TELUS CORPORATION

Management's discussion and analysis

2021 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, our plans and expectations regarding the impact of the COVID-19 pandemic and responses to it, and our multi-year dividend growth program. Forward-looking statements are typically identified by the words assumption, goal, guidance, objective, outlook, strategy, target and other similar expressions, or future or conditional verbs such as *aim*, *anticipate*, *believe*, *could*, *expect*, *intend*, *may*, *plan*, *predict*, *seek*, *should*, *strive* and *will*. These statements are made pursuant to the "safe harbour" provisions of applicable securities laws in Canada and the United States *Private Securities Litigation Reform Act of 1995*.

By their nature, forward-looking statements are subject to inherent risks and uncertainties and are based on assumptions, including assumptions about future economic conditions and courses of action. These assumptions may ultimately prove to have been inaccurate and, as a result, our actual results or events may differ materially from expectations expressed in or implied by the forward-looking statements. Updates to the assumptions on which our 2021 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:

- The COVID-19 pandemic including its impacts on our customers, suppliers and vendors, our team members and our communities, as well as changes resulting from the pandemic to our business and operations including to the demand for and supply of the products and services that we offer and the channels through which we offer them.
- Regulatory decisions and developments including: changes to our regulatory regime (the timing of announcement or implementation of which are uncertain) or the outcomes of proceedings, cases or inquiries relating to its application, including but not limited to those set out in *Section 9.1 Communications industry regulatory developments and proceedings* in this MD&A, such as the potential for government to allow consolidation of competitors in our industry or conversely for government intervention to further increase competition, for example, through mandated wholesale access; the potential for additional government intervention on pricing, including the March 2020 announcement by the federal government (reiterated in June 2020) targeting a 25% price reduction over a two-year period by the national wireless carriers in postpaid mobile bring-your-own-device wireless plans using between 2 to 6 GB of data; federal and provincial consumer protection legislation and regulation including the introduction by the federal government of Bill C-11, the *Digital Charter Implementation Act, 2020*, which, aims to *give consumers new privacy rights and imposes new monetary penalties for non-compliance*; amendments to existing federal legislation; potential threats to unitary federal regulatory authority over communications in Canada; potential threats to the CRTC's ability to enforce the *Wholesale Code*, which aims to ensure the fair treatment by vertically integrated firms of rival broadcasting distributors and programming services; regulatory action by the Competition Bureau or other regulatory agencies; spectrum and compliance with licences, including our compliance with licence conditions, changes to spectrum licence fees, spectrum policy determinations such as restrictions on the purchase, sale, subordination and transfer of spectrum licences, the cost, availability and timing of spectrum, and ongoing and future consultations and decisions on spectrum licensing and policy frameworks, auctions and allocation; the impact on us and other Canadian telecommunications carriers of government or regulatory actions with respect to certain countries or suppliers, including U.S. federal regulations pertaining to certain technology transactions deemed to constitute national security risks and the imposition of additional licence requirements on the export, re-export and transfer of goods, services and technology to Huawei Technologies Co. Ltd. and its non-U.S. affiliates, and decisions of other foreign governments, which could result in a general shortage of chip sets and other equipment; restrictions on non-Canadian ownership and control of the common shares of TELUS Corporation (Common Shares) and the ongoing monitoring of and compliance with such restrictions; unanticipated changes to the current copyright regime; and our ability to comply with complex and changing regulation of the healthcare and medical devices industry in the jurisdictions in which we operate, including as an operator of health clinics. The jurisdictions in which we operate, as well as the contracts that we enter into (particularly those of TELUS International (Cda) Inc.'s (TELUS International or TI) business), require us to comply with or facilitate our clients' compliance with numerous, complex and sometimes conflicting legal regimes, both domestically and internationally. See TELUS International financial performance which impacts our financial performance.
- Competitive environment including: our ability to continue to retain customers through an enhanced customer service experience that is differentiated from our competitors, including through the deployment and operation of evolving network infrastructure; intense competition, including the ability of industry competitors to successfully combine a mix of new service offerings and, in some cases, under one bundled and/or discounted monthly rate, along with their existing services; the success of new products, services and supporting systems, such as home automation security and Internet of Things (IoT) services for internet-connected devices; continued intense competition across all services among telecommunications companies, cable companies, other communications companies and over-the-top (OTT) services, which, among other things, places pressures on current and future average billing per subscriber per month (ABPU), average revenue per subscriber per month (ARPU), cost of acquisition, cost of retention and churn rate for all services, as do market conditions, government actions, customer usage patterns, increased data bucket sizes or flat-rate pricing trends for voice and data, inclusive rate plans for voice and data and availability of Wi-Fi networks for data; consolidation, mergers and acquisitions of industry competitors; subscriber additions, losses and retention volumes; our ability to obtain and offer content on a timely basis across multiple devices on mobile and TV platforms at a reasonable cost as

content costs per unit continue to grow; vertical integration in the broadcasting industry resulting in competitors owning broadcast content services, and timely and effective enforcement of related regulatory safeguards; TI's ability to compete with professional services companies that offer consulting services, information technology companies with digital capabilities, and traditional contact center and business process outsourcing companies that are expanding their capabilities to offer higher-margin and higher-growth digital services; in our TELUS Health business, our ability to compete with other providers of electronic medical records and pharmacy management products, claims adjudicators, systems integrators and health service providers including those that own a vertically integrated mix of health services delivery, IT solutions, and related services, global providers that could achieve expanded Canadian footprints, and in the provision of virtual healthcare services, preventative health services and personal emergency response services; and in our TELUS Agriculture business, while we maintain a broad solution set as compared to other agriculture technology providers, our ability to compete with focused software and IoT competitors.

- <u>Technological substitution</u> including: reduced utilization and increased commoditization of traditional fixed voice services (local and long distance) resulting from impacts of OTT applications and mobile substitution; a declining overall market for TV services, including as a result of content piracy and signal theft, a rise in OTT direct-to-consumer video offerings and virtual multichannel video programming distribution platforms; the increasing number of households that have only mobile and/or internet-based telephone services; potential declines in ABPU and ARPU as a result of, among other factors, substitution by messaging and OTT applications; substitution by increasingly available Wi-Fi services; and disruptive technologies, such as OTT IP services, including software-defined networks in the business market, that may displace or cause us to reprice our existing data services, and self-installed technology solutions.
- <u>Challenges to our ability to deploy technology</u> including: high subscriber demand for data that challenges wireless networks and spectrum capacity levels and may be accompanied by increases in delivery cost; our reliance on information technology and our ability to streamline our legacy systems; the roll-out, anticipated benefits and efficiencies, and the evolution of wireless broadband technologies and systems, including video distribution platforms and telecommunications network technologies (broadband initiatives, such as fibre-to-the-premises (FTTP), wireless small-cell deployment, 5G wireless and availability of resources and our ability to build out adequate broadband capacity); our reliance on wireless network access agreements, which have facilitated our deployment of wireless technologies; our choice of suppliers and those suppliers' ability to maintain and service their product lines, which could affect the success of upgrades to, and evolution of, technology that we offer; supplier limitations and concentration and market power for products such as network equipment, TELUS TV® and wireless handsets; our expected long-term need to acquire additional spectrum capacity through future spectrum auctions and from third parties to address increasing demand for data and our ability to utilize spectrum we acquire; deployment and operation of new wireline broadband network technologies at a reasonable cost and the availability and success of new products and services to be rolled out using such network technologies; network reliability and change management; and our deployment of self-learning tools and automation that may change the way we interact with customers.
- <u>Capital expenditure levels and potential outlays for spectrum licences in auctions or purchases from third parties</u>, affect and are affected by: our broadband initiatives, including connecting more homes and businesses directly to fibre; our ongoing deployment of newer wireless technologies, including wireless small cells to improve coverage and capacity; investments in network resiliency and reliability, including to address changes in usage resulting from restrictions imposed in response to COVID-19; the allocation of resources to acquisitions and future wireless spectrum auctions held by Innovation, Science and Economic Development Canada (ISED), including the 3500 MHz spectrum auction scheduled to take place in June 2021 and the millimetre wave spectrum auction, which the Minister of Innovation, Science and Industry stated is expected to commence in 2021, but we believe may not take place until 2023 or later, and the announcement of a formal consultation on the auctioning of the 3800 MHz spectrum, expected to take place in 2023. Our capital expenditure levels could be impacted if we do not achieve our targeted operational and financial results or by changes to our regulatory environment.
- <u>Operational performance and business combination risks</u> including: our reliance on legacy systems and ability to implement and support new products and services and business operations in a timely manner; our ability to manage the requirements of large enterprise deals; our ability to implement effective change management for system replacements and upgrades, process redesigns and business integrations (such as our ability to successfully complete and integrate acquisitions into our operations and culture, complete divestitures or establish partnerships in a timely manner and realize expected strategic benefits, including those following compliance with any regulatory orders); our ability to identify and manage new risks inherent in new service offerings that we may provide, including as a result of acquisitions, which could result in damage to our brand, our business in the relevant area or as a whole, and additional exposure to litigation or regulatory proceedings; and our ability to effectively manage our infrastructure and team member expansion.
- <u>Data protection</u> including risks that malfunctions or unlawful acts could result in unauthorized access to, change, loss, or distribution of data, which may compromise the privacy of individuals and could result in financial loss and harm to our reputation and brand.
- <u>Security threats</u> including intentional damage or unauthorized access or attempted 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.
- <u>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</u>. Examples of these initiatives are: our operating efficiency and effectiveness program to drive improvements in financial results; business integrations; business product simplification; business process automation and outsourcing; offshoring and reorganizations; procurement initiatives; and real estate rationalization.

- Foreign operations and our ability to successfully manage operations in foreign jurisdictions, including managing risks such as currency fluctuations and exposure to various economic, international trade, political and other risks of doing business globally.
- Business continuity events including: our ability to maintain customer service and operate our network in the event of human error or human-caused threats, such as cyberattacks and equipment failures that could cause various degrees of network outages; technical disruptions and infrastructure breakdowns; supply chain disruptions, delays and economics, including as a result of government restrictions or trade actions; natural disaster threats; extreme weather events; epidemics; pandemics (including the ongoing COVID-19 pandemic); political instability in certain international locations; information security and privacy breaches, including data loss or theft of data; and the completeness and effectiveness of business continuity and disaster recovery plans and responses.
- TELUS International's financial performance which impacts our financial performance. Factors that may affect TI's financial performance are described in TI's public filings available on SEDAR and EDGAR and may include: intense competition from companies offering similar services; TI's ability to grow and maintain its profitability as changes in technology and client expectations outpace service offerings and internal tools and processes; TI maintaining its culture as it grows; effects of economic and geopolitical conditions on its clients' businesses and demand for its services; a significant portion of TI's revenue being dependent on a limited number of large clients; continued consolidation in many of the verticals in which TI offers services could result in the loss of a client; attracting and retaining qualified team members to support its operations; adverse impacts of COVID-19 on TI's business and financial results; TI's business being adversely affected if certain independent contractors were classified as employees, and the costs associated with defending, settling or resolving any future lawsuits (including demands for arbitration) relating to the independent contractor classification; TI's ability to successfully identify, complete, integrate and realize the benefits of acquisitions and manage associated risks; cyberattacks or unauthorized disclosure resulting in access to sensitive or confidential information and data of its clients or their end customers could have a negative impact on its reputation and client confidence; business development not developing in ways it currently anticipates due to negative public reaction to offshore outsourcing, proposed legislation or otherwise; ability to meet client expectations regarding its content moderation services being adversely impacted due to factors beyond its control and its content moderation team members may suffer adverse emotional or cognitive effects in the course of performing their work; and TI's lack of history operating as a separate, publicly traded company. The price of the subordinate voting shares of TI (TI Subordinate Voting Shares) may be volatile and is likely to fluctuate due to a number of factors beyond its control, including actual or anticipated changes in profitability; general economic, social or political developments; changes in industry conditions; changes in governance regulation; inflation; the general state of the securities markets; and other material events. TI may choose to publicize targets or provide other guidance regarding its business and it may not achieve such targets. Failure to do so could also result in a reduction in the trading price of the TI Subordinate Voting Shares. A reduction in the trading price of the TI Subordinate Voting Shares due to these or other factors could result in a reduction in the fair value of TI multiple voting shares held by TELUS.
- Human resource matters including: recruitment, retention and appropriate training in a highly competitive industry (including retention of team members leading recent acquisitions in emerging areas of our business), the level of our employee engagement, our ability to maintain our unique culture as we grow, the risk that certain independent contractors of TI's Lionbridge AI business could be classified as employees, and the health of our team.
- Financing and debt requirements including: our ability to carry out financing activities, refinance our maturing debt, lower our net debt to EBITDA ratio to our objective range given the cash demands of spectrum auctions and/or maintain investment grade credit ratings in the range of BBB+ or the equivalent. Our business plans and growth could be negatively affected if existing financing is not sufficient to cover our funding requirements.
- Lower than planned free cash flow could constrain our ability to invest in operations, reduce leverage or return capital to shareholders, and could affect our ability to sustain our dividend growth program through 2022. This program may be affected by factors such as the competitive environment, economic performance in Canada, our earnings and free cash flow, our levels of capital expenditures and spectrum licence purchases, acquisitions, the management of our capital structure, regulatory decisions and developments, and business continuity events. Quarterly dividend decisions are subject to assessment and determination by our Board of Directors based on our financial position and outlook. Common Shares may be purchased under a normal course issuer bid (NCIB) if and when we implement one and if we consider it opportunistic, based on our financial position and outlook, and the market price of our Common Shares. There can be no assurance that our dividend growth program or that any NCIB will be implemented, maintained, unchanged and/or completed.
- Taxation matters including: interpretation of complex domestic and foreign tax laws by the relevant tax authorities that may differ from our interpretations; the timing and character of income and deductions, such as tax depreciation and operating expenses; tax credits or other attributes; changes in tax laws, including tax rates; tax expenses being materially different than anticipated, including the taxability of income and deductibility of tax attributes; elimination of income tax deferrals through the use of different tax year-ends for operating partnerships and corporate partners; and changes to the interpretation of tax laws, including those resulting from changes to applicable accounting standards or the adoption of more aggressive auditing practices by tax authorities, tax reassessments or adverse court decisions impacting the tax payable by us.

- Litigation and legal matters including: our ability to successfully respond to investigations and regulatory proceedings; our ability to defend against existing and potential claims and lawsuits (including intellectual property infringement claims and class actions based on consumer claims, data, privacy or security breaches and secondary market liability), or to negotiate and execute upon indemnity rights or other protections in respect of such claims and lawsuits; and the complexity of legal compliance in domestic and foreign jurisdictions, including compliance with competition, anti-bribery and foreign corrupt practices laws.
- Health, safety and the environment including: lost employee work time resulting from illness or injury; public concerns related to radio frequency emissions; environmental issues affecting our business, including climate-related risk (such as extreme weather events and other natural hazards), waste and waste recycling, risks relating to fuel systems on our properties, changing government and public expectations regarding environmental matters and our responses; and challenges associated with epidemics or pandemics, including the COVID-19 pandemic and our response to it, which may add to or accentuate these factors.
- Economic growth and fluctuations including: the state of the economy in Canada, which may be influenced by economic and other developments outside of Canada, including potential outcomes of yet unknown policies and actions of foreign governments and the ongoing COVID-19 pandemic as well as public and private sector responses to the pandemic; expectations of future interest rates; inflation; unemployment levels; effects of fluctuating oil prices; effects of low business spending (such as reducing investments and cost structure); pension investment returns, funding and solvency discount rates; fluctuations in foreign exchange rates of the currencies in the regions in which we operate; sovereign credit ratings and effects on the cost of borrowing; the impact of tariffs on trade between Canada and the U.S.; and global implications of the trade dynamic between major world economies.

These risks are described in additional detail in *Section 9 General trends, outlook and assumptions, and regulatory developments and proceedings* and *Section 10 Risks and risk management* in our 2020 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 that are not currently known to us or that we currently deem to be immaterial may also have a material adverse effect on our financial position, financial performance, cash flows, business or reputation. Except as otherwise indicated in this document, the forward-looking statements made herein do not reflect the potential impact of any non-recurring or special items or any mergers, acquisitions, dispositions or other business combinations or transactions that may be announced or that may occur after the date of this document.

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

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

Management's discussion and analysis (MD&A)

May 7, 2021

Contents

1. Introduction

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

1.1 Preparation of the MD&A

The following sections are a discussion of our consolidated financial position and financial performance for the three-month period ended March 31, 2021, and should be read together with our March 31, 2021 condensed interim consolidated statements of income and other comprehensive income, statements of financial position, statements of changes in owners' equity and statements of cash flows, and the related notes (collectively referred to as the interim consolidated financial statements). The generally accepted accounting principles (GAAP) that we use are International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB) and Canadian GAAP. In this MD&A, the term IFRS refers to these standards. In our discussion, we also use certain non-GAAP financial measures to evaluate our performance, monitor compliance with debt covenants and manage our capital structure. These measures are defined, qualified and reconciled with their nearest GAAP measures in *Section 11.1*. All currency amounts are in Canadian dollars, unless otherwise specified.

Additional information relating to the Company, including our annual information form and other filings with securities commissions or similar regulatory authorities in Canada, is available on SEDAR (**sedar.com**). Our filings with the Securities and Exchange Commission in the United States, including Form 40-F, are available on EDGAR (**sec.gov**). Additional information about our TELUS International (Cda) Inc. (TELUS International or TI) subsidiary, including discussion of its business and results, can be found in its public filings available on SEDAR and EDGAR.

Our disclosure controls and procedures are designed to provide reasonable assurance that all relevant information is gathered and reported to senior management on a timely basis, so that appropriate decisions can be made regarding public disclosure. This MD&A and the interim consolidated financial statements were reviewed by our Audit Committee and authorized by our Board of Directors (Board) for issuance on May 7, 2021.

In this MD&A, unless otherwise indicated, results for the first quarter of 2021 (three-month period ended March 31, 2021) are compared with results for the first quarter of 2020 (three-month period ended March 31, 2020).

Effective January 1, 2021, our segmented reporting structure was retrospectively re-cast. This change arose from continually increasing technological convergence pushing the difference between mobile and fixed access further from the core network and closer to the customer point of access, the increasing significance of digitally-led customer experience services and the evolution of information regularly reported to our chief operating decision maker for purposes of allocating capital resources and assessing performance. See *Section 5.1 General* for additional details.

1.2 The environment in which we operate

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

COVID-19

As noted in *Section 1.2* of our 2020 annual MD&A, the COVID-19 pandemic, which emerged in the first quarter of 2020, continued to have a pervasive global impact throughout the balance of 2020 and into 2021. In many Canadian communities, residents are experiencing the third wave of the pandemic. The nature of the pandemic and the uncertainty of its magnitude, length and the time to recovery are not currently able to be estimated. Since the beginning of the pandemic, we have focused relentlessly on keeping Canadians connected and on the health, safety and well-being of our team members, customers and communities. Our Executive Team continues to be guided by advice from our Emergency Management Operating Committee (EMOC) and the TELUS Medical Advisory Council (MAC).

For more than a decade, our Work Styles program has provided employees with flexible work options to work where and when they are most effective, which is a big part of our culture. The pandemic has accelerated the pace of change and our Work Styles program is also evolving. Upon the reopening of our offices later this year, we anticipate that 90% of employees will work virtually to an extent. Over the next several years, our offices will be transformed into social workspaces that reflect our culture and promote collaboration, innovation, connection and well-being. With more team members working remotely more of the time, we also see opportunities to reduce our office footprint over the next few years, which is expected to advance our sustainability goals.

Economic estimates

Our estimates regarding our environment, including economic growth, unemployment and housing starts, form an important part of the assumptions on which our targets are based. The extent to which these estimates affect us and the timing of their impact will depend upon the actual experience of specific sectors of the Canadian economy.

	Economic growth (Percentage points)		Unemployment (Percentage points)			Housing starts (000s of units)		
	Estimated gross domestic product (GDP) growth rate	Our estimated GDP growth rates[1]	Unemployment rates		Our estimated annual unemployment rates[1]	Seasonally adjusted annual rate of housing starts[2]		Our estimated annual rate of housing starts on an unadjusted basis[1]
			For the month of			For the month of		
	2021	**2021**	**March 2021**[3]	March 2020[3]	**2021**	**March 2021**	March 2020	**2021**
Canada	**6.5**[4]	**5.9**	**7.5**	7.8	**7.7**	**335**	195	**232**
B.C.	**4.4**[5]	**5.7**	**6.9**	7.2	**6.7**	**71**	35	**39**
Alberta	**4.8**[5]	**5.6**	**9.1**	8.7	**9.6**	**29**	33	**28**
Ontario	**4.0**[5]	**5.7**	**7.5**	7.6	**8.0**	**131**	67	**82**
Quebec	**4.2**[5]	**5.8**	**6.4**	8.1	**6.9**	**84**	46	**60**

1 Assumptions are as of April 12, 2021 and are based on a composite of estimates from Canadian banks and other sources.

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

3 Source: Statistics Canada Labour Force Survey, March 2021 and March 2020, respectively.

4 Source: Bank of Canada Monetary Policy Report, April 2021.

5 Source: British Columbia Ministry of Finance, Budget and fiscal plan 2021/22 – 2023/24, April 20, 2021; Alberta Ministry of Treasury Board and Finance, 2021 – 24 Fiscal Plan, February 25, 2021; Ontario Ministry of Finance, 2021 Ontario Budget, March 2021; and Ministere des Finances du Quebec, Budget 2021 – 2022, March 2021, respectively.

1.3 Consolidated highlights

TELUS International IPO

On February 5, 2021, TELUS Corporation and TELUS International, our digitally-led customer experiences (DLCX) subsidiary, announced the closing of the upsized TELUS International initial public offering (IPO) of 42.55 million TI Subordinate Voting Shares at a price of US$25.00 per share, which included 5.55 million TI Subordinate Voting Shares purchased upon the full exercise of the underwriters' over-allotment option to purchase additional TI Subordinate Voting Shares from TELUS Corporation and Baring Private Equity Asia (Baring), the selling shareholders. The offering generated aggregate gross proceeds to TELUS International, TELUS Corporation and Baring of approximately $1.4 billion (US$1.1 billion), including the exercise of the over-allotment option in full. The net proceeds to TELUS International totalled approximately $0.6 billion (US$0.5 billion), which were used to repay outstanding borrowings under its revolving credit facilities. TELUS International did not receive any proceeds from the TI Subordinate Voting Shares sold by the selling shareholders. The TI Subordinate Voting Shares began trading on the New York Stock Exchange (NYSE) and the Toronto Stock Exchange (TSX) on February 3, 2021 under the ticker "TIXT". The offering represented the largest tech IPO in TSX history and the fifth largest by proceeds raised. TELUS International's initial market capitalization of $8.5 billion at the time of its IPO surpassed TELUS' market capitalization in 2000. With its differentiated portfolio of integrated digital IT and customer experience (CX) solutions spanning the design, build and deliver lifecycle, TELUS International has a strategic position in the digital transformation ecosystem and is poised to benefit from the acceleration of digital adoption across various sectors of the global economy.

Strategic alliance with Google

On February 9, 2021, we announced a strategic alliance with Google Cloud to co-innovate on new services and solutions that support digital transformation within key industries, including communications technology, healthcare, agriculture, security and connected home. The 10-year collaboration is intended to accelerate our IT and network modernization initiatives, enabling further operational agility and supporting improved customer experiences.

Equity offering

On March 25, 2021, we announced an equity offering pursuant to which a syndicate of underwriters agreed to purchase from TELUS, on a bought deal basis, and sell to the public, 51 million common shares of TELUS Corporation (Common Shares) at a price of $25.35 per Common Share for gross proceeds of approximately $1.3 billion. On March 31, 2021, we announced the closing of the offering. Proceeds will be used to capitalize on a unique strategic opportunity to accelerate our broadband capital investment program over the 2021 and 2022 time periods, including substantial advancement of the build-out of our TELUS PureFibre infrastructure in Alberta, B.C. and Eastern Quebec, as well as an accelerated roll-out of our 5G network. These planned accelerated capital investments are over and above our previous capital expenditures target originally announced on February 11, 2021.

Long-term debt issue

On March 29, 2021, we announced an offering of $500 million of senior unsecured 4.10% Notes, Series CAE, which was issued on April 5, 2021 and will mature on April 5, 2051. The net proceeds from this offering will be used to fund the repayment of upon maturity of the Series 3, 10.65% debentures of TELUS Communications Inc. due June 2021, the repayment of commercial paper, and for general corporate purposes.

Consolidated highlights

Three-month periods ended March 31 ($ millions, except footnotes and unless noted otherwise)	**2021**	2020	Change
Consolidated statements of income			
Operating revenues and other income	**4,024**	3,694	8.9%
Operating income	**672**	684	(1.8)%
Income before income taxes	**465**	492	(5.5)%
Net income	**333**	353	(5.7)%
Net income attributable to Common Shares	**331**	350	(5.4)%
Adjusted Net income[1]	**359**	400	(10.3)%
Earnings per share (EPS) ($)			
Basic EPS	**0.25**	0.28	(10.7)%
Adjusted basic EPS[1]	**0.27**	0.32	(15.6)%
Diluted EPS	**0.25**	0.28	(10.7)%
Dividends declared per Common Share ($)	**0.3112**	0.29125	6.8%
Basic weighted-average Common Shares outstanding (millions)	**1,298**	1,248	4.0%
Consolidated statements of cash flows			
Cash provided by operating activities	**939**	1,177	(20.2)%
Cash used by investing activities	**(1,153)**	(1,959)	(41.1)%
Acquisitions	**(137)**	(1,104)	(87.6)%
Capital expenditures[2]	**(685)**	(665)	3.0%
Cash provided by financing activities	**1,269**	1,305	(2.8)%
Other highlights			
Subscriber connections[3] (thousands)	**16,072**	15,241	5.5%
Earnings before interest, income taxes, depreciation and amortization (EBITDA)[1]	**1,461**	1,409	3.7%
EBITDA margin[1] (%)	**36.3**	38.1	(1.8) pts.
Restructuring and other costs[1]	**41**	60	(31.7)%
Adjusted EBITDA[1,4]	**1,503**	1,475	1.9%
Adjusted EBITDA margin[1] (%)	**37.4**	39.9	(2.5) pts.
Free cash flow[1]	**321**	545	(41.1)%
Net debt to EBITDA – excluding restructuring and other costs[1] (times)	**3.15**	3.13	0.02

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

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

2 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.

3 The sum of active mobile phone subscribers, connected device subscribers, internet subscribers, residential voice subscribers, TV subscribers and security subscribers, measured at the end of the respective periods based on information in billing and other source systems. During the third quarter of 2020, we adjusted cumulative subscriber connections to add approximately 31,000 security subscribers as a result of a business acquisition. Effective January 1, 2021 with retrospective application to January 1, 2020, in alignment with our segment reporting changes, we made a retroactive adjustment to remove internal network service revenue and approximately 29,000 subscribers from our mobile phone subscriber base and associated operating statistics (average billing per subscriber per month (ABPU) / average revenue per subscriber per month (ARPU) and churn). Effective January 1, 2021 on a prospective basis, following an in-depth review of customer accounts within a legacy subscriber provisioning system to be decommissioned, we adjusted our internet subscriber base to remove 16,000 subscribers.

4 Adjusted EBITDA excludes restructuring and other costs (see *Section 11.1* for restructuring and other costs amounts), other equity losses related to real estate joint ventures, as well as retirement of a provision arising from business acquisition-related written put options within DLCX.

Operating highlights

- **Consolidated Operating revenues and other income** increased by $330 million in the first quarter of 2021.

  Service revenues increased by $257 million in the first quarter of 2021, due to growth in Digitally-led customer experiences – TELUS International (DLCX) segment revenues from business acquisitions and expanded services; increased fixed data services revenues from expanded services and subscriber base growth; and growth in our mobile subscriber base, partly offset by the impacts of the COVID-19 pandemic in our TELUS technology solutions (TTech) segment.

  Equipment revenues increased by $102 million in the first quarter of 2021, reflecting higher handset upgrade volumes and a greater sales mix of higher-value smartphones.

Other income decreased by $29 million in the first quarter of 2021, largely related to the non-recurrence of the comparative period's decrease of a provision arising from business acquisition-related written put options within DLCX.

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

- **Operating income** decreased by $12 million in the first quarter of 2021, driven by increased depreciation and amortization, the non-recurrence of the comparative period's decrease of a provision related to written put options to acquire the remaining non-controlling interest of an acquired subsidiary, the lingering impacts of the COVID-19 pandemic, lower legacy fixed voice and legacy fixed data services, and higher employee benefits expense. These impacts were partially offset by growth in fixed data service margins resulting from subscriber base growth and expanded services; growth in our mobile subscriber base and mobile equipment margins; growth from business acquisitions (net of associated support costs); an increased contribution from our DLCX segment; and enhanced cost efficiency programs. (See *Section 5.3 Consolidated operations* for additional details.)

  EBITDA, which includes restructuring and other costs and other equity losses related to real estate joint ventures, increased by $52 million or 3.7% in the first quarter of 2021.

  Adjusted EBITDA, which excludes restructuring and other costs and other equity losses related to real estate joint ventures, increased by $28 million or 1.9% in the first quarter of 2021, reflecting the drivers mentioned in the Operating income discussion above, excluding increased depreciation and amortization. (See *Section 5.3 Consolidated operations* for additional details.)

- **Income before income taxes** decreased by $27 million in the first quarter of 2021 as a result of lower Operating income, as noted above, and increased Financing costs. The increase in Financing costs resulted from the cessation of capitalized long-term debt interest costs for spectrum licences that are now being deployed and higher average long-term debt outstanding, in part attributable to business acquisitions. (See *Financing costs* in *Section 5.3*.)

- **Income tax** expense decreased by $7 million in the first quarter of 2021. The effective income tax rate increased from 28.3% to 28.5%.

- **Net income attributable to Common Shares** decreased by $19 million in the first quarter of 2021, resulting from the after-tax impacts of lower Operating income and higher Financing costs.

  Adjusted Net income excludes the effects of restructuring and other costs, income tax-related adjustments and other equity losses related to real estate joint ventures. Adjusted Net income decreased by $41 million or 10.3% in the first quarter of 2021.

