TELUS CORPORATION

Management’s discussion and analysis

2022 Q1

TELUS

Caution regarding forward-looking statements

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

This document contains forward-looking statements about expected events and our financial and operating performance. Forward-looking statements include any statements that do not refer to historical facts. They include, but are not limited to, statements relating to our objectives and our strategies to achieve those objectives, our plans and expectations regarding the impact of the COVID-19 pandemic and responses to it, our expectations regarding trends in the telecommunications industry including demand for mobile data and ongoing internet subscriber base growth, and our financing plans including our multi-year dividend growth program. Forward-looking statements are typically identified by the words assumption, goal, guidance, objective, outlook, strategy, target and other similar expressions, or future or conditional verbs such as *aim*, *anticipate*, *believe*, *could*, *expect*, *intend*, *may*, *plan*, *predict*, *seek*, *should*, *strive* and *will*. These statements are made pursuant to the "safe harbour" provisions of applicable securities laws in Canada and the United States *Private Securities Litigation Reform Act of 1995*.

By their nature, forward-looking statements are subject to inherent risks and uncertainties and are based on assumptions, including assumptions about future economic conditions and courses of action. These assumptions may ultimately prove to have been inaccurate and, as a result, our actual results or events may differ materially from expectations expressed in or implied by the forward-looking statements. Updates to the assumptions on which our 2022 outlook is based are presented in *Section 9 Update to general trends, outlook and assumptions, and regulatory developments and proceedings* in this Management's discussion and analysis (MD&A).

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

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

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

- Technological substitution including: reduced utilization and increased commoditization of traditional fixed voice services (local and long distance) resulting from impacts of OTT applications and mobile substitution; a declining overall market for TV services, including as a result of content piracy and signal theft, a rise in OTT direct-to-consumer video offerings and virtual multichannel video programming distribution platforms; the increasing number of households that have only mobile and/or internet-based telephone services; potential decline in ARPU as a result of, among other factors, substitution by messaging and OTT applications; substitution by increasingly available Wi-Fi services; and disruptive technologies, such as OTT IP services, including software-defined networks in the business market, that may displace or cause us to reprice our existing data services, and self-installed technology solutions.
- Challenges to our ability to deploy technology including: high subscriber demand for data that challenges wireless networks and spectrum capacity levels and may be accompanied by increases in delivery cost; our reliance on information technology and our ability to streamline our legacy systems; the roll-out, anticipated benefits and efficiencies, and the evolution of wireless broadband technologies and systems, including video distribution platforms and telecommunications network technologies (broadband initiatives, such as fibre-to-the-premises (FTTP), wireless small-cell deployment, 5G wireless and availability of resources and our ability to build out adequate broadband capacity); our reliance on wireless network access agreements, which have facilitated our deployment of mobile technologies; our choice of suppliers and those suppliers' ability to maintain and service their product lines, which could affect the success of upgrades to, and evolution of, technology that we offer; supplier limitations and concentration and market power for products such as network equipment, TELUS TV® and mobile handsets; our expected long-term need to acquire additional spectrum capacity through future spectrum auctions and from third parties to address increasing demand for data, and our ability to utilize spectrum we acquire; deployment and operation of new fixed broadband network technologies at a reasonable cost and the availability and success of new products and services to be rolled out using such network technologies; network reliability and change management; and our deployment of self-learning tools and automation, which may change the way we interact with customers.
- Capital expenditure levels and potential outlays for spectrum licences in auctions or purchases from third parties affect and are affected by: our broadband initiatives, including connecting more homes and businesses directly to fibre; our ongoing deployment of newer mobile technologies, including wireless small cells to improve coverage and capacity; investments in network resiliency and reliability, including to address changes in usage resulting from restrictions imposed in response to the COVID-19 pandemic; the allocation of resources to acquisitions and future spectrum auctions held by Innovation, Science and Economic Development Canada (ISED), including the announcement of a second consultation on the auctioning of the 3800 MHz spectrum, which the Minister of Innovation, Science and Industry stated is expected to take place in 2023, and the millimetre wave spectrum auction, which is expected to commence in 2024. Our capital expenditure levels could be impacted if we do not achieve our targeted operational and financial results or by changes to our regulatory environment.
- Operational performance and business combination risks including: our reliance on legacy systems and our ability to implement and support new products and services and business operations in a timely manner; our ability to manage the requirements of large enterprise deals; our ability to implement effective change management for system replacements and upgrades, process redesigns and business integrations (such as our ability in a timely manner to successfully complete and integrate acquisitions into our operations and culture, complete divestitures or establish partnerships and realize expected strategic benefits, including those following compliance with any regulatory orders); our ability to identify and manage new risks inherent in new service offerings that we may provide, including as a result of acquisitions, which could result in damage to our brand, our business in the relevant area or as a whole, and additional exposure to litigation or regulatory proceedings; and our ability to effectively manage the growth of our infrastructure and integrate new team members.
- Data protection including risks that malfunctions or unlawful acts could result in unauthorized access to, change, loss, or distribution of data, which may compromise the privacy of individuals and could result in financial loss and harm to our reputation and brand.
- Security threats including intentional damage, or unauthorized access or attempted access, to our physical assets or our IT systems and networks, or those of our customers or vendors, which could prevent us from providing reliable service or result in unauthorized access to our information or that of our customers.
- Ability to successfully implement cost reduction initiatives and realize planned savings, net of restructuring and other costs, without losing customer service focus or negatively affecting business operations. Examples of these initiatives are: our operating efficiency and effectiveness program to drive improvements in financial results; business integrations; business product simplification; business process automation and outsourcing; offshoring and reorganizations; procurement initiatives; and real estate rationalization.

- Foreign operations and our ability to successfully manage operations in foreign jurisdictions, including managing risks such as currency fluctuations and exposure to various economic, international trade, political and other risks of doing business globally. See also *TELUS International's financial performance which impacts our financial performance*.
- Business continuity events including: our ability to maintain customer service and operate our network in the event of human error or human-caused threats, such as cyberattacks and equipment failures that could cause various degrees of network outages; technical disruptions and infrastructure breakdowns; supply chain disruptions, delays and rising costs, including as a result of government restrictions or trade actions; natural disaster threats; extreme weather events; epidemics; pandemics (including the ongoing COVID-19 pandemic); political instability in certain international locations; information security and privacy breaches, including loss or theft of data; and the completeness and effectiveness of business continuity and disaster recovery plans and responses.
- TELUS International's financial performance which impacts our financial performance. Factors that may affect TI's financial performance are described in TI's public filings available on SEDAR and EDGAR and may include: intense competition from companies offering similar services; attracting and retaining qualified team members to support its operations; TI's ability to grow and maintain profitability if changes in technology or if client expectations outpace service offerings and internal tools and processes; TI maintaining its culture as it grows; effects of economic and geopolitical conditions on its clients' businesses and demand for its services; a significant portion of TI's revenue being dependent on a limited number of large clients; continued consolidation in many of the verticals in which TI offers services could result in the loss of a client; adverse impacts of the COVID-19 pandemic on TI's business and financial results; TI's business being adversely affected if certain independent contractors were classified as employees, and the costs associated with defending, settling or resolving any future lawsuits (including demands for arbitration) relating to the independent contractor classification; TI's ability to successfully identify, complete, integrate and realize the benefits of acquisitions and manage associated risks; cyberattacks or unauthorized disclosure resulting in access to sensitive or confidential information and data of its clients or their end customers, which could have a negative impact on its reputation and client confidence; TI's business not developing in ways it currently anticipates due to negative public reaction to offshore outsourcing, proposed legislation or otherwise; ability to meet client expectations regarding its content moderation services being adversely impacted due to factors beyond its control and its content moderation team members suffering adverse emotional or cognitive effects in the course of performing their work; and TI's short history operating as a separate, publicly traded company. TELUS International's primary functional and reporting currency is the U.S. dollar and the contribution to our consolidated results of positive results in our digitally-led customer experiences – TELUS International (DLCX) segment may be offset by any strengthening of the Canadian dollar (our reporting currency) compared to the U.S. dollar. The price of the subordinate voting shares of TI (TI Subordinate Voting Shares) may be volatile and is likely to fluctuate due to a number of factors beyond its control, including actual or anticipated changes in profitability; general economic, social or political developments; changes in industry conditions; changes in governance regulation; inflation; low trading volume; the general state of the securities markets; and other material events. TI may choose to publicize targets or provide other guidance regarding its business and it may not achieve such targets. Failure to do so could also result in a reduction in the trading price of the TI Subordinate Voting Shares. A reduction in the trading price of the TI Subordinate Voting Shares due to these or other factors could result in a reduction in the fair value of TI multiple voting shares held by TELUS.
- Human resource matters including: recruitment, retention and appropriate training in a highly competitive industry (including retention of team members leading recent acquisitions in emerging areas of our business), the level of our employee engagement and impact on engagement or other aspects of our business or any unresolved collective agreements, our ability to maintain our unique culture as we grow, the risk that certain independent contractors in our business could be classified as employees, unanticipated reaction to our COVID-19 vaccine policy or the reopening of our administrative offices and the health of our team.
- Financing and debt requirements including: our ability to carry out financing activities, refinance our maturing debt, lower our net debt to EBITDA ratio to our objective range given the cash demands of spectrum auctions, and/or our ability to maintain investment grade credit ratings in the range of BBB+ or the equivalent. Our business plans and growth could be negatively affected if existing financing is not sufficient to cover our funding requirements.
- Lower than planned free cash flow could constrain our ability to invest in operations, reduce leverage or return capital to shareholders, and could affect our ability to sustain our dividend growth program through 2025 and any further dividend growth programs. This program may be affected by factors such as the competitive environment, fluctuations in the Canadian economy or the global economy, our earnings and free cash flow, our levels of capital expenditures and spectrum licence purchases, acquisitions, the management of our capital structure, regulatory decisions and developments, and business continuity events. Quarterly dividend decisions are subject to assessment and determination by our Board of Directors based on our financial position and outlook. Common Shares may be purchased under our normal course issuer bid (NCIB) when and if we consider it opportunistic, based on our financial position and outlook, and the market price of our Common Shares. There can be no assurance that our dividend growth program or our NCIB will be maintained, unchanged and/or completed.
- Taxation matters including: interpretation of complex domestic and foreign tax laws by the relevant tax authorities that may differ from our interpretations; the timing and character of income and deductions, such as tax depreciation and operating expenses; tax credits or other attributes; changes in tax laws, including tax rates; tax expenses being materially different than anticipated, including the taxability of income and deductibility of tax attributes or retroactive application of new legislation; elimination of income tax deferrals through the use of different tax year-ends for operating partnerships and corporate partners; and changes to the interpretation of tax laws, including those resulting from changes to applicable accounting standards or the adoption of more aggressive auditing practices by tax authorities, tax reassessments or adverse court decisions impacting the tax payable by us.

- Litigation and legal matters including: our ability to successfully respond to investigations and regulatory proceedings; our ability to defend against existing and potential claims and lawsuits (including intellectual property infringement claims and class actions based on consumer claims, data, privacy or security breaches and secondary market liability), or to negotiate and exercise indemnity rights or other protections in respect of such claims and lawsuits; and the complexity of legal compliance in domestic and foreign jurisdictions, including compliance with competition, anti-bribery and foreign corrupt practices laws.
- Health, safety and the environment including: lost employee work time resulting from illness or injury; public concerns related to radio frequency emissions; environmental issues affecting our business, including climate-related risk (such as extreme weather events and other natural hazards), waste and waste recycling, risks relating to fuel systems on our properties, changing government and public expectations regarding environmental matters and our responses; and challenges associated with epidemics or pandemics, including the COVID-19 pandemic and our response to it, which may add to or accentuate these factors.
- Economic growth and fluctuations including: the state of the economy in Canada, which may be influenced by economic and other developments outside of Canada, including potential outcomes of yet unknown policies and actions of foreign governments and the ongoing COVID-19 pandemic, as well as public and private sector responses to the pandemic; expectations regarding 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 and factors affecting pension benefit obligations, funding and solvency discount rates; fluctuations in exchange rates of the currencies in the regions in which we operate; sovereign credit ratings and effects on the cost of borrowing; the impact of tariffs on trade between Canada and the United States; and global implications of the dynamics of trade relationships among major world economies.
- Energy use including: our ability to identify and implement solutions to reduce energy consumption and adopt cleaner sources of energy; our ability to identify and make suitable investments in renewable energy, including in the form of virtual power purchase agreements; our ability to continue to realize significant absolute reductions in energy use and the resulting greenhouse gas (GHG) emissions in our operations (including as a result of programs and initiatives focused on our buildings and network); and other risks associated with achieving our goals to achieve carbon neutrality and reduce our GHG emissions by 2030.

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 2021 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 outside of our current expectations or knowledge. Additional risks and uncertainties that are not currently known to us or that we currently deem to be immaterial may also have a material adverse effect on our financial position, financial performance, cash flows, business or reputation. Except as otherwise indicated in this document, the forward-looking statements made herein do not reflect the potential impact of any non-recurring or special items or any mergers, acquisitions, dispositions or other business combinations or transactions that may be announced or that may occur after the date of this document.

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

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

Management's discussion and analysis (MD&A)

May 6, 2022

Contents

1. Introduction

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

1.1 Preparation of the MD&A

The following sections are a discussion of our consolidated financial position and financial performance for the three-month period ended March 31, 2022, and should be read together with our March 31, 2022 condensed interim consolidated statements of income and other comprehensive income, statements of financial position, statements of changes in owners' equity and statements of cash flows, and the related notes (collectively referred to as the interim consolidated financial statements). The generally accepted accounting principles (GAAP) that we use are International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB) and Canadian GAAP. In this MD&A, the term IFRS refers to these standards. In our discussion, we also use certain non-GAAP and other specified financial measures to evaluate our performance, monitor compliance with debt covenants and manage our capital structure. These measures are defined, qualified and reconciled with their nearest GAAP measures, as required by National Instrument 52-112, *Non-GAAP and Other Financial Measures Disclosure*, 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 information filed with or furnished to the Securities and Exchange Commission in the United States, including Form 40-F, are available on EDGAR (**sec.gov**). Additional information about our TELUS International (Cda) Inc. (TELUS International or TI) subsidiary, including discussion of its business and results, can be found in its public filings available on SEDAR and EDGAR.

Our disclosure controls and procedures are designed to provide reasonable assurance that all relevant information is gathered and reported to senior management on a timely basis, so that appropriate decisions can be made regarding public disclosure. This MD&A and the interim consolidated financial statements were reviewed by our Audit Committee and authorized by our Board of Directors (Board) for issuance on May 6, 2022.

In this MD&A, unless otherwise indicated, results for the first quarter of 2022 (three-month period ended March 31, 2022) are compared with results for the first quarter of 2021 (three-month period ended March 31, 2021).

1.2 The environment in which we operate

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

COVID-19

The COVID-19 pandemic, which emerged in the first quarter of 2020, continued to have a pervasive global impact into 2022. Since the beginning of the pandemic, we have focused relentlessly on keeping Canadians connected and on the health, safety and well-being of our team members, customers and communities. Our Executive Team continues to be guided by advice from our Emergency Management Operating Committee (EMOC) and the TELUS Medical Advisory Council (MAC).

We expect the pandemic to continue to affect our operations until at least 2023. Whether this occurs will depend on both domestic and international factors, including rates of vaccination and the potential proliferation of COVID-19 variants of concern. In April 2022, the Chief Public Health Officer of Canada declared that the sixth wave of the pandemic was underway in Canada.

We are committed to prioritizing the health and safety of team members and customers and the significant majority of team members have continued to work remotely during the pandemic. In April 2022, we reopened our Canadian administrative offices on a voluntary basis.

With respect to TELUS International's operations, the intent is for team members to return to traditional work environments in offices when it has been deemed safe to do so by local governments and healthcare officials. However, this varies significantly by geography and each region's vaccination progress.

Economic estimates

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

	Economic growth (Percentage points)		**Unemployment** (Percentage points)			**Housing starts** (000s of units)		
	Estimated gross domestic product (GDP) growth rate	Our estimated GDP growth rates[1]	Unemployment rates		Our estimated annual unemployment rates[1]	Seasonally adjusted annual rate of housing starts[2]		Our estimated annual rate of housing starts on an unadjusted basis[1]
			For the month of			For the month of		
	2022	**2022**	**March 2022**[3]	March 2021[3]	**2022**	**March 2022**	March 2021	**2022**
Canada	**4.2**[4]	**3.9**	**5.3**	7.5	**5.4**	**246**	335	**240**
B.C.	**4.0**[5]	**4.1**	**5.1**	6.9	**4.8**	**33**	71	**40**
Alberta	**5.4**[5]	**5.1**	**6.5**	9.1	**6.4**	**32**	29	**32**
Ontario	**3.7**[5]	**3.8**	**5.3**	7.5	**5.8**	**88**	131	**87**
Quebec	**2.7**[5]	**3.1**	**4.1**	6.4	**4.4**	**70**	84	**59**

1 Assumptions are as of April 14, 2022 and are based on a composite of estimates from Canadian banks and other sources.

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

3 Source: Statistics Canada Labour Force Survey, March 2022 and March 2021, respectively.

4 Source: Bank of Canada Monetary Policy Report, April 2022.

5 Source: British Columbia Ministry of Finance, Budget and fiscal plan, 2022/23 – 2024/25, February 22, 2022; Alberta Ministry of Treasury Board and Finance, 2022 – 25 Fiscal Plan, February 24, 2022; Ontario Ministry of Finance, 2022 Ontario Budget: Ontario's Plan to Build, April 28, 2022; and Ministère des Finances du Quebec, Budget 2022 – 2023, March 2022, respectively.

Digitally-led customer experiences – TELUS International (DLCX)

Technology is transforming the way businesses interact with their customers at an accelerating pace and scale and, across industries, customer experience has become a critically important competitive differentiator. DLCX clients and their customers have more information and more choices than ever before and their expectations surrounding brand experiences and the speed at which companies must process and respond to customer interactions are changing rapidly. The proliferation of mobile devices, social media platforms and other methods of digital interaction has enabled customers to access information 24/7 and engage with companies through multiple digital channels. The COVID-19 pandemic has further accelerated the use of digital channels as the first, and sometimes only, points of customer interaction. Customers value a consistent and personalized experience across channels when interacting with the companies that serve them. Businesses face pressure to engage with their customers across digital and human channels, and seek to do so by combining technology with authentic human experience that is capable of demonstrating a sincere commitment to customer satisfaction.

1.3 Consolidated highlights

Business acquisition

On January 1, 2022, we acquired 100% ownership of Fully Managed Inc. for cash and contingent consideration of approximately $131 million. Fully Managed Inc. provides managed information technology support, technology strategy and network management. This investment was made with a view to growing our end-to-end capabilities to support small and medium-sized business customers.

Long-term debt issue

On February 28, 2022, we announced the successful closing of our second-ever sustainability-linked bond (our inaugural U.S. sustainability-linked bond) issued pursuant to our sustainability-linked bond framework announced on June 14, 2021. The US$900 million of senior unsecured 3.40% U.S. Dollar Sustainability-Linked Notes will mature on May 13, 2032. This bond offering supports our commitment to environmental sustainability by linking financing to the achievement of ambitious environmental, social and governance (ESG) targets. The net proceeds from this offering were used for the repayment of outstanding indebtedness, including the repayment of commercial paper and for other general corporate purposes.

Multi-year dividend growth program

On May 6, 2022, we announced our intention to target ongoing semi-annual dividend increases, with the annual increase in the range of 7 to 10% from 2023 through to the end of 2025. This announcement further extends our dividend program originally announced in May 2011 and extended for three additional years in each of May 2013, May 2016 and May 2019. Dividend decisions will continue to be subject to our Board's assessment and the determination of our financial situation and outlook on a quarterly basis. There can be no assurance that we will maintain a dividend growth program through 2025. See *Section 4.3 Liquidity and capital resources*.

Consolidated highlights

Three-month periods ended March 31 ($ millions, except footnotes and unless noted otherwise)	**2022**	2021	Change
Consolidated statements of income			
Operating revenues and other income	**4,282**	4,024	6.4%
Operating income	**727**	672	8.2%
Income before income taxes	**548**	465	17.8%
Net income	**404**	333	21.3%
Net income attributable to Common Shares	**385**	331	16.3%
Adjusted Net income[1]	**414**	359	15.3%
Earnings per share (EPS) ($)			
Basic EPS	**0.28**	0.25	12.0%
Adjusted basic EPS[1]	**0.30**	0.27	11.1%
Diluted EPS	**0.28**	0.25	12.0%
Dividends declared per Common Share ($)	**0.3274**	0.3112	5.2%
Basic weighted-average Common Shares outstanding (millions)	**1,376**	1,298	6.0%
Consolidated statements of cash flows			
Cash provided by operating activities	**1,135**	939	20.9%
Cash used by investing activities	**(1,199)**	(1,153)	4.0%
Acquisitions	**(127)**	(137)	(7.3)%
Capital expenditures[2]	**(833)**	(685)	21.6%
Cash provided by financing activities	**115**	1,269	(90.9)%
Other highlights			
Telecom subscriber connections[3] (thousands)	**17,001**	16,072	5.8%
Earnings before interest, income taxes, depreciation and amortization[1] (EBITDA)	**1,569**	1,461	7.4%
EBITDA margin[1] (%)	**36.6**	36.3	0.3 pts.
Restructuring and other costs	**39**	41	(4.9)%
Adjusted EBITDA[1]	**1,608**	1,503	7.0%
Adjusted EBITDA margin[1] (%)	**37.6**	37.4	0.2 pts.
Free cash flow[1]	**415**	321	29.3%
Net debt to EBITDA – excluding restructuring and other costs[1] (times)	**3.18**	3.15	0.03

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

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

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

3 The sum of active mobile phone subscribers, connected device subscribers, internet subscribers, residential voice subscribers, TV subscribers and security subscribers, measured at the end of the respective periods based on information in billing and other source systems. Effective January 1, 2022 on a prospective basis, following an in-depth review of our definition of a subscriber, we adjusted our connected devices subscriber base to remove 34,000 subscribers within a legacy reporting system.

Operating highlights

- **Consolidated Operating revenues and Other income** increased by $258 million in the first quarter of 2022.

  Service revenues increased by $263 million in the first quarter of 2022. TELUS technology solutions (TTech) service revenue growth of $154 million was driven by higher mobile network revenue; increased internet and data service revenues; growth in agriculture service revenues; and growth in health services revenues. Increased DLCX revenues resulted from organic growth from both expanded services for existing clients and growth from new clients.

  Equipment revenues decreased by $29 million in the first quarter of 2022, reflecting lower mobile handset upgrade volumes, partly offset by higher-value smartphones in the sales mix.

  Other income increased by $24 million in the first quarter of 2022, largely resulting from the reversal of provisions for contingent consideration related to business acquisitions.

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

- **Operating income** increased by $55 million in the first quarter of 2022. This increase was driven by growth in mobile network revenue; growth in internet and data service revenue; and an increased contribution from DLCX. This was partly offset by higher employee benefits expense; higher costs related to scaling our digital capabilities; and lower legacy fixed voice and legacy fixed data services revenues. (See *Section 5.3 Consolidated operations* for additional details.)

EBITDA, which includes restructuring and other costs and other equity losses related to real estate joint ventures, increased by $108 million in the first quarter of 2022.

Adjusted EBITDA, which excludes restructuring and other costs and other equity losses related to real estate joint ventures, increased by $105 million in the first quarter of 2022, reflecting the factors mentioned in the Operating income discussion above. (See *Section 5.3 Consolidated operations* for additional details.)

- **Income before income taxes** increased by $83 million in the first quarter of 2022 as a result of higher Operating income and lower Financing costs. The decrease in Financing costs in the first quarter of 2022 largely resulted from capitalized long-term debt interest costs in the first quarter of 2022 for 3500 MHz spectrum licences, lower foreign exchange losses and lower employee defined net interest costs. (See *Financing costs* in *Section 5.3*.)
- **Income tax** expense increased by $12 million in the first quarter of 2022. The effective income tax rate decreased from 28.5 to 26.3% in the first quarter of 2022, primarily due to changes in non-deductible amounts related to TI's initial public offering (IPO) in the first quarter of 2021 as well as higher non-taxable income in the first quarter of 2022.
- **Net income attributable to Common Shares** increased by $54 million in the first quarter of 2022, resulting from the after-tax impacts of higher Operating income and lower Financing costs.

  Adjusted Net income excludes the effects of restructuring and other costs and other equity losses related to real estate joint ventures. Adjusted Net income increased by $55 million or 15.3% in the first quarter of 2022.
- **Basic EPS** increased by $0.03 or 12.0% in the first quarter of 2022 as a result of the after-tax impacts of higher Operating income and lower Financing costs, which were partially offset by the effect of a higher number of Common Shares outstanding.

  Adjusted basic EPS excludes the effects of restructuring and other costs and other equity losses related to real estate joint ventures. Adjusted basic EPS increased by $0.03 or 11.1% in the first quarter of 2022.
- **Dividends declared per Common Share** were $0.3274 in the first quarter of 2022, an increase of 5.2% from one year earlier. On May 5, 2022, the Board declared a second quarter dividend of $0.3386 per share on our issued and outstanding Common Shares, payable on July 4, 2022, to shareholders of record at the close of business on June 10, 2022. The second quarter dividend increased by $0.0224 per share or 7.1% from the $0.3162 per share dividend declared one year earlier, consistent with our multi-year dividend growth program described in *Section 4.3 Liquidity and capital resources*.
- During the 12-month period ending on March 31, 2022, our total **subscriber connections** increased by 929,000. This reflected an increase of 4.3% in mobile phone subscribers, 15.4% in connected device subscribers, 6.8% in internet subscribers, 4.0% in TV subscribers and 14.6% in security subscribers, partly offset by a decline of 3.6% in residential voice subscribers. (See *Section 5.4 TELUS technology solutions segment* for additional details.)

Liquidity and capital resource highlights

- **Cash provided by operating activities** increased by $196 million in the first quarter of 2022, primarily driven by lower income taxes paid and growth in EBITDA. (See *Section 7.2 Cash provided by operating activities*.)
- **Cash used by investing activities** increased by $46 million in the first quarter of 2022, largely attributable to greater cash payments for capital assets, excluding spectrum licences. Capital expenditures increased by $148 million in the first quarter of 2022, primarily due to accelerated investments in our 5G network, broadband build, enhanced product development and digitization to increase system capacity and reliability, in addition to the advanced purchase of customer equipment to mitigate supply chain risks and support continued subscriber growth. (See *Section 7.3 Cash used by investing activities*.)
- **Cash provided by financing activities** decreased by $1,154 million in the first quarter of 2022 as we completed an equity issuance in the first quarter of 2021. Additionally, we received net cash proceeds from TI's IPO in the first quarter of 2021. These factors were partly offset by greater long-term debt issued in the first quarter of 2022. (See *Section 7.4 Cash provided by financing activities.*)
- **Net debt to EBITDA – excluding restructuring and other costs** ratio was 3.18 times at March 31, 2022, up from 3.15 times at March 31, 2021, as the effect of the increase in net debt exceeded the effect of the increase in EBITDA – excluding restructuring and other costs, notwithstanding the COVID-19 pandemic impacts that have reduced EBITDA. As at March 31, 2022, the acquisition of spectrum licences increased the ratio by approximately 0.48 and business acquisitions over the past 12 months increased the ratio by approximately 0.07, while business dispositions

over the same period decreased the ratio by approximately 0.26. (See *Section 4.3 Liquidity and capital resources* and *Section 7.5 Liquidity and capital resource measures.*)

- **Free cash flow** increased by $94 million in the first quarter of 2022, primarily driven by lower income taxes paid and higher EBITDA, partly offset by higher capital expenditures. The increase in capital expenditures was announced on March 25, 2021, to advance our fibre build and 5G coverage, which utilized proceeds from our first quarter 2021 equity offering. Our definition of free cash flow, for which there is no industry alignment, is unaffected by accounting standards that do not impact cash, such as IFRS 15 and IFRS 16.

2. Core business and strategy

Our core business and our strategic imperatives were described in our 2021 annual MD&A.

3. Corporate priorities for 2022

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 2022 corporate priorities.

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

- Demonstrating our global support for Ukraine.
  - Throughout the first quarter of 2022 and up to the date of this MD&A, we have enabled almost $4 million in community giving to support the humanitarian response to the Ukraine crisis through cash and in-kind contributions from TELUS, our team members and customers, the TELUS Friendly Future Foundation and TELUS International.
  - We are also offering support for Ukrainians arriving in Canada through connecting newcomers with TELUS in-market offers in partnership with resettlement agencies and charities, as well as providing value-added services such as TELUS Health MyCare, job aids from Windmill Microlending, and workshops from MOSAIC (our national multicultural resource group for team members) and our People & Culture team.
  - We are also providing international support through our TELUS Agriculture teams. In partnership with RefuAid, we are part of the next cohort of organizations in the United Kingdom sponsoring 50 arriving Ukrainians. Through TELUS Agriculture, we are providing employment opportunities, temporarily accommodating displaced families in team member homes, and donating resources and time to support Ukrainians displaced by the conflict.
- In April 2022, the Commission for Complaints for Telecom-television Services issued its mid-year report for the period August 1, 2021 to January 31, 2022, and TELUS again received the fewest customer complaints among national carriers, while Koodo® again received the fewest complaints among flanker brands. Complaints about TELUS decreased by 16.9% year-over-year.
- In January 2022, we were named to the Corporate Knights 2021 Global 100 Most Sustainable Corporations in the World for the 10th time since inception of the recognition in 2005.
- In February 2022, we were named one of Canada's Top Employers for Young People 2022 by Mediacorp Canada Inc.
- In March 2022, we were recognized by Brand Finance as the most valuable telecom brand in Canada, with our brand value growing by 23% to more than $10 billion, according to the Brand Finance Canada 100 2022 report.
- Throughout the first quarter of 2022, we continued to leverage our Connecting for Good® programs to support marginalized individuals and also expanded program eligibility to support those who need it most.
  - We welcomed almost 4,300 new households to our Internet for Good® program this quarter, resulting in almost 116,000 low-income family members, persons with disabilities and youth leaving foster care all benefiting from low-cost internet since the launch of the program in 2016.
    - In January and February 2022, we expanded Internet for Good to provide thousands of low-income seniors in B.C. and Alberta, as well as Quebec (within our ILEC footprint), with the tools and connectivity they need to succeed.
  - We added more than 2,500 youth, seniors and other marginalized Canadians this quarter to our Mobility for Good program, which offers free or subsidized smartphones and mobile phone rate plans to all youth aging out of foster care and to low-income seniors across Canada receiving the guaranteed income supplement. Since we launched the program in 2017, more than 30,000 individuals have benefited.
    - To further support the humanitarian crisis in Ukraine, and with the backing of partner organizations supporting newcomers from Ukraine, the Mobility for Good program is providing 2,500 free SIM cards with $100 prepaid vouchers to Ukrainians with financial barriers who are arriving in Canada.
  - Our Tech for Good™ program provided over 375 Canadians with disabilities access to personalized one-on-one assessments, customized recommendations, training and support on mobile devices during the quarter. Up to

March 31, 2022, we have provided more than 5,000 Canadians with disabilities with professional assistance to help them independently use or control their mobile device and/or the TELUS Wireless Accessibility Discount.

  - Our Health for Good® mobile health clinics, now serving 22 communities across Canada, supported more than 10,000 patient visits during the quarter. Since the program's inception, we have provided over 105,000 cumulative primary care visits.

