	<b>\$ 2</b>	<b>\$ (542)</b>	<b>\$ 516</b>	<b>\$ 24,205</b>
				Total			\$ 21,293				

1 Cash outflows in respect of interest payments on our short-term borrowings, commercial paper and amounts drawn under our credit facilities (if any) have been calculated based upon the interest rates in effect as at December 31, 2018.

2 The drawdowns on the construction credit facilities were expected to occur as construction progresses through 2019.

3 The amounts included in undiscounted non-derivative long-term debt in respect of U.S. dollar-denominated long-term debt, and the corresponding amounts in the long-term debt currency swaps receive column, have been determined based upon the currency exchange rates in effect as at December 31, 2018. The hedged U.S. dollar-denominated long-term debt contractual amounts at maturity, in effect, are reflected in the long-term debt currency swaps pay column as gross cash flows are exchanged pursuant to the currency swap agreements.

### (c) Market risks

Net income and other comprehensive income for the three-month periods ended March 31, 2019 and 2018, could have varied if the Canadian dollar: U.S. dollar exchange rate and our Common Share price varied by reasonably possible amounts from their actual statement of financial position date amounts.

The sensitivity analysis of our exposure to currency risk at the reporting date has been determined based upon a hypothetical change taking place at the relevant statement of financial position date. The U.S. dollar-denominated 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 Common 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 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	
	2019	2018	2019	2018	2019	2018
Reasonably possible changes in market risks <sup>1</sup>						
10% change in C\$: US\$ exchange rate						
Canadian dollar appreciates	\$ —	\$ —	\$ (28)	\$ (4)	\$ (28)	\$ (4)
Canadian dollar depreciates	\$ —	\$ —	\$ 28	\$ 4	\$ 28	\$ 4
25 basis point change in interest rates						
Interest rates increase	\$ (1)	\$ (1)	\$ 4	\$ 1	\$ 3	\$ —
Interest rates decrease	\$ 1	\$ 1	\$ (3)	\$ —	\$ (2)	\$ 1
25% <sup>2</sup> change in Common Share price <sup>3</sup>						
Price increases	\$ —	\$ (12)	\$ 1	\$ 22	\$ 1	\$ 10
Price decreases	\$ 16	\$ 14	\$ (1)	\$ (22)	\$ 15	\$ (8)

1 These sensitivities are hypothetical and should be used with caution. Changes in net income and/or other comprehensive income generally cannot be extrapolated because the relationship of the change in assumption to the change in net income and/or other comprehensive income may not be linear. In this table, the effect of a variation in a particular assumption on the amount of net income and/or other comprehensive income is calculated without changing any other factors; in reality, changes in one factor may result in changes in another, which might magnify or counteract the sensitivities.

The sensitivity analysis assumes that we would realize the changes in exchange rates; in reality, the competitive marketplace in which we operate would have an effect on this assumption.

No consideration has been made for a difference in the notional number of Common Shares associated with share-based compensation awards made during the reporting period that may have arisen due to a difference in the Common Share price.

2 To facilitate ongoing comparison of sensitivities, a constant variance of approximate magnitude has been used. Reflecting a three-month data period and calculated on a monthly basis, the volatility of our Common Share price as at March 31, 2019, was 5.1% (2018 – 4.7%).

3 The hypothetical effects of changes in the price of our Common Shares are restricted to those which would arise from our share-based compensation awards that are accounted for as liability instruments and the associated cash-settled equity swap agreements.

#### (d) Fair values

##### Derivative

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

As at (millions)	March 31, 2019					December 31, 2018			
	Designation	Maximum maturity date	Notional amount	Fair value <sup>1</sup> and carrying value	Price or rate	Maximum maturity date	Notional amount	Fair value <sup>1</sup> and carrying value	Price or rate
<b>Current Assets<sup>2</sup></b>									
<i>Derivatives used to manage</i>									
Currency risk arising from U.S. dollar-denominated purchases	HFH <sup>3</sup>	2020	\$ 390	\$ 10	US\$1.00: C\$1.30	2019	\$ 414	\$ 25	US\$1.00: C\$1.28
Currency risk arising from U.S. dollar revenues	HFT <sup>4</sup>	2019	\$ 69	1	US\$1.00: C\$1.34	2019	\$ 74	1	US\$1.00: C\$1.36
Changes in share-based compensation costs (Note 14(b))	HFH <sup>3</sup>	2019	\$ 66	7	\$ 45.54	2019	\$ 63	2	\$ 45.46
Currency risk arising from U.S. dollar-denominated long-term debt (Note 26(b)-(c))	HFH <sup>3</sup>	2019	\$ 796	9	US\$1.00: C\$1.32	2019	\$ 761	21	US\$1.00: C\$1.33
				\$ 27				\$ 49	
<b>Other Long-Term Assets<sup>2</sup></b>									
<i>Derivatives used to manage</i>									
Changes in share-based compensation costs (Note 14(b))	HFH <sup>3</sup>	2020	\$ 67	\$ 4	\$ 48.71	—	\$ —	\$ —	—
Currency risks arising from U.S. dollar-denominated long-term debt <sup>5</sup> (Note 26(b)-(c))	HFH <sup>3</sup>	—	\$ —	—	—	2048	\$ 3,134	54	US\$1.00: C\$1.28
				\$ 4				\$ 54	



As at (millions)	Designation	Maximum maturity date	March 31, 2019			December 31, 2018			
			Notional amount	Fair value <sup>1</sup> and carrying value	Price or rate	Maximum maturity date	Notional amount	Fair value <sup>1</sup> and carrying value	Price or rate
<b>Current Liabilities<sup>2</sup></b>									
<i>Derivatives used to manage</i>									
Currency risk arising from U.S. dollar-denominated purchases									
	HFH <sup>3</sup>	2020	\$ 47	\$ —	US\$1.00: C\$1.34	2019	\$ 11	\$ —	US\$1.00: C\$1.36
Currency risk arising from U.S. dollar revenues									
	HFT <sup>4</sup>	2019	\$ 16	—	US\$1.00: C\$1.34	2019	\$ 18	—	US\$1.00: C\$1.36
Changes in share-based compensation costs (Note 14(b))									
	HFH <sup>3</sup>	—	\$ —	—	—	2019	\$ 2	—	\$ 47.39
Currency risk arising from U.S. dollar-denominated long-term debt (Note 26(b)-(c))									
	HFH <sup>3</sup>	2019	\$ 309	2	US\$1.00: C\$1.34	—	\$ —	—	—
Interest rate risk associated with non-fixed rate credit facility amounts drawn (Note 26(e))									
	HFH <sup>3</sup>	2020	\$ 8	—	2.64%	2019	\$ 8	—	2.64%
Interest rate risk associated with refinancing of debt maturing									
	HFH <sup>3</sup>	2019	\$ 250	17	2.40%, GOC 10-year term	2019	\$ 250	9	2.40%, GOC 10-year term
			\$ 19				\$ 9		
<b>Other Long-Term Liabilities<sup>2</sup></b>									
<i>Derivatives used to manage</i>									
Changes in share-based compensation costs (Note 14(b))									
	HFH <sup>3</sup>	—	\$ —	\$ —	—	2020	\$ 67	\$ 3	\$ 48.71
Currency risk arising from U.S. dollar-denominated long-term debt <sup>5</sup> (Note 26(b)-(c))									
	HFH <sup>3</sup>	2048	\$ 4,102	48	US\$1.00: C\$1.29	2027	\$ 991	2	US\$1.00: C\$1.33
Interest rate risk associated with non-fixed rate credit facility amounts drawn (Note 26(e))									
	HFH <sup>3</sup>	2022	\$ 140	2	2.64%	2022	\$ 145	1	2.64%
			\$ 50				\$ 6		

- 1 Fair value measured at reporting date using significant other observable inputs (Level 2).
- 2 Derivative financial assets and liabilities are not set off.
- 3 Designated as held for hedging (HFH) upon initial recognition (cash flow hedging item); hedge accounting is applied. Unless otherwise noted, hedge ratio is 1:1 and is established by assessing the degree of matching between the notional amounts of hedging items and the notional amounts of the associated hedged items.
- 4 Designated as held for trading (HFT) and classified as fair value through net income upon initial recognition; hedge accounting is not applied.
- 5 We designate only the spot element as the hedging item. As at March 31, 2019, the foreign currency basis spread included in the fair value of the derivative instruments, and which is used for purposes of assessing hedge ineffectiveness, was \$36 (December 31, 2018 – \$29).

**Non-derivative**

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

As at (millions)	March 31, 2019		December 31, 2018	
	Carrying value	Fair value	Carrying value	Fair value
Long-term debt, excluding leases (Note 26)	\$ 14,267	\$ 14,938	\$ 13,999	\$ 14,107

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

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

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

Three-month periods ended March 31 (millions)	Note	Amount of gain (loss) recognized in other comprehensive income (effective portion) (Note 11)		Location	Gain (loss) reclassified from other comprehensive income to income (effective portion) (Note 11)	
		2019	2018		Amount	
					2019	2018
<i>Derivatives used to manage currency risk</i>						
Arising from U.S. dollar-denominated purchases		\$ (8)	\$ 13	Goods and services purchased	\$ 5	\$ (5)
Arising from U.S. dollar-denominated long-term debt <sup>1</sup>	26(b)-(c)	(122)	43	Financing costs	(65)	67
		(130)	56		(60)	62
<i>Derivatives used to manage other market risk</i>						
Arising from changes in share-based compensation costs	14(b)	10	(9)	Employee benefits expense	7	(3)
		\$ (120)	\$ 47		\$ (53)	\$ 59

<sup>1</sup> Amounts recognized in other comprehensive income are net of the change in the foreign currency basis spread (which is used for purposes of assessing hedge ineffectiveness) included in the fair value of the derivative instruments; such amount for the three-month period ended March 31, 2019, was \$7 (2018 – \$(3)).

