TELUS CORPORATION

Management's discussion and analysis

2018 Q3

Caution regarding forward-looking statements

This document contains forward-looking statements about expected events and the financial and operating performance of TELUS Corporation. 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.

Forward-looking statements include any statements that do not refer to historical facts. They include, but are not limited to, statements relating to our objectives and our strategies to achieve those objectives, our targets, outlook, updates, and our multi-year dividend growth program. Forward-looking statements are typically identified by the words *assumption, goal, guidance, objective, outlook, strategy, target* and other similar expressions, or future or conditional verbs such as *aim, anticipate, believe, could, expect, intend, may, plan, predict, seek, should, strive* and *will*.

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. An update to our assumptions for 2018 is 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:

- Competition including: our ability to continue to retain customers through an enhanced customer service experience, including through the deployment and operation of evolving wireless and wireline network; the ability of industry competitors to successfully combine a mix of high-speed Internet access (HSIA) and, in some cases, wireless services under one bundled and/or discounted monthly rate, along with their existing broadcast or satellite-based TV services; the success of new products, new services and supporting systems, such as home automation security, and Internet of Things (IoT) services for Internet-connected devices; continued intense rivalry across all services among wireless and wireline telecommunications companies, cable-TV providers, other communications companies and over-the-top (OTT) services, which, among other things, places pressures on current and future average billing per subscriber unit per month (ABPU) (as described in *Section 5 Discussion of operations*), average revenue per subscriber unit per month (ARPU), cost of acquisition, cost of retention and churn rate for all services, as do customer usage patterns, flat-rate pricing trends for voice and data, inclusive rate plans for voice and data and availability of Wi-Fi networks for data; mergers and acquisitions of industry competitors; pressures on high-speed Internet and TV ARPU and churn rate resulting from market conditions, government actions and customer usage patterns; residential and business network access line (NAL) losses; subscriber additions and retention volumes, and associated costs for wireless, TV and high-speed Internet services; our ability to obtain and offer content on a timely basis across multiple devices on wireless and TV platforms at a reasonable cost; our ability to compete successfully in customer care and business services (CCBS) contracting given our competitors' brand recognition, consolidation and strategic alliances as well as technology development and our ongoing ability to provide a service experience that meets or exceeds customer expectations and, in our TELUS Health business, our ability to compete with other providers of electronic medical records and pharmacy management products, systems integrators and health service providers including those that own a vertically integrated mix of health services delivery, IT solutions, and related services, and global providers that could achieve expanded Canadian footprints.
- Technological substitution including: reduced utilization and increased commoditization of traditional wireline voice local and long distance services from impacts of OTT applications and wireless substitution, a declining overall market for paid TV services, including as a result of content piracy and signal theft and as a result of a rise in OTT direct to consumer video offerings and virtual multichannel video programming distribution platforms; the increasing number of households that have only wireless and/or Internet-based telephone services; potential wireless ABPU and ARPU declines as a result of, among other factors, substitution to messaging and OTT applications; substitution to increasingly available Wi-Fi services; and disruptive technologies such as OTT IP services, including Network as a Service in the business market, that may displace or re-rate our existing data services.
- Technology including: subscriber demand for data that may challenge network and spectrum capacity levels in the future and may be accompanied by increases in delivery cost; our reliance on information technology and our need to streamline our legacy systems; technology options, evolution paths and roll-out plans for video distribution platforms and telecommunications network technologies (including broadband initiatives, such as fibre to the premises (FTTP), wireless small-cell deployment, 5G wireless and availability of resources and ability to build out adequate broadband capacity); our reliance on wireless network access agreements, which have facilitated our deployment of wireless technologies; choice of suppliers and those suppliers' ability to maintain and service their product lines, which could affect the success of upgrades to, and evolution of, technology that we offer; supplier limitations and concentration and market power for network equipment, TELUS TV® and wireless handsets; the performance of wireless technology; our expected long-term need to acquire additional spectrum capacity through future spectrum auctions and from third parties to address increasing demand for data; deployment and operation of new wireline broadband network technologies at a reasonable cost and availability and success of new products and services to be rolled out using such network technologies; network reliability and change management; self-learning tools and automation that may change the way we interact with customers; and uncertainties around our strategy to replace certain legacy wireline network technologies, systems and services to reduce operating costs.

- Regulatory decisions and developments including the potential of government intervention to further increase wireless competition; the potential for regulatory intervention further to the CRTC's ongoing proceeding with respect to lower-cost data-only plans; future spectrum auctions and spectrum policy determinations, including the amount of spectrum TELUS is able to acquire and its cost under the Technical, Policy and Licensing Framework for Spectrum in the 600 MHz Band, as well as cost and availability of spectrum in the 3500 MHz and mmWave bands; restrictions on the purchase, sale and transfer of spectrum licences; Innovation, Science and Economic Development Canada (ISED's) consideration to renew TELUS' AWS-1 and PCS-G spectrum licences that are set to expire in late 2018 and early 2019; the impact of the CRTC's wireline wholesale services review, with a review of rates and configurations for wholesale access currently in progress for TELUS; changes to the cost burden associated with CRTC-mandated network interconnections; disputes with certain municipalities regarding rights-of-way bylaws, and other potential threats to unitary federal regulatory authority over telecommunications, including provincial wireless and consumer protection legislation; the Competition Bureau's market study on competition in broadband services; the CRTC's forthcoming report on the retail practices of Canada's large telecommunications carriers, as directed by the Governor in Council; the CRTC's phase-out of the local service subsidy regime and corresponding establishment of a broadband funding regime to support the enhancement of high-speed Internet services focusing on underserved areas in Canada; the CRTC's review of the price cap and local forbearance regimes; the CRTC's implementation of new initiatives discussed in its May 2018 report "Harnessing Change: The Future of Programming Distribution in Canada"; vertical integration in the broadcasting industry resulting in competitors owning broadcast content services, and timely and effective enforcement of related regulatory safeguards; the review of the *Copyright Act*, which began in early 2018; the federal government's review of the *Broadcasting Act*, *Telecommunications Act* and *Radiocommunication Act* as announced on June 5, 2018; the pending ratification and implementation of the United States Mexico Canada Agreement; restrictions on non-Canadian ownership and control of TELUS Common Shares and the ongoing monitoring and compliance with such restrictions; and our ability to comply with complex and changing regulation of the healthcare and medical devices industry in the provinces of Canada in which we operate, including as an operator of health clinics.
- Capital expenditure levels and potential outlays for spectrum licences in spectrum auctions or from third parties, due to: our broadband initiatives, including connecting more homes and businesses directly to fibre; our ongoing deployment of newer wireless technologies, including wireless small cells to improve coverage and capacity and prepare for a more efficient and timely evolution to 5G wireless services; utilizing acquired spectrum; investments in network resiliency and reliability; subscriber demand for data; evolving systems and business processes; implementing efficiency initiatives; supporting large complex deals; and future wireless spectrum auctions held by ISED including the 600 MHz spectrum auction scheduled to take place in March 2019 which will result in increased expenditures. Our capital expenditure levels could be impacted if we do not achieve our targeted operational and financial results.
- Human resource matters including: recruitment, retention and appropriate training in a highly competitive industry, and the level of employee engagement.
- Operational performance and business combination risks including: our reliance on legacy systems and ability to implement and support new products and services and business operations in a timely manner; our ability to implement effective change management for system replacements and upgrades, process redesigns and business integrations (such as our ability to successfully integrate acquisitions, complete divestitures or establish partnerships in a timely manner, and realize expected strategic benefits, including those following compliance with any regulatory orders); our ability to identify and manage new risks inherent to new service offerings that we may provide, including as a result of acquisitions, which could result in damage to our brand, our business in the relevant area or as a whole, additional exposure to litigation or regulatory proceedings; the implementation of complex large enterprise deals that may be adversely impacted by available resources; system limitations and degree of co-operation from other service providers; our ability to successfully manage operations in foreign jurisdictions, including managing risks such as currency fluctuations; and real estate joint venture re-development risks.
- Business continuity events including: our ability to maintain customer service and operate our networks in the event of human error or human-caused threats, such as cyberattacks and equipment failures that could cause various degrees of network outages; supply chain disruptions, delays and economics including as a result of government restrictions or trade actions; natural disaster threats; epidemics; pandemics; political instability in certain international locations; information security and privacy breaches, including data loss or theft of data; intentional threats to our infrastructure and business operations; and the completeness and effectiveness of business continuity and disaster recovery plans and responses.
- Ability to successfully implement cost reduction initiatives and realize planned savings, net of restructuring and other costs, without losing customer service focus or negatively affecting business operations. Examples of these initiatives are: our operating efficiency and effectiveness program to drive improvements in financial results, including the future benefits of the 2016 immediately vesting transformative compensation initiative; business integrations; business product simplification; business process outsourcing; offshoring and reorganizations, including any full-time equivalent (FTE) employee reduction programs; procurement initiatives; and real estate rationalization. Additional revenue and cost efficiency and effectiveness initiatives will continue to be assessed and implemented.
- Financing and debt requirements including: our ability to carry out financing activities, and our ability to maintain investment grade credit ratings in the range of BBB+ or the equivalent.

- Ability to sustain our dividend growth program through 2019. This program may be affected by factors such as the competitive environment, economic performance in Canada, our earnings and free cash flow, our levels of capital expenditures and spectrum licence purchases, acquisitions, the management of our capital structure, and regulatory decisions and developments. Quarterly dividend decisions are subject to assessment and determination by our Board of Directors (Board) based on the Company's financial position and outlook. Shares may be purchased under our normal course issuer bid (NCIB) when and if we consider it opportunistic, based on the Company's financial position and outlook, and the market price of TELUS shares. There can be no assurance that our dividend growth program or any NCIB will be maintained, not changed and/or completed through 2019.
- Taxation matters including: interpretation of complex domestic and foreign tax laws by the tax authorities that may differ from our interpretations; the timing and character of income and deductions, such as tax depreciation and operating expenses; tax credits or other attributes; changes in tax laws, including tax rates; tax expenses being materially different than anticipated, including the taxability of income and deductibility of tax attributes; elimination of income tax deferrals through the use of different tax year-ends for operating partnerships and corporate partners; and changes to the interpretation of tax laws, including as a result of changes to applicable accounting standards or tax authorities adopting more aggressive auditing practices, tax reassessments or adverse court decisions impacting the tax payable by us.
- Litigation and legal matters including: our ability to successfully respond to investigations and regulatory proceedings; our ability to defend against existing and potential claims and lawsuits, including intellectual property infringement claims and class actions based on consumer claims, data, privacy or security breaches and secondary market liability; and the complexity of legal compliance in domestic and foreign jurisdictions, including compliance with competition, anti-bribery and foreign corrupt practices laws.
- Health, safety and the environment including: lost employee work time resulting from illness or injury, public concerns related to radio frequency emissions, environmental issues affecting our business including climate change, waste and waste recycling, risks relating to fuel systems on our properties, and changing government and public expectations regarding environmental matters and our responses.
- Economic growth and fluctuations including: the state of the economy in Canada, which may be influenced by economic and other developments outside of Canada, including potential outcomes of yet unknown policies and actions of foreign governments; future interest rates; inflation; unemployment levels; effects of fluctuating oil prices; effects of low business spending (such as reducing investments and cost structure); pension investment returns, funding and discount rates; and Canadian dollar: U.S. dollar exchange rates.

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 2017 annual MD&A. Those descriptions are incorporated by reference in this cautionary statement but are not intended to be a complete list of the risks that could affect the Company.

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

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

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

Management's discussion and analysis (MD&A)

November 8, 2018

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1. Introduction

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

1.1 Preparation of the MD&A

The following sections present a discussion of our consolidated financial position and performance for the three-month and nine-month periods ended September 30, 2018, and should be read together with our September 30, 2018, condensed interim consolidated financial statements (interim consolidated financial statements). The generally accepted accounting principles (GAAP) we use are the International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB). Our interim consolidated financial statements comply with IFRS-IASB and Canadian GAAP and have been prepared in accordance with International Accounting Standard 34, *Interim Financial Reporting*. In this MD&A, the term IFRS is used to refer to these standards. We adopted IFRS 9, *Financial Instruments* and IFRS 15, *Revenue from Contracts with Customers* on January 1, 2018, with retrospective application. See *Section 5.2 Summary of consolidated quarterly results and trends*, *Section 5.4 Wireless segment* and *Section 5.5 Wireline segment* of the MD&A, as well as *Note 2(c)* of the interim consolidated financial statements for reconciliations of results excluding IFRS 15 effects. 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 the 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**).

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 informed decisions can be made regarding appropriate 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 November 8, 2018.

In this MD&A, unless otherwise indicated, results for the third quarter of 2018 (three-month period ended September 30, 2018) and the nine-month period ended September 30, 2018 are compared with results from the third quarter of 2017 (three-month period ended September 30, 2017) and the nine-month period ended September 30, 2017, adjusted for the retrospective application of IFRS 9 and IFRS 15 (to the three-month period ended and nine-month period ended September 30, 2017).

1.2 The environment in which we operate

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

Economic growth

We currently estimate that the annual rate of economic growth in Canada in 2018 will be 2.1%, as updated in our first quarter 2018 MD&A, based on a composite of estimates from Canadian banks and other sources. For our incumbent local exchange carrier (ILEC) provinces in Western Canada, we currently estimate that annual rates of economic growth will be 2.2% in 2018 in British Columbia (B.C.), and 2.2% in Alberta. The Bank of Canada's October 2018 Monetary Policy Report estimated economic growth in Canada will be 2.1% in 2018. The extent to which these economic growth estimates affect us and the timing of their impact will depend upon the actual experience of specific sectors of the Canadian economy.

In respect of the national unemployment rate, Statistics Canada's Labour Force Survey reported a rate of 5.9% for September 2018 (5.7% for December 2017 and 6.2% for September 2017). The unemployment rate for B.C. was 4.2% for September 2018 (4.6% for December 2017 and 4.9% for September 2017), while the unemployment rate for Alberta was 7.0% for September 2018 (6.9% for December 2017 and 7.9% for September 2017).

With respect to the pace of housing starts, Canada Mortgage and Housing Corporation reported the seasonally adjusted annual rate of housing starts in September 2018 of approximately 189,000 units, compared to the September 2017 rate of approximately 219,000 units.

1.3 Consolidated highlights

Medisys Health Group Inc.

On July 19, 2018, we acquired Medisys Health Group Inc., a leading provider of preventative healthcare and wellness services for workplaces across Canada. The total purchase price was approximately $84 million of which $79 million was paid by issuance of approximately 1.7 million TELUS Common Shares. The investment was made with a view to growing the delivery of employee-centred workplace health and wellness services. With this acquisition, TELUS Health will be able to deliver employee-centered care, backed by TELUS' broadband networks and supported by digital tools such as patient portals, virtual care, wellness and mental health applications, electronic prescribing, electronic benefit claims and secure messaging. The Medisys Health Group network will serve as an innovation hub for next-generation technology, as well as preventative care and wellness programs, so patient outcomes can be measured.

Early redemption of 2019 Notes

On August 1, 2018, we executed our June 28, 2018, notice to early redeem all of our $1.0 billion 5.05%, series CG Notes due December 4, 2019. The long-term debt prepayment premium recorded in the three-month period ended September 30, 2018, was approximately $34 million before income taxes (or $0.04 per share after income taxes).

Sale of TELUS Garden and donation to the TELUS Friendly Future Foundation

On August 8, 2018, the TELUS Garden real estate joint venture sold the income producing property and the related net assets. The purchaser assumed the 3.7% mortgage and the 3.4% bonds secured by the income producing property. In the application of equity accounting, we recorded our share of the non-recurring gain at $171 million. Concurrently, we committed to a donation to the TELUS Friendly Future Foundation of $118 million to help ensure vulnerable youth thrive in our digital society through better access to health and educational opportunities. Of this $118 million, an initial donation of $100 million was made in the third quarter of 2018 in TELUS Corporation Common Shares acquired in the market, with the remainder committed over a 10-year period. The Foundation will give financial grants to grassroots charities across Canada that need help in directly supporting underserved youth in our communities. Through these grants, the Foundation will support our Community Boards in connecting youth to the people and opportunities that matter most.

Changes to the Board of Directors

Effective November 1, 2018, Denise Pickett joined our Board. Denise was named Chief Risk Officer and President, Global Risk, Banking and Compliance, American Express in February 2018. From 1992 to the present, Denise has held a series of progressively senior roles throughout American Express. She was Country Manager for American Express Canada and President and CEO of Amex Bank of Canada. Denise subsequently relocated to the United States where most recently she served as the President of American Express OPEN, the small business division, followed by the President of U.S. Consumer Services. She was also a member of the board of directors of the Hudson's Bay Company (2012 to 2018) and serves as Vice Chair on the board of directors of the United Way of New York City. Denise holds an MBA in marketing from the Schulich School of Business at York University and earned her Honours BA in Human Biology and Physiology from the University of Toronto. She was named to Payment Source's Most Influential Women in Payments in 2018.

Consolidated highlights

($ millions, except footnotes and unless noted otherwise)	Third quarters ended September 30			Nine-month periods ended September 30		
	2018	2017	Change	**2018**	2017	Change
	Applying IFRS 9 and IFRS 15 (2017 adjusted)			*Applying IFRS 9 and IFRS 15 (2017 adjusted), except as noted*		
Consolidated statements of income						
Operating revenues[1]	**3,774**	3,404	10.9%	**10,604**	9,867	7.5%
Operating income	**777**	697	11.5%	**2,188**	2,082	5.1%
Income before income taxes	**581**	548	6.0%	**1,686**	1,653	2.0%
Net income	**447**	406	10.1%	**1,256**	1,224	2.6%
Net income attributable to Common Shares	**443**	403	9.9%	**1,243**	1,206	3.1%
Adjusted Net income[2]	**445**	417	6.7%	**1,294**	1,247	3.8%
Earnings per share (EPS) ($)						
Basic EPS	**0.74**	0.68	8.8%	**2.09**	2.04	2.5%
Adjusted basic EPS[2]	**0.74**	0.70	5.7%	**2.17**	2.11	2.8%
Diluted EPS	**0.74**	0.68	8.8%	**2.08**	2.04	2.0%
Dividends declared per Common Share ($)	**0.5250**	0.4925	6.6%	**1.5550**	1.4650	6.1%
Basic weighted-average Common Shares outstanding (millions)	**597**	594	0.5%	**596**	592	0.7%
Consolidated statements of cash flows						
Cash provided by operating activities	**1,066**	1,133	(5.9)%	**3,110**	2,968	4.8%
Cash used by investing activities	**(621)**	(866)	(28.3)%	**(2,348)**	(2,909)	(19.3)%
Acquisitions	**(34)**	(82)	(58.5)%	**(285)**	(560)	(49.1)%
Capital expenditures[3]	**(762)**	(821)	(7.2)%	**(2,203)**	(2,355)	(6.5)%
Cash used by financing activities	**(695)**	(150)	n/m	**(838)**	(3)	n/m
Other highlights						
Subscriber connections[4] (thousands)				**13,311**	12,942	2.9%
Earnings before interest, income taxes, depreciation and amortization (EBITDA)[2]	**1,349**	1,244	8.2%	**3,869**	3,687	4.9%
Restructuring and other costs[2,5]	**173**	23	n/m	**242**	63	n/m
Adjusted EBITDA[6]	**1,351**	1,267	6.4%	**3,940**	3,747	5.1%
Adjusted EBITDA margin[7] (%)	**37.5**	37.3	0.2 pts.	**37.8**	38.0	(0.2) pts.
Free cash flow[2]	**303**	215	40.9%	**1,075**	692	55.3%
Net debt to EBITDA – excluding restructuring and other costs[2,8,9] (times)				**2.54**	2.76	n/m

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

1 In the third quarter of 2018, we recorded equity income related to real estate joint ventures of $171 million arising from the sale of TELUS Garden.

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

3 Capital expenditures include assets purchased but not yet paid for, and consequently differ from Cash payments for capital assets, excluding spectrum licences, as reported on the condensed interim consolidated statements of cash flows.

4 The sum of active wireless subscribers, residential network access lines (NALs), high-speed Internet access subscribers and TELUS TV subscribers, measured at the end of the respective periods based on information in billing and other systems. Effective April 1, 2017, postpaid subscribers, total subscribers and associated operating statistics (gross additions, net additions, average billing per subscriber unit per month (ABPU), average revenue per subscriber unit per month (ARPU) and churn) were adjusted to include an estimated migration of 85,000 Manitoba Telecom Services Inc. (MTS) subscribers in the opening subscriber balances. Subsequent to this, on October 1, 2017, total subscribers and associated operating statistics were adjusted to reduce estimated migrations of MTS subscribers by 11,000 to 74,000. Effective April 1, 2018, and on a prospective basis, we have adjusted cumulative subscriber connections to remove approximately 68,000 TELUS TV subscribers as we have ceased marketing our Satellite TV product.

5 In the third quarter of 2018, we recorded a donation to the TELUS Friendly Future Foundation of $118 million as part of other costs.

6 Adjusted EBITDA for all periods excludes restructuring and other costs (See *Section 11.1* for restructuring and other cost amounts). Adjusted EBITDA for all periods excludes non-recurring gains and equity income related to real estate joint ventures.

7 Adjusted EBITDA margin is Adjusted EBITDA divided by Operating revenues, where the calculation of Operating revenues excludes non-recurring gains and equity income related to real estate joint ventures.

8 The 2017 amount excludes the effects of implementing IFRS 9 and IFRS 15. Had the 2018 amount excluded the effects of implementing IFRS 9 and IFRS 15, the 2018 amount would be 2.60. (See *Section 7.5 Liquidity and capital resource measures*.)

9 Excluding the third quarter of 2018 equity income related to real estate joint ventures of $171 million arising from the sale of TELUS Garden, the 2018 amount would be 2.63.

Operating highlights

- **Consolidated operating revenues** increased by $370 million in the third quarter of 2018 and $737 million in the first nine months of 2018:

  Service revenues increased by $150 million in the third quarter of 2018 and $417 million in the first nine months of 2018, mainly due to growth in wireless network revenue and wireline data services revenue, partly offset by the ongoing decline in legacy wireline voice revenue.

  Equipment revenues increased by $49 million in the third quarter of 2018 and $137 million in the first nine months of 2018, largely due to higher wireless equipment revenue resulting from increases in postpaid gross additions as well as higher-value smartphones in the gross additions and retention mix.

  Other operating income increased by $171 million in the third quarter and $183 million in the first nine months of 2018, primarily due to equity income related to real estate joint ventures arising from the sale of TELUS Garden of $171 million as previously noted of which 50% was allocated to each of the wireless and wireline segments. Excluding the effect of equity income related to real estate joint ventures arising from the sale of TELUS Garden, Other operating income was flat in the third quarter of 2018 and increased by $12 million in the first nine months of 2018. The increase in the first nine months of 2018 was primarily due to higher net gains from sales of certain assets, and property, plant and equipment.

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

- During the 12-month period ending September 30, 2018, our total **subscriber connections** increased by 369,000, reflecting a 4.5% increase in wireless postpaid subscribers, a 6.3% increase in high-speed Internet subscribers and, excluding the Satellite TV subscriber adjustment, a 4.9% increase in TELUS TV subscribers, partly offset by a 2.7% decline in wireless prepaid subscribers and a 4.0% decline in residential NALs.

  Our postpaid wireless subscriber net additions were 109,000 in the third quarter of 2018 and 244,000 in the first nine months of 2018, down 6,000 and 14,000, respectively, from the same periods in 2017, due to continued net new demand from Canadian consumers and businesses partly offset by incremental deactivations from competitive intensity. Our comparatively low postpaid churn rate was 0.87% in the third quarter of 2018 and 0.88% in the first nine months of 2018, while our blended churn rate was 1.03% in the third quarter of 2018 and 1.06% in the first nine months of 2018. In the prior year, our postpaid churn rate was 0.86% in both the third quarter of 2017 and first nine months of 2017, while our blended churn rate was 1.05% in the third quarter of 2017 and 1.07% in the first nine months of 2017. (See *Section 5.4 Wireless segment* for additional details.)

  Net additions of high-speed Internet subscribers were 36,000 in the third quarter of 2018 and 87,000 in the first nine months, up 17,000 and 27,000, respectively, from the same periods in 2017. The increases resulted from the increased demand for our high-speed broadband services, including fibre to the premises (FTTP), as well as improved churn reflecting our focus on executing customers first initiatives and retention programs. Net additions of TELUS TV subscribers were 18,000 in the third quarter of 2018 and 39,000 in the first nine months of 2018, up 9,000 in the quarter and 18,000 in the nine-month period. The increases reflect a lower customer churn rate from stronger retention efforts and higher gross additions from our diverse product offerings. Our continued focus on expanding our addressable high-speed Internet and Optik TV® footprint, connecting more homes and businesses directly to fibre, and bundling these services together contributed to combined Internet and TV subscriber growth of 93,000 or 3.3% over the last 12 months. We have made TELUS PureFibre available to 56% of our broadband footprint at the end of the third quarter of 2018 and we estimate that we will have TELUS PureFibre available to approximately 60% of our broadband footprint by the end of 2018. (See *Section 5.5 Wireline segment* for additional details.)

- **Operating income** increased by $80 million in the third quarter of 2018 and $106 million in the first nine months of 2018, reflecting wireless network revenue growth driven by a growing customer base, improved wireless equipment margins and growth in data service revenues including revenues from business acquisitions. These increases were partly offset by higher compensation due to an increase in the number of employees from business acquisitions, higher administrative costs and customer support costs from growth in our customer base, higher costs associated with an increase in higher-value smartphones in the gross additions and retention mix, and higher depreciation and amortization due to growth in the asset base over the last 12 months resulting in part from business acquisitions.

  EBITDA includes restructuring and other costs, as well as non-recurring gains and equity income related to real estate joint ventures. EBITDA increased by $105 million or 8.2% in the third quarter of 2018, and increased by $182 million or 4.9% in the first nine months of 2018.

Adjusted EBITDA excludes restructuring and other costs, as well as excludes non-recurring gains and equity income related to real estate joint ventures. Adjusted EBITDA grew by $84 million or 6.4% in the third quarter of 2018 and increased by $193 million or 5.1% in the first nine months of 2018. The increases reflect growth in wireless network revenues driven by a growing customer base and increased wireline service revenues, partially offset by higher employee benefits expense from an increase in the number of employees from business acquisitions, primarily in our TELUS International (Cda) Inc. subsidiary. (See *Section 5.4 Wireless segment* and *Section 5.5 Wireline segment* for additional details.)

- **Income before income taxes** increased by $33 million in both the third quarter of 2018 and the first nine months of 2018. Higher Operating income, as noted above, was offset by an increase in Financing costs. The increase in Financing costs resulted primarily from the $34 million long-term debt prepayment premium in the third quarter of 2018, higher interest accretion on provisions and higher average long-term debt outstanding. As well, in the third quarter of 2018, there were higher foreign exchange gains. (See *Financing costs* in *Section 5.3.)*
- **Income taxes** decreased slightly in the third quarter of 2018 and were relatively flat in the first nine months of 2018.
- **Net income attributable to Common Shares** increased by $40 million in the third quarter of 2018 and $37 million in the first nine months of 2018. These increases were driven by higher Operating income partly offset by increased Financing costs.

Adjusted Net income excludes the effects of restructuring and other costs, income-tax related adjustments, non-recurring gains and equity income related to real estate joint ventures, and the long-term debt prepayment premium. Adjusted Net income increased by $28 million or 6.7% in the third quarter of 2018 and $47 million or 3.8% in the first nine months of 2018.

Reconciliation of adjusted Net income

	Third quarters ended September 30			Nine-month periods ended September 30		
	2018	2017	Change	**2018**	2017	Change
($ millions)	*Applying IFRS 9 and IFRS 15 (2017 adjusted)*			*Applying IFRS 9 and IFRS 15 (2017 adjusted)*		
Net income attributable to Common Shares	**443**	403	40	**1,243**	1,206	37
Add back (deduct):						
Restructuring and other costs, after income taxes[1]	**130**	16	114	**180**	46	134
Favourable income tax-related adjustments	**(3)**	(2)	(1)	**(4)**	(3)	(1)
Non-recurring gains and equity income related to real estate joint ventures, after income taxes[2]	**(150)**	—	(150)	**(150)**	(2)	(148)
Long-term debt prepayment premium, after income taxes	**25**	—	25	**25**	—	25
Adjusted Net income	**445**	417	28	**1,294**	1,247	47

1 Includes our third quarter of 2018 donation to the TELUS Friendly Future Foundation of $90 million after income taxes.
2 Includes equity income arising from the third quarter of 2018 sale of TELUS Garden of $150 million after income taxes.

- **Basic EPS** increased by $0.06 or 8.8% in the third quarter of 2018 and $0.05 or 2.5% in the first nine months of 2018. These increases were driven by higher Operating income partly offset by increased Financing costs.

Adjusted basic EPS excludes the effects of restructuring and other costs, income-tax related adjustments, non-recurring gains and equity income related to real estate joint ventures, and the long-term debt prepayment premium. Adjusted basic EPS increased by $0.04 or 5.7% in the third quarter of 2018 and $0.06 or 2.8% in the first nine months of 2018.

Reconciliation of adjusted basic EPS

($)	Third quarters ended September 30 2018	2017	Change	Nine-month periods ended September 30 2018	2017	Change
	Applying IFRS 9 and IFRS 15 (2017 adjusted)			Applying IFRS 9 and IFRS 15 (2017 adjusted)		
Basic EPS	**0.74**	0.68	0.06	**2.09**	2.04	0.05
Add back (deduct):						
Restructuring and other costs, after income taxes, per share[1]	**0.22**	0.03	0.19	**0.30**	0.08	0.22
Favourable income-tax related adjustments, per share	**(0.01)**	(0.01)	—	**(0.01)**	(0.01)	—
Non-recurring gains and equity income related to real estate joint ventures, after income taxes, per share[2]	**(0.25)**	—	(0.25)	**(0.25)**	—	(0.25)
Long-term debt prepayment premium, after income taxes, per share	**0.04**	—	0.04	**0.04**	—	0.04
Adjusted basic EPS	**0.74**	0.70	0.04	**2.17**	2.11	0.06

1 Includes our third quarter of 2018 donation to the TELUS Friendly Future Foundation of $0.15 per share after income taxes.

2 Includes equity income arising from the third quarter of 2018 sale of TELUS Garden of $0.25 per share after income taxes.

- **Dividends declared per Common Share** were $0.5250 in the third quarter of 2018 and $1.5550 in the first nine months of 2018, reflecting increases of 6.6% from the third quarter of 2017 and 6.1% from the first nine months of 2017. On November 7, 2018, the Board declared a fourth quarter dividend of $0.5450 per share on the issued and outstanding Common Shares, payable on January 2, 2019, to shareholders of record at the close of business on December 11, 2018. The fourth quarter dividend increased by $0.04 per share or 7.9% from the $0.5050 per share dividend declared one year earlier, consistent with our multi-year dividend growth program described in *Section 4.3 Liquidity and capital resources*.

Liquidity and capital resource highlights

- **Net debt to EBITDA – excluding restructuring and other costs** was 2.54 times at September 30, 2018. Excluding the effects of implementing IFRS 9 and IFRS 15, the net debt to EBITDA – excluding restructuring and other costs ratio was 2.60 times at September 30, 2018, down from 2.76 times at September 30, 2017, as the growth in EBITDA – excluding restructuring and other costs exceeded the increase in net debt. Excluding the third quarter of 2018 equity income related to real estate joint ventures of $171 million arising from the sale of TELUS Garden, the ratio was 2.63 at September 30, 2018. (See *Section 4.3 Liquidity and capital resources* and *Section 7.5 Liquidity and capital resource measures.*)
- **Cash provided by operating activities** decreased by $67 million in the third quarter of 2018, primarily due to other working capital changes, increased interest paid, which includes the long-term prepayment premium, and increased income taxes paid. This was partly offset by growth in Adjusted EBITDA and lower restructuring and other costs disbursements, net of expense and Shares settled from Treasury. In the first nine months of 2018, Cash provided by operating activities increased by $142 million, resulting from lower restructuring and other costs disbursements, net of expense and Shares settled from Treasury, growth in Adjusted EBITDA, and lower income taxes paid, which reflected the reorganization of our legal structure in the third quarter of 2017 that impacted the timing of cash income tax payments. This was partially offset by other working capital changes and higher interest paid.
- **Cash used by investing activities** decreased by $245 million in the third quarter of 2018 and $561 million in the first nine months of 2018, primarily attributed to non-recurring real estate joint venture receipts, net of advances arising from the sale of TELUS Garden. **Acquisitions** decreased by $48 million in the third quarter of 2018 and $275 million in the first nine months of 2018 as we made larger cash payments for business acquisitions in the first nine months of 2017. **Capital expenditures** decreased by $59 million in the third quarter of 2018 and $152 million in the first nine months of 2018, primarily due to planned reductions of capital expenditures. We have made TELUS PureFibre available to 56% of our broadband footprint at the end of the third quarter of 2018. As well, for the first nine months of 2018, wireless capital expenditures decreased as we had increased capital expenditures in 2017 from costs incurred to update our radio access network technology in Ontario and Quebec. (See *Section 7.3 Cash used by investing activities*.)
- **Cash used by financing activities** increased by $545 million in the third quarter of 2018 and $835 million in the first nine months of 2018 primarily reflecting lower issuances of long-term debt, net of redemptions, as well as Treasury shares acquired. (See *Section 7.4 Cash used by financing activities.*)

- **Free cash flow** increased by $88 million in the third quarter of 2018 and $383 million in the first nine months of 2018. These increases largely resulted from higher Adjusted EBITDA and lower capital expenditures, partly offset by increased interest paid. (See calculation in *Section 11.1 Non-GAAP and other financial measures.)* The application of IFRS 15 reflects a non-cash accounting change. As such, the underlying economics and free cash flow generated by the business are not impacted by the change.

2. Core business and strategy

Our core business and our strategic imperatives were described in our 2017 annual MD&A.

3. Corporate priorities for 2018

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 2018 corporate priorities.

Honouring our team, customers and social purpose by delivering on our brand promise

- In August 2018, we announced the debut of Travelxp 4K HDR available for Optik TV customers in B.C. and Alberta. Travelxp4K HDR is a global travel and lifestyle channel, marking the first time a network broadcasting 24/7 4K HDR is available in Canada. Customers that do not yet have 4K HDR-capable TVs can still enjoy Travelxp in 4K, HD or standard definition.
- In September 2018, we launched the Platinum wireless rate plan, which allows customers to obtain higher-tier handsets for a lower upfront cost. We also unveiled the Bring-It-Back upgrade program. Available on Premium, Premium Plus and Platinum plans for existing customers, the Bring-It-Back program allows customers to upgrade to higher-tier smartphones at lower upfront costs whereby at the end of the term, customers have the option to either return the device or repay the original Bring-It-Back program amount.
- In September 2018, we were recognized for corporate social responsibility by being named to the Dow Jones Sustainability North America Index for the 18th consecutive year. Additionally, we were named to the Dow Jones Sustainability World Index for the third year in a row.
- As noted in *Section 1.3*, we committed to a donation of $118 million to the TELUS Friendly Future Foundation, of which an initial donation of $100 million was made in the third quarter of 2018 in TELUS Common Shares acquired in the market, with the remainder committed over a 10-year period. This supports our commitment to help ensure vulnerable youth thrive in our digital society through better access to technology, health and educational opportunities.
- We continued our partnership with the WE Charity to end cyberbullying and take action to promote safe and responsible online behaviour. For every Canadian who takes the TELUS Wise Digital Pledge, a nationwide initiative to help create a safer, friendlier world online, TELUS will contribute $1 to support #EndBullying programs in Canada. To date, we have provided more than $21 million in funding to WE and recently re-signed to continue for another five years.