Reconciliation of adjusted Net income

Three-month periods ended March 31 ($ millions)	**2021**	2020	Change
Net income attributable to Common Shares	**331**	350	(19)
Add (deduct):			
Restructuring and other costs, after income taxes	**27**	47	(20)
Income tax-related adjustments	**—**	(3)	3
Other equity losses related to real estate joint ventures	**1**	6	(5)
Adjusted Net income	**359**	400	(41)

- **Basic EPS** decreased by $0.03 or 10.7% in the first quarter of 2021 as a result of the after-tax impacts of lower Operating income and higher Financing costs, as well as the effect of a higher number of Common Shares outstanding.

  Adjusted basic EPS excludes the effects of restructuring and other costs, income tax-related adjustments and other equity losses related to real estate joint ventures. Adjusted basic EPS decreased by $0.05 or 15.6% in the first quarter of 2021.

Reconciliation of adjusted basic EPS

Three-month periods ended March 31 ($)	**2021**	2020	Change
Basic EPS	**0.25**	0.28	(0.03)
Add:			
Restructuring and other costs, after income taxes, per share	**0.02**	0.04	(0.02)
Adjusted basic EPS	**0.27**	0.32	(0.05)

- **Dividends declared per Common Share** were $0.3112 in the first quarter of 2021, reflecting an increase of 6.8% from one year earlier. On May 6, 2021, the Board declared a second quarter dividend of $0.3162 per share on our issued and outstanding Common Shares, payable on July 2, 2021, to shareholders of record at the close of business on June 10, 2021. The second quarter dividend increased by $0.02495 per share or 8.6% from the $0.29125 per share dividend declared one year earlier, consistent with our multi-year dividend growth program described in *Section 4.3 Liquidity and capital resources*.
- During the 12-month period ending on March 31, 2021, our total **subscriber connections** increased by 831,000. This reflected an increase of 3.3% in mobile phone subscribers, 17.1% in connected device subscribers, 7.4% in internet subscribers, 5.0% in TV subscribers and 16.2% in security subscribers, partly offset by a decline of 3.1% in residential voice subscribers. (See *Section 5.4 TELUS technology solutions segment* for additional details.)

Liquidity and capital resource highlights

- **Cash provided by operating activities** decreased by $238 million in the first quarter of 2021. This decrease was largely attributable to other working capital changes, and increased income tax and spectrum licence payments as a portion of the tax instalments and spectrum licence payments in the first quarter of 2020 were deferred into the third quarter of 2020 as permitted by several government jurisdictions as part of their pandemic responses as well as increased income tax payments for newly acquired companies. (See *Section 7.2 Cash provided by operating activities*.)
- **Cash used by investing activities** decreased by $806 million in the first quarter of 2021, primarily attributable to decreased acquisitions. Acquisitions decreased by $967 million in the first quarter of 2021, as we made larger cash payments for business acquisitions in the first quarter of 2020, primarily Competence Call Center (CCC). Capital expenditures increased by $20 million in the first quarter of 2021 due to increased investments in our 5G network, the accelerated purchase of equipment and higher capital expenditures to support subscriber growth, and accelerated investments to increase system capacity and reliability (See *Section 7.3 Cash used by investing activities*.)
- **Cash provided by financing activities** decreased by $36 million in the first quarter of 2021. Net cash proceeds from the TI IPO were used to reduce TI credit facility indebtedness. Additionally, the proceeds from our equity issue in the first quarter of 2021 were lower than the proceeds from our equity issue in the first quarter of 2020 as we issued approximately 6 million fewer Common Shares in the equity issue in the first quarter of 2021. (See *Section 7.4 Cash provided by financing activities.*)
- **Net debt to EBITDA – excluding restructuring and other costs** ratio was 3.15 times at March 31, 2021, up from 3.13 times at March 31, 2020, as the increase in net debt, partly attributable to business acquisitions, exceeded the effect of the increase in EBITDA – excluding restructuring and other costs as the COVID-19 pandemic impacts reduced EBITDA. As at March 31, 2021, business acquisitions over the past 12 months increased the ratio by approximately 0.37 and the acquisition of spectrum licences increased the ratio by approximately 0.21. (See *Section 4.3 Liquidity and capital resources* and *Section 7.5 Liquidity and capital resource measures.*)
- **Free cash flow** decreased by $224 million in the first quarter of 2021, resulting primarily from: increased income tax and spectrum licence payments, as a portion of the tax instalments and spectrum licence payments in the first quarter of 2020 were deferred into the third quarter of 2020 as permitted by several government jurisdictions as part of their pandemic responses as well as increased income tax payments for newly acquired companies; the timing related to device subsidy repayments and associated revenue recognition and our TELUS Easy Payment® device financing program; higher lease principal payments; higher restructuring and other costs disbursements; higher interest paid; and higher capital expenditures. These factors were partly offset by higher EBITDA. Our definition of free cash flow, for which there is no industry alignment, is unaffected by accounting changes that do not impact cash, such as IFRS 15 and IFRS 16. (See calculation in *Section 11.1 Non-GAAP and other financial measures*.)

2. Core business and strategy

Our core business and our strategic imperatives were described in our 2020 annual MD&A.

3. Corporate priorities for 2021

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 2021 corporate priorities.

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

- In March 2021, the Commission for Complaints for Telecom-television Services (CCTS) issued its mid-year report for the period ended August 1, 2020 to January 31, 2021, and TELUS was again the subject of the fewest customer complaints among national carriers with 646 accepted complaints, while Koodo® was again the subject of the fewest complaints among the national flanker brands with 381 accepted complaints. Total industry complaints increased year-over-year by 6%. As a comparison, TELUS and Public Mobile each saw year-over-year reductions in the total customer complaints accepted by the CCTS of (7)% and (17)%, respectively, while Koodo saw an increase of 21%. Further analysis completed by TD Securities to normalize CCTS complaints across major carriers identified that TELUS has the fewest complaints per thousand subscribers across all telecoms, at 0.8 complaints per thousand customers.
- As the global leader in social capitalism, we are evolving our brand promise to "let's make the future friendly." By placing an invitation at the heart of our new brand promise, we are inviting all Canadians to join us in partnership to shape and create remarkable human outcomes together. We will ensure every connection is a promise to help create a better future for Canadians.
- In January 2021, we were named to the Corporate Knights 2021 Global 100 Most Sustainable Corporations in the World for the ninth time since inception of the recognition in 2005.
- Throughout the first quarter of 2021, we continued to leverage our Connecting for Good® programs to support marginalized Canadians through the global pandemic and also expanded program eligibility to support those who need it most.
  - In 2020, we expanded our Mobility for Good® program nationally to all youth aging out of foster care and to over 2.2 million low-income seniors across Canada who are receiving the guaranteed income supplement. The program provides subsidized mobile rate plans enabling them stay in touch with loved ones, maintain vital support networks and access important resources and information. Through both the youth and seniors programs, we added over 3,100 Canadians in the first quarter of 2021. Across our broader Mobility for Good program, close to 24,000 marginalized individuals have benefitted since we launched the program.
  - In January 2021, we expanded our Health for Good program® and launched two new mobile health clinics, powered by TELUS Health. Our new Parkdale Queen West clinic provides essential primary health services for marginalized populations in Toronto's midwest neighbourhoods and our new Kílala Lelum clinic provides primary healthcare and Indigenous Elder-led cultural care to the underserved citizens of Vancouver's downtown eastside.
  - During the first quarter of 2021, our 13 mobile health clinics, operating in 11 communities across Canada, supported close to 9,000 patient visits, resulting in over 58,000 cumulative visits since the inception of our Health for Good™ program.
    - Most mobile clinics are directly supporting COVID-19 pandemic response efforts and, in the first quarter of 2021, five of our 13 clinics also began providing vaccines. In total this quarter, we completed 5,000 assessments and over 500 vaccinations.
    - Since the start of the pandemic, our clinics have provided 18,000 COVID-19 assessments.
  - We added 4,500 new households to our Internet for Good® program this quarter, now resulting in 95,000 low-income family members and persons with disabilities benefiting from low-cost internet since the launch of the program.
- We continued to evolve our TELUS Wise® program during the first quarter of 2021 to build digital literacy and safety in our connected world.
  - Approximately 62,000 Canadians participated in our online education workshops this quarter, including 47,000 youth attendees at our TELUS Be Brave #EndBullying online event. This event was held in support of Pink Shirt Day on February 24, 2021, a day in which citizens are encouraged to wear pink to take a stand against bullying, in partnership with the Calgary Hitmen.
- In February 2021, we were named Canada's Most Respected Mobile Service Provider by Canadians in Canada's Most Respected Corporation Awards program, ranking first out of 22 mobile service providers. The award was based on our reputation across customer service excellence, team culture, contribution to communities, diversity and inclusion efforts, and overall brand trust.
- In February 2021, we introduced our newest TELUS Resource Group, REACH, to advance diverse representation in decision-making and to shine light on systemic issues that disproportionately and uniquely affect the Black community. Together with REACH, we will continue to amplify the voices of marginalized communities by providing resources, offering education, driving action, increasing communication and celebrating the heritage of Black team members, as we reach every team member, ensuring dialogue, partnership and growth.
- During the first quarter of 2021, we announced that we were inducted into the Business Continuity Institute (BCI) Hall of Fame, an honour awarded to organizations worldwide that are consistently the best in an award category, winning three or

more awards in the same category. In recognition of our emergency response and going above and beyond to help our communities, we won three BCI awards in the Most Effective Recovery category for our work that helped thousands of displaced Albertans stay connected with their families and find safety after the 2013 Southern Alberta floods, the 2016 Fort McMurray wildfires and the 2019 Northern Alberta wildfires. • In March 2021, we were named one of Canada's Best Diversity Employers (2021) by Mediacorp Canada Inc. • The TELUS Friendly Future Foundation™ and Community Boards are directing all 2021 support to charitable initiatives helping vulnerable populations through the pandemic and recovery process. Year to date, the Foundation has approved $1.3 million in Community Board grants to 94 charitable projects. In March, in partnership with the Foundation, TELUS launched an "In their Honour" campaign which raised funds to support charitable causes that assist communities most impacted by the pandemic and help vulnerable populations. • During the first quarter of 2021, we announced a TELUS Pollinator Fund for Good™ investment in Raven Capital's inaugural Indigenous Impact Fund. Together, we will ensure greater opportunities for Indigenous businesses and entrepreneurs, while helping to bridge the socio-economic digital divide experienced by Indigenous Peoples and communities. • In April 2021, Mobile Klinik launched onsite repair units, a van service that offers consumers and businesses nationwide the convenience of professional smartphone and tablet repair at the location of their choice.
Leveraging TELUS' world-leading technology to drive superior growth across mobile, home and business services • In U.K.-based Opensignal's *Mobile Network Experience Canada* report released in February 2021, we were recognized as being number one for Video Experience, Voice App Experience, Download Speed Experience and Upload Speed Experience, and we tied for number one in 4G Availability, 4G Coverage Experience and Games Experience. This latest achievement marks the ninth consecutive time an aspect of our mobile network, including download speed experience, has earned top spot from Opensignal. Additionally, in Opensignal's *Canada 5G User Experience Report* released in April 2021, we tied for first in 5G Download Speed, 5G Video Experience, 5G Upload Speed, 5G Availability, 5G Voice App Experience and 5G Reach. • We won two Speedtest Awards from U.S.-based Ookla for Canada's Fastest Mobile Network and Canada's Best Mobile Coverage for Q3-Q4 2020 for the seventh consecutive time and the fourth consecutive time, respectively. • In Canada-based Tutela's report entitled *Canada: State of Mobile Experience March 2021*, we were awarded two of the national awards for Excellent Consistent Quality and Core Consistent Quality, and tied for Download Throughput and Coverage, based on data from September 1, 2020 to February 28, 2021. As such, Tutela named us the best mobile experience provider in Canada. • In January 2021, we expanded our relationship with RingCentral, Inc., a leading provider of global enterprise cloud communications, video meetings, collaboration and contact centre solutions. We will work together to enable Canadian small businesses to easily transition their legacy phone systems to the cloud via TELUS Business Connect®, an all-in-one communications solution for message, video and phone. • In February 2021, we launched TELUS Global Connect, enabling our customers to customize and manage Internet of Things (IoT) device connectivity on cellular networks around the globe. The launch of TELUS Global Connect is part of a growing relationship between TELUS and Eseye, a pioneer of IoT connectivity management solutions, providing businesses with seamless cellular IoT connectivity to 700 mobile networks across 190 countries. • In February 2021, we announced the completed deployment of TELUS 4G LTE technology in 14 isolated communities in Quebec's Lower North Shore region, nearly one year ahead of the targeted completion date. For the first time ever, the 2,000 households have access to high-speed internet and mobile phone service, and can browse the internet at speeds similar to those living in urban areas. • In February 2021, we announced a relationship with Worldplay Communications, a global Software as a Service (SaaS) company and leader in video management to offer Canadian businesses, non-profit organizations and consumers a new way to stay virtually connected. Consumers will have the ability to stream live events online and through the Optik TV® platform, including community events, cultural or faith-based services and local sporting events, while businesses can evolve the delivery of virtual conferences, connect through secure video solutions, and create branded content pages where they can engage with their partners and customers. • In March 2021, we announced a five-year partnership with the University of Alberta (U of A) to establish a 5G Living Lab at the U of A campus to advance research and development of innovative technologies. The $15 million investment will enhance U of A's innovation and commercialization capacity in areas of strength, starting with precision agriculture and autonomous vehicle systems. • In April 2021, we announced that we will invest in the Mékinac and des Chenaux regional county municipalities in Quebec in 2021 to accelerate the deployment of our TELUS PureFibre and 5G networks.
Scaling our innovative digital capabilities in TELUS Health and TELUS Agriculture to build assets of consequence • During the ongoing COVID-19 pandemic, our TELUS Health Virtual Care solutions (including Akira by TELUS Health, our recently acquired EQ Care and Babylon by TELUS Health) have benefited from significant adoption. These solutions have helped Canadians stay safe at home and avoid higher-risk environments such as clinics and emergency rooms wherever possible and, in turn, freed up healthcare system capacity to respond to the pandemic. Our TELUS Health Virtual Care solutions provide millions of Canadians with the opportunity to seek primary care and mental healthcare, virtually, across the country.

- Our LivingWell Companion™ personal emergency response service (PERS) continues to support the health and well-being of seniors across Canada. With COVID-19 disproportionately impacting the elderly, LivingWell Companion helps seniors stay connected to emergency support and offers a remote caregiving solution to those who may be unable to physically support their elderly loved ones.
- Throughout the pandemic, the TELUS Healthy Living Network® has been providing Optik TV customers with informative and compelling content related to COVID-19 prevention and well-being, and helping them to stay active and healthy at home with leading fitness, yoga, nutrition and mental health content available for free, rent or to own. In the fourth quarter of 2020, we announced a global-first partnership with Calm to offer leading mental health content on the TELUS Healthy Living Network, providing support to Canadians as they deal with the stresses brought on by the pandemic. We offer free content for all Optik TV and Pik TV® subscribers, as well as additional premium content via our Calm Optik TV theme pack, which includes guided meditations, breathing exercises and Calm's Sleep Stories (bedtime stories for adults). We are Calm's only Canadian telecom partner, and the first to bring Calm's content to a TV service and offer subscriptions through redemptions of TELUS Rewards® loyalty points.
- In the early part of the second quarter of 2020, TELUS Health began enabling Canadian clinicians to conduct virtual visits with their patients by integrating patient videoconferencing into its electronic medical records (EMR) across Canada. This feature allows clinicians to virtually support their own roster of patients, while maintaining continuity of care and fully up-to-date health records. As of March 31, 2021, almost 330,000 consultations had been conducted through the TELUS EMR Virtual Visit solution since launch.
- TELUS Health Virtual Care (via our EQ Care solution, which was acquired by TELUS Health in the fourth quarter of 2020), launched LifeJourney™ in February 2021, an integrated virtual health and wellness platform for modern Canadian workplaces. LifeJourney evolves Employee Assistance Programs (EAPs) into a single convenient and collaborative access point. It also ensures dedicated Care Advocates are available to provide personalized, virtual care-centric care plans to Canadian employees.
- In February 2021, the province of Prince Edward Island announced it had selected TELUS Health as the provincial EMR provider.
- In March 2021, TELUS Health announced the next advancement in the digital integration of its employer-focused virtual care service, Akira by TELUS Health, with its own EMRs used by more than 30,000 clinicians across Canada, and with Ontario's Health Report Manager, the provincial report delivery system. This integration means that more informed primary care can be provided as critical patient health information is delivered seamlessly into one medical chart so patients using this virtual care platform through their employee benefits program will effectively receive better continuity of care.
- During the quarter, TELUS Agriculture launched its TELUS Agriculture Weather Stations solution, which localizes weather information to the field level and supports the targeted application of inputs. Real-time weather data can elevate business decisions, for example, when it is optimal to irrigate and spray, as well as boost efficiency such as by preventing unnecessary trips to fields. Our agriculture business is helping to improve the lives of our fellow citizens and creating meaningful outcomes for people around the world as we digitally transform, protect and improve the global food system by leveraging our technology innovation, artificial intelligence and human compassion.
- In March 2021, Olds College located in Olds, Alberta announced that TELUS Agriculture was selected as the Olds College 2021 Partner of the Year. The Olds College Smart Farm, a partnership between Olds College and TELUS Agriculture, has been testing innovations such as security solutions, weather stations, field sensors and rural connectivity solutions and is expected to provide live testing for our 5G network in the near future.

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

- As noted in *Section 1.3*, in February 2021, TI successfully completed its initial public offering (IPO), further positioning the organization for continued growth.
- On February 23, 2021, TI released its fiscal 2020 financial results, posting strong revenue, profitability and cash flow growth. TI also announced the expansion of its Google Cloud strategic partnership to drive enterprise digital transformation, due to growth and customer demand for Google Cloud solutions and technology, while deepening TI's successful 10-year relationship with Google.
- On March 2, 2021, TI announced the final completion of the December 31, 2020 closing of its previously announced acquisition of 100% interest in Lionbridge AI, following the clearance of the acquisition by the Committee of Foreign Investment in the United States (CFIUS). Lionbridge AI is one of only two globally scaled, managed AI training data and data annotation services and platform providers in the world.
- TELUS International's achievements continue to be recognized by clients and in the industry. In the first quarter of 2021, TI was ranked a Leader in the NelsonHall Social Media CX Services NEAT vendor assessment for content moderation and trust and safety, online reputation management, and customer care and sales. Gartner named TI as the top Challenger on the customer service (CS) business process outsourcing (BPO) Magic Quadrant for the execution and delivery of digital capabilities and extensive domain knowledge to support customer experience. Additionally, for the fifth year in a row, the International Association of Outsourcing Professionals included TI on its Global Outsourcing 100 list 2021, highlighting, among many other items, TI's programs for innovation and corporate social responsibility.

4. Capabilities

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

4.1 Principal markets addressed and competition

For a discussion of our principal markets and an overview of competition, refer to *Section 4.1* of our 2020 annual MD&A.

4.2 Operational resources

TELUS technology solutions (TTech)

Since mid-2013, we have invested more than $5.2 billion to acquire wireless spectrum licences in spectrum auctions and other private transactions, including transactions in the first quarter of 2021 where we acquired 3500 MHz spectrum and obtained the use of AWS-4 spectrum licences from the original licensees. This investment has more than doubled our national spectrum holdings in support of our top priority to put customers first. Mobile data consumption has been increasing rapidly and is expected to continue growing at a fast rate as the industry transitions to 5G, and we have responded by investing to extend our coverage and expand the capacity of our leading network quality to support the additional data consumption and growth in our mobile subscriber base in a geographically diverse country. This includes investments in wireless small cells connected directly to our fibre technology to improve coverage and capacity utilized in our 5G network launch.

As at March 31, 2021, our 4G LTE technology covered 99% of Canada's population, consistent with March 31, 2020. We have continued to invest in the roll-out of our LTE advanced technology, which covered 96% of Canada's population at March 31, 2021, up approximately 3% from one year before. Furthermore, our 5G network, launched in the second quarter of 2020, covered over 28% of Canada's population at March 31, 2021.

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

As at March 31, 2021, over 2.5 million households and businesses in B.C., Alberta and Eastern Quebec were covered with fibre-optic cable, which provides these premises with immediate access to our fibre-optic technology. This is up from approximately 2.3 million households and businesses in the first quarter of 2020.

We offer a variety of healthcare solutions and services including virtual care, virtual pharmacy, electronic medical records (EMR), pharmacy management systems, claims management solutions, personal health records, remote patient monitoring, personal emergency response services, mental health support, comprehensive primary care and employee wellness, and curation of health content for Canadians.

Our smart food-chain technology solutions include farm management, precision agronomy, feedlot health management, application programming interface (API) and application integration services, compliance management, food traceability and quality assurance, supply chain management, data management solutions and software solutions for trade promotion management and retail execution.

Digitally-led customer experiences – TELUS International (DLCX)

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

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

4.3 Liquidity and capital resources

Capital structure financial policies

Our objective when managing 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 bid programs (if and when implemented), 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 the common shares of TELUS Corporation (Common Shares) under our multi-year dividend growth program

- In May 2019, we announced our intention to target ongoing semi-annual dividend increases, with the annual increase in the range of 7% to 10% from 2020 through to the end of 2022, thereby extending the policy first announced in May 2011. Notwithstanding this target, dividend decisions will continue to be subject to our Board's assessment and the determination of our financial position and outlook on a quarterly basis. Our long-term Common Share dividend payout ratio guideline is 60% to 75% of free cash flow on a prospective basis. (See *Section 7.5 Liquidity and capital resource measures.*) There can be no assurance that we will maintain a dividend growth program or that it will be unchanged through 2022. (See *Caution regarding forward-looking statements – Ability to sustain our dividend growth program through 2022* and *Section 10.13 Financing, debt and dividends* in our 2020 annual MD&A.)
- On May 6, 2021, the Board elected to declare a second quarter dividend of $0.3162 per share, payable on July 2, 2021, to shareholders of record at the close of business on June 10, 2021. The second quarter dividend for 2021 reflects a cumulative increase of $0.02495 per share or 8.6% from the $0.29125 per share dividend declared one year earlier.
- Our dividend reinvestment and share purchase (DRISP) plan trustee acquired shares from Treasury for the DRISP plan, rather than acquiring Common Shares in the stock market. We may, at our discretion, offer Common Shares at a discount of up to 5% from the market price under the plan. Effective with the dividends paid beginning on October 1, 2019, we offered Common Shares from Treasury at a discount of 2%. During the first quarter of 2021, our DRISP plan trustee acquired from Treasury approximately 7 million dividend reinvestment Common Shares for $152 million. For the dividends paid on April 1, 2021, the DRISP participation rate, calculated as the DRISP investment of $153 million (including the employee share purchase plan) as a percentage of gross dividends, was approximately 38%.
- TELUS International intends to retain all available funds and any future earnings to support operations and to finance the growth and development of its business. As such, TELUS International does not intend to declare or pay cash dividends on its equity shares in the foreseeable future.

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 $918 million at March 31, 2021, all of which was denominated in U.S. dollars (US$730 million), compared to $731 million (US$574 million) at December 31, 2020, and $459 million (US$323 million) at March 31, 2020.
- Net draws due to a syndicate of financial institutions (excluding TELUS Corporation) on the TELUS International (Cda) Inc. credit facility (TI credit facility) were US$939 million at March 31, 2021, compared to US$1,428 million at December 31, 2020, and US$913 million at March 31, 2020. The TI credit facility is non-recourse to TELUS Corporation.
- Proceeds from securitized trade receivables were $100 million at March 31, 2021, unchanged from December 31, 2020 and March 31, 2020.

Report on financing and capital structure management plans

Maintain compliance with financial objectives

- Maintain investment grade credit ratings in the range of BBB+ or the equivalent – On May 7, 2021, investment grade credit ratings from the four rating agencies that cover TELUS were in the desired range. (See *Section 7.8 Credit ratings*.)
- Net debt to EBITDA – excluding restructuring and other costs ratio of 2.20 to 2.70 times – As measured at March 31, 2021, this ratio was 3.15 times, outside of the objective range, primarily due to the reduction of EBITDA caused by the COVID-19 pandemic, as well as business acquisitions and the acquisition of spectrum licences. Given the cash demands of the 2019 600 MHz and upcoming spectrum auctions and the inability to predict impacts of the COVID-19 pandemic, the assessment of the guideline and return to the objective range remains to be determined; however, it is our intent to return to a ratio below 2.70 times in the medium term (following upcoming 2021, 2022 and 2023 spectrum auctions), consistent with our long-term strategy. (See *Section 7.5 Liquidity and capital resource measures*.)
- Common Share dividend payout ratio of 60% to 75% of free cash flow on a prospective basis – Our objective range is on a prospective basis. The Common Share dividend payout ratio we present in this MD&A is a historical measure utilizing the most recent four quarters of dividends declared, net of dividend reinvestment plan effects, and free cash flow, and is disclosed for illustrative purposes in evaluating our target guideline. As at March 31, 2021, the ratio was 80%, outside of the objective range, primarily due to the reduction of EBITDA caused by the pandemic. (See *Section 7.5 Liquidity and capital resource measures*.)
- Generally maintain a minimum of $1 billion in available liquidity – As at March 31, 2021, our available liquidity on a consolidated basis was over $3.6 billion. (See *Section 7.6 Credit facilities*.)

4.4 Changes in internal control over financial reporting

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

5. Discussion of operations

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

5.1 General

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

Effective January 1, 2020, we embarked upon modifying our internal and external reporting processes, systems and internal controls to accommodate the technology convergence-driven cessation of the historical distinction between our wireless and wireline operations at the level of regularly reported discrete performance measures that are provided to our Chief Executive Officer (CEO) (our chief operating decision-maker). Prior to the World Health Organization characterizing COVID-19 as a pandemic, we had anticipated transitioning to a new segment reporting structure during 2020; commencing with the three-month period ended March 31, 2021, we have now transitioned to our new segment reporting structure and have recast comparative amounts on a comparable basis. Segmented information in *Note 5* of the interim consolidated financial statements is regularly reported to our CEO.

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

The Digitally-led customer experiences – TELUS International (DLCX) segment is comprised of digital customer experience and digital-enablement transformation, including artificial intelligence and content management solutions, provided by TELUS International.

5.2 Summary of consolidated quarterly results and trends

Summary of quarterly results

($ millions, except per share amounts)	**2021 Q1**	2020 Q4	2020 Q3	2020 Q2	2020 Q1	2019 Q4	2019 Q3	2019 Q2
Operating revenues and other income	**4,024**	4,060	3,981	3,728	3,694	3,858	3,697	3,597
Operating expenses								
Goods and services purchased[1]	**1,548**	1,766	1,632	1,458	1,412	1,681	1,502	1,466
Employee benefits expense[1]	**1,015**	958	959	911	873	809	761	758
Depreciation and amortization	**789**	789	773	725	725	678	649	633
Total operating expenses	**3,352**	3,513	3,364	3,094	3,010	3,168	2,912	2,857
Operating income	**672**	547	617	634	684	690	785	740
Financing costs before long-term debt prepayment premium	**207**	190	187	184	192	175	173	189
Long-term debt prepayment premium	**—**	—	—	18	—	—	28	—
Income before income taxes	**465**	357	430	432	492	515	584	551
Income taxes	**132**	86	109	117	139	136	144	31
Net income	**333**	271	321	315	353	379	440	520
Net income attributable to Common Shares	**331**	260	307	290	350	368	433	517
Net income per Common Share:								
Basic earnings per share (EPS)	**0.25**	0.20	0.24	0.23	0.28	0.30	0.36	0.43
Adjusted basic EPS[2]	**0.27**	0.22	0.28	0.25	0.32	0.32	0.39	0.35
Diluted EPS	**0.25**	0.20	0.24	0.23	0.23	0.30	0.36	0.43
Dividends declared per Common Share	**0.3112**	0.3112	0.29125	0.29125	0.29125	0.29125	0.28125	0.28125
Additional information:								
EBITDA[2]	**1,461**	1,336	1,390	1,359	1,409	1,368	1,434	1,373
Restructuring and other costs[2]	**41**	71	58	70	60	40	29	29
Other equity losses related to real estate joint ventures	**1**	2	8	3	6	5	—	—
Retirement of a provision arising from business acquisition-related written put options within DLCX	**—**	—	—	71	—	—	—	—
Adjusted EBITDA[2]	**1,503**	1,409	1,456	1,361	1,475	1,413	1,463	1,402
Cash provided by operating activities	**939**	1,033	902	1,462	1,177	829	1,148	1,160
Free cash flow[2]	**321**	218	161	511	545	135	320	324

1 Goods and services purchased and Employee benefits expense amounts include restructuring and other costs.
2 See *Section 11.1 Non-GAAP and other financial measures*.

Trends

COVID-19 was characterized as a pandemic in March 2020 and has had significant impacts on our business. The nature of the pandemic and the uncertainty of its magnitude, length and the time to recovery are not currently able to be estimated. Therefore, trends identified prior to the first quarter of 2020 and described below may not be indicative of trends effective from the first quarter of 2020 onwards, as the pandemic prevents us and our customers from operating in the normal course of business in certain areas until at least the second half of 2021.

The trend of year-over-year increases in consolidated revenue reflects TTech growth, including: (i) fixed data services growth in internet and third wave data services revenues, TV revenues, home and business security revenues, smart food-chain technology revenues, and other advanced application offerings; (ii) mobile network revenue generated from growth in our subscriber base, largely reduced by COVID-19 pandemic impacts such as lower roaming revenue related to travel restrictions; and (iii) certain health revenues; all being partly offset by declining equipment revenue growth, as well as COVID-19 pandemic impacts such as the temporary closure of TELUS Health Care Centres and the centres being unable to offer their full suite of core services upon re-opening, and business customers faced with reduced and/or closed operations. Year-over-year increases in consolidated revenue also reflects growth in DLCX revenue from a combination of business acquisitions, including Competence Call Center (CCC) on January 31, 2020 and Lionbridge AI on December 31, 2020, and organic external customer growth.

Increased internet and third wave data services and TV service revenues are being generated by subscriber growth and higher internet revenue per customer. There has also been increased customer adoption of our home and business security services and smart food-chain technology. For additional information on mobile and fixed revenue and subscriber trends, see *Section 5.4 TELUS technology solutions segment*.

The trend of year-over-year increases in Goods and services purchased reflects increases in administrative and other expenses to support growth in our DLCX business, our subscriber base and business acquisitions; higher mobile equipment expenses associated with higher-value smartphones in the sales mix, partly offset by a general decrease in new mobile contracts; and increased fixed data product costs of sales associated with a growing subscriber base. Lionbridge AI utilizes contracted labour in servicing its customers as compared to solely utilizing employees and therefore these contracted services are expected to contribute to year-over-year increases in Goods and services purchased throughout 2021.