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

Periods ended March 31 (millions)	Location	Gain (loss) recognized in income on derivatives Three months	
		2019	2018
Derivatives used to manage currency risk	Financing costs	\$ (2)	\$ (1)

## 5 segment information

### General

Operating segments are components of an entity that engage in business activities from which they earn revenues and incur expenses (including revenues and expenses related to transactions with the other component(s)), the operations of which can be clearly distinguished and for which the operating results are regularly reviewed by a chief operating decision-maker to make resource allocation decisions and to assess performance.

A significant judgment we make is in respect of distinguishing between our wireless and wireline operations and cash flows (and this extends to allocations of both direct and indirect expenses and capital expenditures). The clarity of such distinction has been increasingly affected by the convergence and integration of our wireless and wireline telecommunications infrastructure technology and operations. Less than one-half of the operating expenses included in the segment performance measure reported to our chief operating decision-maker are direct costs; judgment, largely based upon historical experience, is applied in apportioning indirect expenses which are not objectively distinguishable between our wireless and wireline operations. The continued build-out of our technology-agnostic fibre-optic infrastructure, in combination with converged edge network technology, has significantly affected this judgment, as has the commercialization of fixed-wireless telecommunications solutions for customers and the consolidation of our non-customer facing operations. As a result, it has become increasingly difficult and impractical to objectively and clearly distinguish between our wireless and wireline operations and cash flows, and the assets from which those cash flows arise.

As we do not currently aggregate operating segments, our reportable segments as at March 31, 2019, are also wireless and wireline. The wireless segment includes network revenues and equipment sales arising from mobile technologies. The wireline segment includes data revenues (which include Internet protocol; television; hosting, managed information technology and cloud-based services; customer care and business services; certain healthcare solutions; and home and business security), voice and other telecommunications services revenues (excluding wireless arising from mobile technologies), and equipment sales. Segmentation has been based on similarities in technology (mobile versus fixed), the technical expertise required to deliver the services and products, customer characteristics, the distribution channels used and regulatory treatment. Intersegment sales are recorded at the exchange value, which is the amount agreed to by the parties.

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

Three-month periods ended March 31 (millions)	Wireless		Wireline		Eliminations		Consolidated	
	2019	2018	2019	2018	2019	2018	2019	2018
<b>Operating revenues</b>								
External revenues								
Service	\$ 1,500	\$ 1,479	\$ 1,520	\$ 1,407	\$ —	\$ —	\$ 3,020	\$ 2,886
Equipment	419	404	50	61	—	—	469	465
Revenues arising from contracts with customers	1,919	1,883	1,570	1,468	—	—	3,489	3,351
Other operating income	5	7	12	19	—	—	17	26
	1,924	1,890	1,582	1,487	—	—	3,506	3,377
Intersegment revenues	13	11	56	52	(69)	(63)	—	—
	\$ 1,937	\$ 1,901	\$ 1,638	\$ 1,539	\$ (69)	\$ (63)	\$ 3,506	\$ 3,377
<b>Pro forma EBITDA</b> <sup>1</sup> reported to chief operating decision-maker	\$ 908	\$ 864	\$ 471	\$ 458	\$ —	\$ —	\$ 1,379	\$ 1,322
Retrospective IFRS 16 simulation <sup>2</sup>	—	(28)	—	(25)	—	—	—	(53)
<b>EBITDA</b> <sup>1</sup>	\$ 908	\$ 836	\$ 471	\$ 433	\$ —	\$ —	\$ 1,379	\$ 1,269
CAPEX, excluding spectrum licences <sup>3</sup>	\$ 177	\$ 182	\$ 469	\$ 468	\$ —	\$ —	\$ 646	\$ 650
					<b>Operating revenues – external (above)</b>		<b>\$ 3,506</b>	<b>\$ 3,377</b>
					Goods and services purchased		1,421	1,408
					Employee benefits expense		706	700
					<b>EBITDA (above)</b>		<b>1,379</b>	<b>1,269</b>
					Depreciation		470	411
					Amortization		147	139
					<b>Operating income</b>		<b>762</b>	<b>719</b>
					Financing costs		168	156
					<b>Income before income taxes</b>		<b>\$ 594</b>	<b>\$ 563</b>

- Earnings before interest, income taxes, depreciation and amortization (EBITDA) does not have any standardized meaning prescribed by IFRS-IASB and is therefore unlikely to be comparable to similar measures presented by other issuers; we define EBITDA as operating revenues less goods and services purchased and employee benefits expense. We have issued guidance on, and report, EBITDA because it is a key measure that management uses to evaluate the performance of our business, and it is also utilized in measuring compliance with certain debt covenants.
- For purposes of the chief operating decision-maker's assessment of performance during the 2019 fiscal year relative to the fiscal 2018 year, we have simulated IFRS 16 adjustments to the fiscal 2018 results in calculating pro forma results. The simulated IFRS 16 adjustments are: (i) a cash-based proxy and should not be considered comparable to the results that would have been reported had IFRS 16 been applied retrospectively to each comparative period applying IAS 8, *Accounting Policies, Changes in Accounting Estimates and Errors* (see Note 2(a)); and (ii) do not have any standardized meaning prescribed by IFRS-IASB and are therefore unlikely to be comparable to similar measures presented by other issuers.
- Total capital expenditures (CAPEX); see Note 31(a) for a reconciliation of capital expenditures, excluding spectrum licences to cash payments for capital assets, excluding spectrum licences reported in the Consolidated statements of cash flows.

## 6 revenue from contracts with customers

### (a) Revenues

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

As at (millions)	March 31, 2019	December 31, 2018
<b>Estimated minimum transaction price allocated to remaining unfulfilled, or partially unfulfilled, performance obligations to be recognized as revenue in a future period</b> <sup>1,2</sup>		
During the 12-month period ending one year hence	\$ 2,321	\$ 2,306
During the 12-month period ending two years hence	878	933
Thereafter	27	24
	<b>\$ 3,226</b>	<b>\$ 3,263</b>

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

**(b) Accounts receivable**

As at (millions)	Note	March 31, 2019	December 31, 2018
Customer accounts receivable		\$ 1,240	\$ 1,263
Accrued receivables – customer		171	175
Allowance for doubtful accounts	4	(43)	(53)
		1,368	1,385
Accrued receivables – other		277	215
		\$ 1,645	\$ 1,600

**(c) Contract assets**

Periods ended March 31 (millions)	Note	Three months 2019	2018
Balance, beginning of period		\$ 1,475	\$ 1,303
Net additions arising from operations		321	281
Amounts billed in period and thus reclassified to accounts receivable <sup>1</sup>		(346)	(304)
Change in impairment allowance, net	4	(2)	(1)
Other		1	—
Balance, end of period		\$ 1,449	\$ 1,279
To be billed and thus reclassified to accounts receivable during:			
The 12-month period ending one year hence		\$ 1,012	\$ 902
The 12-month period ending two years hence		423	366
Thereafter		14	11
Balance, end of period		\$ 1,449	\$ 1,279
<b>Reconciliation of contract assets presented in the Consolidated statements of financial position – current</b>			
Gross contract assets		\$ 1,012	\$ 902
Reclassification to contract liabilities of contracts with contract assets less than contract liabilities	24	(3)	(5)
Reclassification from contract liabilities of contracts with contract liabilities less than contract assets	24	(147)	(140)
		\$ 862	\$ 757

<sup>1</sup> For the three-month period ended March 31, 2019, amounts billed for our wireless segment and reclassified to accounts receivable totalled \$320 (2018 – \$280).

**7 other operating income**

Periods ended March 31 (millions)	Note	Three months 2019	2018
Government assistance, including deferral account amortization		\$ 7	\$ 6
Investment income, gain (loss) on disposal of assets and other		9	19
Interest income	21(c)	1	1
		\$ 17	\$ 26

## 8 employee benefits expense

Periods ended March 31 (millions)	Note	Three months	
		2019	2018
<b>Employee benefits expense – gross</b>			
Wages and salaries		\$ 703	\$ 683
Share-based compensation	14	34	27
Pensions – defined benefit	15(a)	20	25
Pensions – defined contribution	15(b)	23	24
Restructuring costs	16(a)	15	28
Other		42	40
		<b>837</b>	<b>827</b>
<b>Capitalized internal labour costs, net</b>			
Contract acquisition costs	20		
Capitalized		(12)	(14)
Amortized		12	12
Contract fulfilment costs	20		
Capitalized		(1)	(1)
Amortized		1	1
Property, plant and equipment		(85)	(84)
Intangible assets subject to amortization		(46)	(41)
		<b>(131)</b>	<b>(127)</b>
		<b>\$ 706</b>	<b>\$ 700</b>

## 9 financing costs

Periods ended March 31 (millions)	Note	Three months	
		2019	2018
<b>Interest expense</b>			
Interest on long-term debt, excluding lease liabilities		\$ 150	\$ 144
Interest on lease liabilities		16	—
Interest on short-term borrowings and other		5	2
Interest accretion on provisions	25	6	4
		<b>177</b>	<b>150</b>
<b>Employee defined benefit plans net interest</b>	15	—	4
<b>Foreign exchange</b>		(7)	4
		<b>170</b>	<b>158</b>
<b>Interest income</b>		(2)	(2)
		<b>\$ 168</b>	<b>\$ 156</b>

## 10 income taxes

Periods ended March 31 (millions)	Three months	
	2019	2018
<b>Current income tax expense</b>		
For the current reporting period	\$ 126	\$ 144
<b>Deferred income tax expense</b>		
Arising from the origination and reversal of temporary differences	31	7
	<b>\$ 157</b>	<b>\$ 151</b>