- Almost 48,000 Canadians participated in virtual TELUS Wise® workshops and events in the first quarter of 2022, bringing our cumulative participation to nearly 500,000 Canadians since the program launched in 2013. In February 2022, the TELUS Wise BE BRAVE #EndBullying virtual event reached close to 30,000 students on Pink Shirt Day.
- The TELUS Friendly Future Foundation and TELUS Community Boards are directing all 2022 support to charitable initiatives helping youth and marginalized populations. Since the beginning of 2022, the Foundation has granted more than $4.7 million to over 275 charitable organizations. Since its inception in 2018, the Foundation has approved $30 million in cash donations to our communities, supported by the work of our TELUS Community Boards.
- In the first quarter of 2022, we expanded our community boards in Western Canada. The TELUS Vancouver Community Board expanded to include Vancouver Coastal communities and was renamed to the TELUS Vancouver and Coastal Community Board. The TELUS Thompson Okanagan Community Board expanded to include Dawson Creek, Fort St. John, Prince George, Quesnel and Cranbrook and was renamed to the TELUS Interior and Northern B.C. Community Board. The TELUS Manitoba Community Board expanded to include Saskatchewan and was renamed to the TELUS Manitoba and Saskatchewan Community Board.
- The TELUS Pollinator Fund for Good™ led a US$8.4 million Series A investment round into Virtual Gurus, a talent-as-a-service platform connecting organizations to virtual assistants from underrepresented communities. Virtual Gurus is led by the visionary Bobbie Racette, who is one of the first Indigenous women to close a Series A investment round in the Canadian technology market.
- Our renewable energy virtual power purchase agreement (VPPA) with the Brooks I solar facility in Alberta realized production of 3300 MWh in the first quarter of 2022 and our VPPA with the Strathmore solar facility in Alberta realized production of 3500 MWh in March 2022 after beginning commercial operations on March 17, 2022. Two additional VPPAs are pending commercial operations in the second quarter of 2022.
- In May 2022, we were named the Most Trusted Telecom brand in Canada for the fourth consecutive year by Canadian consumers in the Gustavson Brand Trust Index presented by the Peter B. Gustavson School of Business at the University of Victoria.

Leveraging TELUS' world-leading technology to drive superior growth across mobile, home and business services

- According to Ookla's Speedtest Awards, we won the award for North America's Fastest Mobile Network for Q3-Q4 2021. Additionally, in Q3-Q4 2021, we were named Canada's Fastest Mobile Network, the ninth consecutive time we have won this award.
- In U.K.-based Opensignal's *Mobile Network Experience Canada* report released in February 2022, we were recognized as being first for Video Experience, Games Experience, Voice App Experience and Upload Speed Experience, and we tied for first in Download Speed Experience and 4G Coverage Experience. Additionally, in Opensignal's *5G Experience Report Canada*, also released in February 2022, we tied for first in 5G Video Experience, 5G Voice App Experience and 5G Download Speed.
- In Canada-based Tutela's report entitled *Canada: State of Mobile Experience March 2022*, we were awarded the four national awards for Excellent Consistent Quality, Core Consistent Quality, 5G Excellent Consistent Quality and 5G Core Consistent Quality, based on data from September 1, 2021 to February 28, 2022.
- In January 2022, we announced our multi-year contract with Sandvine, which will enable us to use Sandvine's application and network intelligence solutions on Google Cloud to further assist us in monitoring and managing expected growth in mobile data and video traffic across our network.
- In January 2022, we announced a five-year partnership with the University of Ottawa (uOttawa) to transform the campus into a 5G-connected innovation hub. In addition to this collaboration fuelling multidisciplinary research to advance global health and life-saving diagnostics and treatments and cybersecurity, it will also transform uOttawa campuses and enrich the student experience through new curriculums and teaching methods as students participate in cutting-edge research leveraging the power of 5G.
- In February 2022, we announced that we are partnering with Google Cloud and NXN Digital to make Canadian cities safer, greener and smarter. This strategic alignment combines our leading networks with Google Cloud's infrastructure and data analytics, and NXN Digital's smart-city-as-a-service platform, to enable cities and districts of any size to improve the lives of their citizens through initiatives such as controlling traffic signals to reduce congestion and emissions, and utilizing data analytics that create smarter, more efficient city planning.
- In March 2022, together with Samsung Networks, we announced the successful deployment of Canada's first next-generation Mission Critical Push-to-X (MCPTX) services. Deployed over our leading networks, this new MCPTX solution will equip Canada's first responders with the information and data they need to more accurately assess emergency situations, improve responsiveness and operational efficiency, and drive better public safety outcomes.
- In March 2022, we announced that we will be utilizing our Smart Hub technology and leading 5G network to bring fixed wireless internet speeds up to 100 Mbps to nearly 60 rural communities across B.C. and Alberta by the end of the year. Our Smart Hub technology uses a fixed wireless connection that is powered by our 5G network to deliver faster home internet

speeds, making this an innovative alternative for customers living in remote communities or areas that are more challenging to serve with a traditional broadband connection.

- In March 2022, together with the Vector Institute, we announced the launch of the energy optimization system, which uses artificial intelligence (AI) to reduce climate impacts from data centres. This development uses model-based reinforcement learning to fine-tune the heating, ventilation and air conditioning (HVAC) systems across network locations, allowing for energy-efficient temperature control. This new algorithm will be open sourced as a contribution to the energy conservation community to leverage AI to create better outcomes for Canadians and our environment.

Scaling our innovative digital capabilities in TELUS Health and TELUS Agriculture to build assets of consequence

TELUS Health

- During the ongoing COVID-19 pandemic, TELUS Health MyCare and TELUS Health Virtual Care have benefited from significant adoption. These solutions have helped Canadians stay safe at home and avoid higher-risk environments such as clinics and emergency rooms wherever possible and, in turn, freed up healthcare system capacity to respond to the pandemic. Our two virtual care offerings provide millions of Canadians with the opportunity to seek primary care and mental healthcare, virtually, across the country and also reach Canadians who do not have access to a family doctor or those who seek medical care after-hours.
- Our LivingWell Companion™ personal emergency response service (PERS) continues to support the health and well-being of seniors across Canada. With COVID-19 disproportionately impacting the elderly, LivingWell Companion helps seniors stay connected to emergency support and offers a remote caregiving solution to those who may be unable to physically support their elderly loved ones. It also includes TELUS Health Companion on Apple Watch (available in English and French across Canada), which is a 24/7 emergency monitoring service provided through TELUS Health's LivingWell Companion national response service combined with Apple Watch's Fall Detection capabilities.
- Throughout the pandemic, the TELUS Healthy Living Network® has been providing Optik TV® customers with informative and compelling content related to COVID-19 prevention and well-being, and helping them to stay active and healthy at home with over 1,400 leading fitness, yoga, nutrition and mental health titles available for free, for rent or to own. It also includes leading mental health content from Calm, providing support to Canadians as they deal with the stresses brought on by the pandemic. We offer free content for all Optik TV and Pik TV® subscribers, as well as additional premium content via our Calm Optik TV theme pack, which includes guided meditations, breathing exercises and Calm's Sleep Stories (bedtime stories for adults). We are Calm's only Canadian telecom partner, and the first to bring Calm's content to a TV service and offer subscriptions through redemptions of TELUS Rewards loyalty points.
- In January 2022, we officially launched TELUS Health Virtual Pharmacy, a patient-focused service designed to improve medication management by ensuring timely delivery of prescriptions direct to a patient's home, providing unlimited access to virtual pharmacist consults, and offering tools to help manage dosing compliance. This virtual pharmacy service allows users to have unlimited one-on-one video and phone consultations with pharmacists from the comfort of their home, while also providing them with tools to keep track of their family's medications through the service's online dashboard.
- In March 2022, we acquired Sprout Wellness Solutions, a holistic digital health and wellness solution designed to educate, engage and inspire people to improve their health through behaviour change. The solution will be available as part of the TELUS Health suite of services for Canadian employers to empower their employees, through their benefits plan, to live healthier lives.

TELUS Agriculture

- As part of our efforts to impact the food and consumer goods supply chains to be more resilient and agile, our team has focused efforts on integrating acquisitions that closed in the second half of 2021, aligning synergies across go-to-market and various corporate functions.
- During the quarter, we released the first version of our agriculture data exchange (ADX) platform, which allows our customers to leverage connections to farm machinery, weather and other data sources utilizing a single sign-on. This securely streamlines customer access and storage of data in our cloud platform.
- In April 2022, we launched our cold chain platform. This platform offers our customers the ability to identify both high and low temperature extremes, providing a location, time and date of any breaches, which allows customers to reduce impacts to goods based specifically on where there are issues in the supply chain.

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

- Earlier in the quarter, TI announced a collaboration with Automation Anywhere, a global leader in robotic process automation (RPA), to simplify the delivery and migration of automation solutions on Google Cloud. As a platinum preferred partner and managed services provider of Automation Anywhere, TI is enabling the end-to-end development of RPA solutions on Google Cloud to improve business tasks with more speed, accuracy, and efficiency.
- TI's achievements continue to be recognized by clients and in the industry. In the first quarter of 2022, TI was:
  - Ranked a Leader in the NelsonHall 2022 NEAT Assessment for customer experience (CX) operations transformation. Additionally, TI was ranked a Leader across all three of the evaluation's subcategories for revenue generation, CX improvement and cost optimization.
  - Included on the IAOP Global Outsourcing 100 list for the sixth consecutive year. The list reflects the best outsourcing providers across size and growth, customer references, awards and certifications, programs for innovation and corporate social responsibility.

4. Capabilities

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

4.1 Principal markets addressed and competition

For a discussion of our principal markets and an overview of competition, refer to *Section 4.1* in our 2021 annual MD&A.

4.2 Operational resources

TELUS technology solutions (TTech)

From mid-2013 through March 31, 2022, we have invested more than $7.2 billion to acquire wireless spectrum licences in spectrum auctions and other private transactions. This has more than doubled our national spectrum holdings in support of our top priority to put customers first.

Mobile data consumption has been increasing rapidly and is expected to continue growing at a fast rate as the industry transitions to 5G, and we have responded by investing to extend our coverage and expand the capacity of our leading network quality to support the additional data consumption and growth in our mobile subscriber base in a geographically diverse country. This includes investments in wireless small cells connected directly to our fibre technology to improve coverage and capacity utilized in our 5G network launch.

As at March 31, 2022, our 4G LTE technology covered 99% of Canada's population, consistent with March 31, 2021. We have continued to invest in the roll-out of our LTE advanced technology, which covered over 96% of Canada's population at March 31, 2022, relatively consistent from one year earlier. Furthermore, our 5G network, covered 74% of Canada's population at March 31, 2022, up from over 28% at March 31, 2021.

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

As at March 31, 2022, approximately 2.8 million households and businesses in B.C., Alberta and Eastern Quebec were covered with fibre-optic cable, which provides these premises with immediate access to our fibre-optic technology. This is up from more than 2.5 million households and businesses in the first quarter of 2021.

As at March 31, 2022, approximately 10% of our TV and internet customers within our PureFibre footprint are serviced by copper, down from 11% at December 31, 2021. The majority of the remaining customers are expected to be substantially migrated to TELUS PureFibre® by the end of 2022.

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

Our agriculture solutions include farm management, precision agronomy, feedlot health management, herd management software, application programming interface (API) and application integration services, compliance management, food traceability and quality assurance, data management solutions and software solutions for trade promotion management, optimization and analytics (TPx), retail execution, and analytics capabilities.

Digitally-led customer experiences – TELUS International (DLCX)

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

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

4.3 Liquidity and capital resources

Capital structure financial policies

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

In our definition of capital, we include Common equity (excluding Accumulated other comprehensive income), non-controlling interests, 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, including those 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 (including Common Shares and TELUS International subordinate voting shares), issue new debt, issue new debt to replace existing debt with different characteristics, and/or increase or decrease the amount of trade receivables sold to an arm's-length securitization trust.

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

Financing and capital structure management plans

Report on financing and capital structure management plans

Pay dividends to the holders of the common shares of TELUS Corporation (Common Shares) under our multi-year dividend growth program

- On May 6, 2022, we announced our intention to target ongoing semi-annual dividend increases, with the annual increase in the range of 7 to 10% from 2023 through to the end of 2025, thereby extending the policy first announced in May 2011. Notwithstanding this target, dividend decisions will continue to be subject to our Board's assessment and the determination of our financial position and outlook on a quarterly basis. Our long-term Common Share dividend payout ratio guideline is 60 to 75% of free cash flow on a prospective basis. (See *Section 7.5 Liquidity and capital resource measures*.) There can be no assurance that we will maintain a dividend growth program or that it will be unchanged through 2025. (See *Caution regarding forward-looking statements – Lower than planned free cash flow could constrain our ability to invest in operations, reduce leverage or return capital to shareholders, and could affect our ability to sustain our dividend growth program through 2025 and any further dividend growth programs* and *Section 10.14 Financing, debt and dividends* in our 2021 annual MD&A.)
- On May 5, 2022, the Board elected to declare a second quarter dividend of $0.3386 per share, payable on July 4, 2022, to shareholders of record at the close of business on June 10, 2022. The second quarter dividend for 2022 reflects a cumulative increase of $0.0224 per share or 7.1% from the $0.3162 per share dividend declared one year earlier.
- Our dividend reinvestment and share purchase (DRISP) plan trustee acquired shares from Treasury for the DRISP plan, rather than acquiring Common Shares in the stock market. We may, at our discretion, offer Common Shares at a discount of up to 5% from the market price under the DRISP. Effective with the dividends paid beginning on October 1, 2019, we offered Common Shares from Treasury at a discount of 2%. During the first quarter of 2022, for the dividends paid on January 4, 2022, our DRISP plan trustee acquired from Treasury approximately 6 million dividend reinvestment Common Shares for $156 million. For the dividends paid on April 1, 2022, the DRISP participation rate, calculated as the DRISP investment of $160 million (including the employee share purchase plan) as a percentage of gross dividends, was approximately 35%.
- TELUS International currently intends to retain all available funds and any future earnings to support operations and to finance the growth and development of its business.

Purchase Common Shares

- During the three-month period ended March 31, 2021, and up to the date of this MD&A, we did not purchase or cancel any shares pursuant to our NCIB.

Report on financing and capital structure management plans

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

- Our issued and outstanding commercial paper was $1.4 billion at March 31, 2022, all of which was denominated in U.S. dollars (US$1.1 billion), compared to $1.9 billion (US$1.5 billion) at December 31, 2021, and $0.9 billion (US$0.7 billion) at March 31, 2021.
- Net draws due to a syndicate of financial institutions (excluding TELUS Corporation) on the TI credit facility were US$818 million at March 31, 2022, compared to US$854 million at December 31, 2021, and US$939 million at March 31, 2021. The TI credit facility is non-recourse to TELUS Corporation.
- Proceeds from securitized trade receivables were $100 million at March 31, 2022, unchanged from December 31, 2021 and March 31, 2021.

Maintain compliance with financial objectives

- Maintain investment grade credit ratings in the range of BBB+ or the equivalent – On May 6, 2022, investment grade credit ratings from the four rating agencies that cover TELUS were in the desired range. (See *Section 7.8 Credit ratings*.)
- Net debt to EBITDA – excluding restructuring and other costs ratio of 2.20 to 2.70 times – As measured at March 31, 2022, this ratio was 3.18 times, outside of the objective range, primarily due to the acquisition of spectrum licences as spectrum is our largest indefinite life asset, and the impacts of the COVID-19 pandemic. The net effect of business dispositions and business acquisitions increased the ratio. Given the cash demands of the 2019 600 MHz, the 2021 3500 MHz and upcoming spectrum auctions, as well as the inability to predict impacts of the COVID-19 pandemic, the assessment of the guideline and return to the objective range remains to be determined; however, it is our intent to return to a ratio below 2.70 times in the medium term (following the 2021, and upcoming 2023 and 2024, spectrum auctions), consistent with our long-term strategy. (See *Section 7.5 Liquidity and capital resource measures*.)
- Common Share dividend payout ratio of 60 to 75% of free cash flow on a prospective basis – Our objective range is on a prospective basis. The Common Share dividend payout ratio[1] we present in this MD&A is a historical measure utilizing the most recent four quarters of dividends declared, net of dividend reinvestment plan effects, and free cash flow, and is disclosed for illustrative purposes in evaluating our target guideline. As at March 31, 2022, the ratio was 129%, outside of the objective range, primarily due to: (i) our planned accelerated capital expenditures program to support our broadband capital investments, the build-out of our TELUS PureFibre infrastructure and the acceleration of our 5G network roll-out; and (ii) the fiscal 2021 impact of the pandemic. Excluding the effects of our accelerated capital expenditures program of $908 million, as at March 31, 2022, the ratio was 63%. (See *Section 7.5 Liquidity and capital resource measures*.)
- Generally maintain a minimum of $1 billion in available liquidity – As at March 31, 2022, our available liquidity[1] was over $2.6 billion. (See *Section 7.6 Credit facilities* and *Liquidity risk* in *Section 7.9*.)

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

4.4 Changes in internal control over financial reporting

For the three-month period ended March 31, 2022, there were no changes in internal control over financial reporting that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

5. Discussion of operations

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

5.1 General

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

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

The digitally-led customer experiences – TELUS International (DLCX) segment, which has the U.S. dollar as its primary functional currency, is comprised of digital customer experience and digital-enablement transformation solutions, including artificial intelligence (AI) and content management solutions, provided by TELUS International.

5.2 Summary of consolidated quarterly results and trends

Summary of quarterly results

($ millions, except per share amounts)	**2022 Q1**	2021 Q4	2021 Q3	2021 Q2	2021 Q1	2020 Q4	2020 Q3	2020 Q2
Operating revenues and other income[1]	**4,282**	4,872	4,251	4,111	4,024	4,060	3,981	3,728
Operating expenses								
Goods and services purchased[2]	**1,594**	1,882	1,660	1,609	1,548	1,766	1,632	1,458
Employee benefits expense[2]	**1,119**	1,108	1,095	1,051	1,015	958	959	911
Depreciation and amortization	**842**	830	804	793	789	789	773	725
Total operating expenses	**3,555**	3,820	3,559	3,453	3,352	3,513	3,364	3,094
Operating income	**727**	1,052	692	658	672	547	617	634
Financing costs before long-term debt prepayment premium	**179**	192	184	203	207	190	187	184
Long-term debt prepayment premium	**—**	—	10	—	—	—	—	18
Income before income taxes	**548**	860	498	455	465	357	430	432
Income taxes	**144**	197	140	111	132	86	109	117
Net income	**404**	663	358	344	333	271	321	315
Net income attributable to Common Shares	**385**	644	345	335	331	260	307	290
Net income per Common Share:								
Basic earnings per share (EPS)	**0.28**	0.47	0.25	0.25	0.25	0.20	0.24	0.23
Adjusted basic EPS[3]	**0.30**	0.23	0.29	0.26	0.27	0.22	0.28	0.25
Diluted EPS	**0.28**	0.47	0.25	0.25	0.25	0.20	0.24	0.23
Dividends declared per Common Share	**0.3274**	0.3274	0.3162	0.3162	0.3112	0.3112	0.29125	0.29125
Additional information:								
EBITDA	**1,569**	1,882	1,496	1,451	1,461	1,336	1,390	1,359
Restructuring and other costs	**39**	44	63	38	41	71	58	70
Other equity losses related to real estate joint ventures	**—**	1	—	1	1	2	8	3
Gain on disposition of financial solutions business	**—**	410	—	—	—	—	—	—
Retirement of a provision arising from business acquisition-related written put options within DLCX	**—**	—	—	—	—	—	—	71
Adjusted EBITDA	**1,608**	1,517	1,559	1,490	1,503	1,409	1,456	1,361
Cash provided by operating activities	**1,135**	896	1,309	1,244	939	1,033	902	1,462
Free cash flow	**415**	43	203	210	321	218	161	511

1 In the fourth quarter of 2021, we recorded a gain on disposition of our financial solutions business of $410 million.
2 Goods and services purchased and Employee benefits expense amounts include restructuring and other costs.
3 See *Section 11.1 Non-GAAP and other specified financial measures*.

Trends

COVID-19 was characterized as a pandemic in March 2020 and has had significant impacts on our business. The pandemic prevents us, our customers and our suppliers from operating in traditional manners of business in certain areas. While we expect the pandemic to continue to affect our operations until at least 2023, we have adapted, and continue to adapt, to future modes of operating.

The trend of year-over-year increases in consolidated revenue reflects TTech growth, including: (i) mobile network revenue generated from growth in our subscriber base, as well as the acceleration of Internet of Things (IoT) connections, largely offset by COVID-19 pandemic impacts, such as lower roaming revenue related to travel behaviours; (ii) fixed data services growth across consumer and business lines in internet revenues, TV revenues, home and business security revenues, and other advanced application offerings; (iii) certain health revenues, including health benefits management, collaborative health records, pharmacy management and virtual pharmacy solutions, as well as our virtual care solutions; and (iv) agriculture services growth driven by our digital solutions and data analytics. Increasing consolidated revenue has been partly offset by moderating equipment revenue growth attributed to changes in customers' general shopping habits in retail outlets, as well as by suppressed handset upgrade volumes and global chipset constraints in our supply chain. Consolidated revenue has also been impacted by other pandemic impacts, such as the temporary closure of our TELUS Health Care Centres in 2020, which began operating at reduced volume in 2021 and the early part of 2022, and business customers faced with reduced and/or closed operations. Increased internet and data services and TV service revenues are being generated by subscriber growth and higher internet revenue per customer. There has also been increased customer adoption of our home and business security services and we have been successfully bundling mobility and home services. Other income in the fourth quarter of 2021 includes a gain on disposition of our financial solutions business of $410 million. For additional information on mobile and fixed revenue and subscriber trends, see *Section 5.4 TELUS technology solutions segment*.

Year-over-year increases in consolidated revenue also reflect growth in DLCX revenue from a combination of business acquisitions, including Competence Call Center (CCC) on January 31, 2020, which was subsequently rebranded as TELUS International Northern Europe or TINE and comprises substantially of CCC, and Lionbridge AI on December 31, 2020, which was subsequently rebranded as TELUS International AI Data Solutions (TIAI), as well as organic external customer growth.

The trend of year-over-year increases in Goods and services purchased reflects increased expenses to support growth in our DLCX business, our subscriber base and business acquisitions; increased fixed data product costs of sales associated with a growing subscriber base; and higher operating costs associated with growth related to scaling our health offerings, agriculture services and our digital capabilities. TIAI utilizes contracted labour in servicing its customers as compared to solely utilizing employees, and these contracted services have contributed to year-over-year increases in Goods and services purchased throughout 2021.

The trend of year-over-year increases in net Employee benefits expense reflects increases in the number of employees related to business acquisitions, including those supporting the growth of DLCX revenue, health offerings, agriculture offerings and our other complementary businesses. This was partly offset by moderating salaries expense resulting from reductions in the number of full-time equivalent (FTE) domestic employees, excluding business acquisitions, related in part to absorbed vacancies as we continued to digitize our customer experience. We experienced year-over-year increases in net Employee benefits expense in 2021 related to merit-based compensation increases, including an April 2021 compensation program increase.

The trend of year-over-year increases in Depreciation and amortization reflects increases related to capital assets acquired in business acquisitions; growth in capital assets in support of the expansion of our broadband footprint, including our generational investment to connect homes and businesses to TELUS PureFibre and 5G technology coverage; and growth in internet, TV and security subscriber loading. The investments in our fibre-optic technology also support our technology strategy to improve coverage and capacity, including the ongoing build-out of our 5G network.

The trend of general year-over-year increases in Financing costs reflects an increase in long-term debt outstanding, mainly associated with our investments in spectrum, fibre and mobile technology, as well as business acquisitions. Financing costs include a long-term debt prepayment premium of $10 million in the third quarter of 2021 and $18 million in the second quarter of 2020. Moreover, Financing costs are net of capitalized interest related to spectrum licences acquired during the 600 MHz spectrum auction, which we commenced deploying into our existing network in 2021, and during the 3500 MHz spectrum auction. Financing costs also include Interest accretion on provisions (asset retirement obligations and written put options) and Employee defined benefit plans net interest. Additionally, for the eight periods shown, Financing costs include varying amounts of foreign exchange gains or losses and varying amounts of interest income.

The trend in Net income reflects the items noted above, as well as non-cash adjustments arising from substantively enacted changes in income tax and adjustments recognized in the current periods for income taxes of prior periods. Historically, the trend in basic EPS has reflected trends in Net income. For further discussion of trends, see *Section 5.4 TELUS technology solutions segment* and *Section 5.5 Digitally-led customer experiences – TELUS International segment*.

5.3 Consolidated operations

The following is a discussion of our consolidated financial performance. We discuss the performance of our segments in *Section 5.4 TELUS technology solutions segment* and *Section 5.5 Digitally-led customer experiences – TELUS International segment*.

Operating revenues

Three-month periods ended March 31 ($ in millions)	2022	2021	Change
Operating revenues			
Service	**3,765**	3,502	7.5%
Equipment	**491**	520	(5.6)%
Operating revenues (arising from contracts with customers)	**4,256**	4,022	5.8%
Other income	**26**	2	n/m
Operating revenues and other income	**4,282**	4,024	6.4%

Consolidated Operating revenues and other income increased by $258 million in the first quarter of 2022.

- **Service revenues** increased by $263 million in the first quarter of 2022. TTech service revenue growth of $154 million was driven by (i) higher mobile network revenues driven by increased roaming revenues and growth in our mobile phone and connected devices subscriber bases; (ii) increased internet and data service revenues driven by higher revenue per customer, internet, security and TV subscriber growth, business acquisitions and expanded services; (iii) growth in agriculture services revenues inclusive of business acquisitions; and (iv) growth in health services revenues, largely driven by organic growth. This was partly offset by continued declines in legacy fixed voice and legacy fixed data services revenues. Growth in DLCX operating revenues resulted from organic growth from both expanded services for existing clients and growth from new clients.
- **Equipment revenues** decreased by $29 million in the first quarter of 2022, reflecting lower mobile handset upgrade volumes, partly offset by higher-value smartphones in the sales mix.
- **Other income** increased by $24 million in the first quarter of 2022, largely resulting from the reversal of provisions for contingent consideration related to business acquisitions.

Operating expenses

Three-month periods ended March 31 ($ in millions)	2022	2021	Change
Goods and services purchased	**1,594**	1,548	3.0%
Employee benefits expense	**1,119**	1,015	10.2%
Depreciation	**551**	524	5.2%
Amortization of intangible assets	**291**	265	9.8%
Operating expenses	**3,555**	3,352	6.1%

Consolidated operating expenses increased by $203 million in the first quarter of 2022.

- **Goods and services purchased** increased by $46 million in the first quarter of 2022 mainly due to: (i) organic DLCX business growth; (ii) higher costs associated with business acquisitions, as well as costs associated with scaling our agriculture and health businesses; (iii) higher costs related to the scaling of our digital capabilities, inclusive of increased subscription-based licences; (iv) higher product and service costs supporting growth across our subscriber connections, including TV subscribers; (v) higher non-labour-related restructuring costs; and (vi) higher roaming expenses. These increases were partly offset by (i) lower mobile equipment sales expense due to lower handset upgrade volumes, although this was partly muted by higher-value smartphones in the sales mix; (ii) lower commissions expense associated with an increased mix of digital sales and lower mobile handset upgrade volumes; and (iii) lower advertising and promotional costs.
- **Employee benefits expense** increased by $104 million in the first quarter of 2022, largely due to: (i) organic DLCX business growth; (ii) merit-based compensation increases; and (iii) higher compensation and benefit costs resulting from an increase in the number of employees related to business acquisitions. These increases were partly offset by lower share-based compensation in our DLCX segment resulting from mark-to-market adjustments on liability-accounted awards caused by a decrease in the TI share price, as compared to the comparative period, which saw an increase in the TI share price following the initial public offering (IPO), in addition to higher capitalized labour costs.
- **Depreciation** increased by $27 million in the first quarter of 2022, primarily due to growth in capital assets over the past 12 months, including our expanded broadband footprint and business acquisitions, as well as asset retirement activity, which generated accelerated depreciation on those assets.
- **Amortization of intangible assets** increased by $26 million in the first quarter of 2022 arising from business acquisitions and higher expenditures associated with the intangible asset base over the past 12 months.

Operating income

Three-month periods ended March 31 ($ in millions)	2022	2021	Change
TTech EBITDA[1] (See *Section 5.4*)	**1,400**	1,336	4.8%
DLCX EBITDA[1] (See *Section 5.5*)	**169**	125	35.1%
EBITDA	**1,569**	1,461	7.4%
Depreciation and amortization (discussed above)	**(842)**	(789)	6.7%
Operating income (consolidated earnings before interest and income taxes (EBIT))	**727**	672	8.2%

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

Operating income increased by $55 million in the first quarter of 2022, while EBITDA increased by $108 million in the first quarter of 2022, reflective of: (i) higher mobile network revenues; (ii) increased internet and data service revenues driven by higher revenue per customer, internet, security, and TV subscriber growth, business acquisitions and expanded services; and (iii) increased contribution from our DLCX business. This was partly offset by: (i) higher employee benefits expense; (ii) higher costs related to the scaling of our digital capabilities, inclusive of increased subscription-based licences; and (iii) lower legacy fixed voice and legacy fixed data services revenues.

Adjusted EBITDA

Three-month periods ended March 31 ($ in millions)	2022	2021	Change
TTech Adjusted EBITDA[1] (See *Section 5.4*)	**1,435**	1,365	5.1%
DLCX Adjusted EBITDA[1,2] (See *Section 5.5*)	**173**	138	25.3%
Adjusted EBITDA	**1,608**	1,503	7.0%

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

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

Adjusted EBITDA increased by $105 million or 7.0% in the first quarter of 2022, reflecting the factors mentioned in the Operating income discussion above.

Financing costs

Three-month periods ended March 31 ($ in millions)	2022	2021	Change
Interest on long-term debt, excluding lease liabilities – gross	**169**	171	(1.2)%
Interest on long-term debt, excluding lease liabilities – capitalized	**(15)**	—	n/m
Interest on lease liabilities	**16**	17	(5.9)%
Interest on short-term borrowings and other	**4**	3	33.3%
Interest accretion on provisions	**3**	5	(40.0)%
Interest expense	**177**	196	(9.7)%
Employee defined benefit plans net interest	**2**	6	(66.7)%
Foreign exchange losses	**1**	6	(83.3)%
Interest income	**(1)**	(1)	— %
Financing costs	**179**	207	(13.5)%

Financing costs decreased by $28 million in the first quarter of 2022, mainly due to the following factors:

- **Interest expense** decreased by $19 million in the first quarter of 2022, primarily resulting from capitalized long-term debt interest, excluding lease liabilities, which was in respect of debt incurred for the purchase of spectrum licences during the 3500 MHz spectrum auction held in June to July 2021 by Innovation, Science and Economic Development Canada (ISED).
- **Employee defined benefit plans net interest** decreased by $4 million in the first quarter of 2022, primarily due to the change in the defined benefit plan deficit as at December 31, 2021 to $190 million (net of the plan asset ceiling limit of $179 million), compared to the defined benefit plan deficit of $913 million (net of the plan asset ceiling limit of $123 million) one year earlier, partly offset by an increase in the discount rate.
- **Foreign exchange losses** changed by $5 million in the first quarter of 2022, primarily reflecting changes in the value of the Canadian dollar relative to the U.S. dollar.