The trend of year-over-year increases in net Employee benefits expense reflects increases in the number of employees related to business acquisitions, including those supporting the growth of DLCX revenue, health offerings, smart food-chain technology business and our other complementary businesses. This was partly offset by moderating salaries expense resulting from reductions in the number of full-time equivalent (FTE) domestic employees, excluding business acquisitions, related in part to absorbed vacancies. We experienced year-over-year increases in net Employee benefits expense in the first quarter of 2021 and through most of 2020 related to April 2020 compensation program increases. Additionally, we expect year-over-year increases in net Employee benefits expense related to April 2021 compensation program increases.

The trend of year-over-year increases in Depreciation and amortization reflects increases due to capital assets acquired in business acquisitions; growth in capital assets, in support of the expansion of our broadband footprint, including our generational investment to connect homes and businesses to TELUS PureFibre and enhanced LTE technology coverage; and growth in internet, TV and security subscriber loading. The investments in our fibre-optic technology also support our technology strategy to improve coverage and capacity, which helped us prepare for a more efficient and timely evolution to 5G as we launched the first wave of our 5G network in June 2020.

The trend of year-over-year increases in Financing costs reflects an increase in long-term debt outstanding, mainly associated with our investments in spectrum, fibre and mobile technology, as well as our business acquisitions. Financing costs include a long-term debt prepayment premium of $18 million in the second quarter of 2020 and $28 million in the third quarter of 2019. Moreover, Financing costs are net of capitalized interest related to spectrum licences acquired during the 600 MHz spectrum auction, which we commenced deploying into our existing network in 2021. Financing costs also include Interest accretion on provisions (asset retirement obligations and written put options) and Employee defined benefit plans net interest. Additionally, for the eight periods shown, Financing costs include varying amounts of foreign exchange gains or losses and varying amounts of interest income.

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

The general trend of year-over-year increases in Cash provided by operating activities reflects higher EBITDA with the exception of pandemic effects and other operating working capital changes, partly offset by higher interest payments arising from increases in debt outstanding and year-over-year variations in fixed-term interest rates. The general trend of year-over-year increases in free cash flow reflects the factors affecting Cash provided by operating activities, except that accounting policies that do not impact cash (IFRS 15 and IFRS 16) do not affect the determination of free cash flow. For further discussion of these trends, see *Section 5.4 TELUS technology solutions segment* and *Section 5.5 Digitally-led customer experiences – TELUS International segment*.

5.3 Consolidated operations

The following is a discussion of our consolidated financial performance. Segment information in *Note 5* of the interim consolidated financial statements is regularly reported to our CEO. We discuss the performance of our segments in *Section 5.4 TELUS technology solutions segment* and *Section 5.5 Digitally-led customer experiences – TELUS International segment*.

Operating revenues and other income

Three-month periods ended March 31 ($ in millions)	2021	2020	Change
Operating revenues			
Service	**3,502**	3,245	7.9%
Equipment	**520**	418	24.4%
Operating revenues (arising from contracts with customers)	**4,022**	3,663	9.8%
Other income	**2**	31	(93.5)%
Operating revenues and other income	**4,024**	3,694	8.9%

Consolidated Operating revenues and other income increased by $330 million in the first quarter of 2021.

- **Service revenues** increased by $257 million in the first quarter of 2021, reflecting growth in DLCX operating revenues resulting from business acquisitions and expanded services; increased fixed data services revenues from expanded services and subscriber base growth; and growth in our mobile subscriber base. This was partly offset by impacts of the COVID-19 pandemic in the TTech segment including reduced roaming related to travel restrictions, and continued declines in legacy fixed voice and legacy fixed data service revenues, as well as strengthening of the Canadian dollar compared to the U.S. dollar, which mainly impacted the DLCX segment.
- **Equipment revenues** increased by $102 million in the first quarter of 2021, reflecting higher handset upgrade volumes, as handset upgrades were significantly impacted by the pandemic in the first quarter of 2020, and a greater sales mix of higher-value smartphones. Handset upgrade volumes increased as a result of the successful execution of our customers first initiatives, including the enhanced capabilities of our digital footprint, and suppressed handset upgrade volumes throughout 2020 manifesting in increased demand in the first quarter of 2021.
- **Other income** decreased by $29 million in the first quarter of 2021, largely related to the non-recurrence of the comparative period's decrease of a provision arising from business acquisition-related written put options to acquire the remaining non-controlling interest of an acquired subsidiary, Xavient Information Systems (Xavient), which was settled in the second quarter of 2020.

Operating expenses

Three-month periods ended March 31 ($ in millions)	2021	2020	Change
Goods and services purchased	**1,548**	1,412	9.6%
Employee benefits expense	**1,015**	873	16.3%
Depreciation	**524**	523	0.2%
Amortization of intangible assets	**265**	202	31.2%
Operating expenses	**3,352**	3,010	11.4%

Consolidated operating expenses increased by $342 million in the first quarter of 2021.

- **Goods and services purchased** increased by $136 million in the first quarter of 2021, due to higher product costs in supporting our higher handset upgrades and growth in subscriber bases, higher operating and administrative costs associated with business acquisitions and organic DLCX revenue growth, growth in business operations related to scaling of our digital capabilities, and higher non-labour restructuring and other costs related to business acquisitions. These increases were partly offset by enhanced cost-savings initiatives in response to the economic impacts of the COVID-19 pandemic and lower roaming expenses from the pandemic-induced decrease in customer travel.
- **Employee benefits expense** increased by $142 million in the first quarter of 2021, largely due to higher compensation and benefit costs resulting from an increase in the number of employees related to business acquisitions and compensation rate increases committed prior to the declaration of the pandemic, as well as higher share-based compensation as a result of the mark-to-market adjustment on liability-accounted awards from an increased TI share price in the quarter. These Employee benefits expense increases were partly offset by higher capitalized labour costs.
- **Depreciation** was relatively flat in the first quarter of 2021. We experienced increased depreciation from growth in capital assets over the past 12 months, including our expanded broadband footprint and business acquisitions. This was largely offset by the effect of accelerated depreciation in the first quarter of 2020 from asset retirement activity.
- **Amortization of intangible assets** increased by $63 million in the first quarter of 2021 arising from business acquisitions and higher expenditures associated with the intangible asset base over the past 12 months.

Operating income

Three-month periods ended March 31 ($ in millions)	2021	2020	Change
TTech EBITDA[1] (see *Section 5.4*)	**1,336**	1,301	2.7%
DLCX EBITDA[1] (see *Section 5.5*)	**125**	108	15.7%
EBITDA[1]	**1,461**	1,409	3.7%
Depreciation and amortization (discussed above)	**(789)**	(725)	8.8%
Operating income (consolidated earnings before interest and income taxes (EBIT))	**672**	684	(1.8)%

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

Operating income decreased by $12 million in the first quarter of 2021, while EBITDA increased by $52 million in the first quarter of 2021. This is reflective of growth in fixed data service margins resulting from subscriber base growth and expanded services; growth in our mobile subscriber base and mobile equipment margins; growth from business acquisitions (net of associated supporting costs); an increased contribution from our DLCX business; and enhanced cost efficiency programs. The growth was partly offset by the non-recurrence of the comparative period's decrease of a provision related to written put options to acquire the remaining non-controlling interest of an acquired subsidiary, the lingering impacts of the COVID-19 pandemic, lower legacy fixed voice and legacy fixed data services, and higher employee benefits expense.

Adjusted EBITDA

Three-month periods ended March 31 ($ in millions)	2021	2020	Change
TTech Adjusted EBITDA[1] (See *Section 5.4*)	**1,365**	1,342	1.8%
DLCX Adjusted EBITDA[1,2] (See *Section 5.5*)	**138**	133	3.0%
Adjusted EBITDA[1]	**1,503**	1,475	1.9%

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

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

Adjusted EBITDA increased by $28 million or 1.9% in the first quarter of 2021, reflecting the drivers mentioned in the Operating income discussion above.

Financing costs

Three-month periods ended March 31 ($ in millions)	2021	2020	Change
Interest on long-term debt, excluding lease liabilities – gross	**171**	170	0.6%
Interest on long-term debt, excluding lease liabilities – capitalized	**—**	(8)	(100.0)%
Interest on lease liabilities	**17**	18	(5.6)%
Interest on short-term borrowings and other	**3**	2	50.0%
Interest accretion on provisions	**5**	5	—
Interest expense	**196**	187	4.8%
Employee defined benefit plans net interest	**6**	4	50.0%
Foreign exchange losses	**6**	2	n/m
Interest income	**(1)**	(1)	—
Financing costs	**207**	192	7.8%

Financing costs increased by $15 million in the first quarter of 2021, mainly due to the following factors:

- **Interest expense** increased by $9 million in the first quarter of 2021.
  - Capitalized long-term debt interest, excluding lease liabilities, is in respect of debt incurred for the purchase of spectrum licences during the 600 MHz spectrum auction held in April 2019 by Innovation, Science and Economic Development Canada (ISED). The capitalization of interest ceased in the first quarter of 2021 as we commenced deploying this spectrum into our existing network.
- **Employee defined benefit plans net interest** increased by $2 million in the first quarter of 2021, primarily due to the change in the defined benefit plan deficit as at December 31, 2020 to $913 million (net of the plan asset ceiling limit of $123 million), compared to a defined benefit plan deficit of $425 million (net of the plan asset ceiling limit of $121 million) one year earlier, partly offset by a decrease in the discount rate.
- **Foreign exchange losses** increased by $4 million, primarily reflecting changes in the value of the Canadian dollar relative to the U.S. dollar.

Income taxes

Three-month periods ended March 31 ($ in millions, except tax rates)	2021	2020	Change
Income taxes computed at applicable statutory rates (%)	**25.6**	26.4	(0.8) pts.
Revaluation of deferred income tax liability to reflect future income tax rates (%)	**—**	(0.6)	0.6 pts.
Non-deductible amounts (%)	**1.4**	0.8	0.6 pts.
Other (%)	**1.5**	1.7	(0.2) pts.
Effective tax rate (%)	**28.5**	28.3	0.2 pts.
Income tax computed at applicable statutory rates	**119**	130	(8.5)%
Revaluation of deferred income tax liability to reflect future income tax rates	**—**	(3)	(100.0)%
Non-deductible amounts	**6**	4	50.0%
Other	**7**	8	(12.5)%
Income taxes	**132**	139	(5.0)%

Total income tax expense decreased by $7 million in the first quarter of 2021. The effective tax rate increased from 28.3% to 28.5% in the first quarter of 2021.

Comprehensive income

Three-month periods ended March 31 ($ in millions)	2021	2020	Change
Net income	**333**	353	(5.7)%
Other comprehensive income (net of income taxes):			
Items that may be subsequently reclassified to income	**13**	274	(95.3)%
Items never subsequently reclassified to income	**674**	316	113.3%
Comprehensive income	**1,020**	943	8.2%

Comprehensive income increased by $77 million in the first quarter of 2021, mainly attributable to employee defined benefit plans re-measurement amounts, partly offset by changes in unrealized fair value of derivatives classified as cash flow hedges and foreign currency translation adjustments arising from translating financial statements of foreign operations. Items that may subsequently be reclassified to income are composed of changes in the unrealized fair value of derivatives designated as cash flow hedges and foreign currency translation adjustments arising from translating financial statements of foreign operations. Items never subsequently reclassified to income are composed of employee defined benefit plans re-measurement amounts and changes in measurement of investment financial assets.

5.4 TELUS technology solutions segment

TTech trends and seasonality

The nature of the COVID-19 pandemic has had significant impacts on our business and the uncertainty of its magnitude, length and the time to recovery are not currently able to be estimated. Therefore, trends identified prior to the first quarter of 2020 and described below may not be indicative of trends effective from the first quarter of 2020 onwards, as the pandemic prevents us and our customers from operating in the normal course of business in certain areas until at least the second half of 2021. For example, with government and land border restrictions, consumer and business travel levels are uncertain which negatively impacts roaming revenues. As well, our business customers who use our services are faced with reduced and/or closed operations. Additionally, our health services offerings are impacted as our TELUS Health Care Centres are unable to provide their full suite of core services.

The historical trend over the past eight quarters in mobile network revenue reflects growth in our subscriber base, including the acceleration of Internet of Things (IoT) connections at home and internationally, partly offset by declines in chargeable data usage revenue and the effects of the pandemic on reduced roaming revenue. Mobile equipment revenue growth has been declining as an increase of higher-value smartphones in the sales mix has been more than offset by a lower volume of new contracts due to: (i) the improving durability and increasing cost of popular devices that result in customers deferring upgrades; (ii) the industry introduction of device financing programs, which provide transparency of full device costs and result in customers deferring device upgrades; and (iii) most recently, the effects of the pandemic on customers, the industry, our supply chain and methods of distribution, and the Canadian economy. Impacts directly associated with the pandemic, such as the reduction of roaming revenue, a portion of the decline in churn, and lower gross and net addition volumes, may be temporary in nature and have the potential to return to pre-pandemic levels once the pandemic has subsided or ended.

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

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

The trend of our comparatively low mobile phone blended churn rate reflects our customers first efforts, upgrade volume programs and focus on building, maintaining and enhancing our high-quality network. Additionally, the pandemic has caused customers to change their behaviour, such as reducing travel and making fewer visits to retail outlets, thereby reducing churn.

Our connected device subscriber base has been growing primarily as a result of our expanded IoT offerings, partly offset by our strategic decision to reduce loading of low or negative-margin tablets.

We expect ongoing internet subscriber base growth as we continue our investments in expanding our fibre-optic infrastructure, supplemented with our low customer churn rate. The total number of TV subscribers has increased (in contrast to market-reported declines in traditional television viewing habits) as a result of stable net additions in response to our diverse and flexible product offerings, combined with our low customer churn rate. Security subscriber base growth is increasing as a result of business acquisitions and organic growth. The pandemic and physical distancing requirements impacted security installations, as access to homes and businesses was restricted; however, this was partly mitigated as we adapted our processes for keeping our customers connected and protected by offering a range of installation options, including virtually. Home services growth has also been attributed to the adoption of the TELUS Whole Home bundle and bundling of our mobility and home services to meet the demand of multiple services per home where adoption increases our services per home and positively impacts churn for most products. Residential voice subscriber losses continue to reflect the ongoing trend of substitution to mobile and internet-based services, but were partly mitigated by the success of our bundled service offerings and lower-priced offerings.

The trend of declining legacy fixed voice revenues is due to technological substitution, greater use of inclusive long distance coupled with lower long distance minutes used, and intensification of competition in the small and medium-sized business market; however, our rate of decline has been moderating with our utilization of bundled product offerings and successful retention efforts. The migration of business product and service offerings to IP services and the introduction of new competitors have yielded inherently lower margins compared to some legacy business product and service offerings; however, we are continually refining and diversifying our innovative suite of business offerings, including our Software as a Service (SaaS)-based solutions.

The trend of digitization has propelled the adoption of our health offerings, including electronic medical record (EMR) systems, health benefits management and personal health monitoring solutions. In health, we are well-positioned to improve the lives, and outcomes for Canadians. The trend in digitization/automation, combined with the general shortage in primary care, we believe positions us well to bolster the Canadian healthcare system in a complementary fashion. With our technology heritage, we see the trend moving the healthcare system to improved efficiency and improved outcomes through better insights. We also believe Canadians will have greater control of their healthcare outcomes through the integration of disparate data (better flow of information across the system) and consent-based management. While the pandemic has disrupted the operations of our TELUS Health Care Centres since March 2020, our diversified virtual care offerings continue to grow to meet the healthcare needs of Canadians and drive better health outcomes, including the accelerated adoption of virtual consultations as reflected in our growing virtual care user base. Our health benefits management solution is influenced by the number of lives covered and the number of benefit claims, which were disrupted by the pandemic. We expect the demand for these services to resume in correspondence with the effectiveness of COVID-19 vaccinations and higher employment rates.

The trend of greater use of digital solutions within the agriculture industry is due to increased demand for data and analytical insights to drive more effective and agile decision-making to address changing consumer demands and improve profitability. We are committed to providing solutions to create a better flow of information across the value chain, improving the safety and sustainability of our food system. Within the verticals of agri-business, agri-food and farm and ranch, we are expanding our solutions worldwide through acquisitions and organic growth.

TTech operating indicators

At March 31	**2021**	2020	Change
Subscriber connections (000s):			
Mobile phone[1]	**8,954**	8,664	3.3%
Connected device	**1,859**	1,588	17.1%
Internet[2]	**2,155**	2,007	7.4%
TV	**1,226**	1,168	5.0%
Residential voice	**1,154**	1,191	(3.1)%
Security[3]	**724**	623	16.2%
Total TTech subscriber connections	**16,072**	15,241	5.5%
LTE population coverage[4] (millions)	**37.0**	36.9	0.3%
5G population coverage[4] (millions)	**10.6**	—	n/m
Virtual care members (millions)	**2.0**	0.7	n/m
Healthcare lives covered (millions)	**17.5**	14.6	19.9%
Three-month periods ended March 31	**2021**	2020	Change
Mobile phone gross additions (000s):	**270**	265	1.9%
Subscriber connection net additions (losses) (000s):			
Mobile phone	**31**	21	47.6%
Connected device	**63**	49	28.6%
Internet	**33**	26	26.9%
TV	**11**	8	37.5%
Residential voice	**(10)**	(13)	23.1%
Security	**17**	15	13.3%
Total TTech subscriber connection net additions	**145**	106	36.8%
Mobile phone ABPU, per month[1,5] ($)	**68.79**	71.98	(4.4)%
Mobile phone ARPU, per month[1,5] ($)	**56.10**	58.24	(3.7)%
Mobile phone churn, per month[1,5] (%)	**0.89**	0.94	(0.05) pts.
Digital health transactions (millions)	**133.3**	139.7	(4.6)%

1 Effective January 1, 2021 with retrospective application to January 1, 2020, in alignment with our segment reporting changes, we made a retroactive adjustment to remove internal network service revenue and approximately 29,000 subscribers from our mobile phone subscriber base and associated operating statistics (ABPU, ARPU and churn). Internal network service revenue consists of earned revenue from both our internal mobile phone and connected devices subscribers, neither of which contribute to our restated subscriber base.

2 Effective January 1, 2021 on a prospective basis, following an in-depth review of customer accounts within a legacy subscriber provisioning system to be decommissioned, we adjusted our internet subscriber base to remove 16,000 subscribers.

3 During the third quarter of 2020, we adjusted cumulative subscriber connections to add approximately 31,000 subscribers as a result of a business acquisition.

4 Including network access agreements with other Canadian carriers.

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

- **Mobile phone gross additions** were 270,000 in the first quarter of 2021, an increase of 5,000, as growth in high-value customer additions, successful promotions including the bundling of our mobility and home services, expanded channels, and the enhanced capabilities of our digital footprint have more than offset the estimated impacts of the pandemic such as customers reducing their general shopping habits in retail outlets along with mandated capacity restrictions. Gross additions in the first quarter of 2020 were significantly impacted by the pandemic, including the temporary closure of approximately 90% of our retail stores commencing in March 2020 and customers' shopping habit changes since the start of the health crisis as previously noted.

- **Mobile phone net additions** were 31,000 in the first quarter of 2021, an increase of 10,000, as our strong execution in our digital sales channels, successful efforts to drive high-value customer additions and lower churn more than offset the estimated impacts of the pandemic.

- **Mobile phone ABPU** was $68.79 in the first quarter of 2021, a decrease of $3.19 or 4.4%. This decrease reflects the lingering impacts caused by the COVID-19 pandemic including: (i) significantly reduced roaming revenue from changing customer behaviour related to travel restrictions; (ii) customers reducing their general shopping habits in retail outlets since the start of the pandemic, along with mandated capacity restrictions, which has hindered customer opportunities for device upgrades and the upgrade or selection of higher-tier plans; and (iii) decreases in chargeable data usage, as more people work from home and offload their mobile device traffic onto Wi-Fi networks.

Mobile phone ABPU was also impacted by continued declines in chargeable data usage and the impact of the competitive environment putting pressure on base rate plan prices in the current and prior periods. The decline in mobile phone ABPU was partly offset by growth in monthly recurring charges reflecting a greater mix of high-value customer additions and selection of higher-tier mobile plans, in addition to higher-value smartphones in the sales mix in the current and prior periods.

- **Mobile phone ARPU** was $56.10 in the first quarter of 2021, a decrease of $2.14 or 3.7%, representing the third consecutive quarter of moderating year-over-year decline. Mobile phone ARPU was impacted by the same items noted above for mobile phone ABPU, with the exception of: (i) our TELUS Easy Payment device financing program; (ii) devices with subsidies; and (iii) contracted device upgrades.
- Our **mobile phone churn rate** was 0.89% in the first quarter of 2021 compared to 0.94% in the first quarter of 2020. The decrease reflects the estimated impacts of the pandemic, including changing customer behaviour due to travel restrictions and customers reducing their general shopping habits in retail outlets since the start of the pandemic, along with mandated capacity restrictions. This was in addition to the utilization of our TELUS Easy Payment device financing program, Peace of Mind endless data plans, Bring-It-Back® program and TELUS Family Discount offerings, our successful bundling of mobility and home services, and our focus on executing customers first initiatives and upgrade volume programs, as well as our leading network quality.
- **Connected device net additions** were 63,000 in the first quarter of 2021, an increase of 14,000, primarily due to increased demand for IoT solutions. Connected device net additions are inclusive of approximately 10,000 tablet net losses in the first quarter of 2021 which was flat compared to the prior year.
- **Internet net additions** were 33,000 in the first quarter of 2021, an increase of 7,000, reflecting continued net new demand from consumers and businesses for our TELUS PureFibre service as we continued to keep our customers connected through a range of installation options. The increase also reflects lower customer churn resulting from our customers first initiatives and retention programs, the success of our bundled product offerings, including the adoption of the TELUS Whole Home bundle and our bundling of mobility and home services, and reduced switching activity between providers due to the pandemic.
- **TV net additions** were 11,000 in the first quarter of 2021, an increase of 3,000, mainly due to a lower customer churn rate from strong retention efforts, the success of our bundled product offerings and reduced switching activity due to the pandemic.
- **Security net additions** were 17,000 in the first quarter of 2021, an increase of 2,000, driven by strong growth as we continued to keep our customers connected and protected by offering a range of installation options, and by demand for our bundled product offerings. Our continued focus on connecting more homes and businesses directly to fibre, expanding and enhancing our addressable high-speed internet and Optik TV footprint, and bundling these services together, contributed to combined internet, TV and security subscriber growth of 307,000 over the past 12 months.
- **Residential voice net losses** were limited to 10,000 in the first quarter of 2021, compared to residential voice net losses of 13,000 in the first quarter of 2020. The residential voice subscriber losses continue to reflect the trend of substitution to mobile and internet-based services, partially mitigated by our expanding fibre footprint and bundled product offerings, as well as our strong retention efforts, including lower-priced offerings.
- **Virtual care members** were 2.0 million as of the end of the first quarter of 2021, an increase of 1.3 million over the past 12 months, mainly due to the accelerated demand for virtual solutions to keep Canadians safely connected with health and wellness care during the pandemic, and a business acquisition in the fourth quarter of 2020.
- **Healthcare lives covered** were 17.5 million as of the end of the first quarter of 2021, an increase of 2.9 million over the past 12 months, primarily due to the accelerated demand for virtual solutions. See *TTech trends and seasonality* for further details.
- **Digital health transactions** were 133.3 million in the first quarter of 2021, a decrease of 6.4 million, largely driven by a lower number of adjudication transactions and collaborative health transactions, as plan members chose to defer utilization of elective health services during the pandemic, partly offset by growth in our digital pharmacy business.

Operating revenues and other income – TTech segment

Three-month periods ended March 31 ($ in millions)	**2021**	2020	Change
Mobile network revenue	**1,503**	1,511	(0.5)%
Mobile equipment and other service revenues	**473**	373	26.8%
Fixed data services	**1,067**	965	10.6%
Fixed voice services	**214**	236	(9.3)%
Fixed equipment and other service revenues	**107**	96	11.5%
Health services	**123**	112	9.8%
Operating revenues (arising from contracts with customers)	**3,487**	3,293	5.9%
Other income (loss)	**2**	(1)	n/m
External Operating revenues and other income	**3,489**	3,292	6.0%
Intersegment revenues	**5**	1	n/m
TTech Operating revenues and other income	**3,494**	3,293	6.1%

TTech Operating revenues and other income increased by $201 million in the first quarter of 2021.

Mobile network revenue decreased by $8 million or 0.5% in the first quarter of 2021, due to declining mobile phone ARPU primarily from reduced roaming related to travel restrictions and chargeable data usage revenue, as previously discussed. The decrease in mobile network revenue was partly offset by growth of 5.5% in the mobile phones and connected devices subscriber base over the past 12 months, in addition to growth in monthly recurring charges reflecting a greater mix of high-value customer additions and selection of higher-tier mobile plans.

Mobile equipment and other service revenues increased by $100 million in the first quarter of 2021, reflecting higher handset upgrade volumes and higher-value smartphones in the sales mix. Handset upgrades were significantly impacted by the pandemic in the first quarter of 2020, including the temporary closure of approximately 90% of our retail stores from March 2020 through most of the second quarter, and customers reducing their general shopping habits in retail outlets since the start of the pandemic, which resulted in lower contracted volume and accessory sales. Handset upgrade volumes increased as a result of the successful execution of our customers first initiatives, including the enhanced capabilities of our digital footprint, and suppressed handset upgrade volumes throughout 2020 manifesting in increased demand in the first quarter of 2021.

Fixed data services revenues increased by $102 million in the first quarter of 2021. The increase was driven by: (i) increased internet and third wave data service revenues, reflecting a 7.4% increase in our internet subscribers over the past 12 months and higher revenue per customer resulting from internet speed upgrades, larger data usage internet rate plans and rate changes; (ii) increased revenues from smart food-chain technology, driven by business acquisitions; (iii) increased revenues from home and business security driven by expanded services and customer growth; and (iv) higher TV revenues, reflecting subscriber growth of 5.0% over the past 12 months. This growth was partly offset by the ongoing decline in legacy data service revenues.

Fixed voice services revenues decreased by $22 million in the first quarter of 2021, reflecting the ongoing decline in legacy voice revenues resulting from technological substitution, greater use of inclusive long distance plans and price plan changes. Declines were moderated with our utilization of bundled product offerings, successful retention efforts and the migration from legacy to IP services offerings. The decline in residential voice subscribers over the past 12 months was limited to 3.1%, compared to a 3.7% decline in residential voice subscribers for the 12-month period ended March 31, 2020.

Fixed equipment and other service revenues increased by $11 million in the first quarter of 2021, reflecting a higher volume of home and business security equipment sales and data equipment sales.

Health services revenues increased by $11 million in the first quarter of 2021. The increase was driven by business acquisitions, higher revenues from the accelerated adoption of our virtual care solutions, as well as, growth in healthcare provider solutions. This was partly offset by the lingering impacts of the pandemic, including reduced health benefits claims and lower in-clinic services in our TELUS Health Care Centres.

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

Direct contribution – TTech segment

Three-month periods ended March 31 ($ in millions)	Mobile products and services 2021	Mobile 2020	Mobile Change	Fixed products and services[1] 2021	Fixed 2020	Fixed Change	Total TTech 2021	Total 2020	Total Change
REVENUES									
Service	**1,526**	1,523	0.2%	**1,441**	1,352	6.6%	**2,967**	2,875	3.2%
Equipment	**452**	362	24.9%	**68**	56	21.4%	**520**	418	24.4%
Operating revenues (arising from contracts with customers)	**1,978**	1,885	4.9%	**1,509**	1,408	7.2%	**3,487**	3,293	5.9%
EXPENSES									
Direct expenses	**632**	562	12.5%	**427**	370	15.4%	**1,059**	932	13.6%
Direct contribution	**1,346**	1,323	1.7%	**1,082**	1,038	4.2%	**2,428**	2,361	2.8%

1 Includes health services.

The direct expenses included in the direct contribution calculation in the table above represent a component of the Goods and services purchased and Employee benefits expense totals included in the table below and has been calculated in accordance with the accounting policies used to prepare the totals presented in the financial statements. TTech direct contribution increased by $67 million or 2.8% in the first quarter of 2021.

TTech mobile products and services direct contribution increased by $23 million or 1.7% in the first quarter of 2021, due to higher equipment margins, lower commissions expenses as we continue to drive customer transactions to digital channels in addition to lower contracted volumes in prior periods, and lower roaming expenses, partly offset by lower network revenues as described above.

TTech fixed product and services direct contribution increased by $44 million or 4.2% in the first quarter of 2021, due to growth in margins of internet and smart food-chain technology, partly offset by declining legacy data and legacy voice margins.

Operating expenses – TTech segment

Three-month periods ended March 31 ($ in millions)	2021	2020	Change
Goods and services purchased[1]	**1,533**	1,414	8.4%
Employee benefits expense[1]	**625**	578	8.1%
TTech operating expenses	**2,158**	1,992	8.3%

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

TTech operating expenses increased by $166 million in the first quarter of 2021.

Goods and services purchased increased by $119 million in the first quarter of 2021, mainly due to: (i) higher mobile equipment sales expense largely from higher handset upgrades as described above, in addition to higher-value mobile devices in the sales mix; (ii) higher product costs in support of our growing subscriber base, including TV and virtual care health subscribers; (iii) higher costs related to business acquisitions; and (iv) higher costs related to the scaling of our digital capabilities. These increased costs were partly offset by (i) savings achieved from enhanced cost-savings initiatives, including the suspension of corporate travel; (ii) lower non-labour-related restructuring and other costs; (iii) decreased commissions expense associated with an increased mix of digital sales and lower handset upgrade volumes in prior periods; and (iv) lower roaming expenses related to decreased customer travel as a result of the pandemic.

Employee benefits expense increased by $47 million in the first quarter of 2021, primarily due to an increase in compensation and benefits costs resulting from an increase in the number of employees related to business acquisitions in our health and smart food-chain technology solutions businesses and compensation rate increases committed prior to the declaration of the pandemic. The increase was partly offset by higher capitalized labour costs.