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

Three-month periods ended March 31 (\$ in millions)	2019		2018	
Income taxes computed at applicable statutory rates	\$ 161	27.1%	\$ 152	27.0%
Other	(4)	(0.6)	(1)	(0.2)
Income tax expense per Consolidated statements of income and other comprehensive income	<b>\$ 157</b>	<b>26.5%</b>	<b>\$ 151</b>	<b>26.8%</b>

# 11 other comprehensive income

(millions)	Items that may subsequently be reclassified to income							Cumulative foreign currency translation adjustment	Change in measurement of investment financial assets	Accumulated other comp. income	Item never reclassified to income	
	Change in unrealized fair value of derivatives designated as cash flow hedges in current period (Note 4(e))										Employee defined benefit plan re-measurements	Other comp. income
	Derivatives used to manage currency risk			Derivatives used to manage other market risks			Total					
	Gains (losses) arising	Prior period (gains) losses transferred to net income	Total	Gains (losses) arising	Prior period (gains) losses transferred to net income	Total	Total					
Accumulated balance as at January 1, 2018			\$ (9)			\$ 8	\$ (1)	\$ 53	\$ 1	\$ 53		
Other comprehensive income (loss)												
Amount arising	\$ 56	\$ (62)	(6)	\$ (9)	\$ 3	(6)	(12)	(4)	—	(16)	\$ (62)	\$ (78)
Income taxes	\$ 10	\$ (13)	(3)	\$ (3)	\$ 1	(2)	(5)	—	—	(5)	(19)	(24)
Net			(3)			(4)	(7)	(4)	—	(11)	\$ (43)	\$ (54)
Accumulated balance as at March 31, 2018			\$ (12)			\$ 4	\$ (8)	\$ 49	\$ 1	\$ 42		
Accumulated balance as at January 1, 2019												
As previously reported			\$ (19)			\$ —	\$ (19)	\$ 23	\$ —	\$ 4		
IFRS 16, Leases transitional amount (Note 2(c))			—			—	—	(1)	—	(1)		
As adjusted			(19)			—	(19)	22	—	3		
Other comprehensive income (loss)												
Amount arising	\$ (130)	\$ 60	(70)	\$ 10	\$ (7)	3	(67)	6	—	(61)	\$ 33	\$ (28)
Income taxes	\$ (28)	\$ 9	(19)	\$ 3	\$ (2)	1	(18)	—	—	(18)	9	(9)
Net			(51)			2	(49)	6	—	(43)	\$ 24	\$ (19)
Accumulated balance as at March 31, 2019			\$ (70)			\$ 2	\$ (68)	\$ 28	\$ —	\$ (40)		
Attributable to:												
Common Shares										\$ (35)		
Non-controlling interests										(5)		
										\$ (40)		

## 12 per share amounts

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

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

Periods ended March 31 (millions)	Three months	
	2019	2018
Basic total weighted average number of Common Shares outstanding	600	595
Effect of dilutive securities		
Share option awards	—	—
Diluted total weighted average number of Common Shares outstanding	600	595

For the three-month periods ended March 31, 2019 and 2018, no outstanding TELUS Corporation share option awards were excluded in the calculation of diluted net income per Common Share.

## 13 dividends per share

### (a) Dividends declared

Three-month periods ended March 31 (millions except per share amounts)	2019				2018			
	Declared		Paid to shareholders	Total	Declared		Paid to shareholders	Total
	Effective	Per share			Effective	Per share		
Common Share dividends								
Quarter 1 dividend	Mar. 11, 2019	\$ 0.5450	Apr. 1, 2019	\$ 329	Mar. 9, 2018	\$ 0.5050	Apr. 2, 2018	\$ 299

On May 8, 2019, the Board of Directors declared a quarterly dividend of \$0.5625 per share on our issued and outstanding Common Shares payable on July 2, 2019, to holders of record at the close of business on June 10, 2019. 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, 2019.

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

We have a Dividend Reinvestment and Share Purchase Plan under which eligible holders of Common Shares may acquire additional Common Shares by reinvesting dividends and by making additional optional cash payments to the trustee. In respect of Common Shares whose eligible shareholders have elected to participate in the plan, dividends declared during the three-month period ended March 31, 2019, of \$13 million (2018 – \$13 million) were to be reinvested in Common Shares acquired by the trustee from Treasury, with no discount applicable.

## 14 share-based compensation

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

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

Three-month periods ended March 31 (millions)	Note	2019			2018		
		Employee benefits expense	Associated operating cash outflows	Statement of cash flows adjustment	Employee benefits expense	Associated operating cash outflows	Statement of cash flows adjustment
Restricted share units	(b)	\$ 23	\$ (6)	\$ 17	\$ 18	\$ —	\$ 18
Employee share purchase plan	(c)	9	(9)	—	9	(9)	—
Share option awards	(d)	2	—	2	—	—	—
		\$ 34	\$ (15)	\$ 19	\$ 27	\$ (9)	\$ 18

For the three-month period ended March 31, 2019, the associated operating cash outflows in respect of restricted share units were net of cash inflows arising from cash-settled equity forward agreements of \$2 million (2018 – \$2 million). For the three-month period ended March 31, 2019, the income tax benefit arising from share-based compensation was \$9 million (2018 – \$7 million).

**(b) Restricted share units***TELUS Corporation restricted share units*

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

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

Number of non-vested restricted share units as at	March 31, 2019	December 31, 2018
<b>Restricted share units without market performance conditions</b>		
Restricted share units with only service conditions	2,938,737	3,037,881
Notional subset affected by total customer connections performance condition	157,523	155,639
	<b>3,096,260</b>	3,193,520
<b>Restricted share units with market performance conditions</b>		
Notional subset affected by relative total shareholder return performance condition	472,568	466,917
	<b>3,568,828</b>	3,660,437

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

Period ended March 31, 2019	Three months		Weighted average grant-date fair value
	Number of restricted share units <sup>1</sup>		
	Non-vested	Vested	
Outstanding, beginning of period			
Non-vested	3,193,520	—	\$ 44.85
Vested	—	63,383	\$ 44.89
Issued			
Initial award <sup>2</sup>	2,222	—	\$ 45.03
In lieu of dividends	39,080	80	\$ 45.03
Vested	(95,287)	95,287	\$ 43.91
Settled in cash	—	(152,278)	\$ 43.98
Forfeited and cancelled	(43,275)	—	\$ 44.85
Outstanding, end of period			
Non-vested	3,096,260	—	\$ 44.86
Vested	—	6,472	\$ 44.45

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

2 Awards in 2019 are largely expected to be made during the three-month period ending September 30, 2019.

With respect to certain issuances of TELUS Corporation restricted share units, we have entered into cash-settled equity forward agreements that fix our cost; that information, as well as a schedule of non-vested TELUS Corporation restricted share units outstanding as at March 31, 2019, is set out in the following table.

Vesting in years ending December 31	Number of fixed-cost restricted share units	Our fixed cost per restricted share unit	Number of variable-cost restricted share units	Total number of non-vested restricted share units <sup>1</sup>
2019	1,439,418	\$ 45.54	138,916	1,578,334
2020	1,369,272	\$ 48.71	355,474	1,724,746
	2,808,690		494,390	3,303,080

1 Excluding the notional subset of restricted share units affected by the relative total shareholder return performance condition vesting in the years ending December 31, 2019.

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

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





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

Period ended March 31, 2019	Three months				
	US\$ denominated			Canadian \$ denominated	
	Number of restricted share units		Weighted average grant-date fair value	Number of restricted share units	Weighted average grant-date fair value
	Non-vested	Vested			
Outstanding, beginning of period					
Non-vested	561,712	—	US\$ 25.68	—	\$ —
Vested	—	—	US\$ —	32,299	\$ 21.36
Exercised	—	—	US\$ —	(32,299)	\$ 21.36
Forfeited and cancelled	(7,087)	—	US\$ 26.54	—	\$ —
Outstanding, end of period	554,625	—	US\$ 25.67	—	\$ —

### (c) Employee share purchase plan

We have an employee share purchase plan under which eligible employees up to a certain job classification can purchase our Common Shares through regular payroll deductions. In respect of Common Shares held within the employee share purchase plan, Common Share dividends declared during the three-month period ended March 31, 2019, of \$9 million (2018 – \$8 million) were to be reinvested in Common Shares acquired by the trustee from Treasury, with no discount applicable.

### (d) Share option awards

#### *TELUS Corporation share options*

Employees may receive options to purchase Common Shares at an exercise price equal to the fair market value at the time of grant. Share option awards granted under the plan may be exercised over specific periods not to exceed seven years from the time of grant. No share option awards were granted in fiscal 2019 or 2018.

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

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

Period ended March 31, 2019	Three months	
	Number of share options	Weighted average share option price
Outstanding, beginning of period	326,164	\$ 29.22
Exercised <sup>1</sup>	(129,136)	\$ 29.23
Forfeited	(228)	\$ 29.18
Outstanding, end of period <sup>2</sup>	196,800	\$ 29.21

1 The total intrinsic value of share option awards exercised for the three-month period ended March 31, 2019, was \$2 million, reflecting a weighted average price at the dates of exercise of \$47.85 per share. The difference between the number of share options exercised and the number of Common Shares issued (as reflected in the 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.

2 All outstanding TELUS Corporation share options are vested, their range of prices is \$28.56 – \$31.69 per share and their weighted average remaining contractual life is 0.1 years.

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

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

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

Period ended March 31, 2019	Three months			
	US\$ denominated		Canadian \$ denominated	
	Number of share options	Weighted average share option price <sup>1</sup>	Number of share options	Share option price <sup>2</sup>
Outstanding, beginning and end of period	858,735	US\$ 29.83	53,832	\$ 21.36

1 The range of share option prices is US\$21.90 – US\$40.26 per TELUS International (Cda) Inc. equity share and the weighted average remaining contractual life is 8.1 years.