Leveraging our broadband networks to drive TELUS' growth

- In August 2018, we were ranked as having the fastest overall download speeds nationally for the second year in a row according to OpenSignal's State of Mobile Networks: Canada (August 2018) report. Additionally, we were ranked first in LTE speeds in two key markets, Toronto and Montreal.
- According to PCMag's Fastest Mobile Network Canada 2018 report released in September 2018, we were named as having the fastest mobile network nationally, for the second year in a row. We were also ranked as having the fastest network in certain markets across Canada including Vancouver, Calgary, Edmonton, Winnipeg, Toronto, Ottawa, Montreal, Quebec, and Halifax. Additionally, Koodo was recognized as having the best wireless plan in Canada.
- The above-mentioned awards from OpenSignal and PCMag, in combination with the J.D. Power 2018 Canadian Wireless Network Quality Study award and Ookla's Mobile Speedtest award reported in our second quarter 2018 MD&A, has earned us recognition for these four major network awards, for two or more consecutive years each.
- We announced an investment of $21 million to connect homes and businesses within Langley City, B.C. to our TELUS PureFibre™ network by the spring of 2019.
- We launched TELUS SmartHome Security and TELUS Secure Business available in B.C., Alberta and Saskatchewan. TELUS SmartHome Security provides security and automation technology for residential customers. TELUS Secure Business offers security solutions that help small businesses run safely and smoothly, through a suite of integrated smart automation, intrusion monitoring and video surveillance solutions.
- In October 2018, we launched our first low-power wide area network for the IoT (Internet of Things) – an LTE-M (LTE for machines) network. It will extend the reach of our 4G LTE network further for compatible devices, penetrate deeper into buildings and underground, and enable simpler and more cost-efficient connected solutions to run efficiently on battery power for years.
- To provide customers with an improved wireless calling experience, as of October, customers with a voice over LTE (VoLTE)

enabled phone will be able to place and receive calls over the LTE network instead of the HSPA network while roaming in the U.S.
Fuelling our future through recurring efficiency gains • We took steps to simplify our structure to drive better outcomes. This will allow us to leverage cross-country synergies by streamlining our workflows in order to stay ahead of increasing business complexities. • We incurred incremental restructuring and other costs with the objective of improving our operating efficiency and effectiveness. Restructuring costs associated with the rationalization of administrative, channel and network real estate were recorded in Goods and services purchased. Employee-related restructuring costs for reorganizing and streamlining business processes, such as certain client care, marketing and support functions, were recorded in Employee benefits expense. Other costs for incremental external expense in connection with business acquisition or disposition activity, were recorded in Goods and services purchased.
Driving emerging opportunities in TELUS Health and TELUS International • As noted in *Section 1.3*, we acquired Medisys Health Group Inc. with a view to growing the delivery of employee-centred workplace health and wellness services. • In July 2018, along with Doctors of the World Canada, we announced the TELUS Health for Good program in Victoria, B.C. Doctors of the World, with community partners and voluntary health practitioners, will leverage the Mobile Health Clinic, powered by TELUS, to deliver primary healthcare to the city's most vulnerable citizens. The TELUS Health for Good program is part of our larger Connecting for Good portfolio that includes Internet for Good, which provides low-cost high-speed Internet to low income families, and Mobility for Good, which provides fully subsidized smartphones and data plans to youth transitioning out of foster care. Furthermore, in September 2018, we announced a $5 million commitment to expand our TELUS Health for Good program nationally. • In August 2018, we launched TELUS LivingWell Companion, medical alert devices that enable more independent senior living and provide peace of mind to caregivers with 24/7 access to a trained operator and fall detection support by calling emergency contacts and dispatching an ambulance where needed while relaying important health information on the senior's behalf. • In September 2018, TELUS Health announced a partnership with Babylon, a British digital healthcare provider, to better connect patients with medical solutions through a digital healthcare smartphone app. This service will complement existing healthcare services across the country by delivering more options to Canadians for accessing quality healthcare and communicating more efficiently with healthcare practitioners from anywhere, at any time.

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 2017 annual MD&A.

4.2 Operational resources

Wireless

Churn is defined in *Section 11.2* of this MD&A. Our postpaid churn rate was 0.87% in the third quarter of 2018 and has now been below 1% for 20 of the past 21 quarters despite strong competitive and economic pressures. In the third quarter of 2018, we continued to deliver leading blended customer churn on a national basis. Our blended churn rate was 1.03% in the third quarter of 2018, which represented our lowest third quarter blended churn rate since we became a national carrier 18 years ago. This further speaks to the success of our differentiated customers first culture, our ongoing focus on delivering an outstanding customer experience, combined with attractive new products and services, our retention programs and leading network quality.

Since mid-2013, we have invested more than $3.6 billion to acquire wireless spectrum licences in spectrum auctions and other transactions, which has more than doubled our national spectrum holdings in support of our top corporate priority to put customers first. Wireless data consumption has been increasing rapidly and we have responded by investing to extend the capacity of our network to support the additional data consumption and growth in our wireless customer base. This includes investments in wireless small cells connected to our fibre technology to improve coverage and capacity and to prepare for a more efficient and timely evolution to 5G wireless services.

As at September 30, 2018, our 4G LTE technology covered 99% of Canada's population, consistent with September 30, 2017. Furthermore, we have continued to invest in the roll-out of our LTE advanced network, which covered approximately 92% of Canada's population at September 30, 2018, up from more than 85% one year before.

Wireline

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

As at September 30, 2018, our high-speed broadband footprint covered approximately 3.1 million households and businesses in B.C., Alberta and Eastern Quebec, including approximately 1.74 million households and businesses covered with fibre-optic cable (representing 56% of our total high-speed broadband footprint), which provides these premises with immediate access to our gigabit-capable fibre-optic technology. This is up from approximately 1.33 million households and businesses in the third quarter of 2017, representing approximately 44% of households and businesses in our high-speed broadband footprint covered by fibre-optic cable.

4.3 Liquidity and capital resources

Capital structure financial policies

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

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

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

We monitor capital utilizing a number of measures, including 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*.) Through the course of fiscal 2018, we will monitor these measures excluding the effects of implementing IFRS 9 and IFRS 15. (See *Section 8.2 Accounting policy developments* in our 2017 annual MD&A.)

Financing and capital structure management plans

Report on financing and capital structure management plans

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

- In May 2016, we announced our intention to target ongoing semi-annual dividend increases, with the annual increase in the range of 7 to 10% from 2017 through to the end of 2019, 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 dividend payout ratio guideline is 65 to 75% of prospective net earnings per share. (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 2019. (See *Caution regarding forward-looking statements – Ability to sustain our dividend growth program through 2019* and *Section 10.7 Financing, debt requirements and returning cash to shareholders* in our 2017 annual MD&A.)
- On November 7, 2018, a fourth quarter dividend of $0.5450 per share was declared on our issued and outstanding Common Shares, payable on January 2, 2019, to shareholders on record at the close of business on December 11, 2018. The fourth quarter dividend for 2018 reflects a cumulative increase of $0.04 per share or 7.9% from the $0.5050 per share dividend paid in January 2018.
- During the three-month and nine-month periods ended September 30, 2018, our dividend reinvestment and share purchase plan trustee purchased from Treasury approximately 0.5 million dividend reinvestment Common Shares for $22 million and approximately 1.4 million dividend reinvestment Common Shares for $63 million, respectively, with no discount applicable.

Report on financing and capital structure management plans

Purchase Common Shares

- In August 2018, we received approval from the Toronto Stock Exchange (TSX) to amend our 2018 NCIB expiring on November 12, 2018, to permit TELUS Communications Inc., a direct wholly owned subsidiary of TELUS Corporation, to purchase Common Shares with an aggregate fair market value of up to $105 million for donation to the TELUS Friendly Future Foundation. TELUS and TELUS Communications Inc. will purchase Common Shares under the 2018 NCIB only when and if they consider it advisable. All other terms of the 2018 NCIB remain unchanged except that the maximum number of shares that can be purchased during the same trading day on the TSX is 238,480 shares (being 25% of the average daily trading volume for the six months ended July 31, 2018, which was equal to 953,922 shares), subject to certain exemptions for block purchases.
- In August and September 2018, TELUS Communications Inc. purchased approximately 2.1 million Common Shares in aggregate acquired in the market for $100 million, and donated on a timely basis shortly thereafter to the TELUS Friendly Future Foundation.

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 $769 million at September 30, 2018, all of which was denominated in U.S. dollars (US$594 million), compared to $1,140 million (US$908 million) at December 31, 2017, and $1,092 million (US$875 million) at September 30, 2017.
- Our net draws on the TELUS International (Cda) Inc. credit facility were $421 million ($414 million net of unamortized issue costs) at September 30, 2018, compared to $346 million ($339 million net of unamortized issue costs) at December 31, 2017, and $358 million ($353 million net of unamortized issue costs) at September 30, 2017. The credit facility is non-recourse to TELUS Corporation.
- Proceeds from securitized trade receivables were $100 million at September 30, 2018, (December 31 and September 30, 2017 – $100 million).

Maintain compliance with financial objectives

- Maintain investment grade credit ratings in the range of BBB+ or the equivalent – On November 8, 2018, investment grade credit ratings from the four rating agencies that cover TELUS were in the desired range. (See *Section 7.8 Credit ratings*.)
- Net debt to EBITDA – excluding restructuring and other costs ratio of 2.00 to 2.50 times – As measured at September 30, 2018, the ratio was 2.54 times. Excluding the third quarter of 2018 equity income related to real estate joint ventures of $171 million arising from the sale of TELUS Garden, the ratio was 2.63 at September 30, 2018. Excluding the effects of implementing IFRS 9 and IFRS 15, the net debt to EBITDA – excluding restructuring and other costs ratio was 2.60 times at September 30, 2018, outside of the objective range, primarily due to the funding of spectrum licences acquired in wireless spectrum auctions held during 2014 and 2015, and the elevated strategic capital investments in our fibre-optic network. We expect these ratios to decline in 2018 and we continue to expect them to return to within the objective range in the medium term, consistent with our long-term strategy. (See *Section 7.5 Liquidity and capital resource measures*.)
- Dividend payout ratio of 65 to 75% of net earnings per share on a prospective basis – Our objective range is on a prospective basis. The dividend payout ratio we present in this MD&A is a historical measure utilizing the last four quarters of dividends declared and earnings per share, and is disclosed for illustrative purposes in evaluating our target guideline. As at September 30, 2018, the historical ratio was 77% and the adjusted historical ratio was 79%. Excluding the effects of implementing IFRS 9 and IFRS 15, the historical ratio of 82% and the adjusted historical ratio of 84% exceeded the objective range; however, we currently expect that we will be within our target guideline when considered on a prospective basis within the medium term. (See *Section 7.5 Liquidity and capital resource measures*.)
- Generally maintain a minimum of $1 billion in unutilized liquidity – As at September 30, 2018, our unutilized liquidity on a consolidated basis was approximately $2.1 billion. (See *Section 7.6 Credit facilities*.)

4.4 Changes in internal control over financial reporting

Disclosure controls and procedures

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

5. Discussion of operations

This section contains forward-looking statements, including those with respect to average billing per subscriber unit per month (ABPU) and average revenue per subscriber unit per month (ARPU) growth, wireless trends regarding loading and retention spending, high-speed Internet subscriber growth and various future trends. To support the transition to the new accounting standard, we believe ABPU provides management, investors and analysts with useful information to assess and evaluate our performance excluding the effects of implementing IFRS 15. ABPU represents the average monthly wireless 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 (see *Section 11.2 Operating indicators*). There can be no assurance that we have accurately identified these trends based on past results or that these trends will continue. See *Caution regarding forward-looking statements* at the beginning of this MD&A.

5.1 General

A significant judgment we make is in respect of distinguishing between our wireless and wireline operations and cash flows (and this extends to allocations of both direct and indirect expenses and of capital expenditures). The clarity of such distinction has been increasingly affected by the convergence and integration of our wireless and wireline telecommunications infrastructure and technology. The continued build-out of our technology-agnostic fibre-optic infrastructure, in combination with converged edge technology, has significantly affected this judgment, as has the commercialization of fixed-wireless telecommunications solutions for customers and the consolidation of our non-customer facing operations. As a result, it has become increasingly impractical and difficult to objectively and clearly distinguish between our wireless and wireline operations and cash flows. As we do not currently aggregate operating segments, our reportable segments as at September 30, 2018, are also wireless and wireline. Segmented information in *Note 5* of the interim consolidated financial statements is regularly reported to our Chief Executive Officer (CEO) (our chief operating decision-maker).

We applied IFRS 9 and IFRS 15, both with a transition date of January 1, 2018, with retrospective application. Refer to *Section 8.2 Accounting policy developments* in this MD&A and *Note 2* of the interim consolidated financial statements for further information. In the following table, results for the 2016 period does not include the application of IFRS 9 or IFRS 15.

5.2 Summary of consolidated quarterly results and trends

Summary of quarterly results

($ millions, except per share amounts)	**2018 Q3**	2018 Q2	2018 Q1	2017 Q4	2017 Q3	2017 Q2	2017 Q1	2016 Q4
	Applying IFRS 9 and IFRS 15							*Excluding IFRS 9 and IFRS 15*
Operating revenues[1]	**3,774**	3,453	3,377	3,541	3,404	3,280	3,183	3,305
Operating expenses								
Goods and services purchased[2]	**1,685**	1,491	1,408	1,635	1,522	1,423	1,324	1,574
Employee benefits expense[2]	**740**	711	700	683	638	649	624	962
Depreciation and amortization	**572**	559	550	564	547	526	532	533
Total operating expenses	**2,997**	2,761	2,658	2,882	2,707	2,598	2,480	3,069
Operating income	**777**	692	719	659	697	682	703	236
Financing costs before long-term debt prepayment premium	**162**	150	156	144	149	142	138	134
Long-term debt prepayment premium	**34**	—	—	—	—	—	—	—
Income before income taxes	**581**	542	563	515	548	540	565	102
Income taxes	**134**	145	151	161	142	144	143	15
Net income	**447**	397	412	354	406	396	422	87
Net income attributable to Common Shares	**443**	390	410	353	403	389	414	81
Net income per Common Share:								
Basic earnings per share (EPS)	**0.74**	0.66	0.69	0.59	0.68	0.66	0.70	0.14
Adjusted basic EPS[3]	**0.74**	0.70	0.73	0.66	0.70	0.70	0.71	0.53
Diluted EPS	**0.74**	0.66	0.69	0.59	0.68	0.66	0.70	0.14
Dividends declared per Common Share	**0.5250**	0.5250	0.5050	0.5050	0.4925	0.4925	0.48	0.48
Additional information:								
EBITDA[3]	**1,349**	1,251	1,269	1,223	1,244	1,208	1,235	769
Restructuring and other costs[3,4]	**173**	35	34	54	23	36	4	348
Non-recurring gains and equity income (non-recurring losses and equity losses) related to real estate joint ventures	**171**	—	—	(2)	—	3	—	7
MTS net recovery[5]	**—**	—	—	21	—	—	—	—
Adjusted EBITDA[3]	**1,351**	1,286	1,303	1,258	1,267	1,241	1,239	1,110
Cash provided by operating activities	**1,066**	1,206	838	979	1,133	1,126	709	732
Free cash flow[3]	**303**	329	443	274	215	260	217	(191)

1 In the third quarter of 2018, we recorded equity income related to real estate joint ventures of $171 million arising from the sale of TELUS Garden.

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

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

4 In the third quarter of 2018, we recorded a donation to the TELUS Friendly Future Foundation of $118 million as part of other costs.

5 Refer to our 2017 annual MD&A for definition.

Trends

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

The trend of year-over-year increases in Goods and services purchased expense reflects increasing wireless and wireline customer service, roaming, and external labour expenses to support growth in our subscriber base; increased wireline TV costs of sales associated with a growing subscriber base; and higher equipment expenses associated with an increase in both postpaid gross additions and retention volumes, and increases in higher-value smartphones in the gross additions and retention mix. Goods and services purchased in the third quarter of 2018 includes a $118 million charitable donation (See *Section 1.3 Consolidated highlights* for additional details.)

The general trend of year-over-year increases in net Employee benefits expense reflects increases in the number of employees resulting from business acquisitions supporting CCBS contracting revenue growth, expansion of our TELUS Health offerings and growth in our home and business security lines of business. This was partly offset by moderating wages and salaries expense resulting from reductions in the number of full-time equivalent (FTE) domestic employees associated with cost efficiency and effectiveness programs.

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

The trend of year-over-year increases in Financing costs reflects an increase in long-term debt outstanding, mainly associated with our generational investments in fibre to homes and businesses and our wireless technology, and our increased level of business acquisitions. Financing costs include a long-term debt prepayment premium of $34 million in the third quarter of 2018. Financing costs are net of capitalized interest, which was related to spectrum licences acquired during the wireless spectrum licence auctions. Capitalization of interest ceased in the first quarter of 2017, as cell sites are now capable of utilizing the purchased frequencies. Financing costs also includes Interest accretion on provisions and Employee defined benefit plans net interest expense. Additionally, for the eight periods shown, Financing costs include varying amounts of foreign exchange gains or losses and varying amounts of interest income.

The trend in Net income reflects the items noted above, as well as non-cash adjustments arising from legislated income tax changes and adjustments recognized in the current periods for income taxes of prior periods, including any related after-tax interest on reassessments. Historically, the trend in basic EPS has been impacted by the same trends as Net income and has also been impacted by share purchases under our normal course issuer bid programs. See *Financing and capital structure management plans* within *Section 4.3.*

The general trend of year-over-year increases in Cash provided by operating activities reflects generally higher year-over-year consolidated Adjusted EBITDA and a historical decrease in year-over-year income tax payments in 2017 and into the first quarter of 2018, consistent with our assumption described in *Section 9.3* of our 2017 annual MD&A. This trend was reduced by increased interest payments arising from increases in debt outstanding and year-over-year increased fixed-term interest rates. The trend of year-over-year increases in free cash flow reflects the above factors affecting Cash provided by operating activities. Free cash flow was impacted by the increases in capital expenditures in 2017 as we connected more homes and businesses directly to fibre and by the end of the third quarter of 2018, had made TELUS PureFibre available to 56% of our broadband footprint. We estimate that we will have TELUS PureFibre available to approximately 60% of our broadband footprint by the end of 2018. For further discussion on these trends, see *Section 5.4 Wireless segment* and *Section 5.5 Wireline segment*.

The following table provides a reconciliation of consolidated EBITDA results to consolidated results excluding the effects of implementing IFRS 15.

EBITDA – Reconciliation of consolidated IFRS 15 impacts

	Third quarters ended September 30			Nine-month periods ended September 30		
($ in millions)	**2018**	2017	Change	**2018**	2017	Change
EBITDA	**1,349**	1,244	8.2%	**3,869**	3,687	4.9%
Effects of contract asset, acquisition and fulfilment	**(56)**	(47)	19.1%	**(34)**	(35)	(2.9)%
EBITDA – excluding IFRS 15 impacts	**1,293**	1,197	8.0%	**3,835**	3,652	5.0%
Add back restructuring and other costs – excluding IFRS 15 impacts[1]	**173**	36	n/m	**246**	79	n/m
Deduct non-recurring gains and equity income related to real estate joint ventures[2]	**(171)**	—	n/m	**(171)**	(3)	n/m
Adjusted EBITDA[3] – excluding IFRS 15 impacts	**1,295**	1,233	5.0%	**3,910**	3,728	4.9%

1 Includes a donation to the TELUS Friendly Future Foundation of $118 million recorded in other costs in the third quarter of 2018.

2 Includes equity income related to real estate joint ventures of $171 million arising from the sale of TELUS Garden recorded in the third quarter of 2018.

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

See *Section 5.4 Wireless segment* and *Section 5.5 Wireline segment* for additional details.

TELUS®

5.3 Consolidated operations

The following is a discussion of our consolidated financial performance. Segment information in *Note 5* of the interim consolidated financial statements is regularly reported to our CEO. We discuss the performance of our segments in *Section 5.4 Wireless segment, Section 5.5 Wireline segment* and *Section 7.3 Cash used by investing activities.*

Operating revenues

	Third quarters ended September 30			Nine-month periods ended September 30		
	2018	2017	Change	**2018**	2017	Change
($ in millions)	*Applying IFRS 9 and IFRS 15 (2017 adjusted)*			*Applying IFRS 9 and IFRS 15 (2017 adjusted)*		
Service	**3,029**	2,879	5.2%	**8,868**	8,451	4.9%
Equipment	**562**	513	9.6%	**1,514**	1,377	9.9%
Revenues arising from contracts with customers	**3,591**	3,392	5.9%	**10,382**	9,828	5.6%
Other operating income	**183**	12	n/m	**222**	39	n/m
Operating revenues	**3,774**	3,404	10.9%	**10,604**	9,867	7.5%

Consolidated operating revenues increased by $370 million in the third quarter of 2018 and $737 million in the first nine months of 2018.

- **Service revenues** increased by $150 million in the third quarter of 2018 and $417 million in the first nine months of 2018, reflecting growth in wireless network revenue and wireline data services, partly offset by the continuing decline in wireline voice revenues. Wireless network revenue increases reflect a growing wireless subscriber base. The increase in wireline service revenue reflects increased CCBS contracting revenue growth including the growth in business volumes from recent business acquisitions, as well as increases in Internet and enhanced data service, TELUS Health revenues, TELUS TV revenue and revenues from our home and business security lines of business. Internet and TV revenues increased due to higher Internet revenue per customer, as well as subscriber growth.
- **Equipment revenues** increased by $49 million in the third quarter of 2018 and $137 million in the first nine months of 2018, primarily due to increased wireless revenue mainly from increases in postpaid gross additions as well as higher-value smartphones in the gross additions and retention mix. Excluding the effects of implementing IFRS 15, equipment revenues would have increased by $18 million or 9.9% in the third quarter of 2018, and $55 million or 10.8% in the first nine months of 2018. See *Note 2(c)* of the interim consolidated financial statements.
- **Other operating income** increased by $171 million in the third quarter of 2018 and $183 million in the first nine months of 2018, primarily due to equity income related to real estate joint ventures arising from the sale of TELUS Garden of $171 million as noted in *Section 1.3*. Excluding the effect of equity income related to real estate joint ventures arising from the sale of TELUS Garden, Other operating income was flat in the third quarter of 2018 and increased by $12 million in the first nine months of 2018. The increase in the first nine months of 2018 was primarily due to higher net gains from sales of certain assets, as well as property, plant and equipment.

Operating expenses

	Third quarters ended September 30			Nine-month periods ended September 30		
	2018	2017	Change	**2018**	2017	Change
($ in millions)	*Applying IFRS 9 and IFRS 15 (2017 adjusted)*			*Applying IFRS 9 and IFRS 15 (2017 adjusted)*		
Goods and services purchased	**1,685**	1,522	10.7%	**4,584**	4,269	7.4%
Employee benefits expense	**740**	638	16.0%	**2,151**	1,911	12.6%
Depreciation	**419**	410	2.2%	**1,241**	1,203	3.2%
Amortization of intangible assets	**153**	137	11.7%	**440**	402	9.5%
Operating expenses	**2,997**	2,707	10.7%	**8,416**	7,785	8.1%

Consolidated operating expenses increased by $290 million in the third quarter of 2018 and $631 million in the first nine months of 2018.

- **Goods and services purchased** increased by $163 million in the third quarter of 2018 and $315 million in the first nine months of 2018, primarily due to the $118 million donation to the TELUS Friendly Future Foundation as noted in *Section 1.3*. Excluding the effect of the donation, Goods and services purchased increased by $45 million in the third quarter of 2018 and $197 million in the first nine months of 2018, largely due to increases in wireline external labour, employee-related and other costs associated with business acquisitions, higher wireline product costs associated with equipment sales, costs associated with higher wireless gross loading, higher handset costs, increased roaming and other costs.

- **Employee benefits expense** increased by $102 million in the third quarter of 2018 and $240 million in the first nine months of 2018, due to higher compensation and benefits from an increase in the number of employees from business acquisitions, as well as higher employee-related restructuring and other costs driven by efficiency initiatives in the quarter. This was partly offset by lower compensation and benefit costs from a decrease in the number of domestic FTEs, excluding business acquisitions, and higher capitalized labour costs.
- **Depreciation** increased by $9 million in the third quarter of 2018 and $38 million in the first nine months of 2018 due to increased expenditures associated with capital assets over the last 12 months, including those arising from our fibre investment and business acquisitions.
- **Amortization of intangible assets** increased by $16 million in the third quarter of 2018 and $38 million in the first nine months of 2018, reflecting increased expenditures associated with the intangible asset base, including those arising from business acquisitions.

Adjusted EBITDA

	Third quarters ended September 30			Nine-month periods ended September 30		
	2018	2017	Change	**2018**	2017	Change
($ millions)	*Applying IFRS 9 and IFRS 15 (2017 adjusted)*			*Applying IFRS 9 and IFRS 15 (2017 adjusted)*		
Wireless Adjusted EBITDA (See *Section 5.4*)	**912**	853	6.8%	**2,609**	2,474	5.4%
Wireline Adjusted EBITDA (See *Section 5.5*)	**439**	414	5.7%	**1,331**	1,273	4.5%
Adjusted EBITDA	**1,351**	1,267	6.4%	**3,940**	3,747	5.1%

Adjusted EBITDA increased by $84 million or 6.4% in the third quarter of 2018 and $193 million or 5.1% in the first nine months of 2018. These increases reflect improved wireless equipment margins and wireless network revenue growth driven by a growing customer base, in addition to growth in wireline data service margins. These factors were partly offset by increased costs associated with a growing wireless customer base and declines in wireline legacy voice services.

Operating income

	Third quarters ended September 30			Nine-month periods ended September 30		
	2018	2017	Change	**2018**	2017	Change
($ millions)	*Applying IFRS 9 and IFRS 15 (2017 adjusted)*			*Applying IFRS 9 and IFRS 15 (2017 adjusted)*		
Wireless EBITDA (See *Section 5.4*)	**921**	842	9.3%	**2,601**	2,439	6.6%
Wireline EBITDA (See *Section 5.5*)	**428**	402	6.1%	**1,268**	1,248	1.5%
EBITDA	**1,349**	1,244	8.2%	**3,869**	3,687	4.9%
Depreciation and amortization (discussed above)	**(572)**	(547)	4.6%	**(1,681)**	(1,605)	4.7%
Operating income	**777**	697	11.5%	**2,188**	2,082	5.1%

Operating income increased by $80 million in the third quarter of 2018 and $106 million in the first nine months of 2018, while EBITDA increased by $105 million in the third quarter of 2018 and $182 million in the first nine months of 2018. These increases reflect improved wireless equipment margins and wireless network revenue growth driven by a growing customer base, in addition to growth in wireline data service margins. These factors were partly offset by increased costs associated with a growing wireless customer base, declines in wireline legacy voice services and higher wireline restructuring and other costs from efficiency initiatives.

Financing costs

	Third quarters ended September 30			Nine-month periods ended September 30		
	2018	2017	Change	**2018**	2017	Change
($ in millions)	*Applying IFRS 9 and IFRS 15 (2017 adjusted)*			*Applying IFRS 9 and IFRS 15 (2017 adjusted)*		
Interest expense, before long-term debt prepayment premium	**162**	144	12.5%	**468**	430	8.8%
Long-term debt prepayment premium	**34**	—	n/m	**34**	—	n/m
Employee defined benefit plans net interest	**4**	1	n/m	**11**	4	n/m
Foreign exchange (gains) losses	**(2)**	5	n/m	**(4)**	(3)	33.3%
Interest income	**(2)**	(1)	100.0%	**(7)**	(2)	n/m
Financing costs	**196**	149	31.5%	**502**	429	17.0%

Financing costs increased by $47 million in the third quarter of 2018 and $73 million in the first nine months of 2018, mainly due to the following factors:

- **Interest expense, before long-term debt prepayment premium** increased by $18 million in the third quarter of 2018 and $38 million in the first nine months of 2018, primarily due to the following:
  - Interest on long-term debt increased by $11 million in the third quarter of 2018 and $28 million in the first nine months of 2018, resulting from an increase in average long-term debt balances outstanding, in addition to an increase in the effective interest rate. Our weighted average interest rate on long-term debt (excluding commercial paper, the revolving component of the TELUS International (Cda) Inc. credit facility and finance leases) was 4.18% at September 30, 2018, as compared to 4.16% one year earlier. (See *Long-term debt issues and repayments* in *Section 7.4*.)
  - Interest accretion on provisions increased by $4 million in the third quarter of 2018 and $8 million in the first nine months of 2018, attributed to written put options in respect of business acquisitions.
- We recorded a **long-term debt prepayment premium** of $34 million before income taxes related to the early redemption of all our $1.0 billion 5.05%, series CG Notes due December 4, 2019. There was no comparable activity in 2017.
- **Employee defined benefit plans net interest** increased by $3 million in the third quarter of 2018 and $7 million in the first nine months of 2018, primarily due to the increase in the defined benefit plan deficit at December 31, 2017, to $334 million, up from $79 million one year earlier, partly offset by a decrease in the discount rate.
- **Foreign exchange (gains) losses** have primarily fluctuated as a result of relevant movement of the Canadian dollar relative to the U.S. dollar.
- **Interest income** was relatively flat in the third quarter of 2018 and increased by $5 million in the first nine months of 2018.

Income taxes

	Third quarters ended September 30			Nine-month periods ended September 30		
	2018	2017	Change	**2018**	2017	Change
($ millions, except tax rates)	*Applying IFRS 9 and IFRS 15 (2017 adjusted)*			*Applying IFRS 9 and IFRS 15 (2017 adjusted)*		
Income tax computed at applicable statutory rates	**157**	145	8.3%	**456**	440	3.6%
Adjustments recognized in the current period for income taxes of prior periods	**(4)**	(2)	100.0%	**(4)**	(3)	33.3%
Other	**(19)**	(1)	n/m	**(22)**	(8)	n/m
Income taxes	**134**	142	(5.6)%	**430**	429	0.2%
Income taxes computed at applicable statutory rates (%)	**27.0**	26.5	0.5 pts.	**27.1**	26.7	0.4 pts.
Effective tax rate (%)	**23.1**	25.9	(2.8)pts.	**25.5**	26.0	(0.5)pts.

Total income tax expense decreased slightly in the third quarter of 2018 and was relatively flat in the first nine months of 2018.

Comprehensive income

	Third quarters ended September 30			Nine-month periods ended September 30		
	2018	2017	Change	**2018**	2017	Change
($ in millions)	*Applying IFRS 9 and IFRS 15 (2017 adjusted)*			*Applying IFRS 9 and IFRS 15 (2017 adjusted)*		
Net income	**447**	406	10.1%	**1,256**	1,224	2.6%
Other comprehensive income (net of income taxes):						
Items that may be subsequently reclassified to income	**9**	7	28.6%	**(41)**	20	n/m
Items never subsequently reclassified to income	**(10)**	(25)	(60.0)%	**52**	61	(14.8)%
Comprehensive income	**446**	388	14.9%	**1,267**	1,305	(2.9)%

Comprehensive income increased by $58 million in the third quarter of 2018, primarily from increases in Net income, partly offset by changes in the unrealized fair value of derivatives designated as cash flow hedges. Comprehensive income decreased by $38 million in the first nine months of 2018, primarily from increases in Net income, offset by changes in the unrealized fair value of derivatives designated as cash flow hedges, foreign currency translation adjustment and employee defined benefit plans re-measurement amounts. Items that may be subsequently 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 changes in the measurement of investment financial assets and employee defined benefit plans re-measurement amounts.

5.4 Wireless segment

Wireless trends and seasonality

The historical trend over the last eight quarters in wireless network revenue reflects growth in our subscriber base, as well as higher-value smartphones in the gross additions and retention mix. There has been a general year-over-year increase in equipment revenues from greater postpaid gross additions and higher-value smartphones in the gross additions and retention mix. The general trend of year-over-year increases in subscriber net additions resulted from the success of our promotions, including marketing efforts focused on higher-value postpaid loading, coupled with the effects of market growth arising from a growing population, changing population demographics and an increasing number of customers with multiple devices. Although there have historically been significant third and fourth quarter seasonal effects that result in increased loading, competitive intensity in both the consumer and business markets may impact subscriber addition results and trends for future periods.

Wireless ABPU growth has been moderating primarily due to two offsetting factors: (i) an emphasis on marketing and increased mix of higher-rate plans, such as data share plans, in addition to more higher-value smartphones in the gross additions and retention mix and an increased proportion of higher-value postpaid customers in the subscriber mix in 2018; offset by (ii) competitive pressures driving larger allotments of data, as well as rate plans encompassing data sharing and international roaming features, consumer behavioural response to increased frequency of customer data usage notifications and offloading of data traffic to increasingly available Wi-Fi hotspots. The level of ABPU reflects continued consumer and business demand for our high-quality wireless service experience, offset by competitive pressures, including promotional activity and resulting reactions to those pressures and promotions. The economic environment, consumer behaviour, the regulatory environment, device selection and other factors also impact ABPU, and as a consequence, there cannot be assurance that ABPU growth will continue to materialize.

The trend of our comparatively low postpaid churn rates reflects our customers first efforts, our retention programs and our focus on building and maintaining our high-quality network. We may experience pressure on our postpaid churn rate if the level of competitive intensity increases, in part due to increased promotional activity, if there is an increase in customers on expired contracts, if there is an increase in customers bringing their own devices and therefore not entering into new contracts, or due to regulatory changes (such as the CRTC decision to require pro-rated refunds). Accordingly, our wireless segment historical operating results and trends may not be reflective of results and trends for future periods.

The effects of implementation of IFRS 15 are most pronounced in our wireless results. Although the measurement of the total revenue recognized over the life of a contract is largely unaffected by the new standard, the effect of IFRS 15 implementation generally accelerates the recognition of contract revenue relative to the associated cash inflows. While the underlying transaction economics do not differ, during periods of sustained growth in the number of wireless subscriber contract additions (assuming comparable contract-lifetime per unit cash inflows), revenues under IFRS 15 would appear to be greater than would have been the case prior to IFRS 15. With respect to costs, the measurement of the total costs of contract acquisition and contract fulfilment over the life of a contract is unaffected by the new standard, but the timing of recognition is. The new standard results in our costs of contract acquisition and contract fulfilment, to the extent that they are material, being capitalized and subsequently recognized as an expense over the life of a contract on a rational, systematic basis consistent with the pattern of the transfer of goods or services to which the asset relates. Although the underlying transaction economics would not differ, during periods of sustained growth in the number of customer connection additions, assuming comparable per unit costs of contract acquisition and contract fulfilment, absolute profitability measures would appear to be greater than under the previous practice (immediate expensing of such costs). We will be implementing IFRS 16 on January 1, 2019, the effects of which will be more pronounced in our wireless results due to the relative prevalence of lease-in activity in the wireless business (see *Section 8.2 Accounting policy developments* for additional details.)

Wireless operating indicators

As at September 30	2018	2017	Change
Subscribers[1] (000s):			
Postpaid	**8,222**	7,868	4.5%
Prepaid	**930**	956	(2.7)%
Total	**9,152**	8,824	3.7%
Postpaid proportion of subscriber base (%)	**89.8**	89.2	0.6 pts.
HSPA+ population coverage[2] (millions)	**37.0**	36.7	0.8%
LTE population coverage[2] (millions)	**36.9**	36.6	0.8%

	Third quarters ended September 30			Nine-month periods ended September 30		
	2018	2017	Change	**2018**	2017	Change
	Applying IFRS 9 and IFRS 15 (2017 adjusted)			*Applying IFRS 9 and IFRS 15 (2017 adjusted)*		
Subscriber gross additions[1] (000s):						
Postpaid	**302**	306	(1.3)%	**824**	793	3.9%
Prepaid	**125**	93	34.4%	**273**	243	12.3%
Total	**427**	399	7.0%	**1,097**	1,036	5.9%
Subscriber net additions[1] (000s):						
Postpaid	**109**	115	(5.2)%	**244**	258	(5.4)%
Prepaid	**36**	9	n/m	**(3)**	(60)	95.0%
Total	**145**	124	16.9%	**241**	198	21.7%
ABPU, per month[1,3] ($)	**68.64**	68.67	—%	**67.47**	67.04	0.6%
ARPU, per month[1,3] ($)	**57.28**	57.97	(1.2)%	**56.34**	56.69	(0.6)%
Churn, per month[1,2] (%)						
Blended	**1.03**	1.05	(0.02)pts.	**1.06**	1.07	(0.01)pts.
Postpaid	**0.87**	0.86	0.01 pts.	**0.88**	0.86	0.02 pts.

1 Effective April 1, 2017, postpaid subscribers, total subscribers and associated operating statistics (gross additions, net additions, ABPU, ARPU and churn) were adjusted to include an estimated migration of 85,000 MTS subscribers in the opening subscriber balances. Subsequent to this, on October 1, 2017, total subscribers and associated operating statistics were adjusted to reduce estimated migrations of MTS subscribers by 11,000 to 74,000.

2 Including network access agreements with other Canadian carriers.

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

Operating revenues – Wireless segment

	Third quarters ended September 30			Nine-month periods ended September 30		
	2018	2017	Change	**2018**	2017	Change
($ in millions)	*Applying IFRS 9 and IFRS 15 (2017 adjusted)*			*Applying IFRS 9 and IFRS 15 (2017 adjusted)*		
Network revenue	**1,547**	1,513	2.2%	**4,516**	4,385	3.0%
Equipment and other service revenues	**512**	462	10.8%	**1,347**	1,225	10.0%
Revenues arising from contracts with customers	**2,059**	1,975	4.3%	**5,863**	5,610	4.5%
Other operating income[1]	**90**	5	n/m	**105**	5	n/m
External operating revenues	**2,149**	1,980	8.5%	**5,968**	5,615	6.3%
Intersegment revenues	**12**	11	9.1%	**35**	33	6.1%
Wireless operating revenues	**2,161**	1,991	8.5%	**6,003**	5,648	6.3%

1 Includes equity income related to real estate joint ventures allocated to the wireless segment of $85 million (50% of the total of $171 million) arising from the sale of TELUS Garden recorded in third quarter of 2018.

Total wireless operating revenues increased by $170 million in the third quarter of 2018 and $355 million in the first nine months of 2018.

Network revenue from external customers increased by $34 million in the third quarter of 2018 or 2.2% and $131 million in the first nine months of 2018 or 3.0%, reflecting: (i) growth in the subscriber base; and (ii) a larger proportion of customers selecting higher rate plans with larger data buckets or periodically topping up their data buckets. These were partly offset by declining chargeable data usage and the competitive environment putting pressure on rate plan prices. **Monthly ABPU** was $68.64 in the third quarter of 2018 and $67.47 in the first nine months of 2018, reflecting a relatively flat change for the quarter and an increase of $0.43 or 0.6% for the nine-month period. The relatively flat change in the third quarter of 2018 reflects declines in chargeable data usage and competitive pressures on base rate plan pricing in addition to the lapping of two-year Premium Plus contracts first introduced in June 2016 offsetting growth from customers selecting plans with larger data buckets and more higher-value smartphones in the gross additions and retention mix. The increase in the first nine months of 2018 reflects a higher proportion of higher-value postpaid and smartphone customers in the subscriber mix and more higher-value smartphones in the gross additions and retention mix. **Monthly ARPU** was $57.28 in the third quarter of 2018 and $56.34 in the first nine months of 2018, reflecting decreases of $0.69 or 1.2% for the quarter and $0.35 or 0.6% for the nine-month period, from the declines in chargeable data usage and competitive pressures mentioned above.