EBITDA – TTech segment

Three-month periods ended March 31 ($ in millions, except margins)	**2021**	2020	Change
EBITDA[1]	**1,336**	1,301	2.7%
Add restructuring and other costs included in EBITDA	**28**	35	n/m
Add other equity losses related to real estate joint ventures	**1**	6	n/m
Adjusted EBITDA[1]	**1,365**	1,342	1.8%
EBITDA margin[1] (%)	**38.3**	39.5	(1.2) pts.
Adjusted EBITDA margin[1,2] (%)	**39.1**	40.7	(1.6) 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 and other income, where the calculation of Operating revenues and other income excludes other equity losses related to real estate joint ventures.

TTech EBITDA increased by $35 million or 2.7% in the first quarter of 2021. TTech Adjusted EBITDA increased by $23 million or 1.8%, which reflected an increase in direct contribution as mentioned above and savings achieved from the enhanced cost-savings initiatives in response to the economic impacts of the pandemic. These impacts were partially offset by higher employee benefits expense and other costs related to business acquisitions and growth in business operations.

EBIT – TTech segment

Three-month periods ended March 31 ($ in millions, except margins)	**2021**	2020	Change
EBITDA[1]	**1,336**	1,301	2.7%
Depreciation	**(489)**	(494)	(1.0)%
Amortization	**(220)**	(185)	18.9%
EBIT[1]	**627**	622	0.8%

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

TTech EBIT increased by $5 million or 0.8% in the first quarter of 2021. Depreciation and amortization increased due to business acquisitions and growth in capital assets over the last 12 months, including our expanded fibre footprint and 5G network roll-out and was partially offset by the effect of accelerated depreciation in the first quarter of 2020 from asset retirement activity.

5.5 Digitally-led customer experiences – TELUS International segment

DLCX trends

The nature of the COVID-19 pandemic has had significant impacts on our business and the uncertainty of its magnitude, length and the time to recovery are not currently able to be estimated. As our service delivery centres are located in multiple geographic regions, the varying degrees of severity and recovery efforts from the pandemic in the countries we operate further complicates the outlook of our business operations. Therefore, trends identified prior to the first quarter of 2020 and described below may not be indicative of trends effective from the first quarter of 2020 onwards, as the pandemic prevents us and our customers from operating in the normal course of business in certain areas until at least the second half of 2021. For example, some of our clients in the travel and hospitality vertical continue to face reduced and/or closed operations.

The trend over the past eight quarters of increases in DLCX revenue reflects growth from a combination of business acquisitions, organic external customer growth (including expansion of services to external customers) and internal services provided to the TTech segment. Revenue growth includes our recent acquisition of Lionbridge AI on December 31, 2020, and Competence Call Center (CCC) which was acquired on January 31, 2020.

Goods and services purchased and Employee benefits expense have increased in proportion to the growth in our revenue. In addition, transaction costs associated with our acquisitions, as well as ongoing integration costs, have resulted in higher operating expenses. Lionbridge AI utilizes contracted labour in servicing its customers as compared to solely utilizing employees and therefore, it is expected that throughout 2021, these contracted services will contribute to year-over-year increases in Goods and services purchased.

Depreciation and amortization have increased due to our business acquisitions and associated intangible assets acquired, resulting in higher amortization charges.

DLCX operating indicators

Three-month periods ended March 31 ($ in millions)	2021	2020	Change
Revenue by industry vertical			
Tech and games	**283**	173	63.6%
Communications and media	**163**	161	1.2%
eCommerce and fintech	**70**	52	34.6%
Travel and hospitality	**18**	20	(10.0)%
Healthcare	**15**	13	15.4%
Other[1]	**90**	80	12.5%
	639	499	28.1%
Revenue by geographic region			
Europe	**236**	174	35.6%
North America	**190**	127	49.6%
Asia-Pacific	**119**	120	(0.8)%
Central America	**94**	78	20.5%
	639	499	28.1%

1 Includes, among others, retail and other financial services. No individual vertical included in this category exceeds 3% of revenue.

In the three-month period ended March 31, 2021, the revenue generated from our Tech and games industry vertical increased by $110 million or 63.6% to $283 million, and represented 44% of our revenue as compared to 35% of our revenue for the three-month period ended March 31, 2020. This growth is partly attributable to the acquisition of Lionbridge AI, which has contributed almost 50% of the growth in Tech and games, with the balance attributed to continued growth within our existing clients, partially offset by the effect of foreign exchange rates. Revenue generated from the eCommerce and fintech industry vertical grew by $18 million or 34.6% to $70 million, which was primarily attributed to the addition of full quarter results for our acquisitions in 2020 as well as growth in organic clients, partly offset by the effect of foreign exchange rates.

We serve our customers, who are primarily domiciled in the United States, Canada and Europe, from multiple delivery locations across four geographic regions. The table above presents the revenue generated in each geographic region, based on delivery location, for the periods presented.

Operating revenues and other income – DLCX segment

Three-month periods ended March 31 ($ in millions)	2021	2020	Change
Operating revenues (arising from contracts with customers)	**535**	370	44.6%
Other income	**—**	32	(100.0)%
External Operating revenues and other income	**535**	402	33.1%
Intersegment revenues	**104**	97	7.2%
DLCX Operating revenues and other income	**639**	499	28.1%

DLCX Operating revenues and other income increased by $140 million in the first quarter of 2021.

Our **digital and customer experience solutions revenues** increased by $165 million through a combination of acquisitions completed in fiscal 2020 and organic growth. The increase was due to a higher volume of services being provided, primarily driven by business acquisitions, including one month of CCC, as well as organic growth in our customers, which was due to a combination of new clients as well as growth in the depth and breadth of services offered to our existing customers. This growth was offset in part, by a negative foreign exchange impact in the first quarter of 2021 driven by the strengthening of the Canadian dollar compared to the U.S. Dollar, the primary operating currency of DLCX.

Other income decreased by $32 million in the first quarter of 2021, largely related to the non-recurrence of the comparative period's decrease of a provision arising from a business acquisition-related written put options to acquire the remaining non-controlling interest of an acquired subsidiary, Xavient, which was settled in the second quarter of 2020.

Intersegment revenues represent services provided to the TTech segment, including those from the TELUS master services agreement. Such revenue is eliminated upon consolidation, together with the associated TTech expenses.

Operating expenses – DLCX segment

Three-month periods ended March 31 ($ in millions)	**2021**	2020	Change
Goods and services purchased[1]	**124**	101	22.8%
Employee benefits expense[1]	**390**	290	34.5%
DLCX operating expenses	**514**	391	31.5%

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

DLCX operating expenses increased by $123 million in the first quarter of 2021.

Goods and services purchased increased by $23 million in the first quarter of 2021, mainly due to the acquisition of Lionbridge AI, as a substantial portion of Lionbridge AI's workforce is contracted labour as compared to full-time employees.

Employee benefits expense increased by $100 million in the first quarter of 2021, primarily due to an increase in the team member base to support the overall growth in revenue. Employee benefits expense as a percentage of revenue was 61% in the first quarter of 2021 versus 58% in the comparative period. The three percentage point increase is attributable to the higher share-based compensation recognized within the quarter, as a result of the mark-to-market adjustment on liability-accounted awards from an increased TI share price in the quarter. In addition, given the expansion of our digital services portfolio which is serviced predominantly by contracted labour, there is an expected shift of Employee benefits expense to Goods and services purchased as a percentage of DLCX operating revenues as our digital footprint continues to grow.

EBITDA – DLCX segment

Three-month periods ended March 31 ($ in millions, except margins)	**2021**	2020	Change
EBITDA[1]	**125**	108	15.4%
Add restructuring and other costs included in EBITDA	**13**	25	n/m
Adjusted EBITDA[1,2]	**138**	133	3.0%
EBITDA margin[1] (%)	**19.5**	21.7	(2.2) pts.
Adjusted EBITDA margin[1,3] (%)	**21.6**	26.8	(5.2) pts.

1 See description under *EBITDA* in *Section 11.1 Non-GAAP and other financial measures*.
2 For certain metrics, there are definitional differences between TELUS and TELUS International reporting. These differences largely arise from TELUS International adopting definitions consistent with practice in its industry.
3 Adjusted EBITDA margin is Adjusted EBITDA divided by Operating revenues and other income.

DLCX EBITDA increased by $17 million or 15.4% and Adjusted EBITDA increased by $5 million or 3.0% in the first quarter of 2021. While EBITDA increased in absolute dollars, EBITDA margin declined by 2.2 percentage points. The decline in EBITDA margin is due to the non-recurrence of the comparative period's decrease of a provision related to written put options to acquire the remaining non-controlling interest in Xavient, the negative foreign exchange impact as a result of the strengthening of the Canadian dollar compared to the U.S. dollar between the first quarters of 2021 and 2020, and the contribution from Lionbridge AI, which is a lower margin business.

EBIT – DLCX segment

Three-month periods ended March 31 ($ in millions)	**2021**	2020	Change
EBITDA[1]	**125**	108	15.4%
Depreciation	**(35)**	(29)	20.7%
Amortization	**(45)**	(17)	n/m
EBIT[1]	**45**	62	(27.4)%

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

DLCX EBIT decreased by $17 million or 27.4% in the first quarter of 2021 due to higher contribution from increased operating revenues, offset by higher depreciation and amortization of $34 million driven by the acquisitions of CCC and Lionbridge AI and corresponding intangible assets acquired in fiscal 2020.

6. Changes in financial position

Financial position at: ($ millions)	Mar. 31 2021	Dec. 31 2020	Change	Change includes:
Current assets				
Cash and temporary investments, net	**1,903**	848	1,055	See *Section 7 Liquidity and capital resources*
Accounts receivable	**2,271**	2,355	(84)	Primarily driven by a decrease in sales volume from our dealer and retail channels and customer receivables, partly offset by unbilled customer finance receivables from our Bring-It-Back program and TELUS Easy Payment device financing program
Income and other taxes receivable	**206**	148	58	Instalments to date are greater than the expense
Inventories	**421**	407	14	An increase due to higher mix of high-end devices
Contract assets	**420**	439	(19)	Refer to description in non-current contract assets
Prepaid expenses	**616**	484	132	An increase driven by maintenance contracts, timing of wireless spectrum license fees and the annual prepayment of statutory employee benefits
Current derivative assets	**1**	2	(1)	—
Current liabilities				
Short-term borrowings	**100**	100	—	See *Section 7.7 Sale of trade receivables*
Accounts payable and accrued liabilities	**2,817**	2,968	(151)	A decrease in payroll and other employee-related liabilities, network construction-related accruals, partly offset by the timing of accounts payable. See *Note 23* of the interim consolidated financial statements
Income and other taxes payable	**113**	135	(22)	Instalments to date being greater than the expense
Dividends payable	**404**	403	1	—
Advance billings and customer deposits	**770**	772	(2)	—
Provisions	**85**	73	12	An increase from a reclassification of restructure provisions from long-term to current provisions, partly offset by the payment of employee-related restructuring provisions
Current maturities of long-term debt	**2,587**	1,432	1,155	An increase from the reclassification of long-term debt to current maturities of long-term debt relating to the upcoming maturity of $1 billion of our 2.35% Notes, Series CT, in March 2022, as well as an increase in outstanding commercial paper
Current derivative liabilities	**34**	32	2	—
Working capital (Current assets subtracting Current liabilities)	**(1,072)**	(1,232)	160	TELUS normally has a negative working capital position. See *Financing and capital structure management plans* in *Section 4.3* and the *Liquidity risk* discussion in *Section 7.9*.

Financial position at: ($ millions)	**Mar. 31 2021**	Dec. 31 2020	Change	Change includes:
Non-current assets				
Property, plant and equipment, net	**15,041**	15,014	27	See *Capital expenditures* in *Section 7.3 Cash used by investing activities* and *Depreciation* in *Section 5.3 Consolidated operations*
Intangible assets, net	**15,261**	15,026	235	See *Capital expenditures* in *Section 7.3 Cash used by investing activities* and *Amortization of intangible assets* in *Section 5.3 Consolidated operations*
Goodwill, net	**7,216**	7,224	(8)	An increase from individually immaterial business acquisitions is more than offset by the effect of translating TI financial statements into Canadian currency. See *Note 18* of the interim consolidated financial statements
Contract assets	**253**	268	(15)	Primarily driven by lower subsidized devices from the introduction of our TELUS Easy Payment device financing program, partially offset by the growth of contract assets in Koodo
Other long-term assets	**1,725**	1,106	619	An increase in pension assets resulting from gains arising from financial assumption re-measurements exceeding the effects of pension plan returns less than the discount rate. *See Note 20* of the interim consolidated financial statements.
Non-current liabilities				
Provisions	**944**	961	(17)	A decrease from reclassification of restructure provisions to current provisions
Long-term debt	**17,185**	18,856	(1,671)	See *Section 7.4 Cash provided by financing activities*
Other long-term liabilities	**831**	1,265	(434)	A decrease in pension liabilities resulting from gains arising from financial assumption re-measurements exceeding the effects of pension plan returns less than the discount rate, as well as a decrease in the fair value of derivatives used to manage currency risk from European euro functional currency operations purchased with U.S. dollar-denominated long-term debt. *See Note 27* of the interim consolidated financial statements
Deferred income taxes	**4,002**	3,756	246	An overall increase in temporary differences between the accounting and tax basis of assets and liabilities, including employee benefit plan re-measurements recorded in Other comprehensive income.
Owners' equity				
Common equity	**14,556**	12,040	2,516	See *Consolidated statements of changes in owners' equity* in the interim consolidated financial statements
Non-controlling interests	**906**	528	378	See *Consolidated statements of changes in owners' equity* in the interim consolidated financial statements.

7. Liquidity and capital resources

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

7.1 Overview

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

Cash flows

Three-month periods ended March 31 ($ millions)	**2021**	2020	Change
Cash provided by operating activities	**939**	1,177	(238)
Cash used by investing activities	**(1,153)**	(1,959)	806
Cash provided by financing activities	**1,269**	1,305	(36)
Increase in Cash and temporary investments, net	**1,055**	523	532
Cash and temporary investments, net, beginning of period	**848**	535	313
Cash and temporary investments, net, end of period	**1,903**	1,058	845

7.2 Cash provided by operating activities

Analysis of changes in cash provided by operating activities

Three-month periods ended March 31 ($ millions)	**2021**	2020	Change
EBITDA[1] (see *Section 5.4* and *Section 5.5*)	**1,461**	1,409	52
Restructuring and other costs, net of disbursements	**(12)**	12	(24)
Employee defined benefit plans expense, net of employer contributions	**10**	12	(2)
Share-based compensation expense, net of payments	**35**	23	12
Interest paid, net of interest received	**(197)**	(174)	(23)
Income taxes paid, net of recoveries received	**(220)**	(124)	(96)
Other operating working capital changes	**(138)**	19	(157)
Cash provided by operating activities	**939**	1,177	(238)

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

Cash provided by operating activities decreased by $238 million in the first quarter of 2021.

- Restructuring and other costs, net of disbursements, represented a net change of $24 million in the first quarter of 2021. We incurred higher restructuring and other costs disbursements net of expense, related to improving our overall cost structure and operational effectiveness.
- Interest paid, net of interest received, increased by $23 million in the first quarter of 2021, largely due to an increase in the average long-term debt balance, which was partially offset by a lower weighted-average interest rate on long-term debt.
- Income taxes paid, net of recoveries received, increased by $96 million in the first quarter of 2021, as income tax instalment payments in the first quarter of 2020 were deferred into the third quarter of 2020 as permitted by several government jurisdictions as part of their pandemic responses.
- 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)	**2021**	2020	Change
Cash payments for capital assets, excluding spectrum licences	**(750)**	(780)	30
Cash payments for spectrum licences	**(251)**	—	(251)
Cash payments for acquisitions, net	**(137)**	(1,104)	967
Advances to, and investment in, real estate joint ventures and associate, net of real estate joint venture receipts	**(14)**	(78)	64
Investment in portfolio investments and other	**(1)**	3	(4)
Cash used by investing activities	**(1,153)**	(1,959)	806

Cash used by investing activities decreased by $806 million in the first quarter of 2021.

- The decrease in Cash payments for capital assets, excluding spectrum licences in the first quarter of 2021, was primarily composed of:
  - Lower capital expenditure payments of $50 million with respect to payment timing differences.
  - An increase in capital expenditures of $20 million (see *Capital expenditure measures* table and discussion below).
- Cash payments for spectrum licences relate to the acquisition of 3500 MHz spectrum licences. We acquired 50 MHz in the urban cores in Edmonton, Guelph/Kitchener, London, Ottawa and Winnipeg, 50 MHz in East Kootenay and 25 MHz in Whistler.
- In the first quarter of 2021, we made cash payments for individually immaterial business acquisitions that are complementary to our existing lines of business. This is compared to business acquisition activity in the first quarter of 2020 that included Competence Call Center (CCC), as well as other individually immaterial business acquisitions complementary to our existing lines of business.
- Advances to, and investment in, real estate joint ventures and associate, net of real estate joint venture receipts represented a net change of $64 million predominantly related to our acquisition of a 28% basic equity interest in Miovision Technologies Incorporated in the first quarter of 2020.

Capital expenditure measures

Three-month periods ended March 31 ($ millions, except capital intensity)	2021	2020	Change
Capital expenditures[1]			
TELUS technology solutions (TTech) segment	**662**	646	2.5%
Digitally-led customer experiences – TELUS International (DLCX) segment	**23**	19	21.1%
Consolidated	**685**	665	3.0%
TTech segment capital expenditure intensity (%)	**19**	20	(1) pt.
DLCX segment capital expenditure intensity (%)	**4**	4	— pts.
Consolidated capital expenditure intensity[2] (%)	**17**	18	(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 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 increased by $20 million in the first quarter of 2021, due to increased investments in our 5G network, accelerated purchase of equipment to support subscriber growth, and accelerated investments to increase system capacity and reliability. This was partly offset by a reduction in spend from the timing of our fibre-build activities. With our ongoing investments, we are advancing the mobile speeds and coverage that enabled our 5G network launch, continuing to connect additional homes and businesses directly to our fibre-optic technology, and supporting system reliability and operational efficiency and effectiveness efforts. These investments also support our internet, TV and security subscriber growth, address our customers' demand for faster internet speeds, and extend the reach and functionality of our business, healthcare solutions and agriculture solutions. By March 31, 2021, our 5G network covered more than 10.6 million Canadians, representing over 28% of the population.

7.4 Cash provided by financing activities

Analysis of changes in cash provided by financing activities

Three-month periods ended March 31 ($ millions)	2021	2020	Change
Common Shares issued	**1,300**	1,495	(195)
Dividends paid to holders of Common Shares	**(251)**	(222)	(29)
Long-term debt redemptions and repayment, net of issuances	**(561)**	(111)	(450)
Shares of subsidiary issued and sold to non-controlling interests, net	**827**	209	618
Other	**(46)**	(66)	20
Cash provided by financing activities	**1,269**	1,305	(36)

Cash provided by financing activities decreased by $36 million in the first quarter of 2021.

Common Shares issued

Common Shares issued reflect 51 million Common Shares at a price of $25.35 per Common Share issued in the first quarter of 2021, as described in *Section 1.3 Equity offering*. This is compared to 58 million Common Shares at a price of $26.00 issued in the first quarter of 2020.

Dividends paid to holders of Common Shares

Our dividend reinvestment and share purchase (DRISP) plan trustee acquired shares from Treasury for the DRISP plan, rather than acquiring Common Shares in the stock market. Effective with the dividends paid on October 1, 2019, we offered Common Shares from Treasury at a discount of 2%. Cash payments for dividends increased by $29 million in the first quarter of 2021, which reflected an increase in the number of shares outstanding and higher dividend rates under our dividend growth program (see *Section 4.3*). This was partly offset by the DRISP plan trustee acquiring an increased number of Common Shares from Treasury for the DRISP plan. During the first quarter of 2021, our DRISP plan trustee acquired Common Shares for $152 million.

In April 2021, we paid dividends of $251 million to the holders of Common Shares and the trustee acquired dividend reinvestment Common Shares from Treasury for $153 million, totalling $404 million.

Long-term debt issues, redemptions and repayment

In the first quarter of 2021, long-term debt redemptions and repayment, net of issues, were $561 million, a change of $450 million compared to long-term debt redemptions and repayment, net of issues, of $111 million in the first quarter of 2020, primarily composed of:

- A decrease in net draws on the TI credit facility, including foreign exchange effects, of $636 million. As at March 31, 2021, net draws due to a syndicate of financial institutions (excluding TELUS Corporation) were US$939 million, whereas as at December 31, 2020, net draws were US$1,428 million. The reduction in TI credit facility indebtedness was facilitated by the net proceeds of the TI initial public offering (IPO) (see *Section 1.3*). The TI credit facility is non-recourse to TELUS Corporation.

- A net increase in commercial paper outstanding, including foreign exchange effects, of $187 million to a balance of $918 million (US$730 million) at March 31, 2021, from a balance of $731 million (US$574 million) at December 31, 2020. Our commercial paper program, when utilized, provides low-cost funds and is fully backstopped by the revolving credit facility (see *Section 7.6 Credit facilities*).

The average term to maturity of our long-term debt (excluding commercial paper, the revolving component of the TI credit facility, lease liabilities and other long-term debt) was 12.0 years as at March 31, 2021, a decrease from 12.2 years as at December 31, 2020 and a decrease from 12.3 years at March 31, 2020. Additionally, the weighted average cost of our long-term debt (excluding commercial paper, the revolving component of the TI credit facility, lease liabilities and other long-term debt) was 3.80% as at March 31, 2021, flat compared to December 31, 2020, and a decrease from 3.92% as at March 31, 2020.

Shares of subsidiary issued and sold to non-controlling interests, net
In connection with the TI IPO described in *Section 1.3*, we received net cash proceeds of $827 million in the first quarter of 2021 (see *Note 28* of the interim consolidated financial statements.) In the first quarter of 2020, TI issued shares to non-controlling interests related to its acquisition of CCC.

Other
In connection with our 51 million Common Shares issued in the first quarter of 2021, we incurred certain equity issuance costs. In the first quarter of 2020, we also incurred certain equity issuance costs in connection with our issue of 58 million Common Shares.

7.5 Liquidity and capital resource measures

Net debt was $18.2 billion at March 31, 2021, an increase of $247 million compared to one year earlier, resulting mainly from the May 2020 issuances of $600 million of Series CAC notes and the re-opening of $400 million of Series CAB notes, the October 2020 issuance of $500 million of Series CAD notes, and an increase in commercial paper outstanding. These factors were partially offset by the early redemptions of Series CM notes and Series CO notes in June 2020, a decrease in net draws due to a syndicate of financial institutions (excluding TELUS Corporation) on the TI credit facility, and higher Cash and temporary investments.

Fixed-rate debt as a proportion of total indebtedness excludes lease liabilities and other long-term debt, and was 91% as at March 31, 2021, up from 89% one year earlier, mainly due to: (i) the May 2020 issuances of $600 million of Series CAC notes and the re-opening of $400 million of Series CAB notes, the October 2020 issuance of $500 million of Series CAD notes and the early redemptions of Series CM notes and Series CO notes in June 2020; and (ii) an increase in net draws due to a syndicate of financial institutions (excluding TELUS Corporation) on the TI credit facility, which includes foreign exchange derivatives and is non-recourse to TELUS Corporation. These factors were partly offset by an increase in commercial paper outstanding, which is classified as floating-rate debt in this calculation.

Net debt to EBITDA – excluding restructuring and other costs ratio was 3.15 times, as measured at March 31, 2021, up from 3.13 times one year earlier. Our long-term objective for this measure is within a range of 2.20 to 2.70 times, which we believe is consistent with maintaining investment grade credit ratings in the range of BBB+, or the equivalent, and providing reasonable access to capital. As at March 31, 2021, this ratio remains outside of the long-term objective range resulting from prior issuances of incremental debt, primarily due to business acquisitions, partially offset by growth in EBITDA – excluding restructuring and other costs. EBITDA growth was reduced by impacts from the COVID-19 pandemic. As at March 31, 2021, business acquisitions over the past 12 months increased the ratio by approximately 0.37 and the acquisition of spectrum licences increased the ratio by approximately 0.21. Our recent acquisitions of spectrum licences have more than doubled our national spectrum holdings and represent an investment to extend our network capacity to support continuing data consumption growth, as well as growth in our mobile subscriber base. Given the cash demands of the 2019 600 MHz and upcoming spectrum auctions and the inability to predict impacts of the COVID-19 pandemic, the assessment of the guideline and return to the objective range remains to be determined; however, it is our intent to return to a ratio below 2.70 times in the medium term (following upcoming 2021, 2022 and 2023 spectrum auctions), consistent with our long-term strategy. While this ratio exceeds our long-term objective range, we are well in compliance with the leverage ratio covenant in our credit facilities, which states that we may not permit our leverage ratio to exceed 4.25 to 1.00 at March 31, 2021 (see *Section 7.6 Credit facilities*).

Liquidity and capital resource measures

As at, or for the 12-month periods ended, March 31	**2021**	2020	Change
Components of debt and coverage ratios[1] ($ millions)			
Net debt	**18,230**	17,983	247
EBITDA – excluding restructuring and other costs	**5,786**	5,742	44
Net interest cost	**797**	783	14
Debt ratios			
Fixed-rate debt as a proportion of total indebtedness (excluding lease liabilities and other long-term debt) (%)	**91**	89	2 pts.
Average term to maturity of long-term debt (excluding commercial paper, the revolving component of the TI credit facility, lease liabilities and other long-term debt) (years)	**12.0**	12.3	(0.3)
Weighted average interest rate on long-term debt (excluding commercial paper, the revolving component of the TI credit facility, lease liabilities and other long-term debt) (%)	**3.80**	3.92	(0.12) pts.
Net debt to EBITDA – excluding restructuring and other costs[1] (times)	**3.15**	3.13	0.02
Coverage ratios[1] **(times)**			
Earnings coverage	**3.1**	3.8	(0.7)
EBITDA – excluding restructuring and other costs interest coverage	**7.3**	7.3	—
Other measures[1] **(%)**			
Determined using management measures			
Common Share dividend payout ratio – net of dividend reinvestment plan effects	**80**	76	4 pts.
Determined using most comparable IFRS-IASB measures			
Ratio of Common Share dividends declared to cash provided by operating activities less capital expenditures (excluding spectrum licences)	**101**	101	— pts.

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

Earnings coverage ratio for 2020 was 3.1 times, down from 3.8 times one year earlier. A decrease in income before borrowing costs and income taxes reduced the ratio by 0.6, while an increase in borrowing costs reduced the ratio by 0.1.

EBITDA – excluding restructuring and other costs interest coverage ratio for 2020 was 7.3 times, unchanged from 7.3 times one year earlier. Growth in EBITDA – excluding restructuring and other costs increased the ratio by 0.1, while an increase in net interest costs reduced the ratio by 0.1.

Common Share dividend payout ratios: Actual Common Share dividend payout decisions will continue to be subject to our Board's assessment of our financial position and outlook, as well as our long-term Common Share dividend payout objective range of 60% to 75% of prospective free cash flow. So as to be consistent with the way we manage our business, our Common Share dividend payout ratio is presented as a historical measure calculated as the sum of the most recent four quarters' dividends declared for Common Shares, as recorded in the financial statements, net of dividend reinvestment plan effects, divided by the sum of the most recent four quarters' free cash flow amounts for interim reporting periods. For fiscal years, the denominator is annual free cash flow (free cash flow is a non-GAAP measure, see *Section 11.1*). The historical measure for the 12-month period ended March 31, 2021 is presented for illustrative purposes in evaluating our target guideline. As at March 31, 2021, the ratio was outside of the objective range, primarily due to the reduction of EBITDA caused by the pandemic.

TELUS International intends to retain all available funds and any future earnings to support operations and to finance the growth and development of its business. As such, TELUS International does not intend to declare or pay cash dividends on its equity shares in the foreseeable future.

7.6 Credit facilities

At March 31, 2021, we had over $1.3 billion of liquidity available from the TELUS revolving credit facility and $756 million of liquidity available from the TI credit facility with a syndicate of financial institutions (excluding TELUS Corporation). In addition, we had $400 million available under our trade receivables securitization program (see *Section 7.7 Sale of trade receivables*). We are well within our objective of generally maintaining at least $1.0 billion of available liquidity.

TELUS revolving credit facility

We have a $2.25 billion (or U.S. dollar equivalent) unsecured revolving credit facility with a syndicate of financial institutions, expiring May 31, 2023. The revolving credit facility is used for general corporate purposes, including the backstop of commercial paper, as required. Subsequent to March 31, 2021, the credit facility was renewed for $2.75 billion with an expiry date of April 6, 2026.

TELUS revolving credit facility at March 31, 2021

($ millions)	Expiry	Size	Drawn	Outstanding undrawn letters of credit	Backstop for commercial paper program	Available liquidity
Revolving credit facility[1]	May 31, 2023	2,250	—	—	(918)	1,332

1 Canadian dollars or U.S. dollar equivalent.

Our revolving credit facility contains customary covenants, including a requirement that we not permit our consolidated leverage ratio to exceed 4.25 to 1.00 and that we not permit our consolidated coverage ratio to be less than 2.00 to 1.00 at the end of any financial quarter. As at March 31, 2021, our consolidated leverage ratio was 3.15 to 1.00 and our consolidated coverage ratio was 7.26 to 1.00. These ratios are expected to remain well within the covenants. There are certain minor differences in the calculation of the leverage ratio and coverage ratio under the revolving credit facility, as compared with the calculation of Net debt to EBITDA – excluding restructuring and other costs and EBITDA – excluding restructuring and other costs interest coverage. Historically, the calculations have not been materially different. The covenants are not impacted by revaluation, if any, of Property, plant and equipment, Intangible assets or Goodwill for accounting purposes. Continued access to our credit facilities is not contingent on maintaining a specific credit rating.

Commercial paper

TELUS Corporation has an unsecured commercial paper program, which is backstopped by our revolving credit facility, enabling us to issue commercial paper up to a maximum aggregate amount at any one time of $1.4 billion as at March 31, 2021. Foreign currency forward contracts are used to manage currency risk arising from issuing commercial paper denominated in U.S. dollars. The commercial paper program is to be used for general corporate purposes, including, but not limited to, capital expenditures and investments. Our ability to reasonably access the commercial paper market in the U.S. is dependent on our credit ratings (see *Section 7.8 Credit ratings*).