2 The weighted average remaining contractual life is 7.3 years.

## 15 employee future benefits

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

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

Three-month periods ended March 31 (millions)	2019				2018			
	Employee benefits expense (Note 8)	Financing costs (Note 9)	Other comp. income (Note 11)	Total	Employee benefits expense (Note 8)	Financing costs (Note 9)	Other comp. income (Note 11)	Total
Recognized in								
<b>Current service cost</b>	\$ 18	\$ —	\$ —	\$ 18	\$ 22	\$ —	\$ —	\$ 22
<b>Past service costs</b>	—	—	—	—	1	—	—	1
<b>Net interest; return on plan assets</b>								
Interest expense arising from defined benefit obligations accrued	—	84	—	84	—	79	—	79
Return, including interest income, on plan assets <sup>1</sup>	—	(86)	(359)	(445)	—	(76)	62	(14)
Interest effect on asset ceiling limit	—	2	—	2	—	1	—	1
	—	—	(359)	(359)	—	4	62	66
<b>Administrative fees</b>	2	—	—	2	2	—	—	2
<b>Changes in the effect of limiting net defined benefit assets to the asset ceiling</b>	—	—	326	326	—	—	—	—
	\$ 20	\$ —	\$ (33)	\$ (13)	\$ 25	\$ 4	\$ 62	\$ 91

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

### (b) Defined contribution plans – expense

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

Periods ended March 31 (millions)	Three months	
	2019	2018
Union pension plan and public service pension plan contributions	\$ 6	\$ 6
Other defined contribution pension plans	17	18
	\$ 23	\$ 24

## 16 restructuring and other costs

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

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

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

Three-month periods ended March 31 (millions)	Restructuring (b)		Other (c)		Total	
	2019	2018	2019	2018	2019	2018
Goods and services purchased	\$ 12	\$ 4	\$ 6	\$ 1	\$ 18	\$ 5
Employee benefits expense	15	28	3	1	18	29
	\$ 27	\$ 32	\$ 9	\$ 2	\$ 36	\$ 34

**(b) Restructuring provisions**

Employee-related provisions and other provisions, as presented in *Note 25*, include amounts in respect of restructuring activities. In 2019, restructuring activities included ongoing and incremental efficiency initiatives, including personnel-related costs and rationalization of real estate. These initiatives were intended to improve our long-term operating productivity and competitiveness.

**(c) Other**

During the three-month period ended March 31, 2019, incremental external costs were incurred in connection with business acquisition activity. In connection with business acquisitions, non-recurring atypical business integration expenditures that would be considered neither restructuring costs nor part of the fair value of the net assets acquired have been included in other costs.

## 17 property, plant and equipment

(millions)	Note	Owned assets						Right-of-use lease assets (Note 19)				Total
		Network assets	Buildings and leasehold improvements	Other	Land	Assets under construction	Total	Network assets	Real estate	Other	Total	
<b>At cost</b>												
As at January 1, 2019												
		\$ 29,956	\$ 3,273	\$ 1,174	\$ 48	\$ 779	\$ 35,230	\$ —	\$ —	\$ —	\$ —	\$ 35,230
	2(c)	—	—	—	—	—	—	—	1,011	30	1,041	1,041
		(101)	—	(1)	—	—	(102)	101	—	1	102	—
		29,855	3,273	1,173	48	779	35,128	101	1,011	31	1,143	36,271
Additions												
	18(b)	204	10	8	—	295	517	11	106	5	122	639
		33	—	5	—	—	38	—	3	—	3	41
		(121)	(33)	(19)	—	—	(173)	(1)	(2)	(1)	(4)	(177)
		184	8	18	—	(210)	—	—	—	—	—	—
		—	—	—	—	—	—	—	(5)	—	(5)	(5)
<b>As at March 31, 2019</b>		<b>\$ 30,155</b>	<b>\$ 3,258</b>	<b>\$ 1,185</b>	<b>\$ 48</b>	<b>\$ 864</b>	<b>\$ 35,510</b>	<b>\$ 111</b>	<b>\$ 1,113</b>	<b>\$ 35</b>	<b>\$ 1,259</b>	<b>\$ 36,769</b>
<b>Accumulated depreciation</b>												
As at January 1, 2019												
		\$ 20,300	\$ 2,050	\$ 789	\$ —	\$ —	\$ 23,139	\$ —	\$ —	\$ —	\$ —	\$ 23,139
		(1)	—	—	—	—	(1)	1	—	—	1	—
		20,299	2,050	789	—	—	23,138	1	—	—	1	23,139
		359	30	31	—	—	420	2	46	2	50	470
		(114)	(33)	(18)	—	—	(165)	—	2	2	4	(161)
<b>As at March 31, 2019</b>		<b>\$ 20,544</b>	<b>\$ 2,047</b>	<b>\$ 802</b>	<b>\$ —</b>	<b>\$ —</b>	<b>\$ 23,393</b>	<b>\$ 3</b>	<b>\$ 48</b>	<b>\$ 4</b>	<b>\$ 55</b>	<b>\$ 23,448</b>
<b>Net book value</b>												
As at December 31, 2018												
		\$ 9,656	\$ 1,223	\$ 385	\$ 48	\$ 779	\$ 12,091	\$ —	\$ —	\$ —	\$ —	\$ 12,091
<b>As at March 31, 2019</b>		<b>\$ 9,611</b>	<b>\$ 1,211</b>	<b>\$ 383</b>	<b>\$ 48</b>	<b>\$ 864</b>	<b>\$ 12,117</b>	<b>\$ 108</b>	<b>\$ 1,065</b>	<b>\$ 31</b>	<b>\$ 1,204</b>	<b>\$ 13,321</b>

1 For the three-month period ended March 31, 2019, depreciation includes \$5 in respect of impairment of real estate right-of-use lease assets.

As at March 31, 2019, our contractual commitments for the acquisition of property, plant and equipment totalled \$205 million over a period ending December 31, 2022 (December 31, 2018 – \$177 million over a period ending December 31, 2022).

## 18 intangible assets and goodwill

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

(millions)	Intangible assets subject to amortization					Intangible assets with indefinite lives		Total intangible assets and goodwill	
	Customer contracts, related customer relationships and subscriber base <sup>1</sup>	Software	Access to rights-of-way and other	Assets under construction	Total	Spectrum licences	Total intangible assets	Goodwill <sup>1,2</sup>	Total intangible assets and goodwill
<b>At cost</b>									
As at January 1, 2019	\$ 616	\$ 5,092	\$ 103	\$ 341	\$ 6,152	\$ 8,694	\$ 14,846	\$ 5,109	\$ 19,955
Additions	—	12	1	120	133	—	133	—	133
Additions arising from business acquisitions (b)	57	45	—	—	102	—	102	149	251
Dispositions, retirements and other	(3)	(86)	—	—	(89)	—	(89)	—	(89)
Assets under construction put into service	—	197	—	(197)	—	—	—	—	—
Net foreign exchange differences	(4)	—	—	—	(4)	—	(4)	(17)	(21)
<b>As at March 31, 2019</b>	<b>\$ 666</b>	<b>\$ 5,260</b>	<b>\$ 104</b>	<b>\$ 264</b>	<b>\$ 6,294</b>	<b>\$ 8,694</b>	<b>\$ 14,988</b>	<b>\$ 5,241</b>	<b>\$ 20,229</b>
<b>Accumulated amortization</b>									
As at January 1, 2019	\$ 226	\$ 3,621	\$ 65	\$ —	\$ 3,912	\$ —	\$ 3,912	\$ 364	\$ 4,276
Amortization	9	137	1	—	147	—	147	—	147
Dispositions, retirements and other	(4)	(82)	—	—	(86)	—	(86)	—	(86)
<b>As at March 31, 2019</b>	<b>\$ 231</b>	<b>\$ 3,676</b>	<b>\$ 66</b>	<b>\$ —</b>	<b>\$ 3,973</b>	<b>\$ —</b>	<b>\$ 3,973</b>	<b>\$ 364</b>	<b>\$ 4,337</b>
<b>Net book value</b>									
As at December 31, 2018	\$ 390	\$ 1,471	\$ 38	\$ 341	\$ 2,240	\$ 8,694	\$ 10,934	\$ 4,745	\$ 15,679
<b>As at March 31, 2019</b>	<b>\$ 435</b>	<b>\$ 1,584</b>	<b>\$ 38</b>	<b>\$ 264</b>	<b>\$ 2,321</b>	<b>\$ 8,694</b>	<b>\$ 11,015</b>	<b>\$ 4,877</b>	<b>\$ 15,892</b>

1 The opening balances of customer contracts, related customer relationships and subscriber base, and goodwill, have been adjusted as set out in (c).

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

As at March 31, 2019, our contractual commitments for the acquisition of intangible assets, excluding 600 MHz licences, totalled \$48 million over a period ending December 31, 2021 (December 31, 2018 – \$59 million over a period ending December 31, 2021).

Innovation, Science and Economic Development Canada's 600 MHz auction occurred during the period from March 14, 2019, through April 4, 2019. We were the successful auction participant on 12 spectrum licences for a total purchase price of \$931 million. In accordance with the auction terms, 20% (\$186 million) was remitted to Innovation, Science and Economic Development Canada on April 26, 2019, while the remaining balance will be paid on, or before, May 27, 2019. Until such time as Innovation, Science and

Economic Development Canada determines that we qualify as a radio communications carrier and comply with the Canadian Ownership and Control rules, we may not commercially use the licences.

### (b) Business acquisitions

See Note 2(b) for changes to IFRS-IASB which are not yet effective and have not yet been applied.

On January 14, 2019, we acquired a telecommunications business complementary to our existing lines of business, for consideration consisting of cash of \$74 million and TELUS Corporation Common Shares of \$38 million. The

investment was made with a view to growing our managed network, cloud, security and unified communications services.

The primary factor that contributed to the recognition of goodwill was the earnings capacity of the acquired business in excess of the net tangible and intangible assets acquired (such excess arising from the acquired workforce and the benefits of acquiring an established business). A portion of the amount assigned to goodwill is expected to be deductible for income tax purposes.