Income taxes

Three-month periods ended March 31 ($ in millions, except tax rates)	2022	2021	Change
Income taxes computed at applicable statutory rates (%)	**25.5**	25.6	(0.1) pts.
Non-deductible amounts (%)	**(0.3)**	1.4	(1.7) pts.
Other (%)	**1.1**	1.5	(0.4) pts.
Effective tax rate (%)	**26.3**	28.5	(2.2) pts.
Income taxes computed at applicable statutory rates	**140**	119	17.6%
Non-deductible amounts	**(2)**	6	(133.3)%
Other	**6**	7	(14.3)%
Income taxes	**144**	132	9.1%

Total income tax expense increased by $12 million in the first quarter of 2022. The effective tax rate decreased from 28.5 to 26.3% in the first quarter of 2022, primarily due to changes in non-deductible amounts related to TI's IPO in the first quarter of 2021 as well as higher non-taxable income in the first quarter of 2022.

Comprehensive income

Three-month periods ended March 31 ($ in millions)	2022	2021	Change
Net income	**404**	333	21.3%
Other comprehensive income (net of income taxes):			
Items that may be subsequently reclassified to income	**22**	13	69.2%
Items never subsequently reclassified to income	**164**	674	(75.7)%
Comprehensive income	**590**	1,020	(42.2)%

Comprehensive income decreased by $430 million, primarily attributable to employee defined benefit plans net re-measurement amounts, partly offset by the increase in Net income. Items that may subsequently be reclassified to income are composed of changes in the unrealized fair value of derivatives designated as cash flow hedges and foreign currency translation adjustments arising from translating financial statements of foreign operations. Items never subsequently reclassified to income are composed of employee defined benefit plans re-measurement amounts and changes in measurement of investment financial assets.

5.4 TELUS technology solutions segment

TTech trends and seasonality

Over the past eight quarters, the COVID-19 pandemic has impacted our business and we are not able to estimate its ultimate duration or the extent of its impact. The pandemic prevents us, our customers and our suppliers from operating in the normal course of business in certain areas, and we expect it to continue to affect our operations until at least 2023. For example, with the uncertainty surrounding COVID-19 variants, global population vaccine uptake, and government and land border restrictions, consumer and business travel levels are uncertain, which impacts roaming revenues. As well, our business customers who use our services have been experiencing, and in some instances continue to experience, reduced and/or closed operations. Additionally, our health services offerings are impacted, as TELUS Health Care Centres were unable to provide their full suite of core services in 2020 and have largely operated at reduced volumes throughout 2021 and the early part 2022. Impacts directly associated with the pandemic, such as the reduction of roaming revenue and health services (including TELUS Health Care Centres and health benefits management offerings) may be temporary in nature and have the potential to return to pre-pandemic levels once the pandemic has subsided or ended.

The historical trend over the past eight quarters in mobile network revenue reflects growth in our mobile phone subscriber base, as well as the acceleration of IoT connections. This is partly offset by declining mobile phone ARPU, primarily due to: (i) the impacts of the COVID-19 pandemic on international travel and international roaming revenues; (ii) carriers offering larger allotments of data, as well as rate plans that include bonus data, unlimited data plans and data sharing; and (iii) consumer behavioural response to more frequent customer data usage notifications and offloading of data traffic to increasingly available Wi-Fi hotspots, including within the home as a result of the pandemic. This decline in growth has been partly offset by an increased mix of higher-value rate plans and an increased proportion of higher-value customers in the subscriber mix. As a result of changing industry dynamics, customers have been able to gain access to higher network speeds and larger allotments of data included for a given price point, further limiting mobile phone ARPU expansion, as customers are continuing to obtain plans with a lower cost per gigabyte.

Mobile equipment revenue growth has been moderating, largely due to the impacts of various waves of the pandemic on our retail traffic, in terms of both mandated health restrictions and customer behaviour. Global chipset constraints in our supply chain became more prominent across the industry in the third quarter of 2021 and are expected to continue through 2022. These factors have been partly offset by our digital and other direct fulfilment channels and our efforts to moderate supply constraints by leveraging our certified pre-owned device inventory, Bring-it-Back® device program and device repair businesses, including Mobile Klinik. Over the past eight quarters, an increase of higher-value smartphones in the sales mix and improved collectability of device balances have been offset by a lower volume of new contracts due to: (i) the improving durability and increasing cost of popular devices that result in customers deferring upgrades; (ii) growing adoption of device financing arrangements, which provide transparency of full device costs and result in customers deferring device upgrades; and (iii) most recently, the effects of the pandemic on customers, the industry, global chipset constraints in our supply chain and methods of distribution, and the Canadian economy.

The general trend of year-over-year increases in mobile phone subscriber net additions are attributable to: (i) our low churn rate, which reflects our customers first efforts, upgrade volume programs and focus on building, maintaining and enhancing our high-quality network; (ii) the success of our promotions, including the bundling of our mobility and home services; (iii) the effects of market growth arising from a growing population, changing population demographics and an increasing number of customers with multiple devices; and (iv) continuous improvements in the speed and quality of our network. Additionally, the pandemic has caused customers to change their behaviour, such as reducing travel and making fewer visits to retail outlets, thereby reducing churn.

Our connected device subscriber base has been growing primarily as a result of our expanded IoT offerings, partly offset by our strategic decision to reduce loading of low or negative-margin tablets, as well as the impacts of global semiconductor part shortages and supply constraints resulting in IoT customer loading delays. Our spectrum investments and capital expenditures on network improvements increase capacity and coverage, allowing us to grow revenue through net additions of mobile phone and connected devices subscribers.

Our internet subscriber base has grown as we continued our investments in expanding our fibre-optic infrastructure, supplemented by our low customer churn rate. The total number of TV subscribers has increased (in contrast to market-reported declines in traditional television viewing habits) as a result of healthy net additions in response to our diverse and flexible product offerings, combined with our low customer churn rate. Security subscriber base growth is increasing as a result of organic growth and business acquisitions. Home services growth has also been attributable to the adoption of the TELUS Whole Home bundle and the bundling of our mobility and home services to meet the demand for multiple services per home. Adoption increases our services per home and positively impacts churn for most products, in addition to the effectiveness of our self-install and virtual install models. Residential voice subscriber losses continue to reflect the ongoing trend of substitution to mobile and internet-based services, but are partly mitigated by the success of our bundled service and lower-priced offerings.

The trend of growing fixed data services revenues is due to the continued appetite for faster internet speeds and larger bandwidth, as well as our diverse suite of TV, home and business security, and other advanced application offerings, which are enabled by investments in our fibre-optic footprint. The trend of declining legacy fixed voice revenues is due to technological substitution and intensification of competition in the small and medium-sized business market; however, our rate of decline has been moderating with our utilization of bundled product offerings and successful retention efforts. The migration of business product and service offerings to IP services and the introduction of new competitors have yielded inherently lower margins compared to some legacy business product and service offerings; however, we are continually refining and diversifying our innovative suite of business offerings.

The trend of growth in health service revenues has been propelled by the adoption of our health offerings, including virtual care solutions, collaborative health records, health benefits management and personal health monitoring solutions. In health, we are well positioned to improve the lives and outcomes for Canadians. Our competencies and assets in health, combined with the trend in digitization and automation, position us well to bolster the Canadian healthcare system in a complementary fashion. With our technology heritage, we see the trend moving the healthcare system to improved efficiency and improved outcomes through better insights. We also believe Canadians will have greater control of their healthcare outcomes through the integration of disparate data (better flow of information across the system) and consent-based management. While the pandemic has disrupted the operations of our TELUS Health Care Centres since March 2020, our diversified virtual care offerings continue to grow to meet the healthcare needs of Canadians and drive better health outcomes, including the accelerated adoption of virtual consultations, as reflected in our growing number of virtual care members. Our health benefits management solution is influenced by the number of lives covered and the number of benefit claims, which were disrupted by the pandemic. We expect the demand for these services to increase as the pandemic subsides.

The trend of growth in agriculture services is the result of business acquisitions, expansion of our solutions and organic growth in an effort to meet increasing demand for digital solutions within the agriculture industry. Through our global team and cloud-based solutions, we are able to service our diverse client base, including growers, producers, agronomists, advisors, processors, and retailers by helping them drive more effective and agile decision-making to address changing consumer demands, improve profitability and create a better flow of information across the value chain, thus improving the safety and sustainability of our food system.

TTech operating indicators

At March 31	**2022**	2021	Change
Subscriber connections (thousands):			
Mobile phone	**9,336**	8,954	4.3%
Connected device[1]	**2,146**	1,859	15.4%
Internet	**2,301**	2,155	6.8%
TV	**1,275**	1,226	4.0%
Residential voice	**1,113**	1,154	(3.6)%
Security	**830**	724	14.6%
Total telecom subscriber connections[1]	**17,001**	16,072	5.8%
LTE population coverage[2] (millions)	**37.0**	37.0	— %
5G population coverage[2] (millions)	**27.5**	10.6	n/m

Three-month periods ended March 31	**2022**	2021	Change
Mobile phone gross additions (thousands):	**272**	270	0.7%
Subscriber connection net additions (losses) (thousands):			
Mobile phone	**46**	31	48.4%
Connected device	**46**	63	(27.0)%
Internet	**30**	33	(9.1)%
TV	**10**	11	(9.1)%
Residential voice	**(10)**	(10)	— %
Security	**26**	17	52.9%
Total telecom subscriber connection net additions	**148**	145	2.1%
Mobile phone ARPU, per month[3] ($)	**56.45**	56.10	0.6%
Mobile phone churn, per month[4] (%)	**0.81**	0.89	(0.08) pts.
Health services (millions)			
Healthcare lives covered	**21.9**	17.5	25.1%
Virtual care members	**3.3**	2.0	65.0%
Digital health transactions	**139.6**	133.3	4.7%

1 Effective January 1, 2022 on a prospective basis, following an in-depth review of our definition of a subscriber, we adjusted our connected devices subscriber base to remove 34,000 subscribers within a legacy reporting system.

2 Including network access agreements with other Canadian carriers.

3 This is an other specified financial measure. See *Section 11.1 Non-GAAP and other specified financial measures*. This is an industry measure useful in assessing operating performance of a mobile products and services company, but is not a measure defined under IFRS-IASB.

4 See *Section 11.2 Operating indicators*.

- **Mobile phone gross additions** were 272,000 in the first quarter of 2022, an increase of 2,000, driven by improvements in retail traffic as pandemic-related restrictions had lessened when compared to the prior year, as well as our successful promotions, including the bundling of mobility and home services.
- Our **mobile phone churn rate** was 0.81% in the first quarter of 2022, compared to 0.89% in the first quarter of 2021, reflecting the overall continued focus on customer retention through increased family discount and bundling efforts, and changes in customer preferences to hold onto devices for longer periods of time. Churn continues to benefit from our successful bundling of mobility and home services, our focus on executing customers first initiatives and upgrade volume programs, and our leading network quality.
- **Mobile phone net additions** were 46,000 in the first quarter of 2022, an increase of 15,000, bolstered by consistently low customer churn as described above, particularly among high-value customers, while also realizing improvements driven by increased retail traffic compared to the prior year.
- **Mobile phone ARPU** was $56.45 in the first quarter of 2022, an increase of $0.35 or 0.6%, largely due to roaming improvements as a result of increased international travel volumes, albeit still below our pre-pandemic baseline. This was partially offset by the impact of the competitive environment putting pressure on base rate plan prices in the current and prior periods, lower chargeable usage revenues as customers continue to adopt larger data allotments in their rate plans, in addition to offering higher family discount and bundling credits to our customers which helps us drive lower churn and results in greater lifetime value.
- **Connected device net additions** were 46,000 in the first quarter of 2022, a decrease of 17,000, largely due to churn from a rationalization with a large customer, as well as IoT customer loading delays stemming from global semiconductor part shortages and supply constraints impacting the industry.
- **Internet net additions** were 30,000 in the first quarter of 2022, a decrease of 3,000, due to modestly higher churn compared to relatively low churn rates earlier in the pandemic. This more than offset our success in driving strong

gross additions through bundled product offerings, including the TELUS Whole Home bundle and our bundling of mobility and home services.

- **TV net additions** were 10,000 in the first quarter of 2022, a decrease of 1,000, mainly due to modestly higher churn compared to relatively low churn rates earlier in the pandemic, offset by strong loading in the business market.
- **Residential voice net losses** were 10,000 in the first quarter of 2022, unchanged compared to residential voice net losses of 10,000 in the first quarter of 2021. The residential voice subscriber losses continue to reflect the trend of substitution to mobile and internet-based services, mostly mitigated by our expanding fibre footprint and bundled product offerings, as well as our strong retention efforts, including lower-priced offerings.
- **Security net additions** were 26,000 in the first quarter of 2022, an increase of 9,000, driven by strong growth in new connections through demand for our bundled product offerings and diverse suite of products and services. Our continued focus on connecting more homes and businesses directly to fibre, expanding and enhancing our addressable high-speed internet and Optik TV footprint, and bundling these services together, contributed to combined internet, TV and security subscriber growth of 301,000 over the past 12 months.
- **Healthcare lives covered** were 21.9 million as of the end of the first quarter of 2022, an increase of 4.4 million over the past 12 months, mainly due to the continued demand for virtual solutions, an increase in value-added services including vaccination solutions, and an increase in coverage related to elective health services.
- **Virtual care members** were 3.3 million as of the end of the first quarter of 2022, an increase of 1.3 million over the past 12 months, due to the continued adoption of virtual solutions to keep Canadians safely connected to health and wellness care during the pandemic.
- **Digital health transactions** were 139.6 million in the first quarter of 2022, an increase of 6.3 million, largely driven by higher adjudication and collaborative health transactions as plan members resume the utilization of elective health services with pandemic restrictions easing.

Operating revenues and other income – TTech segment

Three-month periods ended March 31 ($ in millions)	**2022**	2021	Change
Mobile network revenue	**1,577**	1,503	4.9%
Mobile equipment and other service revenues	**440**	473	(7.0)%
Fixed data services[1]	**1,057**	1,005	5.2%
Fixed voice services	**200**	214	(6.5)%
Fixed equipment and other service revenues	**113**	107	5.6%
Health services	**140**	123	13.8%
Agriculture services	**85**	62	37.1%
Operating revenues (arising from contracts with customers)	**3,612**	3,487	3.6%
Other income	**26**	2	n/m
External Operating revenues and other income	**3,638**	3,489	4.3%
Intersegment revenues	**4**	5	(20.0)%
TTech Operating revenues and other income	**3,642**	3,494	4.2%

1 Excludes health services and agriculture services.

TTech Operating revenues and other income increased by $148 million in the first quarter of 2022.

Mobile network revenue increased by $74 million or 4.9% in the first quarter of 2022, due to growth in the mobile phones and connected device subscriber base over the past 12 months, in addition to higher mobile phone ARPU, as described above.

Mobile equipment and other service revenues decreased by $33 million in the first quarter of 2022, largely due to lower mobile handset upgrade volumes as a result of changes in customer preferences to hold onto devices for longer periods of time, as discussed above. This is partly offset by the impact of higher-value smartphones in the sales mix.

Fixed data services revenues increased by $52 million in the first quarter of 2022 across consumer and business lines. The increase was driven by: (i) increased internet and data service revenues, reflecting higher revenue per customer resulting from internet speed upgrades, larger allotted data internet rate plans and rate changes, in addition to a 6.8% increase in our internet subscribers over the past 12 months; (ii) increased revenues from home and business security driven by expanded services and customer growth of 14.6% over the past 12 months; and (iii) higher TV revenues, reflecting subscriber growth of 4.0% over the past 12 months, partly offset by an increased mix of customers selecting smaller TV combination packages and technological substitution. This growth was partially offset by the impact of the fourth quarter 2021 disposition of our financial solutions business and the ongoing decline in legacy data service revenues.

Fixed voice services revenues decreased by $14 million in the first quarter of 2022, reflecting the ongoing decline in legacy voice revenues resulting from technological substitution and price plan changes. Declines were partly mitigated by the success of our bundled product offerings, retention efforts and the migration from legacy to IP services offerings.

Fixed equipment and other service revenues increased by $6 million in the first quarter of 2022, reflecting higher sales volume and lower discounts on business and consumer premise equipment.

Health services revenues increased by $17 million in the first quarter of 2022, driven by: (i) higher adoption of our virtual pharmacy solutions, inclusive of organic growth and business acquisitions; (ii) growth in health benefits management services with plan members resuming the use of elective health services; (iii) higher revenues from the continued adoption of our virtual care solutions; (iv) growth in our LivingWell Companion subscriber base; and (v) growth in collaborative health records adoption.

Agriculture services revenues increased by $23 million in the first quarter of 2022, largely reflecting the impacts of business acquisitions, particularly with increased revenues from SaaS-based revenue management software for consumer goods manufacturers, in addition to organic contributions from increased animal agriculture pharmacy and research revenues. Our agriculture revenues are largely earned in U.S. dollars, and in the first quarter of 2022 compared to the first quarter of 2021, the Canadian dollar remained steady against to the U.S. dollar.

Other income increased by $24 million in the first quarter of 2022, largely resulting from the reversal of provisions for contingent consideration related to business acquisitions.

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

Direct contribution – TTech segment

	Mobile products and services[1]			Fixed products and services[1,2]			Total TTech		
Three-month periods ended March 31 ($ in millions)	**2022**	2021	Change	**2022**	2021	Change	**2022**	2021	Change
REVENUES									
Service	**1,600**	1,526	4.8%	**1,521**	1,441	5.6%	**3,121**	2,967	5.2%
Equipment	**417**	452	(7.7)%	**74**	68	8.8%	**491**	520	(5.6)%
Operating revenues (arising from contracts with customers)	**2,017**	1,978	2.0%	**1,595**	1,509	5.7%	**3,612**	3,487	3.6%
EXPENSES									
Direct expenses	**593**	632	(6.2)%	**461**	427	8.0%	**1,054**	1,059	(0.5)%
Direct contribution	**1,424**	1,346	5.8%	**1,134**	1,082	4.8%	**2,558**	2,428	5.4%

1 Includes health services.
2 Includes agriculture services.

The direct expenses included in the direct contribution calculations in the preceding table represent a component of the Goods and services purchased and Employee benefits expense totals included in the table below and have been calculated in accordance with the accounting policies used to prepare the totals presented in the financial statements. TTech direct contribution increased by $130 million or 5.4% in the first quarter of 2022.

TTech mobile products and services direct contribution increased by $78 million or 5.8% in the first quarter of 2022, largely due to higher network revenues and higher equipment margins.

TTech fixed products and services direct contribution increased by $52 million or 4.8% in the first quarter of 2022, due to growth in margins for internet and data, health and agriculture services. This was partly offset by declining legacy data and legacy voice margins.

Operating expenses – TTech segment

Three-month periods ended March 31 ($ in millions)	**2022**	2021	Change
Goods and services purchased[1]	**1,561**	1,533	1.8%
Employee benefits expense[1]	**681**	625	9.0%
TTech operating expenses	**2,242**	2,158	3.9%

1 Includes restructuring and other costs.

TTech operating expenses increased by $84 million in the first quarter of 2022.

Goods and services purchased increased by $28 million in the first quarter of 2022, reflecting: (i) higher costs related to business acquisitions, as well as costs associated with scaling our agriculture and health businesses; (ii) higher costs related to the scaling of our digital capabilities, inclusive of increased subscription-based licences; (iii) higher product and service costs in support of our growing subscriber connections, including TV subscribers; (iv) higher non-labour-related restructuring costs; and (v) higher roaming expenses. These factors were partly offset by: (i) lower mobile equipment sales expense due to lower handset upgrade volumes, although this was partly muted by higher value mobile devices in the sales mix; (ii) lower commissions expense associated with an increased mix of digital sales and lower mobile handset upgrade volumes; and (iii) lower advertising and promotional costs.

Employee benefits expense increased by $56 million in the first quarter of 2022, primarily due to merit-based compensation increases, as well as higher compensation and benefits costs resulting from an increase in the number of employees related to business acquisitions. These increases were partly offset by higher capitalized labour costs.

EBITDA – TTech segment

Three-month periods ended March 31 ($ in millions, except margins)	2022	2021	Change
EBITDA	**1,400**	1,336	4.8%
Add restructuring and other costs included in EBITDA	**35**	28	n/m
Add other equity losses related to real estate joint ventures	**—**	1	n/m
Adjusted EBITDA	**1,435**	1,365	5.1%
EBITDA margin[1] (%)	**38.4**	38.3	0.1 pts.
Adjusted EBITDA margin[1] (%)	**39.4**	39.1	0.3 pts.

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

TTech EBITDA increased by $64 million or 4.8% in the first quarter of 2022. TTech Adjusted EBITDA increased by $70 million or 5.1% in the first quarter of 2022, reflecting an increase in direct contribution. This was partially offset by higher employee benefits expense, higher costs related to the scaling of our digital capabilities, inclusive of increased subscription-based licences, and higher costs related to business acquisitions.

EBIT – TTech segment

Three-month periods ended March 31 ($ in millions)	2022	2021	Change
EBITDA	**1,400**	1,336	4.8%
Depreciation	**(514)**	(489)	5.1%
Amortization of intangible assets	**(245)**	(220)	11.4%
EBIT[1]	**641**	627	2.2%

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

TTech EBIT increased by $14 million in the first quarter of 2022. Depreciation and amortization increased in the first quarter of 2022 due to business acquisitions and growth in capital assets over the past 12 months, including our expanded fibre footprint and 5G network roll-out, in addition to accelerated depreciation from asset retirement activity and higher depreciation on right-of-use lease assets.

5.5 Digitally-led customer experiences – TELUS International segment

DLCX trends

Over the past eight quarters, the COVID-19 pandemic has impacted our business and we are not able to estimate its ultimate duration or the extent of its impact. As our service delivery centres are located in multiple geographic regions, the varying degrees of severity and recovery efforts from the pandemic in the countries we operate has required us to evolve our business operations. As of the date of this report, the majority of our team members continue to work remotely, as they have since the onset of the pandemic, and in some cases we have thoughtfully and strategically returned team members to delivery locations. Over the past few quarters, we were able to largely mitigate the negative impact on our financial condition, financial performance and operating cash flows by taking steps to strategically grow our client base and contain costs. The pandemic prevents us and our clients from operating in the normal course of business in certain areas, and we are unable to quantify with precision the impact that the pandemic has had or will have on our revenue. We expect the pandemic to continue to affect our operations into 2023.

The trend over the past eight quarters of increases in DLCX revenue reflects both the growth in our organic customer base, as well as the scale-up of new service programs provided to existing external customers. The higher revenue also includes revenue from internal services provided to the TTech segment, and revenue growth from business acquisitions, including our acquisitions of CCC (since rebranded as TELUS International Northern Europe or TINE and comprised substantially of CCC) on January 31, 2020, and Lionbridge AI on December 31, 2020, which was subsequently rebranded as TELUS International AI Data Solutions (TIAI).

Goods and services purchased and Employee benefits expense have increased in correspondence with increases in our team member base as a result of business acquisitions and to service growing volumes from both our existing and new customers (including the expansion of our service offerings), increases in external labour to support the growth in our digital business, increases in our software licensing costs associated with our growing team member base, and increases in administrative expenses to support growth in the overall business and business acquisitions.

Depreciation and amortization have increased due to growth in capital assets, which is supporting the expansion of our sites required to service customer demand and growth in intangible assets recognized in connection with our business acquisitions.

DLCX operating indicators

Three-month periods ended March 31 ($ in millions)	**2022**	2021	Change
Operating revenues by industry vertical			
Tech and games	**355**	283	25.4%
Communications and media	**176**	163	8.0%
eCommerce and fintech	**98**	70	40.0%
Banking, financial services and insurance	**44**	27	63.0%
Travel and hospitality	**22**	18	22.2%
Other	**64**	78	(17.9)%
	759	639	18.8%
Operating revenues by geographic region			
Europe	**297**	266	11.7%
North America	**177**	146	21.2%
Asia-Pacific	**179**	132	35.6%
Central America	**106**	95	11.6%
	759	639	18.8%

Revenue from our tech and games industry vertical increased by $72 million to $355 million in the first quarter of 2022, due to expansion in our TIAI business and continued growth within our existing clients and the addition of new clients. Revenue generated from the eCommerce and fintech industry vertical grew by $28 million to $98 million in the first quarter of 2022, which was primarily attributable to new clients and growth within our existing client base. Revenue generated from the banking, financial services and insurance vertical grew by 63% to $44 million, driven by the addition of a leading global financial institution. These increases were partly offset by the effect of foreign exchange rates.

We serve our clients, who are primarily domiciled in North America, from multiple delivery locations across four geographic regions. In addition, our TIAI clients are largely supported by crowdsourced contractors that are globally dispersed and not limited to the physical locations of our delivery centres. The table above presents the revenue generated in each geographic region, based on the location of our delivery centre or where the services were provided from, for the periods presented.

Operating revenues and other income – DLCX segment

Three-month periods ended March 31 ($ in millions)	**2022**	2021	Change
Operating revenues (arising from contracts with customers)	**644**	535	20.4%
Other income	**—**	—	— %
External Operating revenues and other income	**644**	535	20.4%
Intersegment revenues	**115**	104	10.6%
DLCX Operating revenues and other income	**759**	639	18.8%

DLCX Operating revenues and other income increased by $120 million in the first quarter of 2022.

Our **digital and customer experience solutions revenues** increased by $109 million in the first quarter of 2022, attributable primarily to our tech and games clients as noted earlier, arising from additional services provided to existing clients, as well as new clients added since the prior year. The growth was partially offset by the strengthening of the U.S. dollar against the European euro, resulting in an unfavourable foreign currency impact on our euro-denominated operating results. In the first quarter of 2022 compared to the first quarter of 2021, the Canadian dollar remained steady against to the U.S. dollar, the primary operating currency of DLCX.

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

Operating expenses – DLCX segment

Three-month periods ended March 31 ($ in millions)	2022	2021	Change
Goods and services purchased[1]	**152**	124	22.6%
Employee benefits expense[1]	**438**	390	12.3%
DLCX operating expenses	**590**	514	14.8%

1 Includes restructuring and other costs.

DLCX operating expenses increased by $76 million in the first quarter of 2022.

Goods and services purchased increased by $28 million in the first quarter of 2022 as a result of business growth, which includes higher contractor costs from expansion in the TIAI business.

Employee benefits expense increased by $48 million in the first quarter of 2022 as a result of business growth, which has resulted in a higher team member count coupled with higher salaries and wages. The increase was offset, in part, by lower share-based compensation expense associated with a decrease in the share price of TELUS International during the quarter and the related mark-to-market adjustment on liability-accounted awards, as compared to the increase in the TELUS International share price in the comparative quarter following the IPO (see *Note 14(a)* of the interim consolidated financial statements for further details).

EBITDA – DLCX segment

Three-month periods ended March 31 ($ in millions, except margins)	2022	2021	Change
EBITDA	**169**	125	35.1%
Add restructuring and other costs included in EBITDA	**4**	13	n/m
Adjusted EBITDA[1]	**173**	138	25.3%
EBITDA margin[2] (%)	**22.2**	19.5	2.7 pts.
Adjusted EBITDA margin[2] (%)	**22.7**	21.6	1.1 pts.

1 For certain metrics, there are definitional differences between TELUS and TELUS International reporting. These differences largely arise from TELUS International adopting definitions consistent with practice in its industry.
2 These are non-GAAP and other specified financial measures. See *Section 11.1 Non-GAAP and other specified financial measures*.

DLCX EBITDA increased by $44 million or 35.1% and DLCX Adjusted EBITDA increased by $35 million or 25.3% in the first quarter of 2022. Adjusted EBITDA margin increased by 1.1 percentage points. The increase in Adjusted EBITDA margin in the first quarter of 2022 was due, in part, to the lower share-based compensation expense resulting from a decrease in the share price of TELUS International and the related mark-to-market adjustment on liability-accounted awards.

EBIT – DLCX segment

Three-month periods ended March 31 ($ in millions)	2022	2021	Change
EBITDA	**169**	125	35.1%
Depreciation	**(37)**	(35)	5.7%
Amortization of intangible assets	**(46)**	(45)	2.2%
EBIT[1]	**86**	45	91.1%

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

DLCX EBIT increased by $41 million in the first quarter of 2022 in conjunction with the increase in EBITDA.

6. Changes in financial position

Financial position at: ($ millions)	Mar. 31 2022	Dec. 31 2021	Change	Change includes:
Current assets				
Cash and temporary investments, net	**774**	723	51	See *Section 7 Liquidity and capital resources*
Accounts receivable	**2,486**	2,671	(185)	Primarily driven by a decrease in unbilled customer finance receivables from our TELUS Easy Payment® device financing program, and seasonal decreases in customer receivables and sales volumes from our dealer and retail channels, partly offset by an increase in finance receivables from our Bring-It-Back device program
Income and other taxes receivable	**188**	206	(18)	Instalments to date are less than the expense
Inventories	**513**	448	65	Increases in average handset costs and volume of handsets
Contract assets	**428**	443	(15)	Refer to description in non-current contract assets
Prepaid expenses	**670**	528	142	An increase driven by maintenance contracts, the annual prepayment of statutory employee benefits, and the timing of wireless spectrum licence fees.
Current derivative assets	**12**	13	(1)	—
Current liabilities				
Short-term borrowings	**108**	114	(6)	See *Section 7.7 Sale of trade receivables*
Accounts payable and accrued liabilities	**3,388**	3,705	(317)	A decrease associated with lower capital and operational expenditures, as well as a decrease in payroll and other employee-related liabilities. See *Note 23* of the interim consolidated financial statements
Income and other taxes payable	**110**	104	6	Instalments to date being less than the expense
Dividends payable	**450**	449	1	—
Advance billings and customer deposits	**873**	854	19	An increase in advance billings reflecting increased mobile subscriber growth during the period. See *Note 24* of the interim consolidated financial statements
Provisions	**77**	96	(19)	A decrease in employee-related restructuring provisions
Current maturities of long-term debt	**2,904**	2,927	(23)	A decrease in outstanding commercial paper, partly offset by an increase from a long-term debt reclassification of 3.35% Notes, Series CJ maturing in March 2023
Current derivative liabilities	**29**	24	5	An increase in the notional amount of U.S. currency hedging items.
Working capital (Current assets subtracting Current liabilities)	**(2,868)**	(3,241)	373	TELUS normally has a negative working capital position. See *Financing and capital structure management plans* in *Section 4.3* and *Note 4(c)* of the interim consolidated financial statements.