- **Gross subscriber additions** were 427,000 in the third quarter of 2018 and 1,097,000 for the first nine months of 2018, reflecting increases of 28,000 for the quarter and 61,000 for the nine-month period. Postpaid gross additions decreased by 4,000 for the quarter due to competitive intensity and increased by 31,000 for the first nine months due to the success of promotions and our marketing efforts focused on higher-value postpaid and smartphone loading, as well as demographic shifts as the Canadian population grows, partly offset by competitive intensity. Prepaid gross activations increased by 32,000 for the quarter mainly from successful promotions, and increased by 30,000 for the first nine months.
- Our **postpaid churn rate** was 0.87% in the third quarter of 2018 and 0.88% in the first nine months of 2018, as compared to 0.86% in both of the comparative periods of 2017. The comparatively low postpaid churn rate during 2018 reflects our focus on executing customers first initiatives and retention programs and our leading network quality, partly offset by incremental deactivations from competitive intensity. Our blended churn rate was 1.03% in the third quarter of 2018 and 1.06% in the first nine months of 2018, as compared to 1.05% and 1.07%, respectively, in the comparable periods of 2017. The improvement in our blended churn rate in the third quarter of 2018 and the first nine months of 2018 reflects improvements in prepaid churn rates, as well as an increase in the mix of postpaid subscribers versus prepaid subscribers in our subscriber base.
- **Net subscriber additions** reflect postpaid net additions of 109,000 in the third quarter of 2018 and 244,000 in the first nine months of 2018, compared to 115,000 and 258,000, respectively, in the comparable periods of 2017. The decline is attributed to the factors affecting our postpaid churn rate and postpaid gross additions as described above. Our prepaid subscriber base increased by 36,000 in the third quarter of 2018 due to successful promotions and lower churn, as compared to an increase of 9,000 in the third quarter of 2017. In the first nine months of 2018, our prepaid subscriber base decreased by 3,000, as compared to a decrease of 60,000 in the comparable period of 2017. Total net subscriber additions were 145,000 in the third quarter of 2018 and 241,000 in the first nine months of 2018, reflecting year-over-year improvements of 21,000 for the quarter and 43,000 for the first nine months of 2017.

Equipment and other service revenues increased by $50 million in the third quarter of 2018 and $122 million in the first nine months of 2018, due to more higher-valued smartphones in the gross additions and retention mix, partly offset by lower new postpaid contracts. With the implementation of IFRS 15, equipment revenues are allocated a much larger portion of bundle revenues, particularly for our wireless segment, as, in contrast to the accounting principles that were superseded, IFRS 15 does not constrain the measurement of equipment revenue in bundled arrangements to amounts that are received at the time of activation of handsets. The measurement of equipment revenue and service revenue is determined by allocating the minimum transaction price (the "minimum spend" amount required in a contract with a customer) based upon the stand-alone selling prices of the contracted equipment and services included in the minimum transaction price. For clarity, the application of IFRS 15 does not affect our cash flows from operations or the underlying economics of our relationships with customers. See *Note 2(a), (c)* of the interim consolidated financial statements.

Other operating income increased by $85 million in the third quarter of 2018 and $100 million in the first nine months of 2018, mainly due to equity income related to real estate joint ventures arising from the sale of TELUS Garden, as noted in *Section 1.3*, of which 50% of the total of $171 million was allocated to each of the wireless and wireline segments. Excluding the effect of equity income related to real estate joint ventures arising from the sale of TELUS Garden, Other operating income was flat in the third quarter of 2018 and increased by $15 million in the first nine months of 2018 due to higher net gains from the sale of property, plant and equipment.

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

Operating expenses – Wireless segment

($ in millions)	Third quarters ended September 30 2018	2017	Change	Nine-month periods ended September 30 2018	2017	Change
	Applying IFRS 9 and IFRS 15 (2017 adjusted)			*Applying IFRS 9 and IFRS 15 (2017 adjusted)*		
Goods and services purchased:						
Equipment sales expenses	**483**	478	1.0%	**1,324**	1,252	5.8%
Network operating expenses	**217**	215	0.9%	**624**	612	2.0%
Marketing expenses	**103**	96	7.3%	**285**	272	4.8%
Other[1,2]	**261**	203	28.6%	**653**	592	10.3%
Employee benefits expense[1]	**176**	157	12.1%	**516**	481	7.3%
Wireless operating expenses	**1,240**	1,149	7.9%	**3,402**	3,209	6.0%

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

2 Includes a donation to the TELUS Friendly Future Foundation allocated to the wireless segment of $59 million (50% of the total of $118 million) recorded in other costs in the third quarter of 2018.

Wireless operating expenses increased by $91 million in the third quarter of 2018 and $193 million in the first nine months of 2018.

Equipment sales expenses increased by $5 million in the third quarter of 2018 and $72 million in the first nine months of 2018, reflecting an increase in higher-value smartphones in the gross additions and retention mix and increasing handset costs, partly offset by lower new postpaid contracts.

Network operating expenses increased by $2 million in the third quarter of 2018 and $12 million in the first nine months of 2018, mainly due to increased roaming expenses.

Marketing expenses increased by $7 million in the third quarter of 2018 and $13 million in the first nine months of 2018, primarily due to higher commissions and higher advertising spend.

Other goods and services purchased increased by $58 million in the third quarter of 2018 and $61 million in the first nine months of 2018, mainly due to a donation to the TELUS Friendly Future Foundation, as noted in *Section 1.3*, of which 50% of the total of $118 million was allocated to each of the wireless and wireline segments. Excluding the effect of the donation, Other goods and services purchased was relatively flat for both the third quarter of 2018 and the first nine months of 2018.

Employee benefits expense increased by $19 million in the third quarter of 2018 and $35 million in the first nine months of 2018, primarily due to higher labour-related restructuring costs from efficiency initiatives, partly offset by lower FTEs.

EBITDA – Wireless segment

($ in millions, except margins)	Third quarters ended September 30 2018	2017	Change	Nine-month periods ended September 30 2018	2017	Change
	Applying IFRS 9 and IFRS 15 (2017 adjusted)			*Applying IFRS 9 and IFRS 15 (2017 adjusted)*		
EBITDA	**921**	842	9.3%	**2,601**	2,439	6.6%
Add back restructuring and other costs included in EBITDA[1]	**76**	11	n/m	**93**	36	n/m
Deduct non-recurring gains and equity income related to real estate joint ventures[2]	**(85)**	—	n/m	**(85)**	(1)	n/m
Adjusted EBITDA[3]	**912**	853	6.8%	**2,609**	2,474	5.4%
EBITDA margin (%)	**42.6**	42.3	0.3 pts.	**43.3**	43.2	0.1 pts.
Adjusted EBITDA margin[4] (%)	**43.9**	42.8	1.1 pts.	**44.1**	43.8	0.3 pts.

1 Includes a donation to the TELUS Friendly Future Foundation allocated to the wireless segment of $59 million (50% of the total of $118 million) recorded in other costs in the third quarter of 2018.

2 Includes equity income related to real estate joint ventures allocated to the wireless segment of $85 million (50% of the total of $171 million) arising from the sale of TELUS Garden recorded in the third quarter of 2018.

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

4 Adjusted EBITDA margin is Adjusted EBITDA divided by Operating revenues, where the calculation of Operating revenues excludes non-recurring gains and equity income related to real estate joint ventures.

Wireless EBITDA increased by $79 million or 9.3% in the third quarter of 2018 and $162 million or 6.6% in the first nine months of 2018. Wireless Adjusted EBITDA increased by $59 million or 6.8% in the third quarter of 2018 and $135 million or 5.4% in the first nine months of 2018, reflecting improved equipment margins and network revenue growth driven by a larger customer base, partly offset by higher administrative costs and increased customer support costs due to growth in the subscriber base and increased network operating expenses.

The following table provides a reconciliation of wireless EBITDA results to wireless results excluding the effects of implementing IFRS 15.

EBITDA – Wireless segment – Reconciliation of IFRS 15 impacts

	Third quarters ended September 30			Nine-month periods ended September 30		
($ in millions)	**2018**	2017	Change	**2018**	2017	Change
EBITDA	**921**	842	9.3%	**2,601**	2,439	6.6%
Effects of contract asset, acquisition and fulfilment	**(46)**	(53)	(13.2)%	**(22)**	(47)	(53.2)%
EBITDA – excluding IFRS 15 impacts	**875**	789	10.9%	**2,579**	2,392	7.8%
Add back restructuring and other costs – excluding IFRS 15 impacts[1]	**76**	24	n/m	**97**	52	86.5%
Deduct non-recurring gains and equity income related to real estate joint ventures[2]	**(85)**	—	n/m	**(85)**	(1)	n/m
Adjusted EBITDA[3] – excluding IFRS 15 impacts	**866**	813	6.5%	**2,591**	2,443	6.1%

1 Includes a donation to the TELUS Friendly Future Foundation allocated to the wireless segment of $59 million (50% of the total of $118 million) recorded in other costs in the third quarter of 2018.

2 Includes equity income related to real estate joint ventures allocated to the wireless segment of $85 million (50% of the total of $171 million) arising from the sale of TELUS Garden recorded in the third quarter of 2018.

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

For the third quarter of 2018, Adjusted EBITDA growth including the effects of IFRS 15 was slightly higher than that without. The impact to equipment margin from the third quarter's favourable mix of higher-valued smartphones in the gross additions and retention mix more than offset the impact of lower new postpaid contracts. Lower retention costs would be associated with lower retention volumes, and without IFRS 15, lower retention costs per subscriber unit would have a more favourable impact on EBITDA. Under IFRS 15, lower retention volumes would have a more muted impact on EBITDA. We believe that with the implementation of IFRS 15, the free cash flow metric should be closely monitored, as the current EBITDA result may not reflect the underlying cash economics under the new accounting standard in periods related to high promotional activity. Although an entity's EBITDA results may look favourable in periods of strong loading, the cash costs of that loading (cost of acquisition and retention spend) need to be identified so as to determine what the trade-off was between current equipment revenue and future network revenue (and related ARPU).

5.5 Wireline segment

Wireline trends

The trend over the last eight quarters of increasing wireline service revenue reflects growth in high-speed Internet and enhanced data services, CCBS contracting services, TELUS TV revenues, TELUS Health revenues, home and business security revenues, and is partly offset by declining wireline voice revenues and equipment revenues and inherently lower margins within some of our newer business products and services offerings. The increases in Internet and TV service revenues are being generated by subscriber growth and higher Internet revenue per customer resulting from upgrades to faster speeds and larger data usage rate plans. We expect growth rates of CCBS contracting revenues to increase from business acquisition growth and recovery of organic growth. The general trend of increasing TELUS Health revenues has been driven by organic growth and through business acquisitions. The trend of declining wireline voice revenues is due to technological substitution, greater use of inclusive long distance coupled with lower long distance minutes used, and historical intensification of competition in the small and medium-sized business market, as well as impacts of the economic slowdown in previous quarters, particularly in Alberta, which were more prominent in the business markets for voice.

We expect continued high-speed Internet subscriber base growth as the economy grows and as we continue our investments in expanding our fibre-optic network. TELUS TV subscriber base growth has moderated due to a declining overall market for paid TV services resulting from changing consumer habits, the high rate of market penetration and increased competitive intensity, including from over-the-top (OTT) services. Residential network access line (NAL) losses continue to reflect the ongoing trend of substitution to wireless and Internet-based services and has been partly mitigated by the success of our bundled service offerings.

Wireline operating indicators

At September 30 (000s)	**2018**	2017	Change
Subscriber connections:			
High-speed Internet subscribers	**1,830**	1,722	6.3%
TELUS TV subscribers[1]	**1,069**	1,084	(1.4)%
Residential NALs	**1,260**	1,312	(4.0)%
Total wireline subscriber connections[1]	**4,159**	4,118	1.0%

	Third quarters ended September 30			Nine-month periods ended September 30		
(000s)	**2018**	2017	Change	**2018**	2017	Change
Subscriber connection net additions (losses):						
High-speed Internet	**36**	19	89.5%	**87**	60	45.0%
TELUS TV	**18**	9	n/m	**39**	21	85.7%
Residential NALs	**(12)**	(20)	40.0%	**(38)**	(62)	38.7%
Total wireline subscriber connection net additions	**42**	8	n/m	**88**	19	n/m

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

Operating revenues – Wireline segment

	Third quarters ended September 30			Nine-month periods ended September 30		
	2018	2017	Change	**2018**	2017	Change
($ in millions)	*Applying IFRS 9 and IFRS 15 (2017 adjusted)*			*Applying IFRS 9 and IFRS 15 (2017 adjusted)*		
Data services	**1,168**	1,019	14.6%	**3,388**	3,012	12.5%
Voice services	**267**	302	(11.6)%	**825**	926	(10.9)%
Other services and equipment	**97**	96	1.0%	**306**	280	9.3%
Revenues arising from contracts with customers	**1,532**	1,417	8.1%	**4,519**	4,218	7.1%
Other operating income[1]	**93**	7	n/m	**117**	34	n/m
External operating revenues	**1,625**	1,424	14.1%	**4,636**	4,252	9.0%
Intersegment revenues	**52**	51	2.0%	**154**	155	(0.6)%
Wireline operating revenues	**1,677**	1,475	13.7%	**4,790**	4,407	8.7%

1 Includes equity income related to real estate joint ventures allocated to the wireline segment of $86 million (50% of the total of $171 million) arising from the sale of TELUS Garden recorded in third quarter of 2018.

Total wireline operating revenues increased by $202 million in the third quarter of 2018 and $383 million in the first nine months of 2018.

- **Data services** revenues increased by $149 million in the third quarter of 2018 and $376 million in the first nine months of 2018. The increase was primarily due to: (i) growth in CCBS contracting revenues, primarily due to growth in business volumes from business acquisitions; (ii) increased Internet and enhanced data service revenues resulting from higher revenue per customer from upgrades to faster Internet speeds, larger data usage Internet rate plans and certain rate changes, as well as a 6.3% increase in our high-speed Internet subscribers over the last 12 months; (iii) increased TELUS Health revenues driven by growth from business acquisitions; (iv) revenues from our home and business security lines of business; and (v) increased TELUS TV revenues resulting from a 4.9% subscriber growth over the last 12 months, excluding the Satellite TV subscriber adjustment. This growth was partly offset by the ongoing decline in legacy data services.

- **Voice services** revenues decreased by $35 million in the third quarter of 2018 and $101 million in the first nine months of 2018. The decrease reflects the ongoing decline in legacy revenues from technological substitution, greater use of inclusive long distance plans and price plan changes. We experienced a 4.0% decline in residential NALs in the 12-month period ended September 30, 2018, as compared to a 6.0% decline in residential NALs in the 12-month period ended September 30, 2017.

- **Other services and equipment** revenues was relatively flat in the third quarter of 2018 and increased by $26 million in the first nine months of 2018, mainly due to higher data and voice equipment sales.

- **Wireline subscriber connection net additions** were 42,000 in the third quarter of 2018 and 88,000 in the first nine months of 2018, reflecting increases of 34,000 and 69,000, respectively, compared to the net additions in the same periods of 2017.
    - **Net additions of high-speed Internet subscribers** were 36,000 in the third quarter of 2018 and 87,000 in the first nine months, reflecting increases of 17,000 for the quarter and 27,000 for the nine-month period, compared to the net additions in the respective periods in 2017. This was due to increased customer demand for our high-speed broadband services, including fibre to the premises, as well as improved churn reflecting our focus on executing customers first initiatives and retention programs. Our continued focus on connecting more homes and businesses directly to fibre (as we have made TELUS PureFibre available to 56% of our broadband footprint at the end of the third quarter of 2018), expanding and enhancing our addressable high-speed Internet and Optik TV footprint, and bundling these services together contributed to combined Internet and TV subscriber growth of 93,000 over the last 12 months.
    - **Net additions of TELUS TV subscribers** were 18,000 in the third quarter of 2018 and 39,000 in the first nine months of 2018, reflecting increases of 9,000 for the quarter and 18,000 for the nine-month period compared to the net additions in the respective periods in 2017. The increases reflect a lower customer churn rate from stronger retention efforts and higher gross additions from our diverse product offerings.
    - **Residential NAL losses** were 12,000 in the third quarter of 2018 and 38,000 in the first nine months of 2018, as compared to NAL losses of 20,000 and 62,000, respectively, in the same periods in 2017. The residential NAL losses continue to reflect the trend of substitution to wireless and Internet-based services, partially mitigated by the success of our stronger retention efforts.

Other operating income increased by $86 million in the third quarter of 2018 and $83 million in the first nine months of 2018, mainly due to equity income related to real estate joint ventures arising from the sale of TELUS Garden, as noted in *Section 1.3*, of which 50% of the total of $171 million was allocated to each of the wireless and wireline segments. Excluding the effect of equity income related to real estate joint ventures arising from the sale of TELUS Garden, Other operating income was flat in the third quarter of 2018 and decreased by $3 million in the first nine months of 2018, due to the non-recurrence of 2017 gains on the sale of investments and a decrease in amounts recognized from the regulatory price cap deferral account for provisioning broadband Internet services to eligible rural and remote communities.

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

Operating expenses – Wireline segment

	Third quarters ended September 30			Nine-month periods ended September 30		
	2018	2017	Change	**2018**	2017	Change
($ in millions)	*Applying IFRS 9 and IFRS 15 (2017 adjusted)*			*Applying IFRS 9 and IFRS 15 (2017 adjusted)*		
Goods and services purchased[1,2]	**685**	592	15.7%	**1,887**	1,729	9.1%
Employee benefits expense[1]	**564**	481	17.3%	**1,635**	1,430	14.3%
Wireline operating expenses	**1,249**	1,073	16.4%	**3,522**	3,159	11.5%

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

2 Includes a donation to the TELUS Friendly Future Foundation allocated to the wireline segment of $59 million (50% of the total of $118 million) recorded in other costs in the third quarter of 2018.

Total wireline operating expenses increased by $176 million in the third quarter of 2018 and $363 million in the first nine months of 2018.

Goods and services purchased increased by $93 million in the third quarter of 2018 and $158 million in the first nine months of 2018, primarily due to a donation to the TELUS Friendly Future Foundation, as noted in *Section 1.3*, of which 50% of the total of $118 million was allocated to each of the wireless and wireline segments. Excluding the effect of the donation, Goods and services purchased increased by $34 million in the third quarter of 2018 and $99 million in the first nine months of 2018, mainly due to higher product costs associated with equipment sales and TELUS Health services, as well as higher TV content costs mainly driven by our growing TV subscriber base (excluding the Satellite TV subscriber adjustment) and increases in external labour, employee-related and other costs associated with business acquisitions.

Employee benefits expense increased by $83 million in the third quarter of 2018 and $205 million in the first nine months of 2018, mainly due to increases in compensation and benefits from an increase in the number of employees from business acquisitions, and higher labour-related restructuring costs from efficiency initiatives in the quarter. These increases were partly offset by a decrease in the number of domestic FTEs, excluding business acquisitions, and higher capitalized labour costs, including contract acquisition and fulfilment costs.

EBITDA – Wireline segment

	Third quarters ended September 30			Nine-month periods ended September 30		
	2018	2017	Change	**2018**	2017	Change
($ in millions, except margins)	*Applying IFRS 9 and IFRS 15 (2017 adjusted)*			*Applying IFRS 9 and IFRS 15 (2017 adjusted)*		
EBITDA	**428**	402	6.1%	**1,268**	1,248	1.5%
Add back restructuring and other costs included in EBITDA[1]	**97**	12	n/m	**149**	27	n/m
Deduct non-recurring gains and equity income related to real estate joint ventures[2]	**(86)**	—	n/m	**(86)**	(2)	n/m
Adjusted EBITDA[3]	**439**	414	5.7%	**1,331**	1,273	4.5%
EBITDA margin (%)	**25.6**	27.4	(1.8) pts.	**26.5**	28.4	(1.9) pts.
Adjusted EBITDA margin[4] (%)	**27.6**	28.2	(0.6) pts.	**28.3**	28.9	(0.6) pts.

1 Includes a donation to the TELUS Friendly Future Foundation allocated to the wireline segment of $59 million (50% of the total of $118 million) recorded in other costs in the third quarter of 2018.

2 Includes equity income related to real estate joint ventures allocated to the wireline segment of $86 million (50% of the total of $171 million) arising from the sale of TELUS Garden recorded in the third quarter of 2018.

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

4 Adjusted EBITDA margin is Adjusted EBITDA divided by Operating revenues, where the calculation of Operating revenues excludes non-recurring gains and equity income related to real estate joint ventures.

Wireline EBITDA increased by $26 million or 6.1% in the third quarter of 2018 and $20 million or 1.5% in the first nine months of 2018. Wireline Adjusted EBITDA increased by $25 million or 5.7% in the third quarter of 2018 and $58 million or 4.5% in the first nine months of 2018 due to growth in Internet and TELUS Health margins, as well as an increased contribution from our CCBS contracting business, arising primarily from business acquisitions, and an increase in other services and equipment revenue, partly offset by the continued declines in legacy voice services.

The following table provides a reconciliation of wireline EBITDA results to wireline results excluding the effects of implementing IFRS 15.

EBITDA – Wireline segment – Reconciliation of IFRS 15 impacts

	Third quarters ended September 30			Nine-month periods ended September 30		
($ in millions)	**2018**	2017	Change	**2018**	2017	Change
EBITDA	**428**	402	6.1%	**1,268**	1,248	1.5%
Effects of contract asset, acquisition and fulfilment	**(10)**	6	n/m	**(12)**	12	n/m
EBITDA – excluding IFRS 15 impacts	**418**	408	2.5%	**1,256**	1,260	(0.3)%
Add back restructuring and other costs – excluding IFRS 15 impacts[1]	**97**	12	n/m	**149**	27	n/m
Deduct non-recurring gains and equity income related to real estate joint ventures[2]	**(86)**	—	n/m	**(86)**	(2)	n/m
Adjusted EBITDA[3] – excluding IFRS 15 impacts	**429**	420	2.1%	**1,319**	1,285	2.6%

1 Includes a donation to the TELUS Friendly Future Foundation allocated to the wireline segment of $59 million (50% of the total of $118 million) recorded in other costs in the third quarter of 2018.

2 Includes equity income related to real estate joint ventures allocated to the wireline of $86 million (50% of the total of $171 million) arising from the sale of TELUS Garden recorded in the third quarter of 2018.

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

The effects of contract asset, acquisition and fulfilment are typically less pronounced in our wireline segment as there is a higher proportion of customers with hardware we own compared to our wireless segment, which has a higher proportion of customers with customer-owned hardware. Additionally, given the differentiated nature of our products and services within our operating segments, there is a lower proportion of wireline segment revenue earned under contract compared to our wireless segment. In the quarter, EBITDA growth including the effects of IFRS 15 was greater than that without as we lapped the impacts of richer rate plan discounts from prior years, while current market offers accrue more revenue to the current period. There are some small deferral of costs related to fulfilment of certain large contracts required under IFRS 15. The effects of contract asset, acquisition and fulfilment will vary with the composition of customer deliverables and composition of promotional activities.

6. Changes in financial position

Financial position at: ($ millions)	Sept. 30 2018	Dec. 31 2017 Applying IFRS 9 and IFRS 15 (2017 adjusted)	Change ($ millions)	Change (%)	Change includes:
Current assets					
Cash and temporary investments, net	**433**	509	(76)	(14.9)%	See *Section 7 Liquidity and capital resources*
Accounts receivable	**1,651**	1,614	37	2.3%	An increase in sales, partly offset by a decrease in roaming revenue accruals, as well as receipt of vendor credits and a 2017 refund for MTS subscribers not migrated to TELUS
Income and other taxes receivable	**6**	96	(90)	(93.8)%	A decrease due to refunds received as well as timing of income tax expense compared to the required payment of instalments
Inventories	**338**	380	(42)	(11.1)%	A decrease in wireless handset inventory due to lower volume of handsets and a lower cost mix of smartphones
Contract assets	**785**	757	28	3.7%	The accumulated effect of contract assets being amortized over the life of the customer contract is less than the effect of net new customer contracts acquired in the period
Prepaid expenses	**619**	493	126	25.6%	Increased due to the annual prepayment of statutory employee benefits, maintenance contracts, property taxes and wireless spectrum license fees, net of amortization
Current derivative assets	**21**	18	3	16.7%	An increase in the nominal amounts of U.S. currency hedging items.
Current liabilities					
Short-term borrowings	**112**	100	12	12.0%	TELUS International (Cda) Inc. short-term borrowings to fund working capital growth. Also see *Section 7.7 Sale of trade receivables*
Accounts payable and accrued liabilities	**2,493**	2,460	33	1.3%	An increase in the accrual for share-based compensation and network-related accruals partly offset by a decrease in payables associated with lower capital expenditures. See *Note 23* of the interim consolidated financial statements
Income and other taxes payable	**200**	34	166	n/m	Reorganization of our legal structure in the third quarter of 2017 which impacted the timing of cash income tax payments
Dividends payable	**313**	299	14	4.7%	Effects of an increase in the dividend rate, as well as an increase in the number of shares outstanding
Advance billings and customer deposits	**615**	632	(17)	(2.7)%	A decrease in advance billings due to a decrease in the average unit costs resulting from a lower-cost mix of smartphones at retailer locations. See *Note 24* of the interim consolidated financial statements
Provisions	**122**	78	44	56.4%	New restructuring provisions exceeded payments of restructuring disbursements. See *Note 25* of the interim consolidated financial statements
Current maturities of long-term debt	**787**	1,404	(617)	(43.9)%	A decrease in outstanding commercial paper, maturation of $250 of our 1.50% Notes, Series CS in March 2018, and the early redemption of $1,000 of our 5.05% Notes, Series CG in August 2018
Current derivative liabilities	**8**	33	(25)	(75.8)%	A decrease in the nominal amounts of U.S. currency hedging items.
Working capital (Current assets subtracting Current liabilities)	**(797)**	(1,173)	376	(32.1)%	TELUS normally has a negative working capital position. See *Financing and capital structure management plans* within *Section 4.3* and the *Liquidity risk* discussion within *Section 7.9.*

Financial position at: ($ millions)	Sept. 30 2018	Dec. 31 2017 Applying IFRS 9 and IFRS 15 (2017 adjusted)	Change ($ millions)	Change (%)	Change includes:
Non-current assets					
Property, plant and equipment, net	**11,935**	11,368	567	5.0%	See *Capital expenditures* in *Section 7.3 Cash used by investing activities* and *Depreciation* in *Section 5.3*
Intangible assets, net	**10,886**	10,658	228	2.1%	See *Capital expenditures* in *Section 7.3 Cash used by investing activities* and *Amortization of intangible assets* in *Section 5.3*
Goodwill, net	**4,713**	4,236	477	11.3%	Acquisitions including Xavient Information Systems, Medisys Health Group Inc., and home and business security companies
Contract assets	**384**	396	(12)	(3.0)%	The accumulated effect of contract assets being amortized over the life of the customer contract exceeded the effect of net new customer contracts acquired in the period
Other long-term assets	**613**	528	85	16.1%	An increase in pension and post-retirement assets resulting from the actual return being more than the financial assumptions, an increase in real estate joint venture advances, and a net increase in investments.
Non-current liabilities					
Provisions	**720**	511	209	40.9%	Increase due to written put options in connection with a business acquisition in respect of non-controlling interests. See *Note 25* of the interim consolidated financial statements
Long-term debt	**13,096**	12,256	840	6.9%	See *Section 7.4 Cash used by financing activities*
Other long-term liabilities	**934**	847	87	10.3%	An increase in the accrual for share-based compensation. See *Note 27* of the interim consolidated financial statements
Deferred income taxes	**2,980**	2,941	39	1.3%	Increase in temporary differences between the accounting and tax basis of assets and liabilities including cash flow hedges and pension plan liabilities.
Owners' equity					
Common equity	**9,924**	9,416	508	5.4%	Net income of $1,243, issue of shares in business combinations of $98, dividends reinvested and optional cash payments of $64, other comprehensive income of $16, changes in ownership interests of subsidiary of $14, and dividend declarations of $927. See *Section 7.4 Cash used by financing activities*
Non-controlling interests	**80**	42	38	90.5%	Includes Net income of $13 and changes in ownership interests of subsidiary of $30, net of other comprehensive loss of $5.

7. Liquidity and capital resources

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

7.1 Overview

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

Cash flows

($ millions)	Third quarters ended September 30 2018	2017	Change	Nine-month periods ended September 30 2018	2017	Change
	Applying IFRS 9 and IFRS 15 (2017 adjusted)			*Applying IFRS 9 and IFRS 15 (2017 adjusted)*		
Cash provided by operating activities	**1,066**	1,133	(67)	**3,110**	2,968	142
Cash used by investing activities	**(621)**	(866)	245	**(2,348)**	(2,909)	561
Cash used by financing activities	**(695)**	(150)	(545)	**(838)**	(3)	(835)
Increase (decrease) in Cash and temporary investments, net	**(250)**	117	(367)	**(76)**	56	(132)
Cash and temporary investments, net, beginning of period	**683**	371	312	**509**	432	77
Cash and temporary investments, net, end of period	**433**	488	(55)	**433**	488	(55)

7.2 Cash provided by operating activities

Cash provided by operating activities

($ millions)	Third quarters ended September 30 2018	2017	Change	Nine-month periods ended September 30 2018	2017	Change
	Applying IFRS 9 and IFRS 15 (2017 adjusted)			*Applying IFRS 9 and IFRS 15 (2017 adjusted)*		
EBITDA (see *Section 5.4* and *Section 5.5*)	**1,349**	1,244	105	**3,869**	3,687	182
Restructuring and other costs, net of disbursements and Shares settled from Treasury	**142**	(18)	160	**145**	(64)	209
Employee defined benefit plans expense, net of employer contributions	**15**	3	12	**29**	9	20
Share-based compensation expense, net of payments	**34**	22	12	**87**	61	26
Interest paid, net of interest received	**(196)**	(145)	(51)	**(471)**	(411)	(60)
Income taxes paid, net of recoveries received	**(49)**	(20)	(29)	**(157)**	(199)	42
Other operating working capital changes	**(229)**	47	(276)	**(392)**	(115)	(277)
Cash provided by operating activities	**1,066**	1,133	(67)	**3,110**	2,968	142

- Restructuring and other costs, net of disbursements was a net change of $160 million in the third quarter of 2018 and a net change of $209 million in the first nine months of 2018. These changes were largely attributed to our donation to the TELUS Friendly Future Foundation as noted in *Section 1.3*.
- Interest paid, net of interest received increased by $51 million in the third quarter of 2018 and $60 million in the first nine months of 2018, largely due to the long-term debt prepayment premium described in *Section 5.3* in addition to an increase in both the average long-term debt balance and the weighted-average interest rate on long-term debt.
- Income taxes paid, net of recoveries received increased by $29 million in the third quarter of 2018, reflecting higher required instalment payments. Income taxes paid, net of recoveries received decreased by $42 million in the first nine months of 2018, reflecting the reorganization of our legal structure in the third quarter of 2017, which impacted the timing of cash income tax payments.
- For a discussion on 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

Cash used by investing activities

($ millions)	Third quarters ended September 30			Nine-month periods ended September 30		
	2018	2017	Change	**2018**	2017	Change
	Applying IFRS 9 and IFRS 15 (2017 adjusted)			*Applying IFRS 9 and IFRS 15 (2017 adjusted)*		
Cash payments for capital assets, excluding spectrum licences	**(759)**	(794)	35	**(2,232)**	(2,344)	112
Cash payments for spectrum licences	**(1)**	—	(1)	**(1)**	—	(1)
Cash payments for acquisitions, net	**(34)**	(82)	48	**(285)**	(560)	275
Real estate joint ventures receipts, net of advances (advances, net of receipts)	**175**	8	167	**164**	(1)	165
Proceeds on dispositions and Other	**(2)**	2	(4)	**6**	(4)	10
Cash used by investing activities	**(621)**	(866)	245	**(2,348)**	(2,909)	561

- The decrease in Cash payments for capital assets, excluding spectrum licences, for both the third quarter of 2018 and the first nine months of 2018, was composed of:
  - A decrease in capital expenditures of $59 million in the third quarter of 2018 and $152 million in the first nine months of 2018 (see *Capital expenditure measures* table and discussion below).
  - Increased capital expenditure payments with respect to payment timing differences, as the change in associated Accounts payable and accrued liabilities decreased by $24 million in the third quarter of 2018 and $40 million in the first nine months of 2018.
- In the third quarter of 2018, we made cash payments for business acquisitions, including Medisys Health Group Inc and other individually immaterial business acquisitions complementary to our existing lines of business. In the first nine months of 2018, in addition to the Medisys Health Group Inc. acquisition, we made cash payments for business acquisitions that include certain assets of AlarmForce Industries Inc., 65% of Xavient Information Systems (Xavient) and other individually immaterial acquisitions complementary to our existing lines of business. This is compared to business acquisition activity in the first nine months of 2017, which included 55% of Voxpro Limited, certain assets of Manitoba Telecom Services Inc. and the Kroll Computer Systems Inc. transaction.
- Real estate joint ventures receipts, net of advances increased by $167 million in the third quarter of 2018 and $165 million in the first nine months of 2018 attributed to funds repaid to us and earnings distributed from the TELUS Garden real estate joint venture, arising from the sale of TELUS Garden as noted in *Section 1.3*.
- Proceeds on dispositions and Other in the first nine months of 2018 were primarily related to the sale of small portfolio investments.

Capital expenditure measures

($ millions, except capital intensity)	Third quarters ended September 30			Nine-month periods ended September 30		
	2018	2017	Change	**2018**	2017	Change
	Applying IFRS 9 and IFRS 15 (2017 adjusted)			*Applying IFRS 9 and IFRS 15 (2017 adjusted)*		
Capital expenditures[1]						
Wireless segment	**218**	237	(8.0)%	**643**	745	(13.7)%
Wireline segment	**544**	584	(6.8)%	**1,560**	1,610	(3.1)%
Consolidated	**762**	821	(7.2)%	**2,203**	2,355	(6.5)%
Wireless segment capital intensity (%)	**10**	12	(2) pts.	**11**	13	(2) pts.
Wireline segment capital intensity (%)	**32**	40	(8) pts.	**33**	37	(4) pts.
Consolidated capital intensity[2] (%)	**20**	24	(4) pts.	**21**	24	(3) pts.

1 Capital expenditures include assets purchased but not yet paid for, and therefore differ from Cash payments for capital assets, excluding spectrum licences, as presented on the condensed interim consolidated statements of cash flows.

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

Wireless segment capital expenditures decreased by $19 million in the third quarter of 2018 and $102 million in the first nine months of 2018, primarily due to lower wireless infrastructure investments as planned. Additionally, for the first nine months of 2018, wireless capital expenditures decreased over the prior year as we incurred costs in 2017 to update our radio access network technology in Ontario and Quebec, which was completed in the second quarter of 2017.

Wireline segment capital expenditures decreased by $40 million in the third quarter of 2018 and $50 million in the first nine months of 2018 due to lower expenditures related to customer premise equipment, as well as a planned reduction of broadband capital expenditures. We continued connecting additional homes and businesses directly to our fibre-optic technology and our investments support systems reliability and operational efficiency and effectiveness. These investments support our high-speed Internet and TELUS TV subscriber growth, as well as our customers' demand for faster Internet speeds, and extend the reach and functionality of our business and healthcare solutions. At September 30, 2018, we made TELUS PureFibre available to 56% of our broadband footprint.

7.4 Cash used by financing activities

Cash used by financing activities

	Third quarters ended September 30			Nine-month periods ended September 30		
	2018	2017	Change	**2018**	2017	Change
($ millions)	*Applying IFRS 9 and IFRS 15 (2017 adjusted)*			*Applying IFRS 9 and IFRS 15 (2017 adjusted)*		
Dividends paid to holders of Common Shares	**(293)**	(269)	(24)	**(850)**	(813)	(37)
Treasury shares acquired	**(100)**	—	(100)	**(100)**	—	(100)
Repayment of short-term borrowings, net	**(62)**	—	(62)	**(55)**	—	(55)
Long-term debt issued, net of redemptions and repayment	**(241)**	118	(359)	**157**	819	(662)
Issue of shares by subsidiary to non-controlling interests	**—**	—	—	**24**	—	24
Other	**1**	1	—	**(14)**	(9)	(5)
Cash used by financing activities	**(695)**	(150)	(545)	**(838)**	(3)	(835)

Dividends paid to the holders of Common Shares

In connection with dividends declared during the three-month and nine-month periods ended September 30, 2018, the dividend reinvestment and share purchase plan trustee (Trustee) purchased shares from Treasury for the dividend reinvestment and share purchase plan instead of acquiring Common Shares in the stock market. For the third quarter of 2018 and first nine months of 2018, cash dividends paid to the holders of Common Shares increased by $24 million and $37 million, respectively, which reflects higher dividend rates under our dividend growth program (see *Section 4.3*). During the three-month and nine-month periods ended September 30, 2018, the Trustee purchased approximately 0.5 million dividend reinvestment Common Shares for $22 million and approximately 1.4 million dividend reinvestment Common Shares for $63 million, respectively, with no discount applicable.

In October 2018, we paid dividends of $292 million to the holders of Common Shares and the Trustee purchased dividend reinvestment Common Shares from Treasury for $21 million, totalling $313 million.

Treasury shares acquired

As noted in *Section 1.3*, our initial donation of $100 million to the TELUS Friendly Future Foundation was made in TELUS Corporation Common Shares acquired in the market.

Repayment of short-term borrowings, net

In connection with our third quarter of 2018 acquisition of Medisys Health Group Inc., we repaid short-term borrowings of $62 million.