#### *Individually immaterial transactions*

During the three-month period ended March 31, 2019, we acquired 100% ownership of businesses complementary to our existing lines of business. The primary factor that gave rise to the recognition of goodwill was the earnings capacity of the acquired businesses in excess of the net tangible and intangible assets acquired (such excess arising from the low level of tangible assets relative to the earnings capacities of the businesses). A portion of the amounts assigned to goodwill may be deductible for income tax purposes.

#### *Acquisition-date fair values*

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

As at acquisition-date fair values (millions)	Telecommunications business	Individually immaterial transactions	Total <sup>1</sup>
<b>Assets</b>			
Current assets			
Cash	\$ 2	\$ 3	\$ 5
Accounts receivable <sup>2</sup>	5	6	11
Other	1	2	3
	8	11	19
Non-current assets			
Property, plant and equipment			
Owned assets	6	32	38
Right-of-use lease assets	2	1	3
Intangible assets subject to amortization <sup>3</sup>	35	67	102
	43	100	143
Total identifiable assets acquired	51	111	162
<b>Liabilities</b>			
Current liabilities			
Accounts payable and accrued liabilities	19	7	26
Advance billings and customer deposits	4	1	5
	23	8	31
Non-current liabilities			
Long-term debt	2	1	3
Deferred income taxes	5	3	8
	7	4	11
Total liabilities assumed	30	12	42
<b>Net identifiable assets acquired</b>	<b>21</b>	<b>99</b>	<b>120</b>
Goodwill	91	58	149
<b>Net assets acquired</b>	<b>\$ 112</b>	<b>\$ 157</b>	<b>\$ 269</b>
<b>Acquisition effected by way of:</b>			
Cash consideration	\$ 62	\$ 105	\$ 167
Accounts payable and accrued liabilities	12	8	20
Issue of TELUS Corporation Common Shares	38	34	72
Pre-existing relationship effectively settled	—	10	10
	\$ 112	\$ 157	\$ 269

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

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

3 Customer contracts and customer relationships (including those related to customer contracts) are generally expected to be amortized over periods of 8 years; software is expected to be amortized over a period of 5 years.

*Pro forma disclosures*

The following pro forma supplemental information represents certain results of operations as if the business acquisitions noted above had been completed at the beginning of the fiscal 2019 year.

Period ended March 31, 2019 (millions except per share amounts)	Three months	
	As reported <sup>1</sup>	Pro forma <sup>2</sup>
Operating revenues	\$ 3,506	\$ 3,515
Net income	\$ 437	\$ 434
Net income per Common Share		
Basic	\$ 0.71	\$ 0.71
Diluted	\$ 0.71	\$ 0.71

1 Operating revenues and net income for the three-month period ended March 31, 2019, include \$9 and \$2, respectively, in respect of the telecommunications business

2 Pro forma amounts for the three-month period ended March 31, 2019, reflect the acquired businesses. The results of the acquired businesses have been included in our Consolidated statements of income and other comprehensive income effective the dates of acquisition.

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

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

In 2018, we acquired Medisys Health Group Inc., a business complementary to our existing lines of healthcare business. As at December 31, 2018, the purchase price allocation had not been finalized. During the three-month period ended March 31, 2019, preliminary acquisition-date values assigned for customer relationships, goodwill, other long-term liabilities and deferred incomes taxes were increased (decreased) by \$(22 million), \$12 million, \$(8 million) and \$(2 million), respectively; as required by IFRS-IASB, comparative amounts have been adjusted so as to reflect those increases effective the acquisition date.

## 19 leases

See *Note 2(a)* for details of significant changes to IFRS-IASB which have been applied effective January 1, 2019.

We have the right-of-use of land, buildings and equipment under leases. Most of our leases for real estate that we use for office, retail or network (including wireless site) purposes typically have options to extend the lease terms, which we use to protect our investment in leasehold improvements (including wireless site equipment), to mitigate relocation risk and/or which reflect the importance of the underlying real estate right-of-use lease assets to our operations. Judgments about lease terms are determinative of the measurement of right-of-use lease assets and their associated lease liabilities. Our judgment of lease terms for leased real estate utilized in connection with our telecommunications infrastructure, more so than for any other right-of-use lease assets, routinely includes periods covered by options to extend the lease terms, as we are reasonably certain to extend such leases.

In the normal course of operations, there are future non-executory cash outflows in respect of leases to which we are potentially exposed and which are not included in our lease liabilities as at the reporting date. A significant, and increasing, portion of our wireless site leases have consumer price index-based price adjustments and such adjustments result in future periodic re-measurements of the lease liabilities with a commensurate adjustment to the associated real estate right-of-use lease assets (and associated future depreciation amounts); these adjustments would currently represent our variable lease payments. As well, we routinely and necessarily will commit to leases which have not yet commenced.

As mandated by Innovation, Science and Economic Development Canada, telecommunications companies are obligated to allow, on their real estate assets owned, on their real estate right-of-use lease assets and/or on their owned-equipment situated on real estate right-of-use lease assets, competitors to co-locate telecommunications infrastructure equipment. Of our real estate right-of-use lease assets used for purposes of situating telecommunications infrastructure equipment, approximately one-fifth have subleases which we, as lessor, account for as operating leases.

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

Periods ended March 31 (millions)	Three months	
	2019	2018
<b>Income from subleasing right-of-use lease assets</b>		
Co-location sublet revenue included in operating service revenues	\$ 5	\$ 5
<b>Lease payments</b>	\$ 103	\$ 68

## 20 other long-term assets

As at (millions)	Note	March 31, 2019	December 31, 2018
Pension assets		\$ 503	\$ 503
Costs incurred to obtain or fulfill a contract with a customer		105	110
Portfolio investments <sup>1</sup>		73	70
Prepaid maintenance		49	55
Real estate joint venture advances	21(c)	77	69
Real estate joint ventures	21(c)	5	5
Derivative assets	4(d)	4	54
Other		95	120
		<b>\$ 911</b>	<b>\$ 986</b>

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

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

Period ended March 31, 2019 (millions)	Three months		
	Costs incurred to		Total
	Obtain contracts with customers	Fulfill contracts with customers	
Balance, beginning of period	\$ 356	\$ 15	\$ 371
Additions	61	1	62
Amortization	(75)	(1)	(76)
Balance, end of period	\$ 342	\$ 15	\$ 357
Current <sup>1</sup>	\$ 247	\$ 5	\$ 252
Non-current	95	10	105
	<b>\$ 342</b>	<b>\$ 15</b>	<b>\$ 357</b>

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

## 21 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. TELUS is a tenant in TELUS Garden, which is now our global headquarters. During the year ended December 31, 2018, the real estate joint venture sold the income-producing properties and the related net assets.

In 2013, we partnered, as equals, with two arm's-length parties in a residential, retail and commercial real estate redevelopment project, TELUS Sky, in Calgary, Alberta. The new-build tower, scheduled for completion in 2019, is to be built to the LEED Platinum standard.

### (b) Real estate joint ventures – summarized financial information

As at (millions)	March 31, 2019	December 31, 2018	As at (millions)	March 31, 2019	December 31, 2018
<b>ASSETS</b>			<b>LIABILITIES AND OWNERS' EQUITY</b>		
<b>Current assets</b>			<b>Current liabilities</b>		
Cash and temporary investments, net	\$ 4	\$ 11	Accounts payable and accrued liabilities	\$ 12	\$ 19
Escrowed deposits	—	4	Construction holdback liabilities	13	15
Other	2	2	Construction credit facilities	231	—
	<b>6</b>	<b>17</b>		<b>256</b>	<b>34</b>
<b>Non-current assets</b>			<b>Non-current liabilities</b>		
Investment property under development	282	256	Construction credit facilities	—	207
				<b>256</b>	<b>241</b>
			<b>Owners' equity</b>		
			TELUS <sup>1</sup>	13	13
			Other partners	19	19
				<b>32</b>	<b>32</b>
	<b>\$ 288</b>	<b>\$ 273</b>		<b>\$ 288</b>	<b>\$ 273</b>

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



Periods ended March 31 (millions)	Three months	
	2019	2018
Revenue – from investment property	\$ —	\$ 8
Depreciation and amortization	\$ —	\$ 2
Interest expense <sup>1</sup>	\$ —	\$ 2
Net income and comprehensive income <sup>2</sup>	\$ (1)	\$ 1

1 During the three-month period ended March 31, 2019, the real estate joint ventures capitalized \$3 (2018 – \$2) of financing costs.

2 As the real estate joint ventures are partnerships, no provision for income taxes of the partners is made in determining the real estate joint ventures' net income and comprehensive income.

### (c) Our real estate joint ventures activity

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

Three-month periods ended March 31 (millions)	2019			2018		
	Loans and receivables <sup>1</sup>	Equity <sup>2</sup>	Total	Loans and receivables <sup>1</sup>	Equity <sup>2</sup>	Total
<b>Related to real estate joint ventures' statements of financial position</b>						
<i>Items not affecting currently reported cash flows</i>						
Construction credit facilities financing costs charged by us and other (Note 7)	\$ 1	\$ —	\$ 1	\$ 1	\$ —	\$ 1
<i>Cash flows in the current reporting period</i>						
Construction credit facilities						
Amounts advanced	8	—	8	6	—	6
Financing costs paid to us	(1)	—	(1)	(1)	—	(1)
Net increase	8	—	8	6	—	6
<b>Real estate joint ventures carrying amounts</b>						
Balance, beginning of period	69	5	74	47	15	62
Balance, end of period	\$ 77	\$ 5	\$ 82	\$ 53	\$ 15	\$ 68

1 Loans and receivables are included in our Consolidated statements of financial position as Real estate joint venture advances and are comprised of advances under construction credit facilities (see (d)).