Financial position at: ($ millions)	Mar. 31 2022	Dec. 31 2021	Change	Change includes:
Non-current assets				
Property, plant and equipment, net	**16,125**	15,926	199	See *Capital expenditures* in *Section 7.3 Cash used by investing activities* and *Depreciation* in *Section 5.3 Consolidated operations*
Intangible assets, net	**17,538**	17,485	53	See *Capital expenditures* in *Section 7.3 Cash used by investing activities* and *Amortization of intangible assets* in *Section 5.3 Consolidated operations*
Goodwill, net	**7,334**	7,281	53	An increase primarily due to the acquisition of Fully Managed Inc., as well as from individually immaterial business acquisitions, offset by the effect of translating TI financial statements into Canadian currency. See *Note 18* of the interim consolidated financial statements
Contract assets	**237**	266	(29)	A decrease driven by lower subsidized devices from the introduction of our TELUS Easy Payment device financing program
Other long-term assets	**2,152**	2,004	148	An increase in unbilled customer finance receivables, as well as an increase in the asset fair value of derivatives used to manage currency risk from U.S. dollar-denominated debt. *See Note 20* of the interim consolidated financial statements.
Non-current liabilities				
Provisions	**785**	774	11	—
Long-term debt	**18,415**	17,925	490	See *Section 7.4 Cash provided by financing activities*
Other long-term liabilities	**759**	907	(148)	A decrease in pension liabilities resulting from the gains arising from financial assumption re-measurements exceeding the combined effects of the pension asset ceiling and the pension plan returns less than the discount rate. See *Note 15* of the interim consolidated financial statements
Deferred income taxes	**4,155**	4,056	99	An increase in temporary differences between the accounting and tax basis of assets and liabilities, as well as an increase in deferred income taxes from business acquisitions
Owners' equity				
Common equity	**15,451**	15,116	335	See *Consolidated statements of changes in owners' equity* in the interim consolidated financial statements
Non-controlling interests	**953**	943	10	See *Consolidated statements of changes in owners' equity* in the interim consolidated financial statements.

7. Liquidity and capital resources

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

7.1 Overview

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

Cash flows

Three-month periods ended March 31 ($ millions)	2022	2021	Change
Cash provided by operating activities	**1,135**	939	196
Cash used by investing activities	**(1,199)**	(1,153)	(46)
Cash provided by financing activities	**115**	1,269	(1,154)
Increase in Cash and temporary investments, net	**51**	1,055	(1,004)
Cash and temporary investments, net, beginning of period	**723**	848	(125)
Cash and temporary investments, net, end of period	**774**	1,903	(1,129)

7.2 Cash provided by operating activities

Analysis of changes in cash provided by operating activities

Three-month periods ended March 31 ($ millions)	**2022**	2021	Change
Operating revenues and other income (see *Section 5.3*)	**4,282**	4,024	258
Goods and services purchased (see *Section 5.3*)	**(1,594)**	(1,548)	(46)
Employee benefits expense (see *Section 5.3*)	**(1,119)**	(1,015)	(104)
Restructuring and other costs, net of disbursements	**(25)**	(12)	(13)
Net employee defined benefit plans expense	**27**	26	1
Employer contributions to employee defined benefit plans	**(17)**	(16)	(1)
Share-based compensation expense, net of payments	**26**	35	(9)
Interest paid	**(180)**	(199)	19
Interest received	**1**	2	(1)
Income taxes paid, net of recoveries received	**(108)**	(220)	112
Other operating working capital changes	**(158)**	(138)	(20)
Cash provided by operating activities	**1,135**	939	196

Cash provided by operating activities increased by $196 million in the first quarter of 2022.

- Interest paid decreased by $19 million in the first quarter of 2022, largely due to the timing of our long-term debt coupon payments.
- Income taxes paid, net of recoveries received, decreased by $112 million, largely related to: (i) final payments made in the first quarter of 2021 related to the prior year; (ii) greater foreign taxes paid in the first quarter of 2021; and (iii) payments made in the first quarter of 2021 with respect to business combinations.
- For a discussion of Other operating working capital changes, see *Section 6 Changes in financial position* and *Note 31(a)* of the interim consolidated financial statements.

7.3 Cash used by investing activities

Analysis of changes in cash used by investing activities

Three-month periods ended March 31 ($ millions)	**2022**	2021	Change
Cash payments for capital assets, excluding spectrum licences	**(1,013)**	(750)	(263)
Cash payments for spectrum licences	**—**	(251)	251
Cash payments for acquisitions, net	**(127)**	(137)	10
Advances to, and investment in, real estate joint ventures and associates	**—**	(15)	15
Real estate joint venture receipts	**1**	1	—
Proceeds on disposition	**5**	—	5
Investment in portfolio investments and other	**(65)**	(1)	(64)
Cash used by investing activities	**(1,199)**	(1,153)	(46)

Cash used by investing activities increased by $46 million in the first quarter of 2022.

- The increase in Cash payments for capital assets, excluding spectrum licences in the first quarter of 2022 was primarily composed of:
  - An increase in capital expenditures of $148 million (see *Capital expenditure measures* table and discussion below)
  - Higher capital expenditure payments of $115 million in the first quarter of 2022 with respect to payment timing differences.
- Cash payments for spectrum licences in the first quarter of 2021 are related to the acquisition of 3500 MHz spectrum licences in the urban cores of Edmonton, Guelph/Kitchener, London, Ottawa and Winnipeg, as well as in East Kootenay and Whistler.
- In the first quarter of 2022, we made cash payments for the acquisition of Fully Managed Inc. as noted in *Section 1.3*, as well as other individually immaterial business acquisitions that are complementary to our existing lines of business. This is compared to the first quarter of 2021, where we made cash payments for individually immaterial business acquisitions that were complementary to our existing lines of business.
- Advances to, and investment in, real estate joint ventures and associates represented a net change of $15 million, predominantly related to advances to real estate joint ventures and investment in associates in the first quarter of 2021 that did not recur in the first quarter of 2022.
- Investment in portfolio investments and other increased by $64 million largely due to an increase of capital inventory and the investment in strategic portfolio investments.

Capital expenditure measures

Three-month periods ended March 31 ($ millions, except capital intensity)	2022	2021	Change
Capital expenditures[1]			
TELUS technology solutions (TTech) segment	**802**	662	21.1%
Digitally-led customer experiences – TELUS International (DLCX) segment	**31**	23	34.8%
Consolidated	**833**	685	21.6%
TTech segment capital expenditure intensity[2] (%)	**22**	19	3 pts.
DLCX segment capital expenditure intensity[2] (%)	**4**	4	— pts.
Consolidated capital expenditure intensity[2] (%)	**19**	17	2 pts.

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

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

Consolidated capital expenditures increased by $148 million in the first quarter of 2022. TTech drove $140 million of the increase in the first quarter of 2022, primarily due to accelerated investments in our 5G network, broadband build, enhanced product development, and digitization to increase system capacity and reliability as announced on March 25, 2021. In addition, we advanced the purchase of customer equipment inventory to mitigate supply chain risks and support continued subscriber growth. This was partly offset by reduced spend resulting from efficiencies in our 4G network. By March 31, 2022, our 5G network covered over 27.5 million Canadians, representing 74% of the population.

On March 25, 2021, we announced that we intended to accelerate $1.5 billon of capital spending in 2021 and 2022, with up to $750 million of accelerated capital in 2021 and the remainder brought forward into 2022. During the first quarter of 2022, $200 million of accelerated capital had been invested. This spend has enabled: (i) acceleration of premises to be connected to our fibre network; (ii) acceleration of our copper-to-fibre migration program; (iii) expansion of our fibre build to a number of additional communities, including many rural and Indigenous communities; (iv) advancement of our 5G network build, which covered 74% of the Canadian population at March 31, 2022; and (v) progress with the implementation of our digital strategy, and enhance products that will bolster both long-term revenue growth and operating expense efficiency.

7.4 Cash provided by financing activities

Analysis of changes in cash provided by financing activities

Three-month periods ended March 31 ($ millions)	2022	2021	Change
Common Shares issued	**—**	1,300	(1,300)
Dividends paid to holders of Common Shares	**(293)**	(251)	(42)
Issue (repayment) of short-term borrowings, net	**(6)**	—	(6)
Long-term debt issued	**2,287**	975	1,312
Redemptions and repayment of long-term debt	**(1,859)**	(1,536)	(323)
Shares of subsidiary issued and sold to non-controlling interests, net	**—**	827	(827)
Other	**(14)**	(46)	32
Cash provided by financing activities	**115**	1,269	(1,154)

Cash provided by financing activities decreased by $1,154 million in the first quarter of 2022.

Common Shares issued

Common Shares issued reflect 51 million Common Shares issued at a price of $25.35 per Common Share in the first quarter of 2021.

Dividends paid to holders of Common Shares

Our dividend reinvestment and share purchase (DRISP) plan trustee acquired shares from Treasury for the DRISP plan, rather than acquiring Common Shares in the stock market. Effective with the dividends paid on October 1, 2019, we offered Common Shares from Treasury at a discount of 2%. Cash payments for dividends increased by $42 million in the first quarter of 2022, which reflected higher dividend rates under our dividend growth program (see *Section 4.3*) and an increase in the number of shares outstanding. This was partly offset by a higher discounted DRISP issuance. During the first quarter of 2022, our DRISP plan trustee acquired Common Shares for $156 million.

In April 2022, we paid dividends of $290 million to the holders of Common Shares and the trustee acquired dividend reinvestment Common Shares from Treasury for $160 million, totalling $450 million.

Long-term debt issued and Redemptions and repayment of long-term debt

In the first quarter of 2022, long-term debt issued increased by $1,312 million, while redemptions and repayment of long-term debt increased by $323 million. These changes were primarily composed of:

- A net decrease in commercial paper outstanding, including foreign exchange effects, of $486 million to a balance of $1.4 billion (US$1.1 billion) at March 31, 2022, from a balance of $1.9 billion (US$1.5 billion) at December 31, 2021. Our commercial paper program, when utilized, provides low-cost funds and is fully backstopped by the revolving credit facility (see *Section 7.6 Credit facilities*).
- A decrease in net draws on the TELUS International (TI) credit facility, including foreign exchange effects, of $53 million. As at March 31, 2022, net draws due to a syndicate of financial institutions (excluding TELUS Corporation) were US$818 million, whereas as at December 31, 2021, net draws were US$854 million. The TI credit facility is non-recourse to TELUS Corporation.
- The February 28, 2022 issue of US$900 million of our senior unsecured 3.40% U.S. Dollar Sustainability-Linked Notes, due May 13, 2032. The net proceeds were used for the repayment of outstanding indebtedness, including the repayment of commercial paper, and for other general corporate purposes.

The average term to maturity of our long-term debt (excluding commercial paper, the revolving component of the TI credit facility, lease liabilities and other long-term debt) was 12.1 years at March 31, 2022, a decrease from 12.5 years at December 31, 2021 and an increase from 12.0 years at March 31, 2021. Additionally, the weighted average cost of our long-term debt (excluding commercial paper, the revolving component of the TI credit facility, lease liabilities and other long-term debt) was 3.75% at March 31, 2022, an increase from 3.72% at December 31, 2021, and a decrease from 3.80% at March 31, 2021.

Shares of subsidiary issued and sold to non-controlling interests, net

In connection with the TI initial public offering (IPO) in the first quarter of 2021, we received net cash proceeds of $827 million.

Other

We incurred debt issuance costs in connection with the issuance of our senior unsecured 3.40% U.S. Dollar Sustainability-Linked Notes in the first quarter of 2022. This is compared to equity issuance costs in the first quarter of 2021 in connection with our issuance of 51 million Common Shares.

7.5 Liquidity and capital resource measures

Net debt was $21.0 billion at March 31, 2022, an increase of $2.7 billion compared to one year earlier, resulting mainly from an increase in commercial paper outstanding, the second quarter 2021 issuances of $500 million of Series CAE notes and $750 million of Series CAF sustainability-linked notes, the first quarter 2022 issuance of US$900 million sustainability-linked notes as described in *Section 7.4*, as well as lower Cash and temporary investments. These factors were partially offset by the third quarter 2021 early redemption of Series CT notes, and the repayment upon maturity of Series 3, 10.65% debentures of TELUS Communications Inc. (TCI) in the second quarter of 2021.

Fixed-rate debt as a proportion of total indebtedness, which excludes lease liabilities and other long-term debt, was 90% as at March 31, 2022, down from 91% one year earlier. This was mainly due to: (i) an increase in commercial paper outstanding, which is classified as floating-rate debt in this calculation; (ii) the third quarter 2021 early redemption of Series CT notes; and (iii) the repayment upon maturity of Series 3, 10.65% debentures of TCI in the second quarter of 2021. These factors were partially offset by: (i) the second quarter 2021 issuances of $500 million of Series CAE notes and $750 million of Series CAF sustainability-linked notes; and (ii) the first quarter 2022 issuance of US$900 million sustainability-linked notes as described in *Section 7.4*; and (iii) a decrease in net draws due to a syndicate of financial institutions (excluding TELUS Corporation) on the TI credit facility, which is non-recourse to TELUS Corporation.

Net debt to EBITDA – excluding restructuring and other costs ratio was 3.18 times, as measured at March 31, 2022, up from 3.15 times one year earlier. Our long-term objective for this measure is within a range of 2.20 to 2.70 times, which we believe is consistent with maintaining investment grade credit ratings in the range of BBB+, or the equivalent, and providing reasonable access to capital. As at March 31, 2022, this ratio remains outside of the long-term objective range resulting from prior issuances of incremental debt, primarily due to the acquisition of spectrum licences as spectrum is our largest indefinite life asset, and business acquisitions, partially offset by growth in EBITDA – excluding restructuring and other costs. EBITDA growth was reduced by COVID-19 pandemic impacts. As at March 31, 2022, the acquisition of spectrum licences increased the ratio by approximately 0.48 and business acquisitions over the past 12 months increased the ratio by approximately 0.07, while business dispositions decreased the ratio by approximately 0.26. Our recent acquisitions of spectrum licences have increased our national spectrum holdings and represent an investment to extend our network capacity to support continuing data consumption growth, as well as growth in our mobile subscriber base. Given the cash demands of the 2019 600 MHz, the 2021 3500 MHz and upcoming spectrum auctions, as well as the inability to predict impacts of the COVID-19 pandemic, the assessment of the guideline and return to the objective range remains to be determined; however, it is our intent to return to a ratio below 2.70 times in the medium term (following the 2021, and upcoming 2023 and 2024, spectrum auctions), consistent with our long-term strategy. While this ratio exceeds our long-term objective range, we are well in compliance with the leverage ratio covenant in our credit facilities, which states that we may not permit our leverage ratio to exceed 4.25 to 1.00 at March 31, 2022 (see *Section 7.6 Credit facilities*).

Liquidity and capital resource measures

As at, or for the 12-month periods ended, March 31	2022	2021	Change
Components of debt and coverage ratios ($ millions)			
Long-term debt	**21,319**	20,852	467
Net debt[1]	**20,960**	18,230	2,730
Net income	**1,769**	1,240	529
EBITDA – excluding restructuring and other costs[1]	**6,582**	5,786	796
Financing costs	**768**	786	(18)
Net interest cost[1]	**764**	797	(33)
Debt ratios			
Fixed-rate debt as a proportion of total indebtedness (excluding lease liabilities and other long-term debt) (%)	**90**	91	(1) pt.
Average term to maturity of long-term debt (excluding commercial paper, the revolving component of the TI credit facility, lease liabilities and other long-term debt) (years)	**12.1**	12.0	0.1
Weighted average interest rate on long-term debt (excluding commercial paper, the revolving component of the TI credit facility, lease liabilities and other long-term debt) (%)	**3.75**	3.80	(0.05) pts.
Net debt to EBITDA – excluding restructuring and other costs[1] (times)	**3.18**	3.15	0.03
Coverage ratios[1] (times)			
Earnings coverage	**4.0**	3.1	0.9
EBITDA – excluding restructuring and other costs interest coverage	**8.6**	7.3	1.3
Other measures[1] (%)			
Determined using most comparable IFRS-IASB measures			
Ratio of Common Share dividends declared to cash provided by operating activities less capital expenditures (excluding spectrum licences)	**187**	101	86 pts.
Determined using management measures			
Common Share dividend payout ratio – net of dividend reinvestment plan effects	**129**	80	49 pts.

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

Earnings coverage ratio for the 12-month period ended March 31, 2022 was 4.0 times, up from 3.1 times one year earlier. An increase in income before borrowing costs and income taxes increased the ratio by 0.9.

EBITDA – excluding restructuring and other costs interest coverage ratio for the 12-month period ended March 31, 2022 was 8.6 times, up from 7.3 times one year earlier. Growth in EBITDA – excluding restructuring and other costs increased the ratio by 1.0 and a decrease in net interest costs increased the ratio by 0.3.

Common Share dividend payout ratios: Actual Common Share dividend payout decisions will continue to be subject to our Board's assessment of our financial position and outlook, as well as our long-term Common Share dividend payout objective range of 60 to 75% of prospective free cash flow. So as to be consistent with the way we manage our business, our Common Share dividend payout ratio is presented as a historical measure calculated as the sum of the most recent four quarters' dividends declared for Common Shares, as recorded in the financial statements, net of dividend reinvestment plan effects, divided by the sum of the most recent four quarters' free cash flow amounts for interim reporting periods. For fiscal years, the denominator is annual free cash flow. The historical measure for the 12-month period ended March 31, 2022 is presented for illustrative purposes in evaluating our target guideline. As at March 31, 2022, the ratio was outside of the objective range, primarily due to: (i) our planned accelerated capital expenditures program to support our broadband capital investments, the build-out of our TELUS PureFibre infrastructure and the acceleration of our 5G network roll-out; and (ii) the reduction of EBITDA caused by the pandemic. Excluding the effects of our accelerated capital expenditures program, as at March 31, 2022, the ratio was 63%.

TI intends to retain all available funds and any future earnings to support operations and to finance the growth and development of its business.

7.6 Credit facilities

At March 31, 2022, we had more than $1.3 billion of liquidity available from the TELUS revolving credit facility and $855 million of liquidity available from the TI credit facility with a syndicate of financial institutions (excluding TELUS Corporation). In addition, we had $500 million available under our trade receivables securitization program (see *Section 7.7 Sale of trade receivables*). We are well within our objective of generally maintaining at least $1 billion of available liquidity.

TELUS revolving credit facility

We have a $2.75 billion (or U.S. dollar equivalent) unsecured revolving credit facility with a syndicate of financial institutions, expiring April 6, 2026. The revolving credit facility is used for general corporate purposes, including the backstop of commercial paper, as required.

TELUS revolving credit facility at March 31, 2022

($ millions)	Expiry	Size	Drawn	Outstanding undrawn letters of credit	Backstop for commercial paper program	Available liquidity
Revolving credit facility[1]	April 6, 2026	2,750	—	—	(1,414)	1,336

1 Canadian dollars or U.S. dollar equivalent.

Our revolving credit facility contains customary covenants, including a requirement that we not permit our consolidated leverage ratio to exceed 4.25 to 1.00 and that we not permit our consolidated coverage ratio to be less than 2.00 to 1.00 at the end of any financial quarter. As at March 31, 2022, our consolidated leverage ratio was 3.18 to 1.00 and our consolidated coverage ratio was 8.62 to 1.00. These ratios are expected to remain well within the covenants. There are certain minor differences in the calculation of the leverage ratio and coverage ratio under the revolving credit facility, as compared with the calculation of Net debt to EBITDA – excluding restructuring and other costs and EBITDA – excluding restructuring and other costs interest coverage. Historically, the calculations have not been materially different. The covenants are not impacted by revaluation, if any, of Property, plant and equipment, Intangible assets or Goodwill for accounting purposes. Continued access to our credit facilities is not contingent on maintaining a specific credit rating.

Commercial paper

TELUS Corporation has an unsecured commercial paper program, which is backstopped by our revolving credit facility, enabling us to issue commercial paper up to a maximum aggregate amount at any one time of $1.9 billion equivalent (US$1.5 billion maximum) as at March 31, 2022. Foreign currency forward contracts are used to manage currency risk arising from issuing commercial paper denominated in U.S. dollars. The commercial paper program is to be used for general corporate purposes, including, but not limited to, capital expenditures and investments. Our ability to reasonably access the commercial paper market in the U.S. is dependent on our credit ratings (see *Section 7.8 Credit ratings*).

TELUS International credit facility

As at March 31, 2022, TELUS International (Cda) Inc. had a credit facility, secured by its assets, expiring on January 28, 2025, with a syndicate of financial institutions, joined in 2020 by TELUS Corporation. The TI credit facility is comprised of US$620 million (TELUS Corporation as an approximately 7.5% lender) and US$230 million (TELUS Corporation as a 12.5% lender) revolving components and amortizing US$600 million (TELUS Corporation as 12.5% lender) and US$250 million term loan components. The TI credit facility is non-recourse to TELUS Corporation. The outstanding revolving components and term loan components had a weighted average interest rate of 2.16% as at March 31, 2022.

The term loan components are subject to an amortization schedule which requires that 5% of the principal advanced be repaid each year of the term of the agreement, with the balance due at maturity and December 22, 2022, for the US$250 million component, respectively.

Other letter of credit facilities

At March 31, 2022, we had $195 million of letters of credit outstanding issued under various uncommitted facilities; such letter of credit facilities are in addition to the ability to provide letters of credit pursuant to our committed bank credit facility. Available liquidity under various uncommitted letters of credit facilities was $114 million at March 31, 2022.

Other long-term debt

Other liabilities bear interest at 3.19%, are secured by the AWS-4 spectrum licences associated with these other liabilities and a real estate holding, and are subject to amortization schedules, so that the principal is repaid over the periods to maturity, the last period ending March 31, 2035.

7.7 Sale of trade receivables

TCI, 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 currently able to sell an interest in certain trade receivables for an amount up to a maximum of $600 million. The agreement is in effect until December 31, 2024, and available liquidity was $500 million as at March 31, 2022. (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.

TCI is required to maintain a credit rating of at least BB by DBRS Ltd. or the securitization trust may require the sale program to be wound down prior to the end of the term. The minimum credit rating was exceeded as of May 6, 2022.

7.8 Credit ratings

There were no changes to our investment grade credit ratings during the first quarter of 2022 or as of May 6, 2022. We believe adherence to most of our stated financial policies (see *Section 4.3*), coupled with our efforts to maintain a constructive relationship with banks, investors and credit rating agencies, continue to provide reasonable access to capital markets.

7.9 Financial instruments, commitments and contingent liabilities

Financial instruments

Our financial instruments, their accounting classification and the nature of certain risks that they may be subject were described in *Section 7.9* in our 2021 annual MD&A.

Liquidity risk

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

As at March 31, 2022, TELUS Corporation could offer $1.6 billion of debt or equity securities pursuant to a shelf prospectus that is in effect until June 2023. Subsequent to March 31, 2022, TELUS International filed a shelf prospectus under which an unlimited amount of debt or equity securities could be offered and that is in effect until May 2024.

As at March 31, 2022, we had over $1.3 billion of liquidity available from the TELUS revolving credit facility and $855 million of liquidity available from the TI credit facility with a syndicate of financial institutions (excluding TELUS Corporation) (see *Section 7.6 Credit facilities*), as well as $500 million available under our trade receivables securitization program (see *Section 7.7 Sale of trade receivables*). Excluding the TI credit facility and including cash and temporary investments of $774 million, we had available liquidity of more than $2.6 billion at March 31, 2022 (see *Section 11.1 Non-GAAP and other specified financial measures*). This adheres to our objective of generally maintaining at least $1 billion of available liquidity. We believe that our investment grade credit ratings contribute to reasonable access to capital markets.

Commitments and contingent liabilities

Purchase obligations

As at March 31, 2022, our contractual commitments related to the acquisition of Property, plant and equipment were $497 million through to December 31, 2023, as compared to $574 million over a period ending December 31, 2023 reported as at December 31, 2021. The decrease was primarily attributed to executing on our planned accelerated capital investments including the accelerated broadband build across fibre and 5G.

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 mobile 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 mobile carriers and telecommunications service providers.

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

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

7.10 Outstanding share information

Outstanding shares (millions)	March 31, 2022	April 30, 2022
Common Shares	1,376	1,381
Common Share options	3	3
Restricted share units – equity-settled	11	11

7.11 Transactions between related parties

Transactions with key management personnel

Our key management personnel have authority and responsibility for overseeing, planning, directing and controlling our activities and consist of our Board of Directors and our Executive Team. Total compensation expense for key management personnel was $27 million in the first quarter of 2022, compared to $22 million in the first quarter of 2021. The increase in compensation expense for key management personnel was primarily due to pension plan past service costs recorded in the first quarter of 2022. See *Note 30(a)* of the interim consolidated financial statements for additional details.

Transactions with defined benefit pension plans

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

Transactions with real estate joint venture and associates

In the first quarter of 2022, we had transactions with the TELUS Sky real estate joint venture, which is a related party to us, as set out in *Note 21* of the interim consolidated financial statements. The new-build tower was completed in 2020.

For the TELUS Sky real estate joint venture, commitments and contingent liabilities include construction financing ($342 million, with Canadian financial institutions as 66-2/3% lender and TELUS as 33-1/3% lender) under a credit agreement maturing August 31, 2023. We have entered into lease agreements with the TELUS Sky real estate joint venture; for lease accounting purposes, the first lease commenced during the three-month period ended June 30, 2019.

8. Accounting matters

8.1 Critical accounting estimates and judgments

Our significant accounting policies are described in *Note 1* of the Consolidated financial statements for the year ended December 31, 2021. The preparation of financial statements in conformity with generally accepted accounting principles (GAAP) requires management to make estimates, assumptions and judgments that affect: the reported amounts of assets and liabilities at the date of the financial statements; the disclosure of contingent assets and liabilities at the date of the financial statements; and the reported amounts and classification of income and expense during the reporting period. Actual results could differ from those estimates. Our critical accounting estimates and significant judgments are generally discussed with the Audit Committee each quarter and are described in *Section 8.1* in our 2021 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* in our 2021 annual MD&A. See *Note 2* of the interim consolidated financial statements for additional details.

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

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

The assumptions for our 2022 outlook, as described in *Section 9* in our 2021 annual MD&A, remain the same, except for the following:

- Our revised estimates for 2022 economic growth in Canada, B.C., Alberta, Ontario and Quebec are 3.9%, 4.1%, 5.1%, 3.8% and 3.1%, respectively (compared to 4.3%, 4.2%, 4.4%, 4.5% and 3.7%, respectively, as reported in our 2021 annual MD&A).

- Our revised estimates for 2022 annual unemployment rates in Canada, B.C., Alberta, Ontario and Quebec are 5.4%, 4.8%, 6.4%, 5.8% and 4.4%, respectively (compared to 6.1%, 5.2%, 7.1%, 6.1% and 5.3%, respectively, as reported in our 2021 annual MD&A).
- Our revised estimates for 2022 annual rates of housing starts on an unadjusted basis in Canada, B.C., Alberta, Ontario and Quebec are 240,000 units, 40,000 units, 32,000 units, 87,000 units and 59,000 units, respectively (compared to 224,000 units, 39,000 units, 30,000 units, 83,000 units and 55,000 units, respectively, as reported in our 2021 annual MD&A).

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

9.1 Communications industry regulatory developments and proceedings

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

The following is a summary of certain significant regulatory developments and proceedings relevant to our business and our industry. This summary is not intended to be a comprehensive legal analysis or description of all of the specific issues described. Although we have indicated those issues for which we do not currently expect the outcome of a development or proceeding to be material to us, there can be no assurance that the expected outcome will occur or that our current assessment of its likely impact on us will be accurate. See *Section 10.3* in our 2021 annual MD&A.

Radiocommunication licences and spectrum-related matters

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

3500 MHz spectrum auction to support 5G

On July 29, 2021, ISED released the provisional results of its auction of spectrum in the 3500 MHz band. We acquired 142 licences equating to 16.4 MHz of spectrum at a price of approximately $1.95 billion. Combined with the spectrum we acquired privately in advance of the auction, we now hold an average of 25 MHz of spectrum in the 3500 MHz band nationally. The auction framework included a 50 MHz set-aside in all markets where 50 MHz or more spectrum was available. This was on top of the competitive imbalance that was already introduced by ISED's 2019 transition decision for the band. That decision left nearly 90 MHz of the 200 MHz band in the hands of band incumbents.

On August 26, 2021, we brought an application in Federal Court for judicial review of the decision of the Minister of Innovation, Science and Industry to permit Videotron to bid on set-aside blocks of spectrum in B.C., Alberta and Manitoba in the 3500 MHz auction. In the application, we argue that Videotron did not meet the eligibility test set out by ISED in the auction framework, and thus should not have been permitted to bid on a portion of the set-aside spectrum that it eventually won. Our application was heard in February 2022, and we anticipate a decision in the second quarter of 2022.

We continue to review the results of the auction, including the amounts acquired by our competitors, to determine the impact of the auction on us.

Consultation on amendments to SRSP-520, Technical requirements for fixed and/or mobile systems, including flexible use broadband systems, in the band 3450-3650 MHz

In August 2021, ISED issued a consultation on Standard Radio System Plan (SRSP) 520 to examine technical specifications on the use of 3500 MHz spectrum. In the consultation, ISED identified a concern that 5G equipment operating on 3500 MHz spectrum may have the potential to cause interference with altimeters on aircraft. ISED proposed new restrictions on 3500 MHz spectrum, including a ban on its use in large areas around major airports. Though the consultation closed in August 2021, on September 22, 2021, ISED announced that it was re-opening its consultation to give additional time for parties to comment and made public technical studies that it relied upon to formulate its proposals. ISED also notified prospective 3500 MHz licensees that their final auction payments and issuance of licences, originally scheduled for October 4, 2021, would be delayed until December 17, 2021. On November 18, 2021, ISED issued its decision on amendments to the 3500 MHz technical requirements, which remain effectively as proposed; limiting use in areas around major airports and restricting the transmission of energy above the horizon. ISED projected next steps including a future consultation, should Canadian or global developments and studies merit further changes to the technical rules as it relates to the radio altimeter protection issue. There is a risk that this decision could have a material impact on TELUS depending on how long they remain in application.

mmWave and 3800 MHz spectrum auctions to support 5G

On June 5, 2019, ISED released its *Decision on Releasing Millimetre Wave Spectrum to Support 5G*, repurposing several tranches of millimetre wave (mmWave) spectrum for mobile use. ISED will consult on a licensing framework (i.e., auction rules and conditions of licence) for these mmWave bands in the future. ISED formerly projected that the mmWave auction would commence in 2021, but has now revised its forecast to the first quarter of 2024. There is a risk that the auction rules may favour certain carriers over us and impact our ability to acquire an adequate quantity of mmWave spectrum.

The 3800 MHz spectrum band is seen as an extension to the 3500 MHz band. ISED released the first of two consultations on August 27, 2020. This first consultation featured proposals from ISED and from Telesat, the Canadian satellite spectrum licensee of 3700 to 4200 MHz spectrum, on how to repurpose existing spectrum. On May 21, 2021, ISED released its *Decision on the Technical and Policy Framework for the 3650-4200 MHz Band and Changes to the Frequency Allocation of the 3500-3650 MHz Band*, which will make 250 MHz of spectrum available for auction in the first quarter of 2023. ISED's decision rejected Telesat's proposal for private auction and early clearing of the band. The 3800 MHz spectrum will only be cleared and available by March 2025 in urban areas and March 2027 in many rural areas. Certain rural areas (in the territories and northern parts of B.C., Alberta, Saskatchewan, Manitoba, Ontario, Quebec and Newfoundland and Labrador) are still deemed satellite-dependent areas and this spectrum will not be available for mobile use in these areas. On December 17, 2021, ISED released its Consultation on a Policy and Licensing Framework for Spectrum in the 3800 MHz Band, which is the first step to setting the auction framework rules, including competitive measures for the 3800 MHz band. There is a risk that the auction rules will favour certain carriers over us and impact our ability to acquire an adequate quantity of 3800 MHz band spectrum.