Long-term debt issues and repayments

For the third quarter of 2018, long-term debt repayments net of issues were $241 million, compared to long-term debt issues net of repayments of $118 million for the third quarter of 2017, resulting in a change of $359 million. This was primarily composed of:

- A net increase in commercial paper, including foreign exchange effects, of $766 million to a balance of $769 million (US$594 million) at September 30, 2018 from a balance of $3 million (US$2 million) at June 30, 2018. Our commercial paper program, when utilized, provides low-cost funds and is fully backstopped by the five-year committed credit facility (see *Section 7.6 Credit facilities*).
- A decrease in the outstanding amount of revolving component and term loan of the TELUS International (Cda) Inc. credit facility, including foreign exchange effects, of $18 million (US$9 million). As at September 30, 2018, net draws were $421 million ($414 million net of unamortized issue costs), all of which were denominated in U.S. dollars (US$325 million). As at June 30, 2018, net draws were $439 million ($432 million net of unamortized issue costs), all of which were denominated in U.S. dollars (US$334 million). The credit facility is non-recourse to TELUS Corporation.

- The August 1, 2018, early full redemption of $1 billion 5.05% Series CG notes due December 4, 2019. The long-term debt prepayment premium recorded in the three-month period ended September 30, 2018, was $34 million before income taxes.

For the first nine months of 2018, long-term debt issues net of repayments were $157 million, a decrease of $662 million from the first nine months of 2017. In addition to some activity from the third quarter of 2018, the change in balance for the first nine months of 2018 was primarily composed of:

- A net decrease in commercial paper, including foreign exchange effects, of $371 million from a balance of $1,140 million (US$908 million) at December 31, 2017.
- An increase in net draws on the TELUS International (Cda) Inc. credit facility, including foreign exchange effects, of $75 million (US$49 million). As at December 31, 2017, net draws were $346 million ($339 million net of unamortized issue costs), all of which were denominated in U.S. dollars (US$276 million).
- The March 1, 2018, issues of $600 million of senior unsecured Series CX notes at 3.625% due March 1, 2028, and $150 million through the re-opening of Series CW notes at 4.70% due March 6, 2048. For additional information on these notes, refer to *Note 26(b)* of the interim consolidated financial statements.
- The March 2018 repayment of $250 million of Series CS notes.
- The June 2018 issue of US$750 million of senior unsecured 4.60% 30-year notes due November 16, 2048. The net proceeds were used to repay outstanding indebtedness, including outstanding commercial paper, and for general corporate purposes. We have fully hedged the principal and interest obligations of the notes against fluctuations in the Canadian dollar foreign exchange rate for the entire term of the notes by entering into a foreign exchange derivative (a cross currency interest rate exchange agreement) which effectively converted the principal payments and interest obligations to Canadian dollar obligations with a fixed interest rate of 4.41% and an issued and outstanding amount of $974 million (reflecting a fixed exchange rate of $1.2985).

In comparison, for the third quarter of 2017, long-term debt issues net of repayments were $118 million and were primarily composed of:

- A net increase in commercial paper, including foreign exchange effects, of $60 million to a balance of $1,092 million (US$875 million) at September 30, 2017, from a balance of $1,032 million (US$794 million) at June 30, 2017.
- An increase in net draws on the TELUS International (Cda) Inc. credit facility. As at September 30, 2017, net draws were $358 million ($353 million net of unamortized issue costs), all of which were denominated in U.S. dollars (US$287 million). As at June 30, 2017, net draws were $294 million ($288 million net of unamortized issue costs), all of which were denominated in U.S. dollars (US$226 million). The increase in net draws on the TELUS International (Cda) Inc. credit facility in the third quarter of 2017 was used for the acquisition of 55% of Voxpro Limited.

Long-term debt issues net of repayments for the first nine months of 2017 were $819 million. In addition to some activity from the third quarter of 2017, the change in balance for the first nine months of 2017 was primarily composed of:

- A net increase in commercial paper, including foreign exchange effects, of $479 million in the first nine months of 2017 from $613 million (US$456 million) at December 31, 2016.
- An increase in net draws on the TELUS International (Cda) Inc. credit facility. As at December 31, 2016, net draws were $340 million ($332 million net of unamortized issue costs), all of which were denominated in U.S. dollars (US$253 million).
- The March 2017 issues of US$500 million of senior unsecured notes at 3.70% due September 15, 2027, and $325 million of senior unsecured notes at 4.70% due March 6, 2048.
- The March 2017 repayment of $700 million of Series CD notes.

The average term to maturity of our long-term debt (excluding commercial paper, the revolving component of the TELUS International (Cda) Inc. credit facility and finance leases) was approximately 12.5 years at September 30, 2018, increasing from approximately 10.7 years at December 31, 2017, and approximately 10.8 years at September 30, 2017. Additionally, our weighted average cost of long-term debt (excluding commercial paper, the revolving component of the TELUS International (Cda) Inc. credit facility and finance leases) was 4.18% at both September 30, 2018 and at December 31, 2017, and 4.16% at September 30, 2017.

Issue of shares by subsidiary to non-controlling interests

In connection with our first quarter of 2018 acquisition of 65% of Xavient, our TELUS International (Cda) Inc. subsidiary issued shares to non-controlling interests.

7.5 Liquidity and capital resource measures

Net debt was $13.7 billion at September 30, 2018, an increase of $0.3 billion when compared to one year earlier, resulting mainly from the issuances of the US$750 million of senior unsecured notes, $600 million of Series CX notes and the $150 million through the re-opening of Series CW notes as described in *Section 7.4*, as well as lower Cash and temporary investments, net. These increases were partially offset by a net reduction of commercial paper outstanding, the repayment of Series CS Notes and the early redemption of Series CG Notes as described in *Section 7.4*. The calculation of Net debt will be impacted by the application of IFRS 16, *Leases*, as described in *Section 8.2* and *Note 2(b)* of the interim consolidated financial statements.

Fixed-rate debt as a proportion of total indebtedness was 92% as at September 30, 2018, up from 89% one year earlier, mainly due to a net decrease in commercial paper, which emulates floating-rate debt, as well as the June 2018 note issuance and the two unsecured note issuances in the first quarter of 2018 described in *Section 7.4*. This was partly offset by an increase in the amounts drawn on the TELUS International (Cda) Inc. credit facility, which is non-recourse to TELUS Corporation and the early redemption of Series CG Notes.

Net debt to EBITDA – excluding restructuring and other costs ratio was 2.54 times, as measured at September 30, 2018. Excluding the effects of implementing IFRS 9 and IFRS 15, net debt to EBITDA – excluding restructuring and other costs was 2.60 times as at September 30, 2018, down from 2.76 one year earlier, partly attributed to current period equity income related to real estate joint ventures arising from the sale of TELUS Garden. Excluding the third quarter of 2018 equity income related to real estate joint ventures of $171 million arising from the sale of TELUS Garden, the ratio was 2.63 at September 30, 2018. Our long-term objective for this measure is within a range of 2.00 to 2.50 times, which we believe is consistent with maintaining investment grade credit ratings in the range of BBB+, or the equivalent, and providing reasonable access to capital. As at September 30, 2018, this ratio remains outside of the long-term objective range due to prior issuances of incremental debt, primarily for the acquisition in 2014 and 2015 of spectrum licences for approximately $3.6 billion and the elevated strategic capital investments in our fibre-optic network, partially offset by growth in EBITDA – excluding restructuring and other costs. These acquired licences have more than doubled our national spectrum holdings and represent an investment to extend our network capacity to support continuing data consumption growth, as well as growth in our wireless customer base. We expect these ratios to decline in 2018 and we continue to expect them to return to within the objective range in the medium term, consistent with our long-term strategy. While this ratio exceeds our long-term objective range, we are well in compliance with the leverage ratio covenant in our credit facilities, which states that we may not permit our net debt to operating cash flow ratio to exceed 4.00:1.00 (see *Section 7.6 Credit facilities*).

Liquidity and capital resource measures

As at, or 12-month periods ended, September 30	**2018**	**2018**	2017
Components of debt and coverage ratios[1] ($ millions)	**As currently reported**	Excluding effects of implementing IFRS 9 and IFRS 15[3]	
Net debt	**13,698**	**13,698**	13,394
EBITDA – excluding restructuring and other costs	**5,388**	**5,264**	4,847
Net interest cost	**633**	**633**	568
Debt ratios			
Fixed-rate debt as a proportion of total indebtedness (%)	**92**	**92**	89
Average term to maturity of long-term debt (excluding commercial paper, the revolving component of the TELUS International (Cda) Inc. credit facility and finance leases) (years)	**12.5**	**12.5**	10.8
Weighted average interest rate on long-term debt (excluding commercial paper, the revolving component of the TELUS International (Cda) Inc. credit facility and finance leases) (%)	**4.18**	**4.18**	4.16
Net debt to EBITDA – excluding restructuring and other costs[1,2] (times)	**2.54**	**2.60**	2.76
Coverage ratios[1] **(times)**			
Earnings coverage	**4.5**	**4.3**	4.0
EBITDA – excluding restructuring and other costs interest coverage	**8.5**	**8.3**	8.5
Other measures[1] **(%)**			
Dividend payout ratio	**77**	**82**	91
Dividend payout ratio of adjusted net earnings	**79**	**84**	79

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

2 Excluding the third quarter of 2018 equity income related to real estate joint ventures of $171 million arising from the sale of TELUS Garden, the ratio was 2.63 at September 30, 2018.

3 We have not recast comparative amounts for purposes of managing capital; as set out in *Note 2(a)* of the interim consolidated financial statements, a practical expedient that we are using in transitioning to IFRS 15 is that we are not recasting for contracts that were completed as at January 1, 2017, or earlier. Accordingly, amounts prior to fiscal 2017 included in the comparative 12-month period ended September 30, 2017, have not been prepared on a basis including IFRS 9 and IFRS 15. For purposes of assessing results compared to the prior period, we have excluded the effects of implementing IFRS 9 and IFRS 15 from our fiscal 2018 results.

Earnings coverage ratio for the 12-month period ended September 30, 2018 was 4.5 times. Excluding the effects of implementing IFRS 9 and IFRS 15, the earnings coverage ratio for the 12-month period ended September 30, 2018 was 4.3 times, up from 4.0 times one year earlier. An increase in income before borrowing costs and income taxes increased the ratio by 0.7, while an increase in borrowing costs reduced the ratio by 0.4.

EBITDA – excluding restructuring and other costs interest coverage ratio for the 12-month period ended September 30, 2018 was 8.5 times. Excluding the effects of implementing IFRS 9 and IFRS 15, the EBITDA – excluding restructuring and other costs interest coverage ratio was 8.3 times, down from 8.5 times one year earlier. Growth in EBITDA – excluding restructuring and other costs increased the ratio by 0.7, while an increase in net interest costs reduced the ratio by 0.9.

Dividend payout ratios: Actual dividend payout decisions will continue to be subject to our Board's assessment and the determination of our financial position and outlook, as well as our long-term dividend payout objective range of 65 to 75% of prospective net earnings per share. The disclosed basic and adjusted dividend payout ratios are historical measures utilizing the last four quarters of dividends declared and earnings per share. We currently expect that we will be within our objective range when considered on a prospective dividend payout ratio basis within the medium term. The historical measures for the 12-month period ended September 30, 2018 are presented for illustrative purposes in evaluating our target guideline and both exceeded the objective range.

7.6 Credit facilities

At September 30, 2018, we had available liquidity of approximately $1.5 billion from the TELUS revolving credit facility and approximately $171 million of available liquidity from the TELUS International (Cda) Inc. credit facility. 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) revolving credit facility with a syndicate of financial institutions, which was renewed in May 2018 and which extended the expiration date from May 31, 2021 to May 31, 2023.

TELUS revolving credit facility at September 30, 2018

Applying IFRS 9 and IFRS 15 ($ millions)	Expiry	Size	Drawn	Outstanding undrawn letters of credit	Backstop for commercial paper program	Available liquidity
Five-year revolving facility [1]	May 31, 2023	2,250	—	—	(769)	1,481

1 Canadian dollars or U.S. dollar equivalent.

Our revolving credit facility contains customary covenants, including a requirement that we not permit our consolidated leverage ratio to exceed 4.00 to 1.00 and that we not permit our consolidated coverage ratio to be less than 2.00 to 1.00 at the end of any financial quarter. Excluding the effects of implementing IFRS 9 and IFRS 15, as at September 30, 2018, our consolidated leverage ratio was approximately 2.60 to 1.00 and our consolidated coverage ratio was approximately 8.32 to 1.00. These ratios are expected to remain well within the covenants. There are certain minor differences in the calculation of the leverage ratio and coverage ratio under the revolving credit facility, as compared with the calculation of Net debt to EBITDA – excluding restructuring and other costs and EBITDA – excluding restructuring and other costs interest coverage. Historically, the calculations have not been materially different. The covenants are not impacted by revaluation, if any, of Property, plant and equipment, Intangible assets or Goodwill for accounting purposes. Continued access to our credit facilities is not contingent on maintaining a specific credit rating.

Commercial paper

TELUS Corporation has an unsecured commercial paper program, which is backstopped by our revolving credit facility, enabling us to issue commercial paper up to a maximum aggregate amount of $1.4 billion at September 30, 2018, including a U.S. dollar-denominated commercial paper program for up to US$1.0 billion within this maximum aggregate amount. Foreign currency forward contracts are used to manage currency risk arising from issuing commercial paper denominated in U.S. dollars. The commercial paper program is to be used for general corporate purposes, including, but not limited to, capital expenditures and investments. Our ability to reasonably access the commercial paper market in Canada and the U.S. is dependent on our credit ratings (see *Section 7.8 Credit ratings*).

TELUS International (Cda) Inc. credit facility

As at September 30, 2018, TELUS International (Cda) Inc. had a bank credit facility, secured by its assets, expiring on December 20, 2022, with a syndicate of financial institutions. The credit facility is composed of a US$350 million revolving component and an amortizing US$120 million term loan component. The credit facility is non-recourse to TELUS Corporation. As at September 30, 2018, $421 million ($414 million net of unamortized issue costs) was outstanding, all of which was denominated in U.S. dollars (US$325 million), with the revolving component having a weighted average interest rate of 3.99%. We have entered into a receive-floating, pay-fixed interest rate exchange agreement, which effectively converts our interest obligations on the debt to a fixed rate of 2.64%.

Other letter of credit facilities

At September 30, 2018, we had $206 million of letters of credit outstanding (December 31, 2017 – $224 million) issued under various uncommitted facilities; such letter of credit facilities are in addition to the ability to provide letters of credit pursuant to our committed bank credit facility. Available liquidity under various uncommitted letters of credit facilities was $109 million at September 30, 2018.

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 was renewed subsequent to September 30, 2018, and its renewed term is in effect until December 31, 2021. Available liquidity was $400 million as at September 30, 2018. (See *Note 22* of the interim consolidated financial statements.) Sales of trade receivables in securitization transactions are recognized as collateralized Short-term borrowings and thus do not result in our de-recognition of the trade receivables sold.

TELUS Communications Inc. is required to maintain at least a BB credit rating by DBRS Ltd. or the securitization trust may require the sale program to be wound down prior to the end of the term. The necessary credit rating was exceeded as of November 8, 2018.

7.8 Credit ratings

There were no changes to our investment grade credit ratings as of November 8, 2018.

7.9 Financial instruments, commitments and contingent liabilities

Financial instruments

Our financial instruments and the nature of certain risks that they may be subject to were described in *Section 7.9* of our 2017 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 September 30, 2018, we could offer $2.5 billion of debt or equity securities pursuant to a shelf prospectus that is in effect until June 2020.

As of the date of this MD&A, we had liquidity of approximately $1.5 billion available from the TELUS revolving credit facility and approximately $171 million of available liquidity from the TELUS International (Cda) Inc. credit facility (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*).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 September 30, 2018, our contractual commitments related to the acquisition of property, plant and equipment were $136 million through to December 31, 2022, as compared to $184 million over a period ending December 31, 2019, reported in our 2017 annual report. The decrease was primarily due to higher commitments at December 31, 2017, related to projects completed prior to September 30, 2018.

Claims and lawsuits

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

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

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

Indemnification obligations

As at September 30, 2018, we had no liability recorded in respect of our indemnification obligations.

7.10 Outstanding share information

Outstanding shares (millions)	September 30, 2018	October 31, 2018
Common Shares	598	599
Common Share options – All exercisable (one for one)	<1	<1

7.11 Transactions between related parties

Transactions with key management personnel

Our key management personnel have authority and responsibility for overseeing, planning, directing and controlling our activities. They consist of our Board of Directors and our Executive Leadership Team. Total compensation expense for key management personnel was $20 million and $54 million, in the third quarter and first nine months of 2018, respectively, as compared to $11 million and $30 million in the comparable periods in 2017. The increase in compensation expense for key management personnel was due to greater share-based compensation primarily arising from metrics affecting performance condition-based restricted stock units. See *Note 30(a)* of the interim consolidated financial statements for additional details.

Transactions with defined benefit pension plans

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

Transactions with real estate joint ventures

In the third quarter of 2018, we had transactions with real estate joint ventures, which are related parties to us, as set out in *Note 21* of the interim consolidated financial statements.

For the TELUS Garden real estate joint venture, during the three-month period ended September 30, 2018, the real estate joint venture sold the income producing property and the related net assets. The purchaser assumed the 3.7% mortgage and the 3.4% bonds secured by the income producing property. In the application of equity accounting, we recorded our share of the non-recurring gain at $171 million. Concurrently, we committed to a donation of $118 million, of which an initial donation of $100 million was made in TELUS Corporation Common Shares acquired in the market. See *Section 1.3* and *Note 28(b)* of the interim consolidated financial statements for additional details.

For the TELUS Sky real estate joint venture, commitments and contingent liabilities include construction-related contractual commitments through to 2019 (approximately $42 million at September 30, 2018) and construction financing ($342 million with three Canadian financial institutions as 66-2/3% lender and TELUS as 33-1/3% lender).

8. Accounting matters

8.1 Critical accounting estimates

Our significant accounting policies are described in *Note 1* of the Consolidated financial statements for the year ended December 31, 2017. The preparation of financial statements in conformity with GAAP requires us to make estimates, assumptions and judgments that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities as at the date of the financial statements, as well as the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates. Our critical accounting estimates and significant judgments are generally discussed with our Audit Committee each quarter and are described in *Section 8.1* of our 2017 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 2017 annual MD&A. See *Note 2* of the interim consolidated financial statements for additional details. The application of these accounting policies do not change the underlying economics of the business and our business practices are not impacted by these standards.

IFRS 9, Financial Instruments

IFRS 9, *Financial Instruments*, is required to be applied for years beginning on or after January 1, 2018, with retrospective application. The new standard includes a model for the classification and measurement of financial instruments, a single forward-looking "expected loss" impairment model and a reformed approach to hedge accounting. Our financial performance is currently not materially affected by the retrospective application of the standard, nor is our financial position.

IFRS 15, Revenue from Contracts with Customers

IFRS 15, *Revenue from Contracts with Customers*, is required to be applied for years beginning on or after January 1, 2018. The International Accounting Standards Board (IASB) and the Financial Accounting Standards Board of the United States worked on this joint project to clarify the principles for the recognition of revenue. The new standard was released in May 2014 and supersedes existing standards and interpretations including IAS 18, *Revenue*. We have applied the standard retrospectively to prior reporting periods, subject to permitted and elected practical expedients.

The effects of the new standard and the materiality of those effects will vary by industry and entity; the effects on us of our retrospective application are set out in *Note 2(c)* of the interim consolidated financial statements and throughout the MD&A. Like many other telecommunications companies, we are materially affected by its application, primarily in respect of the timing of revenue recognition, the classification of revenue, the capitalization of costs of obtaining a contract with a customer and the capitalization of the costs of contract fulfilment (as defined by the new standard).

IFRS 16, Leases

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

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

The measurement of the total lease expense over the term of a lease will be unaffected by the new standard. However, the new standard will result in the timing of lease expense recognition being accelerated for leases which would currently be accounted for as operating leases; the IASB expects that this effect may be muted by a lessee having a portfolio of leases with varying maturities and lengths of term, and we expect that we will be similarly affected. The presentation on the statement of income and other comprehensive income required by the new standard will result in most non-executory lease expenses being presented as depreciation of right-of-use lease assets and financing costs arising from lease liabilities, rather than as a part of goods and services purchased; reported operating income would thus be higher under the new standard. The effects of implementing IFRS 16 will be more pronounced in our wireless results due to the relative prevalence of lease-in activity in the wireless business.

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

We are currently assessing the impacts and transition provisions of the new standard; however, we will be applying the standard retrospectively with the cumulative effect of initially applying the new standard recognized at the date of initial application, January 1, 2019, subject to permitted and elected practical expedients; such method of application would not result in retrospective adjustment of amounts reported for fiscal periods prior to fiscal 2019. Our current estimate of the time and effort necessary to develop and implement the accounting policies, estimates and processes (including incremental requirements of our information technology systems) we will need to have in place in order to comply with the new standard extends into the latter half of 2018.

The nature of the transition method selected is such that it is the lease population for which the underlying right-of-use lease asset is available to us for use as at January 1, 2019, and the discount rates determined as of the same date, that will be the basis for the cumulative effects recorded as of that date. To provide users of our financial statements a sense of magnitude of the effects of the new standard, we have quantified some effects, **which should be used with caution**, using our January 1, 2018, lease population and discount rates determined as of the same date, with: no provision for leases added, modified, cancelled or impaired subsequent to that date; no provision for calculating the right-of-use lease assets from the commencement of the leases; and no reassessment of contracts entered into prior to January 1, 2018, to identify whether they are, or contain, leases:

- Subject to the forgoing simplifying assumptions, for the nine-months ended September 30, 2018, lease expense, which is net of the amortization of deferred gains on sale-leaseback of buildings and the occupancy costs associated with leased real estate, of approximately $0.2 billion would not have been included in goods and services purchased; this amount would have been largely offset by increased depreciation (approximately three-quarters of the difference in goods and services) and increased financing costs (approximately one-quarter of the difference in goods and services).
- Subject to the forgoing simplifying assumptions, a lease liability of approximately $1.3 billion would have been recorded as at January 1, 2018.

Due to the dynamic nature of our lease population, the passage of time and external factors such as those affecting discount rates, our lease population at January 1, 2019, and the effects of the new standard thereon, will differ from our lease population as at January 1, 2018, and the associated illustrative effects of the new standard set out above.

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 2018 outlook, as described in *Section 9 General trends, outlook and assumptions* of our 2017 annual MD&A, remain the same, except for the following updates:

- Our revised estimate for economic growth in Canada in 2018 is 2.1% as updated in our first quarter 2018 MD&A (previously 2.2% as reported in our 2017 annual MD&A). For our incumbent local exchange carrier provinces in Western Canada, we currently estimate that annual rates of economic growth will be 2.2% in 2018 in B.C. (previously 2.5% as reported in our 2017 annual MD&A), and 2.2% in Alberta (previously 2.4% as reported in our 2017 annual MD&A).

- Restructuring and other costs has been revised to approximately $300 million from approximately $135 million as reported in our 2017 annual MD&A. This was revised to account for the committed donation of $118 million to the TELUS Friendly Future Foundation and to support ongoing and incremental operational efficiencies and personnel-related costs. We continually invest in operational efficiency initiatives, similar to our continual investment in our products, services and technology, while continuing to drive to a more efficient cost structure. The increase in our 2018 restructuring and other costs charge will improve our overall cost structure, improve operational effectiveness and continue to position us to effectively compete in our dynamic industry and support growth in our core strategic priorities.

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 Telecommunications 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), the Minister of Canadian Heritage and the Competition Bureau.

The following are updates to *Section 9.4 Telecommunications industry regulatory developments and proceedings* in our 2017 annual MD&A.

Radiocommunication licences and spectrum-related matters

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

600 MHz spectrum repurposing decision released

On August 14, 2015, ISED published its *Decision on repurposing the 600 MHz Band*, *SLPB-004-15*. In its decision, ISED announced its intention to jointly repack the 600 MHz band in line with the U.S. and to adopt the 70 MHz mobile band plan arising from the Federal Communications Commission (FCC) Incentive Auction. In August 2017, ISED initiated its *Consultation on a Technical, Policy and Licensing Framework for Spectrum in the 600 MHz Band* and on March 28, 2018, ISED released its *Technical, Policy and Licensing Framework for the 600 MHz spectrum auction*. ISED announced a 30 MHz set aside for facilities-based providers who serve less than 10% of the national subscriber share and are actively providing commercial telecommunication services to the general public in the licensed area of interest. The asymmetric design of the auction framework, which sets aside a significant portion of the spectrum under auction exclusively for certain carriers (as defined in the framework), raises the risk that we will not be able to acquire all the spectrum we need in the auction process or that we will be required to pay more than we might otherwise pay. The auction will commence on March 12, 2019.

Spectrum Outlook 2018 – 2022

On June 6, 2018, ISED published the Spectrum Outlook 2018 – 2022. There is a risk that bands identified as promising for mobile service will not be allocated for mobile service or will be delayed in being allocated or assigned as the Spectrum Outlook is not a binding forecast of future spectrum assignments. However, any such delay or failure to allocate would generally impact all Canadian mobile service providers and not just us specifically.

Repurposing the 3500 MHz spectrum to support 5G

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

Repurposing mmWave spectrum to support 5G

On June 5, 2017, ISED issued a Consultation on Releasing Millimetre Wave Spectrum to Support 5G, proposing to release 3.25 GHz of mmWave spectrum for licensed use and 7 GHz for licence exempt use largely in line with recent U.S. mmWave developments. On June 6, 2018, ISED released an Addendum to the Consultation on Releasing

Millimetre Wave Spectrum to Support 5G, proposing to release an additional 1 GHz of spectrum in 26.5 – 27.5 GHz range. After issuing a repurposing decision, ISED will then consult on a licensing framework (i.e. auction rules and conditions of licence) for the mmWave bands. There is a risk that the repurposing decisions and the auction rules will favour certain carriers over us and impact our ability to acquire mmWave band spectrum.

Renewal of AWS-1 and PCS-G licences

Our licences in the AWS-1 and PCS-G bands are set for initial licence term expiry in late 2018 or early 2019, which expiry date depends on the original date of licence issuance. ISED has asked us to report on our compliance with conditions of licence, including deployment, so that it can assess whether licences should be renewed for a new licence term. We have filed our report in the third quarter of 2018 that shows compliance with all licence conditions. A decision from ISED on licence renewal is pending. ISED has indicated that licensees demonstrating compliance with licence conditions have a high expectation of renewal.

Regulatory and federal government reviews

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

Wireline wholesale services followup

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

The FTTP followup activities directed in *Telecom Policy CRTC 2015-326* remain ongoing. For the second phase, which involves FTTP wholesale services for the rest of Canada (including our serving territories), a proceeding on technical configurations commenced in 2017 and the associated cost study and tariff review will follow. We anticipate no material adverse impact in the short term from the CRTC's decision. Given the phased implementation of the mandated provision of wholesale access to our FTTP networks, it is too early to determine the impact this decision will have on us in the longer term. The provision of access to unbundled local loops (ULLs) to competitors has not been mandated effective July 22, 2018, subject to the approval of an application setting out a test for ULL forbearance, which addresses areas where forbearance for retail voice service was predicated on the availability of ULLs. We filed such an application on January 19, 2018, and on September 11, 2018, the CRTC approved our application, which means that our provision of ULLs is based on commercial arrangements rather than a CRTC-approved tariff.

CRTC Proceeding to Review Lower-Cost Data Only Mobile Wireless Services

On March 22, 2018, the CRTC launched *Lower-cost data-only plans for mobile wireless services*, *Telecom Notice of Consultation CRTC 2018-98*, pursuant to which Bell, Rogers and ourselves filed proposals about retail wireless data-only offers. The CRTC noted that these types of offers might close perceived gaps in the marketplace for lower-cost data-only plans. We are participating in this proceeding as directed by the CRTC. We have taken the position in this proceeding that retail rate regulation is not required given the range of low-cost options available in the marketplace. We have urged the CRTC to take steps to enhance consumer awareness of existing and future low-cost data offerings. We have also proposed new plans to supplement our current plans to be introduced later this year, that address a CRTC request for information. The impact of any resulting decision is not known at this time.

CRTC report on sales practices of large telecommunications carriers

On June 14, 2018, the Governor in Council directed the CRTC, pursuant to section 14 of the *Telecommunications Act*, to provide a report, by no later than February 28, 2019, regarding the retail sales practices of Canada's large telecommunications carriers. The CRTC is directed to examine claims of aggressive or misleading sales practices concerning telecommunications services, the prevalence and impact on consumers, and potential solutions. On July 16, 2018, the CRTC issued a notice of consultation commencing its inquiry. We are actively participating in this proceeding and have highlighted the customer service successes associated with our customers first journey and argued that there is no need for further substantive regulation. The CRTC received written submissions from parties and intervenors in August and September 2018 and an oral hearing was held in October 2018. Parties and intervenors may make final written submissions by November 9, 2018. Until a report is released in 2019, it is too early to determine any potential impact on us.

Competition Bureau market study on competition in broadband services

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

Phase out of local service subsidy regime

On June 26, 2018, the CRTC issued *Phase-out of the local service subsidy regime, Telecom Regulatory Policy CRTC 2018-213*. In this decision, the CRTC determined that it would phase out the existing local service subsidy over three years, from January 1, 2019, to December 31, 2021. In September 2018, the Independent Telecommunications Providers Association (ITPA), which represents small incumbent local exchange carriers, brought an application to the CRTC to review and vary this decision. In its application, the ITPA seeks to keep the existing local service subsidy regime in place. If upheld, the impact of this decision is not expected to be material.

Review of the price cap and local forbearance regimes

Simultaneously with the release of the *Phase out of the local subsidy regime* decision noted above, the CRTC issued *Review of the price cap and local forbearance regimes, Telecom Notice of Consultation CRTC 2018-214*. In this proceeding, the CRTC intends to review, among other things: pricing constraints for residential local exchange services; whether compensation to incumbent local exchange carriers is required given that the local service subsidy is being eliminated further to the *Phase out of the local subsidy regime* decision; whether there is still a need for an exogenous factor mechanism in the price cap regimes; and whether changes are necessary to the test for local forbearance. It is too early to determine the impact of this proceeding. Initial submissions were filed on October 10, 2018.

Broadcasting-related issues

Broadcasting licences held by TELUS

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

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

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

Review of the Telecommunications Act and the Broadcasting Act

On June 5, 2018, the federal government announced a joint review of the *Telecommunications Act* and the *Broadcasting Act* to be conducted by a panel of seven experts, which will have until January 31, 2020 to provide its final recommendations. At this time, we do not know the impact of the review and any resulting amendments to the *Telecommunications Act*, the *Broadcasting Act* or the *Radiocommunication Act* (all three of which form the main legislative framework for communications).

Review of the Copyright Act and Copyright Board

The *Copyright Act*'s mandated five-year review was due in 2017 and the process for review via parliamentary committee was announced in December 2017. Both the Standing Committee on Industry, Science and Technology and the Standing Committee on Canadian Heritage are engaged in reviewing aspects of the *Copyright Act* and its policy framework. The expected completion timeline for this review is early 2019. The policy approach for copyright has traditionally been based on a balance of interests of creators and consumers, and as a result, changes to the *Copyright Act* are not expected to have a negative material impact on us.

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 2017 annual MD&A and have not materially changed since December 31, 2017. Reference is made as well to the summary of risks and uncertainties in the *Caution regarding forward-looking statements* at the beginning of this MD&A.

11. Definitions and reconciliations

11.1 Non-GAAP and other financial measures

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

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

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

Dividend payout ratio: This is a historical measure calculated as the sum of the last four quarterly dividends declared per Common Share, as reported in the financial statements, divided by the sum of basic earnings per share for the most recent four quarters for interim reporting periods. For fiscal years, the denominator is annual basic earnings per share. Our objective range for the annual dividend payout ratio is on a prospective basis, rather than on a trailing basis, and is 65 to 75% of sustainable earnings per share on a prospective basis. (See *Section 7.5 Liquidity and capital resource measures.*)

Calculation of Dividend payout ratio

12-month periods ended September 30 ($)	**2018**	**2018**	2017
	As currently reported	Excluding effects of implementing IFRS 9 and IFRS 15	
Numerator – Sum of the last four quarterly dividends declared per Common Share	**2.06**	**2.06**	1.9450
Denominator – Net income per Common Share	**2.68**	**2.51**	2.13
Ratio (%)	**77**	**82**	91

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

Calculation of Dividend payout ratio of adjusted net earnings

12-month periods ended September 30 ($)	**2018**	**2018**	2017
	As currently reported	Excluding effects of implementing IFRS 9 and IFRS 15	
Numerator – Sum of the last four quarterly dividends declared per Common Share	**2.06**	**2.06**	1.9450
Adjusted net earnings ($ millions):			
Net income attributable to Common Shares	**1,596**	**1,499**	1,260
Deduct non-recurring gains and equity income related to real estate joint ventures, after income taxes	**(149)**	**(149)**	(7)
Provisions related to business combinations, after income taxes	**(22)**	**(22)**	2
Add back net unfavourable (deduct net favourable) income tax-related adjustments	**20**	**20**	(18)
Add back long-term debt prepayment premium, after income taxes	**25**	**25**	—
Add back initial and committed donation to TELUS Friendly Future Foundation, after income taxes	**90**	**90**	—
Add back transformative compensation expense, after income taxes	**—**	**—**	224
	1,560	**1,463**	1,461
Denominator – Adjusted net earnings per Common Share	**2.62**	**2.45**	2.47
Adjusted ratio (%)	**79**	**84**	79

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 September 30 ($ millions, except ratio)	**2018**	**2018**	2017
	As currently reported	Excluding effects of implementing IFRS 9 and IFRS 15	
Net income attributable to Common Shares	**1,596**	**1,499**	1,260
Income taxes (attributable to Common Shares)	**580**	**543**	431
Borrowing costs (attributable to Common Shares)[1]	**624**	**624**	557
Numerator	**2,800**	**2,666**	2,248
Denominator – Borrowing costs	**624**	**624**	557
Ratio (times)	**4.5**	**4.3**	4.0

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

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

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

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

EBITDA reconciliation

($ millions)	Third quarters ended September 30 2018	2017	Nine-month periods ended September 30 2018	2017
	Applying IFRS 9 and IFRS 15 (2017 adjusted)		*Applying IFRS 9 and IFRS 15 (2017 adjusted)*	
Net income	**447**	406	**1,256**	1,224
Financing costs	**196**	149	**502**	429
Income taxes	**134**	142	**430**	429
Depreciation	**419**	410	**1,241**	1,203
Amortization of intangible assets	**153**	137	**440**	402
EBITDA	**1,349**	1,244	**3,869**	3,687
Add back restructuring and other costs	**173**	23	**242**	63
EBITDA – excluding restructuring and other costs	**1,522**	1,267	**4,111**	3,750
Deduct non-recurring gains and equity income related to real estate joint ventures	**(171)**	—	**(171)**	(3)
Adjusted EBITDA	**1,351**	1,267	**3,940**	3,747

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

Free cash flow: We report this measure as a supplementary indicator of our operating performance. It should not be considered an alternative to the measures in the condensed interim consolidated statements of cash flows. Free cash flow excludes certain working capital changes (such as trade receivables and trade payables), proceeds from divested assets and other sources and uses of cash, as found in the condensed interim consolidated statements of cash flows. It provides an indication of how much cash generated by operations is available after capital expenditures (excluding purchases of spectrum licences) that may be used to, among other things, pay dividends, repay debt, purchase shares or make other investments. Free cash flow may be supplemented from time to time by proceeds from divested assets or financing activities. The application of IFRS 15 reflects a non-cash accounting change. As such, the underlying economics and free cash flow generated by the business are not impacted by the change.

Free cash flow calculation

($ millions)	Third quarters ended September 30 2018	2017	Nine-month periods ended September 30 2018	2017
	Applying IFRS 9 and IFRS 15 (2017 adjusted)		*Applying IFRS 9 and IFRS 15 (2017 adjusted)*	
EBITDA	**1,349**	1,244	**3,869**	3,687
Deduct non-cash gains from the sale of property, plant and equipment	**(3)**	(2)	**(19)**	(3)
Restructuring and other costs, net of disbursements	**42**	(19)	**45**	(65)
Deduct non-recurring gains and equity income related to real estate joint ventures	**(171)**	—	**(171)**	(3)
Donation to TELUS Friendly Future Foundation in TELUS Common Shares	**100**	—	**100**	—
Effects of contract asset, acquisition and fulfilment	**(56)**	(47)	**(34)**	(35)
Items from the condensed interim consolidated statements of cash flows:				
Share-based compensation, net	**34**	22	**87**	61
Net employee defined benefit plans expense	**24**	20	**73**	61
Employer contributions to employee defined benefit plans	**(9)**	(17)	**(44)**	(52)
Interest paid	**(198)**	(146)	**(478)**	(413)
Interest received	**2**	1	**7**	2
Capital expenditures (excluding spectrum licences)	**(762)**	(821)	**(2,203)**	(2,355)
Other	**—**	—	**—**	6
Free cash flow before income taxes	**352**	235	**1,232**	891
Income taxes paid, net of refunds	**(49)**	(20)	**(157)**	(199)
Free cash flow	**303**	215	**1,075**	692

Our method of calculating Free cash flow has been revised to reflect the discretionary nature of the donation to the TELUS Friendly Future Foundation that fundamentally transformed our operating model in respect of philanthropic giving.