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

Prior to the sale of the TELUS Garden income-producing properties, during the three-month period ended March 31, 2018, the TELUS Garden real estate joint venture recognized \$3 million of revenue from our TELUS Garden office tenancy; of this amount, one-half was due to our economic interest in the real estate joint venture and one-half was due to our partner's economic interest in the real estate joint venture. We have entered into a lease agreement with the TELUS Sky real estate joint venture; for lease accounting purposes, the lease commenced during the three-month period ended March 31, 2019.

### (d) Commitments and contingent liabilities

#### Construction commitments

The TELUS Sky real estate joint venture is expected to spend a total of approximately \$400 million on the construction of a mixed-use tower. As at March 31, 2019, the real estate joint venture's construction-related contractual commitments were approximately \$42 million through to 2020 (December 31, 2018 – \$35 million through to 2019).

#### Construction credit facilities

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

As at (millions)	Note	March 31, 2019	December 31, 2018
<b>Construction credit facilities commitment – TELUS Corporation</b>			
Undrawn	4(b)	\$ 37	\$ 45
Advances		77	69
		114	114
<b>Construction credit facilities commitment – other</b>			
		228	228
		\$ 342	\$ 342

## 22 short-term borrowings

On July 26, 2002, one of our subsidiaries, TELUS Communications Inc., entered into an agreement with an arm's-length securitization trust associated with a major Schedule I bank under which it is able to sell an interest in certain trade receivables up to a maximum of \$500 million (December 31, 2018 – \$500 million). The term of this revolving-period securitization agreement ends December 31, 2021, and it requires minimum cash proceeds of \$100 million from monthly sales of interests in certain trade receivables. TELUS Communications Inc. is required to maintain a credit rating of at least BB (December 31, 2018 – BB) from DBRS Limited or the securitization trust may require the sale program to be wound down prior to the end of the term.

Sales of trade receivables in securitization transactions are recognized as collateralized short-term borrowings and thus do not result in our de-recognition of the trade receivables sold. When we sell our trade receivables, we retain reserve accounts, which are retained interests in the securitized trade receivables, and servicing rights. As at March 31, 2019, we had sold to the trust (but continued to recognize) trade receivables of \$611 million (December 31, 2018 – \$120 million). Short-term borrowings of \$500 million (December 31, 2018 – \$100 million) are comprised of amounts advanced to us by the arm's-length securitization trust pursuant to the sale of trade receivables.

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

## 23 accounts payable and accrued liabilities

As at (millions)	March 31, 2019	December 31, 2018
Accrued liabilities	\$ 1,036	\$ 1,159
Payroll and other employee-related liabilities	302	429
Restricted share units liability	82	72
	<b>1,420</b>	1,660
Trade accounts payable	775	686
Interest payable	140	157
Other	81	67
	<b>\$ 2,416</b>	\$ 2,570

## 24 advance billings and customer deposits

As at (millions)	March 31, 2019	December 31, 2018
Advance billings	\$ 552	\$ 535
Deferred customer activation and connection fees	10	10
Customer deposits	13	13
	<b>575</b>	558
Contract liabilities	92	95
Other	92	95
	<b>\$ 667</b>	\$ 653

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

Periods ended March 31 (millions)	Note	Three months	
		2019	2018
Balance, beginning of period		\$ 808	\$ 780
Revenue deferred in previous period and recognized in current period		(645)	(689)
Net additions arising from operations		646	696
Additions arising from business acquisitions	18(b)	5	1
Balance, end of period		\$ 814	\$ 788
Current		\$ 725	\$ 692
Non-current	27		
Deferred revenues		74	78
Deferred customer activation and connection fees		15	18
		\$ 814	\$ 788
<b>Reconciliation of contract liabilities presented in the consolidated statements of financial position – current</b>			
Gross contract liabilities		\$ 725	\$ 692
Reclassification to contract assets for contracts with contract liabilities less than contract assets		(147)	(140)
Reclassification from contract assets for contracts with contract assets less than contract liabilities		(3)	(5)
		\$ 575	\$ 547

## 25 provisions

(millions)	Note	Asset retirement obligation	Employee-related	Written put options	Other	Total
As at January 1, 2019						
As previously reported		\$ 336	\$ 88	\$ 290	\$ 143	\$ 857
IFRS 16, Leases transitional amount	2(c)	—	—	—	(57)	(57)
As adjusted		336	88	290	86	800
Additions		—	16	—	21	37
Reversal		—	—	(2)	(1)	(3)
Use		(1)	(47)	(7)	(15)	(70)
Interest effect		3	—	3	—	6
Effects of foreign exchange, net		—	—	(7)	—	(7)
<b>As at March 31, 2019</b>		<b>\$ 338</b>	<b>\$ 57</b>	<b>\$ 277</b>	<b>\$ 91</b>	<b>\$ 763</b>
Current		\$ 7	\$ 53	\$ —	\$ 19	\$ 79
Non-current		331	4	277	72	684
<b>As at March 31, 2019</b>		<b>\$ 338</b>	<b>\$ 57</b>	<b>\$ 277</b>	<b>\$ 91</b>	<b>\$ 763</b>

### Asset retirement obligation

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

### Employee-related

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

### Written put options

In connection with certain business acquisitions, we have established provisions for written put options in respect of non-controlling interests. Provisions for written put options are determined based on the net present value of estimated future earnings results and require us to make key economic assumptions about the future. No cash outflows for the written put options are expected prior to their initial exercisability in 2020.

### Other

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

As discussed further in Note 29, we are involved in a number of legal claims and we are aware of certain other possible legal claims. In respect of legal claims, we establish provisions, when warranted, after taking into account legal

assessments, information presently available, and the expected availability of recourse. The timing of cash outflows associated with legal claims cannot be reasonably determined.

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

## 26 long-term debt

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

As at (millions)	Note	March 31, 2019	December 31, 2018
TELUS Corporation notes	(b)	\$ 12,136	\$ 12,186
TELUS Corporation commercial paper	(c)	1,105	774
TELUS Communications Inc. debentures		621	620
TELUS International (Cda) Inc. credit facility	(e)	405	419
		<b>14,267</b>	13,999
Lease liabilities	(f)	1,508	102
Long-term debt		<b>\$ 15,775</b>	\$ 14,101
Current		\$ 1,341	\$ 836
Non-current		14,434	13,265
Long-term debt		<b>\$ 15,775</b>	\$ 14,101

### (b) TELUS Corporation notes

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

Series <sup>1</sup>	Issued	Maturity	Issue price	Effective interest rate <sup>2</sup>	Principal face amount		Redemption present value spread	
					Originally issued	Outstanding at financial statement date	Basis points	Cessation date
5.05% Notes, Series CH	July 2010	July 2020	\$997.44	5.08%	\$1.0 billion	\$1.0 billion	47 <sup>3</sup>	N/A
3.35% Notes, Series CJ	December 2012	March 2023	\$998.83	3.36%	\$500 million	\$500 million	40 <sup>4</sup>	Dec. 15, 2022
3.35% Notes, Series CK	April 2013	April 2024	\$994.35	3.41%	\$1.1 billion	\$1.1 billion	36 <sup>4</sup>	Jan. 2, 2024
4.40% Notes, Series CL	April 2013	April 2043	\$997.68	4.41%	\$600 million	\$600 million	47 <sup>4</sup>	Oct. 1, 2042
3.60% Notes, Series CM	November 2013	January 2021	\$997.15	3.65%	\$400 million	\$400 million	35 <sup>4</sup>	N/A
5.15% Notes, Series CN	November 2013	November 2043	\$995.00	5.18%	\$400 million	\$400 million	50 <sup>4</sup>	May 26, 2043
3.20% Notes, Series CO	April 2014	April 2021	\$997.39	3.24%	\$500 million	\$500 million	30 <sup>4</sup>	Mar. 5, 2021
4.85% Notes, Series CP	Multiple <sup>5</sup>	April 2044	\$987.91 <sup>5</sup>	4.93% <sup>5</sup>	\$500 million <sup>5</sup>	\$500 million <sup>5</sup>	46 <sup>4</sup>	Oct. 5, 2043
3.75% Notes, Series CQ	September 2014	January 2025	\$997.75	3.78%	\$800 million	\$800 million	38.5 <sup>4</sup>	Oct. 17, 2024
4.75% Notes, Series CR	September 2014	January 2045	\$992.91	4.80%	\$400 million	\$400 million	51.5 <sup>4</sup>	July 17, 2044
2.35% Notes, Series CT	March 2015	March 2022	\$997.31	2.39%	\$1.0 billion	\$1.0 billion	35.5 <sup>4</sup>	Feb. 28, 2022
4.40% Notes, Series CU	March 2015	January 2046	\$999.72	4.40%	\$500 million	\$500 million	60.5 <sup>4</sup>	July 29, 2045
3.75% Notes, Series CV	December 2015	March 2026	\$992.14	3.84%	\$600 million	\$600 million	53.5 <sup>4</sup>	Dec. 10, 2025
2.80% U.S. Dollar Notes <sup>6</sup>	September 2016	February 2027	US\$991.89	2.89%	US\$600 million	US\$600 million	20 <sup>7</sup>	Nov. 16, 2026
3.70% U.S. Dollar Notes <sup>8</sup>	March 2017	September 2027	US\$998.95	3.71%	US\$500 million	US\$500 million	20 <sup>7</sup>	June 15, 2027
4.70% Notes, Series CW	Multiple <sup>9</sup>	March 2048	\$998.06 <sup>9</sup>	4.71% <sup>9</sup>	\$325 million <sup>9</sup>	\$475 million <sup>9</sup>	58.5 <sup>4</sup>	Sept. 6, 2047
3.625% Notes, Series CX	February 2018	March 2028	\$989.49	3.75%	\$600 million	\$600 million	37 <sup>4</sup>	Dec. 1, 2027
4.60% U.S. Dollar Notes <sup>10</sup>	June 2018	November 2048	US\$987.60	4.68%	US\$750 million	US\$750 million	25 <sup>7</sup>	May 16, 2048
3.30% Notes, Series CY	April 2019 <sup>11</sup>	May 2029	\$991.75	3.40%	\$1.0 billion	\$NIL	43.5 <sup>4</sup>	Feb. 2, 2029

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

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

3 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.