Regulatory and federal government reviews

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

Proposed acquisition of Shaw by Rogers

In March 2021, Rogers Communications Inc. and Shaw Communications Inc. announced their agreement for Rogers Communications Inc. to acquire Shaw Communications Inc. In addition to approval by shareholders of Shaw Communications Inc., the acquisition requires approvals by the Competition Bureau, the CRTC and ISED. On March 24, 2022, the CRTC issued a decision approving, with conditions, the transfer to Rogers of effective control of the broadcasting undertakings licensed to Shaw. The Competition Bureau and ISED have not yet made any public determinations with respect to the proposed transaction. It is possible that the parties to the transaction will agree to merger remedies that could negatively affect us, or that the ISED or other governmental authorities could make (or decline to make) other regulatory changes, or impose behavioural remedies, that could materially affect us directly or affect the industry as a whole. It is also possible that this acquisition could trigger further consolidation in the industry. Until the governmental authorities complete their reviews and make a determination on whether to allow the acquisition and, if so, under what conditions, it is too early to determine the impact of these reviews on us.

Review of mobile wireless services

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

On May 4, 2021, Data on Tap Inc. brought a petition to the Governor in Council to vary the CRTC's decision in the *Wireless Regulatory Framework* so as to mandate and set rates for full MVNO access. The Governor in Council dismissed the petition on April 14, 2022.

We have also been granted leave to appeal two determinations from this decision to the Federal Court of Appeal: (i) the requirement for the national mobile carriers, including us, to offer seamless roaming as an additional condition under which the existing mandated wholesale roaming service must be offered; and (ii) the ruling that sections 43 and 44 of the *Telecommunications Act* do not provide the CRTC with jurisdiction to adjudicate disputes involving mobile wireless transmission facilities. If we are successful on appeal, we anticipate it will be easier for us to deploy our 5G infrastructure, in particular on municipal property.

Wireline wholesale services follow-up

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

On June 11, 2020, the CRTC released *Call for comments – Appropriate network configuration for disaggregated wholesale high-speed access services*, Telecom Notice of Consultation CRTC 2020-187, where it is examining the appropriate network and service configurations for the disaggregated wholesale HSA service regime for all wholesale HSA service providers across the country. This process, which took the place of the previous follow-up proceedings, is now closed. Until the CRTC issues its decision, it is too early to determine the impact of this proceeding on us.

Final rates for aggregated wholesale internet access services

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

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

Separately, on November 13, 2019, we filed a petition to the Governor in Council seeking to refer back to Telecom Order CRTC 2019-288 for redetermination of the rates and seeking to vary Telecom Order CRTC 2019-288 on the basis that the rates and retroactive component of the order will threaten future investment. Bell Canada and a group of cable companies filed similar petitions on the same day. On August 15, 2020, the Governor in Council issued an Order in Council dismissing the petitions. However, the Order in Council, as well as an accompanying statement from the Minister of Innovation, Science and Industry, recognized that the rates set out in Telecom Order CRTC 2019-288 would, in some instances, undermine investment in high-quality networks.

On May 27, 2021, following separate applications requesting the CRTC to review and vary Telecom Order 2019-288 filed by each of TELUS, Bell Canada and a group of cable carriers, the CRTC issued Telecom Decision CRTC 2021-181. In this decision, the CRTC largely reversed Telecom Order 2019-288, meaning that we do not have to implement the rates ordered in Telecom Order CRTC 2019-288 or issue significant retroactive refunds to wholesale customers. Given that Telecom Decision 2021-181 essentially maintains the rates that have been in place since 2016, the decision does not have a material effect on us.

On May 28, 2021, TekSavvy Solutions Inc. brought a petition to the Governor in Council to vary the decision. On July 15, 2021, the Competitive Network Operators of Canada brought a similar petition. On August 25, 2021, National Capital Freenet Inc. also filed a petition to the Governor in Council. On June 28, 2021, TekSavvy Solutions Inc. sought leave to appeal Telecom Decision CRTC 2021-181 to the Federal Court of Appeal. The Federal Court of Appeal granted leave to appeal on September 15, 2021. We are not filing responding submissions in the petitions or the appeal.

5G security review – Public Safety Canada

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

Cessation of operations of China Mobile International (Canada) Inc.

On August 6, 2021, the Governor in Council issued an order requiring the parent company of China Mobile International (Canada) Inc. (CMI Canada) to either divest its interest in CMI Canada to a Canadian company or wind up its operations in Canada within 90 days. The Governor in Council issued this order pursuant to section 25.4(1) of the *Investment Canada Act* based on national security risks arising from CMI Canada's operations in Canada. The deadline for this order was extended to January 5, 2022. CMI Canada and TELUS had an enhanced agency arrangement pursuant to which CMI Canada acted as TELUS' agent to sell Koodo rate plans to customers and to provide customer support. CMI Canada complied with the order and has ceased its operations in Canada. However, Koodo customers who obtained rate plans via CMI Canada as of that date continued to obtain their services from Koodo and have been advised that CMI Canada is no longer operating in Canada. The effect of CMI Canada's cessation of operations on TELUS is not material.

International security developments

On May 16, 2019, an executive order entered into force permitting the U.S. Secretary of Commerce to block certain technology transactions deemed to constitute national security risks. The U.S. Department of Commerce subsequently established a list of entities, including Huawei Technologies Co., Ltd. and its global affiliates, to whom the export, re-export or transfer (in-country) of certain restricted technologies was prohibited unless specifically authorized under licence.

In a unanimous vote on July 13, 2021, the U.S. Federal Communications Commission authorized a US$1.9 billion subsidy program to enable telecommunications companies with fewer than 10 million subscribers to replace Huawei and ZTE equipment.

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

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

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

CRTC proceeding regarding access to poles owned by Canadian carriers

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

CRTC review of rate setting for wholesale telecommunications services

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

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

On June 14, 2021, the CRTC issued Telecom Decision CRTC 2021-199, *Establishment of new deadlines for Canada's transition to next-generation 9-1-1* (NG9-1-1), where the CRTC stipulated revised implementation for NG9-1-1 service in Canada. The CRTC directed NG9-1-1 network providers, including us, to establish their NG9-1-1 networks, complete all NG9-1-1 production onboarding activities, and be ready to provide NG9-1-1 voice service by transiting live NG9-1-1 traffic, wherever public safety answering points have been established in a particular region, by March 1, 2022. Consistent with this directive, we are now transiting live NG9-1-1 traffic over our NG9-1-1 network, but full implementation of NG9-1-1 in our NG9-1-1 territory is contingent on interconnections with 9-1-1 call centres and such implementation is dependent upon local government authorities. We continue our work to fully implement NG9-1-1.

Amendments to Quebec's public and private sector privacy law

On September 22, 2021, the Quebec National Assembly passed *An Act to modernize legislative provisions as regards the protection of personal information*, which received assent the same day. Extensive new requirements governing the collection, use and disclosure of the personal information of individuals in Quebec will be phased in over three years. The Act also creates a new enforcement regime with significant criminal fines and administrative monetary penalties for certain infractions and a private right of action with minimum statutory punitive damages. The full impact of the Act is not yet known because some key provisions, such as those relating to AI, have to be further elaborated through government regulations and interpretive guidance from the regulator. The materiality of the change cannot be fully assessed at this time.

Ontario introduces bill to change handling of personal health information

On March 29, 2022, Bill 106, *Pandemic and Emergency Preparedness Act, 2022*, was introduced in the Ontario Legislature and is currently in Committee after passing second reading. If passed, the bill would amend the *Personal*

Health Information Protection Act to empower the government to make regulations specifying acceptable electronic formats for access rights to personal health information (PHI), specifying the circumstances persons or entities may collect, use and disclose PHI, the security requirements, disclosure requirements, and specifying additional categories of persons or entities, who can collect, use or disclose PHI. The materiality of the change cannot be fully assessed before the bill is enacted and the regulations are available.

Proposed subsidy increases for Northwestel

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

Broadcasting-related issues

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

On January 29, 2020, the Broadcasting and Telecommunications Legislative Review Panel released its final report entitled *Canada's Communications Future: Time to Act*. The report contains 97 recommendations to update legislation governing broadcasting, telecommunications and radiocommunication for the Government of Canada to consider. Further to the report, on November 3, 2020, the government introduced legislation to amend the *Broadcasting Act*. Bill C-10 would have: brought streaming services that operate over the internet expressly within the scope of the *Broadcasting Act*; provided the CRTC with new and expanded regulatory powers to implement a modernized regulatory framework that addresses declining levels of support for Canadian content over the past several years; and provided a more sustainable source of support going forward. On June 21, 2021, Bill C-10 passed third reading at the House of Commons, but its debate in the Senate was cut short upon the proroguing of parliament and the calling of the federal election. On September 20, 2021, the Liberals were re-elected with a minority government, and on February 2, 2022 the government introduced Bill C-11, which is largely the same as its predecessor Bill C-10 except for some amendments to address concerns with potential regulation of social media platforms. The legislative review process is expected to start anew in the second quarter of 2022. It is too early to determine if proposed amendments, as well as any other potential legislative changes arising as a result of the report, will have a material impact on us.

Review of the Copyright Act and Copyright Board reforms

The *Copyright Act*'s last statutorily mandated review was due in 2017, and a process for conducting the review via parliamentary committee was announced in December 2017. The House of Commons Standing Committee on Industry, Science and Technology, with the assistance of the House of Commons Standing Committee on Canadian Heritage, completed the review early in 2019, and both committees presented reports to the House of Commons in May and June of 2019. To date, no legislation has been proposed as a result of the parliamentary review, although it has led to further government consultations (described below) to explore specific issues raised during the review, such as how to modernize the copyright framework for online intermediary liability, AI and IoT. The timeline for potential changes to the *Copyright Act* is uncertain, although government officials have signaled that copyright reform legislation may be tabled in early 2022. The policy approach for copyright has traditionally been based on a balance of interests of creators and consumers, and as a result, the impact of this proceeding is not expected to be material.

On April 14, 2021, ISED announced the launch of a consultation to modernize the copyright framework for online intermediaries. The consultation builds on the work done in 2018 and 2019 as part of the parliamentary review of the *Copyright Act*. ISED sought comments on a broad range of issues, including the role of intermediaries in policing online copyright infringement, how to remunerate rights holders for the use of their content on online platforms, and what types of enforcement tools (such as website-blocking orders) should be available against intermediaries. We participated in this consultation and filed joint comments with other ISPs on May 31, 2021. Among other things, the comments advocated for a continuation of existing government policy that provides ISPs with unconditional safe harbour protection for the potentially infringing activities of their customers. It is too early to tell whether this consultation will have a material impact on us.

On July 19, 2021, the government announced a consultation to modernize the copyright framework applicable to AI and IoT. The government's objectives were to support innovation and investment in AI and other digital and emerging technologies, support Canada's cultural industries and preserve the incentive to create and invest provided by the economic rights set out in the Act, and support competition and marketplace needs regarding IoT devices and other software-enabled products. We participated in this consultation and filed joint comments with other ISPs on September 17, 2021. Among other things, the joint comments advocated that no changes should be made to the *Copyright Act* that would unduly burden or create potential liability risks for ISPs. Similar to the broader *Copyright Act* review, the impact of this proceeding is not expected to be material.

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

The CRTC's ability to regulate affiliation agreements between broadcasting distributors and programming services was challenged by a vertically integrated broadcasting entity before the Federal Court of Appeal. The Federal Court of Appeal heard the case on May 18, 2021, and released its decision on July 28, 2021. We were granted leave to intervene in the case and appeared at the hearing, where we defended the CRTC's jurisdiction. The Federal Court of Appeal's decision confirmed that the CRTC has jurisdiction to govern economic aspects of disputes between programming services and distributors, and generally supported our competitive position by reinforcing the validity of competitive safeguards put in place by the CRTC to protect non-vertically integrated companies in the broadcasting sector. On September 29, 2021, the vertically integrated company filed an application for leave to appeal the Federal Court of Appeal's decision to the Supreme Court of Canada. On November 25, 2021, we filed a response opposing the application for leave to appeal. It is too early to determine the impact this application for leave to appeal might have on our broadcasting distribution activities.

Consultation on the government's proposed approach to address harmful content online

On July 29, 2021, the government launched a consultation on its proposed approach to address harmful content online. The government's proposals largely target social media and content platforms, but a few proposals would also have impacted ISPs. Accordingly, we participated in this consultation and filed joint comments with other ISPs on September 25, 2021. Among other things, the joint comments advocated that the legal framework for addressing harmful online content should not create undue obligations or liability for telecommunications carriers, and that requirements to block access to content online or to provide subscriber information should continue to require judicial orders. The impact of this proceeding is not expected to be material.

10. Risks and risk management

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. The principal risks and uncertainties that could affect our future business results and associated risk mitigation activities were described in our 2021 annual MD&A and have not materially changed since December 31, 2021, except for the following updates:

The conflict between Russia and Ukraine

In February 2022, Russia, aided by Belarus, commenced military operations in Ukraine which are still continuing. In response to the conflict, a number of countries including the United States, Canada and other North Atlantic Treaty Organization (NATO) countries, have imposed significant sanctions against Russia, Belarus, and a number of individuals and enterprises in both countries. The prolonged conflict has resulted in increased political uncertainties and volatility in the global economy, which is affecting businesses around the world, including TI's clients. The scope, intensity, duration and outcome of the conflict is uncertain. Given the nature of TI's global business and operations, political, economic and other conditions in foreign countries and regions, including geopolitical risks, may adversely affect our results of operations. However, we do not currently expect that such uncertainty and volatility will have any material operational or financial impact on our telecommunications business as our international roaming arrangements in Russia and Belarus have been suspended in compliance with applicable sanctions. Our roaming arrangements in Russia, Belarus and Ukraine are not material to our telecommunications business. If the conflict and the sanctions intensify, this may adversely impact TI's clients and their demand for TI's services, which may have a material adverse impact on TI's results of operations. Additionally, although TI does not operate in Russia, Belarus or Ukraine, TI has operations and team members in neighbouring countries and any escalation of the conflict could adversely impact its operations and team members in these countries, which could materially impact its ability to deliver services to its clients, and may have a material effect on TI's results of operations. During the three-month period ended March 31, 2022, we have not experienced a material impact on our operating results as a result of the conflict.

There is also no certainty that the current conflict between Russia and Ukraine will not draw military or other intervention from additional countries, which could lead to a much larger conflict and/or additional sanctions, which could further negatively impact the global economy. In addition, we cannot predict the impact that an escalation of the conflict may have on TI's clients and each of their financial conditions. Any material adverse effect on TI's clients, including due to conflict, could adversely impact us. Further, the risk of cybersecurity incidents has increased in connection with the ongoing conflict. It is possible that these attacks could have collateral effects on critical communications infrastructure and financial institutions globally, which could adversely affect our operations and could increase the frequency and severity of cyber-based attacks against our information technology systems. The proliferation of malware from the conflict into systems unrelated to the conflict, or cyberattacks against companies based in countries that have instituted sanctions against Russia and Belarus, such as the United States, could also adversely affect our results of operations. To the extent the current conflict between Russia and Ukraine adversely affects our business, it may also have the effect of heightening many other risks disclosed in *Section 10 Risks and risk management* in our 2021 annual MD&A, any of which could materially and adversely affect our business and results of operations.

11. Definitions and reconciliations

11.1 Non-GAAP and other specified financial measures

We have issued guidance on and report certain non-GAAP measures that are used to evaluate the performance of TELUS, as well as to determine compliance with debt covenants and to manage our capital structure. As non-GAAP measures generally do not have a standardized meaning, they may not be comparable to similar measures presented by other issuers. For certain financial metrics, there are definitional differences between TELUS and TELUS International reporting. These differences largely arise from TELUS International adopting definitions consistent with practice in its industry. Securities regulations require such measures to be clearly defined, qualified and reconciled with their nearest GAAP measure. Certain of the metrics do not have generally accepted industry definitions.

Adjusted Net income and adjusted basic earnings per share (EPS): These are non-GAAP measures that do not have any standardized meaning prescribed by IFRS-IASB and are therefore unlikely to be comparable to similar measures presented by other issuers. Adjusted Net income excludes the effects of restructuring and other costs, income tax-related adjustments, other equity losses related to real estate joint ventures, long-term debt prepayment premium and other adjustments (identified in the following tables). Adjusted basic EPS is calculated as adjusted net income divided by the basic weighted-average number of Common Shares outstanding. These measures are used to evaluate performance at a consolidated level and exclude items that, in management's view, may obscure underlying trends in business performance or items of an unusual nature that do not reflect our ongoing operations. They should not be considered alternatives to Net income and basic EPS in measuring TELUS' performance.

Reconciliation of adjusted Net income

Three-month periods ended March 31 ($ millions)	**2022**	2021	Change
Net income attributable to Common Shares	**385**	331	54
Add (deduct) amounts net of amount attributable to non-controlling interests:			
Restructuring and other costs	**37**	35	2
Tax effect of restructuring and other costs	**(8)**	(8)	—
Other equity losses related to real estate joint ventures	**—**	1	(1)
Adjusted Net income	**414**	359	55

Reconciliation of adjusted basic EPS

Three-month periods ended March 31 ($)	**2022**	2021	Change
Basic EPS	**0.28**	0.25	0.03
Add (deduct) amounts net of amount attributable to non-controlling interests:			
Restructuring and other costs, per share	**0.03**	0.03	—
Tax effect of restructuring and other costs, per share	**(0.01)**	(0.01)	—
Adjusted basic EPS	**0.30**	0.27	0.03

Available liquidity: This is a non-GAAP measure that does not have any standardized meaning prescribed by IFRS-IASB and is therefore unlikely to be comparable to similar measures presented by other issuers. Available liquidity is calculated as the sum of Cash and temporary investments, net, amounts available from the revolving credit facility and amounts available under our trade receivables securitization program measured at the end of the period. We believe this to be a useful measure because it allows us to monitor compliance with our financial objectives. It should not be considered as an alternative to Cash and temporary investments, net in measuring TELUS' performance.

Available liquidity reconciliation

As at March 31 ($ millions)	**2022**	2021
Cash and temporary investments, net	**774**	1,903
Net amounts available from the TELUS Corporation revolving credit facility	**1,336**	1,332
Amounts available under trade receivables securitization program	**500**	400
Available liquidity	**2,610**	3,635

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

Calculation of Capital expenditure intensity

Three-month periods ended March 31 ($ millions, except ratio)	TTech 2022	TTech 2021	DLCX 2022	DLCX 2021	Eliminations 2022	Eliminations 2021	Total 2022	Total 2021
Capital expenditures	**802**	662	**31**	23	**—**	—	**833**	685
Denominator – Operating revenues and other income	**3,642**	3,494	**759**	639	**(119)**	(109)	**4,282**	4,024
Capital expenditure intensity (%)	**22**	19	**4**	4	**n/m**	n/m	**19**	17

TELUS Corporation Common Share (Common Share) dividend payout ratio: This is a historical measure calculated as the sum of the most recent four quarterly dividends declared, as recorded in the financial statements, net of dividend reinvestment plan effects, divided by the sum of free cash flow amounts for the most recent four quarters for interim reporting periods. For fiscal years, the denominator is annual free cash flow. Our objective range for the annual TELUS Corporation Common Share dividend payout ratio is on a prospective basis, rather than on a trailing basis. (See *Section 4.3 Liquidity and capital resources* and *Section 7.5 Liquidity and capital resource measures.*)

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

For the 12-month periods ended March 31 ($ millions, except ratio)	2022	2021
Numerator – Sum of the last four quarterly dividends declared	**1,757**	1,553
Cash provided by operating activities	**4,584**	4,336
Less:		
Capital expenditures (excluding spectrum licences)	**(3,646)**	(2,795)
Denominator – Cash provided by operating activities less capital expenditures (excluding spectrum licences)	**938**	1,541
Ratio (%)	**187**	101

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

For the 12-month periods ended March 31 ($ millions, except ratio)	2022	2021
Sum of the last four quarterly dividends declared	**1,757**	1,553
Sum of the last four quarterly amount of dividends declared reinvested in Common Shares	**(631)**	(583)
Numerator – Sum of the last four quarterly dividends declared, net of dividend reinvestment plan effects	**1,126**	970
Denominator – Free cash flow[1]	**871**	1,211
Ratio (%)	**129**	80

1 Reflects the impacts of our accelerated capital program announced on March 25, 2021.

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

For the 12-month periods ended March 31 ($ millions, except ratio)	2022	2021
Net income attributable to Common Shares	**1,709**	1,188
Income taxes (attributable to Common Shares)	**551**	420
Borrowing costs (attributable to Common Shares)[1]	**749**	749
Numerator	**3,009**	2,357
Denominator – Borrowing costs	**749**	749
Ratio (times)	**4.0**	3.1

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

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

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

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

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

EBITDA and Adjusted EBITDA reconciliations

	TTech		DLCX		Total	
Three-month periods ended March 31 ($ millions)	**2022**	2021	**2022**	2021	**2022**	2021
Net income					**404**	333
Financing costs					**179**	207
Income taxes					**144**	132
EBIT	**641**	627	**86**	45	**727**	672
Depreciation	**514**	489	**37**	35	**551**	524
Amortization of intangible assets	**245**	220	**46**	45	**291**	265
EBITDA	**1,400**	1,336	**169**	125	**1,569**	1,461
Add restructuring and other costs included in EBITDA	**35**	28	**4**	13	**39**	41
EBITDA – excluding restructuring and other costs	**1,435**	1,364	**173**	138	**1,608**	1,502
Other equity losses related to real estate joint ventures	**—**	1	**—**	—	**—**	1
Adjusted EBITDA	**1,435**	1,365	**173**	138	**1,608**	1,503

We calculate **EBITDA margin** and **Adjusted EBITDA margin** to evaluate the performance of our operating segments and we believe these measures are also used by investors as indicators of a company's operating performance. We calculate EBITDA margin as EBITDA divided by Operating revenues and other income. Adjusted EBITDA margin is a non-GAAP ratio that 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 calculate Adjusted EBITDA margin as Adjusted EBITDA divided by adjusted Operating revenues.

Calculation of EBITDA margin

Three-month periods ended March 31	TTech		DLCX		Eliminations		Total	
($ millions, except margin)	**2022**	2021	**2022**	2021	**2022**	2021	**2022**	2021
Numerator – EBITDA	**1,400**	1,336	**169**	125	**—**	—	**1,569**	1,461
Denominator – Operating revenues and other income	**3,642**	3,494	**759**	639	**(119)**	(109)	**4,282**	4,024
EBITDA margin (%)	**38.4**	38.3	**22.2**	19.5	**n/m**	n/m	**36.6**	36.3

Calculation of Adjusted EBITDA margin

Three-month periods ended March 31	TTech		DLCX		Eliminations		Total	
($ millions, except margin)	**2022**	2021	**2022**	2021	**2022**	2021	**2022**	2021
Numerator – Adjusted EBITDA	**1,435**	1,365	**173**	138	**—**	—	**1,608**	1,503
Adjusted Operating revenues and other income:								
Operating revenues and other income	**3,642**	3,494	**759**	639	**(119)**	(109)	**4,282**	4,024
Other equity losses related to real estate joint ventures	**—**	1	**—**	—	**—**	—	**—**	1
Denominator – Adjusted Operating revenues and other income	**3,642**	3,495	**759**	639	**(119)**	(109)	**4,282**	4,025
Adjusted EBITDA margin (%)	**39.4**	39.1	**22.7**	21.6	**n/m**	n/m	**37.6**	37.4

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. It is similar to the coverage ratio covenant in our credit facilities, as described in *Section 7.6 Credit facilities*.

Calculation of EBITDA – excluding restructuring and other costs interest coverage

For the 12-month periods ended March 31 ($ millions, except ratio)	**2022**	2021
Numerator – EBITDA – excluding restructuring and other costs	**6,582**	5,786
Denominator – Net interest cost	**764**	797
Ratio (times)	**8.6**	7.3

Free cash flow: We report this measure as a supplementary indicator of our operating performance, and there is no generally accepted industry definition of free cash flow. It should not be considered as an alternative to the measures in the condensed interim consolidated statements of cash flows. Free cash flow excludes certain working capital changes (such as trade receivables and trade payables), proceeds from divested assets and other sources and uses of cash, as found in the condensed interim consolidated statements of cash flows. It provides an indication of how much cash generated by operations is available after capital expenditures (excluding purchases of spectrum licences) that may be used to, among other things, pay dividends, repay debt, purchase shares or make other investments. We exclude impacts of accounting standards that do not impact cash, such as IFRS 15 and IFRS 16. Free cash flow may be supplemented from time to time by proceeds from divested assets or financing activities.

Free cash flow calculation

Three-month periods ended March 31 ($ millions)	**2022**	2021
EBITDA	**1,569**	1,461
Restructuring and other costs, net of disbursements	**(25)**	(12)
Effects of contract asset, acquisition and fulfilment (IFRS 15 impact) and TELUS Easy Payment device financing	**78**	52
Effects of lease principal (IFRS 16 impact)	**(123)**	(123)
Items from the condensed interim consolidated statements of cash flows:		
Share-based compensation, net	**26**	35
Net employee defined benefit plans expense	**27**	26
Employer contributions to employee defined benefit plans	**(17)**	(16)
Interest paid	**(180)**	(199)
Interest received	**1**	2
Capital expenditures (excluding spectrum licences)[1]	**(833)**	(685)
Free cash flow before income taxes	**523**	541
Income taxes paid, net of refunds	**(108)**	(220)
Free cash flow	**415**	321

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

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

Free cash flow reconciliation with Cash provided by operating activities

Three-month periods ended March 31 ($ millions)	**2022**	2021
Free cash flow	**415**	321
Add (deduct):		
Capital expenditures (excluding spectrum licences)[1]	**833**	685
Effects of lease principal and leases accounted for as finance leases prior to adoption of IFRS 16	**123**	123
Individually immaterial items included in Net income neither providing nor using cash	**(236)**	(190)
Cash provided by operating activities	**1,135**	939

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

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

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

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

Calculation of Net debt to EBITDA – excluding restructuring and other costs

For the 12-month periods ended March 31 ($ millions, except ratio)	2022	2021
Numerator – Net debt	**20,960**	18,230
Denominator – EBITDA – excluding restructuring and other costs	**6,582**	5,786
Ratio (times)	**3.18**	3.15

Net interest cost: This measure is the denominator in the calculation of **EBITDA – excluding restructuring and other costs interest coverage**. Net interest cost is defined as financing costs, excluding capitalized long-term debt interest, employee defined benefit plans net interest and recoveries on redemption and repayment of debt, calculated on a 12-month trailing basis. Expenses recorded for the long-term debt prepayment premium, if any, are included in net interest cost.

Calculation of Net interest cost

For the 12-month periods ended March 31 ($ millions)	2022	2021
Financing costs	**768**	786
Deduct: Employee defined benefit plans net interest	**(22)**	(18)
Add: Interest on long-term debt, excluding lease liabilities – capitalized	**18**	29
Net interest cost	**764**	797

11.2 Operating indicators

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

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

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

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

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

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

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

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

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

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

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

TELUS CORPORATION

CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

(UNAUDITED)

MARCH 31, 2022

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

Periods ended March 31 (millions except per share amounts)	Note	Three months 2022	2021
OPERATING REVENUES			
Service		**$ 3,765**	$ 3,502
Equipment		**491**	520
Operating revenues (arising from contracts with customers)	*6*	**4,256**	4,022
Other income	*7*	**26**	2
Operating revenues and other income		**4,282**	4,024
OPERATING EXPENSES			
Goods and services purchased		**1,594**	1,548
Employee benefits expense	*8*	**1,119**	1,015
Depreciation	*17*	**551**	524
Amortization of intangible assets	*18*	**291**	265
		3,555	3,352
OPERATING INCOME		**727**	672
Financing costs	*9*	**179**	207
INCOME BEFORE INCOME TAXES		**548**	465
Income taxes	*10*	**144**	132
NET INCOME		**404**	333
OTHER COMPREHENSIVE INCOME (LOSS)	*11*		
Items that may subsequently be reclassified to income			
Change in unrealized fair value of derivatives designated as cash flow hedges		**89**	82
Foreign currency translation adjustment arising from translating financial statements of foreign operations		**(67)**	(69)
		22	13
Items never subsequently reclassified to income			
Change in measurement of investment financial assets		**5**	(1)
Employee defined benefit plan re-measurements		**159**	675
		164	674
		186	687
COMPREHENSIVE INCOME		**$ 590**	$ 1,020
NET INCOME ATTRIBUTABLE TO:			
Common Shares		**$ 385**	$ 331
Non-controlling interests		**19**	2
		$ 404	$ 333
COMPREHENSIVE INCOME ATTRIBUTABLE TO:			
Common Shares		**$ 591**	$ 1,035
Non-controlling interests		**(1)**	(15)
		$ 590	$ 1,020
NET INCOME PER COMMON SHARE	*12*		
Basic		**$ 0.28**	$ 0.25
Diluted		**$ 0.28**	$ 0.25
TOTAL WEIGHTED AVERAGE COMMON SHARES OUTSTANDING			
Basic		**1,376**	1,298
Diluted		**1,380**	1,301

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

As at (millions)	Note	March 31, 2022	December 31, 2021
ASSETS			
Current assets			
Cash and temporary investments, net		**$ 774**	$ 723
Accounts receivable	*6(b)*	**2,486**	2,671
Income and other taxes receivable		**188**	206
Inventories	*1(l)*	**513**	448
Contract assets	*6(c)*	**428**	443
Prepaid expenses	*20*	**670**	528
Current derivative assets	*4(d)*	**12**	13
		5,071	5,032
Non-current assets			
Property, plant and equipment, net	*17*	**16,125**	15,926
Intangible assets, net	*18*	**17,538**	17,485
Goodwill, net	*18*	**7,334**	7,281
Contract assets	*6(c)*	**237**	266
Other long-term assets	*20*	**2,152**	2,004
		43,386	42,962
		$ 48,457	$ 47,994
LIABILITIES AND OWNERS' EQUITY			
Current liabilities			
Short-term borrowings	*22*	**$ 108**	$ 114
Accounts payable and accrued liabilities	*23*	**3,388**	3,705
Income and other taxes payable		**110**	104
Dividends payable	*13*	**450**	449
Advance billings and customer deposits	*24*	**873**	854
Provisions	*25*	**77**	96
Current maturities of long-term debt	*26*	**2,904**	2,927
Current derivative liabilities	*4(d)*	**29**	24
		7,939	8,273
Non-current liabilities			
Provisions	*25*	**785**	774
Long-term debt	*26*	**18,415**	17,925
Other long-term liabilities	*27*	**759**	907
Deferred income taxes	*10*	**4,155**	4,056
		24,114	23,662
Liabilities		**32,053**	31,935
Owners' equity			
Common equity	*28*	**15,451**	15,116
Non-controlling interests		**953**	943
		16,404	16,059
		$ 48,457	$ 47,994
Contingent liabilities	*29*		

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

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

(millions)	Note	Common equity: Equity contributed: Common Shares (*Note 28*): Number of shares	Share capital	Contributed surplus	Retained earnings	Accumulated other comprehensive income	Total	Non-controlling interests	Total
Balance as at January 1, 2021		1,291	$ 7,677	$ 534	$ 3,712	$ 117	$ 12,040	$ 528	$ 12,568
Net income		—	—	—	331	—	331	2	333
Other comprehensive income (loss)	*11*	—	—	—	675	29	704	(17)	687
Dividends	*13*	—	—	—	(404)	—	(404)	—	(404)
Dividends reinvested and optional cash payments	*13(b), 14(c)*	7	152	—	—	—	152	—	152
Equity accounted share-based compensation		—	—	26	—	—	26	—	26
Common Shares issued		51	1,267	—	—	—	1,267	—	1,267
Change in ownership interests of subsidiaries		—	—	440	—	—	440	393	833
Balance as at March 31, 2021		1,349	$ 9,096	$ 1,000	$ 4,314	$ 146	$ 14,556	$ 906	$ 15,462
Balance as at January 1, 2022		**1,370**	**$ 9,644**	**$ 1,013**	**$ 4,256**	**$ 203**	**$ 15,116**	**$ 943**	**$ 16,059**
Net income		**—**	**—**	**—**	**385**	**—**	**385**	**19**	**404**
Other comprehensive income (loss)	*11*	**—**	**—**	**—**	**159**	**47**	**206**	**(20)**	**186**
Dividends	*13*	**—**	**—**	**—**	**(450)**	**—**	**(450)**	**—**	**(450)**
Dividends reinvested and optional cash payments	*13(b), 14(c)*	**6**	**157**	**—**	**—**	**—**	**157**	**—**	**157**
Equity accounted share-based compensation	*14(b)*	**—**	**—**	**28**	**—**	**—**	**28**	**6**	**34**
Issue of Common Shares in business combination	*18(b)*	**—**	**6**	**—**	**—**	**—**	**6**	**—**	**6**
Change in ownership interests of subsidiary	*28(c)*	**—**	**—**	**3**	**—**	**—**	**3**	**5**	**8**
Balance as at March 31, 2022		**1,376**	**$ 9,807**	**$ 1,044**	**$ 4,350**	**$ 250**	**$ 15,451**	**$ 953**	**$ 16,404**

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

condensed interim consolidated statements of cash flows (unaudited)

Periods ended March 31 (millions)	Note	Three months 2022	2021
OPERATING ACTIVITIES			
Net income		**$ 404**	$ 333
Adjustments to reconcile net income to cash provided by operating activities:			
Depreciation and amortization		**842**	789
Deferred income taxes	*10*	**(1)**	3
Share-based compensation expense, net	*14(a)*	**26**	35
Net employee defined benefit plans expense	*15(a)*	**27**	26
Employer contributions to employee defined benefit plans	*15(a)*	**(17)**	(16)
Non-current contract assets		**29**	15
Non-current unbilled customer finance receivables	*20*	**(82)**	(23)
Loss from equity accounted investments	*7, 21*	**4**	4
Other		**(7)**	(17)
Net change in non-cash operating working capital	*31(a)*	**(90)**	(210)
Cash provided by operating activities		**1,135**	939
INVESTING ACTIVITIES			
Cash payments for capital assets, excluding spectrum licences	*31(a)*	**(1,013)**	(750)
Cash payments for spectrum licences	*18(a)*	**—**	(251)
Cash payments for acquisitions, net	*18(b)*	**(127)**	(137)
Advances to, and investment in, real estate joint ventures and associates	*21*	**—**	(15)
Real estate joint venture receipts	*21*	**1**	1
Proceeds on disposition		**5**	—
Investment in portfolio investments and other		**(65)**	(1)
Cash used by investing activities		**(1,199)**	(1,153)
FINANCING ACTIVITIES	*31(b)*		
Common Shares issued	*28(a)*	**—**	1,300
Dividends paid to holders of Common Shares	*13(a)*	**(293)**	(251)
Issue (repayment) of short-term borrowings, net		**(6)**	—
Long-term debt issued	*26*	**2,287**	975
Redemptions and repayment of long-term debt	*26*	**(1,859)**	(1,536)
Shares of subsidiary issued and sold to non-controlling interests, net	*28(c)*	**—**	827
Other		**(14)**	(46)
Cash provided by financing activities		**115**	1,269
CASH POSITION			
Increase in cash and temporary investments, net		**51**	1,055
Cash and temporary investments, net, beginning of period		**723**	848
Cash and temporary investments, net, end of period		**$ 774**	$ 1,903
SUPPLEMENTAL DISCLOSURE OF OPERATING CASH FLOWS			
Interest paid		**$ (180)**	$ (199)
Interest received		**$ 1**	$ 2
Income taxes paid, net			
In respect of comprehensive income		**$ (108)**	$ (182)
In respect of business acquisitions		**—**	(38)
		$ (108)	$ (220)

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

MARCH 31, 2022

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

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

The terms "TELUS", "we", "us", "our" or "ourselves" refer to TELUS Corporation and, where the context of the narrative permits or requires, its subsidiaries. Our principal subsidiaries are: TELUS Communications Inc., in which, as at March 31, 2022, we have a 100% equity interest; and TELUS International (Cda) Inc., in which, as at March 31, 2022, we have a 55.0% equity interest, as discussed further in *Note 28(c)*, and which completed its initial public offering in February 2021.