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

($ millions)	Third quarters ended September 30		Nine-month periods ended September 30	
	2018	2017	**2018**	2017
	Applying IFRS 9 and IFRS 15 (2017 adjusted)		*Applying IFRS 9 and IFRS 15 (2017 adjusted)*	
Free cash flow	**303**	215	**1,075**	692
Add (deduct):				
Capital expenditures (excluding spectrum licences)	**762**	821	**2,203**	2,355
Adjustments to reconcile to Cash provided by operating activities	**1**	97	**(168)**	(79)
Cash provided by operating activities	**1,066**	1,133	**3,110**	2,968

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

Calculation of Net debt

As at September 30 ($ millions)	**2018**	2017
	Applying IFRS 9 and IFRS 15 (2017 adjusted)	
Long-term debt including current maturities	**13,883**	13,618
Debt issuance costs netted against long-term debt	**92**	72
Derivative liabilities, net	**95**	76
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)	**(51)**	16
Cash and temporary investments	**(433)**	(488)
Short-term borrowings	**112**	100
Net debt	**13,698**	13,394

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. Our long-term policy guideline for this ratio is from 2.00 to 2.50 times. (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. No recoveries on redemption and repayment of debt were recorded in the first nine months of 2018 or throughout 2017. Expenses recorded for the long-term debt prepayment premium, if any, are included in net interest cost. Net interest cost was $633 million in the 12-month period ended September 30, 2018, and $568 million in the 12-month period ended September 30, 2017.

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

Components of restructuring and other costs

($ millions)	Third quarters ended September 30		Nine-month periods ended September 30	
	2018	2017	**2018**	2017
	Applying IFRS 9 and IFRS 15 (2017 adjusted)		*Applying IFRS 9 and IFRS 15 (2017 adjusted)*	
Goods and services purchased	**141**	18	**156**	42
Employee benefits expense	**32**	5	**86**	21
Restructuring and other costs included in EBITDA	**173**	23	**242**	63

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.

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

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

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

Wireless subscriber unit (subscriber) is defined as an active mobile recurring revenue-generating unit (e.g. mobile phone, tablet or mobile Internet key) with a unique subscriber identifier (SIM or IMEI number). In addition, TELUS has a direct billing or support relationship with the user of each device. Subscriber units exclude machine-to-machine devices (a subset of the Internet of Things), such as those used for asset tracking, remote control monitoring and meter readings, vending machines and wireless automated teller machines.

Wireline subscriber connection is defined as an active recurring revenue-generating unit that has access to stand-alone services, including fixed Internet access, TELUS TV and residential network access lines (NALs). In addition, TELUS has a direct billing or support relationship with the user of each service. Reported subscriber units exclude business NALs, as the impact of migrating from voice lines to IP services has led to business NAL losses without a similar decline in revenue, thus diminishing its relevance as a key performance indicator.

TELUS CORPORATION

CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

(UNAUDITED)

SEPTEMBER 30, 2018

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

Periods ended September 30 (millions except per share amounts)	Note	Three months 2018	Three months 2017	Nine months 2018	Nine months 2017
		(Note 2(c))	*(adjusted – Note 2(c))*	*(Note 2(c))*	*(adjusted – Note 2(c))*
OPERATING REVENUES					
Service		**$ 3,029**	$ 2,879	**$ 8,868**	$ 8,451
Equipment		**562**	513	**1,514**	1,377
Revenues arising from contracts with customers	*6*	**3,591**	3,392	**10,382**	9,828
Other operating income	*7*	**183**	12	**222**	39
		3,774	3,404	**10,604**	9,867
OPERATING EXPENSES					
Goods and services purchased		**1,685**	1,522	**4,584**	4,269
Employee benefits expense	*8*	**740**	638	**2,151**	1,911
Depreciation	*17*	**419**	410	**1,241**	1,203
Amortization of intangible assets	*18*	**153**	137	**440**	402
		2,997	2,707	**8,416**	7,785
OPERATING INCOME		**777**	697	**2,188**	2,082
Financing costs	*9*	**196**	149	**502**	429
INCOME BEFORE INCOME TAXES		**581**	548	**1,686**	1,653
Income taxes	*10*	**134**	142	**430**	429
NET INCOME		**447**	406	**1,256**	1,224
OTHER COMPREHENSIVE INCOME	*11*				
Items that may subsequently be reclassified to income					
Change in unrealized fair value of derivatives designated as cash flow hedges		**2**	12	**(27)**	22
Foreign currency translation adjustment arising from translating financial statements of foreign operations		**7**	(5)	**(14)**	(2)
		9	7	**(41)**	20
Items never subsequently reclassified to income					
Change in measurement of investment financial assets		**(1)**	(3)	**(1)**	(3)
Employee defined benefit plan re-measurements		**(9)**	(22)	**53**	64
		(10)	(25)	**52**	61
		(1)	(18)	**11**	81
COMPREHENSIVE INCOME		**$ 446**	$ 388	**$ 1,267**	$ 1,305
NET INCOME ATTRIBUTABLE TO:					
Common Shares		**$ 443**	$ 403	**$ 1,243**	$ 1,206
Non-controlling interests		**4**	3	**13**	18
		$ 447	$ 406	**$ 1,256**	$ 1,224
COMPREHENSIVE INCOME ATTRIBUTABLE TO:					
Common Shares		**$ 438**	$ 386	**$ 1,259**	$ 1,286
Non-controlling interests		**8**	2	**8**	19
		$ 446	$ 388	**$ 1,267**	$ 1,305
NET INCOME PER COMMON SHARE	*12*				
Basic		**$ 0.74**	$ 0.68	**$ 2.09**	$ 2.04
Diluted		**$ 0.74**	$ 0.68	**$ 2.08**	$ 2.04
TOTAL WEIGHTED AVERAGE COMMON SHARES OUTSTANDING					
Basic		**597**	594	**596**	592
Diluted		**598**	594	**596**	593

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

condensed interim consolidated statements of financial position (unaudited)

As at (millions)	Note	September 30, 2018	December 31, 2017	January 1, 2017
		(Note 2(c))	(adjusted – Note 2(c))	(Note 2(c))
ASSETS				
Current assets				
Cash and temporary investments, net		**$ 433**	$ 509	$ 432
Accounts receivable	6(b)	**1,651**	1,614	1,462
Income and other taxes receivable		**6**	96	9
Inventories	1(b)	**338**	380	320
Contract assets	6(c)	**785**	757	700
Prepaid expenses	20	**619**	493	443
Current derivative assets	4(e)	**21**	18	11
		3,853	3,867	3,377
Non-current assets				
Property, plant and equipment, net	17	**11,935**	11,368	10,464
Intangible assets, net	18	**10,886**	10,658	10,364
Goodwill, net	18	**4,713**	4,236	3,787
Contract assets	6(c)	**384**	396	352
Other long-term assets	20	**613**	528	733
		28,531	27,186	25,700
		$ 32,384	$ 31,053	$ 29,077
LIABILITIES AND OWNERS' EQUITY				
Current liabilities				
Short-term borrowings	22	**$ 112**	$ 100	$ 100
Accounts payable and accrued liabilities	23	**2,493**	2,460	2,330
Income and other taxes payable		**200**	34	37
Dividends payable	13	**313**	299	284
Advance billings and customer deposits	24	**615**	632	584
Provisions	25	**122**	78	124
Current maturities of long-term debt	26	**787**	1,404	1,327
Current derivative liabilities	4(e)	**8**	33	12
		4,650	5,040	4,798
Non-current liabilities				
Provisions	25	**720**	511	395
Long-term debt	26	**13,096**	12,256	11,604
Other long-term liabilities	27	**934**	847	736
Deferred income taxes		**2,980**	2,941	2,511
		17,730	16,555	15,246
Liabilities		**22,380**	21,595	20,044
Owners' equity				
Common equity	28	**9,924**	9,416	9,014
Non-controlling interests		**80**	42	19
		10,004	9,458	9,033
		$ 32,384	$ 31,053	$ 29,077

Contingent Liabilities	29

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

TELUS

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, 2017									
As previously reported		590	$ 5,029	$ 372	$ 2,474	$ 42	$ 7,917	$ 19	$ 7,936
IFRS 9, *Financial Instruments* transitional amount	*2(a), 11*	—	—	—	3	(3)	—	—	—
IFRS 15, *Revenue from Contracts with Customers* transitional amount	*2(c)*	—	—	—	1,097	—	1,097	—	1,097
As adjusted		590	5,029	372	3,574	39	9,014	19	9,033
Net income	*2(c)*	—	—	—	1,206	—	1,206	18	1,224
Other comprehensive income	*11*	—	—	—	64	16	80	1	81
Dividends	*13*	—	—	—	(868)	—	(868)	—	(868)
Dividends reinvested and optional cash payments		1	48	—	—	—	48	—	48
Share option award net-equity settlement feature	*14(d)*	1	1	(1)	—	—	—	—	—
Issue of shares in business combination		2	100	—	—	—	100	—	100
Change in ownership interests of subsidiary		—	—	(2)	—	—	(2)	1	(1)
Other		—	3	—	—	—	3	—	3
Balance as at September 30, 2017		594	$ 5,181	$ 369	$ 3,976	$ 55	$ 9,581	$ 39	$ 9,620
Balance as at January 1, 2018									
As previously reported		**595**	**$ 5,205**	**$ 370**	**$ 2,595**	**$ 51**	**$ 8,221**	**$ 42**	**$ 8,263**
IFRS 9, *Financial Instruments* transitional amount	*2(a), 11*	**—**	**—**	**—**	**4**	**(4)**	**—**	**—**	**—**
IFRS 15, *Revenue from Contracts with Customers* transitional amount	*2(c)*	**—**	**—**	**—**	**1,195**	**—**	**1,195**	**—**	**1,195**
As adjusted		**595**	**5,205**	**370**	**3,794**	**47**	**9,416**	**42**	**9,458**
Net income		**—**	**—**	**—**	**1,243**	**—**	**1,243**	**13**	**1,256**
Other comprehensive income	*11*	**—**	**—**	**—**	**53**	**(37)**	**16**	**(5)**	**11**
Dividends	*13*	**—**	**—**	**—**	**(927)**	**—**	**(927)**	**—**	**(927)**
Dividends reinvested and optional cash payments	*13(b), 14(c)*	**1**	**64**	**—**	**—**	**—**	**64**	**—**	**64**
Treasury shares acquired	*16(c), 28(b)*	**(2)**	**(100)**	**—**	**—**	**—**	**(100)**	**—**	**(100)**
Shares settled from Treasury	*16(c) , 28(b)*	**2**	**100**	**—**	**—**	**—**	**100**	**—**	**100**
Share option award net-equity settlement feature	*14(d)*	**—**	**1**	**(1)**	**—**	**—**	**—**	**—**	**—**
Issue of shares in business combination	*18(b)*	**2**	**98**	**—**	**—**	**—**	**98**	**—**	**98**
Change in ownership interests of subsidiary	*31(a)*	**—**	**—**	**14**	**—**	**—**	**14**	**30**	**44**
Balance as at September 30, 2018		**598**	**$ 5,368**	**$ 383**	**$ 4,163**	**$ 10**	**$ 9,924**	**$ 80**	**$ 10,004**

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

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Periods ended September 30 (millions)	Note	Three months 2018	Three months 2017	Nine months 2018	Nine months 2017
		(Note 2(c))	*(adjusted – Note 2(c))*	*(Note 2(c))*	*(adjusted – Note 2(c))*
OPERATING ACTIVITIES					
Net income		**$ 447**	$ 406	**$ 1,256**	$ 1,224
Adjustments to reconcile net income to cash provided by operating activities:					
Depreciation and amortization		**572**	547	**1,681**	1,605
Deferred income taxes	*10*	**(9)**	69	**12**	252
Share-based compensation expense, net	*14(a)*	**34**	22	**87**	61
Net employee defined benefit plans expense	*15(a)*	**24**	20	**73**	61
Employer contributions to employee defined benefit plans		**(9)**	(17)	**(44)**	(52)
Non-current contract assets		**(19)**	(18)	**12**	(12)
Income from equity accounted investments	*7, 21*	**(172)**	(1)	**(170)**	(5)
Shares settled from Treasury	*16(c), 28(b)*	**100**	—	**100**	—
Other		**15**	6	**(45)**	16
Net change in non-cash operating working capital	*31(a)*	**83**	99	**148**	(182)
Cash provided by operating activities		**1,066**	1,133	**3,110**	2,968
INVESTING ACTIVITIES					
Cash payments for capital assets, excluding spectrum licences	*31(a)*	**(759)**	(794)	**(2,232)**	(2,344)
Cash payment for spectrum licences		**(1)**	—	**(1)**	—
Cash payments for acquisitions, net	*18(b)*	**(34)**	(82)	**(285)**	(560)
Real estate joint ventures advances	*21(c)*	**(6)**	(6)	**(19)**	(19)
Real estate joint venture receipts	*21(c)*	**181**	14	**183**	18
Proceeds on disposition		**—**	6	**15**	12
Other		**(2)**	(4)	**(9)**	(16)
Cash used by investing activities		**(621)**	(866)	**(2,348)**	(2,909)
FINANCING ACTIVITIES	*31(b)*				
Dividends paid to holders of Common Shares	*13(a)*	**(293)**	(269)	**(850)**	(813)
Treasury shares acquired	*16(c), 28(b)*	**(100)**	—	**(100)**	—
Issue (repayment) of short-term borrowings, net		**(62)**	—	**(55)**	—
Long-term debt issued	*26*	**1,180**	1,267	**4,620**	5,328
Redemptions and repayment of long-term debt	*26*	**(1,421)**	(1,149)	**(4,463)**	(4,509)
Issue of shares by subsidiary to non-controlling interests	*31(a)*	**—**	—	**24**	—
Other		**1**	1	**(14)**	(9)
Cash used by financing activities		**(695)**	(150)	**(838)**	(3)
CASH POSITION					
Increase (decrease) in cash and temporary investments, net		**(250)**	117	**(76)**	56
Cash and temporary investments, net, beginning of period		**683**	371	**509**	432
Cash and temporary investments, net, end of period		**$ 433**	$ 488	**$ 433**	$ 488
SUPPLEMENTAL DISCLOSURE OF OPERATING CASH FLOWS					
Interest paid		**$ (198)**	$ (146)	**$ (478)**	$ (413)
Interest received		**$ 2**	$ 1	**$ 7**	$ 2
Income taxes paid, net		**$ (49)**	$ (20)	**$ (157)**	$ (199)

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

SEPTEMBER 30, 2018

TELUS Corporation is one of Canada's largest telecommunications companies, providing a wide range of telecommunications services and products, including wireless and wireline voice and data. Data services include: Internet protocol; television; hosting, managed information technology and cloud-based services; healthcare solutions; business process outsourcing; 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" are used to refer to TELUS Corporation and, where the context of the narrative permits or requires, its subsidiaries.

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1 condensed interim consolidated financial statements

(a) Basis of presentation

The notes presented in our condensed interim consolidated financial statements include only significant events and transactions and are not fully inclusive of all matters normally disclosed in our annual audited financial statements; thus, our interim consolidated financial statements are referred to as condensed. Our condensed interim consolidated financial statements should be read in conjunction with our audited consolidated financial statements for the year ended December 31, 2017.

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, 2017, other than as set out in *Notes 2, 6, 8, 20* and *24*. The generally accepted accounting principles that we use are International Financial Reporting Standards as issued by the International Accounting Standards Board (IFRS-IASB) and Canadian generally accepted accounting principles. Our condensed interim consolidated financial statements comply with International Accounting Standard 34, *Interim Financial Reporting* and reflect all adjustments (which are of a normal recurring nature) that are, in our opinion, necessary for a fair statement of the results for the interim periods presented.

Our condensed interim consolidated financial statements for the three-month and nine-month periods ended September 30, 2018, were authorized by our Board of Directors for issue on November 8, 2018.

(b) Inventories

Our inventories primarily consist of wireless handsets, parts and accessories (totalling $277 million (December 31, 2017 – totalling $322 million (*adjusted – Note 2(c)*); January 1, 2017 – $268 million (*Note 2(c)*)) and communications equipment held for resale. Costs of goods sold for the three-month and nine-month periods ended September 30, 2018, totalled $526 million (2017 – $521 million) and $1,462 million (2017 – $1,375 million), respectively.

2 accounting policy developments

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

- Amendments to standards arising from *Annual Improvements to IFRSs 2015-2017 Cycle* were required to be applied for years beginning on or after January 1, 2019; such application has had no effect on our financial performance or disclosure.
- Amendments to standards arising from *Annual Improvements to IFRSs 2014-2016 Cycle* were required to be applied for years beginning on or after January 1, 2017 (for IFRS 12, *Disclosure of Interests in Other Entities*), and January 1, 2018 (for the balance of the amendments); such application has had no effect on our financial performance or disclosure.
- IFRS 9, *Financial Instruments*, is required to be applied for years beginning on or after January 1, 2018, with retrospective application. The new standard includes a model for the classification and measurement of financial instruments, a single forward-looking "expected loss" impairment model and a reformed approach to hedge accounting. Our financial performance is currently not materially affected by the retrospective application of the standard, nor is our financial position, as set out in *(c)* following.

  The original measurement category and carrying amount of portfolio investments (see *Note 20*) determined in accordance with IAS 39, *Financial Instruments: Recognition and Measurement* of our investments and the measurement category and carrying amount determined under the new standard are as follows:

As at (millions)	December 31, 2017			January 1, 2017		
	As previously reported	IFRS 9 effects	As currently reported	As previously reported	IFRS 9 effects	As currently reported
Classified as						
Available-for-sale financial assets	$ 41	$ (41)	$ —	$ 62	$ (62)	$ —
Fair value through net income [1]	—	20	20	—	41	41
Fair value through other comprehensive income	—	21	21	—	21	21
	$ 41	$ —	$ 41	$ 62	$ —	$ 62

1 Arising from the classification of investments as accounted for at fair value through net income under the new standard, as at December 31, 2017, $4 (January 1, 2017 – $3), net of income tax effects of $1 (January 1, 2017 – $1), has been adjusted to retained earnings from accumulated other comprehensive income.

- IFRS 15, *Revenue from Contracts with Customers*, is required to be applied for years beginning on or after January 1, 2018. The International Accounting Standards Board and the Financial Accounting Standards Board of the United States worked on this joint project to clarify the principles for the recognition of revenue. The new standard was released in May 2014 and supersedes existing standards and interpretations including IAS 18, *Revenue*. We have applied the standard retrospectively to prior reporting periods, subject to permitted and elected practical expedients.

  The effects of the new standard and the materiality of those effects will vary by industry and entity; the effects on us of our retrospective application are set out in *(c)* following. Like many other telecommunications companies, we are materially affected by its application, primarily in respect of the timing of revenue recognition, the classification of revenue, the capitalization of costs of obtaining a contract with a customer and the capitalization of the costs of contract fulfilment (as defined by the new standard).

  Revenue – timing of recognition; classification

  The timing of revenue recognition and the classification of our revenues as either service revenues or equipment revenues are affected, since the allocation of consideration in multiple element arrangements (solutions for our customers that may involve deliveries of multiple services and products that occur at different points in time and/or over different periods of time) is no longer affected by the limitation cap methodology previously required by generally accepted accounting principles.

The effects of the timing of revenue recognition and the classification of revenue are most pronounced in our wireless results. Although the measurement of the total revenue recognized over the life of a contract is largely unaffected by the new standard, the prohibition of the use of the limitation cap methodology accelerates the recognition of total contract revenue, relative to both the associated cash inflows from customers and our previous practice (using the limitation cap methodology). The acceleration of the recognition of contract revenue relative to the associated cash inflows also results in the recognition of an amount reflecting the resulting difference as a contract asset. Although the underlying transaction economics do not differ, during periods of sustained growth in the number of wireless subscriber connection additions, assuming comparable contract-lifetime per unit cash inflows, revenues would appear to be greater than under the previous practice (using the limitation cap methodology). Wireline results arising from transactions that include the initial provision of subsidized equipment or promotional pricing plans will be similarly affected.

We have retrospectively applied the new standard, such application having been subject to associated decisions in respect of transitional provisions and permitted practical expedients. The contract asset initially recorded upon transition to the new standard represents revenues that will not be, and have not been, reflected, at any time, in our periodic results of operations, but would have been if not for transitioning to the new standard; the effect of this “pulling forward” of revenues is expected to be somewhat muted by the composite ongoing inception, maturation and expiration of millions of multi-year contracts with our customers.

Costs of contract acquisition; costs of contract fulfilment – timing of recognition

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

Implementation

Our operations and associated systems are complex and our accounting for millions of multi-year contracts with our customers was affected. Significantly, in order to effect the associated accounting, incremental compilation of historical data was necessary for the millions of already existing multi-year contracts with our customers that were in-scope for purposes of transitioning to the new standard.

After a multi-year expenditure of time and effort, we developed the necessary accounting policies, estimates, judgments and processes necessary to transition to the new standard. Upon completion of the implementation of these items, including implementation of the critical incremental requirements of our information technology systems, we completed the incremental compilation of historical data, as well as the accounting for that data, all of which is necessary to transition to the new standard.

We are using the following practical expedients provided for in, and transitioning to, the new standard:

- No restatement for contracts which were completed as at January 1, 2017, or earlier.
- No restatement for contracts which were modified prior to January 1, 2017. The aggregate effect of all such modifications will be reflected when identifying satisfied and unsatisfied performance obligations and the transaction prices to be allocated thereto and when determining the transaction prices.
- No disclosure of the aggregate transaction prices allocated to remaining unfulfilled, or partially unfulfilled, performance obligations for all periods ending prior to January 1, 2018.

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

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

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

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

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

We are currently assessing the impacts and transition provisions of the new standard; however, we will be applying the standard retrospectively with the cumulative effect of initially applying the new standard recognized at the date of initial application, January 1, 2019, subject to permitted and elected practical expedients; such method of application would not result in retrospective adjustment of amounts reported for fiscal periods prior to fiscal 2019. Our current estimate of the time and effort necessary to develop and implement the accounting policies, estimates and processes (including incremental requirements of our information technology systems) we will need to have in place in order to comply with the new standard extends into the latter half of 2018.

The nature of the transition method selected is such that it is the lease population for which the underlying right-of-use lease asset is available to us for use as at January 1, 2019, and the discount rates determined as of the same date, that will be the basis for the cumulative effects recorded as of that date. To provide users of our financial statements a sense of magnitude of the effects of the new standard, we have quantified some effects, **which should be used with caution**, using our January 1, 2018, lease population and discount rates determined as of the same date, with: no provision for leases added, modified, cancelled or impaired subsequent to that date; no provision for calculating the right-of-use lease assets from the commencement of the leases; and no reassessment of contracts entered into prior to January 1, 2018, to identify whether they are, or contain, leases:

- Subject to the forgoing simplifying assumptions, for the nine-months ended September 30, 2018, lease expense, which is net of the amortization of deferred gains on sale-leaseback of buildings and the occupancy costs associated with leased real estate, of approximately $0.2 billion would not have been included in goods and services purchased; this amount would have been largely offset by increased depreciation (approximately three-quarters of the difference in goods and services) and increased financing costs (approximately one-quarter of the difference in goods and services).
- Subject to the forgoing simplifying assumptions, a lease liability of approximately $1.3 billion would have been recorded as at January 1, 2018.

Due to the dynamic nature of our lease population, the passage of time and external factors such as those affecting discount rates, our lease population at January 1, 2019, and the effects of the new standard thereon, will differ from our lease population as at January 1, 2018, and the associated illustrative effects of the new standard set out above.

Implementation

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

(c) Impacts of application of new standards in fiscal 2018

IFRS 15, *Revenue from Contracts with Customers* affected our Consolidated statements of income and other comprehensive income as follows:

Three-month periods ended September 30 (millions except per share amounts)	**2018**			2017		
	Excluding effects of IFRS 15	IFRS 15 effects	As currently reported	Excluding effects of IFRS 15	IFRS 15 effects	As currently reported
Operating revenues						
Service	**$ 3,343**	**$ (314)**	**$ 3,029**	$ 3,174	$ (295)	$ 2,879
Equipment	**199**	**363**	**562**	181	332	513
Revenues arising from contracts with customers	**3,542**	**49**	**3,591**	3,355	37	3,392
Other operating income [1]	**183**	**—**	**183**	12	—	12
	3,725	**49**	**3,774**	3,367	37	3,404
Operating expenses						
Goods and services purchased	**1,689**	**(4)**	**1,685**	1,531	(9)	1,522
Employee benefits expense	**743**	**(3)**	**740**	639	(1)	638
Depreciation	**419**	**—**	**419**	410	—	410
Amortization of intangible assets	**153**	**—**	**153**	137	—	137
	3,004	**(7)**	**2,997**	2,717	(10)	2,707
Operating income	**721**	**56**	**777**	650	47	697
Financing costs	**196**	**—**	**196**	149	—	149
Income before income taxes	**525**	**56**	**581**	501	47	548
Income taxes	**119**	**15**	**134**	130	12	142
Net income	**406**	**41**	**447**	371	35	406
Other comprehensive income [1]	**(1)**	**—**	**(1)**	(18)	—	(18)
Comprehensive income [1]	**$ 405**	**$ 41**	**$ 446**	$ 353	$ 35	$ 388
Net income attributable to:						
Common Shares	**$ 402**	**$ 41**	**$ 443**	$ 368	$ 35	$ 403
Non-controlling interest	**4**	**—**	**4**	3	—	3
	$ 406	**$ 41**	**$ 447**	$ 371	$ 35	$ 406
Comprehensive income attributable to:						
Common Shares	**$ 397**	**$ 41**	**$ 438**	$ 351	$ 35	$ 386
Non-controlling interest	**8**	**—**	**8**	2	—	2
	$ 405	**$ 41**	**$ 446**	$ 353	$ 35	$ 388
Net income per Common Share						
Basic	**$ 0.67**	**$ 0.07**	**$ 0.74**	$ 0.62	$ 0.06	$ 0.68
Diluted	**$ 0.67**	**$ 0.07**	**$ 0.74**	$ 0.62	$ 0.06	$ 0.68

1 For the three-month period ended September 30, 2017, other operating income and the change in measurement of investment financial assets included within other comprehensive income increased and decreased, respectively, by $1 from the designation of financial assets as being accounted for either at fair value through net income or at fair value through other comprehensive income. Such designation of financial assets is required due to the retrospective implementation of IFRS 9, *Financial Instruments*.

Nine-month periods ended September 30 (millions except per share amounts)	2018			2017		
	Excluding effects of IFRS 15	IFRS 15 effects	As currently reported	Excluding effects of IFRS 15	IFRS 15 effects	As currently reported
Operating revenues						
Service	**$ 9,795**	**$ (927)**	**$ 8,868**	$ 9,292	$ (841)	$ 8,451
Equipment	**562**	**952**	**1,514**	507	870	1,377
Revenues arising from contracts with customers	**10,357**	**25**	**10,382**	9,799	29	9,828
Other operating income [1]	**222**	**—**	**222**	39	—	39
	10,579	**25**	**10,604**	9,838	29	9,867
Operating expenses						
Goods and services purchased	**4,589**	**(5)**	**4,584**	4,277	(8)	4,269
Employee benefits expense	**2,155**	**(4)**	**2,151**	1,909	2	1,911
Depreciation	**1,241**	**—**	**1,241**	1,203	—	1,203
Amortization of intangible assets	**440**	**—**	**440**	402	—	402
	8,425	**(9)**	**8,416**	7,791	(6)	7,785
Operating income	**2,154**	**34**	**2,188**	2,047	35	2,082
Financing costs	**502**	**—**	**502**	429	—	429
Income before income taxes	**1,652**	**34**	**1,686**	1,618	35	1,653
Income taxes	**421**	**9**	**430**	420	9	429
Net income	**1,231**	**25**	**1,256**	1,198	26	1,224
Other comprehensive income [1]	**11**	**—**	**11**	81	—	81
Comprehensive income [1]	**$ 1,242**	**$ 25**	**$ 1,267**	$ 1,279	$ 26	$ 1,305
Net income attributable to:						
Common Shares	**$ 1,218**	**$ 25**	**$ 1,243**	$ 1,180	$ 26	$ 1,206
Non-controlling interest	**13**	**—**	**13**	18	—	18
	$ 1,231	**$ 25**	**$ 1,256**	$ 1,198	$ 26	$ 1,224
Comprehensive income attributable to:						
Common Shares	**$ 1,234**	**$ 25**	**$ 1,259**	$ 1,260	$ 26	$ 1,286
Non-controlling interest	**8**	**—**	**8**	19	—	19
	$ 1,242	**$ 25**	**$ 1,267**	$ 1,279	$ 26	$ 1,305
Net income per Common Share						
Basic	**$ 2.04**	**$ 0.05**	**$ 2.09**	$ 1.99	$ 0.05	$ 2.04
Diluted	**$ 2.03**	**$ 0.05**	**$ 2.08**	$ 1.99	$ 0.05	$ 2.04

1 For the nine-month period ended September 30, 2017, other operating income and the change in measurement of investment financial assets included within other comprehensive income increased and decreased, respectively, by $1 from the designation of financial assets as being accounted for either at fair value through net income or at fair value through other comprehensive income. Such designation of financial assets is required due to the retrospective implementation of IFRS 9, *Financial Instruments*.

The effects of the transition to IFRS 15 on the line items in the preceding tables are set out below:

	Amount of IFRS 15 effect (increase (decrease) in millions except per share amounts)					
	Allocation of transaction price (affecting timing of revenue recognition)		Costs incurred to obtain or fulfill a contract with a customer		Total	
Periods ended September 30	**2018**	2017	**2018**	2017	**2018**	2017
THREE-MONTH						
Operating revenues						
Service	**$ (314)**	$ (295)	**$ —**	$ —	**$ (314)**	$ (295)
Equipment	**$ 363**	$ 332	**$ —**	$ —	**$ 363**	$ 332
Goods and services purchased	**$ —**	$ 4	**$ (4)**	$ (13)	**$ (4)**	$ (9)
Employee benefits expense	**$ —**	$ —	**$ (3)**	$ (1)	**$ (3)**	$ (1)
Income taxes	**$ 13**	$ 9	**$ 2**	$ 3	**$ 15**	$ 12
Net income attributable to:						
Common Shares	**$ 36**	$ 24	**$ 5**	$ 11	**$ 41**	$ 35
Net income per Common Share						
Basic	**$ 0.06**	$ 0.04	**$ 0.01**	$ 0.02	**$ 0.07**	$ 0.06
Diluted	**$ 0.06**	$ 0.04	**$ 0.01**	$ 0.02	**$ 0.07**	$ 0.06
NINE-MONTH						
Operating revenues						
Service	**$ (927)**	$ (841)	**$ —**	$ —	**$ (927)**	$ (841)
Equipment	**$ 952**	$ 870	**$ —**	$ —	**$ 952**	$ 870
Goods and services purchased	**$ 5**	$ 10	**$ (10)**	$ (18)	**$ (5)**	$ (8)
Employee benefits expense	**$ —**	$ —	**$ (4)**	$ 2	**$ (4)**	$ 2
Income taxes	**$ 5**	$ 5	**$ 4**	$ 4	**$ 9**	$ 9
Net income attributable to:						
Common Shares	**$ 15**	$ 14	**$ 10**	$ 12	**$ 25**	$ 26
Net income per Common Share						
Basic	**$ 0.03**	$ 0.03	**$ 0.02**	$ 0.02	**$ 0.05**	$ 0.05
Diluted	**$ 0.03**	$ 0.03	**$ 0.02**	$ 0.02	**$ 0.05**	$ 0.05

Previously, costs incurred to obtain or fulfill a contract with a customer were expensed as incurred. The new standard requires that such costs be capitalized and subsequently recognized as an expense over the life of the contract on a rational, systematic basis consistent with the pattern of the transfer of goods or services to which the asset relates.

This has the effect of reducing the costs recognized in the period arising from contracts with customers entered into during the period, offset by the amortization of capitalized costs arising from contracts with customers entered into in previous periods.

Previously, a "limitation cap" constrained the recognition of revenue in a multiple element arrangement to an amount that was not contingent upon either delivering additional items or meeting other specified performance conditions. The new standard requires that amounts contingently billable and collectible in the future are to be recognized currently as revenue to the extent we have currently satisfied our performance obligations to the customer; this is the new standard's most significant effect on us.

For a contract with a customer, this has the effect of allocating more of the consideration to equipment revenue, which is recognized at the inception of the contract, and less to future service revenue.

IFRS 15, *Revenue from Contracts with Customers* affected our Consolidated statements of financial positon as follows:

As at (millions)	September 30, 2018			December 31, 2017 [1]			January 1, 2017		
	Excluding effects of IFRS 15	IFRS 15 effects	As currently reported	Excluding effects of IFRS 15	IFRS 15 effects	As currently reported	Excluding effects of IFRS 15	IFRS 15 effects	As currently reported
ASSETS									
Current assets									
Cash and temporary investments, net	**$ 433**	**$ —**	**$ 433**	$ 509	$ —	$ 509	$ 432	$ —	$ 432
Accounts receivable	**1,660**	**(9)**	**1,651**	1,623	(9)	1,614	1,471	(9)	1,462
Income and other taxes receivable	**6**	**—**	**6**	96	—	96	9	—	9
Inventories	**336**	**2**	**338**	378	2	380	318	2	320
Contract assets	**—**	**785**	**785**	—	757	757	—	700	700
Prepaid expenses	**369**	**250**	**619**	260	233	493	233	210	443
Current derivative assets	**21**	**—**	**21**	18	—	18	11	—	11
	2,825	**1,028**	**3,853**	2,884	983	3,867	2,474	903	3,377
Non-current assets									
Property, plant and equipment, net	**11,935**	**—**	**11,935**	11,368	—	11,368	10,464	—	10,464
Intangible assets, net	**10,886**	**—**	**10,886**	10,658	—	10,658	10,364	—	10,364
Goodwill, net	**4,713**	**—**	**4,713**	4,236	—	4,236	3,787	—	3,787
Contract assets	**—**	**384**	**384**	—	396	396	—	352	352
Other long-term assets	**509**	**104**	**613**	421	107	528	640	93	733
	28,043	**488**	**28,531**	26,683	503	27,186	25,255	445	25,700
	$ 30,868	**$ 1,516**	**$ 32,384**	$ 29,567	$ 1,486	$ 31,053	$ 27,729	$ 1,348	$ 29,077
LIABILITIES AND OWNERS' EQUITY									
Current liabilities									
Short-term borrowings	**$ 112**	**$ —**	**$ 112**	$ 100	$ —	$ 100	$ 100	$ —	$ 100
Accounts payable and accrued liabilities	**2,493**	**—**	**2,493**	2,460	—	2,460	2,330	—	2,330
Income and other taxes payable	**200**	**—**	**200**	34	—	34	37	—	37
Dividends payable	**313**	**—**	**313**	299	—	299	284	—	284
Advance billings and customer deposits	**769**	**(154)**	**615**	782	(150)	632	737	(153)	584
Provisions	**122**	**—**	**122**	78	—	78	124	—	124
Current maturities of long-term debt	**787**	**—**	**787**	1,404	—	1,404	1,327	—	1,327
Current derivative liabilities	**8**	**—**	**8**	33	—	33	12	—	12
	4,804	**(154)**	**4,650**	5,190	(150)	5,040	4,951	(153)	4,798
Non-current liabilities									
Provisions	**720**	**—**	**720**	511	—	511	395	—	395
Long-term debt	**13,096**	**—**	**13,096**	12,256	—	12,256	11,604	—	11,604
Other long-term liabilities	**934**	**—**	**934**	847	—	847	736	—	736
Deferred income taxes	**2,530**	**450**	**2,980**	2,500	441	2,941	2,107	404	2,511
	17,280	**450**	**17,730**	16,114	441	16,555	14,842	404	15,246
Liabilities	**22,084**	**296**	**22,380**	21,304	291	21,595	19,793	251	20,044
Owners' equity									
Common equity	**8,704**	**1,220**	**9,924**	8,221	1,195	9,416	7,917	1,097	9,014
Non-controlling interests	**80**	**—**	**80**	42	—	42	19	—	19
	8,784	**1,220**	**10,004**	8,263	1,195	9,458	7,936	1,097	9,033
	$ 30,868	**$ 1,516**	**$ 32,384**	$ 29,567	$ 1,486	$ 31,053	$ 27,729	$ 1,348	$ 29,077

1 Goodwill and non-current provisions have been adjusted as set out in *Note 18(c)*.

The effects of the transition to IFRS 15 on the line items in the preceding table are set out below:

Amount of IFRS 15 effect (increase (decrease) in millions)

As at	Allocation of transaction price (affecting timing of revenue recognition) Sept. 30, 2018	Dec. 31, 2017	Jan. 1, 2017	Amounts incurred to obtain or fulfill a contract with a customer Sept. 30, 2018	Dec. 31, 2017	Jan. 1, 2017	Total Sept. 30, 2018	Dec. 31, 2017	Jan. 1, 2017
Current assets									
Accounts receivable	**$ (9)**	$ (9)	$ (9)	**$ —**	$ —	$ —	**$ (9)**	$ (9)	$ (9)
Inventories	**$ 2**	$ 2	$ 2	**$ —**	$ —	$ —	**$ 2**	$ 2	$ 2
Contract assets, net	**$ 785**	$ 757	$ 700	**$ —**	$ —	$ —	**$ 785**	$ 757	$ 700
Prepaid expenses and other	**$ —**	$ —	$ —	**$ 250**	$ 233	$ 210	**$ 250**	$ 233	$ 210
Non-current assets									
Contract assets, net	**$ 384**	$ 396	$ 352	**$ —**	$ —	$ —	**$ 384**	$ 396	$ 352
Other long-term assets	**$ —**	$ —	$ —	**$ 104**	$ 107	$ 93	**$ 104**	$ 107	$ 93
Advance billings and customer deposits	**$ (154)**	$ (150)	$ (153)	**$ —**	$ —	$ —	**$ (154)**	$ (150)	$ (153)
Deferred income taxes	**$ 354**	$ 349	$ 322	**$ 96**	$ 92	$ 82	**$ 450**	$ 441	$ 404
Retained earnings	**$ 962**	$ 947	$ 876	**$ 258**	$ 248	$ 221	**$ 1,220**	$ 1,195	$ 1,097

Previously, costs incurred to obtain or fulfill a contract with a customer were expensed as incurred. The new standard requires that such costs be capitalized and subsequently recognized as an expense over the life of the contract on a rational, systematic basis consistent with the pattern of the transfer of goods or services to which the asset relates.