4 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, Series CU, Series CW, Series CX and Series CY notes, for which it is calculated over the period to the redemption present value spread cessation date, or

- (ii) 100% of the principal amount thereof. 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.
- 5 \$500 million of 4.85% Notes, Series CP were issued in April 2014 at an issue price of \$998.74 and an effective interest rate of 4.86%. This series of notes was reopened in December 2015 and a further \$400 million of notes were issued at an issue price of \$974.38 and an effective interest rate of 5.02%.
- 6 We have entered into a foreign exchange derivative (a cross currency interest rate exchange agreement) that effectively converted the principal payments and interest obligations to Canadian dollar obligations with a fixed interest rate of 2.95% and an issued and outstanding amount of \$792 million (reflecting a fixed exchange rate of \$1.3205).
- 7 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 U.S. Adjusted Treasury Rate plus the redemption present value spread calculated over the period to the redemption present value spread cessation date, or (ii) 100% of the principal amount thereof. 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.
- 8 We have entered into a foreign exchange derivative (a cross currency interest rate exchange agreement) that effectively converted the principal payments and interest obligations to Canadian dollar obligations with a fixed interest rate of 3.41% and an issued and outstanding amount of \$667 million (reflecting a fixed exchange rate of \$1.3348).
- 9 \$325 million of 4.70% Notes, Series CW were issued in March 2017 at an issue price of \$990.65 and an effective interest rate of 4.76%. This series of notes was reopened in February 2018 and a further \$150 million of notes were issued at an issue price of \$1,014.11 and an effective interest rate of 4.61%.
- 10 We have entered into a foreign exchange derivative (a cross currency interest rate exchange agreement) that effectively converted the principal payments and interest obligations to Canadian dollar obligations with a fixed interest rate of 4.41% and an issued and outstanding amount of \$974 million (reflecting a fixed exchange rate of \$1.2985).
- 11 Issued subsequent to the statement of financial position date and prior to the date of issuance of these condensed interim consolidated financial statements.

### (c) TELUS Corporation commercial paper

TELUS Corporation has an unsecured commercial paper program, which is backstopped by our \$2.25 billion syndicated credit facility (see (d)) and is to be used for general corporate purposes, including capital expenditures and investments. This program enables us to issue commercial paper, subject to conditions related to debt ratings, up to a maximum aggregate amount at any one time of \$1.4 billion (December 31, 2018 – \$1.4 billion). Foreign currency forward contracts are used to manage currency risk arising from issuing commercial paper denominated in U.S. dollars. Commercial paper debt is due within one year and is classified as a current portion of long-term debt, as the amounts are fully supported, and we expect that they will continue to be supported, by the revolving credit facility, which has no repayment requirements within the next year. As at March 31, 2019, we had \$1,105 million of commercial paper outstanding, all of which was denominated in U.S. dollars (US\$827 million), with an effective weighted average interest rate of 3.04%, maturing through July 2019.

### (d) TELUS Corporation credit facility

As at March 31, 2019, TELUS Corporation had an unsecured revolving \$2.25 billion bank credit facility, expiring on May 31, 2023 (December 31, 2018 – expiring on May 31, 2023), with a syndicate of financial institutions, which is to be used for general corporate purposes, including the backstopping of commercial paper.

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 ratio tests. These 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, all as defined in the credit facility.

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

As at (millions)	March 31, 2019	December 31, 2018
Net available	\$ 1,145	\$ 1,476
Backstop of commercial paper	1,105	774
Gross available	\$ 2,250	\$ 2,250

We had \$186 million of letters of credit outstanding as at March 31, 2019 (December 31, 2018 – \$184 million), issued under various uncommitted facilities; such letter of credit facilities are in addition to the ability to provide letters of credit pursuant to our committed bank credit facility. We arranged \$880 million of incremental letters of credit to allow us to participate in Innovation, Science and Economic Development Canada's 600 MHz wireless spectrum auction that was held in March-April 2019, as discussed further in *Note 18(a)*. Such letters of credit will remain outstanding until such time as our final payment for any awarded spectrum licences has been made.

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

As at March 31, 2019, TELUS International (Cda) Inc. had a bank credit facility, secured by its assets, expiring on December 20, 2022, with a syndicate of financial institutions. The credit facility is comprised of a US\$350 million (December 31, 2018 – US\$350 million) revolving component and an amortizing US\$120 million (December 31, 2018 – US\$120 million) term loan component. The credit facility is non-recourse to TELUS Corporation. As at March 31, 2019, \$412 million (\$405 million net of unamortized issue costs) was outstanding, all of which was denominated in U.S. dollars (US\$308 million), with the revolving component having a weighted average interest rate of 4.22%.

As at (millions)	March 31, 2019			December 31, 2018		
	Revolving component	Term loan component <sup>1</sup>	Total	Revolving component	Term loan component	Total
Available	US\$ 153	US\$ N/A	US\$ 153	US\$ 150	US\$ N/A	US\$ 150
Outstanding	197	111	308	200	113	313
	US\$ 350	US\$ 111	US\$ 461	US\$ 350	US\$ 113	US\$ 463

<sup>1</sup> We have entered into a receive-floating interest rate, pay-fixed interest rate exchange agreement that effectively converts our interest obligations on the debt to a fixed rate of 2.64%.

TELUS International (Cda) Inc.'s credit facility bears interest at prime rate, U.S. Dollar Base Rate, a bankers' acceptance rate or London interbank offered rate (LIBOR) (all such terms as used or defined in the credit facility), plus applicable margins. The credit facility contains customary representations, warranties and covenants, including two financial quarter-end ratio tests. These tests are that TELUS International (Cda) Inc.'s net debt to operating cash flow ratio must not exceed 3.25:1.00 and its operating cash flow to debt service (interest and scheduled principal repayment) ratio must not be less than 1.50:1.00, all as defined in the credit facility.

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

**(f) Lease liabilities**

See *Note 2(a)* for details of significant changes to IFRS-IASB which have been applied effective January 1, 2019.

Lease liabilities are subject to amortization schedules, which results in the principal being repaid over various periods, including reasonably expected renewals. The weighted average interest rate on lease liabilities was approximately 4.15% as at March 31, 2019.

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

Anticipated requirements to meet long-term debt repayments, calculated upon such long-term debts owing as at March 31, 2019, are as follows:

Composite long-term debt denominated in	Canadian dollars			U.S. dollars			Other currencies			
	Long-term debt, excluding leases	Leases	Total	Long-term debt, excluding leases	Leases	Currency swap agreement amounts to be exchanged (Receive) <sup>1</sup> Pay	Total	Leases	Total	
Years ending December 31 (millions)										
2019 (remainder of year)	\$ —	\$ 156	\$ 156	\$ 1,111	\$ 11	\$ (1,105)	\$ 1,098	\$ 1,115	\$ 17	\$ 1,288
2020	1,000	192	1,192	8	16	—	—	24	27	1,243
2021	1,075	125	1,200	8	16	—	—	24	25	1,249
2022	1,249	110	1,359	390	15	—	—	405	17	1,781
2023	500	98	598	—	14	—	—	14	17	629
2024-2028	3,300	303	3,603	1,470	3	(1,470)	1,459	1,462	50	5,115
Thereafter	3,275	287	3,562	1,002	—	(1,002)	974	974	21	4,557
Future cash outflows in respect of composite long-term debt principal repayments	10,399	1,271	11,670	3,989	75	(3,577)	3,531	4,018	174	15,862
Future cash outflows in respect of associated interest and like carrying costs <sup>2</sup>	5,272	392	5,664	1,846	15	(1,780)	1,674	1,755	52	7,471
Undiscounted contractual maturities ( <i>Note 4(b)</i> )	\$ 15,671	\$ 1,663	\$ 17,334	\$ 5,835	\$ 90	\$ (5,357)	\$ 5,205	\$ 5,773	\$ 226	\$ 23,333

<sup>1</sup> Where applicable cash flows reflect foreign exchange rates as at March 31, 2019.

<sup>2</sup> Future cash outflows in respect of associated interest and like carrying costs for commercial paper and amounts drawn under our credit facilities (if any) have been calculated based upon the rates in effect as at March 31, 2019.

## 27 other long-term liabilities

As at (millions)	Note	March 31, 2019	December 31, 2018
Contract liabilities	24	\$ 74	\$ 78
Other		7	7
Deferred revenues		81	85
Pension benefit liabilities		426	446
Other post-employment benefit liabilities		36	45
Restricted share unit and deferred share unit liabilities		78	63
Derivative liabilities	4(d)	50	6
Other		20	70
		691	715
Deferred customer activation and connection fees	24	15	15
		\$ 706	\$ 730

## 28 Common Share capital

### (a) General

Our authorized share capital is as follows:

As at	March 31, 2019	December 31, 2018
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 entitled to one vote per Common Share held at all such meetings so long as not less than 66-2/3% of the issued and outstanding Common Shares are owned by Canadians. With respect to priority in payment of dividends and in the distribution of assets in the event of our liquidation, dissolution or winding-up, whether voluntary or involuntary, or any other distribution 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, 2019, approximately 47 million Common Shares were reserved for issuance, from Treasury, under a share option plan (see *Note 14(d)*).

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

As referred to in *Note 3*, we may purchase a portion of our Common Shares for cancellation pursuant to normal course issuer bids in order to maintain or adjust our capital structure. In December 2018, we received approval for a normal course issuer bid to purchase and cancel up to 8 million of our Common Shares (up to a maximum amount of \$250 million) from January 2, 2019, to January 1, 2020.