TELUS International credit facility

As at March 31, 2021, TELUS International (Cda) Inc. had a credit facility, secured by its assets, expiring on January 28, 2025, with a syndicate of financial institutions and, joined in 2020, by TELUS Corporation. The TI credit facility is comprised of US$620 million (TELUS Corporation as an approximately 7.5% lender) and US$230 million (TELUS Corporation as a 12.5% lender) revolving components and amortizing US$600 million (TELUS Corporation as 12.5% lender) and US$250 million term loan components. The TI credit facility is non-recourse to TELUS Corporation. The outstanding revolving components and term loan components had a weighted average interest rate of 2.86% as at March 31, 2021.

The term loan components are 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 and December 22, 2022, for the US$250 million component, respectively.

Other letter of credit facilities

At March 31, 2021, we had $190 million of letters of credit outstanding issued under various uncommitted facilities; such letter of credit facilities are in addition to the ability to provide letters of credit pursuant to our committed bank credit facility. Available liquidity under various uncommitted letters of credit facilities was $129 million at March 31, 2021. We have arranged incremental letters of credit to allow us to participate in Innovation, Science and Economic Development Canada's 3500 MHz wireless spectrum auction that is to commence in June 2021. Under the terms of the auction, communications between bidders that would provide insights into bidding strategies, including reference to preferred blocks, technologies or valuations, are precluded until the deadline for the final payment in the auction. Disclosure of the precise amount of our letters of credit could be interpreted as a signal of bidding intentions. The maximum amount of letters of credit that any national incumbent could be required to deliver is approximately $360 million.

Other long-term debt

Other liabilities bear interest at 3.34%, are secured by the associated AWS-4 spectrum licences and a real estate holding, and are subject to amortization schedules, which results in the principal being repaid over the period to maturity, March 31, 2035.

7.7 Sale of trade receivables

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

TELUS Communications Inc. is required to maintain a credit rating of at least a BB by DBRS Ltd. or the securitization trust may require the sale program to be wound down prior to the end of the term. The minimum credit rating was exceeded as of May 7, 2021.

7.8 Credit ratings

There were no changes to our investment grade credit ratings during the first quarter of 2021 or as of May 7, 2021. We believe adherence to most of our stated financial policies (see *Section 4.3*), coupled with our efforts to maintain a constructive relationship with banks, investors and credit rating agencies, continue to provide reasonable access to capital markets.

7.9 Financial instruments, commitments and contingent liabilities

Financial instruments

Our financial instruments, their accounting classification and the nature of certain risks that they may be subject to were described in *Section 7.9* of our 2020 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, 2021, TELUS Corporation could offer $200 million of debt or equity securities pursuant to a shelf prospectus that is in effect until June 2022.

As at March 31, 2021, we had over $1.3 billion of available liquidity from the TELUS revolving credit facility and $756 million of available liquidity from the TI credit facility with a syndicate of financial institutions (excluding TELUS Corporation) (see *Section 7.6 Credit facilities*), as well as $400 million available under our trade receivables securitization program (see *Section 7.7 Sale of trade receivables*). Excluding the TI credit facility and including cash and temporary investments of approximately $1.9 billion, we had total liquidity of over $3.6 billion at March 31, 2021. 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, 2021, our contractual commitments related to the acquisition of Property, plant and equipment were $323 million through to December 31, 2022, as compared to $235 million over a period ending December 31, 2022 reported as at December 31, 2020. The increase was primarily attributed to our planned accelerated capital investments as described in *Section 1.3*.

Claims and lawsuits

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

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

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

7.10 Outstanding share information

Outstanding shares (millions)	March 31, 2021	April 30, 2021
Common Shares	1,349	1,355
Common Share options	3	3
Restricted share units – equity-settled	11	11

7.11 Transactions between related parties

Transactions with key management personnel

Our key management personnel have authority and responsibility for overseeing, planning, directing and controlling our activities and consist of our Board of Directors and our Executive Team. Total compensation expense for key management personnel was $22 million in the first quarter 2021, compared to $4 million in the first quarter of 2020. The increase in compensation expense for key management personnel was due to greater share-based compensation which was largely related to liability-accounted awards which increased in value in the first quarter of 2021 and decreased in value in the comparative 2020 period. See *Note 30(a)* of the interim consolidated financial statements for additional details.

Transactions with defined benefit pension plans

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

Transactions with real estate joint venture and associate

In the first quarter of 2021, we had transactions with the TELUS Sky real estate joint venture, which is a related party to us, as set out in *Note 21* of the interim consolidated financial statements. The new-build tower was completed in 2020.

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

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, 2020. The preparation of financial statements in conformity with generally accepted accounting principles (GAAP) requires management to make estimates, assumptions and judgments that affect: the reported amounts of assets and liabilities at the date of the financial statements; the disclosure of contingent assets and liabilities at the date of the financial statements; and the reported amounts and classification of income and expense during the reporting period. Actual results could differ from those estimates. Our critical accounting estimates and significant judgments are generally discussed with the Audit Committee each quarter and are described in *Section 8.1* of our 2020 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 2020 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 2021 outlook, as described in *Section 9* of our 2020 annual MD&A, remain the same, except for the following updates:

- Our revised estimates for 2021 economic growth in Canada, B.C., Alberta, Ontario and Quebec are 5.9%, 5.7%, 5.6%, 5.7% and 5.8%, respectively (compared to 4.5%, 4.5%, 4.4%, 4.8% and 4.6%, respectively, as reported in our 2020 annual MD&A).
- Our revised estimates for 2021 annual unemployment rates in Canada, B.C. and Alberta are 7.7%, 6.7% and 9.6%, respectively (compared to 7.8%, 6.9% and 9.9%, respectively, as reported in our 2020 annual MD&A).
- Our revised estimates for 2021 annual rates of housing starts on an unadjusted basis in Canada, B.C., Alberta, Ontario and Quebec are 232,000 units, 39,000 units, 28,000 units, 82,000 units and 60,000 units, respectively (compared to 202,000 units, 35,000 units, 24,000 units, 77,000 units and 48,000 units, respectively, as reported in our 2020 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 or description of all of the specific issues described. Although we have indicated those issues for which we do not currently expect the outcome of a development or proceeding to be material to us, there can be no assurance that the expected outcome will occur or that our current assessment of its likely impact on us will be accurate. See *Section 10.3* of our 2020 annual MD&A.

Radiocommunication licences and spectrum-related matters

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

3500 MHz spectrum auction to support 5G

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

mmWave and 3800 MHz spectrum auctions to support 5G

On June 5, 2019, ISED released its *Decision on Releasing Millimetre Wave Spectrum to Support 5G*, repurposing several tranches of mmWave spectrum for mobile use. ISED will consult on a licensing framework (i.e. auction rules and conditions of licence) for these mmWave bands in the future. ISED stated that the auction is expected to commence in 2021, but we believe it may not take place until 2023 or later. There is a risk that the auction rules may favour certain carriers over us and impact our ability to acquire an adequate quantity of mmWave spectrum.

The 3800 MHz spectrum band is seen as an extension to the 3500 MHz band. ISED released the first of two consultations on August 27, 2020. This first consultation featured proposals from ISED and from Telesat, the Canadian satellite spectrum licensee of 3700 to 4200 MHz spectrum, on how to repurpose existing spectrum. Following a decision on the first consultation, we expect a second consultation on an auction framework for the 3800 MHz band. ISED has forecasted a delay to the 3800 MHz auction process, now expected to take place in 2023 (formerly projected for late

2022). There is a risk that the auction rules will favour certain carriers over us and impact our ability to acquire an adequate quantity of 3800 MHz band spectrum on a cost-effective basis.

Regulatory and federal government reviews

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

Proposed acquisition of Shaw by Rogers

In March 2021, Rogers Communications Inc. and Shaw Communications Inc. announced their agreement for Rogers Communications Inc. to acquire Shaw Communications Inc. In addition to approval by shareholders of Shaw Communications Inc., the acquisition will require approvals by the Competition Bureau, the CRTC, and ISED. It is possible that the parties to the transaction will agree to merger remedies that could negatively affect us, or that the CRTC, ISED, or other governmental authorities could make other regulatory changes that could materially affect us. Until the governmental authorities complete their reviews and make a determination on whether to allow the acquisition and, if so, under what conditions, it is too early to determine the impact of this proceeding on us.

Review of mobile wireless services

On April 15, 2021, the CRTC released its decision in the *Wireless Regulatory Framework Review*. The CRTC determined that Bell, Rogers, TELUS and SaskTel must provide wholesale mobile virtual network operator (MVNO) access to facilities-based regional wireless providers in areas where those providers hold a mobile wireless spectrum licence. MVNO access is based on commercially-negotiated rates and will be phased out after seven years. In addition, the CRTC has requested that Bell, Rogers, TELUS and SaskTel provide certain low-cost and occasional-use plans on their premium brands. We are currently assessing the impact of this decision.

Wireline wholesale services and interconnection follow-up

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

On June 11, 2020, the CRTC released *Call for comments – Appropriate network configuration for disaggregated wholesale high-speed access services*, Telecom Notice of Consultation CRTC 2020-187 (TNC 2020-187), where it is examining the appropriate network and service configurations for the disaggregated wholesale HSA service regime for all wholesale HSA service providers across the country. This new process takes the place of the previous follow-up proceedings and now features a common process for incumbent local exchange carriers (ILECs) and cable companies across Canada. Until the CRTC issues its decision, it is too early to determine the impact of this proceeding on us.

Final rates for aggregated wholesale internet access services

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

On September 13, 2019, Bell Canada and affiliated companies and a group of cable companies filed separate applications with the Federal Court of Appeal to seek leave to appeal Telecom Order CRTC 2019-288. Bell Canada and the cable companies also sought a stay of the order. On November 22, 2019, the Federal Court of Appeal allowed both leave applications and granted a stay pending the disposition of the appeal. On September 10, 2020, the Federal Court of Appeal dismissed the appeals on their merits, thereby upholding the CRTC's decision. On February 25, 2021, the Supreme Court of Canada dismissed applications for leave to appeal the Federal Court of Appeal decision brought by Bell Canada and the group of cable companies.

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

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

5G security review – Public Safety Canada

In September 2018, the federal government announced a review of national cybersecurity requirements for Canada's 5G networks. The stated objective of the reviews was to provide policy clarity on what security controls or restrictions the government intends to impose on 5G networks in Canada and to which foreign vendors such controls and restrictions would apply. The timelines for the conclusion of this review were never released by the federal government, which has also not announced its intentions regarding 5G cybersecurity requirements. Given the range of potential government or regulatory action that may result from this review, the impact on us, and on Canadian wireless service providers in general, cannot be reliably predicted.

International security developments

On May 16, 2019, an executive order entered into force permitting the U.S. Secretary of Commerce to block certain technology transactions deemed to constitute national security risks. Additionally, the Bureau of Industry and Security of the United States Department of Commerce (BIS) subsequently amended Export Administration Regulations such that Huawei Technologies Co., Ltd. (Huawei) and 68 of its non-U.S. affiliates were added to the Entity List effective May 16, 2019. Effective August 19, 2019, an additional 46 non-U.S. affiliates were placed on the Entity List. Their addition to the Entity List imposed a licensing requirement under the Export Administration Regulations (EAR) regarding the export, re-export or transfer (in-country) of most items subject to the EAR to any of these 115 listed Huawei entities. A further final rule effective August 17, 2020 provided for additional non-U.S. affiliates of Huawei to be added to the Entity List and revisions to current entries on the Entity List; removal of the Temporary General License (TGL) and conforming changes to Entity List for TGL Removal; and changes to General Prohibition Three — the Foreign-Produced Direct Product Rule. In December 2020, 77 non-Huawei entities were added to the Entity List for security or foreign policy-related reasons.

Reversing an earlier position that would allow limited Huawei 5G in the U.K., on July 14, 2020, the U.K. government announced plans to legislate a ban on the purchase of all new 5G infrastructure from Huawei and to require the removal of Huawei 5G networks deployed in the U.K. by 2027. The U.K. government is also currently considering legislation that would further restrict the installation of any Huawei equipment in U.K. 5G networks after September 30, 2021.

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

CRTC proceeding regarding device financing

On August 30, 2019, the CRTC commenced a proceeding to inquire into device financing plans for wireless handsets and asked certain parties, including us, to show cause why their device financing plans are permitted under the Wireless Code. This proceeding followed the introduction of device financing plans by us, Rogers and Bell in July 2019, including, for Rogers and us, plans with terms longer than 24 months. Under these plans, customers who cancel wireless services contracts are required to repay immediately the outstanding financing balance in full. On August 2, 2019, the CRTC issued a letter stating that wireless service providers were to stop offering device financing plans beyond 24 months so it could review the practice. In the proceeding, the CRTC sought comment on the effects on consumers of financing plans beyond 24 months and how the provisions of the Wireless Code apply to device financing. On March 4, 2021, the CRTC issued a decision, finding that the Wireless Code applies to certain device financing plans, including plans that are available only in conjunction with the purchase of a binding wireless service plan and where the cancellation of the wireless service plan will trigger the payment of the remainder of the cost of the device. Accordingly, the CRTC determined that such plans may not be offered for a term greater than 24 months. The impact of this decision on us is not material.

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

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

CRTC proceeding regarding access to poles owned by Canadian carriers

On October 30, 2020, the CRTC issued *Call for comments regarding potential regulatory measures to make access to poles owned by Canadian carriers more efficient*, Telecom Notice of Consultation CRTC 2020-366. The CRTC commenced the proceeding further to comments in the proceeding initiated by Telecom Notice of Consultation CRTC 2019-406 that untimely and costly access to poles owned by Canadian carriers has negative impacts on broadband deployment, particularly in areas with limited or no access to broadband-capable networks. In the most recent proceeding, the CRTC will consider, among other issues, authorization delays, make-ready costs, spare capacity reservations, joint use agreements, and the potential for improved dispute resolution. We are participating fully in the proceeding. It is too early to determine the impact of the proceeding on us.

Government mobile wireless pricing election commitment

Ahead of the 2019 federal election, the Liberal Party of Canada made a commitment to reduce wireless prices by 25%. On March 5, 2020, the Liberal government clarified its expectation that we, Bell, and Rogers (including flanker brands) lower mobile wireless prices for postpaid, bring-your-own-device plans in the 2 to 6 GB range by 25% by January 2022. The government reiterated this statement on June 5, 2020. To track progress, the government is reporting quarterly on wireless pricing. We are unable to determine the full impact of this commitment at this time. The announcement or implementation of specific regulations or other actions intended to reduce cell phone plan prices could precipitate a material reduction in operating expenditures and capital expenditures to ameliorate this impact.

CRTC review of rate setting for wholesale telecommunications services

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

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

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

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

On September 4, 2020, the CRTC issued *Call for comments – Establishment of new deadlines for Canada's transition to next-generation 9-1-1*, Telecom Notice of Consultation CRTC 2020-326. As a result of the COVID-19 pandemic, the CRTC had previously suspended the deadlines associated with the implementation of next-generation 9-1-1 service. The record of this proceeding closed on January 15, 2021 and the industry is currently awaiting a decision detailing the dates for the filing of cost studies and tariffs for next-generation 9-1-1 network providers (including us), and when providers should have their networks ready to support next-generation 9-1-1 voice services. The impact of this proceeding is not expected to be material.

Proposed changes to Personal Information Protection and Electronic Documents Act

On November 17, 2020, the federal government introduced Bill C-11, the *Digital Charter Implementation Act, 2020*, which, if passed, would replace the *Personal Information Protection and Electronic Documents Act* (PIPEDA) with a new Consumer Privacy Protection Act (CPPA). This bill aims to give consumers new rights and imposes new monetary penalties for non-compliance. The bill is currently at second reading stage in the House of Commons and is expected to go to Committee for further review in 2021. The full extent of the impact on us is not yet known.

Proposed updating of Quebec public and private sector privacy law

On June 12, 2020, the Quebec National Assembly introduced Bill 64, *An Act to modernize legislative provisions as regards the protection of personal information*, which, if passed, would make significant changes to current provincial privacy law, which is decades old. The bill creates a broad range of new obligations for organizations and rights for individuals, such as the right to deletion and to object to the use of artificial intelligence. The bill is currently in a clause by clause review and significant amendments are being recommended by the reviewing Committee. It is expected that the bill will go for a final vote late in 2021. The full extent of the impact on us is not yet known.

Proposed subsidy increases for Northwestel

On November 2, 2020, the CRTC initiated a review of its regulatory framework for Northwestel Inc. and the state of telecommunications services in Canada's North, Telecom Notice of Consultation CRTC 2020-367. On January 20, 2021, a number of interveners proposed large subsidy increases to Northwestel and other companies providing service in the North. The impact of this proceeding is not expected to be material.

Broadcasting-related issues

Broadcasting licences held by TELUS

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

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

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

Review of the Copyright Act and Copyright Board reforms

The *Copyright Act*'s statutorily mandated five-year review was due in 2017, and a process for conducting the review via parliamentary committee was announced in December 2017. The House of Commons Standing Committee on Industry, Science and Technology (INDU Committee), with the assistance of the House of Commons Standing Committee on Canadian Heritage, completed the review early in 2019, and both committees presented reports to the House of Commons in May and June of 2019. Although the INDU Committee had requested that a comprehensive government response be tabled by September 1, 2019, the government did not respond. Following the October 2019 federal election, the timeline for potential changes to the *Copyright Act* is uncertain, although government officials have signalled that copyright reform legislation may be tabled in the spring of 2021. The policy approach for copyright has traditionally been based on a balance of interests of creators and consumers, and as a result, the impact of this proceeding is not expected to be material.

Legal challenge to the CRTC's ability to regulate affiliation agreements

The CRTC's ability to regulate affiliation agreements between broadcasting distributors and programming services is currently being challenged by vertically integrated broadcasting entities before the Federal Court of Appeal. We were granted leave to intervene in the case and will defend the CRTC's regulatory powers as a cornerstone of its vertical integration framework, which aims to ensure the fair treatment by vertically integrated firms of rival broadcasting distributors and programming services. The Federal Court of Appeal has yet to set a hearing date and a decision is not expected before late 2021 or early 2022. While an adverse decision could weaken our negotiating position vis-a-vis vertically integrated firms that supply "must-have" channels to our broadcasting distribution business, it is too early to determine the impact it would have on our broadcasting distribution activities.

10. Risks and risk management

The principal risks and uncertainties that could affect our future business results and associated risk mitigation activities were described in our 2020 annual MD&A and have not materially changed since December 31, 2020. 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. For certain financial metrics, there are definitional differences between TELUS and TELUS International reporting. These differences largely arise from TELUS International adopting definitions consistent with practice in its industry. Securities regulations require such measures to be clearly defined, qualified and reconciled with their nearest GAAP measure. Certain of the metrics do not have generally accepted industry definitions.

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

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

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

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

12-month periods ended March 31 ($ millions, except ratio)	**2021**	2020
Sum of the last four quarterly dividends declared	**1,553**	1,400
Sum of the last four quarterly amount of dividends declared reinvested in Common Shares	**(583)**	(399)
Numerator – Sum of the last four quarterly dividends declared, net of dividend reinvestment plan effects	**970**	1,001
Denominator – Free cash flow	**1,211**	1,324
Ratio (%)	**80**	76

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

12-month periods ended March 31 ($ millions, except ratio)	**2021**	2020
Numerator – Sum of the last four quarterly dividends declared	**1,553**	1,400
Cash provided by operating activities	**4,336**	4,314
Less:		
Capital expenditures (excluding spectrum licences)	**(2,795)**	(2,925)
Denominator – Cash provided by operating activities less capital expenditures (excluding spectrum licences)	**1,541**	1,389
Ratio (%)	**101**	101

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)	2021	2020
Net income attributable to Common Shares	**1,188**	1,668
Income taxes (attributable to Common Shares)	**420**	433
Borrowing costs (attributable to Common Shares)[1]	**749**	740
Numerator	**2,357**	2,841
Denominator – Borrowing costs	**749**	740
Ratio (times)	**3.1**	3.8

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

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

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

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

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

EBITDA reconciliation

Three-month periods ended March 31 ($ millions)	2021	2020
Net income	**333**	353
Financing costs	**207**	192
Income taxes	**132**	139
Depreciation	**524**	523
Amortization of intangible assets	**265**	202
EBITDA	**1,461**	1,409
Add restructuring and other costs included in EBITDA	**41**	60
EBITDA – excluding restructuring and other costs	**1,502**	1,469
Add other equity losses related to real estate joint ventures	**1**	6
Adjusted EBITDA	**1,503**	1,475

Calculation of EBITDA margin

Three-month periods ended March 31 ($ millions, except margin)	2021	2020
Numerator – EBITDA	**1,461**	1,409
Denominator – Operating revenues and other income	**4,024**	3,694
EBITDA margin (%)	**36.3**	38.1

Calculation of Adjusted EBITDA margin

Three-month periods ended March 31 ($ millions, except margin)	2021	2020
Numerator – Adjusted EBITDA	**1,503**	1,475
Adjusted Operating revenues and other income:		
Operating revenues and other income	**4,024**	3,694
Other equity losses related to real estate joint ventures	**1**	6
Denominator – Adjusted Operating revenues and other income	**4,025**	3,700
Adjusted EBITDA margin (%)	**37.4**	39.9

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

Free cash flow: We report this measure as a supplementary indicator of our operating performance, and there is no generally accepted industry definition of free cash flow. It should not be considered an alternative to the measures in the 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. We exclude impacts of accounting changes that do not impact cash, such as IFRS 15 and IFRS 16. Free cash flow may be supplemented from time to time by proceeds from divested assets or financing activities.

Free cash flow calculation

Three-month periods ended March 31 ($ millions)	**2021**	2020
EBITDA	**1,461**	1,409
Deduct non-cash gains from the sale of property, plant and equipment	**—**	(3)
Restructuring and other costs, net of disbursements	**(12)**	12
Effects of contract asset, acquisition and fulfilment (IFRS 15 impact) and TELUS Easy Payment device financing	**52**	112
Effects of lease principal (IFRS 16 impact)	**(123)**	(84)
Leases formerly accounted for as finance leases (IFRS 16 impact)	**—**	27
Items from the Consolidated statements of cash flows:		
Share-based compensation, net	**35**	23
Net employee defined benefit plans expense	**26**	27
Employer contributions to employee defined benefit plans	**(16)**	(15)
Interest paid	**(199)**	(177)
Interest received	**2**	3
Capital expenditures (excluding spectrum licences)[1]	**(685)**	(665)
Free cash flow before income taxes	**541**	669
Income taxes paid, net of refunds	**(220)**	(124)
Free cash flow	**321**	545

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

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

Free cash flow reconciliation with Cash provided by operating activities

Three-month periods ended March 31 ($ millions)	**2021**	2020
Free cash flow	**321**	545
Add (deduct):		
Capital expenditures (excluding spectrum licences)	**685**	665
Adjustments to reconcile to Cash provided by operating activities	**(67)**	(33)
Cash provided by operating activities	**939**	1,177

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

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

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 $797 million in the 12-month period ended March 31, 2021, and $783 million in the 12-month period ended March 31, 2020.

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 when undertaking major or transformational changes to our business or operating models or post-acquisition business integration. In other costs, we include incremental atypical external costs incurred in connection with business acquisition or disposition activity; significant litigation costs in respect of losses or settlements, adverse retrospective regulatory decisions; and certain incremental atypical costs incurred in connection with the COVID-19 pandemic.

Components of restructuring and other costs

Three-month periods ended March 31 ($ millions)	**2021**	2020
Goods and services purchased	**23**	50
Employee benefits expense	**18**	10
Restructuring and other costs included in EBITDA	**41**	60

11.2 Operating indicators

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

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

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

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

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

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

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

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

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

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

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

Healthcare lives covered means the number of users (primary members and their dependents) enrolled in various health programs supported by TELUS Health services (e.g. virtual care, health benefits management, preventative care and personal health security).

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

TELUS CORPORATION

CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

(UNAUDITED)

MARCH 31, 2021

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

Periods ended March 31 (millions except per share amounts)	Note	Three months 2021	Three months 2020
OPERATING REVENUES			
Service		**$ 3,502**	$ 3,245
Equipment		**520**	418
Operating revenues (arising from contracts with customers)	*6*	**4,022**	3,663
Other income	*7*	**2**	31
Operating revenues and other income		**4,024**	3,694
OPERATING EXPENSES			
Goods and services purchased		**1,548**	1,412
Employee benefits expense	*8*	**1,015**	873
Depreciation	*17*	**524**	523
Amortization of intangible assets	*18*	**265**	202
		3,352	3,010
OPERATING INCOME		**672**	684
Financing costs	*9*	**207**	192
INCOME BEFORE INCOME TAXES		**465**	492
Income taxes	*10*	**132**	139
NET INCOME		**333**	353
OTHER COMPREHENSIVE INCOME (LOSS)	*11*		
Items that may subsequently be reclassified to income			
Change in unrealized fair value of derivatives designated as cash flow hedges		**82**	222
Foreign currency translation adjustment arising from translating financial statements of foreign operations		**(69)**	52
		13	274
Items never subsequently reclassified to income			
Change in measurement of investment financial assets		**(1)**	—
Employee defined benefit plan re-measurements		**675**	316
		674	316
		687	590
COMPREHENSIVE INCOME		**$ 1,020**	$ 943
NET INCOME ATTRIBUTABLE TO:			
Common Shares		**$ 331**	$ 350
Non-controlling interests		**2**	3
		$ 333	$ 353
COMPREHENSIVE INCOME ATTRIBUTABLE TO:			
Common Shares		**$ 1,035**	$ 928
Non-controlling interests		**(15)**	15
		$ 1,020	$ 943
NET INCOME PER COMMON SHARE	*12*		
Basic		**$ 0.25**	$ 0.28
Diluted		**$ 0.25**	$ 0.28
TOTAL WEIGHTED AVERAGE COMMON SHARES OUTSTANDING			
Basic		**1,298**	1,248
Diluted		**1,301**	1,252

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

As at (millions)	Note	March 31, 2021	December 31, 2020
ASSETS			
Current assets			
Cash and temporary investments, net		**$ 1,903**	$ 848
Accounts receivable	*6(b)*	**2,271**	2,355
Income and other taxes receivable		**206**	148
Inventories	*1(b)*	**421**	407
Contract assets	*6(c)*	**420**	439
Prepaid expenses	*20*	**616**	484
Current derivative assets	*4(d)*	**1**	2
		5,838	4,683
Non-current assets			
Property, plant and equipment, net	*17*	**15,041**	15,014
Intangible assets, net	*18*	**15,261**	15,026
Goodwill, net	*18*	**7,216**	7,224
Contract assets	*6(c)*	**253**	268
Other long-term assets	*20*	**1,725**	1,106
		39,496	38,638
		$ 45,334	$ 43,321
LIABILITIES AND OWNERS' EQUITY			
Current liabilities			
Short-term borrowings	*22*	**$ 100**	$ 100
Accounts payable and accrued liabilities	*23*	**2,817**	2,968
Income and other taxes payable		**113**	135
Dividends payable	*13*	**404**	403
Advance billings and customer deposits	*24*	**770**	772
Provisions	*25*	**85**	73
Current maturities of long-term debt	*26*	**2,587**	1,432
Current derivative liabilities	*4(d)*	**34**	32
		6,910	5,915
Non-current liabilities			
Provisions	*25*	**944**	961
Long-term debt	*26*	**17,185**	18,856
Other long-term liabilities	*27*	**831**	1,265
Deferred income taxes	*10*	**4,002**	3,756
		22,962	24,838
Liabilities		**29,872**	30,753
Owners' equity			
Common equity	*28*	**14,556**	12,040
Non-controlling interests		**906**	528
		15,462	12,568
		$ 45,334	$ 43,321
Contingent liabilities	*29*		

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

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

		Common equity							
		Equity contributed							
		Common Shares *(Note 28)*							
(millions)	*Note*	Number of shares	Share capital	Contributed surplus	Retained earnings	Accumulated other comprehensive income	Total	Non-controlling interests	Total
Balance as at January 1, 2020		1,209	$ 5,660	$ 398	$ 4,371	$ 119	$ 10,548	$ 111	$ 10,659
Net income		—	—	—	350	—	350	3	353
Other comprehensive income (loss)	*11*	—	—	—	316	262	578	12	590
Dividends	*13*	—	—	—	(371)	—	(371)	—	(371)
Dividends reinvested and optional cash payments	*13(b), 14(c)*	5	131	—	—	—	131	—	131
Equity accounted share-based compensation		—	—	18	—	—	18	—	18
Common Shares issued		58	1,453	—	—	—	1,453	—	1,453
Change in ownership interests of subsidiary		—	—	61	—	—	61	148	209
Balance as at March 31, 2020		1,272	$ 7,244	$ 477	$ 4,666	$ 381	$ 12,768	$ 274	$ 13,042
Balance as at January 1, 2021 [1]		**1,291**	**$ 7,677**	**$ 534**	**$ 3,712**	**$ 117**	**$ 12,040**	**$ 528**	**$ 12,568**
Net income		**—**	**—**	**—**	**331**	**—**	**331**	**2**	**333**
Other comprehensive income (loss)	*11*	**—**	**—**	**—**	**675**	**29**	**704**	**(17)**	**687**
Dividends	*13*	**—**	**—**	**—**	**(404)**	**—**	**(404)**	**—**	**(404)**
Dividends reinvested and optional cash payments	*13(b), 14(c)*	**7**	**152**	**—**	**—**	**—**	**152**	**—**	**152**
Equity accounted share-based compensation	*14(b)*	**—**	**—**	**26**	**—**	**—**	**26**	**—**	**26**
Common Shares issued	*28(a)*	**51**	**1,267**	**—**	**—**	**—**	**1,267**	**—**	**1,267**
Change in ownership interests of subsidiary	*28(b)*	**—**	**—**	**440**	**—**	**—**	**440**	**393**	**833**
Balance as at March 31, 2021		**1,349**	**$ 9,096**	**$ 1,000**	**$ 4,314**	**$ 146**	**$ 14,556**	**$ 906**	**$ 15,462**

1 The opening balance of retained earnings has been adjusted as set out in *Note 18(c)*.

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

TELUS

condensed interim consolidated statements of cash flows (unaudited)

Periods ended March 31 (millions)	Note	Three months 2021	2020
OPERATING ACTIVITIES			
Net income		**$ 333**	$ 353
Adjustments to reconcile net income to cash provided by operating activities:			
Depreciation and amortization		**789**	725
Deferred income taxes	*10*	**3**	(61)
Share-based compensation expense, net	*14(a)*	**35**	23
Net employee defined benefit plans expense	*15(a)*	**26**	27
Employer contributions to employee defined benefit plans		**(16)**	(15)
Non-current contract assets		**15**	65
Non-current unbilled customer finance receivables	*20*	**(23)**	(41)
Loss from equity accounted investments	*7, 21*	**4**	8
Other		**(17)**	33
Net change in non-cash operating working capital	*31(a)*	**(210)**	60
Cash provided by operating activities		**939**	1,177
INVESTING ACTIVITIES			
Cash payments for capital assets, excluding spectrum licences	*31(a)*	**(750)**	(780)
Cash payments for spectrum licences	*18(a)*	**(251)**	—
Cash payments for acquisitions, net	*18(b)*	**(137)**	(1,104)
Advances to, and investment in, real estate joint ventures and associates	*21*	**(15)**	(80)
Real estate joint venture receipts	*21*	**1**	2
Investment in portfolio investments and other		**(1)**	3
Cash used by investing activities		**(1,153)**	(1,959)
FINANCING ACTIVITIES	*31(b)*		
Common Shares issued	*28(a)*	**1,300**	1,495
Dividends paid to holders of Common Shares	*13(a)*	**(251)**	(222)
Long-term debt issued	*26*	**975**	1,377
Redemptions and repayment of long-term debt	*26*	**(1,536)**	(1,488)
Shares of subsidiary issued and sold to non-controlling interests, net	*28(b)*	**827**	209
Other		**(46)**	(66)
Cash provided by financing activities		**1,269**	1,305
CASH POSITION			
Increase in cash and temporary investments, net		**1,055**	523
Cash and temporary investments, net, beginning of period		**848**	535
Cash and temporary investments, net, end of period		**$ 1,903**	$ 1,058
SUPPLEMENTAL DISCLOSURE OF OPERATING CASH FLOWS			
Interest paid		**$ (199)**	$ (177)
Interest received		**$ 2**	$ 3
Income taxes paid, net			
In respect of comprehensive income		**$ (182)**	$ (93)
In respect of business acquisitions		**(38)**	(31)
		$ (220)	$ (124)

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

MARCH 31, 2021

TELUS Corporation is one of Canada's largest telecommunications companies, providing a wide range of technology solutions, including mobile and fixed voice and data telecommunications services and products, healthcare software and technology solutions and digitally-led customer experiences. Data services include: internet protocol; television; hosting, managed information technology and cloud-based services; software, data management and data analytics-driven smart-food chain technologies; and home and business security.