Increases in the amount of costs capitalized in the period arising from contracts with customers entered into during the period are offset by the amortization of capitalized costs arising from contracts with customers entered into in previous periods.

Previously, a "limitation cap" constrained the recognition of revenue in a multiple element arrangement to an amount that was not contingent upon either delivering additional items or meeting other specified performance conditions. The new standard requires that amounts contingently billable and collectible in the future are to be recognized currently as revenue to the extent we have currently satisfied our performance obligations to the customer; this is the new standard's most significant effect on us.

The difference between the revenue recognized currently and the amount currently collected/collectible is recognized on the statement of financial position as a contract asset.

The contract asset recorded at January 1, 2017, represents revenues that will not be, and have not been, reflected at any time in our periodic results of operations, but would have been if not for transitioning to the new standard; the effect of this "pulling forward" of revenues is expected to be somewhat muted by the composite ongoing inception, maturation and expiration of millions of multi-year contracts with our customers.

IFRS 15, *Revenue from Contracts with Customers* affected our Consolidated statements of cash flows as follows:

Three-month periods ended September 30 (millions except per share amounts)	2018 Excluding effects of IFRS 15	2018 IFRS 15 effects	2018 As currently reported	2017 Excluding effects of IFRS 15	2017 IFRS 15 effects	2017 As currently reported
OPERATING ACTIVITIES						
Net income [1]	**$ 406**	**$ 41**	**$ 447**	$ 371	$ 35	$ 406
Adjustments to reconcile net income to cash provided by operating activities:						
Depreciation and amortization	**572**	**—**	**572**	547	—	547
Deferred income taxes	**(24)**	**15**	**(9)**	57	12	69
Share-based compensation expense, net	**34**	**—**	**34**	22	—	22
Net employee defined benefit plans expense	**24**	**—**	**24**	20	—	20
Employer contributions to employee defined benefit plans	**(9)**	**—**	**(9)**	(17)	—	(17)
Non-current contract assets	**—**	**(19)**	**(19)**	—	(18)	(18)
Income from equity accounted investments	**(172)**	**—**	**(172)**	(1)	—	(1)
Shares settled from Treasury	**100**	**—**	**100**	—	—	—
Other [1]	**13**	**2**	**15**	10	(4)	6
Net change in non-cash operating working capital	**122**	**(39)**	**83**	124	(25)	99
Cash provided by operating activities	**$ 1,066**	**$ —**	**$ 1,066**	$ 1,133	$ —	$ 1,133

1 For the three-month period ended September 30, 2017, net income and other increased and decreased, respectively, by $1 arising from the designation of financial assets as being accounted for either at fair value through net income or at fair value through other comprehensive income. Such designation of financial assets is required due to the retrospective implementation of IFRS 9, *Financial Instruments*.

Nine-month periods ended September 30 (millions except per share amounts)	2018			2017		
	Excluding effects of IFRS 15	IFRS 15 effects	As currently reported	Excluding effects of IFRS 15	IFRS 15 effects	As currently reported
OPERATING ACTIVITIES						
Net income [1]	**$ 1,231**	**$ 25**	**$ 1,256**	$ 1,198	$ 26	$ 1,224
Adjustments to reconcile net income to cash provided by operating activities:						
Depreciation and amortization	**1,681**	**—**	**1,681**	1,605	—	1,605
Deferred income taxes	**3**	**9**	**12**	243	9	252
Share-based compensation expense, net	**87**	**—**	**87**	61	—	61
Net employee defined benefit plans expense	**73**	**—**	**73**	61	—	61
Employer contributions to employee defined benefit plans	**(44)**	**—**	**(44)**	(52)	—	(52)
Non-current contract assets	**—**	**12**	**12**	—	(12)	(12)
Income from equity accounted investments	**(170)**	**—**	**(170)**	(5)	—	(5)
Shares settled from Treasury	**100**	**—**	**100**	—	—	—
Other [1]	**(48)**	**3**	**(45)**	19	(3)	16
Net change in non-cash operating working capital	**197**	**(49)**	**148**	(162)	(20)	(182)
Cash provided by operating activities	**$ 3,110**	**$ —**	**$ 3,110**	$ 2,968	$ —	$ 2,968

1 For the nine-month period ended September 30, 2017, net income and other increased and decreased, respectively, by $1 arising from the designation of financial assets as being accounted for either at fair value through net income or at fair value through other comprehensive income. Such designation of financial assets is required due to the retrospective implementation of IFRS 9, *Financial Instruments*.

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 2018, our financial objectives, which are reviewed annually, were unchanged from 2017. 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. Through the course of fiscal 2018, we will monitor these measures excluding the effects of implementing IFRS 9 and IFRS 15 (see *Note 2(a)*).

Debt and coverage ratios

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

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

As at, or for the 12-month periods ended, September 30 ($ in millions)	Objective	2018 As currently reported	2018 Excluding effects of implementing IFRS 9 and IFRS 15 [1]	2017
Components of debt and coverage ratios				
Net debt [2]		**$ 13,698**	**$ 13,698**	$ 13,394
EBITDA – excluding restructuring and other costs [3]		**$ 5,388**	**$ 5,264**	$ 4,847
Net interest cost [4]		**$ 633**	**$ 633**	$ 568
Debt ratio				
Net debt to EBITDA – excluding restructuring and other costs	2.00 – 2.50 [5]	**2.54**	**2.60**	2.76
Coverage ratios				
Earnings coverage [6]		**4.5**	**4.3**	4.0
EBITDA – excluding restructuring and other costs interest coverage [7]		**8.5**	**8.3**	8.5

1 We have not recast comparative amounts for purposes of managing capital; as set out in *Note 2(a)*, a practical expedient that we are using in transitioning to IFRS 15 is that we are not recasting for contracts that were completed as at January 1, 2017, or earlier. Accordingly, amounts prior to fiscal 2017 included in the comparative 12-month period ended September 30, 2017, have not been prepared on a basis including IFRS 9 and IFRS 15. For purposes of assessing results compared to the prior period, we have excluded the effects of implementing IFRS 9 and IFRS 15 from our fiscal 2018 results.

2 Net debt is calculated as follows:

As at September 30	*Note*	**2018**	2017
Long-term debt	*26*	**$ 13,883**	$ 13,618
Debt issuance costs netted against long-term debt		**92**	72
Derivative (assets) liabilities, net		**95**	76
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)		**(51)**	16
Cash and temporary investments, net		**(433)**	(488)
Short-term borrowings	*22*	**112**	100
Net debt		**$ 13,698**	$ 13,394

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

	As currently reported			Excluding effects of implementing IFRS 9 and IFRS 15		
	EBITDA (*Note 5*)	Restructuring and other costs (*Note 16*)	EBITDA – excluding restructuring and other costs	EBITDA (*Note 5*)	Restructuring and other costs (*Note 16*)	EBITDA – excluding restructuring and other costs
	(adjusted – Note 2(c))					
Add						
Nine-month period ended September 30, 2018	$ 3,869	$ 242	$ 4,111	$ 3,835	$ 246	$ 4,081
Year ended December 31, 2017	4,910	117	5,027	4,774	139	4,913
Deduct						
Nine-month period ended September 30, 2017	(3,687)	(63)	(3,750)	(3,651)	(79)	(3,730)
	$ 5,092	$ 296	$ 5,388	$ 4,958	$ 306	$ 5,264

4 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).

5 Our long-term objective range for this ratio is 2.00 – 2.50 times. The ratio as at September 30, 2018, 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 will endeavour to return this ratio to within the objective range in the medium term, as we believe that this range is supportive of our long-term strategy. We are in compliance with our credit facilities leverage ratio covenant, which states that we may not permit our net debt to operating cash flow ratio to exceed 4.00:1.00 (see *Note 26(d)*); the calculation of the debt ratio is substantially similar to the calculation of the leverage ratio covenant in our credit facilities.

6 Earnings coverage is defined as net income before borrowing costs and income tax expense, divided by borrowing costs (interest on long-term debt; interest on short-term borrowings and other; long-term debt prepayment premium), and adding back capitalized interest.

7 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.

Excluding the effects of implementing IFRS 9 and IFRS 15, net debt to EBITDA – excluding restructuring and other costs was 2.60 times as at September 30, 2018, down from 2.76 times one year earlier. The effect of the increase in net debt was exceeded by the effect of the growth in EBITDA – excluding restructuring and other costs. Excluding the effects of implementing IFRS 9 and IFRS 15, the earnings coverage ratio for the twelve-month period ended September 30, 2018, was 4.3 times, up from 4.0 times one year earlier. Higher borrowing costs reduced the ratio by 0.4 and an increase in income before borrowing costs and income taxes increased the ratio by 0.7. Excluding the effects of implementing IFRS 9 and IFRS 15, the EBITDA – excluding restructuring and other costs interest coverage ratio for the twelve-month period ended September 30, 2018, was 8.3 times, down from 8.5 times one year earlier. Growth in EBITDA – excluding restructuring and other costs increased the ratio by 0.7, while an increase in net interest costs reduced the ratio by 0.9.

Dividend payout ratio

The dividend payout ratio presented is a historical measure calculated as the sum of the last four quarterly dividends declared per Common Share, as recorded in the financial statements, divided by the sum of basic earnings per share for the most recent four quarters for interim reporting periods (divided by annual basic earnings per share if the reported amount is in respect of a fiscal year). The dividend payout ratio of adjusted net earnings presented, also a historical measure, differs in that it excludes the gain on exchange of wireless spectrum licences, net gains and equity income from real estate joint ventures, provisions related to business combinations, immediately vesting transformative compensation expense, long-term debt prepayment premium and income tax-related adjustments.

For the 12-month periods ended September 30 ($ in millions)	Objective	**2018** As currently reported	**2018** Excluding effects of implementing IFRS 9 and IFRS 15	2017
Dividend payout ratio	65%–75% [1]	**77%**	**82%**	91%
Dividend payout ratio of adjusted net earnings		**79%**	**84%**	79%

1 Our objective range for the dividend payout ratio is 65%–75% of sustainable earnings on a prospective basis; we currently expect that we will be within our target guideline on a prospective basis within the medium term. Adjusted net earnings attributable to Common Shares is calculated as follows:

12-month periods ended September 30	**2018** As currently reported	**2018** Excluding effects of implementing IFRS 9 and IFRS 15	2017
	(adjusted – Note 2(c))		
Net income attributable to Common Shares	**$ 1,596**	**$ 1,499**	$ 1,260
Gain and net equity income related to real estate redevelopment project, after income taxes	**(149)**	**(149)**	(7)
Business acquisition-related provisions, after income taxes	**(22)**	**(22)**	2
Income tax-related adjustments	**20**	**20**	(18)
Long-term debt prepayment premium, after income taxes	**25**	**25**	—
Initial and committed donation to TELUS Friendly Future Foundation, after income taxes	**90**	**90**	—
Immediately vesting transformative compensation expense, after income taxes	**—**	**—**	224
Adjusted net earnings attributable to Common Shares	**$ 1,560**	**$ 1,463**	$ 1,461

4 financial instruments

(a) Risks – overview

Our financial instruments, and the nature of certain risks to which they may be subject, are as set out in the following table.

	Risks				
			Market risks		
Financial instrument	Credit	Liquidity	Currency	Interest rate	Other price
Measured at amortized cost					
Accounts receivable	X		X		
Contract assets	X				
Construction credit facilities advances to real estate joint venture				X	
Short-term obligations		X	X	X	
Accounts payable		X	X		
Provisions (including restructuring accounts payable)		X	X		X
Long-term debt		X	X	X	
Measured at fair value					
Cash and temporary investments	X		X	X	
Long-term investments (not subject to significant influence) [1]			X		X
Foreign exchange derivatives [2]	X	X	X		
Share-based compensation derivatives [2]	X	X			X

1 Long-term investments over which we do not have significant influence are measured at fair value if those fair values can be reliably measured.

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

Derivative financial instruments

We apply hedge accounting to financial instruments used to establish hedge accounting relationships for U.S. dollar-denominated transactions and to fix the cost of some share-based compensation. We believe that our use of derivative financial instruments for hedging or arbitrage assists us in managing our financing costs and/or lessening the uncertainty associated with our financing or other business activities. Uncertainty associated with currency risk and other price risk is lessened through our use of foreign exchange derivatives and share-based compensation derivatives that effectively swap currency exchange rates and share prices from floating rates and prices to fixed rates and prices. When entering into derivative financial instrument contracts, we seek to align the cash flow timing of the hedging items with that of the hedged items. The effects of the risk management strategy and its application are set out in *(f)* following.

(b) 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)	September 30, 2018	December 31, 2017	January 1, 2017
		(adjusted – Note 2(c))	*(Note 2(c))*
Cash and temporary investments, net	**$ 433**	$ 509	$ 432
Accounts receivable	**1,651**	1,614	1,462
Contract assets	**1,169**	1,153	1,052
Derivative assets	**30**	24	17
	$ 3,283	$ 3,300	$ 2,963

Cash and temporary investments, net

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

Accounts receivable

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

As at September 30, 2018, the weighted average age of customer accounts receivable was 29 days (December 31, 2017 – 26 days; January 1, 2017 – 26 days) and the weighted average age of past-due customer accounts receivable was 57 days (December 31, 2017 – 60 days; January 1, 2017 – 61 days). Accounts are considered past-due (in default) when the 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)	**September 30, 2018**			December 31, 2017			January 1, 2017		
	Gross	Allowance	Net [1] *(Note 6(b))*	Gross	Allowance	Net [1] *(Note 6(b))*	Gross	Allowance	Net [1] *(Note 6(b))*
						(adjusted – Note 2(c))			*(Note 2(c))*
Customer accounts receivable, net of allowance for doubtful accounts									
Less than 30 days past billing date	**$ 871**	**$ (9)**	**$ 862**	$ 905	$ (10)	$ 895	$ 899	$ (11)	$ 888
30-60 days past billing date	**322**	**(9)**	**313**	185	(8)	177	185	(9)	176
61-90 days past billing date	**85**	**(8)**	**77**	60	(8)	52	44	(9)	35
More than 90 days past billing date	**71**	**(20)**	**51**	62	(17)	45	80	(25)	55
	$ 1,349	**$ (46)**	**$ 1,303**	$ 1,212	$ (43)	$ 1,169	$ 1,208	$ (54)	$ 1,154

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.

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 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; written off amounts charged to the customer accounts receivable allowance for doubtful accounts but were still subject to enforcement activity as at September 30, 2018, were $459 million (December 31, 2017 – $298 million; January 1, 2017 – $231 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 September 30 (millions)	Three months 2018	Three months 2017	Nine months 2018	Nine months 2017
Balance, beginning of period	**$ 46**	$ 50	**$ 43**	$ 54
Additions (doubtful accounts expense)	**12**	11	**39**	40
Accounts written off, net of recoveries	**(13)**	(14)	**(40)**	(49)
Other	**1**	—	**4**	2
Balance, end of period	**$ 46**	$ 47	**$ 46**	$ 47

Contract assets

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

As at (millions)	**September 30, 2018**			December 31, 2017			January 1, 2017		
	Gross	Allowance	Net (*Note 6(c)*)	Gross	Allowance	Net (*Note 6(c)*)	Gross	Allowance	Net (*Note 6(c)*)
						(*Note 2(c)*)			(*Note 2(c)*)
Contract assets, net of impairment allowance									
To be billed and thus reclassified to accounts receivable during:									
The 12-month period ending one year hence	**$ 991**	**$ (52)**	**$ 939**	$ 958	$ (51)	$ 907	$ 901	$ (48)	$ 853
The 12-month period ending two years hence	**392**	**(21)**	**371**	407	(22)	385	359	(21)	338
Thereafter	**14**	**(1)**	**13**	11	—	11	15	(1)	14
	$ 1,397	**$ (74)**	**$ 1,323**	$ 1,376	$ (73)	$ 1,303	$ 1,275	$ (70)	$ 1,205

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

Derivative assets (and derivative liabilities)

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

(c) 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*), maintaining a commercial paper program (*Note 26(c)*) and maintain 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(f)*. As at September 30, 2018, we could offer $2.5 billion of debt or equity securities pursuant to a shelf prospectus that is in effect until June 2020 (December 31, 2017 – $1.2 billion pursuant to a shelf prospectus that was in effect until April 2018). 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							
As at September 30, 2018 (millions)	Non-interest bearing financial liabilities	Short-term borrowings [1]	Construction credit facilities commitment [2] (*Note 21*)	Long-term debt [1] (*Note 26*)	Finance leases [1]	Currency swap agreement amounts to be exchanged [3] (Receive)	Currency swap agreement amounts to be exchanged [3] Pay	Currency swap agreement amounts to be exchanged (Receive)	Currency swap agreement amounts to be exchanged Pay	Total
2018	**$ 1,872**	**$ 101**	**$ 48**	**$ 792**	**$ 3**	**$ (690)**	**$ 692**	**$ (157)**	**$ 153**	**$ 2,814**
2019	**429**	**12**	**—**	**665**	**14**	**(194)**	**193**	**(424)**	**421**	**1,116**
2020	**216**	**—**	**—**	**1,561**	**10**	**(90)**	**89**	**—**	**—**	**1,786**
2021	**114**	**—**	**—**	**1,561**	**—**	**(90)**	**89**	**—**	**—**	**1,674**
2022	**19**	**—**	**—**	**2,074**	**—**	**(90)**	**89**	**—**	**—**	**2,092**
Thereafter	**8**	**—**	**—**	**14,667**	**—**	**(3,774)**	**3,769**	**—**	**—**	**14,670**
Total	**$ 2,658**	**$ 113**	**$ 48**	**$ 21,320**	**$ 27**	**$ (4,928)**	**$ 4,921**	**$ (581)**	**$ 574**	**$ 24,152**
				Total (*Note 26(f)*)			**$ 21,340**			

1 Cash outflows in respect of interest payments on our short-term borrowings, commercial paper, finance leases and amounts drawn under our credit facilities (if any) have been calculated based upon the interest rates in effect as at September 30, 2018.
2 The drawdowns on the construction credit facilities are expected to occur as construction progresses through 2019.
3 The amounts included in undiscounted non-derivative long-term debt in respect of U.S. dollar-denominated long-term debt, and the corresponding amounts in the long-term debt currency swaps receive column, have been determined based upon the currency exchange rates in effect as at September 30, 2018. The hedged U.S. dollar-denominated long-term debt contractual amounts at maturity, in effect, are reflected in the long-term debt currency swaps pay column as gross cash flows are exchanged pursuant to the currency swap agreements.

	Non-derivative					Derivative			
				Composite long-term debt					
As at December 31, 2017 (millions)	Non-interest bearing financial liabilities	Short-term borrowings [1]	Construction credit facilities commitment [2] (*Note 21*)	Long-term debt [1] (*Note 26*)	Currency swap agreement amounts to be exchanged [3] (Receive)	Currency swap agreement amounts to be exchanged [3] Pay	Currency swap agreement amounts to be exchanged (Receive)	Currency swap agreement amounts to be exchanged Pay	Total
2018	$ 2,232	$ 103	$ 67	$ 1,928	$ (1,188)	$ 1,206	$ (545)	$ 557	$ 4,360
2019	40	—	—	1,531	(44)	46	—	—	1,573
2020	19	—	—	1,480	(44)	46	—	—	1,501
2021	95	—	—	1,480	(44)	46	—	—	1,577
2022	18	—	—	1,913	(44)	46	—	—	1,933
Thereafter	16	—	—	11,430	(1,591)	1,679	—	—	11,534
Total	$ 2,420	$ 103	$ 67	$ 19,762	$ (2,955)	$ 3,069	$ (545)	$ 557	$ 22,478
				Total		$ 19,876			

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, 2017
2 The drawdowns on the construction credit facilities are expected to occur as construction progresses through 2019.
3 The amounts included in undiscounted non-derivative long-term debt in respect of U.S. dollar-denominated long-term debt, and the corresponding amounts in the long-term debt currency swaps receive column, have been determined based upon the currency exchange rates in effect as at December 31, 2017. The hedged U.S. dollar-denominated long-term debt contractual amounts at maturity, in effect, are reflected in the long-term debt currency swaps pay column as gross cash flows are exchanged pursuant to the currency swap agreements.

(d) Market risks

Net income and other comprehensive income for the nine-month periods ended September 30, 2018 and 2017, could have varied if the Canadian dollar: U.S. dollar exchange rate and our Common Share price varied by reasonably possible amounts from their actual statement of financial position date amounts.

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

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

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

Nine-month periods ended September 30 (increase (decrease) in millions)	Net income		Other comprehensive income		Comprehensive income	
	2018	2017	**2018**	2017	**2018**	2017
Reasonably possible changes in market risks [1]						
10% change in C$: US$ exchange rate						
Canadian dollar appreciates	**$ (1)**	$ —	**$ (19)**	$ (10)	**$ (20)**	$ (10)
Canadian dollar depreciates	**$ 1**	$ —	**$ 19**	$ 10	**$ 20**	$ 10
25 basis point change in interest rate						
Interest rates increase	**$ (2)**	$ (2)	**$ 4**	$ 1	**$ 2**	$ (1)
Interest rates decrease	**$ 2**	$ 2	**$ (3)**	$ —	**$ (1)**	$ 2
25% [2] change in Common Share price [3]						
Price increases	**$ (17)**	$ (12)	**$ 16**	$ 16	**$ (1)**	$ 4
Price decreases	**$ 28**	$ 14	**$ (16)**	$ (16)	**$ 12**	$ (2)

1 These sensitivities are hypothetical and should be used with caution. Changes in net income and/or other comprehensive income generally cannot be extrapolated because the relationship of the change in assumption to the change in net income and/or other comprehensive income may not be linear. In this table, the effect of a variation in a particular assumption on the amount of net income and/or other comprehensive income is calculated without changing any other factors; in reality, changes in one factor may result in changes in another, which might magnify or counteract the sensitivities.
The sensitivity analysis assumes that we would realize the changes in exchange rates; in reality, the competitive marketplace in which we operate would have an effect on this assumption.
No consideration has been made for a difference in the notional number of Common Shares associated with share-based compensation awards made during the reporting period that may have arisen due to a difference in the Common Share price.

2 To facilitate ongoing comparison of sensitivities, a constant variance of approximate magnitude has been used. Reflecting a nine-month data period and calculated on a monthly basis, the volatility of our Common Share price as at September 30, 2018, was 6.7% (2017 – 5.2%).

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

(e) Fair values

General

The carrying values of cash and temporary investments, accounts receivable, short-term obligations, short-term borrowings, accounts payable and certain provisions (including restructuring 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 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 statement of financial position dates).

The fair values of the derivative financial instruments we use to manage our exposure to increases in compensation costs arising from certain forms of share-based compensation are based on fair value estimates of the related cash-settled equity forward agreements provided by the counterparty to the transactions (such fair value estimates being largely based on our Common Share price as at the statement 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)		**September 30, 2018**				December 31, 2017			
	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 risks arising from U.S. dollar-denominated purchases	HFH [3]	2019	**$ 297**	**$ 7**	US$1.00: C$1.26	2018	$ 110	$ 2	US$1.00: C$1.24
Currency risks arising from U.S. dollar revenues	HFT [4]	—	**$ —**	**—**	**—**	2018	$ 71	1	US$1.00: C$1.25
Changes in share-based compensation costs (*Note 14(b)*)	HFH [3]	2018	**$ 76**	**14**	$ 41.07	2018	$ 73	14	$ 40.91
Currency risks arising from U.S. dollar-denominated long-term debt (*Note 26(b)-(c)*)	HFH [3]	—	**$ —**	**—**	**—**	2018	$ 124	1	US$1.00: C$1.24
Interest rate risk associated with non-fixed rate credit facility amounts drawn (*Note 26(e)*)	HFH [3]	2019	**$ 8**	**—**	2.64%	—	$ —	—	—
				$ 21				$ 18	
Other Long-Term Assets [2]									
Derivatives used to manage									
Changes in share-based compensation costs (*Note 14(b)*)	HFH [3]	2020	**$ 132**	**$ 8**	$ 47.08	2019	$ 63	$ 6	$ 45.46
Interest rate risk associated with non-fixed rate credit facility amounts drawn (*Note 26(e)*)	HFH [3]	2022	**$ 140**	**1**	2.64%	—	$ —	—	—
				$ 9				$ 6	
Current Liabilities [2]									
Derivatives used to manage									
Currency risks arising from U.S. dollar-denominated purchases	HFH [3]	2019	**$ 173**	**$ 2**	US$1.00: C$1.30	2018	$ 376	$ 14	US$1.00: C$1.30
Currency risks arising from U.S. dollar revenues	HFT [4]	2019	**$ 104**	**2**	US$1.00: C$1.29	—	$ —	—	—
Currency risks arising from U.S. dollar-denominated long-term debt (*Note 26(b)-(c)*)	HFH [3]	2019	**$ 777**	**4**	US$1.00: C$1.30	2018	$ 1,036	18	US$1.00: C$1.28
Interest rate risk associated with planned refinancing of debt maturing	HFH [3]	—	**$ —**	**—**	—	2018	$ 300	1	2.14%, GOC 10-year term
				$ 8				$ 33	
Other Long-Term Liabilities [2]									
Derivatives used to manage									
Currency risks arising from U.S. dollar-denominated long-term debt (*Note 26(b)-(c)*)	HFH [3]	2048	**$ 4,143**	**$ 91**	US$1.00: C$1.29	2027	$ 1,910	$ 76	US$1.00: C$1.32

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.

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)	**September 30, 2018**		December 31, 2017	
	Carrying value	Fair value	Carrying value	Fair value
Long-term debt (*Note 26*)	**$ 13,883**	**$ 14,091**	$ 13,660	$ 14,255

(f) 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 *(b)*, would be the primary source of hedge ineffectiveness. There was no ineffective portion of derivative instruments classified as cash flow hedging items for the periods presented.

		Amount of gain (loss) recognized in other comprehensive income (effective portion) (*Note 11*)		Gain (loss) reclassified from other comprehensive income to income (effective portion) (*Note 11*)		
					Amount	
Periods ended September 30 (millions)	*Note*	**2018**	2017	Location	**2018**	2017
THREE-MONTHS						
Derivatives used to manage currency risks						
Arising from U.S. dollar-denominated purchases		**$ (5)**	$ (12)	Goods and services purchased	**$ 6**	$ (4)
Arising from U.S. dollar-denominated long-term debt	*26(b)-(c)*	**(36)**	(70)	Financing costs	**(48)**	(94)
		(41)	(82)		**(42)**	(98)
Derivatives used to manage other market risk						
Changes in share-based compensation costs	*14(b)*	**5**	1	Employee benefits expense	**4**	1
		$ (36)	$ (81)		**$ (38)**	$ (97)
NINE-MONTHS						
Derivatives used to manage currency risks						
Arising from U.S. dollar-denominated purchases		**$ 14**	$ (24)	Goods and services purchased	**$ —**	$ 1
Arising from U.S. dollar-denominated long-term debt	*26(b)-(c)*	**22**	(108)	Financing costs	**72**	(159)
		36	(132)		**72**	(158)
Derivatives used to manage other market risk						
Changes in share-based compensation costs	*14(b)*	**4**	10	Employee benefits expense	**6**	6
		$ 40	$ (122)		**$ 78**	$ (152)

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

		Gain recognized in income on derivatives			
		Three months		Nine months	
Periods ended September 30 (millions)	Location	**2018**	2017	**2018**	2017
Derivatives used to manage currency risks	Financing costs	**$ 1**	$ 1	**$ 1**	$ 5

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 for which can be clearly distinguished and for which the operating results are regularly reviewed by a chief operating decision-maker to make resource allocation decisions and to assess performance.

A significant judgment we make is in respect of distinguishing between our wireless and wireline operations and cash flows (and this extends to allocations of both direct and indirect expenses and of capital expenditures). The clarity of such distinction has been increasingly affected by the convergence and integration of our wireless and wireline telecommunications infrastructure and technology. The continued build-out of our technology-agnostic fibre-optic infrastructure, in combination with converged edge technology, has significantly affected this judgment, as has the commercialization of fixed-wireless telecommunications solutions for customers and the consolidation of our non-customer facing operations. As a result, it has become increasingly impractical and difficult to objectively and clearly distinguish between our wireless and wireline operations and cash flows.

As we do not currently aggregate operating segments, our reportable segments as at September 30, 2018, are also wireless and wireline. The wireless segment includes network revenues and equipment sales arising from mobile technologies. The wireline segment includes data revenues (which include Internet protocol; television; hosting, managed information technology and cloud-based services; customer care and business services contracting (formerly business process outsourcing); certain healthcare solutions; and home and business security), voice and other telecommunications services revenues (excluding wireless arising from mobile technologies), and equipment sales. Segmentation has been based on similarities in technology (mobile versus fixed), the technical expertise required to deliver the service and products, customer characteristics, the distribution channels used and regulatory treatment. Intersegment sales are recorded at the exchange value, which is the amount agreed to by the parties.

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

Three-month periods ended September 30 (millions)	Wireless 2018	Wireless 2017	Wireline 2018	Wireline 2017	Eliminations 2018	Eliminations 2017	Consolidated 2018	Consolidated 2017
		(adjusted – Note 2(c))		*(adjusted – Note 2(c))*				*(adjusted – Note 2(c))*
Operating revenues								
External revenues								
Service	**$ 1,555**	$ 1,519	**$ 1,474**	$ 1,360	**$ —**	$ —	**$ 3,029**	$ 2,879
Equipment	**504**	456	**58**	57	**—**	—	**562**	513
Revenues arising from contracts with customers	**2,059**	1,975	**1,532**	1,417	**—**	—	**3,591**	3,392
Other operating income	**90**	5	**93**	7	**—**	—	**183**	12
	2,149	1,980	**1,625**	1,424	**—**	—	**3,774**	3,404
Intersegment revenues	**12**	11	**52**	51	**(64)**	(62)	**—**	—
	$ 2,161	$ 1,991	**$ 1,677**	$ 1,475	**$ (64)**	$ (62)	**$ 3,774**	$ 3,404
EBITDA [1]	**$ 921**	$ 842	**$ 428**	$ 402	**$ —**	$ —	**$ 1,349**	$ 1,244
CAPEX, excluding spectrum licences [2]	**$ 218**	$ 237	**$ 544**	$ 584	**$ —**	$ —	**$ 762**	$ 821

	2018	2017
Operating revenues – external (above)	**$ 3,774**	$ 3,404
Goods and services purchased	**1,685**	1,522
Employee benefits expense	**740**	638
EBITDA (above)	**1,349**	1,244
Depreciation	**419**	410
Amortization	**153**	137
Operating income	**777**	697
Financing costs	**196**	149
Income before income taxes	**$ 581**	$ 548

Nine-month periods ended September 30 (millions)	Wireless 2018	Wireless 2017	Wireline 2018	Wireline 2017	Eliminations 2018	Eliminations 2017	Consolidated 2018	Consolidated 2017
		(adjusted – Note 2(c))		*(adjusted – Note 2(c))*				*(adjusted – Note 2(c))*
Operating revenues								
External revenues								
Service	**$ 4,537**	$ 4,404	**$ 4,331**	$ 4,047	**$ —**	$ —	**$ 8,868**	$ 8,451
Equipment	**1,326**	1,206	**188**	171	**—**	—	**1,514**	1,377
Revenues arising from contracts with customers	**5,863**	5,610	**4,519**	4,218	**—**	—	**10,382**	9,828
Other operating income	**105**	5	**117**	34	**—**	—	**222**	39
	5,968	5,615	**4,636**	4,252	**—**	—	**10,604**	9,867
Intersegment revenues	**35**	33	**154**	155	**(189)**	(188)	**—**	—
	$ 6,003	$ 5,648	**$ 4,790**	$ 4,407	**$ (189)**	$ (188)	**$ 10,604**	$ 9,867
EBITDA [1]	**$ 2,601**	$ 2,439	**$ 1,268**	$ 1,248	**$ —**	$ —	**$ 3,869**	$ 3,687
CAPEX, excluding spectrum licences [2]	**$ 643**	$ 745	**$ 1,560**	$ 1,610	**$ —**	$ —	**$ 2,203**	$ 2,355

	2018	2017
Operating revenues – external (above)	**$ 10,604**	$ 9,867
Goods and services purchased	**4,584**	4,269
Employee benefits expense	**2,151**	1,911
EBITDA (above)	**3,869**	3,687
Depreciation	**1,241**	1,203
Amortization	**440**	402
Operating income	**2,188**	2,082
Financing costs	**502**	429
Income before income taxes	**$ 1,686**	$ 1,653

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

2 Total capital expenditures (CAPEX); see *Note 31(a)* for a reconciliation of capital expenditures, excluding spectrum licences to cash payments for capital assets, excluding spectrum licences reported in the Consolidated statements of cash flows.

6 revenue from contracts with customers

(a) Revenues

In the determination of the minimum transaction prices in contracts with customers, amounts are allocated to fulfilling, or completion of fulfilling, future contracted performance obligations. Largely, these unfulfilled, or partially unfulfilled, future contracted performance obligations are 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)	**September 30, 2018**	December 31, 2017
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	**$ 2,204**	$ 2,075
During the 12-month period ending two years hence	**855**	856
Thereafter	**23**	24
	$ 3,082	$ 2,955

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** in 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.

Incremental accounting policy disclosure due to initial application of IFRS 15
(see *Note 2*)

We use the following revenue accounting practical expedients provided for in IFRS 15, *Revenue from Contracts with Customers*:

- No adjustment of the contracted amount of consideration for the effects of financing components when at the inception of the contract we expect that the effect of the financing component is not significant at the individual contract level.
- No deferral of contract acquisition costs when the amortization period for such costs would be one year or less.
- When estimating minimum transaction prices allocated to remaining unfulfilled, or partially unfulfilled, performance obligations, exclusion of amounts arising from contracts originally expected to have a duration of one year or less as well as amounts arising from contracts in which we may recognize and bill revenue in an amount that corresponds directly with our completed performance obligations.

(b) Accounts receivable

As at (millions)	*Note*	**September 30, 2018**	December 31, 2017	January 1, 2017
Customer accounts receivable				
As reported		**$ 1,349**	$ 1,221	$ 1,217
Transitional amount	*2(c)*	**—**	(9)	(9)
As adjusted		**1,349**	1,212	1,208
Accrued receivables – customer		**161**	143	131
Allowance for doubtful accounts	*4(b)*	**(46)**	(43)	(54)
		1,464	1,312	1,285
Accrued receivables – other		**187**	302	177
		$ 1,651	$ 1,614	$ 1,462

(c) Contract assets

(millions)	Three-month periods ended September 30 2018	2017	Nine-month periods ended September 30 2018	2017	Year ended December 31, 2017
Balance, beginning of period	**$ 1,272**	$ 1,191	**$ 1,303**	$ —	$ —
Transitional amount (*Note 2(c)*)	**—**	—	**—**	1,205	1,205
Adjusted opening balance	**1,272**	1,191	**1,303**	1,205	1,205
Net additions arising from operations	**376**	334	**960**	882	1,270
Amounts billed in period and thus reclassified to accounts receivable [1]	**(325)**	(299)	**(942)**	(860)	(1,166)
Change in impairment allowance, net (*Note 4(b)*)	**(2)**	(2)	**(1)**	(2)	(3)
Other	**2**	—	**3**	(1)	(3)
Balance, end of period	**$ 1,323**	$ 1,224	**$ 1,323**	$ 1,224	$ 1,303
To be billed and thus reclassified to accounts receivable during:					
The 12-month period ending one year hence			**$ 939**	$ 860	$ 907
The 12-month period ending two years hence			**371**	352	385
Thereafter			**13**	12	11
Balance, end of period			**$ 1,323**	$ 1,224	$ 1,303
Reconciliation of contract assets presented in the consolidated statements of financial position – current					
Gross contract assets			**$ 939**	$ 860	$ 907
Reclassification to contract liabilities for contracts with contract assets less than contract liabilities (*Note 24*)			**(5)**	(5)	(4)
Reclassification from contract liabilities for contracts with contract liabilities less than contract assets (*Note 24*)			**(149)**	(145)	(146)
			$ 785	$ 710	$ 757

1 For the three-month period ended September 30, 2018, amounts billed in the period for our wireless segment and reclassified to accounts receivable were $299 (2017 – $272). For the nine-month period ending September 30, 2018, amounts billed in the period for our wireless segment and reclassified to accounts receivable were $866 (2017 – $781; year ended December 31, 2017 – $1,060).

Incremental accounting policy disclosure due to initial application of IFRS 15
(see *Note 2*)

Contract assets

Many of our multiple element arrangements arise from bundling the sale of equipment (*e.g.* a wireless handset) with a contracted service period. Although the customer receives the equipment at contract inception and the revenue from the associated completed performance obligation is recognized at that time, the customer's payment for the equipment will effectively be received rateably over the contracted service period to the extent it is not received as a lump-sum amount at contract inception. The difference between the equipment revenue recognized and the associated amount cumulatively billed to the customer is recognized on the consolidated statements of financial position as a contract asset.

Contract assets may also arise in instances where we give consideration to a customer.