## 29 contingent liabilities

### Claims and lawsuits

#### General

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

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

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



*Certified class actions*

Certified class actions against us include the following:

*Per minute billing class action*

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

*Call set-up time class actions*

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

*Uncertified class actions*

Uncertified class actions against us include:

*9-1-1 class actions*

In 2008 a class action was brought in Saskatchewan against us and other Canadian telecommunications carriers alleging that, among other matters, we failed to provide proper notice of 9-1-1 charges to the public, have been deceitfully passing them off as government charges, and have charged 9-1-1 fees to customers who reside in areas where 9-1-1 service is not available. The plaintiffs advance causes of action in breach of contract, misrepresentation and false advertising and seek certification of a national class. A virtually identical class action was filed in Alberta at the same time, but the Alberta Court of Queen’s Bench declared that class action expired against us as of 2009. No steps have been taken in this proceeding since 2016.

*Electromagnetic field radiation class actions*

In 2013 a class action was brought in British Columbia against us, other telecommunications carriers, and cellular telephone manufacturers alleging that prolonged usage of cellular telephones causes adverse health effects. The British Columbia class action alleges: strict liability; negligence; failure to warn; breach of warranty; breach of competition, consumer protection and trade practices legislation; negligent misrepresentation; breach of a duty not to market the products in question; and waiver of tort. Certification of a national class is sought. On March 18, 2019, pursuant to terms of settlement, the Plaintiffs filed a Notice of Discontinuance discontinuing their claim against all defendants. In 2015 a class action was brought in Quebec against us, other telecommunications carriers, and various other defendants alleging that electromagnetic field radiation causes adverse health effects, contravenes the Quebec *Environmental Quality Act*, creates a nuisance, and constitutes an abuse of right pursuant to the Quebec *Civil Code*. The authorization hearing for this matter occurred in May 2018 and on June 27, 2018, the Quebec Superior Court dismissed the authorization application. That decision is now final.



*Public Mobile class actions*

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

*Handset subsidy class action*

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

*Intellectual property infringement claims*

Claims and possible claims received by us include:

*4G LTE network patent infringement claim*

A patent infringement claim was filed in Ontario in 2016 alleging that communications between devices, including cellular telephones, and base stations on our 4G LTE network infringe three third-party patents. The Plaintiff has since abandoned its claims in respect of two of the three patents. The claims based on the third patent are set to be tried in the fourth quarter of 2019.

*Other claims*

Claims and possible claims received by us include:

*Area code 867 blocking claim*

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

*Summary*

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

## 30 related party transactions

### (a) Transactions with key management personnel

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

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

Periods ended March 31 (millions)	Three months	
	2019	2018
Short-term benefits	\$ 3	\$ 3
Post-employment pension <sup>1</sup> and other benefits	1	1
Share-based compensation <sup>2</sup>	15	3
	\$ 19	\$ 7

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

2 For the three-month period ended March 31, 2019, share-based compensation expense is net of \$2 (2018 – \$(1)) of the effects of derivatives used to manage share-based compensation costs (*Note 14(b)*).

As disclosed in *Note 14*, we made initial awards of share-based compensation in 2018, including, as set out in the following table, to our key management personnel; awards in 2019 are expected to be made during the three-month period ending September 30, 2019. As most of these awards are cliff-vesting or graded-vesting and have multi-year requisite service periods, the related expense will be recognized rateably over a period of years and thus only a portion of the 2018 initial awards are included in the amounts in the table above.

Three-month periods ended March 31 (\$ in millions)	2019			2018		
	Number of restricted share units	Notional value <sup>1</sup>	Grant-date fair value <sup>1</sup>	Number of restricted share units	Notional value <sup>1</sup>	Grant-date fair value <sup>1</sup>
Awarded in period	—	\$ —	\$ —	608,849	\$ 28	\$ 36

1 Notional value is determined by multiplying the Common Share price at the time of award by the number of units awarded. The grant-date fair value differs from the notional value because the fair values of some awards have been determined using a Monte Carlo simulation (see *Note 14(b)*).

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

As at (millions)	March 31, 2019	December 31, 2018
Restricted share units	\$ 53	\$ 41
Deferred share units <sup>1</sup>	23	21
	\$ 76	\$ 62

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, 2019, \$NIL (2018 – \$NIL) was paid out.

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

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

During the three-month period ended March 31, 2019, 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 \$1 million (2018 – \$1 million).

### (c) Transactions with real estate joint ventures

During the three-month periods ended March 31, 2019 and 2018, we had transactions with the real estate joint ventures, which are related parties, as set out in *Note 21*. As at March 31, 2019, we had recorded lease liabilities of \$77 million in respect of our TELUS Sky lease; one-third of this amount is due to our economic interest in the real estate joint venture.

## 31 additional statement of cash flow information

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

Periods ended March 31 (millions)	Note	Three months	
		2019	2018
<b>OPERATING ACTIVITIES</b>			
<b>Net change in non-cash operating working capital</b>			
Accounts receivable		\$ (26)	\$ 203
Inventories		17	33
Contract assets		(2)	—
Prepaid expenses		(84)	(121)
Accounts payable and accrued liabilities		(63)	(358)
Income and other taxes receivable and payable, net		(216)	85
Advance billings and customer deposits		6	(9)
Provisions		(50)	(9)
		<b>\$ (418)</b>	<b>\$ (176)</b>
<b>INVESTING ACTIVITIES</b>			
<b>Cash payments for capital assets, excluding spectrum licences</b>			
Capital asset additions			
Gross capital expenditures			
Property, plant and equipment	17	\$ (639)	\$ (521)
Intangible assets	18	(133)	(137)
		<b>(772)</b>	<b>(658)</b>
Additions arising from leases	17	122	—
Additions arising from non-monetary transactions		4	8
		<b>(646)</b>	<b>(650)</b>
Change in associated non-cash investing working capital		(147)	(88)
		<b>\$ (793)</b>	<b>\$ (738)</b>
<b>FINANCING ACTIVITIES</b>			
<b>Issue of shares by subsidiary to non-controlling interests</b>			
Issue of shares		\$ —	\$ 43
Non-monetary issue of shares in business combination		—	(19)
Cash proceeds on share issuance		—	24
Transaction costs and other		—	—
		<b>\$ —</b>	<b>\$ 24</b>

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

(millions)	Beginning of period	Statement of cash flows		Non-cash changes		End of period
		Issued or received	Redemptions, repayments or payments	Foreign exchange movement (Note 4(e))	Other	
<b>THREE-MONTH PERIOD ENDED MARCH 31, 2018</b>						
<b>Dividends paid to holders of Common Shares</b>	\$ 299	\$ —	\$ (299)	\$ —	\$ 299	\$ 299
Dividends reinvested in shares from Treasury	—	—	20	—	(20)	—
	\$ 299	\$ —	\$ (279)	\$ —	\$ 279	\$ 299
<b>Short-term borrowings</b>	\$ 100	\$ —	\$ (6)	\$ —	\$ 6	\$ 100
<b>Long-term debt</b>						
TELUS Corporation notes	\$ 11,561	\$ 750	\$ (250)	\$ 38	\$ (5)	\$ 12,094
TELUS Corporation commercial paper	1,140	1,314	(1,644)	33	—	843
TELUS Communications Inc. debentures	620	—	—	—	—	620
TELUS International (Cda) Inc. credit facility	339	97	(11)	10	(2)	433
Derivatives used to manage currency risks arising from U.S. dollar denominated long-term debt – liability	93	1,644	(1,634)	(71)	27	59
	13,753	3,805	(3,539)	10	20	14,049
To eliminate effect of gross settlement of derivatives used to manage currency risks arising from U.S. dollar denominated long-term debt	—	(1,644)	1,644	—	—	—
	\$ 13,753	\$ 2,161	\$ (1,895)	\$ 10	\$ 20	\$ 14,049

(millions)	Beginning of period			Statement of cash flows		Non-cash changes		End of period
	As previously reported	IFRS 16, Leases transitional amount (Note 2(c))	As adjusted	Issued or received	Redemptions, repayments or payments	Foreign exchange movement (Note 4(e))	Other	
<b>THREE-MONTH PERIOD ENDED MARCH 31, 2019</b>								
<b>Dividends payable to holders of Common Shares</b>	\$ 326	\$ —	\$ 326	\$ —	\$ (326)	\$ —	\$ 329	\$ 329
Dividends reinvested in shares from Treasury	—	—	—	—	23	—	(23)	—
	\$ 326	\$ —	\$ 326	\$ —	\$ (303)	\$ —	\$ 306	\$ 329
<b>Short-term borrowings</b>	\$ 100	\$ —	\$ 100	\$ 407	\$ (7)	\$ —	\$ —	\$ 500
<b>Long-term debt</b>								
TELUS Corporation notes	\$ 12,186	\$ —	\$ 12,186	\$ —	\$ —	\$ (52)	\$ 2	\$ 12,136
TELUS Corporation commercial paper	774	—	774	1,153	(809)	(13)	—	1,105
TELUS Communications Inc. debentures	620	—	620	—	—	—	1	621
TELUS International (Cda) Inc. credit facility	419	—	419	13	(19)	(9)	1	405
Lease liabilities	102	1,381	1,483	—	(88)	(5)	118	1,508
Derivatives used to manage currency risk arising from U.S. dollar-denominated long-term debt – liability (asset)	(73)	—	(73)	809	(810)	65	50	41
	14,028	1,381	15,409	1,975	(1,726)	(14)	172	15,816
To eliminate effect of gross settlement of derivatives used to manage currency risk arising from U.S. dollar-denominated long-term debt	—	—	—	(809)	809	—	—	—
	\$ 14,028	\$ 1,381	\$ 15,409	\$ 1,166	\$ (917)	\$ (14)	\$ 172	\$ 15,816