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

The terms "TELUS", "we", "us", "our" or "ourselves" refer to TELUS Corporation and, where the context of the narrative permits or requires, its subsidiaries. Our principal subsidiaries are: TELUS Communications Inc., in which, as at March 31, 2021, we have a 100% equity interest; and TELUS International (Cda) Inc., in which, as at March 31, 2021, we have a 55.2% equity interest, and which completed its initial public offering in February 2021, as discussed further in *Note 28(b)*.

1 condensed interim consolidated financial statements

(a) Basis of presentation

The notes presented in our condensed interim consolidated financial statements include only significant events and transactions and are not fully inclusive of all matters normally disclosed in our annual audited financial statements; thus, our interim consolidated financial statements are referred to as condensed. Our condensed interim consolidated financial statements should be read in conjunction with our audited consolidated financial statements for the year ended December 31, 2020.

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, 2020, other than as set out in *Note 5*. The generally accepted accounting principles that we use are International Financial Reporting Standards as issued by the International Accounting Standards Board (IFRS-IASB) and Canadian generally accepted accounting principles. Our condensed interim consolidated financial statements comply with International Accounting Standard 34, *Interim Financial Reporting* and reflect all adjustments (which are of a normal recurring nature) that are, in our opinion, necessary for a fair statement of the results for the interim periods presented.

These consolidated financial statements for the three-month period ended March 31, 2021, were authorized by our Board of Directors for issue on May 7, 2021.

(b) Inventories

Our inventories primarily consist of mobile handsets, parts and accessories totalling $345 million at March 31, 2021 (December 31, 2020 – $328 million), and communications equipment held for resale. Inventories are valued at the lower of cost and net realizable value, with cost being determined on an average cost basis. Costs of goods sold for the three-month period ended March 31, 2021, totalled $504 million (2020 – $402 million).

2 accounting policy developments

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

In August 2020, the International Accounting Standards Board issued *Interest Rate Benchmark Reform—Phase 2*, which amends IFRS 9 *Financial Instruments*, IAS 39 *Financial Instruments: Recognition and Measurement*, IFRS 7 *Financial Instruments: Disclosures*, IFRS 4 *Insurance Contracts* and IFRS 16 *Leases*. The amendments are effective for periods beginning on or after January 1, 2021, although earlier application is permitted. Interest rate benchmarks such as interbank offer rates (IBORs) play an important role in global financial markets as they index a wide variety of financial products, including derivative financial instruments. Market developments have impacted the reliability of some existing benchmarks and, in this context, the Financial Stability Board has published a report setting out recommendations to reform such benchmarks. The *Interest Rate Benchmark Reform—Phase 2* amendments focus on the effects of the interest rate benchmark reform on a company's financial statements that arise when an interest rate benchmark used to calculate interest is replaced with an alternative benchmark rate; most significantly, there will be no requirement to derecognize or adjust the amount of financial instruments for changes required by the reform, but will instead update the effective interest rate to reflect the change to the alternative benchmark rate. The effects of these amendments on our financial performance and disclosure will be dependent upon the facts and circumstances of future changes in the derivative financial instruments we use, if any, and any future changes in interest rate benchmarks, if any, referenced by such derivative financial instruments we use.

(b) Standards, interpretations and amendments to standards and interpretations in the reporting period not yet effective and not yet applied

In February 2021, the International Accounting Standards Board issued narrow-scope amendments to IAS 1, *Presentation of Financial Statements*, IFRS Practice Statement 2, *Making Materiality Judgements* and IAS 8*, Accounting Polices, Changes in Accounting Estimates and Errors*. The amendments are effective for annual periods beginning on or after January 1, 2023, although earlier application is permitted. The amendments will require the disclosure of material accounting policy information rather than disclosing significant accounting policies and clarifies how to distinguish changes in accounting policies from changes in accounting estimates. We are currently assessing the impacts of the amended standards, but do not expect that our financial disclosure will be materially affected by the application of the amendments.

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 2021, our financial objectives, which are reviewed annually, were unchanged from 2020. 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 issuers. The calculation of these measures is set out in the following table. Net debt is one component of a ratio used to determine compliance with debt covenants.

As at, or for the 12-month periods ended, March 31 ($ in millions)	Objective	2021	2020
Components of debt and coverage ratios			
Net debt [1]		**$ 18,230**	$ 17,983
EBITDA – excluding restructuring and other costs [2]		**$ 5,786**	$ 5,742
Net interest cost [3] (*Note 9*)		**$ 797**	$ 783
Debt ratio			
Net debt to EBITDA – excluding restructuring and other costs	2.20 – 2.70 [4]	**3.15**	3.13
Coverage ratios			
Earnings coverage [5]		**3.1**	3.8
EBITDA – excluding restructuring and other costs interest coverage [6]		**7.3**	7.3

1 Net debt and total capitalization are calculated as follows:

As at March 31	*Note*	2021	2020
Long-term debt	*26*	**$ 19,772**	$ 19,108
Debt issuance costs netted against long-term debt		**94**	93
Derivative (assets) liabilities, net		**61**	(655)
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		**106**	395
Cash and temporary investments, net		**(1,903)**	(1,058)
Short-term borrowings	*22*	**100**	100
Net debt		**18,230**	17,983
Common equity		**14,556**	12,768
Less: accumulated other comprehensive income included in common equity above		**(146)**	(381)
Total capitalization		**$ 32,640**	$ 30,370

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

	EBITDA (*Note 5*)	Restructuring and other costs (*Note 16*)	EBITDA – excluding restructuring and other costs
Add			
Three-month period ended March 31, 2021	$ 1,461	$ 41	$ 1,502
Year ended December 31, 2020	5,494	259	5,753
Deduct			
Three-month period ended March 31, 2020	(1,409)	(60)	(1,469)
EBITDA – excluding restructuring and other costs	$ 5,546	$ 240	$ 5,786

3 Net interest cost is defined as financing costs, excluding employee defined benefit plans net interest, recoveries on long-term debt prepayment premium and repayment of debt, calculated on a 12-month trailing basis (expenses recorded for long-term debt prepayment premium, if any, are included in net interest cost) (see *Note 9*).

4 Our long-term objective range for this ratio is 2.20 – 2.70 times. The ratio as at March 31, 2021, 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 2021, 2022 and 2023 spectrum auctions), as we believe that this range is supportive of our long-term strategy. We are in

* 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 and other income 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.

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 by Canadian Securities Administrators National Instrument 41-101 as net income before borrowing costs and income tax expense, divided by borrowing costs (interest on long-term debt; interest on short-term borrowings and other; long-term debt prepayment premium), and adding back capitalized interest, all such amounts excluding amounts attributable to non-controlling interests.

6 EBITDA – excluding restructuring and other costs interest coverage is defined as EBITDA – excluding restructuring and other costs, divided by net interest cost. This measure is substantially similar to the coverage ratio covenant in our credit facilities.

Net debt to EBITDA – excluding restructuring and other costs was 3.15 times as at March 31, 2021, up from 3.13 times one year earlier. The effect of the increase in net debt, primarily due to business acquisitions and the acquisition of spectrum licences, exceeded the effect of growth in EBITDA – excluding restructuring and other costs. EBITDA growth was reduced by COVID-19 pandemic impacts.

The earnings coverage ratio for the twelve-month period ended March 31, 2021, was 3.1 times, down from 3.8 times one year earlier. Higher borrowing costs reduced the ratio by 0.1 and a decrease in income before borrowing costs and income taxes decreased the ratio by 0.6. The EBITDA – excluding restructuring and other costs interest coverage ratio for the twelve-month period ended March 31, 2021, was 7.3 times, unchanged from 7.3 times one year earlier. Growth in EBITDA – excluding restructuring and other costs increased the ratio by 0.1, while an increase in net interest costs reduced the ratio by 0.1.

TELUS Corporation Common Share dividend payout ratio

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

For the 12-month periods ended March 31	Objective	2021	2020
Determined using management measures			
TELUS Corporation Common Share dividend payout ratio – net of dividend reinvestment plan effects	60%–75% [1]	**80%**	76%
Determined using most comparable IFRS-IASB measures			
Ratio of TELUS Corporation Common Share dividends declared to cash provided by operating activities – less capital expenditures (excluding spectrum licences)		**101%**	101%

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

For the 12-month periods ended March 31 (millions)	2021	2020
TELUS Corporation Common Share dividends declared	**$ 1,553**	$ 1,400
Amount of TELUS Corporation Common Share dividends declared reinvested in TELUS Corporation Common Shares	**(583)**	(399)
TELUS Corporation Common Share dividends declared – net of dividend reinvestment plan effects	**$ 970**	$ 1,001

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

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

For the 12-month periods ended March 31 (millions)	Note	2021	2020
EBITDA	5	**$ 5,546**	$ 5,584
Deduct non-cash gains from the sale of property, plant and equipment		**(1)**	(19)
Restructuring and other costs, net of disbursements		**11**	9
Effects of contract asset, acquisition and fulfilment and TELUS Easy Payment device financing		**(17)**	(44)
Effects of lease principal	31(b)	**(404)**	(329)
Leases accounted for as finance leases prior to adoption of IFRS 16		**59**	122
Items from the Consolidated statements of cash flows:			
Share-based compensation, net	14	**39**	2
Net employee defined benefit plans expense	15	**101**	85
Employer contributions to employee defined benefit plans		**(52)**	(40)
Interest paid		**(762)**	(712)
Interest received		**12**	8
Capital expenditures (excluding spectrum licences)	5	**(2,795)**	(2,925)
Free cash flow before income taxes		**1,737**	1,741
Income taxes paid, net of refunds		**(526)**	(417)
Free cash flow		**1,211**	1,324
Add (deduct):			
Capital expenditures (excluding spectrum licences)	5	**2,795**	2,925
Adjustments to reconcile to cash provided by operating activities		**330**	65
Cash provided by operating activities		**$ 4,336**	$ 4,314

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, 2021	December 31, 2020
Cash and temporary investments, net	**$ 1,903**	$ 848
Accounts receivable	**2,655**	2,716
Contract assets	**673**	707
Derivative assets	**65**	42
	$ 5,296	$ 4,313

Cash and temporary investments, net

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

Accounts receivable

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

As at (millions)		March 31, 2021							December 31, 2020					
	Note		Gross		Allowance		Net [1]		Gross		Allowance		Net [1]
Customer accounts receivable, net of allowance for doubtful accounts													
Less than 30 days past billing date		**$**	**806**	**$**	**(17)**	**$**	**789**	$	815	$	(19)	$	796
30-60 days past billing date			**223**		**(15)**		**208**		339		(17)		322
61-90 days past billing date			**67**		**(17)**		**50**		90		(19)		71
More than 90 days past billing date			**106**		**(39)**		**67**		98		(43)		55
Unbilled customer finance receivables			**1,085**		**(46)**		**1,039**		1,026		(42)		984
		$	**2,287**	**$**	**(134)**	**$**	**2,153**	$	2,368	$	(140)	$	2,228
Current		**$**	**1,880**	**$**	**(111)**	**$**	**1,769**	$	1,986	$	(119)	$	1,867
Non-current	*20*		**407**		**(23)**		**384**		382		(21)		361
		$	**2,287**	**$**	**(134)**	**$**	**2,153**	$	2,368	$	(140)	$	2,228

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, 2021, totalled $614 million (December 31, 2020 – $597 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			
		2021		2020
Balance, beginning of period	**$**	**140**	$	55
Additions (doubtful accounts expense)		**14**		12
Accounts written off less than recoveries		**(21)**		(12)
Other		**1**		1
Balance, end of period	**$**	**134**	$	56

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, 2021						December 31, 2020					
		Gross		Allowance		Net (*Note 6(c)*)		Gross		Allowance		Net
Contract assets, net of impairment allowance												
To be billed and thus reclassified to accounts receivable during:												
The 12-month period ending one year hence	**$**	**576**	**$**	**(26)**	**$**	**550**	$	611	$	(29)	$	582
The 12-month period ending two years hence		**247**		**(12)**		**235**		265		(12)		253
Thereafter		**19**		**(1)**		**18**		16		(1)		15
	$	**842**	**$**	**(39)**	**$**	**803**	$	892	$	(42)	$	850

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 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(h)*. As at March 31, 2021, TELUS Corporation could offer $200 million of debt or equity securities pursuant to a shelf prospectus that is in effect until June 2022 (December 31, 2020 – $2.0 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.

	Non-derivative				Derivative					
			Composite long-term debt							
					Currency swap agreement amounts to be exchanged [2]			Currency swap agreement amounts to be exchanged		
As at March 31, 2021 (millions)	Non-interest bearing financial liabilities	Short-term borrowings [1]	Long-term debt, excluding leases [1] (*Note 26*)	Leases (*Note 26*)	(Receive)	Pay	Other	(Receive)	Pay	Total
2021 (remainder of year)	**$ 2,461**	**$ 101**	**$ 1,613**	**$ 402**	**$ (1,037)**	**$ 1,048**	**$ —**	**$ (385)**	**$ 402**	**$ 4,605**
2022	**123**	**—**	**2,207**	**377**	**(147)**	**149**	**5**	**(111)**	**111**	**2,714**
2023	**8**	**—**	**1,133**	**235**	**(147)**	**149**	**—**	**—**	**—**	**1,378**
2024	**8**	**—**	**1,690**	**194**	**(148)**	**149**	**—**	**—**	**—**	**1,893**
2025	**9**	**—**	**2,250**	**149**	**(518)**	**550**	**—**	**—**	**—**	**2,440**
2026-2030	**12**	**—**	**7,952**	**414**	**(1,814)**	**1,898**	**—**	**—**	**—**	**8,462**
Thereafter	**—**	**—**	**9,859**	**375**	**(2,853)**	**2,949**	**—**	**—**	**—**	**10,330**
Total	**$ 2,621**	**$ 101**	**$ 26,704**	**$ 2,146**	**$ (6,664)**	**$ 6,892**	**$ 5**	**$ (496)**	**$ 513**	**$ 31,822**
			Total (*Note 26(h)*)			**$ 29,078**				

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, 2021.

2 The amounts included in undiscounted non-derivative long-term debt in respect of U.S. dollar-denominated long-term debt, and the corresponding amounts in the long-term debt currency swap receive column, have been determined based upon the currency exchange rates in effect as at March 31, 2021. The hedged U.S. dollar-denominated long-term debt contractual amounts at maturity, in effect, are reflected in the long-term debt currency swap pay column as gross cash flows are exchanged pursuant to the currency swap agreements.

As at December 31, 2020 (millions)	Non-derivative: Non-interest bearing financial liabilities	Short-term borrowings [1]	Composite long-term debt: Long-term debt, excluding leases [1] (*Note 26*)	Leases (*Note 26*)	Currency swap agreement amounts to be exchanged [2] (Receive)	Pay	Derivative: Other	Currency swap agreement amounts to be exchanged (Receive)	Pay	Total
2021	$ 2,669	$ 101	$ 1,658	$ 538	$ (882)	$ 892	$ —	$ (454)	$ 475	$ 4,997
2022	74	—	2,204	371	(149)	151	—	—	—	2,651
2023	8	—	1,149	230	(149)	151	6	—	—	1,395
2024	8	—	1,706	191	(150)	151	—	—	—	1,906
2025	9	—	2,868	145	(525)	575	—	—	—	3,072
2026-2030	12	—	7,953	417	(1,836)	1,898	—	—	—	8,444
Thereafter	—	—	9,877	379	(2,889)	2,949	—	—	—	10,316
Total	$ 2,780	$ 101	$ 27,415	$ 2,271	$ (6,580)	$ 6,767	$ 6	$ (454)	$ 475	$ 32,781
			Total			$ 29,873				

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, 2020.

2 The amounts included in undiscounted non-derivative long-term debt in respect of U.S. dollar-denominated long-term debt, and the corresponding amounts in the long-term debt currency swap receive column, have been determined based upon the currency exchange rates in effect as at December 31, 2020. The hedged U.S. dollar-denominated long-term debt contractual amounts at maturity, in effect, are reflected in the long-term debt currency swap pay column as gross cash flows are exchanged pursuant to the currency swap agreements.

(c) Market risks

Net income and other comprehensive income for the three-month periods ended March 31, 2021 and 2020, could have varied if the Canadian dollar: U.S. dollar exchange rate, the U.S. dollar: European euro exchange rate and market interest rates varied by reasonably possible amounts from their actual statement of financial position date amounts.

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

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

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

Three-month periods ended March 31 (increase (decrease) in millions)	Net income **2021**	Net income 2020	Other comprehensive income **2021**	Other comprehensive income 2020	Comprehensive income **2021**	Comprehensive income 2020
Reasonably possible changes in market risks [1]						
10% change in C$: US$ exchange rate						
Canadian dollar appreciates	**$ 2**	$ 1	**$ (10)**	$ (44)	**$ (8)**	$ (43)
Canadian dollar depreciates	**$ (2)**	$ (1)	**$ 10**	$ 44	**$ 8**	$ 43
10% change in US$: € exchange rate						
U.S. dollar appreciates	**$ —**	$ —	**$ (52)**	$ (52)	**$ (52)**	$ (52)
U.S. dollar depreciates	**$ —**	$ —	**$ 52**	$ 50	**$ 52**	$ 50
25 basis point change in interest rates						
Interest rates increase						
Canadian interest rate	**$ —**	$ —	**$ 86**	$ 110	**$ 86**	$ 110
U.S. interest rate	**$ —**	$ —	**$ (88)**	$ (126)	**$ (88)**	$ (126)
Combined	**$ —**	$ —	**$ (2)**	$ (16)	**$ (2)**	$ (16)
Interest rates decrease						
Canadian interest rate	**$ —**	$ —	**$ (90)**	$ (116)	**$ (90)**	$ (116)
U.S. interest rate	**$ —**	$ —	**$ 93**	$ 134	**$ 93**	$ 134
Combined	**$ —**	$ —	**$ 3**	$ 18	**$ 3**	$ 18

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

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

(d) Fair values

General

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

The fair values of our investment financial assets are based on quoted market prices in active markets or other clear and objective evidence of fair value.

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

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

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, 2021**				December 31, 2020			
	Designation	Maximum maturity date	Notional amount	Fair value [1] and carrying value	Price or rate	Maximum maturity date	Notional amount	Fair value [1] and carrying value	Price or rate
Current Assets [2]									
Derivatives used to manage									
Currency risk arising from U.S. dollar revenues	HFT [4]	2021	**$ 36**	**$ —**	US$1.00: C$1.25	2021	$ 87	$ 2	US$1.00: C$1.27
Currency risk arising from U.S. dollar-denominated purchases	HFH [3]	2022	**$ 36**	**—**	US$1.00: C$1.32	—	$ —	—	—
Currency risk arising from U.S. dollar-denominated long-term debt (*Note 26(b)-(c)*)	HFH [3]	2021	**$ 144**	**1**	US$1.00: C$1.25	2021	$ 95	—	US$1.00: C$1.27
				$ 1				$ 2	
Other Long-Term Assets [2]									
Derivatives used to manage									
Currency risk arising from U.S. dollar-denominated long-term debt [6] (*Note 26(b)-(c)*)	HFH [3]	2048	**$ 2,176**	**$ 64**	US$1.00: C$1.27	2048	$ 2,176	$ 40	US$1.00: C$1.27
Current Liabilities [2]									
Derivatives used to manage									
Currency risk arising from U.S. dollar revenues	HFT [4]	2022	**$ 62**	**$ —**	US$1.00: C$1.25	—	$ —	$ —	—
Currency risk arising from U.S. dollar-denominated purchases	HFH [3]	2022	**$ 378**	**17**	US$1.00: C$1.32	2021	$ 388	21	US$1.00: C$1.34
Currency risk arising from U.S. dollar-denominated long-term debt (*Note 26(b)-(c)*)	HFH [3]	2021	**$ 788**	**14**	US$1.00: C$1.28	2021	$ 647	11	US$1.00: C$1.29
Currency risk arising from European euro functional currency operations purchased with U.S. dollar-denominated long-term debt [7] (*Note 26(e)*)	HFH [5]	2025	**$ 32**	**—**	€1.00: US$1.09	2025	$ 34	—	€1.00: US$1.09
Interest rate risk associated with non-fixed rate credit facility amounts drawn (*Note 26(e)*)	HFH [3]	2022	**$ 8**	**3**	2.64%	2022	$ 8	—	2.64%
				$ 34				$ 32	

As at (millions)		March 31, 2021				December 31, 2020			
	Designation	Maximum maturity date	Notional amount	Fair value [1] and carrying value	Price or rate	Maximum maturity date	Notional amount	Fair value [1] and carrying value	Price or rate
Other Long-Term Liabilities [2]									
Derivatives used to manage									
Currency risk arising from U.S. dollar-denominated long-term debt [6] (*Note 26(b)-(c)*)	HFH [3]	2049	**$ 3,237**	**$ 72**	US$1.00: C$1.33	2049	$ 3,260	$ 82	US$1.00: C$1.33
Currency risk arising from European euro functional currency operations purchased with U.S. dollar-denominated long-term debt [7] (*Note 26(e)*)	HFH [5]	2025	**$ 519**	**41**	€1.00: US$1.09	2025	$ 557	67	€1.00: US$1.09
Interest rate risk associated with non-fixed rate credit facility amounts drawn (*Note 26(e)*)	HFH [3]	2022	**$ 116**	**2**	2.64%	2022	$ 120	6	2.64%
				$ 115				$ 155	

1 Fair value measured at reporting date using significant other observable inputs (Level 2).
2 Derivative financial assets and liabilities are not set off.
3 Designated as held for hedging (HFH) upon initial recognition (cash flow hedging item); hedge accounting is applied. Unless otherwise noted, hedge ratio is 1:1 and is established by assessing the degree of matching between the notional amounts of hedging items and the notional amounts of the associated hedged items.
4 Designated as held for trading (HFT) and classified as fair value through net income upon initial recognition; hedge accounting is not applied.
5 Designated as a hedge of a net investment in a foreign operation and hedge accounting is applied. Hedge ratio is 1:1 and is established by assessing the degree of matching between the notional amounts of hedging items and the notional amounts of the associated hedged items.
6 We designate only the spot element as the hedging item. As at March 31, 2021, the foreign currency basis spread included in the fair value of the derivative instruments, which is used for purposes of assessing hedge ineffectiveness, was $29 (December 31, 2020 – $101).
7 We designate only the spot element as the hedging item. As at March 31, 2021, the foreign currency basis spread included in the fair value of the derivative instruments, which is used for purposes of assessing hedge ineffectiveness, was $1 (December 31, 2020 – $1).

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, 2021		December 31, 2020	
	Carrying value	Fair value	Carrying value	Fair value
Long-term debt, excluding leases (*Note 26*)	**$ 18,015**	**$ 19,238**	$ 18,451	$ 20,313

(e) Recognition of derivative gains and losses

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

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

		Amount of gain (loss) recognized in other comprehensive income (effective portion) (*Note 11*)		Gain (loss) reclassified from other comprehensive income to income (effective portion) (*Note 11*)		
					Amount	
Three-month periods ended March 31 (millions)	Note	**2021**	2020	Location	**2021**	2020
Derivatives used to manage currency risk						
Arising from U.S. dollar-denominated purchases		**$ (4)**	$ 31	Goods and services purchased	**$ (8)**	$ 2
Arising from U.S. dollar-denominated long-term debt [1]	*26(b)-(c)*	**23**	640	Financing costs	**(48)**	352
Arising from net investment in a foreign operation [2]		**26**	(1)	Financing costs	**—**	3
		45	670		**(56)**	357
Derivatives used to manage other market risk						
Arising from changes in share-based compensation costs and other	*14(b)*	**1**	(10)	Employee benefits expense	**—**	(2)
		$ 46	$ 660		**$ (56)**	$ 355

1 Amounts recognized in other comprehensive income are net of the change in the foreign currency basis spread (which is used for purposes of assessing hedge ineffectiveness) included in the fair value of the derivative instruments; such amount for the three-month period ended March 31, 2021, was $(72) (2020 – $58).

2 Amounts recognized in other comprehensive income are net of the change in the foreign currency basis spread (which is used for purposes of assessing hedge ineffectiveness) included in the fair value of the derivative instruments; such amount for the three-month period ended March 31, 2021, was $NIL (2020 – $N/A).

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

		Gain (loss) recognized in income on derivatives	
Three-month periods ended March 31 (millions)	Location	**2021**	2020
Derivatives used to manage currency risk	Financing costs	**$ 1**	$ (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.

Effective January 1, 2020, we embarked upon modifying our internal and external reporting processes, systems and internal controls to accommodate the technology convergence-driven cessation of the historical distinction between our wireless and wireline operations at the level of regularly reported discrete performance measures that are provided to our chief operating decision-maker. Prior to the World Health Organization characterizing COVID-19 as a pandemic, we had anticipated transitioning to a new segment reporting structure during 2020; commencing with the three-month period ended March 31, 2021, we have now transitioned to our new segment reporting structure and have recast comparative amounts on a comparable basis.

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

The digitally-led customer experiences – TELUS International segment is comprised of digital customer experience and digital-enablement transformation, including artificial intelligence and content management solutions, provided by our TELUS International (Cda) Inc. subsidiary.

Intersegment sales are recorded at the exchange value, which is the amount agreed to by the parties.

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

Three-month periods ended March 31 (millions)	TELUS technology solutions – Mobile 2021	Mobile 2020	Fixed 2021	Fixed 2020	Segment total 2021	Segment total 2020	Digitally-led customer experiences – TELUS International[1] 2021	Digitally-led customer experiences – TELUS International[1] 2020	Eliminations 2021	Eliminations 2020	Total 2021	Total 2020
Operating revenues												
External revenues												
Service	**$ 1,526**	$ 1,523	**$ 1,441**	$ 1,352	**$ 2,967**	$ 2,875	**$ 535**	$ 370	**$ —**	$ —	**$ 3,502**	$ 3,245
Equipment	**452**	362	**68**	56	**520**	418	**—**	—	**—**	—	**520**	418
Revenues arising from contracts with customers	**1,978**	1,885	**1,509**	1,408	**3,487**	3,293	**535**	370	**—**	—	**4,022**	3,663
Other income	**(1)**	(1)	**3**	—	**2**	(1)	**—**	32	**—**	—	**2**	31
	1,977	1,884	**1,512**	1,408	**3,489**	3,292	**535**	402	**—**	—	**4,024**	3,694
Intersegment revenues	**—**	—	**5**	1	**5**	1	**104**	97	**(109)**	(98)	**—**	—
	$ 1,977	$ 1,884	**$ 1,517**	$ 1,409	**$ 3,494**	$ 3,293	**$ 639**	$ 499	**$ (109)**	$ (98)	**$ 4,024**	$ 3,694
EBITDA[2]					**$ 1,336**	$ 1,301	**$ 125**	$ 108	**$ —**	$ —	**$ 1,461**	$ 1,409
CAPEX excluding spectrum licences[3]					**$ 662**	$ 646	**$ 23**	$ 19	**$ —**	$ —	**$ 685**	$ 665

	Total 2021	Total 2020
Operating revenues – external and other income (above)	**$ 4,024**	$ 3,694
Goods and services purchased	**1,548**	1,412
Employee benefits expense	**1,015**	873
EBITDA (above)	**1,461**	1,409
Depreciation	**524**	523
Amortization	**265**	202
Operating income	**672**	684
Financing costs	**207**	192
Income before income taxes	**$ 465**	$ 492

1 The digitally-led customer experiences – TELUS International segment is comprised of our consolidated TELUS International (Cda) Inc. subsidiary and a line of business retrospectively reorganized into, and accounted for using predecessor accounting prospectively applied by, TELUS International (Cda) Inc. (see *Note 28(b)*). All of our other international activities are included in the TELUS Technology Solutions segment.

2 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 and other income less goods and services purchased and employee benefits expense. We have issued guidance on, and report, EBITDA because it is a key measure that management uses to evaluate the performance of our business, and it is also utilized in measuring compliance with certain debt covenants.

3 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.