- Some forms of consideration given to a customer, effectively at contract inception, such as rebates (including prepaid non-bank cards) and/or equipment, are considered performance obligations in a multiple element arrangement. Although the performance obligation is satisfied at contract inception, the customer's payment associated with the performance obligation will effectively be received rateably over the associated contracted service period. The difference between revenue arising from the satisfied performance obligation and the associated amount cumulatively reflected in the billings to the customer is recognized on the consolidated statements of financial position as a contract asset.
- Other forms of consideration given to a customer effectively provided at contract inception or over a period of time, such as discounts (including prepaid bank cards), may result in us receiving no identifiable, separable benefit and are not considered performance obligations. Such consideration is recognized as a reduction of revenue rateably over the term of the contract. The difference between the consideration provided and the associated amount recognized as a reduction of revenue is recognized on the consolidated statements of financial position as a contract asset.

7 other operating income

Periods ended September 30 (millions)	Note	Three months 2018	2017	Nine months 2018	2017
Government assistance, including deferral account amortization		**$ 5**	$ 7	**$ 17**	$ 21
Investment income, gain (loss) on disposal of assets and other	*21*	**177**	5	**203**	18
Interest income	*21(c)*	**1**	—	**2**	—
		$ 183	$ 12	**$ 222**	$ 39

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8 employee benefits expense

Periods ended September 30 (millions)	Note	Three months 2018	Three months 2017 (adjusted – Note 2(c))	Nine months 2018	Nine months 2017 (adjusted – Note 2(c))
Employee benefits expense – gross					
Wages and salaries		**$ 715**	$ 644	**$ 2,092**	$ 1,923
Share-based compensation	*14*	**39**	31	**107**	92
Pensions – defined benefit	*15(a)*	**24**	20	**73**	61
Pensions – defined contribution	*15(b)*	**23**	23	**67**	67
Restructuring costs	*16(a)*	**29**	1	**80**	12
Other		**38**	40	**117**	117
		868	759	**2,536**	2,272
Capitalized internal labour costs, net					
Contract acquisition costs	*20*				
Capitalized		**(15)**	(12)	**(38)**	(33)
Amortized		**11**	11	**34**	36
Contract fulfilment costs	*20*				
Capitalized		**—**	(1)	**(2)**	(3)
Amortized		**—**	1	**2**	2
Property, plant and equipment		**(82)**	(80)	**(253)**	(244)
Intangible assets subject to amortization		**(42)**	(40)	**(128)**	(119)
		(128)	(121)	**(385)**	(361)
		$ 740	$ 638	**$ 2,151**	$ 1,911

Incremental accounting policy disclosure due to initial application of IFRS 15
(see *Note 2*)

Judgments – revenue
In respect of revenue-generating transactions, we must make judgments that affect the timing of the recognition of revenue and some associated expenses.

- We compensate third-party re-sellers and our employees for generating revenues, and we must exercise judgment as to whether such sales-based compensation amounts are costs incurred to obtain contracts with customers that should be capitalized (see *Note 20*). We believe that compensation amounts tangentially attributable to obtaining a contract with the customer, because the amount of such compensation could be affected in ways other than by simply obtaining that contract, should be expensed as incurred; compensation amounts directly attributable to obtaining a contract with a customer should be capitalized and subsequently amortized on a systematic basis consistent with the satisfaction of our associated performance obligations.

Judgment must also be exercised in the capitalization of costs incurred to fulfill revenue generating contracts with customers. Such fulfilment costs are those incurred to set-up, activate or otherwise implement services involving access to, or usage of, our telecommunications infrastructure that would not otherwise be capitalized as property, plant and equipment and intangible assets (see *Note 20*).

9 financing costs

Periods ended September 30 (millions)	Note	Three months 2018	Three months 2017	Nine months 2018	Nine months 2017
Interest expense					
Interest on long-term debt		**$ 152**	$ 141	**$ 447**	$ 419
Interest on short-term borrowings and other		**4**	1	**5**	3
Interest accretion on provisions	*25*	**6**	2	**16**	8
Long-term debt prepayment premium		**34**	—	**34**	—
		196	144	**502**	430
Employee defined benefit plans net interest	*15(a)*	**4**	1	**11**	4
Foreign exchange		**(2)**	5	**(4)**	(3)
		198	150	**509**	431
Interest income		**(2)**	(1)	**(7)**	(2)
		$ 196	$ 149	**$ 502**	$ 429

10 income taxes

Periods ended September 30 (millions)	Three months 2018	Three months 2017	Nine months 2018	Nine months 2017
		(adjusted – Note 2(c))		*(adjusted – Note 2(c))*
Current income tax expense				
For the current reporting period	**$ 141**	$ 75	**$ 424**	$ 258
Adjustments recognized in the current period for income taxes of prior periods	**2**	(2)	**(6)**	(81)
	143	73	**418**	177
Deferred income tax expense (recovery)				
Arising from the origination and reversal of temporary differences	**(3)**	69	**10**	174
Adjustments recognized in the current period for income taxes of prior periods	**(6)**	—	**2**	78
	(9)	69	**12**	252
	$ 134	$ 142	**$ 430**	$ 429

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

Periods ended September 30 ($ in millions)	2018		2017	
			(adjusted – Note 2(c))	
THREE MONTH				
Income taxes computed at applicable statutory rates	**$ 157**	**27.0%**	$ 145	26.5%
Adjustments recognized in the current period for income taxes of prior periods	**(4)**	**(0.7)**	(2)	(0.4)
Other	**(19)**	**(3.2)**	(1)	(0.2)
Income tax expense per Consolidated statements of income and other comprehensive income	**$ 134**	**23.1%**	$ 142	25.9%
NINE-MONTH				
Income taxes computed at applicable statutory rates	**$ 456**	**27.1%**	$ 440	26.7%
Adjustments recognized in the current period for income taxes of prior periods	**(4)**	**(0.2)**	(3)	(0.2)
Other	**(22)**	**(1.4)**	(8)	(0.5)
Income tax expense per Consolidated statements of income and other comprehensive income	**$ 430**	**25.5%**	$ 429	26.0%

11 other comprehensive income

Periods ended September 30 (millions)	Items that may subsequently be reclassified to income — Change in unrealized fair value of derivatives designated as cash flow hedges in current period (*Note 4(f)*) — Derivatives used to manage currency risks — Gains (losses) arising	Prior period (gains) losses transferred to net income	Total	Derivatives used to manage other market risk — Gains (losses) arising	Prior period (gains) losses transferred to net income	Total	Total	Cumulative foreign currency translation adjustment	Item never reclassified to income — Change in measurement of investment financial assets	Accumulated other comp. income	Item never reclassified to income — Employee defined benefit plan re-measure-ments	Other comp. income
THREE-MONTH												
Accumulated balance as at July 1, 2017			$ (15)			$ 5	$ (10)	$ 51	$ 13	$ 54		
Other comprehensive income (loss)												
Amount arising	$ (82)	$ 98	16	$ 1	$ (1)	—	16	(5)	(4)	7	$ (30)	$ (23)
Income taxes	$ (15)	$ 19	4	$ 1	$ (1)	—	4	—	(1)	3	(8)	(5)
Net			12			—	12	(5)	(3)	4	$ (22)	$ (18)
Accumulated balance as at September 30, 2017			$ (3)			$ 5	$ 2	$ 46	$ 10	$ 58		
Accumulated balance as at July 1, 2018			**$ (36)**			**$ 6**	**$ (30)**	**$ 32**	**$ 1**	**$ 3**		
Other comprehensive income (loss)												
Amount arising	**$ (41)**	**$ 42**	**1**	**$ 5**	**$ (4)**	**1**	**2**	**7**	**(1)**	**8**	**$ (12)**	**$ (4)**
Income taxes	**$ (6)**	**$ 6**	**—**	**$ 2**	**$ (2)**	**—**	**—**	**—**	**—**	**—**	**(3)**	**(3)**
Net			**1**			**1**	**2**	**7**	**(1)**	**8**	**$ (9)**	**$ (1)**
Accumulated balance as at September 30, 2018			**$ (35)**			**$ 7**	**$ (28)**	**$ 39**	**$ —**	**$ 11**		

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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(f)*)											
	Derivatives used to manage currency risks			Derivatives used to manage other market risk								
Periods ended September 30 (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
NINE-MONTH												
Accumulated balance as at January 1, 2017												
As previously reported			$ (22)			$ 2	$ (20)	$ 48	$ 16	$ 44		
IFRS 9, *Financial Instruments* transitional amount (*Note 2(a)*)			—			—	—	—	(3)	(3)		
As adjusted			(22)			2	(20)	48	13	41		
Other comprehensive income (loss)												
Amount arising	$ (132)	$ 158	26	$ 10	$ (6)	4	30	(2)	(4)	24	$ 88	$ 112
Income taxes	$ (21)	$ 28	7	$ 3	$ (2)	1	8	—	(1)	7	24	31
Net			19			3	22	(2)	(3)	17	$ 64	$ 81
Accumulated balance as at September 30, 2017			$ (3)			$ 5	$ 2	$ 46	$ 10	$ 58		
Accumulated balance as at January 1, 2018												
As previously reported			**$ (9)**			**$ 8**	**$ (1)**	**$ 53**	**$ 5**	**$ 57**		
IFRS 9, *Financial Instruments* transitional amount (*Note 2(a)*)			**—**			**—**	**—**	**—**	**(4)**	**(4)**		
As adjusted			**(9)**			**8**	**(1)**	**53**	**1**	**53**		
Other comprehensive income (loss)												
Amount arising	**$ 36**	**$ (72)**	**(36)**	**$ 4**	**$ (6)**	**(2)**	**(38)**	**(14)**	**(1)**	**(53)**	**$ 69**	**$ 16**
Income taxes	**$ 4**	**$ (14)**	**(10)**	**$ 1**	**$ (2)**	**(1)**	**(11)**	**—**	**—**	**(11)**	**16**	**5**
Net			**(26)**			**(1)**	**(27)**	**(14)**	**(1)**	**(42)**	**$ 53**	**$ 11**
Accumulated balance as at September 30, 2018			**$ (35)**			**$ 7**	**$ (28)**	**$ 39**	**$ —**	**$ 11**		
Attributable to:												
Common Shares										**$ 10**		
Non-controlling interests										**1**		
										$ 11		

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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 stock units.

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

Periods ended September 30 (millions)	Three months **2018**	Three months 2017	Nine months **2018**	Nine months 2017
Basic total weighted average number of Common Shares outstanding	**597**	594	**596**	592
Effect of dilutive securities				
Share option awards	**1**	—	**—**	1
Diluted total weighted average number of Common Shares outstanding	**598**	594	**596**	593

For the three-month and nine-month periods ended September 30, 2018 and 2017, no outstanding TELUS Corporation share option awards were excluded in the computation of diluted net income per Common Share.

13 dividends per share

(a) Dividends declared

Nine-month periods ended September 30 (millions except per share amounts)	**2018**				2017			
	Declared				Declared			
Common Share dividends	Effective	Per share	Paid to shareholders	Total	Effective	Per share	Paid to shareholders	Total
Quarter 1 dividend	**Mar. 9, 2018**	**$ 0.5050**	**Apr. 2, 2018**	**$ 299**	Mar. 10, 2017	$ 0.4800	Apr. 3, 2017	$ 283
Quarter 2 dividend	**Jun. 8, 2018**	**0.5250**	**Jul. 3, 2018**	**315**	Jun. 9, 2017	0.4925	Jul. 4, 2017	293
Quarter 3 dividend	**Sep. 10, 2018**	**0.5250**	**Oct. 1, 2018**	**313**	Sep. 8, 2017	0.4925	Oct. 2, 2017	292
		$ 1.5550		**$ 927**		$ 1.4650		$ 868

On November 7, 2018, the Board of Directors declared a quarterly dividend of $0.5450 per share on our issued and outstanding Common Shares payable on January 2, 2019, to holders of record at the close of business on December 11, 2018. The final amount of the dividend payment depends upon the number of Common Shares issued and outstanding at the close of business on December 11, 2018.

(b) Dividend Reinvestment and Share Purchase Plan

We have a Dividend Reinvestment and Share Purchase Plan under which eligible holders of Common Shares may acquire additional Common Shares by reinvesting dividends and by making additional optional cash payments to the trustee. In respect of Common Shares whose eligible shareholders have elected to participate in the plan, dividends declared during the three-month and nine-month periods ended September 30, 2018, $13 million (2017 – $15 million) and $40 million (2017 – $46 million), respectively, were to be reinvested in Common Shares acquired by the trustee from Treasury, with no discount applicable.

14 share-based compensation

(a) Details of share-based compensation expense

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

Periods ended September 30 (millions)		**2018**			2017		
	Note	Employee benefits expense	Associated operating cash outflows	Statement of cash flows adjustment	Employee benefits expense	Associated operating cash outflows	Statement of cash flows adjustment
THREE-MONTH							
Restricted stock units	*(b)*	**$ 33**	**$ 1**	**$ 34**	$ 20	$ 2	$ 22
Employee share purchase plan	*(c)*	**9**	**(9)**	**—**	9	(9)	—
		$ 42	**$ (8)**	**$ 34**	$ 29	$ (7)	$ 22

Periods ended September 30 (millions)		2018			2017		
	Note	Employee benefits expense	Associated operating cash outflows	Statement of cash flows adjustment	Employee benefits expense	Associated operating cash outflows	Statement of cash flows adjustment
NINE-MONTH							
Restricted stock units	*(b)*	**$ 85**	**$ 2**	**$ 87**	$ 57	$ 4	$ 61
Employee share purchase plan	*(c)*	**27**	**(27)**	**—**	27	(27)	—
		$ 112	**$ (25)**	**$ 87**	$ 84	$ (23)	$ 61

For the three-month and nine-month periods ended September 30, 2018, the associated operating cash outflows in respect of restricted stock units were net of cash inflows arising from the cash-settled equity swap agreements of $2 million (2017 – $2 million) and $6 million (2017 – $6 million), respectively. For the three-month and nine-month periods ended September 30, 2018, the income tax benefit arising from share-based compensation was $12 million (2017 – $9 million) and $30 million (2017 – $23 million), respectively.

(b) Restricted stock units

TELUS Corporation restricted stock units

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

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

Number of non-vested restricted stock units as at	September 30, 2018	December 31, 2017
Restricted stock units without market performance conditions		
Restricted stock units with only service conditions	**4,874,128**	3,327,464
Notional subset affected by total customer connections performance condition	**233,163**	154,452
	5,107,291	3,481,916
Restricted stock units with market performance conditions		
Notional subset affected by relative total shareholder return performance condition	**699,489**	463,357
	5,806,780	3,945,273

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

Periods ended September 30, 2018	Three months			Nine months		
	Number of restricted stock units [1]		Weighted average grant-date fair value	Number of restricted stock units [1]		Weighted average grant-date fair value
	Non-vested	Vested		Non-vested	Vested	
Outstanding, beginning of period						
Non-vested	5,119,475	—	$ 43.13	3,481,916	—	$ 41.87
Vested	—	8,089	$ 40.71	—	32,848	$ 41.00
Issued						
Initial award	7,826	—	$ 47.54	1,699,234	—	$ 45.70
In lieu of dividends	57,711	91	$ 46.50	151,557	276	$ 46.07
Vested	(29,142)	29,142	$ 42.47	(64,620)	64,620	$ 42.24
Settled in cash	—	(29,743)	$ 41.90	—	(90,165)	$ 41.74
Forfeited and cancelled	(48,579)	—	$ 43.42	(160,796)	—	$ 41.98
Outstanding, end of period						
Non-vested	5,107,291	—	$ 43.14	5,107,291	—	$ 43.14
Vested	—	7,579	$ 40.69	—	7,579	$ 40.69

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

With respect to certain issuances of TELUS Corporation restricted stock units, we have entered into cash-settled equity forward agreements that fix our cost; that information, as well as a schedule of non-vested TELUS Corporation restricted stock units outstanding as at September 30, 2018, is set out in the following table.

Vesting in years ending December 31	Number of fixed-cost restricted stock units	Our fixed cost per restricted stock unit	Number of variable-cost restricted stock units	Total number of non-vested restricted stock units [1]
2018	1,845,970	$ 41.07	11,836	1,857,806
2019	1,439,418	$ 45.53	272,986	1,712,404
2020	1,369,272	$ 48.71	388,388	1,757,660
	4,654,660		673,210	5,327,870

1 Excluding the notional subset of restricted stock units affected by the relative total shareholder return performance condition vesting in years ending December 31, 2018 and 2019.

TELUS International (Cda) Inc. restricted stock units

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

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

Periods ended September 30, 2018	Three months				Nine months			
	US$ denominated		Canadian $ denominated		US$ denominated		Canadian $ denominated	
	Number of non-vested restricted stock units	Weighted average grant-date fair value	Number of vested restricted stock units	Weighted average grant-date fair value	Number of non-vested restricted stock units	Weighted average grant-date fair value	Number of vested restricted stock units	Weighted average grant-date fair value
Outstanding, beginning of period								
Non-vested	452,796	US$ 25.16	—	$ —	374,786	US$ 24.45	—	$ —
Vested	—	US$ —	32,299	$ 21.36	—	US$ —	32,299	$ 21.36
Issued - initial award	14,101	US$ 28.37	—	$ —	95,909	US$ 28.35	—	$ —
Forfeited and cancelled	(3,878)	US$ 26.59	—	$ —	(7,676)	US$ 25.49	—	$ —
Outstanding, end of period								
Non-vested	463,019	US$ 25.28	—	$ —	463,019	US$ 25.28	—	$ —
Vested	—	US$ —	32,299	$ 21.36	—	US$ —	32,299	$ 21.36

(c) Employee share purchase plan

We have an employee share purchase plan under which eligible employees up to a certain job classification can purchase our Common Shares through regular payroll deductions. In respect of Common Shares held within employee share purchase plans, Common Share dividends declared during the three-month and nine-month periods ended September 30, 2018, of $8 million (2017 – $9 million) and $25 million (2017 – $23 million), respectively, were to be reinvested in Common Shares acquired by the trustee from Treasury, with no discount applicable.

(d) Share option awards

TELUS Corporation share options

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

Period ended September 30, 2018	Three months		Nine months	
	Number of share options	Weighted average share option price	Number of share options	Weighted average share option price
Outstanding, beginning of period	409,691	$ 29.18	740,471	$ 26.99
Exercised [1]	(39,625)	$ 29.19	(359,838)	$ 24.83
Forfeited	(756)	$ 29.19	(1,590)	$ 29.19
Expired	—	$ —	(9,733)	$ 23.24
Outstanding, end of period [2]	369,310	$ 29.18	369,310	$ 29.18

1 The total intrinsic value of share option awards exercised for the three-month and nine-month periods ended September 30, 2018, was $1 million (reflecting a weighted average price at the dates of exercise of $47.97 per share) and $8 million (reflecting a weighted average price at the dates of exercise of $45.95 per share), respectively. The difference between the number of share options exercised and the number of Common Shares issued (as reflected in the Consolidated statements of changes in owners' equity) is the effect of our choosing to settle share option award exercises using the net-equity settlement feature.

2 All outstanding TELUS Corporation share options are vested, their range of prices is $25.30 – $31.69 per share and their weighted average remaining contractual life is 0.6 years.

TELUS International (Cda) Inc. share options

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

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

Periods ended September 30, 2018	Three months				Nine months			
	US$ denominated		Canadian $ denominated		US$ denominated		Canadian $ denominated	
	Number of share options	Weighted average share option price [1]	Number of share options	Share option price [2]	Number of share options	Weighted average share option price [1]	Number of share options	Share option price [2]
Outstanding, beginning	747,454	US$ 30.12	53,832	$ 21.36	748,626	US$ 30.12	53,832	$ 21.36
Forfeited	—	US$ —	—	$ —	(1,172)	US$ 27.70	—	$ —
Outstanding, end of period	747,454	US$ 30.12	53,832	$ 21.36	747,454	US$ 30.12	53,832	$ 21.36

1 The range of share option prices is US$21.90 – US$40.26 per TELUS International (Cda) Inc. equity share and the weighted average remaining contractual life is 8.4 years.
2 The weighted average remaining contractual life is 7.7 years.

15 employee future benefits

(a) Defined benefit pension plans – details

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

Three-month periods ended September 30 (millions)	**2018**				2017			
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	**$ 22**	**$ —**	**$ —**	**$ 22**	$ 18	$ —	$ —	$ 18
Net interest; return on plan assets								
Interest expense arising from defined benefit obligations accrued	**—**	**80**	**—**	**80**	—	83	—	83
Return, including interest income, on plan assets [1]	**—**	**(77)**	**12**	**(65)**	—	(83)	49	(34)
Interest effect on asset ceiling limit	**—**	**1**	**—**	**1**	—	1	—	1
	—	**4**	**12**	**16**	—	1	49	50
Administrative fees	**2**	**—**	**—**	**2**	2	—	—	2
Changes in the effect of limiting net defined benefit assets to the asset ceiling	**—**	**—**	**—**	**—**	—	—	(19)	(19)
	$ 24	**$ 4**	**$ 12**	**$ 40**	$ 20	$ 1	$ 30	$ 51

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.

Nine-month periods ended September 30 (millions)	2018				2017			
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	**$ 67**	**$ —**	**$ —**	**$ 67**	$ 56	$ —	$ —	$ 56
Past service costs	**1**	**—**	**—**	**1**	—	—	—	—
Net interest; return on plan assets								
Interest expense arising from defined benefit obligations accrued	**—**	**238**	**—**	**238**	—	249	—	249
Return, including interest income, on plan assets [1]	**—**	**(230)**	**(78)**	**(308)**	—	(248)	(120)	(368)
Interest effect on asset ceiling limit	**—**	**3**	**—**	**3**	—	3	—	3
	—	**11**	**(78)**	**(67)**	—	4	(120)	(116)
Administrative fees	**5**	**—**	**—**	**5**	5	—	—	5
Changes in the effect of limiting net defined benefit assets to the asset ceiling	**—**	**—**	**9**	**9**	—	—	32	32
	$ 73	**$ 11**	**$ (69)**	**$ 15**	$ 61	$ 4	$ (88)	$ (23)

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:

	Three months		Nine months	
Periods ended September 30 (millions)	**2018**	2017	**2018**	2017
Union pension plan and public service pension plan contributions	**$ 6**	$ 6	**$ 17**	$ 18
Other defined contribution pension plans	**17**	17	**50**	49
	$ 23	$ 23	**$ 67**	$ 67

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. We also include incremental, atypical external costs incurred in connection with business acquisition or disposition activity, as well as litigation costs, in the context of significant losses or settlements, in other costs.

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	
Periods ended September 30 (millions)	**2018**	2017	**2018**	2017	**2018**	2017
THREE-MONTH						
Goods and services purchased	**$ 21**	$ 15	**$ 120**	$ 3	**$ 141**	$ 18
Employee benefits expense	**29**	1	**3**	4	**32**	5
	$ 50	$ 16	**$ 123**	$ 7	**$ 173**	$ 23
NINE-MONTH						
Goods and services purchased	**$ 32**	$ 36	**$ 124**	$ 6	**$ 156**	$ 42
Employee benefits expense	**80**	12	**6**	9	**86**	21
	$ 112	$ 48	**$ 130**	$ 15	**$ 242**	$ 63

(b) Restructuring provisions

Employee-related provisions and other provisions, as presented in *Note 25,* include amounts in respect of restructuring activities. In 2018, restructuring activities included ongoing and incremental efficiency initiatives, including personnel-related costs and rationalization of real estate. These initiatives were intended to improve our long-term operating productivity and competitiveness.

(c) Other

During the three-month and nine-month periods ended September 30, 2018, 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. As well, we fundamentally transformed our operating model in respect of our philanthropic giving. We made an initial donation to the TELUS Friendly Future Foundation of $100 million of TELUS Corporation Common Shares; we have committed to subsequent donations of $18 million.

17 property, plant and equipment

(millions)	Note	Network assets [1]	Buildings and leasehold improvements	Other	Land	Assets under construction	Total
At cost							
As at January 1, 2018		$ 28,724	$ 3,077	$ 1,095	$ 48	$ 655	$ 33,599
Additions		**755**	**19**	**25**	**—**	**995**	**1,794**
Additions arising from business acquisitions	*18(b)*	**4**	**13**	**9**	**—**	**—**	**26**
Dispositions, retirements and other		**(663)**	**96**	**(33)**	**—**	**—**	**(600)**
Assets under construction put into service		**631**	**73**	**46**	**—**	**(750)**	**—**
As at September 30, 2018		**$ 29,451**	**$ 3,278**	**$ 1,142**	**$ 48**	**$ 900**	**$ 34,819**
Accumulated depreciation							
As at January 1, 2018		$ 19,638	$ 1,884	$ 709	$ —	$ —	$ 22,231
Depreciation		**1,068**	**85**	**88**	**—**	**—**	**1,241**
Dispositions, retirements and other		**(661)**	**91**	**(18)**	**—**	**—**	**(588)**
As at September 30, 2018		**$ 20,045**	**$ 2,060**	**$ 779**	**$ —**	**$ —**	**$ 22,884**
Net book value							
As at December 31, 2017		$ 9,086	$ 1,193	$ 386	$ 48	$ 655	$ 11,368
As at September 30, 2018		**$ 9,406**	**$ 1,218**	**$ 363**	**$ 48**	**$ 900**	**$ 11,935**

1 As at September 30, 2018, the net carrying amount of assets under finance leases included in network assets was $25 (December 31, 2017 – $NIL).

As at September 30, 2018, our contractual commitments for the acquisition of property, plant and equipment totalled $136 million over a period ending December 31, 2022 (December 31, 2017 – $184 million over a period ending December 31, 2020).

18 intangible assets and goodwill

(a) Intangible assets and goodwill, net

	Intangible assets subject to amortization					Intangible assets with indefinite lives			
(millions)	Customer contracts, related customer relationships and subscriber base	Software	Access to rights-of-way and other	Assets under construction	Total	Spectrum licences	Total intangible assets	Goodwill [1]	Total intangible assets and goodwill
At cost									
As at January 1, 2018	$ 558	$ 4,667	$ 97	$ 344	$ 5,666	$ 8,693	$ 14,359	$ 4,600	$ 18,959
Additions	**—**	**46**	**3**	**402**	**451**	**1**	**452**	**—**	**452**
Additions arising from business acquisitions *(b)*	**199**	**19**	**—**	**—**	**218**	**—**	**218**	**466**	**684**
Dispositions, retirements and other	**(150)**	**(117)**	**2**	**—**	**(265)**	**—**	**(265)**	**—**	**(265)**
Assets under construction put into service	**—**	**410**	**—**	**(410)**	**—**	**—**	**—**	**—**	**—**
Net foreign exchange differences	**3**	**—**	**—**	**—**	**3**	**—**	**3**	**11**	**14**
As at September 30, 2018	**$ 610**	**$ 5,025**	**$ 102**	**$ 336**	**$ 6,073**	**$ 8,694**	**$ 14,767**	**$ 5,077**	**$ 19,844**
Accumulated amortization									
As at January 1, 2018	$ 310	$ 3,330	$ 61	$ —	$ 3,701	$ —	$ 3,701	$ 364	$ 4,065
Amortization	**39**	**398**	**3**	**—**	**440**	**—**	**440**	**—**	**440**
Dispositions, retirements and other	**(141)**	**(119)**	**—**	**—**	**(260)**	**—**	**(260)**	**—**	**(260)**
As at September 30, 2018	**$ 208**	**$ 3,609**	**$ 64**	**$ —**	**$ 3,881**	**$ —**	**$ 3,881**	**$ 364**	**$ 4,245**
Net book value									
As at December 31, 2017	$ 248	$ 1,337	$ 36	$ 344	$ 1,965	$ 8,693	$ 10,658	$ 4,236	$ 14,894
As at September 30, 2018	**$ 402**	**$ 1,416**	**$ 38**	**$ 336**	**$ 2,192**	**$ 8,694**	**$ 10,886**	**$ 4,713**	**$ 15,599**

1 Accumulated amortization of goodwill is amortization recorded prior to 2002; there are no accumulated impairment losses in the accumulated amortization of goodwill. The opening balance for goodwill has been adjusted as set out in *(c)*.

As at September 30, 2018, our contractual commitments for the acquisition of intangible assets totalled $47 million over a period ending December 31, 2021 (December 31, 2017 – $36 million over a period ending December 31, 2020).

(b) Business acquisitions

AlarmForce Industries

On January 4, 2018, we acquired the customers, assets and operations of AlarmForce Industries Inc. in British Columbia, Alberta and Saskatchewan; the primary reason for which is to leverage our telecommunications infrastructure and expertise to continue to enhance connected home, business, security and health services for our customers.

The primary factor that contributed to the recognition of goodwill was the earnings capacity of the acquired business in excess of the net tangible and intangible assets acquired (such excess arising from the acquired workforce and the benefits of acquiring an established business). The amount assigned to goodwill is not expected to be deductible for income tax purposes.

Xavient Information Systems

On February 6, 2018, through our TELUS International (Cda) Inc. subsidiary, we acquired 65% of Xavient Information Systems, a group of information technology consulting and software services companies with facilities in the United States and India. The investment was made with a view to enhancing our ability to provide complex and higher-value information technology services, improving our related sales and solutioning capabilities and acquiring multi-site redundancy in support of other facilities.

In respect of the 65% acquired business, we concurrently provided a written put option to the remaining selling shareholders; the written put option for the remaining 35% of the economic interest would become exercisable no later than December 31, 2020. The acquisition-date fair value of the puttable shares held by the non-controlling shareholders has been recorded as a provision (see *Note 25*). Also concurrent with our acquisition of the initial 65% interest, the non-controlling shareholders provided us with a purchased call option, which substantially mirrors the written put option.

The primary factor that contributed to the recognition of goodwill was the earnings capacity of the acquired business in excess of the net tangible and intangible assets acquired (such excess arising from the acquired workforce and the benefits of acquiring an established business). Not all of the amount assigned to goodwill is expected to be deductible for income tax purposes.

Medisys

During the nine-month period ended September 30, 2018, we acquired Medisys Health Group Inc., a business complementary to our existing lines of healthcare business. The investment was made with a view to growing the delivery of employee-centred workplace health and wellness services.

The primary factor that contributed to the recognition of goodwill was the earnings capacity of the acquired business in excess of the net tangible and intangible assets acquired (such excess arising from the acquired workforce and the benefits of acquiring an established business). None of the amount assigned to goodwill is expected to be deductible for income tax purposes.

Individually immaterial transactions

During the nine-month period ended September 30, 2018, 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 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 amount assigned to goodwill may be deductible for income tax purposes.

Acquisition-date fair values

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

As at acquisition-date fair values ($ in millions)	Home and business security-related				TELUS Health-related				
	AlarmForce Industries	Individually immaterial transactions	Total	Xavient Information Systems [1]	Medisys Health Group Inc. [2]	Individually immaterial transactions	Total	Individually immaterial transaction	Total
Assets									
Current assets									
Cash	$ —	$ 1	$ 1	$ 4	$ 3	$ —	$ 3	$ —	$ 8
Accounts receivable [3]	—	—	—	35	15	2	17	4	56
Other	1	—	1	2	2	—	2	—	5
	1	1	2	41	20	2	22	4	69
Non-current assets									
Property, plant and equipment									
Buildings and leasehold improvements	—	—	—	1	12	—	12	—	13
Other	1	—	1	5	3	—	3	4	13
Intangible assets subject to amortization [4]									
Customer contracts, related customer relationships and leasehold interests	13	13	26	81	72	10	82	10	199
Software	—	—	—	—	4	10	14	5	19
Other	—	—	—	6	1	—	1	—	7
	14	13	27	93	92	20	112	19	251
Total identifiable assets acquired	15	14	29	134	112	22	134	23	320
Liabilities									
Current liabilities									
Short-term borrowings	—	—	—	6	62	—	62	—	68
Accounts payable and accrued liabilities	—	—	—	23	13	—	13	4	40
Advance billings and customer deposits	1	1	2	—	5	1	6	1	9
Provisions	—	—	—	—	2	—	2	—	2
	1	1	2	29	82	1	83	5	119
Non-current liabilities									
Provisions	—	—	—	—	1	—	1	—	1
Other long-term liabilities	—	—	—	2	8	—	8	—	10
Deferred income taxes	1	3	4	—	20	—	20	—	24
	1	3	4	2	29	—	29	—	35
Total liabilities assumed	2	4	6	31	111	1	112	5	154
Net identifiable assets acquired	13	10	23	103	1	21	22	18	166
Goodwill	55	48	103	255	83	15	98	10	466
Net assets acquired	$ 68	$ 58	$ 126	$ 358	$ 84	$ 36	$ 120	$ 28	$ 632
Acquisition effected by way of:									
Cash consideration	$ 68	$ 54	$ 122	$ 125	$ 2	$ 29	$ 31	$ 9	$ 287
Accounts payable and accrued liabilities	—	4	4	14	3	2	5	—	23
Provisions	—	—	—	200	—	5	5	—	205
Issue of TELUS Corporation Common Shares	—	—	—	—	79	—	79	19	98
Issuance of shares by a subsidiary to a non-controlling interest	—	—	—	19	—	—	—	—	19
	$ 68	$ 58	$ 126	$ 358	$ 84	$ 36	$ 120	$ 28	$ 632

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 condensed interim 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 Xavient Information Systems' books and records. Upon having sufficient time to review Xavient Information Systems' books and records, we expect to finalize our purchase price allocation.
During the three-month period ended June 30, 2018, preliminary acquisition date values for goodwill and provisions were increased by $5.
2 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 condensed interim 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 Medisys Health Group Inc.'s books and records. Upon having sufficient time to review Medisys Health Group Inc.'s books and records, we expect to finalize our purchase price allocation.
3 The fair value of the accounts receivable is equal to the gross contractual amounts receivable and reflects the best estimates at the acquisition date of the contractual cash flows expected to be collected.
4 Customer contracts and customer relationships (including those related to customer contracts) are expected to be amortized over periods of 5 to 10 years; software is expected to be amortized over a period of 5 years.

Pro forma disclosures

The following pro forma supplemental information represents certain results of operations as if the business acquisitions noted above had been completed at the beginning of the fiscal 2018 year.

	Three months		Nine months	
Periods ended September 30, 2018 (millions except per share amounts)	As reported [1]	Pro forma [2]	As reported [1]	Pro forma [2]
Operating revenues	$ 3,774	$ 3,784	$ 10,604	$ 10,698
Net income	$ 447	$ 447	$ 1,256	$ 1,260
Net income per Common Share				
Basic	$ 0.74	$ 0.74	$ 2.09	$ 2.08
Diluted	$ 0.74	$ 0.74	$ 2.08	$ 2.08

1 Operating revenues and net income for the three-month period ended September 30, 2018, include: $4 and $(1), respectively, in respect of AlarmForce Industries; $48 and $3, respectively, in respect of Xavient Information Systems; and $21 and $(1), respectively, in respect of Medisys Health Group Inc.
Operating revenues and net income for the nine-month period ended September 30, 2018, include: $13 and $(1), respectively, in respect of AlarmForce Industries; $119 and $8, respectively, in respect of Xavient Information Systems; and $21 and $(1), respectively, in respect of Medisys Health Group Inc.
2 Pro forma amounts for the three-month and nine-month periods ended September 30, 2018, reflect the acquired businesses. The results of the acquired businesses have been included in our Consolidated Statements of Income and Other Comprehensive Income effective the dates of acquisition.

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

(c) Business acquisition – prior period

On August 31, 2017, we acquired 55% of Voxpro Limited, a business process outsourcing and contact centre services company with facilities in Ireland, the United States and Romania. As at December 31, 2017, the purchase price allocation had not been finalized. During the three-month period ended March 31, 2018, the preliminary acquisition date values assigned to goodwill and provisions were finalized and each increased by $19 million and, as required by IFRS-IASB, comparative amounts have been adjusted so as to reflect such increase effective the acquisition date.

19 leases

We occupy leased premises in various locations and have the right of use of land, buildings and equipment under operating leases. For the three-month and nine-month periods ended September 30, 2018, real estate and vehicle operating lease expenses, which are net of the amortization of deferred gains on the sale-leaseback of buildings and the occupancy costs associated with leased real estate, were $65 million (2017 – $63 million) and $183 million (2017 – $183 million), respectively; occupancy costs associated with leased real estate totalled $25 million (2017 – $21 million) and $74 million (2017 – $66 million), respectively.

See *Note 2(b)* for details of significant changes to IFRS-IASB which are not yet effective and have not yet been applied, but which will significantly affect the timing of the recognition of operating lease expenses and their recognition in the Consolidated statement of financial position, as well as their classification in the Consolidated statement of income and other comprehensive income and the Consolidated statement of cash flows.

20 other long-term assets

As at (millions)	Note	September 30, 2018	December 31, 2017	January 1, 2017
			(adjusted – Note 2(c))	*(Note 2(c))*
Pension assets		**$ 193**	$ 156	$ 358
Costs incurred to obtain or fulfill a contract with a customer		**104**	107	93
Portfolio investments [1]		**55**	41	62
Prepaid maintenance		**52**	57	62
Real estate joint venture advances	*21(c)*	**66**	47	21
Real estate joint ventures	*21(c)*	**4**	15	30
Other		**139**	105	107
		$ 613	$ 528	$ 733

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

Incremental accounting policy disclosure due to initial application of IFRS 15
(see *Note 2*)

Costs of contract acquisition (typically commissions) and contract fulfilment costs are capitalized and recognized as an expense, generally, over the life of the contract on a rational, systematic basis consistent with the pattern of the transfer of goods or services to which the asset relates. The amortization of such costs is included in the Consolidated statements of income and other comprehensive income as a component of Goods and services purchased, with the exception of amounts paid to our employees, which is included as Employee benefits expense.