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, 2021.

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, 2021. The generally accepted accounting principles that we use are International Financial Reporting Standards as issued by the International Accounting Standards Board (IFRS-IASB) and Canadian generally accepted accounting principles. Our condensed interim consolidated financial statements comply with International

Accounting Standard 34, *Interim Financial Reporting* and reflect all adjustments (which are of a normal recurring nature) that are, in our opinion, necessary for a fair statement of the results for the interim periods presented.

These consolidated financial statements for the three-month period ended March 31, 2022, were authorized by our Board of Directors for issue on May 6, 2022.

(b) Inventories

Our inventories primarily consist of mobile handsets, parts and accessories totalling $434 million as at March 31, 2022 (December 31, 2021 – $381 million), and communications equipment held for resale. Inventories are valued at the lower of cost and net realizable value, with cost being determined on an average cost basis. Costs of goods sold for the three-month period ended March 31, 2022, totalled $0.5 billion (2021 – $0.5 billion).

2 accounting policy developments

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

- In February 2021, the International Accounting Standards Board issued narrow-scope amendments to IAS 1, *Presentation of Financial Statements*, IFRS Practice Statement 2, *Making Materiality Judgements* and IAS 8, *Accounting Policies, Changes in Accounting Estimates and Errors*. The amendments are effective for annual periods beginning on or after January 1, 2023, although earlier application is permitted. The amendments will require the disclosure of material accounting policy information rather than disclosing significant accounting policies and clarify how to distinguish changes in accounting policies from changes in accounting estimates. We are currently assessing the impacts of the amended standards, but do not expect that our financial disclosure will be materially affected by the application of the amendments.
- In May 2021, the International Accounting Standards Board issued targeted amendments to IAS 12, *Income Taxes*. The amendments are effective for annual periods beginning on or after January 1, 2023, although earlier application is permitted. With a view to reducing diversity in reporting, the amendments will clarify that companies are required to recognize deferred taxes on transactions where both assets and liabilities are recognized, such as with leases and asset retirement (decommissioning) obligations. Based upon our current facts and circumstances, we do not expect our financial performance or disclosure to be materially affected by the application of the amended standard.

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 our definition of capital, we include common equity (excluding accumulated other comprehensive income), non-controlling interests, 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, including those 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 (including Common Shares and TELUS International (Cda) Inc. subordinate voting 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 2022, our financial objectives, which are reviewed annually, were unchanged from 2021. 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.

* EBITDA is not a standardized financial measure under IFRS-IASB and might not be comparable to similar measures disclosed by other issuers; we define EBITDA as operating revenues and other income less goods and services purchased and employee benefits expense. We 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.

Debt and coverage ratios

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

As at, or for the 12-month periods ended, March 31 ($ in millions)	Objective	2022	2021
Components of debt and coverage ratios			
Net debt [1]		**$ 20,960**	$ 18,230
EBITDA – excluding restructuring and other costs [2]		**$ 6,582**	$ 5,786
Net interest cost [3] (*Note 9*)		**$ 764**	$ 797
Debt ratio			
Net debt to EBITDA – excluding restructuring and other costs	2.20 – 2.70 [4]	**3.18**	3.15
Coverage ratios			
Earnings coverage [5]		**4.0**	3.1
EBITDA – excluding restructuring and other costs interest coverage [6]		**8.6**	7.3

1 Net debt and total capitalization are calculated as follows:

As at March 31	*Note*	2022	2021
Long-term debt	*26*	**$ 21,319**	$ 19,772
Debt issuance costs netted against long-term debt		**103**	94
Derivative (assets) liabilities, net		**(12)**	61
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		**216**	106
Cash and temporary investments, net		**(774)**	(1,903)
Short-term borrowings	*22*	**108**	100
Net debt		**20,960**	18,230
Common equity		**15,451**	14,556
Non-controlling interests		**953**	906
Less: accumulated other comprehensive income included above in common equity and non-controlling interests		**(213)**	(147)
Total managed capitalization		**$ 37,151**	$ 33,545

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

	EBITDA (*Note 5*)	Restructuring and other costs (*Note 16*)	EBITDA – excluding restructuring and other costs
Add			
Three-month period ended March 31, 2022	$ 1,569	$ 39	$ 1,608
Year ended December 31, 2021	6,290	186	6,476
Deduct			
Three-month period ended March 31, 2021	(1,461)	(41)	(1,502)
EBITDA – excluding restructuring and other costs	$ 6,398	$ 184	$ 6,582

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

4 Our long-term objective range for this ratio is 2.20 – 2.70 times. The ratio as at March 31, 2022, is outside the long-term objective range. We may permit, and have permitted, this ratio to go outside the objective range (for long-term investment opportunities), but we will endeavour to return this ratio to within the objective range in the medium term (following the 2021, and upcoming 2023 and 2024, spectrum auctions), as we believe that this range is supportive of our long-term strategy. We are in compliance with the leverage ratio covenant in our credit facilities, which states that we may not permit our net debt to operating cash flow ratio to exceed 4.25:1.00 (see *Note 26(d)*); the calculation of the debt ratio is substantially similar to the calculation of the leverage ratio covenant in our credit facilities.

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

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

Net debt to EBITDA – excluding restructuring and other costs was 3.18 times as at March 31, 2022, as compared to 3.15 times one year earlier. The effect of the increase in net debt, primarily due to the acquisition of spectrum licences and business acquisitions, exceeded the effect of growth in EBITDA – excluding restructuring and other costs. EBITDA growth was reduced by COVID-19 pandemic impacts.

The earnings coverage ratio for the twelve-month period ended March 31, 2022, was 4.0 times, up from 3.1 times one year earlier. An increase in income before borrowing costs and income taxes increased the ratio by 0.9. The EBITDA – excluding restructuring and other costs interest coverage ratio for the twelve-month period ended March 31, 2022, was 8.6 times, up from 7.3 times one year earlier. Growth in EBITDA – excluding restructuring and other costs increased the ratio by 1.0 and a decrease in net interest costs increased the ratio by 0.3. EBITDA growth for the twelve-month period ended March 31, 2022, was reduced by COVID-19 pandemic impacts.

TELUS Corporation Common Share dividend payout ratio

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

For the 12-month periods ended March 31	Objective	2022	2021
Determined using most comparable IFRS-IASB measures			
Ratio of TELUS Corporation Common Share dividends declared to cash provided by operating activities – less capital expenditures (excluding spectrum licences)		**187%**	101%
Determined using management measures			
TELUS Corporation Common Share dividend payout ratio – net of dividend reinvestment plan effects	60%–75% [1]	**129%**	80%

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

For the 12-month periods ended March 31 (millions)	2022	2021
TELUS Corporation Common Share dividends declared	**$ 1,757**	$ 1,553
Amount of TELUS Corporation Common Share dividends declared reinvested in TELUS Corporation Common Shares	**(631)**	(583)
TELUS Corporation Common Share dividends declared – net of dividend reinvestment plan effects	**$ 1,126**	$ 970

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

For the 12-month periods ended March 31 (millions)	*Note*	2022	2021
EBITDA	*5*	**$ 6,398**	$ 5,546
Deduct gain on disposition of financial solutions business		**(410)**	—
Deduct non-cash gains from the sales of property, plant and equipment		**—**	(1)
Restructuring and other costs, net of disbursements		**(3)**	11
Effects of contract asset, acquisition and fulfilment and TELUS Easy Payment device financing		**(19)**	(17)
Effect of lease principal	*31(b)*	**(502)**	(404)
Leases accounted for as finance leases prior to adoption of IFRS 16		**—**	59
Items from the Consolidated statements of cash flows:			
Share-based compensation, net	*14*	**130**	39
Net employee defined benefit plans expense	*15*	**114**	101
Employer contributions to employee defined benefit plans		**(54)**	(52)
Interest paid		**(725)**	(762)
Interest received		**16**	12
Capital expenditures (excluding spectrum licences)	*5*	**(3,646)**	(2,795)
Free cash flow before income taxes		**1,299**	1,737
Income taxes paid, net of refunds		**(489)**	(526)
Effect of disposition of financial solutions business on income taxes paid		**61**	—
Free cash flow		**871**	1,211
Add (deduct):			
Capital expenditures (excluding spectrum licences)	*5*	**3,646**	2,795
Effects of lease principal and leases accounted for as finance leases prior to adoption of IFRS 16		**502**	345
Gain on disposition of financial solutions business, net of effect on income taxes paid		**(349)**	—
Individually immaterial items included in net income neither providing nor using cash		**(86)**	(15)
Cash provided by operating activities		**$ 4,584**	$ 4,336

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

4 financial instruments

(a) Credit risk

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

As at (millions)	**March 31, 2022**	December 31, 2021
Cash and temporary investments, net	**$ 774**	$ 723
Accounts receivable	**3,113**	3,216
Contract assets	**665**	709
Derivative assets	**130**	89
	$ 4,682	$ 4,737

Cash and temporary investments, net

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

Accounts receivable

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

As at (millions)		**March 31, 2022**			December 31, 2021		
	Note	Gross	Allowance	Net [1]	Gross	Allowance	Net [1]
Customer accounts receivable, net of allowance for doubtful accounts							
Less than 30 days past billing date		**$ 896**	**$ (13)**	**$ 883**	$ 900	$ (8)	$ 892
30-60 days past billing date		**253**	**(12)**	**241**	338	(7)	331
61-90 days past billing date		**84**	**(14)**	**70**	93	(9)	84
More than 90 days past billing date		**115**	**(31)**	**84**	114	(21)	93
Unbilled customer finance receivables		**1,321**	**(37)**	**1,284**	1,323	(65)	1,258
		$ 2,669	**$ (107)**	**$ 2,562**	$ 2,768	$ (110)	$ 2,658
Current		**$ 2,027**	**$ (92)**	**$ 1,935**	$ 2,194	$ (81)	$ 2,113
Non-current	*20*	**642**	**(15)**	**627**	574	(29)	545
		$ 2,669	**$ (107)**	**$ 2,562**	$ 2,768	$ (110)	$ 2,658

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

We maintain allowances for lifetime expected credit losses related to doubtful accounts. Current economic conditions (including forward-looking macroeconomic data), historical information (including credit agency reports, if available), reasons for the accounts being past due and the line of business from which the customer accounts receivable arose are all considered when determining whether to make allowances for past-due accounts. The same factors are considered when determining whether to write off amounts charged to the allowance for doubtful accounts against the customer accounts receivable. The doubtful accounts expense is calculated on a specific-identification basis for customer accounts receivable above a specific balance threshold and on a statistically derived allowance basis for the remainder. No customer accounts receivable are written off directly to the doubtful accounts expense.

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

Periods ended March 31 (millions)	Three months **2022**	2021
Balance, beginning of period	**$ 110**	$ 140
Additions (doubtful accounts expense)	**18**	14
Accounts written off [1] less than recoveries	**(23)**	(21)
Other	**2**	1
Balance, end of period	**$ 107**	$ 134

1 For the three-month period ended March 31, 2022, accounts written off, but that were still subject to enforcement activity, totalled $32 (2021 – $23).

Contract assets

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

As at (millions)	March 31, 2022			December 31, 2021		
	Gross	Allowance	Net (*Note 6(c)*)	Gross	Allowance	Net (*Note 6(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	**$ 577**	**$ (24)**	**$ 553**	$ 595	$ (24)	$ 571
The 12-month period ending two years hence	**228**	**(10)**	**218**	259	(11)	248
Thereafter	**20**	**(1)**	**19**	19	(1)	18
	$ 825	**$ (35)**	**$ 790**	$ 873	$ (36)	$ 837

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

Derivative assets (and derivative liabilities)

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

(b) Liquidity risk

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

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

Our debt maturities in future years are disclosed in *Note 26(h)*. As at March 31, 2022, TELUS Corporation could offer $1.6 billion of debt or equity securities pursuant to a shelf prospectus that is in effect until June 2023 (December 31, 2021 – $2.75 billion). We believe that our investment grade credit ratings contribute to reasonable access to capital markets. Subsequent to March 31, 2022, TELUS International (Cda) Inc. filed a shelf prospectus under which an unlimited amount of debt or equity securities could be offered and that is in effect until May 2024.

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

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

As at March 31, 2022 (millions)	Non-derivative: Non-interest bearing financial liabilities	Non-derivative: Short-term borrowings [1]	Composite long-term debt: Long-term debt, excluding leases [1] (*Note 26*)	Composite long-term debt: Leases (*Note 26*)	Composite long-term debt: Currency swap agreement amounts to be exchanged [2] (Receive)	Composite long-term debt: Currency swap agreement amounts to be exchanged [2] Pay	Derivative: Other	Derivative: Currency swap agreement amounts to be exchanged (Receive)	Derivative: Currency swap agreement amounts to be exchanged Pay	Total
2022 (remainder of year)	**$ 2,959**	**$ 9**	**$ 2,492**	**$ 376**	**$ (1,560)**	**$ 1,583**	**$ 1**	**$ (488)**	**$ 489**	**$ 5,861**
2023	**164**	**1**	**1,204**	**373**	**(185)**	**192**	**—**	**(142)**	**144**	**1,751**
2024	**179**	**101**	**1,761**	**313**	**(185)**	**192**	**—**	**—**	**—**	**2,361**
2025	**9**	**—**	**2,218**	**183**	**(553)**	**568**	**—**	**—**	**—**	**2,425**
2026	**1**	**—**	**1,938**	**150**	**(152)**	**162**	**—**	**—**	**—**	**2,099**
2027-2031	**3**	**—**	**7,517**	**414**	**(1,949)**	**2,075**	**—**	**—**	**—**	**8,060**
Thereafter	**—**	**—**	**11,603**	**353**	**(3,909)**	**4,047**	**—**	**—**	**—**	**12,094**
Total	**$ 3,315**	**$ 111**	**$ 28,733**	**$ 2,162**	**$ (8,493)**	**$ 8,819**	**$ 1**	**$ (630)**	**$ 633**	**$ 34,651**
			Total (*Note 26(h)*)			**$ 31,221**				

1 Cash outflows in respect of interest payments on our short-term borrowings, commercial paper and amounts drawn under our credit facilities (if any) have been calculated based upon the interest rates in effect as at March 31, 2022.

2 The amounts included in undiscounted non-derivative long-term debt in respect of U.S. dollar-denominated long-term debt, and the corresponding amounts in the long-term debt currency swap receive column, have been determined based upon the currency exchange rates in effect as at March 31, 2022. The hedged U.S. dollar-denominated long-term debt contractual amounts at maturity, in effect, are reflected in the long-term debt currency swap pay column as gross cash flows are exchanged pursuant to the currency swap agreements.

As at December 31, 2021 (millions)	Non-derivative: Non-interest bearing financial liabilities	Non-derivative: Short-term borrowings [1]	Composite long-term debt: Long-term debt, excluding leases [1] (*Note 26*)	Composite long-term debt: Leases (*Note 26*)	Composite long-term debt: Currency swap agreement amounts to be exchanged [2] (Receive)	Composite long-term debt: Currency swap agreement amounts to be exchanged [2] Pay	Derivative: Other	Derivative: Currency swap agreement amounts to be exchanged (Receive)	Derivative: Currency swap agreement amounts to be exchanged Pay	Total
2022	$ 3,395	$ 15	$ 3,130	$ 504	$ (2,050)	$ 2,059	$ 8	$ (544)	$ 540	$ 7,057
2023	62	1	1,167	364	(149)	148	—	—	—	1,593
2024	13	101	1,724	305	(149)	148	—	—	—	2,142
2025	14	—	2,217	176	(522)	540	—	—	—	2,425
2026	2	—	1,901	144	(116)	118	—	—	—	2,049
2027-2031	7	—	7,351	398	(1,784)	1,852	—	—	—	7,824
Thereafter	—	—	10,499	344	(2,805)	2,877	—	—	—	10,915
Total	$ 3,493	$ 117	$ 27,989	$ 2,235	$ (7,575)	$ 7,742	$ 8	$ (544)	$ 540	$ 34,005
			Total			$ 30,391				

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, 2021.

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

(c) Market risks

Net income and other comprehensive income for the three-month periods ended March 31, 2022 and 2021, could have varied if the Canadian dollar: U.S. dollar exchange rate, the U.S. dollar: European euro exchange rate and market interest rates varied by reasonably possible amounts from their actual statement of financial position date amounts.

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

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

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

Three-month periods ended March 31 (increase (decrease) in millions)	Net income		Other comprehensive income		Comprehensive income	
	2022	2021	**2022**	2021	**2022**	2021
Reasonably possible changes in market risks [1]						
10% change in C$: US$ exchange rate						
Canadian dollar appreciates	**$ —**	$ 2	**$ (14)**	$ (10)	**$ (14)**	$ (8)
Canadian dollar depreciates	**$ —**	$ (2)	**$ 14**	$ 10	**$ 14**	$ 8
10% change in US$: € exchange rate						
U.S. dollar appreciates	**$ —**	$ —	**$ (48)**	$ (52)	**$ (48)**	$ (52)
U.S. dollar depreciates	**$ —**	$ —	**$ 48**	$ 52	**$ 48**	$ 52
25 basis point change in interest rates						
Interest rates increase						
Canadian interest rate	**$ (1)**	$ —	**$ 91**	$ 86	**$ 90**	$ 86
U.S. interest rate	**$ —**	$ —	**$ (96)**	$ (88)	**$ (96)**	$ (88)
Combined	**$ (1)**	$ —	**$ (5)**	$ (2)	**$ (6)**	$ (2)
Interest rates decrease						
Canadian interest rate	**$ 1**	$ —	**$ (94)**	$ (90)	**$ (93)**	$ (90)
U.S. interest rate	**$ —**	$ —	**$ 100**	$ 93	**$ 100**	$ 93
Combined	**$ 1**	$ —	**$ 6**	$ 3	**$ 7**	$ 3

1 These sensitivities are hypothetical and should be used with caution. Changes in net income and/or other comprehensive income generally cannot be extrapolated because the relationship of the change in assumption to the change in net income and/or other comprehensive income may not be linear. In this table, the effect of a variation in a particular assumption on the amount of net income and/or other comprehensive income is calculated without changing any other factors; in reality, changes in one factor may result in changes in another, which might magnify or counteract the sensitivities.
The sensitivity analysis assumes that we would realize the changes in exchange rates and market interest rates; in reality, the competitive marketplace in which we operate would have an effect on this assumption.

(d) Fair values

Derivative

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

As at (millions)		**March 31, 2022**				December 31, 2021			
	Designation	Maximum maturity date	Notional amount	Fair value [1] and carrying value	Price or rate	Maximum maturity date	Notional amount	Fair value [1] and carrying value	Price or rate
Current Assets [2]									
Derivatives used to manage									
Currency risk arising from U.S. dollar revenues	HFT [4]	2023	**$ 29**	**$ —**	US$1.00: ₱52	—	$ —	$ —	—
Currency risk arising from U.S. dollar-denominated purchases	HFH [3]	2023	**$ 157**	**2**	US$1.00: C$1.23	2022	$ 301	6	US$1.00: C$1.25
Currency risk arising from Indian rupee-denominated purchases	HFT [4]	2022	**$ 5**	**—**	US$1.00: ₹77	2022	$ 12	—	US$1.00: ₹76
Currency risk arising from U.S. dollar-denominated long-term debt (*Note 26(b)-(c)*)	HFH [3]	2022	**$ 94**	**—**	US$1.00: C$1.25	2022	$ 664	2	US$1.00: C$1.26
Currency risk arising from European euro functional currency operations purchased with U.S. dollar-denominated long-term debt [7] (*Note 26(e)*)	HFH [5]	2025	**$ 29**	**10**	€1.00: US$1.09	2025	$ 31	3	€1.00: US$1.09
Interest rate risk associated with refinancing of debt maturing	HFH [3]	—	**$ —**	**—**	—	2022	$ 250	2	1.35%
				$ 12				$ 13	
Other Long-Term Assets [2]									
Derivatives used to manage									
Currency risk arising from U.S. dollar-denominated long-term debt [6] (*Note 26(b)-(c)*)	HFH [3]	2049	**$ 3,593**	**$ 118**	US$1.00: C$1.30	2048	$ 2,133	$ 76	US$1.00: C$1.27

As at (millions)	Designation	**March 31, 2022** Maximum maturity date	Notional amount	Fair value [1] and carrying value	Price or rate	December 31, 2021 Maximum maturity date	Notional amount	Fair value [1] and carrying value	Price or rate
Current Liabilities [2]									
Derivatives used to manage									
Currency risk arising from U.S. dollar revenues	HFT [4]	2023	**$ 114**	**$ 3**	US$1.00: ₱51	2022	$ 116	$ 3	US$1.00: ₱50
Currency risk arising from U.S. dollar-denominated purchases	HFH [3]	2023	**$ 326**	**5**	US$1.00: C$1.27	2022	$ 108	1	US$1.00: C$1.28
Currency risk arising from Indian rupee-denominated purchases	HFT [4]	2022	**$ 2**	**—**	US$1.00: ₹76	2022	$ 2	—	US$1.00: ₹75
Currency risk arising from U.S. dollar-denominated long-term debt (*Note 26(b)-(c)*)	HFH [3]	2022	**$ 1,343**	**20**	US$1.00: C$1.27	2022	$ 1,248	12	US$1.00: C$1.28
Interest rate risk associated with non-fixed rate credit facility amounts drawn (*Note 26(e)*)	HFH [3]	2022	**$ 116**	**1**	2.64%	2022	$ 120	3	2.64%
Interest rate risk associated with refinancing of debt maturing	HFH [3]	—	**$ —**	**—**	—	2022	$ 500	5	1.59%
				$ 29				$ 24	
Other Long-Term Liabilities [2]									
Derivatives used to manage									
Currency risk arising from U.S. dollar-denominated long-term debt [6] (*Note 26(b)-(c)*)	HFH [3]	2032	**$ 3,305**	**$ 91**	US$1.00: C$1.32	2049	$ 3,185	$ 52	US$1.00: C$1.33
Currency risk arising from European euro functional currency operations purchased with U.S. dollar-denominated long-term debt [7] (*Note 26(e)*)	HFH [5]	2025	**$ 458**	**5**	€1.00: US$1.09	2025	$ 483	21	€1.00: US$1.09
				$ 96				$ 73	

1 Fair value measured at reporting date using significant other observable inputs (Level 2).
2 Derivative financial assets and liabilities are not set off.
3 Designated as held for hedging (HFH) upon initial recognition (cash flow hedging item); hedge accounting is applied. Unless otherwise noted, hedge ratio is 1:1 and is established by assessing the degree of matching between the notional amounts of hedging items and the notional amounts of the associated hedged items.
4 Designated as held for trading (HFT) and classified as fair value through net income upon initial recognition; hedge accounting is not applied.
5 Designated as a hedge of a net investment in a foreign operation; hedge accounting is applied. Hedge ratio is 1:1 and is established by assessing the degree of matching between the notional amounts of hedging items and the notional amounts of the associated hedged items.
6 We designate only the spot element as the hedging item. As at March 31, 2022, the foreign currency basis spread included in the fair value of the derivative instruments, which is used for purposes of assessing hedge ineffectiveness, was $28 (December 31, 2021 – $53).
7 We designate only the spot element as the hedging item. As at March 31, 2022, the foreign currency basis spread included in the fair value of the derivative instruments, which is used for purposes of assessing hedge ineffectiveness, was $(1) (December 31, 2021 – $1).

Non-derivative

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

As at (millions)	**March 31, 2022** Carrying value	Fair value	December 31, 2021 Carrying value	Fair value
Long-term debt, excluding leases (*Note 26*)	**$ 19,503**	**$ 19,380**	$ 18,976	$ 20,383

(e) Recognition of derivative gains and losses

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

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

Periods ended March 31 (millions)	Note	Amount of gain (loss) recognized in other comprehensive income (effective portion) (*Note 11*) 2022	2021	Gain (loss) reclassified from other comprehensive income to income (effective portion) (*Note 11*) Location	Amount 2022	2021
THREE-MONTH						
Derivatives used to manage currency risk						
Arising from U.S. dollar-denominated purchases		**$ (6)**	$ (4)	Goods and services purchased	**$ 1**	$ (8)
Arising from U.S. dollar-denominated long-term debt [1]	*26(b)-(c)*	**(12)**	23	Financing costs	**(108)**	(48)
Arising from net investment in a foreign operation [2]		**24**	26	Financing costs	**—**	—
		6	45		**(107)**	(56)
Derivatives used to manage other market risks						
Other		**—**	1	Financing costs	**(1)**	—
		$ 6	$ 46		**$ (108)**	$ (56)

1 Amounts recognized in other comprehensive income are net of the change in the foreign currency basis spread (which is used for purposes of assessing hedge ineffectiveness) included in the fair value of the derivative instruments; such amounts for the three-month period ended March 31, 2022, were $(25) (2021 – $(72)).
2 Amounts recognized in other comprehensive income are net of the change in the foreign currency basis spread (which is used for purposes of assessing hedge ineffectiveness) included in the fair value of the derivative instruments; such amounts for the three-month period ended March 31, 2022, were $(2) (2021 – $NIL).

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

Three-month periods ended March 31 (millions)	Location	Gain (loss) recognized in income on derivatives 2022	2021
Derivatives used to manage currency risk	Financing costs	**$ (3)**	$ 1

5 segment information

General

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

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

The digitally-led customer experiences – TELUS International segment (DLCX), which has the U.S. dollar as its primary functional currency, is comprised of digital customer experience and digital-enablement transformation solutions, including artificial intelligence and content management solutions, provided by our TELUS International (Cda) Inc. subsidiary.