TELUS

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, 2021	December 31, 2020
Estimated minimum transaction price allocated to remaining unfulfilled, or partially unfulfilled, performance obligations to be recognized as revenue in a future period [1, 2]		
During the 12-month period ending one year hence	**$ 2,252**	$ 2,279
During the 12-month period ending two years hence	**868**	883
Thereafter	**40**	35
	$ 3,160	$ 3,197

1 Excludes constrained variable consideration amounts, amounts arising from contracts originally expected to have a duration of one year or less and, as a permitted practical expedient, amounts arising from contracts that are not affected by revenue recognition timing differences arising from transaction price allocation **or** from contracts under which we may recognize and bill revenue in an amount that corresponds directly with our completed performance obligations.

2 IFRS-IASB requires the explanation of when we expect to recognize as revenue the amounts disclosed as the estimated minimum transaction price allocated to remaining unfulfilled, or partially unfulfilled, performance obligations. The estimated amounts disclosed are based upon contractual terms and maturities. Actual minimum transaction price revenues recognized, and the timing thereof, will differ from these estimates primarily due to the frequency with which the actual durations of contracts with customers do not match their contractual maturities.

(b) Accounts receivable

As at (millions)	Note	March 31, 2021	December 31, 2020
Customer accounts receivable		**$ 1,880**	$ 1,986
Accrued receivables – customer		**260**	241
Allowance for doubtful accounts	*4(a)*	**(111)**	(119)
		2,029	2,108
Accrued receivables – other		**242**	247
Accounts receivable – current		**$ 2,271**	$ 2,355

(c) Contract assets

Periods ended March 31 (millions)	Note	Three months 2021	2020
Balance, beginning of period		**$ 850**	$ 1,238
Net additions arising from operations		**272**	171
Amounts billed in the period and thus reclassified to accounts receivable [1]		**(324)**	(345)
Change in impairment allowance, net	*4(a)*	**3**	5
Other		**2**	—
Balance, end of period		**$ 803**	$ 1,069
To be billed and thus reclassified to accounts receivable during:			
The 12-month period ending one year hence		**$ 550**	$ 806
The 12-month period ending two years hence		**235**	245
Thereafter		**18**	18
Balance, end of period		**$ 803**	$ 1,069
Reconciliation of contract assets presented in the Consolidated statements of financial position – current			
Gross contract assets		**$ 550**	$ 806
Reclassification to contract liabilities of contracts with contract assets less than contract liabilities	*24*	**(11)**	(7)
Reclassification from contract liabilities of contracts with contract liabilities less than contract assets	*24*	**(119)**	(147)
		$ 420	$ 652

1 For the three-month period ended March 31, 2021, amounts billed for our mobile products and services and reclassified to accounts receivable totalled $193 (2020 – $289).

7 other income

Periods ended March 31 (millions)	Note	Three months 2021	2020
Government assistance		**$ 3**	$ 3
Other sublet revenue	*19*	**1**	1
Investment income (loss), gain (loss) on disposal of assets and other		**(3)**	(6)
Interest income	*21(b)*	**1**	1
Changes in business combination-related provisions		**—**	32
		$ 2	$ 31

8 employee benefits expense

Periods ended March 31 (millions)	Note	Three months 2021	2020
Employee benefits expense – gross			
Wages and salaries [1]		**$ 991**	$ 880
Share-based compensation [2]	*14*	**60**	32
Pensions – defined benefit	*15(a)*	**26**	27
Pensions – defined contribution	*15(b)*	**22**	21
Restructuring costs [2]	*16(a)*	**18**	10
Employee health and other benefits		**50**	46
		1,167	1,016
Capitalized internal labour costs, net			
Contract acquisition costs	*20*		
Capitalized		**(22)**	(17)
Amortized		**15**	13
Contract fulfilment costs	*20*		
Capitalized		**—**	(1)
Amortized		**1**	1
Property, plant and equipment		**(90)**	(87)
Intangible assets subject to amortization		**(56)**	(52)
		(152)	(143)
		$ 1,015	$ 873

1 For the three-month period ended March 31, 2021, wages and salaries are net of Canada Emergency Wage Subsidy program amounts.
2 For the three-month period ended March 31, 2021, $6 of share-based compensation in the Digitally-led customer experiences segment was included in restructuring costs.

9 financing costs

Periods ended March 31 (millions)	Note	Three months 2021	2020
Interest expense			
Interest on long-term debt, excluding lease liabilities – gross		**$ 171**	$ 170
Interest on long-term debt, excluding lease liabilities – capitalized		**—**	(8)
Interest on long-term debt, excluding lease liabilities		**171**	162
Interest on lease liabilities	*19*	**17**	18
Interest on short-term borrowings and other		**3**	2
Interest accretion on provisions	*25*	**5**	5
		196	187
Employee defined benefit plans net interest	*15*	**6**	4
Foreign exchange		**6**	2
		208	193
Interest income		**(1)**	(1)
		$ 207	$ 192
Net interest cost	*3*	**$ 201**	$ 196
Interest on long-term debt, excluding lease liabilities – capitalized		**—**	(8)
Employee defined benefit plans net interest		**6**	4
		$ 207	$ 192

10 income taxes

Periods ended March 31 (millions)	Three months 2021	2020
Current income tax expense		
For the current reporting period	**$ 129**	$ 202
Adjustments recognized in the current period for income taxes of prior periods	**—**	(2)
	129	200
Deferred income tax expense		
Arising from the origination and reversal of temporary differences	**3**	(60)
Revaluation of deferred income tax liability to reflect future income tax rates	**—**	(3)
Adjustments recognized in the current period for income taxes of prior periods	**—**	2
	3	(61)
	$ 132	$ 139

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

Three-month periods ended March 31 ($ in millions)	2021		2020	
Income taxes computed at applicable statutory rates	**$ 119**	**25.6%**	$ 130	26.4%
Revaluation of deferred income tax liability to reflect future income tax rates	**—**	**—**	(3)	(0.6)
Non-deductible amounts	**6**	**1.4**	4	0.8
Other	**7**	**1.5**	8	1.7
Income tax expense per Consolidated statements of income and other comprehensive income	**$ 132**	**28.5%**	$ 139	28.3%

11 other comprehensive income

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	Items that may subsequently be reclassified to income								Item never reclassified to income		Item never reclassified to income	
	Change in unrealized fair value of derivatives designated as cash flow hedges in current period (*Note 4(e)*)											
	Derivatives used to manage currency risk			Derivatives used to manage other market risks								
Periods ended March 31 (millions)	Gains (losses) arising	Prior period (gains) losses transferred to net income	Total	Gains (losses) arising	Prior period (gains) losses transferred to net income	Total	Total	Cumulative foreign currency translation adjustment	Change in measurement of investment financial assets	Accumulated other comp. income	Employee defined benefit plan re-measure-ments	Other comp. income
Accumulated balance as at January 1, 2020			$ 66			$ (1)	$ 65	$ 42	$ 12	$ 119		
Other comprehensive income (loss)												
Amount arising	$ 670	$ (357)	313	$ (10)	$ 2	(8)	305	52	—	357	$ 426	$ 783
Income taxes	$ 143	$ (58)	85	$ (3)	$ 1	(2)	83	—	—	83	110	193
Net			228			(6)	222	52	—	274	$ 316	$ 590
Accumulated balance as at March 31, 2020			$ 294			$ (7)	$ 287	$ 94	$ 12	$ 393		
Accumulated balance as at January 1, 2021			**$ (40)**			**$ (6)**	**$ (46)**	**$ 155**	**$ 26**	**$ 135**		
Other comprehensive income (loss)												
Amount arising	**$ 45**	**$ 56**	**101**	**$ 1**	**$ —**	**1**	**102**	**(69)**	**(1)**	**32**	**$ 911**	**$ 943**
Income taxes	**$ 10**	**$ 10**	**20**	**$ —**	**$ —**	**—**	**20**	**—**	**—**	**20**	**236**	**256**
Net			**81**			**1**	**82**	**(69)**	**(1)**	**12**	**$ 675**	**$ 687**
Accumulated balance as at March 31, 2021			**$ 41**			**$ (5)**	**$ 36**	**$ 86**	**$ 25**	**$ 147**		
Attributable to:												
Common Shares										**$ 146**		
Non-controlling interests										**1**		
										$ 147		

TELUS

12 per share amounts

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

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

	Three months	
Periods ended March 31 (millions)	**2021**	2020
Basic total weighted average number of Common Shares outstanding	**1,298**	1,248
Effect of dilutive securities – Restricted share units	**3**	4
Diluted total weighted average number of Common Shares outstanding	**1,301**	1,252

For the three-month periods ended March 31, 2021 and 2020, no outstanding equity-settled restricted share unit awards were excluded in the computation of diluted income per Common Share. For the three-month periods ended March 31, 2021 and 2020, no outstanding TELUS Corporation share option awards were excluded in the calculation of diluted net income per Common Share.

13 dividends per share

(a) TELUS Corporation Common Share dividends declared

Three-month periods ended March 31 (millions except per share amounts)	**2021**				2020			
TELUS Corporation Common Share dividends	Declared Effective	Declared Per share	Paid to shareholders	Total	Declared Effective	Declared Per share	Paid to shareholders	Total
Quarter 1 dividend	**Mar. 11, 2021**	**$0.3112**	**Apr. 1, 2021**	**$ 404**	Mar. 11, 2020	$ 0.29125	Apr. 1, 2020	$ 371

On May 6, 2021, the Board of Directors declared a quarterly dividend of $0.3162 per share on our issued and outstanding TELUS Corporation Common Shares payable on July 2, 2021, to holders of record at the close of business on June 10, 2021. The final amount of the dividend payment depends upon the number of TELUS Corporation Common Shares issued and outstanding at the close of business on June 10, 2021.

(b) Dividend Reinvestment and Share Purchase Plan

We have a Dividend Reinvestment and Share Purchase Plan under which eligible holders of TELUS Corporation Common Shares may acquire additional TELUS Corporation Common Shares by reinvesting dividends and by making additional optional cash payments to the trustee. Under this plan, we have the option of offering TELUS Corporation Common Shares from Treasury or having the trustee acquire TELUS Corporation Common Shares in the stock market. We may, at our discretion, offer TELUS Corporation Common Shares at a discount of up to 5% from the market price under the plan. Effective with our dividends paid October 1, 2019, we offered TELUS Corporation Common Shares from Treasury at a discount of 2%. In respect of TELUS Corporation Common Shares held by eligible shareholders who have elected to participate in the plan, dividends declared during the three-month period ended March 31, 2021, of $143 million (2020 – $122 million) were to be reinvested in TELUS Corporation Common Shares.

14 share-based compensation

(a) Details of share-based compensation expense

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

Periods ended March 31 (millions)	Note	2021 Employee benefits expense [1]	2021 Associated operating cash outflows	2021 Statement of cash flows adjustment	2020 Employee benefits expense	2020 Associated operating cash outflows	2020 Statement of cash flows adjustment
THREE-MONTH							
Restricted share units	*(b)*	**$ 50**	**$ —**	**$ 50**	$ 22	$ —	$ 22
Employee share purchase plan	*(c)*	**9**	**(9)**	**—**	9	(9)	—
Share option awards	*(d)*	**7**	**(22)**	**(15)**	1	—	1
		$ 66	**$ (31)**	**$ 35**	$ 32	$ (9)	$ 23

1 Within employee benefits expense (see *Note 8*), restricted share unit expense of $45 and share option expense of $6 is presented as share-based compensation expense and the balance is included in restructuring costs (see *Note 16*) of the Digitally-led customer experiences segment.

For the three-month period ended March 31, 2020, the associated operating cash outflows in respect of restricted share units were net of cash inflows arising from cash-settled equity forward agreements of $1 million; there were no cash-settled equity forward agreements outstanding during the three-month period ended March 31, 2021. For the three-month period ended March 31, 2021, the income tax benefit arising from share-based compensation was $17 million (2020 – $8 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 TELUS Corporation Common Shares relative to an international peer group of telecommunications companies (with a weighting of 75%). The grant-date fair value of the notional subset of our restricted share units affected by the total customer connections performance condition equals the fair market value of the corresponding TELUS Corporation Common Shares at the grant date, and thus the notional subset has been included in the presentation of our restricted share units with only service conditions. The estimate, which reflects a variable payout, of the fair value of the notional subset of our restricted share units affected by the relative total shareholder return performance condition is determined using a Monte Carlo simulation. Grants of restricted share units in 2021 and 2020 are accounted for as equity-settled, as that was their expected manner of settlement when granted.

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

Number of non-vested restricted share units as at	**March 31, 2021**	December 31, 2020
Restricted share units without market performance conditions		
Restricted share units with only service conditions	**8,453,353**	5,718,328
Notional subset affected by total customer connections performance condition	**490,020**	298,957
	8,943,373	6,017,285
Restricted share units with market performance conditions		
Notional subset affected by relative total shareholder return performance condition	**1,469,984**	896,870
	10,413,357	6,914,155

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

Period ended March 31, 2021	Three months		
	Number of restricted share units [1]		Weighted average grant-date fair value
	Non-vested	Vested	
Outstanding, beginning of period			
Non-vested	6,017,285	—	$ 24.55
Vested	—	29,870	$ 24.58
Granted			
Initial award	2,910,507	—	$ 25.80
In lieu of dividends	72,407	365	$ 25.47
Vested	(9,949)	9,949	$ 24.51
Settled in cash	—	(10,603)	$ 24.46
Forfeited	(46,877)	—	$ 24.74
Outstanding, end of period			
Non-vested	8,943,373	—	$ 24.96
Vested	—	29,581	$ 24.59

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

TELUS International (Cda) Inc. restricted share units

We also award restricted share units that largely have the same features as the TELUS Corporation restricted share units, but have a variable payout (0% – 150%) that depends upon the achievement of TELUS International (Cda) Inc. financial performance and non-market quality-of-service performance conditions. Grants of restricted share units in 2021 are accounted for as equity-settled, as that was their expected manner of settlement when granted.

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

Period ended March 31, 2021	Three months	
	Number of non-vested restricted share units	Weighted average grant-date fair value
Outstanding, beginning of period	1,383,642	US$ 7.94
Granted – initial award	670,292	US$ 25.00
Forfeited	(14,346)	US$ 7.90
Outstanding, end of period	2,039,588	US$ 13.55

(c) Employee share purchase plan

We have an employee share purchase plan under which eligible employees up to a certain job classification can purchase TELUS Corporation Common Shares through regular payroll deductions. In respect of TELUS Corporation Common Shares held within the employee share purchase plan, TELUS Corporation Common Share dividends declared during the three-month period ended March 31, 2021, of $10 million (2020 – $9 million) were to be reinvested in TELUS Corporation Common Shares acquired by the trustee from Treasury, with a discount applicable, as set out in *Note 13(b)*.

(d) Share option awards

TELUS Corporation share options

Employees may be granted options to purchase TELUS Corporation Common Shares at an exercise price equal to the fair market value at the time of grant. Share option awards granted under the plan may be exercised over specific periods not to exceed seven years from the time of grant. Share option awards granted in fiscal 2021 and 2020 were for front-line employees.

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, 2021	Three months	
	Number of share options	Weighted average share option price [1]
Outstanding, beginning of period	3,014,700	$ 21.59
Granted	248,700	$ 25.86
Forfeited	(50,100)	$ 21.55
Outstanding, end of period	3,213,300	$ 21.92

1 The weighted average remaining contractual life is 6.1 years. No options were exercisable as at the balance sheet date.

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

Period ended March 31, 2021	Three months
Share option award fair value (per share option)	$ 0.92
Risk-free interest rate	0.79%
Expected lives [1] (years)	4.25
Expected volatility	12.5%
Dividend yield	4.8%

1 The maximum contractual term of the share option awards granted in 2021 was seven years.

TELUS International (Cda) Inc. share options

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

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

Period ended March 31, 2021	Three months			
	US$ denominated		Canadian $ denominated	
	Number of share options	Weighted average share option price [1]	Number of share options	Share option price
Outstanding, beginning of period [1]	3,922,056	US$ 6.94	242,244	$ 4.75
Granted	579,949	US$ 25.00	—	$ —
Exercised	(409,036)	US$ 6.06	(242,244)	$ 4.75
Outstanding, end of period	4,092,969	US$ 9.59	—	$ —
Exercisable, end of period	2,858,387	US$ 6.95	—	$ —

1 For 3,513,020 share options, the range of share option prices is US$4.87 – US$8.95 per TELUS International (Cda) Inc. equity share and the weighted average remaining contractual life is 6.5 years; for the balance of share options, the price is US$25.00 and the weighted average remaining contractual life is 9.8 years.

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

Period ended March 31, 2021	Three months
Share option award fair value (per share option)	US$ 5.34
Risk-free interest rate	0.73%
Expected lives [1] (years)	6.50
Expected volatility	19.3%
Dividend yield	NIL%

1 The maximum contractual term of the share option awards granted in 2021 was ten years.

15 employee future benefits

(a) Defined benefit pension plans – details

Expense
Our defined benefit pension plan expense was as follows:

Three-month periods ended March 31 (millions)	2021				2020			
Recognized in	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
Current service cost	**$ 25**	**$ —**	**$ —**	**$ 25**	$ 23	$ —	$ —	$ 23
Past service cost	**—**	**—**	**—**	**—**	3	—	—	3
Net interest; return on plan assets								
Interest expense arising from defined benefit obligations accrued	**—**	**65**	**—**	**65**	—	74	—	74
Return, including interest income, on plan assets [1]	**—**	**(60)**	**149**	**89**	—	(71)	435	364
Interest effect on asset ceiling limit	**—**	**1**	**—**	**1**	—	1	—	1
	—	**6**	**149**	**155**	—	4	435	439
Administrative fees	**1**	**—**	**—**	**1**	1	—	—	1
Re-measurements arising from:								
Financial assumptions	**—**	**—**	**(1,095)**	**(1,095)**	—	—	(889)	(889)
Changes in the effect of limiting net defined benefit assets to the asset ceiling	**—**	**—**	**35**	**35**	—	—	28	28
	$ 26	**$ 6**	**$ (911)**	**$ (879)**	$ 27	$ 4	$ (426)	$ (395)

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 2021	2020
Union pension plan and public service pension plan contributions	**$ 4**	$ 5
Other defined contribution pension plans	**18**	16
	$ 22	$ 21

16 restructuring and other costs

(a) Details of restructuring and other costs

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

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

	Restructuring *(b)*		Other *(c)*		Total	
Three-month periods ended March 31 (millions)	**2021**	2020	**2021**	2020	**2021**	2020
Goods and services purchased	**$ 13**	$ 46	**$ 10**	$ 4	**$ 23**	$ 50
Employee benefits expense	**18**	10	**—**	—	**18**	10
	$ 31	$ 56	**$ 10**	$ 4	**$ 41**	$ 60

(b) Restructuring provisions

Employee-related provisions and other provisions, as presented in *Note 25,* include amounts in respect of restructuring activities. In 2021, restructuring activities included ongoing and incremental efficiency initiatives, some of which involved personnel-related costs and rationalization of real estate. These initiatives were intended to improve our long-term operating productivity and competitiveness.

(c) Other

During the three-month period ended March 31, 2021, incremental external costs were incurred in connection with business acquisition activity. In connection with business acquisitions, non-recurring atypical business integration expenditures that would be considered neither restructuring costs nor part of the fair value of the net assets acquired have been included in other costs.

Also during the three-month period ended March 31, 2021, other costs were incurred in connection with the COVID-19 pandemic. Incremental costs were incurred due to proactive steps we elected to take to keep our customers and employees safe, including adjustments to the frequency of real estate cleaning and maintenance, among other items. As well, costs that have been incurred in the normal course but which are unable to contribute normally to the earning of revenues have been deemed atypical.

17 property, plant and equipment

(millions)	Note	Owned assets: Network assets	Owned assets: Buildings and leasehold improvements	Owned assets: Computer hardware and other	Owned assets: Land	Owned assets: Assets under construction	Owned assets: Total	Right-of-use lease assets (*Note 19*): Network assets	Right-of-use lease assets (*Note 19*): Real estate	Right-of-use lease assets (*Note 19*): Other	Right-of-use lease assets (*Note 19*): Total	Total
AT COST												
As at January 1, 2021		$ 32,972	$ 3,428	$ 1,403	$ 54	$ 640	$ 38,497	$ 499	$ 1,506	$ 82	$ 2,087	$ 40,584
Additions		**198**	**7**	**11**	**—**	**308**	**524**	**—**	**50**	**8**	**58**	**582**
Additions arising from business acquisitions	*18(b)*	**—**	**1**	**1**	**—**	**—**	**2**	**—**	**1**	**—**	**1**	**3**
Dispositions, retirements and other		**(241)**	**(2)**	**(38)**	**—**	**—**	**(281)**	**3**	**(21)**	**(6)**	**(24)**	**(305)**
Assets under construction put into service		**299**	**14**	**27**	**8**	**(348)**	**—**	**—**	**—**	**—**	**—**	**—**
Net foreign exchange differences		**(3)**	**(3)**	**(2)**	**—**	**(1)**	**(9)**	**—**	**(9)**	**—**	**(9)**	**(18)**
As at March 31, 2021		**$ 33,225**	**$ 3,445**	**$ 1,402**	**$ 62**	**$ 599**	**$ 38,733**	**$ 502**	**$ 1,527**	**$ 84**	**$ 2,113**	**$ 40,846**
ACCUMULATED DEPRECIATION												
As at January 1, 2021		$ 22,120	$ 2,109	$ 889	$ —	$ —	$ 25,118	$ 43	$ 382	$ 27	$ 452	$ 25,570
Depreciation [1]		**384**	**34**	**40**	**—**	**—**	**458**	**18**	**44**	**4**	**66**	**524**
Dispositions, retirements and other		**(243)**	**—**	**(31)**	**—**	**—**	**(274)**	**—**	**(3)**	**(2)**	**(5)**	**(279)**
Net foreign exchange differences		**(2)**	**(1)**	**(4)**	**—**	**—**	**(7)**	**—**	**(3)**	**—**	**(3)**	**(10)**
As at March 31, 2021		**$ 22,259**	**$ 2,142**	**$ 894**	**$ —**	**$ —**	**$ 25,295**	**$ 61**	**$ 420**	**$ 29**	**$ 510**	**$ 25,805**
NET BOOK VALUE												
As at December 31, 2020		$ 10,852	$ 1,319	$ 514	$ 54	$ 640	$ 13,379	$ 456	$ 1,124	$ 55	$ 1,635	$ 15,014
As at March 31, 2021		**$ 10,966**	**$ 1,303**	**$ 508**	**$ 62**	**$ 599**	**$ 13,438**	**$ 441**	**$ 1,107**	**$ 55**	**$ 1,603**	**$ 15,041**

1 For the three-month period ended March 31, 2021, depreciation includes $(9) in respect of impairment of real estate right-of-use lease assets.

As at March 31, 2021, our contractual commitments for the acquisition of property, plant and equipment totalled $323 million over a period ending December 31, 2022 (December 31, 2020 – $235 million over a period ending December 31, 2022).

18 intangible assets and goodwill

(a) Intangible assets and goodwill, net

		Intangible assets subject to amortization					Intangible assets with indefinite lives			
(millions)	*Note*	Customer contracts, related customer relationships and subscriber base	Software	Access to rights-of-way, crowdsource assets and other	Assets under construction	Total	Spectrum licences	Total intangible assets	Goodwill [1,2]	Total intangible assets and goodwill
AT COST										
As at January 1, 2021		$ 2,915	$ 6,479	$ 371	$ 216	$ 9,981	$ 9,910	$ 19,891	$ 7,588	$ 27,479
Additions		**—**	**20**	**1**	**141**	**162**	**303**	**465**	**—**	**465**
Additions arising from business acquisitions	*(b)*	**5**	**56**	**7**	**—**	**68**	**—**	**68**	**54**	**122**
Dispositions, retirements and other (including capitalized interest)		**7**	**(143)**	**8**	**—**	**(128)**	**—**	**(128)**	**—**	**(128)**
Assets under construction put into service		**—**	**160**	**—**	**(160)**	**—**	**—**	**—**	**—**	**—**
Net foreign exchange differences		**(49)**	**—**	**(5)**	**(1)**	**(55)**	**—**	**(55)**	**(62)**	**(117)**
As at March 31, 2021		**$ 2,878**	**$ 6,572**	**$ 382**	**$ 196**	**$ 10,028**	**$ 10,213**	**$ 20,241**	**$ 7,580**	**$ 27,821**
ACCUMULATED AMORTIZATION										
As at January 1, 2021		$ 495	$ 4,274	$ 96	$ —	$ 4,865	$ —	$ 4,865	$ 364	$ 5,229
Amortization		**77**	**183**	**5**	**—**	**265**	**—**	**265**	**—**	**265**
Dispositions, retirements and other		**(22)**	**(144)**	**20**	**—**	**(146)**	**—**	**(146)**	**—**	**(146)**
Net foreign exchange differences		**(3)**	**(2)**	**1**	**—**	**(4)**	**—**	**(4)**	**—**	**(4)**
As at March 31, 2021		**$ 547**	**$ 4,311**	**$ 122**	**$ —**	**$ 4,980**	**$ —**	**$ 4,980**	**$ 364**	**$ 5,344**
NET BOOK VALUE										
As at December 31, 2020		$ 2,420	$ 2,205	$ 275	$ 216	$ 5,116	$ 9,910	$ 15,026	$ 7,224	$ 22,250
As at March 31, 2021		**$ 2,331**	**$ 2,261**	**$ 260**	**$ 196**	**$ 5,048**	**$ 10,213**	**$ 15,261**	**$ 7,216**	**$ 22,477**

1 The amount for goodwill arising from business acquisitions for the year ended December 31, 2020, has 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, 2021, our contractual commitments for the acquisition of intangible assets totalled $31 million over a period ending December 31, 2023 (December 31, 2020 – $56 million over a period ending December 31, 2024).

During the quarter ended March 31, 2021, for $249 million, we acquired 3500 MHz spectrum licences from the previous licensee; such transfer of licences has been approved by Innovation, Science and Economic Development Canada.

Also during the quarter ended March 31, 2021, we obtained the use of AWS-4 spectrum licences from the original licensee and have accounted for them as intangible assets with indefinite lives; such subordination of licences has been approved by Innovation, Science and Economic Development Canada. The terms of payment for the obtained spectrum licences are such that the amounts owed to the original licensee are accounted for as a long-term financial liability, as set out in *Note 26(f)*.

(b) Business acquisitions

Individually immaterial transactions

During the three-month period ended March 31, 2021, 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. Any differences between the results of operations currently presented and pro forma operating revenues, net income and basic and diluted net income per Common Share amounts reflecting the results of operations as if the business acquisitions had been completed at the beginning of the year are immaterial (as are the post-acquisition operating revenues and net income of the acquired businesses for the three-month period ended March 31, 2021).

Acquisition-date fair values

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

(millions)	Total of individually immaterial transactions [1]
Assets	
Current assets	
Cash	$ 1
Accounts receivable [2]	2
Other	4
	7
Non-current assets	
Property, plant and equipment	
Owned assets	2
Right-of-use lease assets	1
Intangible assets subject to amortization [3]	68
Other	19
	90
Total identifiable assets acquired	97
Liabilities	
Current liabilities	
Accounts payable and accrued liabilities	3
Non-current liabilities	
Long-term debt	1
Deferred income taxes	10
	11
Total liabilities assumed	14
Net identifiable assets acquired	83
Goodwill	54
Net assets acquired	$ 137
Acquisition effected by way of:	
Cash consideration	$ 137

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

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

3 Customer contracts and customer relationships (including those related to customer contracts) are generally expected to be amortized over a period of 8 years; software is expected to be amortized over periods of 5-7 years; and other intangible assets are expected to be amortized over periods of 2-4 years.

(c) Business acquisitions – prior period

In 2020, we acquired businesses that were complementary to our existing lines of business. As at December 31, 2020, purchase price allocations had not been finalized. During the three-month period ended March 31, 2021, the preliminary acquisition-date values for goodwill, accounts payable, provisions, deferred income tax liabilities and retained earnings were increased (decreased) by $(11 million), $6 million, $37 million, $(20 million), and $(34 million), respectively; as required by IFRS-IASB, comparative amounts have been adjusted so as to reflect those increases (decreases) effective the dates of acquisition.

19 leases

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

Periods ended March 31 (millions)	Note	Three months 2021	2020
Income from subleasing right-of-use lease assets			
Co-location sublet revenue included in operating service revenues		**$ 8**	$ 4
Other sublet revenue included in other income	*7*	**$ 1**	$ 1
Lease payments		**$ 140**	$ 102

20 other long-term assets

As at (millions)	Note	March 31, 2021	December 31, 2020
Pension assets		**$ 515**	$ 13
Unbilled customer finance receivables	*4(a)*	**384**	361
Derivative assets	*4(d)*	**64**	40
Costs incurred to obtain or fulfill a contract with a customer		**100**	103
Real estate joint venture advances	*21(b)*	**114**	114
Investment in real estate joint venture	*21(b)*	**1**	1
Investment in associates	*21*	**76**	69
Portfolio investments [1]		**239**	236
Prepaid maintenance		**46**	50
Other		**186**	119
		$ 1,725	$ 1,106

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 (millions)	Three months		
	Costs incurred to		
	Obtain contracts with customers	Fulfill contracts with customers	Total
Balance, beginning of period	**$ 323**	**$ 11**	**$ 334**
Additions	**61**	**1**	**62**
Amortization	**(67)**	**(2)**	**(69)**
Balance, end of period	**$ 317**	**$ 10**	**$ 327**
Current [1]	**$ 221**	**$ 6**	**$ 227**
Non-current	**96**	**4**	**100**
	$ 317	**$ 10**	**$ 327**

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

21 real estate joint ventures and investment in associate

(a) General

Real estate joint ventures

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

Associate

In 2020, we acquired a 28% basic equity interest in Miovision Technologies Incorporated, an associate that is complementary to, and is viewed to grow, our existing Internet of Things business; our judgment is that we obtained significant influence over the associate concurrent with obtaining the newly acquired equity interest.