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

(millions)	Nine-month periods ended September 30						Year ended December 31, 2017		
	2018			2017					
	Costs incurred to			Costs incurred to			Costs incurred to		
	Obtain contracts with customers	Fulfill contracts with customers	Total	Obtain contracts with customers	Fulfill contracts with customers	Total	Obtain contracts with customers	Fulfill contracts with customers	Total
Balance, beginning of period									
As previously reported	**$ 329**	**$ 11**	**$ 340**	$ —	$ —	$ —	$ —	$ —	$ —
Transitional amount	**—**	**—**	**—**	295	8	303	295	8	303
As adjusted	**329**	**11**	**340**	295	8	303	295	8	303
Addition	**223**	**6**	**229**	214	4	218	304	4	308
Amortization	**(212)**	**(3)**	**(215)**	(200)	(2)	(202)	(270)	(1)	(271)
Balance, end of period	**$ 340**	**$ 14**	**$ 354**	$ 309	$ 10	$ 319	$ 329	$ 11	$ 340
Current [1]	**$ 246**	**$ 4**	**$ 250**	$ 219	$ 3	$ 222	$ 230	$ 3	$ 233
Non-current	**94**	**10**	**104**	90	7	97	99	8	107
	$ 340	**$ 14**	**$ 354**	$ 309	$ 10	$ 319	$ 329	$ 11	$ 340

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

21 real estate joint ventures

(a) General

In 2011, we partnered, as equals, with an arm's-length party in a residential condominium, retail and commercial real estate redevelopment project, TELUS Garden, in Vancouver, British Columbia. TELUS is a tenant in TELUS Garden, which is now our global headquarters. The new-build office tower received 2009 Leadership in Energy and Environmental Design (LEED) Platinum certification, and the neighbouring new-build residential condominium tower was built to the LEED Gold standard. During the three-month period ended September 30, 2018, the real estate joint venture sold the income producing property and the related net assets. The purchaser assumed the 3.7% mortgage and the 3.4% bonds secured by the income producing property.

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

(b) Real estate joint ventures – summarized financial information

As at (millions)	September 30, 2018	December 31, 2017
ASSETS		
Current assets		
Cash and temporary investments, net	**$ 18**	$ 20
Escrowed deposits for tenant inducements and liens	**—**	1
Other	**2**	4
	20	25
Non-current assets		
Property under development – Investment property	**252**	194
Investment property	**—**	221
Other	**—**	35
	252	450
	$ 272	$ 475
LIABILITIES AND OWNERS' EQUITY		
Current liabilities		
Accounts payable and accrued liabilities	**$ 9**	$ 13
Current portion of 3.7% mortgage and senior secured 3.4% bonds	**—**	5
Construction holdback liabilities	**13**	10
	22	28
Non-current liabilities		
Construction credit facilities	**198**	141
3.7% mortgage due September 2024	**—**	27
Senior secured 3.4% bonds due July 2025	**—**	208
	198	376
Liabilities	**220**	404
Owners' equity		
TELUS [2]	**19**	29
Other partners	**33**	42
	52	71
	$ 272	$ 475

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

Periods ended September 30 (millions)	Three months 2018	Three months 2017	Nine months 2018	Nine months 2017
Revenue				
From investment property	**$ 5**	$ 8	**$ 21**	$ 25
From sale of residential condominiums	**$ —**	$ —	**$ —**	$ 13
Other operating income	**$ 345**	$ —	**$ 345**	$ —
Depreciation and amortization	**$ 1**	$ 2	**$ 5**	$ 6
Interest expense [1]	**$ 2**	$ 2	**$ 6**	$ 6
Net income and comprehensive income [2]	**$ 345**	$ 1	**$ 343**	$ 7

1 During the three-month and nine-month periods ended September 30, 2018, the real estate joint ventures capitalized $2 (2017 – $1) and $6 (2017 – $3), respectively, of financing costs.

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

(c) Our real estate joint ventures activity

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

Three-month periods ended September 30 (millions)	2018			2017		
	Loans and receivables [1]	Equity [2]	Total	Loans and receivables [1]	Equity [2]	Total
Related to real estate joint ventures' statements of income and other comprehensive income						
Comprehensive income attributable to us [3]	**$ —**	**$ 171**	**$ 171**	$ —	$ 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 and other *(Note 6)*	**1**	**—**	**1**	—	—	—
Cash flows in the current reporting period						
Construction credit facilities						
Amounts advanced	**6**	**—**	**6**	6	—	6
Financing costs paid to us	**(1)**	**—**	**(1)**	—	—	—
Funds repaid to us and earnings distributed	**—**	**(180)**	**(180)**	—	(14)	(14)
Net increase (decrease)	**6**	**(9)**	**(3)**	6	(13)	(7)
Real estate joint ventures carrying amounts						
Balance, beginning of period	**60**	**13**	**73**	34	30	64
Balance, end of period	**$ 66**	**$ 4**	**$ 70**	$ 40	$ 17	$ 57

Nine-month periods ended September 30 (millions)	2018			2017		
	Loans and receivables [1]	Equity [2]	Total	Loans and receivables [1]	Equity [2]	Total
Related to real estate joint ventures' statements of income and other comprehensive income						
Comprehensive income attributable to us [3]	**$ —**	**$ 170**	**$ 170**	$ —	$ 4	$ 4
Related to real estate joint ventures' statements of financial position						
Items not affecting currently reported cash flows						
Recognition of gain deferred on our real estate initially contributed	**—**	**—**	**—**	—	1	1
Construction credit facilities financing costs charged by us and other *(Note 6)*	**2**	**—**	**2**	—	—	—
Cash flows in the current reporting period						
Construction credit facilities						
Amounts advanced	**19**	**—**	**19**	19	—	19
Financing costs paid to us	**(2)**	**—**	**(2)**	—	—	—
Funds repaid to us and earnings distributed	**—**	**(181)**	**(181)**	—	(18)	(18)
Net increase (decrease)	**19**	**(11)**	**8**	19	(13)	6
Real estate joint ventures carrying amounts						
Balance, beginning of period	**47**	**15**	**62**	21	30	51
Balance, end of period	**$ 66**	**$ 4**	**$ 70**	$ 40	$ 17	$ 57

1 Loans and receivables are included in our Consolidated statements of financial position as Real estate joint venture advances and are comprised of advances under construction credit facilities (see *(d)*).
2 We account for our interests in the real estate joint ventures using the equity method of accounting.
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; provision for income taxes is made in determining the comprehensive income attributable to us.

Prior to the sale of the TELUS Garden income producing properties, during the three-month and nine-month periods ended September 30, 2018, the TELUS Garden real estate joint venture recognized $1 million (2017 – $3 million) and $7 million (2017 – $9 million), respectively, of revenue from our TELUS Garden office tenancy; of this amount, one-half was due to our economic interest in the real estate joint venture and one-half was due to our partner's economic interest in the real estate joint venture.

(d) Commitments and contingent liabilities

Construction commitments

The TELUS Sky real estate joint venture is expected to spend a total of approximately $400 million on the construction of a mixed-use tower. As at September 30, 2018, the real estate joint venture's construction-related contractual commitments were approximately $42 million through to 2019 (December 31, 2017 – $82 million through to 2019).

Construction credit facilities

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

As at (millions)	Note	**September 30, 2018**	December 31, 2017
Construction credit facilities commitment – TELUS Corporation			
Undrawn	*4(c)*	**$ 48**	$ 67
Advances		**66**	47
		114	114
Construction credit facilities commitment – other		**228**	228
		$ 342	$ 342

22 short-term borrowings

On July 26, 2002, one of our subsidiaries, TELUS Communications Inc., entered into an agreement with an arm's-length securitization trust associated with a major Schedule I bank under which it is able to sell an interest in certain trade receivables up to a maximum of $500 million (December 31, 2017 – $500 million). This revolving-period securitization agreement was renewed subsequent to September 30, 2018, and its renewed term 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, 2017 – BB) from Dominion Bond Rating Service or the securitization trust may require the sale program to be wound down prior to the end of the term.

When we sell our trade receivables, we retain reserve accounts, which are retained interests in the securitized trade receivables, and servicing rights. As at September 30, 2018, we had sold to the trust (but continued to recognize) trade receivables of $121 million (December 31, 2017 – $119 million). Short-term borrowings of $100 million (December 31, 2017 – $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) are comprised of amounts drawn on our bilateral bank facilities.

23 accounts payable and accrued liabilities

As at (millions)	**September 30, 2018**	December 31, 2017
Accrued liabilities	**$ 1,129**	$ 1,066
Payroll and other employee related liabilities	**395**	403
Restricted stock units liability	**104**	66
	1,628	1,535
Trade accounts payable	**646**	717
Interest payable	**139**	147
Other	**80**	61
	$ 2,493	$ 2,460

24 advance billings and customer deposits

As at (millions)	September 30, 2018	December 31, 2017	January 1, 2017
		(adjusted – Note 2(c))	*(Note 2(c))*
Advance billings	**$ 511**	$ 506	$ 456
Deferred customer activation and connection fees	**10**	13	17
Customer deposits	**13**	21	15
Regulatory deferral accounts	**1**	1	8
Contract liabilities	**535**	541	496
Other	**80**	91	88
	$ 615	$ 632	$ 584

Incremental accounting policy disclosure due to initial application of IFRS 15
(see *Note 2*)

Contract liabilities
Advance billings are recorded when billing occurs prior to provision of the associated service; such advance billings are recognized as revenue in the period in which the services and/or equipment are provided. Similarly, and as appropriate, upfront customer activation and connection fees are deferred and recognized over the average expected term of the customer relationship.

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

(millions)	*Note*	Three-month periods ended September 30 2018	Three-month periods ended September 30 2017	Nine-month periods ended September 30 2018	Nine-month periods ended September 30 2017	Year ended December 31, 2017
Balance, beginning of period		**$ 780**	$ 788	**$ 780**	$ 732	$ 732
Revenue deferred in previous period and recognized in current period		**(636)**	(613)	**(689)**	(670)	(670)
Net additions arising from operations		**630**	596	**680**	706	718
Regulatory deferral account drawdown		**—**	(1)	**—**	(4)	(7)
Additions arising from business combinations	*18(b)*	**6**	1	**9**	7	7
Balance, end of period		**$ 780**	$ 771	**$ 780**	$ 771	$ 780
Current				**$ 689**	$ 680	$ 691
Non-current	*27*					
Deferred revenues				**75**	72	71
Deferred customer activation and connection fees				**16**	19	18
				$ 780	$ 771	$ 780
Reconciliation of contract liabilities presented in the consolidated statements of financial position – current						
Gross contract liabilities				**$ 689**	$ 680	$ 691
Reclassification to contract assets for contracts with contract liabilities less than contract assets				**(149)**	(145)	(146)
Reclassification from contract assets for contracts with contract assets less than contract liabilities				**(5)**	(5)	(4)
				$ 535	$ 530	$ 541

25 provisions

(millions)		Asset retirement obligation		Employee related		Written put options [1]		Other		Total
As at July 1, 2018	$	355	$	45	$	304	$	104	$	808
Additions		**—**		**28**		**1**		**48**		**77**
Reversal		**—**		**—**		**—**		**(1)**		**(1)**
Use		**(3)**		**(13)**		**(13)**		**(13)**		**(42)**
Interest effect		**3**		**—**		**3**		**—**		**6**
Effects of foreign exchange, net		**—**		**—**		**(6)**		**—**		**(6)**
As at September 30, 2018	**$**	**355**	**$**	**60**	**$**	**289**	**$**	**138**	**$**	**842**
As at January 1, 2018	$	351	$	36	$	82	$	120	$	589
Additions		**—**		**78**		**205**		**54**		**337**
Reversal		**—**		**—**		**—**		**(3)**		**(3)**
Use		**(5)**		**(54)**		**(13)**		**(33)**		**(105)**
Interest effect		**9**		**—**		**7**		**—**		**16**
Effects of foreign exchange, net		**—**		**—**		**8**		**—**		**8**
As at September 30, 2018	**$**	**355**	**$**	**60**	**$**	**289**	**$**	**138**	**$**	**842**
Current	**$**	**4**	**$**	**56**	**$**	**10**	**$**	**52**	**$**	**122**
Non-current		**351**		**4**		**279**		**86**		**720**
As at September 30, 2018	**$**	**355**	**$**	**60**	**$**	**289**	**$**	**138**	**$**	**842**

1 The January 1, 2018, opening balance for written put options 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
In connection with certain business acquisitions, we have established provisions for contingent consideration and for written put options in respect of non-controlling interests. Cash outflows for contingent consideration are expected on a current basis. Provisions for written put options are determined based on net present values of estimated future earnings results and require key economic assumptions about the future. No cash outflows for the written put options are expected prior to their initial exercisability in 2020.

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

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

In connection with business acquisitions, we have established provisions for contingent consideration, contract termination costs and onerous contracts acquired. In respect of contract termination costs and onerous contracts acquired, cash outflows are expected to occur through the remainder of 2018.

26 long-term debt

(a) Details of long-term debt

As at (millions)	Note	September 30, 2018	December 31, 2017
TELUS Corporation notes	(b)	**$ 12,054**	$ 11,561
TELUS Corporation commercial paper	(c)	**769**	1,140
TELUS Communications Inc. debentures		**620**	620
TELUS International (Cda) Inc. credit facility	(e)	**414**	339
Finance leases		**26**	—
Long-term debt		**$ 13,883**	$ 13,660
Current		**$ 787**	$ 1,404
Non-current		**13,096**	12,256
Long-term debt		**$ 13,883**	$ 13,660

(b) TELUS Corporation notes

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

					Principal face amount		Redemption present value spread	
Series [1]	Issued	Maturity	Issue price	Effective interest rate [2]	Originally issued	Outstanding at financial statement date	Basis points	Cessation date
5.05% Notes, Series CG	December 2009	December 2019 [3]	$994.19	5.13%	$1.0 billion	$NIL	45.5 [4]	N/A
5.05% Notes, Series CH	July 2010	July 2020	$997.44	5.08%	$1.0 billion	$1.0 billion	47 [4]	N/A
3.35% Notes, Series CJ	December 2012	March 2023	$998.83	3.36%	$500 million	$500 million	40 [5]	Dec. 15, 2022
3.35% Notes, Series CK	April 2013	April 2024	$994.35	3.41%	$1.1 billion	$1.1 billion	36 [5]	Jan. 2, 2024
4.40% Notes, Series CL	April 2013	April 2043	$997.68	4.41%	$600 million	$600 million	47 [5]	Oct. 1, 2042
3.60% Notes, Series CM	November 2013	January 2021	$997.15	3.65%	$400 million	$400 million	35 [5]	N/A
5.15% Notes, Series CN	November 2013	November 2043	$995.00	5.18%	$400 million	$400 million	50 [5]	May 26, 2043
3.20% Notes, Series CO	April 2014	April 2021	$997.39	3.24%	$500 million	$500 million	30 [5]	Mar. 5, 2021
4.85% Notes, Series CP	Multiple [6]	April 2044	$987.91 [6]	4.93% [6]	$500 million [6]	$900 million [6]	46 [5]	Oct. 5, 2043
3.75% Notes, Series CQ	September 2014	January 2025	$997.75	3.78%	$800 million	$800 million	38.5 [5]	Oct. 17, 2024
4.75% Notes, Series CR	September 2014	January 2045	$992.91	4.80%	$400 million	$400 million	51.5 [5]	July 17, 2044
1.50% Notes, Series CS	March 2015	March 2018	$999.62	1.51%	$250 million	$NIL	N/A [7]	N/A
2.35% Notes, Series CT	March 2015	March 2022	$997.31	2.39%	$1.0 billion	$1.0 billion	35.5 [5]	Feb. 28, 2022
4.40% Notes, Series CU	March 2015	January 2046	$999.72	4.40%	$500 million	$500 million	60.5 [5]	July 29, 2045
3.75% Notes, Series CV	December 2015	March 2026	$992.14	3.84%	$600 million	$600 million	53.5 [5]	Dec. 10, 2025
2.80% U.S. Dollar Notes [8]	September 2016	February 2027	US$991.89	2.89%	US$600 million	US$600 million	20 [9]	Nov. 16, 2026
3.70% U.S. Dollar Notes [10]	March 2017	September 2027	US$998.95	3.71%	US$500 million	US$500 million	20 [9]	June 15, 2027
4.70% Notes, Series CW	Multiple [11]	March 2048	$998.06 [11]	4.71% [11]	$325 million [11]	$475 million [11]	58.5 [5]	Sept. 6, 2047
3.625% Notes, Series CX	February 2018	February 2028	$989.49	3.75%	$600 million	$600 million	37 [5]	Dec. 1, 2027
4.60% U.S. Dollar Notes [12]	June 2018	November 2048	US$987.60	4.68%	US$750 million	US$750 million	25 [9]	May 16, 2048

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

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

3 On June 28, 2018, we exercised our right to early redeem, on August 1, 2018, all of our 5.05%, Series CG Notes. The long-term debt prepayment premium recorded in the three-month period ending September 30, 2018, was $34 million before income taxes (see *Note 9*).

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

5 At any time prior to the respective maturity dates set out in the table, the notes are redeemable at our option, in whole at any time, or in part from time to time, on not fewer than 30 and not more than 60 days' prior notice. The redemption price is equal to the greater of (i) the present value of the notes discounted at the Government of Canada yield plus the redemption present value spread calculated over the period to maturity, other than in the case of the Series CT, Series CU, Series CW and Series CX notes, where it is calculated over the period to the redemption present value spread cessation date, or (ii) 100% of the principal amount thereof. In addition, accrued and unpaid interest, if any, will be paid to the date fixed for redemption. On or after the respective redemption present value spread cessation dates set out in the table, the notes are redeemable at our option, in whole but not in part, on not fewer than 30 and not more than 60 days' prior notice, at redemption prices equal to 100% of the principal amount thereof.

6 $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%.
7 The notes were not redeemable at our option, other than in the event of certain changes in tax laws.
8 We have entered into a foreign exchange derivative (a cross currency interest rate exchange agreement) which effectively converted the principal payments and interest obligations to Canadian dollar obligations with a fixed interest rate of 2.95% and an issued and outstanding amount of $792 million (reflecting a fixed exchange rate of $1.3205).
9 At any time prior to the respective maturity dates set out in the table, the notes are redeemable at our option, in whole at any time, or in part from time to time, on not fewer than 30 and not more than 60 days' prior notice. The redemption price is equal to the greater of (i) the present value of the notes discounted at the U.S. Adjusted Treasury Rate plus the redemption present value spread calculated over the period to the redemption present value spread cessation date, or (ii) 100% of the principal amount thereof. In addition, accrued and unpaid interest, if any, will be paid to the date fixed for redemption. On or after the respective redemption present value spread cessation dates set out in the table, the notes are redeemable at our option, in whole but not in part, on not fewer than 30 and not more than 60 days' prior notice, at redemption prices equal to 100% of the principal amounts thereof.
10 We have entered into a foreign exchange derivative (a cross currency interest rate exchange agreement) which effectively converted the principal payments and interest obligations to Canadian dollar obligations with a fixed interest rate of 3.41% and an issued and outstanding amount of $667 million (reflecting a fixed exchange rate of $1.3348).
11 $325 million of 4.70%, 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 a price of $1,014.11 and an effective interest rate of 4.61%.
12 We have entered into a foreign exchange derivative (a cross currency interest rate exchange agreement) which effectively converted the principal payments and interest obligations to Canadian dollar obligations with a fixed interest rate of 4.41% and an issued and outstanding amount of $974 million (reflecting a fixed exchange rate of $1.2985).

(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, 2017 – $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 September 30, 2018, we had $769 million of commercial paper outstanding, all of which was denominated in U.S. dollars (US$594 million), with an effective weighted average interest rate of 2.64%, maturing through January 2019.

(d) TELUS Corporation credit facility

As at September 30, 2018, TELUS Corporation had an unsecured revolving $2.25 billion bank credit facility, renewed in May 2018 and expiring on May 31, 2023, (December 31, 2017 – expiring May 31, 2021) with a syndicate of financial institutions, which is to be used for general corporate purposes, including the backstopping of commercial paper.

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

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

As at (millions)	**September 30, 2018**	December 31, 2017
Net available	**$ 1,481**	$ 1,110
Backstop of commercial paper	**769**	1,140
Gross available	**$ 2,250**	$ 2,250

We had $206 million of letters of credit outstanding as at September 30, 2018 (December 31, 2017 – $224 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.

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

As at September 30, 2018, TELUS International (Cda) Inc. had a bank credit facility, secured by its assets, expiring on December 20, 2022, with a syndicate of financial institutions. The credit facility is comprised of a US$350 million (December 31, 2017 – US$350 million) revolving component and an amortizing US$120 million (December 31, 2017 – US$120 million) term loan component. The credit facility is non-recourse to TELUS Corporation. As at September 30, 2018, $421 million ($414 million net of unamortized issue costs) was outstanding, all of which was denominated in U.S. dollars (US$325 million), with the revolving component having a weighted average interest rate of 3.99%.

As at (millions)	September 30, 2018 Revolving component	Term loan component [1]	Total	December 31, 2017 Revolving component	Term loan component	Total
Available	**US$ 139**	**US$ N/A**	**US$ 139**	US$ 193	US$ N/A	US$ 193
Outstanding	**211**	**114**	**325**	157	119	276
	US$ 350	**US$ 114**	**US$ 464**	US$ 350	US$ 119	US$ 469

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

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

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

(f) Long-term debt maturities

Anticipated requirements to meet long-term debt repayments, calculated upon such long-term debts owing as at September 30, 2018, for each of the next five fiscal years are as follows:

Long-term debt denominated in	Canadian dollars		U.S. dollars				
				Derivative liability			
Years ending December 31 (millions)	Debt	Finance leases	Debt	(Receive) [1]	Pay	Total	Total
2018 (balance of year)	**$ —**	**$ 3**	**$ 668**	**$ (666)**	**$ 669**	**$ 671**	**$ 674**
2019	**—**	**13**	**110**	**(103)**	**103**	**110**	**123**
2020	**1,000**	**10**	**8**	**—**	**—**	**8**	**1,018**
2021	**1,075**	**—**	**8**	**—**	**—**	**8**	**1,083**
2022	**1,249**	**—**	**396**	**—**	**—**	**396**	**1,645**
Thereafter	**7,075**	**—**	**2,395**	**(2,395)**	**2,433**	**2,433**	**9,508**
Future cash outflows in respect of long-term debt principal repayments	**10,399**	**26**	**3,585**	**(3,164)**	**3,205**	**3,626**	**14,051**
Future cash outflows in respect of associated interest and like carrying costs [2]	**5,502**	**1**	**1,834**	**(1,764)**	**1,716**	**1,786**	**7,289**
Undiscounted contractual maturities (*Note 4(c)*)	**$ 15,901**	**$ 27**	**$ 5,419**	**$ (4,928)**	**$ 4,921**	**$ 5,412**	**$ 21,340**

1 Where applicable, principal-related cash flows reflect foreign exchange rates at September 30, 2018.
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 at September 30, 2018.

27 other long-term liabilities

As at (millions)	Note	September 30, 2018	December 31, 2017
Contract liabilities	*24*	**$ 75**	$ 71
Other		**8**	10
Deferred revenues		**83**	81
Pension and other post-retirement liabilities		**545**	537
Restricted stock unit and deferred share unit liabilities		**120**	68
Derivative liabilities		**91**	76
Other		**79**	67
		918	829
Deferred customer activation and connection fees	*24*	**16**	18
		$ 934	$ 847

28 Common Share capital

(a) General

Our authorized share capital is as follows:

As at	**September 30, 2018**	December 31, 2017
First Preferred Shares	**1 billion**	1 billion
Second Preferred Shares	**1 billion**	1 billion
Common Shares	**2 billion**	2 billion

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

As at September 30, 2018, approximately 47 million Common Shares were reserved for issuance, from Treasury, under a share option plan (see *Note 14(d)*).

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

As referred to in *Note 3*, we may purchase a portion of our Common Shares for cancellation pursuant to normal course issuer bids in order to maintain or adjust our capital structure. In November 2017, we received approval for a normal course issuer bid to purchase and cancel up to 8 million of our Common Shares (up to a maximum amount of $250 million) from November 13, 2017, to November 12, 2018. During the three-month period ended September 30, 2018, we received approval to amend the normal course issuer bid to allow a wholly owned subsidiary to purchase our Common Shares, to a maximum amount of $105 million, for donation to a charitable foundation we have established (see *Note 16(c)*) .

Common Share transactions by our wholly owned subsidiary are presented in the Consolidated statement of changes in owners' equity as treasury share transactions.

29 contingent liabilities

Claims and lawsuits

General

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

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

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

Certified class actions

Certified class actions against us include the following:

Per minute billing class action

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

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

Uncertified class actions
Uncertified class actions against us include:

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

Electromagnetic field radiation class actions
In 2013 a class action was brought in British Columbia against us, other telecommunications carriers, and cellular telephone manufacturers alleging that prolonged usage of cellular telephones causes adverse health effects. The British Columbia class action alleges: strict liability; negligence; failure to warn; breach of warranty; breach of competition, consumer protection and trade practices legislation; negligent misrepresentation, breach of a duty not to market the products in question; and waiver of tort. Certification of a national class is sought. No steps have been taken in this proceeding since 2014. In 2015 a class action was brought in Quebec against us, other telecommunications carriers, and various other defendants alleging that electromagnetic field radiation causes adverse health effects, contravenes the Quebec *Environmental Quality Act*, creates a nuisance, and constitutes an abuse of right pursuant to the Quebec *Civil Code*. The authorization hearing for this matter occurred in May 2018 and on June 27, 2018, the Quebec Superior Court dismissed the authorization application. That decision is now final.

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

Handset subsidy class action
In 2016 a class action was brought in Quebec against us and other telecommunications carriers alleging that we breached the Quebec *Consumer Protection Act* and the *Civil Code of Quebec* by making false or misleading representations relating to the handset subsidy provided to our wireless customers, and by charging our wireless

customers inflated rate plan prices and termination fees higher than those permitted under the *Act*. This action has not yet proceeded to an authorization hearing.

Intellectual property infringement claims
Claims and possible claims received by us include:

4G LTE network patent infringement claim
A patent infringement claim was filed in Ontario in 2016 alleging that communications between devices, including cellular telephones, and base stations on our 4G LTE network infringe three third-party patents. This matter is set to be tried in the fourth quarter of 2019.

Other Claims
Claims and possible claims received by us include:

Area code 867 blocking claim
In 2018 a claim was brought against us alleging breach of a Direct Connection Call Termination Services Agreement, breach of a duty of good faith, and intentional interference with economic relations. The plaintiffs allege that we have improperly blocked calls to area code 867 (including to customers of a plaintiff), for which a second plaintiff provides wholesale session initiation trunking services. The plaintiffs seek damages of $135 million.

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

30 related party transactions

(a) Transactions with key management personnel

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

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

Periods ended September 30 (millions)	Three months **2018**	Three months 2017	Nine months **2018**	Nine months 2017
Short-term benefits	**$ 3**	$ 3	**$ 9**	$ 9
Post-employment pension [1] and other benefits	**2**	2	**6**	3
Share-based compensation [2]	**15**	6	**39**	18
	$ 20	$ 11	**$ 54**	$ 30

1 Our Executive Leadership Team members are members of our *Pension Plan for Management and Professional Employees of TELUS Corporation* and non-registered, non-contributory supplementary defined benefit pension plans.
2 For the three-month and nine-month periods ended September 30, 2018, share-based compensation expense is net of $1 (2017 – $NIL) and $1 (2017 – $1), respectively, of the effects of derivatives used to manage share-based compensation costs (*Note 14(b)*).

As disclosed in *Note 14*, we made initial awards of share-based compensation in 2018 and 2017, 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 expense will be recognized ratably over a period of years and thus only a portion of the 2018 and 2017 initial awards are included in the amounts in the table above.

Nine-month periods ended September 30	**2018**			2017		
($ in millions)	Number of restricted stock units	Notional value [1]	Grant-date fair value [1]	Number of restricted stock units	Notional value [1]	Grant-date fair value [1]
Awarded in period	**608,849**	**$ 28**	**$ 36**	686,595	$ 30	$ 30

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

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

As at (millions)	September 30, 2018	December 31, 2017
Restricted stock units	$ 73	$ 40
Deferred share units [1]	21	24
	$ 94	$ 64

1 Our *Directors' Deferred Share Unit Plan* provides that, in addition to his or her annual equity grant of deferred share units, a director may elect to receive his or her annual retainer and meeting fees in deferred share units, Common Shares or cash. Deferred share units entitle directors to a specified number of, or a cash payment based on the value of, our Common Shares. Deferred share units are paid out when a director ceases to be a director, for any reason, at a time elected by the director in accordance with the *Directors' Deferred Share Unit Plan*; during the three-month and nine-month periods ended September 30, 2018, $NIL (2017 – $NIL) and $6 (2017 – $11), respectively, was paid out.

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

(b) Transactions with defined benefit pension plans

During the three-month and nine-month periods ended September 30, 2018, 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 (2017 – $2 million) and $5 million (2017 – $5 million), respectively.

(c) Transactions with real estate joint ventures

During the three-month and nine-month periods ended September 30, 2018 and 2017, we had transactions with the real estate joint ventures, which are related parties, as set out in *Note 21.*

31 additional statement of cash flow information

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

Periods ended September 30 (millions)	Note	Three months 2018	Three months 2017 (adjusted – Note 2(c))	Nine months 2018	Nine months 2017 (adjusted – Note 2(c))
OPERATING ACTIVITIES					
Net change in non-cash operating working capital					
Accounts receivable		**$ (144)**	$ (101)	**$ 25**	$ 14
Inventories		**(8)**	(35)	**42**	(38)
Contract assets		**(25)**	(13)	**(28)**	(10)
Prepaid expenses		**21**	48	**(126)**	(138)
Accounts payable and accrued liabilities		**127**	176	**(37)**	65
Income and other taxes receivable and payable, net		**84**	46	**256**	(39)
Advance billings and customer deposits		**(10)**	(19)	**(26)**	28
Provisions		**38**	(3)	**42**	(64)
		$ 83	$ 99	**$ 148**	$ (182)
INVESTING ACTIVITIES					
Cash payments for capital assets, excluding spectrum licences					
Capital asset additions					
Gross capital expenditures					
Property, plant and equipment	*17*	**$ (634)**	$ (677)	**$ (1,794)**	$ (1,904)
Intangible assets	*18*	**(157)**	(145)	**(452)**	(454)
		(791)	(822)	**(2,246)**	(2,358)
Additions arising from finance leases		**26**	—	**26**	—
Additions arising from non-monetary transactions		**3**	1	**17**	3
Capital expenditures		**(762)**	(821)	**(2,203)**	(2,355)
Change in associated non-cash investing working capital		**3**	27	**(29)**	11
		$ (759)	$ (794)	**$ (2,232)**	$ (2,344)
FINANCING ACTIVITIES					
Issue of shares by subsidiary to non-controlling interests					
Issue of shares		**$ —**	$ —	**$ 43**	$ 1
Non-monetary issue of shares in business combination	*18(b)*	**—**	—	**(19)**	—
Cash proceeds on share issuance		**—**	—	**24**	1
Transaction costs and other		**—**	—	**—**	(1)

Periods ended September 30 (millions)	*Note*	Three months 2018	Three months 2017	Nine months 2018	Nine months 2017
		$ —	$ —	**$ 24**	$ —

(b) Changes in liabilities arising from financing activities

(millions)	Beginning of period	Statement of cash flows: Issued or received	Statement of cash flows: Redemptions, repayments or payments	Non-cash changes: Foreign exchange movement (*Note 4(f)*)	Non-cash changes: Other	End of period
THREE-MONTH PERIOD ENDED SEPTEMBER 30, 2017						
Dividends paid to holders of Common Shares	$ 293	$ —	$ (293)	$ —	$ 292	$ 292
Dividends reinvested in shares from Treasury	—	—	24	—	(24)	—
	$ 293	$ —	$ (269)	$ —	$ 268	$ 292
Short-term borrowings	$ 100	$ —	$ —	$ —	$ —	$ 100
Long-term debt						
TELUS Corporation notes	$ 11,605	$ —	$ —	$ (53)	$ 1	$ 11,553
TELUS Corporation commercial paper	1,032	1,185	(1,084)	(41)	—	1,092
TELUS Communications Inc. debentures	619	—	—	—	1	620
TELUS International (Cda) Inc. credit facility	288	82	(7)	(11)	1	353
Derivatives used to manage currency risks arising from U.S. dollar denominated long-term debt – liability	64	1,084	(1,142)	94	(24)	76
	13,608	2,351	(2,233)	(11)	(21)	13,694
To eliminate effect of gross settlement of derivatives used to manage currency risks arising from U.S. dollar denominated long-term debt	—	(1,084)	1,084	—	—	—
	$ 13,608	$ 1,267	$ (1,149)	$ (11)	$ (21)	$ 13,694
THREE-MONTH PERIOD ENDED SEPTEMBER 30, 2018						
Dividends paid to holders of Common Shares	$ 315	**$ —**	**$ (315)**	**$ —**	**$ 313**	**$ 313**
Dividends reinvested in shares from Treasury	—	**—**	**22**	**—**	**(22)**	**—**
	$ 315	**$ —**	**$ (293)**	**$ —**	**$ 291**	**$ 313**
Short-term borrowings	$ 100	**$ —**	**$ (62)**	**$ (1)**	**$ 62**	**$ 112**
Long-term debt						
TELUS Corporation notes	$ 13,090	**$ —**	**$ (1,000)**	**$ (41)**	**$ 5**	**$ 12,054**
TELUS Corporation commercial paper	3	**1,180**	**(406)**	**(8)**	**—**	**769**
TELUS Communications Inc. debentures	620	**—**	**—**	**—**	**—**	**620**
TELUS International (Cda) Inc. credit facility	432	**—**	**(11)**	**(9)**	**2**	**414**
Finance leases	—	**—**	**—**	**—**	**26**	**26**
Derivatives used to manage currency risks arising from U.S. dollar denominated long-term debt – liability	63	**406**	**(410)**	**49**	**(13)**	**95**
	14,208	**1,586**	**(1,827)**	**(9)**	**20**	**13,978**
To eliminate effect of gross settlement of derivatives used to manage currency risks arising from U.S. dollar denominated long-term debt	—	**(406)**	**406**	**—**	**—**	**—**
	$ 14,208	**$ 1,180**	**$ (1,421)**	**$ (9)**	**$ 20**	**$ 13,978**

(millions)	Beginning of period	Statement of cash flows: Issued or received	Statement of cash flows: Redemptions, repayments or payments	Non-cash changes: Foreign exchange movement (*Note 4(f)*)	Non-cash changes: Other	End of period
NINE-MONTH PERIOD ENDED SEPTEMBER 30, 2017						
Dividends paid to holders of Common Shares	$ 284	$ —	$ (860)	$ —	$ 868	$ 292
Dividends reinvested in shares from Treasury	—	—	47	—	(47)	—
	$ 284	$ —	$ (813)	$ —	$ 821	$ 292
Short-term borrowings	$ 100	$ —	$ —	$ —	$ —	$ 100
Long-term debt						
TELUS Corporation notes	$ 11,367	$ 990	$ (700)	$ (96)	$ (8)	$ 11,553
TELUS Corporation commercial paper	613	4,256	(3,714)	(63)	—	1,092
TELUS Communications Inc. debentures	619	—	—	—	1	620
TELUS International (Cda) Inc. credit facility	332	82	(42)	(22)	3	353
Derivatives used to manage currency risks arising from U.S. dollar denominated long-term debt – liability	20	3,714	(3,767)	159	(50)	76
	12,951	9,042	(8,223)	(22)	(54)	13,694
To eliminate effect of gross settlement of derivatives used to manage currency risks arising from U.S. dollar denominated long-term debt	—	(3,714)	3,714	—	—	—
	$ 12,951	$ 5,328	$ (4,509)	$ (22)	$ (54)	$ 13,694
NINE-MONTH PERIOD ENDED SEPTEMBER 30, 2018						
Dividends paid to holders of Common Shares	$ 299	**$ —**	**$ (913)**	**$ —**	**$ 927**	**$ 313**
Dividends reinvested in shares from Treasury	—	**—**	**63**	**—**	**(63)**	**—**
	$ 299	**$ —**	**$ (850)**	**$ —**	**$ 864**	**$ 313**
Short-term borrowings	$ 100	**$ 26**	**$ (81)**	**$ (1)**	**$ 68**	**$ 112**
Long-term debt						
TELUS Corporation notes	$ 11,561	**$ 1,725**	**$ (1,250)**	**$ 40**	**$ (22)**	**$ 12,054**
TELUS Corporation commercial paper	1,140	**2,798**	**(3,204)**	**35**	**—**	**769**
TELUS Communications Inc. debentures	620	**—**	**—**	**—**	**—**	**620**
TELUS International (Cda) Inc. credit facility	339	**97**	**(33)**	**10**	**1**	**414**
Finance leases	—	**—**	**—**	**—**	**26**	**26**
Derivatives used to manage currency risks arising from U.S. dollar denominated long-term debt – liability	93	**3,204**	**(3,180)**	**(75)**	**53**	**95**
	13,753	**7,824**	**(7,667)**	**10**	**58**	**13,978**
To eliminate effect of gross settlement of derivatives used to manage currency risks arising from U.S. dollar denominated long-term debt	—	**(3,204)**	**3,204**	**—**	**—**	**—**
	$ 13,753	**$ 4,620**	**$ (4,463)**	**$ 10**	**$ 58**	**$ 13,978**