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

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

Three-month periods ended March 31 (millions)	TELUS technology solutions: Mobile 2022	Mobile 2021	Fixed 2022	Fixed 2021	Segment total 2022	Segment total 2021	Digitally-led customer experiences – TELUS International [1] 2022	2021	Eliminations 2022	2021	Total 2022	2021
Operating revenues												
External revenues												
Service	**$ 1,600**	$ 1,526	**$ 1,521**	$ 1,441	**$ 3,121**	$ 2,967	**$ 644**	$ 535	**$ —**	$ —	**$ 3,765**	$ 3,502
Equipment	**417**	452	**74**	68	**491**	520	**—**	—	**—**	—	**491**	520
Revenues arising from contracts with customers	**$ 2,017**	$ 1,978	**$ 1,595**	$ 1,509	**3,612**	3,487	**644**	535	**—**	—	**4,256**	4,022
Other income (*Note 7*)					**26**	2	**—**	—	**—**	—	**26**	2
					3,638	3,489	**644**	535	**—**	—	**4,282**	4,024
Intersegment revenues					**4**	5	**115**	104	**(119)**	(109)	**—**	—
					$ 3,642	$ 3,494	**$ 759**	$ 639	**$ (119)**	$ (109)	**$ 4,282**	$ 4,024
EBITDA [2]					**$ 1,400**	$ 1,336	**$ 169**	$ 125	**$ —**	$ —	**$ 1,569**	$ 1,461
Restructuring and other costs included in EBITDA (*Note 16*)					**35**	28	**4**	13	**—**	—	**39**	41
Equity losses related to real estate joint venture					**—**	1	**—**	—	**—**	—	**—**	1
Adjusted EBITDA [2]					**$ 1,435**	$ 1,365	**$ 173**	$ 138	**$ —**	$ —	**$ 1,608**	$ 1,503
CAPEX, excluding spectrum licences [3]					**$ 802**	$ 662	**$ 31**	$ 23	**$ —**	$ —	**$ 833**	$ 685

	2022	2021
Operating revenues – external and other income (above)	**$ 4,282**	$ 4,024
Goods and services purchased	**1,594**	1,548
Employee benefits expense	**1,119**	1,015
EBITDA (above)	**1,569**	1,461
Depreciation	**551**	524
Amortization	**291**	265
Operating income	**727**	672
Financing costs	**179**	207
Income before income taxes	**$ 548**	$ 465

1 The digitally-led customer experiences – TELUS International segment is comprised of our consolidated TELUS International (Cda) Inc. subsidiary. All of our other international operations are included in the TELUS technology solutions segment.

2 Earnings before interest, income taxes, depreciation and amortization (EBITDA), both unadjusted and adjusted, are not standardized financial measures under IFRS-IASB and may not be comparable to similar measures disclosed by other issuers (including those disclosed by TELUS International (Cda) Inc.); we define EBITDA as operating revenues and other income less goods and services purchased and employee benefits expense. We calculate adjusted EBITDA to exclude items that do not reflect our ongoing operations and, in our opinion, should not be considered in a long-term valuation metric or included in an assessment of our ability to service or incur debt. We report EBITDA and adjusted EBITDA because they are key measures that management uses to evaluate the performance of our business, and EBITDA is also utilized in measuring compliance with certain debt covenants.

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

6 revenue from contracts with customers

(a) Revenues

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

As at (millions)	**March 31, 2022**	December 31, 2021
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	**$ 2,363**	$ 2,369
During the 12-month period ending two years hence	**906**	915
Thereafter	**62**	56
	$ 3,331	$ 3,340

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

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

(b) Accounts receivable

As at (millions)	*Note*	**March 31, 2022**	December 31, 2021
Customer accounts receivable		**$ 2,027**	$ 2,194
Accrued receivables – customer		**331**	313
Allowance for doubtful accounts	*4(a)*	**(92)**	(81)
		2,266	2,426
Accrued receivables – other		**220**	245
Accounts receivable – current		**$ 2,486**	$ 2,671

(c) Contract assets

Periods ended March 31 (millions)	*Note*	Three months **2022**	2021
Balance, beginning of period		**$ 837**	$ 850
Net additions arising from operations		**300**	272
Amounts billed in the period and thus reclassified to accounts receivable		**(348)**	(324)
Change in impairment allowance, net	*4(a)*	**1**	3
Other		**—**	2
Balance, end of period		**$ 790**	$ 803
To be billed and thus reclassified to accounts receivable during:			
The 12-month period ending one year hence		**$ 553**	$ 550
The 12-month period ending two years hence		**218**	235
Thereafter		**19**	18
Balance, end of period		**$ 790**	$ 803
Reconciliation of contract assets presented in the Consolidated statements of financial position – current			
Gross contract assets		**$ 553**	$ 550
Reclassification to contract liabilities of contracts with contract assets less than contract liabilities	*24*	**(13)**	(11)
Reclassification from contract liabilities of contracts with contract liabilities less than contract assets	*24*	**(112)**	(119)
		$ 428	$ 420

7 other income

Periods ended March 31 (millions)	Note	Three months 2022	2021
Government assistance		**$ 2**	$ 3
Other sublet revenue	*19*	**1**	1
Investment income (loss), gain (loss) on disposal of assets and other		**(4)**	(3)
Interest income	*21(b)*	**1**	1
Changes in business combination-related provisions		**26**	—
		$ 26	$ 2

8 employee benefits expense

Periods ended March 31 (millions)	Note	Three months 2022	2021
Employee benefits expense – gross			
Wages and salaries [1]		**$ 1,105**	$ 991
Share-based compensation [2]	*14*	**49**	60
Pensions – defined benefit	*15(a)*	**27**	26
Pensions – defined contribution	*15(b)*	**26**	22
Restructuring costs [2]	*16(a)*	**10**	18
Employee health and other benefits		**57**	50
		1,274	1,167
Capitalized internal labour costs, net			
Contract acquisition costs	*20*		
Capitalized		**(18)**	(22)
Amortized		**19**	15
Contract fulfilment costs	*20*		
Capitalized		**—**	—
Amortized		**—**	1
Property, plant and equipment		**(93)**	(90)
Intangible assets subject to amortization		**(63)**	(56)
		(155)	(152)
		$ 1,119	$ 1,015

1 For the three-month period ended March 31, 2021, wages and salaries are net of Canada Emergency Wage Subsidy program amounts.

2 For the three-month period ended March 31, 2022, $1 (2021 – $6) of share-based compensation in the digitally-led customer experiences segment was included in restructuring costs.

9 financing costs

Periods ended March 31 (millions)	Note	Three months 2022	2021
Interest expense			
Interest on long-term debt, excluding lease liabilities – gross		**$ 169**	$ 171
Interest on long-term debt, excluding lease liabilities – capitalized [1]		**(15)**	—
Interest on long-term debt, excluding lease liabilities		**154**	171
Interest on lease liabilities	*19*	**16**	17
Interest on short-term borrowings and other		**4**	3
Interest accretion on provisions	*25*	**3**	5
		177	196
Employee defined benefit plans net interest	*15*	**2**	6
Foreign exchange		**1**	6
		180	208
Interest income		**(1)**	(1)
		$ 179	$ 207
Net interest cost	*3*	**$ 192**	$ 201
Interest on long-term debt, excluding lease liabilities – capitalized [1]		**(15)**	—
Employee defined benefit plans net interest		**2**	6
		$ 179	$ 207

1 Interest on long-term debt, excluding lease liabilities, at a composite rate of 3.10% was capitalized to intangible assets with indefinite lives during the period.

10 income taxes

Periods ended March 31 (millions)	Three months 2022	2021
Current income tax expense		
For the current reporting period	**$ 145**	$ 129
Deferred income tax expense		
Arising from the origination and reversal of temporary differences	**(1)**	3
	$ 144	$ 132

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

Three-month periods ended March 31 ($ in millions)	2022		2021	
Income taxes computed at applicable statutory rates	**$ 140**	**25.5%**	$ 119	25.6%
Non-deductible amounts	**(2)**	**(0.3)**	6	1.4
Other	**6**	**1.1**	7	1.5
Income tax expense per Consolidated statements of income and other comprehensive income	**$ 144**	**26.3%**	$ 132	28.5%

11 other comprehensive income

	Items that may subsequently be reclassified to income								Item never reclassified to income		Item never reclassified to income	
	Change in unrealized fair value of derivatives designated as cash flow hedges in current period (*Note 4(e)*)											
	Derivatives used to manage currency risk			Derivatives used to manage other market risks								
Periods ended March 31 (millions)	Gains (losses) arising	Prior period (gains) losses transferred to net income	Total	Gains (losses) arising	Prior period (gains) losses transferred to net income	Total	Total	Cumulative foreign currency translation adjustment	Change in measurement of investment financial assets	Accumulated other comp. income	Employee defined benefit plan re-measure-ments	Other comp. income
THREE-MONTH												
Accumulated balance as at January 1, 2021			$ (40)			$ (6)	$ (46)	$ 155	$ 26	$ 135		
Other comprehensive income (loss)												
Amount arising	$ 45	$ 56	101	$ 1	$ —	1	102	(69)	(1)	32	$ 911	$ 943
Income taxes	$ 10	$ 10	20	$ —	$ —	—	20	—	—	20	236	256
Net			81			1	82	(69)	(1)	12	$ 675	$ 687
Accumulated balance as at March 31, 2021			$ 41			$ (5)	$ 36	$ 86	$ 25	$ 147		
Accumulated balance as at January 1, 2022			**$ 81**			**$ (3)**	**$ 78**	**$ 25**	**$ 83**	**$ 186**		
Other comprehensive income (loss)												
Amount arising	**$ 6**	**$ 107**	**113**	**$ —**	**$ 1**	**1**	**114**	**(67)**	**6**	**53**	**$ 214**	**$ 267**
Income taxes	**$ 4**	**$ 21**	**25**	**$ —**	**$ —**	**—**	**25**	**—**	**1**	**26**	**55**	**81**
Net			**88**			**1**	**89**	**(67)**	**5**	**27**	**$ 159**	**$ 186**
Accumulated balance as at March 31, 2022			**$ 169**			**$ (2)**	**$ 167**	**$ (42)**	**$ 88**	**$ 213**		
Attributable to:												
Common Shares										**$ 250**		
Non-controlling interests										**(37)**		
										$ 213		

12 per share amounts

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

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

Periods ended March 31 (millions)	Three months 2022	2021
Basic total weighted average number of Common Shares outstanding	**1,376**	1,298
Effect of dilutive securities – Restricted share units	**4**	3
Diluted total weighted average number of Common Shares outstanding	**1,380**	1,301

For the three-month periods ended March 31, 2022 and 2021, no outstanding equity-settled restricted share unit awards were excluded in the calculation of diluted income per Common Share. For the three-month periods ended March 31, 2022 and 2021, no outstanding TELUS Corporation share option awards were excluded in the calculation of diluted net income per Common Share.

13 dividends per share

(a) TELUS Corporation Common Share dividends declared

Periods ended March 31 (millions except per share amounts)	2022				2021			
TELUS Corporation Common Share dividends	Declared Effective	Declared Per share	Paid to shareholders	Total	Declared Effective	Declared Per share	Paid to shareholders	Total
Quarter 1 dividend	**Mar. 11, 2022**	**$ 0.3274**	**Apr. 1, 2022**	**$ 450**	Mar. 11, 2021	$ 0.3112	Apr. 1, 2021	$ 404

On May 5, 2022, the Board of Directors declared a quarterly dividend of $0.3386 per share on our issued and outstanding TELUS Corporation Common Shares payable on July 4, 2022, to holders of record at the close of business on June 10, 2022. The final amount of the dividend payment depends upon the number of TELUS Corporation Common Shares issued and outstanding at the close of business on June 10, 2022.

(b) Dividend Reinvestment and Share Purchase Plan

We have a Dividend Reinvestment and Share Purchase Plan under which eligible holders of TELUS Corporation Common Shares may acquire additional TELUS Corporation Common Shares by reinvesting dividends and by making additional optional cash payments to the trustee. Under this plan, we have the option of offering TELUS Corporation Common Shares from Treasury or having the trustee acquire TELUS Corporation Common Shares in the stock market. We may, at our discretion, offer TELUS Corporation Common Shares at a discount of up to 5% from the market price under the plan. Effective with our dividends paid October 1, 2019, we offered TELUS Corporation Common Shares from Treasury at a discount of 2%. In respect of TELUS Corporation Common Shares held by eligible shareholders who have elected to participate in the plan, dividends declared during the three-month period ended March 31, 2022, of $149 million (2021 – $143 million) were to be reinvested in TELUS Corporation Common Shares.

14 share-based compensation

(a) Details of share-based compensation expense

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

Periods ended March 31 (millions)		**2022**			2021		
	Note	Employee benefits expense [1]	Associated operating cash outflows	Statement of cash flows adjustment	Employee benefits expense	Associated operating cash outflows	Statement of cash flows adjustment
THREE-MONTH							
Restricted share units	*(b)*	**$ 41**	**$ (7)**	**$ 34**	$ 50	$ —	$ 50
Employee share purchase plan	*(c)*	**11**	**(11)**	**—**	9	(9)	—
Share option awards	*(d)*	**(2)**	**(6)**	**(8)**	7	(22)	(15)
		$ 50	**$ (24)**	**$ 26**	$ 66	$ (31)	$ 35
TELUS technology solutions		**$ 40**	**$ (18)**	**$ 22**	$ 35	$ (9)	$ 26
Digitally-led customer experiences		**10**	**(6)**	**4**	31	(22)	9
		$ 50	**$ (24)**	**$ 26**	$ 66	$ (31)	$ 35

1 Within employee benefits expense (see *Note 8*), for the three-month period ended March 31, 2022, restricted share units expense of $40 (2021 – $45) and share option awards expense of $(2) (2021 – $6) are presented as share-based compensation expense and the balance is included in restructuring costs (see *Note 16*) of the digitally-led customer experiences segment.

(b) Restricted share units

TELUS Corporation restricted share units

We also award restricted share units that largely have the same features as our general restricted share units, but have a variable payout (0% – 200%) that depends upon the achievement of our total customer connections performance condition (with a weighting of 25%) and the total shareholder return on TELUS Corporation Common Shares relative to an international peer group of telecommunications companies (with a weighting of 75%). The grant-date fair value of the notional subset of our restricted share units affected by the total customer connections performance condition equals the fair market value of the corresponding TELUS Corporation Common Shares at the grant date, and thus the notional subset has been included in the presentation of our restricted share units with only service conditions. The estimate, which reflects a variable payout, of the fair value of the notional subset of our restricted share units affected by the relative total shareholder return performance condition is determined using a Monte Carlo simulation. Grants of restricted share units in 2022 and 2021 are accounted for as equity-settled, as that was their expected manner of settlement when granted.

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

Number of non-vested restricted share units as at	**March 31, 2022**	December 31, 2021
Restricted share units without market performance conditions		
Restricted share units with only service conditions	**7,601,738**	5,481,486
Notional subset affected by total customer connections performance condition	**508,692**	366,983
	8,110,430	5,848,469
Restricted share units with market performance conditions		
Notional subset affected by relative total shareholder return performance condition	**1,526,076**	1,100,949
	9,636,506	6,949,418

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

Period ended March 31, 2022	Three months		
	Number of restricted share units [1]		Weighted average grant-date fair value
	Non-vested	Vested	
Outstanding, beginning of period			
Non-vested	**5,848,469**	**—**	**$ 25.67**
Vested	**—**	**49,138**	**$ 25.63**
Granted			
Initial award	**2,466,876**	**—**	**$ 31.83**
In lieu of dividends	**63,791**	**541**	**$ 29.76**
Vested	**(168,514)**	**168,514**	**$ 25.71**
Settled in cash	**—**	**(168,514)**	**$ 25.71**
Forfeited	**(100,192)**	**—**	**$ 25.67**
Outstanding, end of period			
Non-vested	**8,110,430**	**—**	**$ 27.58**
Vested	**—**	**49,679**	**$ 25.65**

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

TELUS International (Cda) Inc. restricted share units

We also award restricted share units that largely have the same features as the TELUS Corporation restricted share units, but have a variable payout (0% – 150%) that depends upon the achievement of TELUS International (Cda) Inc. financial performance and non-market quality-of-service performance conditions. Grants of restricted share units in 2022 and 2021 are accounted for as equity-settled, as that was their expected manner of settlement when granted.

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

Period ended March 31, 2022	Three months		
	Number of restricted share units		Weighted average grant-date fair value
	Non-vested	Vested	
Outstanding, beginning of period	**1,850,807**	**—**	**US$ 21.94**
Granted – initial award	**789,710**	**—**	**US$ 26.38**
Vested	**(153,972)**	**153,972**	**US$ 25.00**
Settled in equity	**—**	**(153,972)**	**US$ 25.00**
Forfeited	**(143,016)**	**—**	**US$ 14.22**
Outstanding, end of period	**2,343,529**	**—**	**US$ 23.71**

(c) TELUS Corporation employee share purchase plan

We have an employee share purchase plan under which eligible employees up to a certain job classification can purchase TELUS Corporation Common Shares through regular payroll deductions. In respect of TELUS Corporation Common Shares held within the employee share purchase plan, TELUS Corporation Common Share dividends declared during the three-month period ended March 31, 2022, of $11 million (2021 – $10 million) were to be reinvested in TELUS Corporation Common Shares acquired by the trustee from Treasury, with a discount applicable, as set out in *Note 13(b)*.

(d) Share option awards

TELUS Corporation share options

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

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

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

Period ended March 31, 2022	Three months	
	Number of share options	Weighted average share option price [1]
Outstanding, beginning of period	**3,050,300**	**$ 22.04**
Forfeited	**(80,700)**	**$ 22.04**
Outstanding, end of period	**2,969,600**	**$ 22.04**

1 The weighted average remaining contractual life is 5.1 years. No options were exercisable as at the balance sheet date.

TELUS International (Cda) Inc. share options

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

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

Period ended March 31, 2022	Three months	
	Number of share options	Weighted average share option price [1]
Outstanding, beginning of period	**3,180,767**	**US$ 10.74**
Forfeited	**(152,133)**	**US$ 6.74**
Outstanding, end of period	**3,028,634**	**US$ 10.94**

1 For 2,532,534 share options, the range of share option prices is US$4.87 – US$8.95 per TELUS International (Cda) Inc. subordinated voting share and the weighted average remaining contractual life is 5.3 years; for the balance of share options, the price is US$25.00 and the weighted average remaining contractual life is 8.9 years.

15 employee future benefits

(a) Defined benefit pension plans – summary

Amounts in the primary financial statements relating to defined benefit pension plans

Three-month periods ended March 31		2022			2021		
(millions)	*Note*	Plan assets	Defined benefit obligations accrued [1]	Net	Plan assets	Defined benefit obligations accrued [1]	Net
Employee benefits expense	*8*						
Benefits earned for current service		**$ —**	**$ (27)**		$ —	$ (30)	
Benefits earned for past service		**—**	**(3)**		—	—	
Employees' contributions		**4**	**—**		5	—	
Administrative fees		**(1)**	**—**		(1)	—	
		3	**(30)**	**$ (27)**	4	(30)	$ (26)
Financing costs	*9*						
Notional income on plan assets [2] and interest on defined benefit obligations accrued		**74**	**(75)**		60	(65)	
Interest effect on asset ceiling limit		**(1)**	**—**		(1)	—	
		73	**(75)**	**(2)**	59	(65)	(6)
DEFINED BENEFIT (COST) INCLUDED IN NET INCOME [3]				**(29)**			(32)
Other comprehensive income	*11*						
Difference between actual results and estimated plan assumptions [4]		**(543)**	**—**		(149)	—	
Changes in plan financial assumptions		**—**	**1,491**		—	1,095	
Changes in the effect of limiting net defined benefit assets to the asset ceilings [5]		**(734)**	**—**		(35)	—	
		(1,277)	**1,491**	**214**	(184)	1,095	911
DEFINED BENEFIT (COST) INCLUDED IN COMPREHENSIVE INCOME [3]				**185**			879
AMOUNTS INCLUDED IN OPERATING ACTIVITIES CASH FLOWS							
Employer contributions		**17**	**—**	**17**	16	—	16
BENEFITS PAID BY PLANS		**(117)**	**117**	**—**	(118)	118	—
PLAN ACCOUNT BALANCES							
Change in period		**(1,301)**	**1,503**	**202**	(223)	1,118	895
Balance, beginning of period		**10,043**	**(10,233)**	**(190)**	9,608	(10,521)	(913)
Balance, end of period		**$ 8,742**	**$ (8,730)**	**$ 12**	$ 9,385	$ (9,403)	$ (18)
FUNDED STATUS – PLAN SURPLUS (DEFICIT)							
Pension plans that have plan assets in excess of defined benefit obligations accrued	*20*	**$ 7,881**	**$ (7,417)**	**$ 464**	$ 8,541	$ (8,026)	$ 515
Pension plans that have defined benefit obligations accrued in excess of plan assets							
Funded		**861**	**(1,091)**	**(230)**	844	(1,139)	(295)
Unfunded		**—**	**(222)**	**(222)**	—	(238)	(238)
	27	**861**	**(1,313)**	**(452)**	844	(1,377)	(533)
		$ 8,742	**$ (8,730)**	**$ 12**	$ 9,385	$ (9,403)	$ (18)

1 Defined benefit obligations accrued are the actuarial present values of benefits attributed to employee services rendered to a particular date.
2 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.
3 Excluding income taxes.
4 Financial assumptions in respect of plan assets (interest income on plan assets 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) and demographic assumptions in respect of the actuarial present values of the defined benefit obligations accrued.
5 Effect of asset ceiling limit at March 31, 2022, was $913 (December 31, 2021 – $179).

(b) Defined contribution plans – expense

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

	Three months	
Periods ended March 31 (millions)	**2022**	2021
Union pension plan and public service pension plan contributions	**$ 4**	$ 4
Other defined contribution pension plans	**22**	18
	$ 26	$ 22

16 restructuring and other costs

(a) Details of restructuring and other costs

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

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

	Restructuring *(b)*		Other *(c)*		Total	
Periods ended March 31 (millions)	**2022**	2021	**2022**	2021	**2022**	2021
THREE-MONTH						
Goods and services purchased	**$ 26**	$ 13	**$ 3**	$ 10	**$ 29**	$ 23
Employee benefits expense	**10**	18	**—**	—	**10**	18
	$ 36	$ 31	**$ 3**	$ 10	**$ 39**	$ 41

(b) Restructuring provisions

Employee-related provisions and other provisions, as presented in *Note 25,* include amounts in respect of restructuring activities. In 2022, restructuring activities included ongoing and incremental efficiency initiatives, some of which involved personnel-related costs and rationalization of real estate. These initiatives were intended to improve our long-term operating productivity and competitiveness.

(c) Other

During the three-month period ended March 31, 2022, incremental external costs were incurred in connection with business acquisition activity. In connection with business acquisitions, non-recurring atypical business integration expenditures that would be considered neither restructuring costs nor part of the fair value of the net assets acquired have been included in other costs.

Also during the three-month period ended March 31, 2022, other costs were incurred in connection with the COVID-19 pandemic. Incremental costs were incurred due to proactive steps we elected to take in order to keep our customers and employees safe, including adjustments to the frequency of real estate cleaning and maintenance, among other items. As well, costs that have been incurred in the normal course but which are unable to contribute normally to the earning of revenues have been deemed atypical.

17 property, plant and equipment

		Owned assets						Right-of-use lease assets (*Note 19*)				
(millions)	*Note*	Network assets	Buildings and leasehold improvements	Computer hardware and other	Land	Assets under construction	Total	Network assets	Real estate	Other	Total	Total
AT COST												
As at January 1, 2022		$ 34,510	$ 3,537	$ 1,525	$ 75	$ 771	$ 40,418	$ 594	$ 1,694	$ 99	$ 2,387	$ 42,805
Additions		**201**	**11**	**12**	**6**	**405**	**635**	**—**	**65**	**9**	**74**	**709**
Additions arising from business acquisitions	*18(b)*	**1**	**—**	**3**	**—**	**—**	**4**	**—**	**—**	**—**	**—**	**4**
Assets under construction put into service		**154**	**19**	**23**	**—**	**(196)**	**—**	**—**	**—**	**—**	**—**	**—**
Dispositions, retirements and other		**(240)**	**(7)**	**16**	**—**	**—**	**(231)**	**—**	**(2)**	**(3)**	**(5)**	**(236)**
Net foreign exchange differences		**(1)**	**(3)**	**(6)**	**—**	**—**	**(10)**	**—**	**(13)**	**—**	**(13)**	**(23)**
As at March 31, 2022		**$ 34,625**	**$ 3,557**	**$ 1,573**	**$ 81**	**$ 980**	**$ 40,816**	**$ 594**	**$ 1,744**	**$ 105**	**$ 2,443**	**$ 43,259**
ACCUMULATED DEPRECIATION												
As at January 1, 2022		$ 23,070	$ 2,207	$ 938	$ —	$ —	$ 26,215	$ 64	$ 566	$ 34	$ 664	$ 26,879
Depreciation [1]		**395**	**33**	**45**	**—**	**—**	**473**	**19**	**55**	**4**	**78**	**551**
Dispositions, retirements and other		**(252)**	**(7)**	**(20)**	**—**	**—**	**(279)**	**—**	**(2)**	**(2)**	**(4)**	**(283)**
Net foreign exchange differences		**(1)**	**(1)**	**(4)**	**—**	**—**	**(6)**	**—**	**(7)**	**—**	**(7)**	**(13)**
As at March 31, 2022		**$ 23,212**	**$ 2,232**	**$ 959**	**$ —**	**$ —**	**$ 26,403**	**$ 83**	**$ 612**	**$ 36**	**$ 731**	**$ 27,134**
NET BOOK VALUE												
As at December 31, 2021		$ 11,440	$ 1,330	$ 587	$ 75	$ 771	$ 14,203	$ 530	$ 1,128	$ 65	$ 1,723	$ 15,926
As at March 31, 2022		**$ 11,413**	**$ 1,325**	**$ 614**	**$ 81**	**$ 980**	**$ 14,413**	**$ 511**	**$ 1,132**	**$ 69**	**$ 1,712**	**$ 16,125**

1 For the three-month period ended March 31, 2022, depreciation includes $1 in respect of impairment of real estate right-of-use lease assets.

As at March 31, 2022, our contractual commitments for the acquisition of property, plant and equipment totalled $497 million over a period ending December 31, 2023 (December 31, 2021 – $574 million over a period ending December 31, 2023).

18 intangible assets and goodwill

(a) Intangible assets and goodwill, net

		Intangible assets subject to amortization					Intangible assets with indefinite lives			
(millions)	Note	Customer contracts, related customer relationships and subscriber base	Software	Access to rights-of-way, crowdsource assets and other	Assets under construction	Total	Spectrum licences	Total intangible assets	Goodwill [1]	Total intangible assets and goodwill
AT COST										
As at January 1, 2022		$ 3,028	$ 6,723	$ 437	$ 275	$ 10,463	$ 12,185	$ 22,648	$ 7,645	$ 30,293
Additions		**—**	**31**	**1**	**166**	**198**	**—**	**198**	**—**	**198**
Additions arising from business acquisitions	*(b)*	**122**	**20**	**17**	**—**	**159**	**—**	**159**	**98**	**257**
Assets under construction put into service		**—**	**96**	**—**	**(96)**	**—**	**—**	**—**	**—**	**—**
Dispositions, retirements and other (including capitalized interest)	*9*	**3**	**(198)**	**10**	**—**	**(185)**	**15**	**(170)**	**—**	**(170)**
Net foreign exchange differences		**(37)**	**(1)**	**(4)**	**—**	**(42)**	**—**	**(42)**	**(45)**	**(87)**
As at March 31, 2022		**$ 3,116**	**$ 6,671**	**$ 461**	**$ 345**	**$ 10,593**	**$ 12,200**	**$ 22,793**	**$ 7,698**	**$ 30,491**
ACCUMULATED AMORTIZATION										
As at January 1, 2022		$ 712	$ 4,279	$ 172	$ —	$ 5,163	$ —	$ 5,163	$ 364	$ 5,527
Amortization		**78**	**196**	**17**	**—**	**291**	**—**	**291**	**—**	**291**
Dispositions, retirements and other		**13**	**(189)**	**(14)**	**—**	**(190)**	**—**	**(190)**	**—**	**(190)**
Net foreign exchange differences		**(7)**	**(1)**	**(1)**	**—**	**(9)**	**—**	**(9)**	**—**	**(9)**
As at March 31, 2022		**$ 796**	**$ 4,285**	**$ 174**	**$ —**	**$ 5,255**	**$ —**	**$ 5,255**	**$ 364**	**$ 5,619**
NET BOOK VALUE										
As at December 31, 2021		$ 2,316	$ 2,444	$ 265	$ 275	$ 5,300	$ 12,185	$ 17,485	$ 7,281	$ 24,766
As at March 31, 2022		**$ 2,320**	**$ 2,386**	**$ 287**	**$ 345**	**$ 5,338**	**$ 12,200**	**$ 17,538**	**$ 7,334**	**$ 24,872**

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

As at March 31, 2022, our contractual commitments for the acquisition of intangible assets totalled $13 million over a period ending December 31, 2023 (December 31, 2021 – $26 million over a period ending December 31, 2023).

(b) Business acquisitions

Fully Managed Inc.

On January 1, 2022, we acquired 100% ownership of Fully Managed Inc., a provider of managed information technology support, technology strategy and network management. The acquisition was made with a view to growing our end-to-end capabilities to support small and medium-sized business 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 may be deductible for income tax purposes.

Individually immaterial transactions

During the three-month period ended March 31, 2022, we acquired 100% ownership of businesses complementary to our existing lines of business. The primary factor that gave rise to the recognition of goodwill was the earnings capacity of the acquired businesses in excess of the net tangible and intangible assets acquired (such excess arising from the low level of tangible assets relative to the earnings capacities of the businesses). A portion of the amounts assigned to goodwill may be deductible for income tax purposes. Any differences between the results of operations currently presented and pro forma operating revenues, net income and basic and diluted net income per Common Share amounts reflecting the results of operations as if the business acquisitions had been completed at the beginning of the current fiscal year are immaterial (as are the post-acquisition operating revenues and net income of the acquired businesses for the three-month period ended March 31, 2022).

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

(millions)	Fully Managed Inc. [1]	Total of individually immaterial transactions [1]	Total
Assets			
Current assets			
Cash	$ 3	$ 1	$ 4
Accounts receivable [2]	49	1	50
Other	2	—	2
	54	2	56
Non-current assets			
Property, plant and equipment			
Owned assets	1	3	4
Intangible assets subject to amortization [3]	146	13	159
Other	1	—	1
	148	16	164
Total identifiable assets acquired	202	18	220
Liabilities			
Current liabilities			
Accounts payable and accrued liabilities	30	2	32
Advance billings and customer deposits	2	2	4
Current maturities of long-term debt	1	—	1
	33	4	37
Non-current liabilities			
Long-term debt	70	—	70
Other long-term liabilities	2	2	4
Deferred income taxes	38	—	38
	110	2	112
Total liabilities assumed	143	6	149
Net identifiable assets acquired	59	12	71
Goodwill	72	26	98
Net assets acquired	$ 131	$ 38	$ 169
Acquisition effected by way of:			
Cash consideration	$ 96	$ 32	$ 128
Provisions	29	6	35
Issue of TELUS Corporation Common Shares	6	—	6
	$ 131	$ 38	$ 169

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

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

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

19 leases

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

Periods ended March 31 (millions)	Note	Three months 2022	2021
Income from subleasing right-of-use lease assets			
Co-location sublet revenue included in operating service revenues		**$ 4**	$ 8
Other sublet revenue included in other income	*7*	**$ 1**	$ 1
Lease payments		**$ 139**	$ 140

20 other long-term assets

As at (millions)	Note	March 31, 2022	December 31, 2021
Pension assets	*15*	**$ 464**	$ 453
Unbilled customer finance receivables	*4(a)*	**627**	545
Derivative assets	*4(d)*	**118**	76
Deferred income taxes		**22**	35
Costs incurred to obtain or fulfill contracts with customers		**107**	109
Real estate joint venture advances	*21(b)*	**114**	114
Investment in real estate joint venture	*21(b)*	**1**	1
Investment in associates	*21*	**97**	100
Portfolio investments [1]			
At fair value through net income		**27**	26
At fair value through other comprehensive income		**377**	370
Prepaid maintenance		**70**	62
Refundable security deposits and other		**128**	113
		$ 2,152	$ 2,004

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

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

Period ended March 31, 2022 (millions)	Three months		
	Costs incurred to		
	Obtain contracts with customers	Fulfill contracts with customers	Total
Balance, beginning of period	$ 336	$ 6	$ 342
Additions	**60**	**1**	**61**
Amortization	**(67)**	**(1)**	**(68)**
Balance, end of period	**$ 329**	**$ 6**	**$ 335**
Current [1]	**$ 225**	**$ 3**	**$ 228**
Non-current	**104**	**3**	**107**
	$ 329	**$ 6**	**$ 335**

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

21 real estate joint ventures and investment in associate

(a) General

Real estate joint ventures

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

Associate

We have acquired a 35% basic equity interest in Miovision Technologies Incorporated, an associate that is complementary to, and is viewed to grow, our existing Internet of Things business; our judgment is that we obtained significant influence over the associate concurrent with acquiring our equity interest.