(b) Real estate joint ventures

Summarized financial information

As at (millions)	March 31, 2021	December 31, 2020
ASSETS		
Current assets		
Cash and temporary investments, net	**$ 9**	$ 11
Other	**20**	18
	29	29
Non-current assets		
Investment property	**336**	332
Other	**10**	13
	346	345
	$ 375	$ 374

As at (millions)	March 31, 2021	December 31, 2020
LIABILITIES AND OWNERS' EQUITY		
Current liabilities		
Accounts payable and accrued liabilities	**$ 10**	$ 21
Construction credit facilities	**342**	342
	352	363
Owners' equity		
TELUS [1]	**8**	5
Other partners	**15**	6
	23	11
	$ 375	$ 374

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 2021	Three months 2020
Revenue	**$ 2**	$ —
Depreciation and amortization	**$ 1**	$ —
Interest expense [1]	**$ —**	$ —
Net income (loss) and comprehensive income (loss) [2]	**$ (7)**	$ (2)

1 During the three-month period ended March 31, 2020, the real estate joint venture capitalized $3 of financing costs.
2 As the real estate joint ventures are partnerships, no provision for income taxes of the partners is made in determining the real estate joint ventures' net income and comprehensive income.

Our real estate joint ventures activity

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

Three-month periods ended March 31 (millions)	**2021** Loans and receivables [1]	**2021** Equity [2]	**2021** Total	2020 Loans and receivables [1]	2020 Equity [2]	2020 Total
Related to real estate joint ventures' statements of income and other comprehensive income						
Comprehensive income (loss) attributable to us [3]	**$ —**	**$ (1)**	**$ (1)**	$ —	$ (1)	$ (1)
Related to real estate joint ventures' statements of financial position						
Items not affecting currently reported cash flows						
Construction credit facilities financing costs charged by us *(Note 7)*	**1**	**—**	**1**	1	—	1
Cash flows in the current reporting period						
Construction credit facilities						
Amounts advanced	**—**	**—**	**—**	7	—	7
Financing costs paid to us	**(1)**	**—**	**(1)**	(1)	—	(1)
Funds we advanced or contributed, excluding construction credit facilities	**—**	**6**	**6**	—	—	—
Funds repaid to us and earnings distributed	**—**	**—**	**—**	—	(1)	(1)
Net increase (decrease)	**—**	**5**	**5**	7	(2)	5
Real estate joint ventures carrying amounts						
Balance, beginning of period	**114**	**(11)**	**103**	104	(2)	102
Valuation provision	**—**	**(1)**	**(1)**	—	(6)	(6)
Balance, end of period	**$ 114**	**$ (7)**	**$ 107**	$ 111	$ (10)	$ 101

1 Loans and receivables are included in our Consolidated statements of financial position as Real estate joint venture advances and are comprised of advances under construction credit facilities.
2 We account for our interests in the real estate joint ventures using the equity method of accounting. As at March 31, 2021, and December 31, 2020, we had recorded equity losses in excess of our recorded equity investment in respect of one of the real estate joint ventures; such resulting balance has been included in long-term liabilities (*Note 27*).
3 As the real estate joint ventures are partnerships, no provision for income taxes of the partners is made in determining the real estate joint ventures' net income and comprehensive income.

We have entered into 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.

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

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, 2020 – $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, 2020 – 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, 2021, we had sold to the trust (but continued to recognize) trade receivables of $138 million (December 31, 2020 – $123 million). Short-term borrowings of $100 million (December 31, 2020 – $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, 2021**	December 31, 2020
Accrued liabilities	**$ 1,206**	$ 1,251
Payroll and other employee-related liabilities	**428**	545
Restricted share units liability	**32**	18
	1,666	1,814
Trade accounts payable	**879**	855
Interest payable	**159**	173
Indirect taxes payable and other [1]	**113**	126
	$ 2,817	$ 2,968

1 The opening balance of indirect taxes payable and other has been adjusted as set out in *Note 18(c)*.

24 advance billings and customer deposits

As at (millions)	**March 31, 2021**	December 31, 2020
Advance billings	**$ 580**	$ 551
Deferred customer activation and connection fees	**7**	7
Customer deposits	**27**	34
Contract liabilities	**614**	592
Other	**156**	180
	$ 770	$ 772

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

Periods ended March 31 (millions)	Note	Three months 2021	2020
Balance, beginning of period		**$ 806**	$ 801
Revenue deferred in previous period and recognized in current period		**(593)**	(577)
Net additions arising from operations		**608**	595
Additions arising from business acquisitions		**—**	5
Balance, end of period		**$ 821**	$ 824
Current		**$ 744**	$ 740
Non-current	*27*		
Deferred revenues		**67**	72
Deferred customer activation and connection fees		**10**	12
		$ 821	$ 824
Reconciliation of contract liabilities presented in the Consolidated statements of financial position – current			
Gross contract liabilities		**$ 744**	$ 740
Reclassification to contract assets for contracts with contract liabilities less than contract assets		**(119)**	(147)
Reclassification from contract assets for contracts with contract assets less than contract liabilities		**(11)**	(7)
		$ 614	$ 586

25 provisions

(millions)	Asset retirement obligation	Employee-related	Written put options and contingent consideration [1]	Other	Total
As at January 1, 2021	$ 661	$ 42	$ 202	$ 129	$ 1,034
Additions	**—**	**15**	**—**	**18**	**33**
Reversals	**—**	**—**	**—**	**(2)**	**(2)**
Uses	**(1)**	**(19)**	**—**	**(20)**	**(40)**
Interest effects	**4**	**—**	**1**	**—**	**5**
Effects of foreign exchange, net	**—**	**—**	**—**	**(1)**	**(1)**
As at March 31, 2021	**$ 664**	**$ 38**	**$ 203**	**$ 124**	**$ 1,029**
Current	**$ 7**	**$ 31**	**$ —**	**$ 47**	**$ 85**
Non-current	**657**	**7**	**203**	**77**	**944**
As at March 31, 2021	**$ 664**	**$ 38**	**$ 203**	**$ 124**	**$ 1,029**

1 The opening balance of written put options and contingent consideration has been adjusted as set out in *Note 18(c)*.

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 and contingent consideration

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

Other

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

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

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

26 long-term debt

(a) Details of long-term debt

As at (millions)	Note	**March 31, 2021**	December 31, 2020
Senior unsecured			
TELUS Corporation senior notes	*(b)*	**$ 14,987**	$ 15,021
TELUS Corporation commercial paper	*(c)*	**918**	731
TELUS Communications Inc. debentures		**622**	622
Secured			
TELUS International (Cda) Inc. credit facility	*(e)*	**1,168**	1,804
Other	*(f)*	**320**	273
		18,015	18,451
Lease liabilities	*(g)*	**1,757**	1,837
Long-term debt		**$ 19,772**	$ 20,288
Current		**$ 2,587**	$ 1,432
Non-current		**17,185**	18,856
Long-term debt		**$ 19,772**	$ 20,288

(b) TELUS Corporation senior notes

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

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

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

					Principal face amount		Redemption present value spread	
Series	Issued	Maturity	Issue price	Effective interest rate [1]	Originally issued	Outstanding at financial statement date	Basis points [2]	Cessation date
2.35% Notes, Series CT	March 2015	March 2022	$997.31	2.39%	$1.0 billion	$1.0 billion	35.5	Feb. 28, 2022
3.35% Notes, Series CJ	December 2012	March 2023	$998.83	3.36%	$500 million	$500 million	40	Dec. 15, 2022
3.35% Notes, Series CK	April 2013	April 2024	$994.35	3.41%	$1.1 billion	$1.1 billion	36	Jan. 2, 2024
3.75% Notes, Series CQ	September 2014	January 2025	$997.75	3.78%	$800 million	$800 million	38.5	Oct. 17, 2024
3.75% Notes, Series CV	December 2015	March 2026	$992.14	3.84%	$600 million	$600 million	53.5	Dec. 10, 2025
2.75% Notes, Series CZ	July 2019	July 2026	$998.73	2.77%	$800 million	$800 million	33	May 8, 2026
2.80% U.S. Dollar Notes [3]	September 2016	February 2027	US$991.89	2.89%	US$600 million	US$600 million	20	Nov. 16, 2026
3.70% U.S. Dollar Notes [3]	March 2017	September 2027	US$998.95	3.71%	US$500 million	US$500 million	20	June 15, 2027
2.35% Notes, Series CAC	May 2020	January 2028	$997.25	2.39%	$600 million	$600 million	48	Nov. 27, 2027
3.625% Notes, Series CX	March 2018	March 2028	$989.49	3.75%	$600 million	$600 million	37	Dec. 1, 2027
3.30% Notes, Series CY	April 2019	May 2029	$991.75	3.40%	$1.0 billion	$1.0 billion	43.5	Feb. 2, 2029

Series	Issued	Maturity	Issue price	Effective interest rate [1]	Principal face amount: Originally issued	Principal face amount: Outstanding at financial statement date	Redemption present value spread: Basis points [2]	Redemption present value spread: Cessation date
3.15% Notes, Series CAA	December 2019	February 2030	$996.49	3.19%	$600 million	$600 million	39.5	Nov. 19, 2029
2.05% Notes, Series CAD	October 2020	October 2030	$997.93	2.07%	$500 million	$500 million	38	July 7, 2030
4.40% Notes, Series CL	April 2013	April 2043	$997.68	4.41%	$600 million	$600 million	47	Oct. 1, 2042
5.15% Notes, Series CN	November 2013	November 2043	$995.00	5.18%	$400 million	$400 million	50	May 26, 2043
4.85% Notes, Series CP	Multiple [4]	April 2044	$987.91 [4]	4.93% [4]	$500 million [4]	$900 million [4]	46	Oct. 5, 2043
4.75% Notes, Series CR	September 2014	January 2045	$992.91	4.80%	$400 million	$400 million	51.5	July 17, 2044
4.40% Notes, Series CU	March 2015	January 2046	$999.72	4.40%	$500 million	$500 million	60.5	July 29, 2045
4.70% Notes, Series CW	Multiple [5]	March 2048	$998.06 [5]	4.71% [5]	$325 million [5]	$475 million [5]	58.5	Sept. 6, 2047
4.60% U.S. Dollar Notes [3]	June 2018	November 2048	US$987.60	4.68%	US$750 million	US$750 million	25	May 16, 2048
4.30% U.S. Dollar Notes [3]	May 2019	June 2049	US$990.48	4.36%	US$500 million	US$500 million	25	Dec. 15, 2048
3.95% Notes, Series CAB	Multiple [6]	February 2050	$997.54 [6]	3.97% [6]	$400 million [6]	$800 million [6]	57.5	Aug. 16, 2049
4.10% Notes, Series CAE	April 2021	April 2051	$994.70	4.13%	$500 million	$NIL	53	Oct. 5, 2050

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

2 For Canadian dollar-denominated notes, the redemption price is equal to the greater of (i) the present value of the notes discounted at the Government of Canada yield plus the redemption present value spread calculated over the period to the redemption present value spread cessation date, or (ii) 100% of the principal amount thereof.

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

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

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

4 $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%.

5 $325 million of 4.70% Notes, Series CW were issued in March 2017 at an issue price of $990.65 and an effective interest rate of 4.76%. This series of notes was reopened in February 2018 and a further $150 million of notes were issued at an issue price of $1,014.11 and an effective interest rate of 4.61% in March 2018.

6 $400 million of 3.95% Notes, Series CAB were issued in December 2019 at an issue price of $991.54 and an effective interest rate of 4.00%. This series of notes was reopened in May 2020 and a further $400 million of notes were issued at an issue price of $1,003.53 and an effective interest rate of 3.93%.

(c) TELUS Corporation commercial paper

TELUS Corporation has an unsecured commercial paper program, which is backstopped by our $2.25 billion syndicated credit facility (see *(d)*) and is to be used for general corporate purposes, including capital expenditures and investments. This program enables us to issue commercial paper, subject to conditions related to debt ratings, up to a maximum aggregate amount at any one time of $1.4 billion (December 31, 2020 – $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, 2021, we had $918 million (December 31, 2020 – $731 million) of commercial paper outstanding, all of which was denominated in U.S. dollars (US$730 million; December 31, 2020 – US$574 million), with an effective average interest rate of 0.31%, maturing through July 2021.

(d) TELUS Corporation credit facility

As at March 31, 2021, TELUS Corporation had an unsecured revolving $2.25 billion bank credit facility, expiring on May 31, 2023, with a syndicate of financial institutions, which is to be used for general corporate purposes, including the backstopping of commercial paper. Subsequent to March 31, 2021, the credit facility was renewed for $2.75 billion with an expiry date of April 6, 2026.

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

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

As at (millions)	**March 31, 2021**	December 31, 2020
Net available	**$ 1,332**	$ 1, 519
Backstop of commercial paper	**918**	731
Gross available	**$ 2,250**	$ 2,250

We had $190 million of letters of credit outstanding as at March 31, 2021 (December 31, 2020 – $190 million), issued under various uncommitted facilities; such letter of credit facilities are in addition to the ability to provide letters of credit pursuant to our committed bank credit facility. We have arranged incremental letters of credit to allow us to participate in Innovation, Science and Economic Development Canada's 3500 MHz wireless spectrum auction that is to commence in June 2021. Under the terms of the auction, communications between bidders that would provide insights into bidding strategies, including reference to preferred blocks, technologies or valuations, are precluded until the deadline for the final payment in the auction. Disclosure of the precise amount of our letters of credit could be interpreted as a signal of bidding intentions. The maximum amount of letters of credit that any national incumbent could be required to deliver is approximately $360 million.

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

As at March 31, 2021, TELUS International (Cda) Inc. had a credit facility, secured by its assets, expiring on January 28, 2025, with a syndicate of financial institutions and, joined in 2020, by TELUS Corporation. The credit facility is comprised of US$620 million (TELUS Corporation as an approximately 7.5% lender) and US$230 million (TELUS Corporation as a 12.5% lender) revolving components and amortizing US$600 million (TELUS Corporation as 12.5% lender) and US$250 million term loan components. The credit facility is non-recourse to TELUS Corporation. The outstanding revolving components and term loan components had a weighted average interest rate of 2.86% as at March 31, 2021.

As at (millions)	**March 31, 2021**			December 31, 2020		
	Revolving components	Term loan components [1]	Total	Revolving component	Term loan component	Total
Available	**US$ 651**	**US$ N/A**	**US$ 651**	US$ 132	US$ N/A	US$ 132
Outstanding						
Due to other	**174**	**765**	**939**	653	775	1,428
Due to TELUS Corporation	**25**	**74**	**99**	65	75	140
	US$ 850	**US$ 839**	**US$ 1,689**	US$ 850	US$ 850	US$ 1,700

1 We have entered into a receive-floating interest rate, pay-fixed interest rate exchange agreement that effectively converts our interest obligations on US$99 of the debt to a fixed rate of 2.64%.
Relative to amounts owed to the syndicate of financial institutions, excluding TELUS Corporation, we have entered into foreign exchange derivatives (cross currency interest rate exchange agreements) that effectively convert an amortizing amount of US$399 of the principal payments, and associated interest obligations, to European euro obligations with an effective fixed interest rate of 0.65% and an effective fixed economic exchange rate of US$1.0932:€1.00. These have been accounted for as a net investment hedge in a foreign operation (see *Note 4*).

The TELUS International (Cda) Inc. 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. The TELUS International (Cda) Inc. quarter-end net debt to operating cash flow ratio must not exceed: 5.25:1.00 through fiscal 2021; 4.50:1.00 during fiscal 2022; and 3.75:1.00 subsequently. The quarter-end operating cash flow to debt service (interest and scheduled principal repayment) ratio must not be less than 1.50:1.00, all as defined in the credit facility.

The term loan components are 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 and December 22, 2022, for the US$250 million component, respectively.

(f) Other

Other liabilities bear interest at 3.34%, are secured by the associated AWS-4 spectrum licences and a real estate holding, and are subject to amortization schedules, which results in the principal being repaid over the period to maturity, March 31, 2035.

(g) Lease liabilities

Lease liabilities are subject to amortization schedules, which results in the principal being repaid over various periods, including reasonably expected renewals. The weighted average interest rate on lease liabilities was approximately 4.35% as at March 31, 2021.

(h) Long-term debt maturities

Anticipated requirements to meet long-term debt repayments, calculated for long-term debts owing as at March 31, 2021, are as follows:

Composite long-term debt denominated in	Canadian dollars			U.S. dollars					Other currencies	
						Currency swap agreement amounts to be exchanged				
Years ending December 31 (millions)	Long-term debt, excluding leases	Leases *(Note 19)*	Total	Long-term debt, excluding leases	Leases *(Note 19)*	(Receive) [1]	Pay	Total	Leases *(Note 19)*	Total
2021 (remainder of year)	**$ 188**	**$ 297**	**$ 485**	**$ 954**	**$ 20**	**$ (939)**	**$ 954**	**$ 989**	**$ 34**	**$ 1,508**
2022	**1,266**	**259**	**1,525**	**332**	**26**	**(28)**	**28**	**358**	**35**	**1,918**
2023	**533**	**135**	**668**	**33**	**23**	**(28)**	**28**	**56**	**30**	**754**
2024	**1,118**	**122**	**1,240**	**33**	**10**	**(28)**	**28**	**43**	**23**	**1,306**
2025	**1,019**	**96**	**1,115**	**747**	**8**	**(403)**	**432**	**784**	**14**	**1,913**
2026-2030	**4,809**	**273**	**5,082**	**1,383**	**12**	**(1,384)**	**1,459**	**1,470**	**32**	**6,584**
Thereafter	**4,188**	**280**	**4,468**	**1,572**	**—**	**(1,572)**	**1,646**	**1,646**	**6**	**6,120**
Future cash outflows in respect of composite long-term debt principal repayments	**13,121**	**1,462**	**14,583**	**5,054**	**99**	**(4,382)**	**4,575**	**5,346**	**174**	**20,103**
Future cash outflows in respect of associated interest and like carrying costs [2]	**6,160**	**357**	**6,517**	**2,369**	**18**	**(2,282)**	**2,317**	**2,422**	**36**	**8,975**
Undiscounted contractual maturities (*Note 4(b)*)	**$ 19,281**	**$ 1,819**	**$ 21,100**	**$ 7,423**	**$ 117**	**$ (6,664)**	**$ 6,892**	**$ 7,768**	**$ 210**	**$ 29,078**

1 Where applicable, cash flows reflect foreign exchange rates as at March 31, 2021.
2 Future cash outflows in respect of associated interest and like carrying costs for commercial paper and amounts drawn under our credit facilities (if any) have been calculated based upon the rates in effect as at March 31, 2021.

27 other long-term liabilities

As at (millions)	Note	**March 31, 2021**	December 31, 2020
Contract liabilities	*24*	**$ 67**	$ 61
Other		**5**	5
Deferred revenues		**72**	66
Pension benefit liabilities		**534**	926
Other post-employment benefit liabilities		**58**	64
Restricted share unit liabilities		**17**	17
Derivative liabilities	*4(d)*	**115**	155
Investment in real estate joint ventures	*21(b)*	**8**	12
Other		**17**	15
		821	1,255
Deferred customer activation and connection fees	*24*	**10**	10
		$ 831	$ 1,265

28 owners' equity

(a) TELUS Corporation Common Share capital – general

Our authorized share capital is as follows:

As at	**March 31, 2021**	December 31, 2020
First Preferred Shares	**1 billion**	1 billion
Second Preferred Shares	**1 billion**	1 billion
Common Shares	**4 billion**	4 billion

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

During the three-month period ended March 31, 2021, we issued approximately 51 million Common Shares for gross proceeds of $1.3 billion.

As at March 31, 2021, approximately 14 million Common Shares were reserved for issuance from Treasury under a dividend reinvestment and share purchase plan (see *Note 13(b)*); approximately 24 million Common Shares were reserved for issuance from Treasury under a restricted share unit plan (see *Note 14(b)*); and approximately 90 million Common Shares were reserved for issuance from Treasury under a share option plan (see *Note 14(d)*).

(b) Subsidiary with significant non-controlling interest

Our TELUS International (Cda) Inc. subsidiary is incorporated under the *Business Corporations Act* (British Columbia) and has geographically dispersed operations with principal places of business in Asia, Central America, Europe and North America. On a continuing basis, we review our corporate organization and effect changes as appropriate so as to enhance the value of TELUS Corporation.

In February 2021, TELUS International (Cda) Inc. made an initial public offering of subordinate voting shares; both TELUS Corporation and a TELUS International (Cda) Inc. non-controlling shareholder individually also offered subordinate voting shares in conjunction with the initial public offering. Due to the voting rights associated with the remaining multiple voting shares held by TELUS Corporation, as at March 31, 2021, it retained a 67.0% voting and controlling interest and a 55.2% economic interest in TELUS International (Cda) Inc. subsequent to the public purchase of subordinate voting shares; as at December 31, 2020, TELUS Corporation held a 62.6% voting, controlling and economic interest.

Three-month period ended March 31, 2021 (millions)	Net cash proceeds	Income taxes	Net
Initial public offering of subordinate voting shares by TELUS International (Cda) Inc	$ 630	$ (10)	$ 640
TELUS International (Cda) Inc. subordinate voting shares secondarily offered by TELUS Corporation	197	4	193
	$ 827	$ (6)	$ 833
Effect of initial public offering and secondary offering on owners' equity recorded amounts			
Contributed surplus			$ 440
Non-controlling interests			393
			$ 833

Summarized financial information

As at, or for the three-month periods ended (millions)[1]	Three months March 31, 2021	March 31, 2020	December 31, 2020
Statement of financial position			
Current assets	**$ 735**		$ 746
Non-current assets	**$ 3,917**		$ 4,055
Current liabilities	**$ 691**		$ 689
Non-current liabilities	**$ 1,939**		$ 2,696
Statement of income and other comprehensive income			
Revenue and other income	**$ 639**	$ 466	
Net income	**$ 5**	$ 7	
Comprehensive income (loss)	**$ (34)**	$ 40	

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

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

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

Uncertified class actions
Uncertified class actions against us include:

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

Public Mobile class actions
In 2014 class actions were brought against us in Quebec and Ontario on behalf of Public Mobile's customers, alleging that changes to the technology, services and rate plans made by us contravene our statutory and common

law obligations. In particular, the Quebec action alleges that our actions constitute a breach of the Quebec *Consumer Protection Act*, the Quebec *Civil Code*, and the Ontario *Consumer Protection Act*. 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 mobile customers, and by charging our mobile customers inflated rate plan prices and termination fees higher than those permitted under the *Act*. The claim was later amended to also seek compensation for amounts paid by class members to unlock their mobile devices. The authorization hearing was held on April 30 and May 1, 2019, and on July 15, 2019, the Quebec Superior Court dismissed the authorization application. The Plaintiff's appeal of this decision was heard in the first quarter of 2021 and we are awaiting a decision.

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 Team.

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

	Three months	
Periods ended March 31 (millions)	**2021**	2020 [1]
Short-term benefits	**$ 3**	$ 3
Post-employment pension [2] and other benefits	**2**	1
Share-based compensation [3]	**17**	—
	$ 22	$ 4

1 To reflect the expanded roles and responsibilities of Executive Team members who are not also Executive Leadership Team members, we have expanded our definition of key management personnel so as to include all Executive Team members and we have applied such definition retrospectively.
2 Our Executive Team members are members of our *Pension Plan for Management and Professional Employees of TELUS Corporation* and certain other non-registered, non-contributory supplementary defined benefit pension plans.
3 We accrue an expense for the notional subset of our restricted share units with market performance conditions using a Monte Carlo simulation-determined fair value. Restricted share units with an equity settlement feature are accounted for as equity instruments. The expense for restricted share units that do not ultimately vest is reversed against the expense that was previously recorded in their respect.

As disclosed in *Note 14*, we made initial awards of share-based compensation in 2021 and 2020, including, as set out in the following table, to our key management personnel. As most of these awards are cliff-vesting or graded-vesting and have multi-year requisite service periods, the related expense will be recognized rateably over a period of years and thus only a portion of the 2021 and 2020 initial awards are included in the amounts in the table above.

Three-month periods ended March 31	**2021**			2020		
($ in millions)	Number of units	Notional value [1]	Grant-date fair value [1]	Number of units	Notional value [1]	Grant-date fair value [1]
TELUS Corporation						
Restricted share units	**1,222,589**	**$ 32**	**$ 35**	981,088	$ 25	$ 33
TELUS International (Cda) Inc.						
Restricted share units	**205,308**	**7**	**7**	—	—	—
Share options	**167,693**	**1**	**1**	—	—	—
		8	**8**		—	—
		$ 40	**$ 43**		$ 25	$ 33

1 In respect of restricted share units, notional value is determined by multiplying the equity share price at the time of award by the number of units awarded; the grant-date fair value differs from the notional value because the fair values of some awards have been determined using a Monte Carlo simulation (see *Note 14(b)*). In respect of share options, fair values have been determined using an option pricing model. No share options were awarded to our key management personnel in fiscal 2020.

The amount recorded for liability-accounted restricted share unit and share options awards outstanding at March 31, 2021 was $10 million (December 31, 2020 – $10 million).

Our *Directors' Deferred Share Unit Plan* provides that, in addition to his or her annual equity grant of deferred share units, a director may elect to receive his or her annual retainer and meeting fees in deferred share units, TELUS Corporation Common Shares or cash. Deferred share units entitle directors to a specified number of TELUS Corporation Common Shares. Deferred share units accounted for as liabilities were paid out when a director ceased to be a director, for any reason, at a time elected by the director in accordance with the *Directors' Deferred Share Unit Plan*; during the three-month period ended March 31, 2020, no amount was paid out. As at March 31, 2021 and December 31, 2020, no liability-accounted awards were outstanding.

During the three-month period ended March 31, 2021, key management personnel exercised 215,973 TELUS International (Cda) Inc. share options (2020 – NIL) which had an intrinsic value of $7 million (2020 – NIL) at the time of exercise, reflecting a weighted average price at the date of exercise of $39.58 (2020 – N/A).

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

(b) Transactions with defined benefit pension plans

During the three-month period ended March 31, 2021, we provided management and administrative services to our defined benefit pension plans; the charges for these services were on a cost recovery basis and amounted to $2 million (2020 – $2 million).

(c) Transactions with real estate joint venture and associate

During the three-month periods ended March 31, 2021 and 2020, we had transactions with the TELUS Sky real estate joint venture, which is a related party, as set out in *Note 21.* As at March 31, 2021, we had recorded lease liabilities of $76 million (December 31, 2020 – $76 million) in respect of our TELUS Sky lease and monthly cash payments are made in accordance with the lease agreement; one-third of those amounts is due to our economic interest in the real estate joint venture.

31 additional statement of cash flow information

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

Periods ended March 31 (millions)	Note	Three months 2021	Three months 2020
OPERATING ACTIVITIES			
Net change in non-cash operating working capital			
Accounts receivable		**$ 86**	$ 25
Inventories		**(14)**	69
Contract assets		**19**	85
Prepaid expenses		**(128)**	(47)
Accounts payable and accrued liabilities		**(103)**	(120)
Income and other taxes receivable and payable, net		**(80)**	78
Advance billings and customer deposits		**(2)**	15
Provisions		**12**	(45)
		$ (210)	$ 60
INVESTING ACTIVITIES			
Cash payments for capital assets, excluding spectrum licences			
Capital asset additions			
Gross capital expenditures			
Property, plant and equipment	*17*	**$ (582)**	$ (602)
Intangible assets subject to amortization	*18*	**(162)**	(150)
		(744)	(752)
Additions arising from leases	*17*	**58**	82
Additions arising from non-monetary transactions		**1**	5
Capital expenditures	*5*	**(685)**	(665)
Other non-cash items included above			
Change in associated non-cash investing working capital		**(65)**	(115)
		$ (750)	$ (780)

(b) Changes in liabilities arising from financing activities

		Statement of cash flows		Non-cash changes		
(millions)	Beginning of period	Issued or received	Redemptions, repayments or payments	Foreign exchange movement (*Note 4(e)*)	Other	End of period
THREE-MONTH PERIOD ENDED MARCH 31, 2020						
Dividends payable to holders of Common Shares	$ 352	$ —	$ (352)	$ —	$ 371	$ 371
Dividends reinvested in shares from Treasury	—	—	130	—	(130)	—
	$ 352	$ —	$ (222)	$ —	$ 241	$ 371
Short-term borrowings	$ 100	$ 200	$ (200)	$ —	$ —	$ 100
Long-term debt						
TELUS Corporation senior notes	$ 14,479	$ —	$ —	$ 282	$ 2	$ 14,763
TELUS Corporation commercial paper	1,015	612	(1,238)	70	—	459
TELUS Communications Inc. debentures	621	—	—	—	—	621
TELUS International (Cda) Inc. credit facility	431	765	—	95	(6)	1,285
Other	267	—	(188)	—	202	281
Lease liabilities	1,661	—	(84)	23	99	1,699
Derivatives used to manage currency risk arising from U.S. dollar-denominated long-term debt – liability (asset)	(37)	1,238	(1,216)	(352)	(288)	(655)
	18,437	2,615	(2,726)	118	9	18,453
To eliminate effect of gross settlement of derivatives used to manage currency risk arising from U.S. dollar-denominated long-term debt	—	(1,238)	1,238	—	—	—
	$ 18,437	$ 1,377	$ (1,488)	$ 118	$ 9	$ 18,453
THREE-MONTH PERIOD ENDED MARCH 31, 2021						
Dividends payable to holders of Common Shares	$ 403	**$ —**	**$ (403)**	**$ —**	**$ 404**	**$ 404**
Dividends reinvested in shares from Treasury	—	**—**	**152**	**—**	**(152)**	**—**
	$ 403	**$ —**	**$ (251)**	**$ —**	**$ 252**	**$ 404**
Short-term borrowings	$ 100	**$ —**	**$ —**	**$ —**	**$ —**	**$ 100**
Long-term debt						
TELUS Corporation senior notes	$ 15,021	**$ —**	**$ —**	**$ (37)**	**$ 3**	**$ 14,987**
TELUS Corporation commercial paper	731	**975**	**(778)**	**(10)**	**—**	**918**
TELUS Communications Inc. debentures	622	**—**	**—**	**—**	**—**	**622**
TELUS International (Cda) Inc. credit facility	1,804	**—**	**(624)**	**(13)**	**1**	**1,168**
Other	273	**—**	**(5)**	**—**	**52**	**320**
Lease liabilities	1,837	**—**	**(123)**	**(6)**	**49**	**1,757**
Derivatives used to manage currency risk arising from U.S. dollar-denominated long-term debt – liability (asset)	120	**785**	**(791)**	**23**	**(76)**	**61**
	20,408	**1,760**	**(2,321)**	**(43)**	**29**	**19,833**
To eliminate effect of gross settlement of derivatives used to manage currency risk arising from U.S. dollar-denominated long-term debt	—	**(785)**	**785**	**—**	**—**	**—**
	$ 20,408	**$ 975**	**$ (1,536)**	**$ (43)**	**$ 29**	**$ 19,833**