(b) Real estate joint ventures

Summarized financial information

As at (millions)	March 31, 2022	December 31, 2021
ASSETS		
Current assets		
Cash and temporary investments, net	**$ 10**	$ 11
Other	**26**	28
	36	39
Non-current assets		
Investment property	**327**	328
Other	**10**	10
	337	338
	$ 373	$ 377

As at (millions)	March 31, 2022	December 31, 2021
LIABILITIES AND OWNERS' EQUITY		
Current liabilities		
Accounts payable and accrued liabilities	**$ 10**	$ 10
	10	10
Non-current liabilities		
Construction credit facilities	**342**	342
	342	342
	352	352
Owners' equity		
TELUS [1]	**7**	9
Other partners	**14**	16
	21	25
	$ 373	$ 377

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

Periods ended March 31 (millions)	Three months 2022	2021
Revenue	**$ 4**	$ 2
Depreciation and amortization	**$ 2**	$ 1
Interest expense	**$ 3**	$ —
Net income (loss) and comprehensive income (loss) [1]	**$ (4)**	$ (7)

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

Our real estate joint ventures activity

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

Three-month periods ended March 31 (millions)	**2022** Loans and receivables [1]	Equity [2]	Total	2021 Loans and receivables [1]	Equity [2]	Total
Related to real estate joint ventures' statements of income and other comprehensive income						
Comprehensive income (loss) attributable to us [3]	**$ —**	**$ —**	**$ —**	$ —	$ (1)	$ (1)
Related to real estate joint ventures' statements of financial position						
Items not affecting currently reported cash flows						
Construction credit facilities financing costs charged by us *(Note 7)*	**1**	**—**	**1**	1	—	1
Cash flows in the current reporting period						
Construction credit facilities						
Financing costs paid to us	**(1)**	**—**	**(1)**	(1)	—	(1)
Funds we advanced or contributed, excluding construction credit facilities	**—**	**—**	**—**	—	6	6
Net increase (decrease)	**—**	**—**	**—**	—	5	5
Real estate joint ventures carrying amounts						
Balance, beginning of period	**114**	**(8)**	**106**	114	(11)	103
Valuation provision	**—**	**—**	**—**	—	(1)	(1)
Balance, end of period	**$ 114**	**$ (8)**	**$ 106**	$ 114	$ (7)	$ 107

1 Loans and receivables are included in our consolidated statements of financial position as Real estate joint venture advances and are comprised of advances under construction credit facilities.
2 We account for our interests in the real estate joint ventures using the equity method of accounting. As at March 31, 2022, and December 31, 2021, we had recorded equity losses in excess of our recorded equity investment in respect of one of the real estate joint ventures; such resulting balance has been included in long-term liabilities (*Note 27*).
3 As the real estate joint ventures are partnerships, no provision for income taxes of the partners is made in determining the real estate joint ventures' net income and comprehensive income.

We have entered into lease agreements with the TELUS Sky real estate joint venture; for lease accounting purposes, the first lease commenced during the three-month period ended June 30, 2019. During the three-month period ended March 31, 2022, the TELUS Sky real estate joint venture recognized $2 million (2021 – $2 million) of revenue from our office tenancy; of this amount, one-third was due to our economic interest in the real estate joint venture and two-thirds was due to our partners' economic interests in the real estate joint venture.

Construction credit facilities

The TELUS Sky real estate joint venture has a credit agreement, maturing August 31, 2023, with Canadian financial institutions (as 66-2/3% lender) and TELUS Corporation (as 33-1/3% lender) to provide $342 million of construction financing for the project. The construction credit facilities contain customary real estate construction financing representations, warranties and covenants and are secured by demand debentures constituting first fixed and floating charge mortgages over the underlying real estate assets. The construction credit facilities are available by way of bankers' acceptance or prime loan and bear interest at rates in line with similar construction financing facilities.

22 short-term borrowings

On July 26, 2002, one of our subsidiaries, TELUS Communications Inc., entered into an agreement with an arm's-length securitization trust associated with a major Schedule I bank under which it is currently able to sell an interest in certain trade receivables up to a maximum of $600 million (unchanged from December 31, 2021). The term of this revolving-period securitization agreement ends December 31, 2024 (unchanged from 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 (2020 – BB) from DBRS Limited or the securitization trust may require the sale program to be wound down prior to the end of the term.

Sales of trade receivables in securitization transactions are recognized as collateralized short-term borrowings and thus do not result in our derecognition of the trade receivables sold. When we sell our trade receivables, we retain reserve accounts, which are retained interests in the securitized trade receivables, and servicing rights. As at March 31, 2022, we had sold to the trust (but continued to recognize) trade receivables of $120 million (December 31, 2021 – $118 million). Short-term borrowings of $100 million (December 31, 2021 – $100 million) are comprised of amounts advanced to us by the arm's-length securitization trust pursuant to the sale of trade receivables.

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

23 accounts payable and accrued liabilities

As at (millions)	**March 31, 2022**	December 31, 2021
Accrued liabilities	**$ 1,446**	$ 1,539
Payroll and other employee-related liabilities	**500**	633
Restricted share units liability	**21**	28
	1,967	2,200
Trade accounts payable	**1,091**	1,213
Interest payable	**175**	173
Indirect taxes payable and other	**155**	119
	$ 3,388	$ 3,705

24 advance billings and customer deposits

As at (millions)	**March 31, 2022**	December 31, 2021
Advance billings	**$ 648**	$ 636
Deferred customer activation and connection fees	**6**	6
Customer deposits	**13**	10
Contract liabilities	**667**	652
Other	**206**	202
	$ 873	$ 854

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

Periods ended March 31 (millions)	Note	Three months 2022	2021
Balance, beginning of period		**$ 870**	$ 806
Revenue deferred in previous period and recognized in current period		**(630)**	(593)
Net additions arising from operations		**637**	608
Additions arising from business acquisitions		**6**	—
Balance, end of period		**$ 883**	$ 821
Current		**$ 792**	$ 744
Non-current	*27*		
Deferred revenues		**83**	67
Deferred customer activation and connection fees		**8**	10
		$ 883	$ 821
Reconciliation of contract liabilities presented in the Consolidated statements of financial position – current			
Gross contract liabilities		**$ 792**	$ 744
Reclassification to contract assets of contracts with contract liabilities less than contract assets	*6(c)*	**(112)**	(119)
Reclassification from contract assets of contracts with contract assets less than contract liabilities	*6(c)*	**(13)**	(11)
		$ 667	$ 614

25 provisions

(millions)	Asset retirement obligation	Employee-related	Written put options and contingent consideration	Other	Total
As at January 1, 2022	$ 501	$ 66	$ 203	$ 100	$ 870
Additions	**—**	**10**	**27**	**40**	**77**
Reversals	**—**	**—**	**(26)**	**—**	**(26)**
Uses	**—**	**(26)**	**(2)**	**(34)**	**(62)**
Interest effects	**3**	**—**	**—**	**—**	**3**
As at March 31, 2022	**$ 504**	**$ 50**	**$ 202**	**$ 106**	**$ 862**
Current	**$ 3**	**$ 38**	**$ 3**	**$ 33**	**$ 77**
Non-current	**501**	**12**	**199**	**73**	**785**
As at March 31, 2022	**$ 504**	**$ 50**	**$ 202**	**$ 106**	**$ 862**

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 associated 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 associated cash outflows in respect of the balance accrued as at the financial statement date is substantially short-term in nature.

Written put options and contingent consideration

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

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

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

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

26 long-term debt

(a) Details of long-term debt

As at (millions)	Note	March 31, 2022	December 31, 2021
Senior unsecured			
TELUS Corporation senior notes	*(b)*	**$ 16,328**	$ 15,258
TELUS Corporation commercial paper	*(c)*	**1,414**	1,900
TELUS Communications Inc. debentures		**448**	448
Secured			
TELUS International (Cda) Inc. credit facility	*(e)*	**1,009**	1,062
Other	*(f)*	**304**	308
		19,503	18,976
Lease liabilities	*(g)*	**1,816**	1,876
Long-term debt		**$ 21,319**	$ 20,852
Current		**$ 2,904**	$ 2,927
Non-current		**18,415**	17,925
Long-term debt		**$ 21,319**	$ 20,852

(b) TELUS Corporation senior notes

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

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

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

					Principal face amount		Redemption present value spread	
Series	Issued	Maturity	Issue price	Effective interest rate [1]	Originally issued	Outstanding at financial statement date	Basis points [2]	Cessation date
3.35% Notes, Series CJ	December 2012	March 2023	$998.83	3.36%	$500 million	$500 million	40	Dec. 15, 2022
3.35% Notes, Series CK	April 2013	April 2024	$994.35	3.41%	$1.1 billion	$1.1 billion	36	Jan. 2, 2024
3.75% Notes, Series CQ	September 2014	January 2025	$997.75	3.78%	$800 million	$800 million	38.5	Oct. 17, 2024
3.75% Notes, Series CV	December 2015	March 2026	$992.14	3.84%	$600 million	$600 million	53.5	Dec. 10, 2025
2.75% Notes, Series CZ	July 2019	July 2026	$998.73	2.77%	$800 million	$800 million	33	May 8, 2026

Series	Issued	Maturity	Issue price	Effective interest rate [1]	Principal face amount: Originally issued	Principal face amount: Outstanding at financial statement date	Redemption present value spread: Basis points [2]	Redemption present value spread: Cessation date
2.80% U.S. Dollar Notes [3]	September 2016	February 2027	US$991.89	2.89%	US$600 million	US$600 million	20	Nov. 16, 2026
3.70% U.S. Dollar Notes [3]	March 2017	September 2027	US$998.95	3.71%	US$500 million	US$500 million	20	June 15, 2027
2.35% Notes, Series CAC	May 2020	January 2028	$997.25	2.39%	$600 million	$600 million	48	Nov. 27, 2027
3.625% Notes, Series CX	March 2018	March 2028	$989.49	3.75%	$600 million	$600 million	37	Dec. 1, 2027
3.30% Notes, Series CY	April 2019	May 2029	$991.75	3.40%	$1.0 billion	$1.0 billion	43.5	Feb. 2, 2029
3.15% Notes, Series CAA	December 2019	February 2030	$996.49	3.19%	$600 million	$600 million	39.5	Nov. 19, 2029
2.05% Notes, Series CAD	October 2020	October 2030	$997.93	2.07%	$500 million	$500 million	38	July 7, 2030
2.85% Sustainability-Linked Notes, Series CAF	June 2021	November 2031	$997.52	2.88% [4]	$750 million	$750 million	34	Aug. 13, 2031
3.40% U.S. Dollar Sustainability-Linked Notes	February 2022	May 2032	US$997.13	3.43% [4]	US$900 million	US$900 million	25	Feb. 13, 2032
4.40% Notes, Series CL	April 2013	April 2043	$997.68	4.41%	$600 million	$600 million	47	Oct. 1, 2042
5.15% Notes, Series CN	November 2013	November 2043	$995.00	5.18%	$400 million	$400 million	50	May 26, 2043
4.85% Notes, Series CP	Multiple [5]	April 2044	$987.91 [5]	4.93% [5]	$500 million [5]	$900 million [5]	46	Oct. 5, 2043
4.75% Notes, Series CR	September 2014	January 2045	$992.91	4.80%	$400 million	$400 million	51.5	July 17, 2044
4.40% Notes, Series CU	March 2015	January 2046	$999.72	4.40%	$500 million	$500 million	60.5	July 29, 2045
4.70% Notes, Series CW	Multiple [6]	March 2048	$998.06 [6]	4.71% [6]	$325 million [6]	$475 million [6]	58.5	Sept. 6, 2047
4.60% U.S. Dollar Notes [3]	June 2018	November 2048	US$987.60	4.68%	US$750 million	US$750 million	25	May 16, 2048
4.30% U.S. Dollar Notes [3]	May 2019	June 2049	US$990.48	4.36%	US$500 million	US$500 million	25	Dec. 15, 2048
3.95% Notes, Series CAB	Multiple [7]	February 2050	$997.54 [7]	3.97% [7]	$400 million [7]	$800 million [7]	57.5	Aug. 16, 2049
4.10% Notes, Series CAE	April 2021	April 2051	$994.70	4.13%	$500 million	$500 million	53	Oct. 5, 2050

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

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

For U.S. dollar-denominated notes, the redemption price is equal to the greater of (i) the present value of the notes discounted at the U.S. Adjusted Treasury Rate (at the U.S. Treasury Rate for the 3.40% U.S. Dollar Sustainability-Linked Notes) plus the redemption present value spread calculated over the period to the redemption present value spread cessation date, or (ii) 100% of the principal amount thereof.

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

Series	Interest rate fixed at	Canadian dollar equivalent principal	Exchange rate
2.80% U.S. Dollar Notes	2.95%	$792 million	$1.3205
3.70% U.S. Dollar Notes	3.41%	$667 million	$1.3348
3.40% U.S. Dollar Sustainability-Linked Notes	3.89%	$1,148 million	$1.2753
4.60% U.S. Dollar Notes	4.41%	$974 million	$1.2985
4.30% U.S. Dollar Notes	4.27%	$672 million	$1.3435

4 If we have not obtained a sustainability performance target verification assurance certificate for the fiscal year ended December 31, 2030, the 2.85% Sustainability-Linked Notes, Series CAF will bear interest at a rate of 3.85% for the period from November 14, 2030, through November 13, 2031, and the 3.40% U.S. Dollar Sustainability-Linked Notes will bear interest at a rate of 4.40% for the period from November 14, 2030, through November 13, 2032. The interest rate on the 3.40% U.S. Dollar Sustainability-Linked Notes may also increase in certain circumstances if we fail to meet additional sustainability and/or environmental, social or governance targets as may be provided for in a sustainability-linked bond. The interest rate on the 3.40% U.S. Dollar Sustainability-Linked Notes, however, can in no event exceed the initial rate of 3.40% by more than 1.50%, in the aggregate, whether as a result of not obtaining a sustainability performance target verification assurance certificate and/or any targets under one or more future sustainability-linked bonds.

Similarly, if we redeem either series of notes and we have not obtained a sustainability performance target verification assurance certificate at the end of the fiscal year immediately preceding the date fixed for redemption, the interest accrued (if any) will be determined using a rate of 3.85% for the Series CAF notes and using a rate of 4.40% for the 3.40% U.S. Dollar Sustainability-Linked Notes.

5 $500 million of 4.85% Notes, Series CP were issued in April 2014 at an issue price of $998.74 and an effective interest rate of 4.86%. This series of notes was reopened in December 2015 and a further $400 million of notes were issued at an issue price of $974.38 and an effective interest rate of 5.02%.

6 $325 million of 4.70% Notes, Series CW were issued in March 2017 at an issue price of $990.65 and an effective interest rate of 4.76%. This series of notes was reopened in February 2018 and a further $150 million of notes were issued at an issue price of $1,014.11 and an effective interest rate of 4.61% in March 2018.

7 $400 million of 3.95% Notes, Series CAB were issued in December 2019 at an issue price of $991.54 and an effective interest rate of 4.00%. This series of notes was reopened in May 2020 and a further $400 million of notes were issued at an issue price of $1,003.53 and an effective interest rate of 3.93%.

(c) TELUS Corporation commercial paper

TELUS Corporation has an unsecured commercial paper program, which is backstopped by our $2.75 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 $1.9 billion equivalent (US$1.5 billion maximum). Foreign currency forward contracts are used to manage currency risk arising from issuing commercial paper denominated in U.S. dollars. Commercial paper debt is due within one year and is classified as a current portion of long-term debt, as the amounts are fully supported, and we expect that they will continue to be supported, by the revolving credit facility, which has no repayment requirements within the next year. As at March 31, 2022, we had $1.4 billion (December 31, 2021 – $1.9 billion) of commercial paper outstanding, all of which was denominated in U.S. dollars (US$1.1 billion; December 31, 2021 – US$1.5 billion), with an effective average interest rate of 0.77%, maturing through August 2022.

(d) TELUS Corporation credit facility

As at March 31, 2022, TELUS Corporation had an unsecured revolving $2.75 billion bank credit facility, expiring on April 6, 2026 (unchanged from December 31, 2021), with a syndicate of financial institutions, which is to be used for general corporate purposes, including the backstopping of commercial paper.

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

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

As at (millions)	**March 31, 2022**	December 31, 2021
Net available	**$ 1,336**	$ 850
Backstop of commercial paper	**1,414**	1,900
Gross available	**$ 2,750**	$ 2,750

We had $195 million of letters of credit outstanding as at March 31, 2022 (December 31, 2021 – $193 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 March 31, 2022, TELUS International (Cda) Inc. had a credit facility, secured by its assets, expiring on January 28, 2025, with a syndicate of financial institutions, joined in 2020 by TELUS Corporation. The credit facility is comprised of US$620 million (TELUS Corporation as a lender of approximately 7.5%) and US$230 million (TELUS Corporation as a lender of 12.5%) revolving components and amortizing US$600 million (TELUS Corporation as 12.5% lender) and US$250 million term loan components. The credit facility is non-recourse to TELUS Corporation. The outstanding revolving components and term loan components had a weighted average interest rate of 2.16% as at March 31, 2022.

As at (millions)	**March 31, 2022**			December 31, 2021		
	Revolving components [1]	Term loan components [2]	Total	Revolving components	Term loan components	Total
Available	**US$ 749**	**US$ N/A**	**US$ 749**	US$ 725	US$ N/A	US$ 725
Outstanding						
Due to other	**88**	**727**	**815**	109	737	846
Due to TELUS Corporation	**13**	**70**	**83**	16	71	87
	US$ 850	**US$ 797**	**US$ 1,647**	US$ 850	US$ 808	US$ 1,658

1 Revolving component available is gross of swingline draw of US$3 (December 31, 2021 – US$8).

2 We have entered into a receive-floating interest rate, pay-fixed interest rate exchange agreement that effectively converts our interest obligations on US$93 of the debt to a fixed rate of 2.64%.

Relative to amounts owed to the syndicate of financial institutions, excluding TELUS Corporation, we have entered into foreign exchange derivatives (cross currency interest rate exchange agreements) that effectively convert an amortizing amount of US$392 of the principal payments, and associated interest obligations, to European euro obligations with an effective fixed interest rate of 0.65% and an effective fixed economic exchange rate of US$1.0932:€1.00. These have been accounted for as a net investment hedge in a foreign operation (see *Note 4*).

The TELUS International (Cda) Inc. credit facility bears interest at prime rate, U.S. Dollar Base Rate, a bankers' acceptance rate or London interbank offered rate (LIBOR) (all such terms as used or defined in the credit facility), plus applicable margins. The credit facility contains customary representations, warranties and covenants, including two financial quarter-end ratio tests; the TELUS International (Cda) Inc. quarter-end net debt to operating cash flow ratio must not exceed: 4.50:1.00 during fiscal 2022 and 3.75:1.00 subsequently; the quarter-end operating cash flow to debt service (interest and scheduled principal repayment) ratio must not be less than 1.50:1.00; all as defined in the credit facility.

The term loan components are subject to an amortization schedule which requires that 5% of the principal advanced be repaid each year of the term of the agreement, with the balance due at maturity and December 22, 2022, for the US$250 million component, respectively.

(f) Other

Other liabilities bear interest at 3.19%, are secured by the AWS-4 spectrum licences associated with these other liabilities and a real estate holding, and are subject to amortization schedules, so that the principal is repaid over the periods to maturity, the last period ending March 31, 2035.

(g) Lease liabilities

Lease liabilities are subject to amortization schedules, so that the principal is repaid over various periods, including reasonably expected renewals. The weighted average interest rate on lease liabilities was approximately 3.90% as at March 31, 2022.

(h) Long-term debt maturities

Anticipated requirements to meet long-term debt repayments, calculated for long-term debt owing as at March 31, 2022, are as follows:

Composite long-term debt denominated in	Canadian dollars			U.S. dollars					Other currencies	
						Currency swap agreement amounts to be exchanged				
Years ending December 31 (millions)	Long-term debt, excluding leases	Leases (*Note 19*)	Total	Long-term debt, excluding leases	Leases (*Note 19*)	(Receive) [1]	Pay	Total	Leases (*Note 19*)	Total
2022 (remainder of year)	**$ 262**	**$ 275**	**$ 537**	**$ 1,731**	**$ 23**	**$ (1,437)**	**$ 1,457**	**$ 1,774**	**$ 29**	**$ 2,340**
2023	**533**	**255**	**788**	**33**	**29**	**(28)**	**28**	**62**	**35**	**885**
2024	**1,118**	**225**	**1,343**	**33**	**15**	**(28)**	**28**	**48**	**28**	**1,419**
2025	**1,019**	**114**	**1,133**	**635**	**13**	**(400)**	**406**	**654**	**19**	**1,806**
2026	**1,420**	**92**	**1,512**	**—**	**13**	**—**	**—**	**13**	**16**	**1,541**
2027-2031	**4,163**	**280**	**4,443**	**1,375**	**8**	**(1,375)**	**1,459**	**1,467**	**40**	**5,950**
Thereafter	**4,663**	**288**	**4,951**	**2,687**	**—**	**(1,562)**	**1,646**	**2,771**	**—**	**7,722**
Future cash outflows in respect of composite long-term debt principal repayments	**13,178**	**1,529**	**14,707**	**6,494**	**101**	**(4,830)**	**5,024**	**6,789**	**167**	**21,663**
Future cash outflows in respect of associated interest and like carrying costs [2]	**6,484**	**318**	**6,802**	**2,577**	**16**	**(3,663)**	**3,795**	**2,725**	**31**	**9,558**
Undiscounted contractual maturities (*Note 4(b)*)	**$ 19,662**	**$ 1,847**	**$ 21,509**	**$ 9,071**	**$ 117**	**$ (8,493)**	**$ 8,819**	**$ 9,514**	**$ 198**	**$ 31,221**

1 Where applicable, cash flows reflect foreign exchange rates as at March 31, 2022.
2 Future cash outflows in respect of associated interest and like carrying costs for commercial paper and amounts drawn under our credit facilities (if any) have been calculated based upon the rates in effect as at March 31, 2022.

27 other long-term liabilities

As at (millions)	Note	**March 31, 2022**	December 31, 2021
Contract liabilities	*24*	**$ 83**	$ 82
Other		**2**	3
Deferred revenues		**85**	85
Pension benefit liabilities	*15*	**452**	643
Other post-employment benefit liabilities		**67**	66
Derivative liabilities	*4(d)*	**96**	73
Investment in real estate joint ventures	*21(b)*	**9**	9
Other		**42**	23
		751	899
Deferred customer activation and connection fees	*24*	**8**	8
		$ 759	$ 907

28 owners' equity

(a) TELUS Corporation Common Share capital – general

Our authorized share capital is as follows:

As at	**March 31, 2022**	December 31, 2021
First Preferred Shares	**1 billion**	1 billion
Second Preferred Shares	**1 billion**	1 billion
Common Shares	**4 billion**	4 billion

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

As at March 31, 2022, approximately 57 million Common Shares were reserved for issuance from Treasury under a dividend reinvestment and share purchase plan (see *Note 13(b)*); approximately 20 million Common Shares were reserved for issuance from Treasury under a restricted share unit plan (see *Note 14(b)*); and approximately 93 million Common Shares were reserved for issuance from Treasury under a share option plan (see *Note 14(d)*).

(b) Purchase of TELUS Corporation 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 June 2021, we received approval for a normal course issuer bid to purchase and cancel up to 16 million of our Common Shares (up to a maximum amount of $250 million) from June 4, 2021, to June 3, 2022.

(c) Subsidiary with significant non-controlling interest

Our TELUS International (Cda) Inc. subsidiary is incorporated under the *Business Corporations Act* (British Columbia) and has geographically dispersed operations with principal places of business in Asia, Central America, Europe and North America.

Due to the voting rights associated with the remaining multiple voting shares held by TELUS Corporation, as at March 31, 2022, we retained a 70.9% (December 31, 2021 – 70.9%) voting and controlling interest and a 55.0% (December 31, 2021 – 55.1%) economic interest in TELUS International (Cda) Inc. Changes in interests during the three-month period ended March 31, 2022, and which are reflected in the statement of changes in owners' equity, arose from share-based compensation.

Summarized financial information

Summarized financial information of our TELUS International (Cda) Inc. subsidiary is set out in the following table.

	Three months		
As at, or for the periods ended, (millions) [1]	**March 31, 2022**	March 31, 2021	December 31, 2021
Statement of financial position			
Current assets	**$ 972**		$ 874
Non-current assets	**$ 3,660**		$ 3,804
Current liabilities	**$ 1,134**		$ 1,098
Non-current liabilities	**$ 1,374**		$ 1,475
Statement of income and other comprehensive income			
Revenue and other income	**$ 759**	$ 639	
Net income	**$ 45**	$ 5	
Comprehensive income (loss)	**$ 2**	$ (34)	
Statement of cash flows			
Cash provided by operating activities	**$ 153**	$ 42	
Cash used by investing activities	**$ (27)**	$ (18)	
Cash used by financing activities	**$ (66)**	$ (64)	

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

29 contingent liabilities

(a) 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 mobile 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 mobile carriers and telecommunications service providers.

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

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

Certified class actions

Certified class actions against us include the following:

Per minute billing class action

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

Call set-up time class actions

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

Uncertified class actions

Uncertified class actions against us include:

9-1-1 class actions

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

Public Mobile class actions
In 2014, class actions were brought against us in Quebec and Ontario on behalf of Public Mobile's customers, alleging that changes to the technology, services and rate plans made by us contravene our statutory and common law obligations. In particular, the Quebec action alleges that our actions constitute a breach of the Quebec *Consumer Protection Act*, the Quebec *Civil Code*, and the Ontario *Consumer Protection Act*. On June 28, 2021, the Quebec Superior Court approved the discontinuance of this claim against TELUS. 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.

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.

(b) Concentration of labour
In 2021, we commenced collective bargaining with the Telecommunications Workers Union, United Steelworkers Local 1944, to renew a collective agreement that expired on December 31, 2021; the contract covered approximately 23% of our Canadian workforce as at March 31, 2022. The expired contract remains in effect while the parties are bargaining, until a new agreement is reached.

30 related party transactions

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

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

Periods ended March 31 (millions)	Three months 2022	2021
Short-term benefits	**$ 4**	$ 3
Post-employment pension [1] and other benefits	**5**	2
Share-based compensation [2]	**18**	17
	$ 27	$ 22

1 Our Executive Team members are members of our *Pension Plan for Management and Professional Employees of TELUS Corporation* and certain other non-registered, non-contributory supplementary defined benefit and defined contribution pension plans.
2 We accrue an expense for the notional subset of our restricted share units with market performance conditions using a fair value determined by a Monte Carlo simulation. Restricted share units with an equity settlement feature are accounted for as equity instruments. The expense for restricted share units that do not ultimately vest is reversed against the expense that was previously recorded in their respect.

As disclosed in *Note 14*, we made initial awards of share-based compensation in 2022 and 2021, including, as set out in the following table, to our key management personnel. As most of these awards are cliff-vesting or graded-vesting and have multi-year requisite service periods, the related expense is being recognized rateably over a period of years and thus only a portion of the 2022 and 2021 initial awards are included in the amounts in the table above.

Three-month periods ended March 31	**2022**			2021		
($ in millions)	Number of units	Notional value [1]	Grant-date fair value [1]	Number of units	Notional value [1]	Grant-date fair value [1]
TELUS Corporation						
Restricted share units	**1,007,431**	**$ 32**	**$ 39**	1,222,589	$ 32	$ 35
TELUS International (Cda) Inc.						
Restricted share units	**263,567**	**9**	**9**	205,308	7	7
Share options	**—**	**—**	**—**	167,693	1	1
		9	**9**		8	8
		$ 41	**$ 48**		$ 40	$ 43

1 The notional value of restricted share units is determined by multiplying the equity share price at the time of award by the number of units awarded; the grant-date fair value differs from the notional value because the fair values of some awards have been determined using a Monte Carlo simulation (see *Note 14(b)*). The notional value of share options has been determined using an option pricing model.

The amount recorded for liability-accounted restricted share units and share options awards outstanding as at March 31, 2022 was $6 million (December 31, 2021 – $7 million).

Our *Directors' Deferred Share Unit Plan* provides that, in addition to his or her annual equity grant of deferred share units, a director may elect to receive his or her annual retainer and meeting fees in deferred share units, TELUS Corporation Common Shares or cash. Deferred share units entitle directors to a specified number of TELUS Corporation Common Shares. Deferred share units accounted for as liabilities have been paid out when a director ceased to be a director, for any reason, at a time elected by the director in accordance with the *Directors' Deferred Share Unit Plan*; during the three-month periods ended March 31, 2022 and 2021, no amounts were paid out. As at March 31, 2022 and December 31, 2021, no liability-accounted awards were outstanding.

During the three-month period ended March 31, 2021, key management personnel exercised 255,973 TELUS International (Cda) Inc. share options, which had an intrinsic value of $7 million at the time of exercise, reflecting a weighted average price at the date of exercise of $39.58; no options were exercised during the three-month period ended March 31, 2022.

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

(b) Transactions with defined benefit pension plans

During the three-month period ended March 31, 2022, 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 (2021 – $2 million).

(c) Transactions with real estate joint venture

During the three-month periods ended March 31, 2022 and 2021, we had transactions with the TELUS Sky real estate joint venture, which is a related party, as set out in *Note 21.* As at March 31, 2022, we had recorded lease liabilities of $94 million (December 31, 2021 – $95 million) in respect of our TELUS Sky lease, and monthly cash payments are made in accordance with the lease agreement; one-third of those amounts is due to our economic interest in the real estate joint venture.

31 additional statement of cash flow information

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

Periods ended March 31 (millions)	Note	Three months 2022	Three months 2021
OPERATING ACTIVITIES			
Net change in non-cash operating working capital			
Accounts receivable		**$ 235**	$ 86
Inventories		**(65)**	(14)
Contract assets		**15**	19
Prepaid expenses		**(140)**	(128)
Accounts payable and accrued liabilities		**(155)**	(103)
Income and other taxes receivable and payable, net		**24**	(80)
Advance billings and customer deposits		**15**	(2)
Provisions		**(19)**	12
		$ (90)	$ (210)
INVESTING ACTIVITIES			
Cash payments for capital assets, excluding spectrum licences			
Capital asset additions			
Gross capital expenditures			
Property, plant and equipment	*17*	**$ (709)**	$ (582)
Intangible assets subject to amortization	*18*	**(198)**	(162)
		(907)	(744)
Additions arising from leases	*17*	**74**	58
Additions arising from non-monetary transactions		**—**	1
Capital expenditures	*5*	**(833)**	(685)
Other non-cash items included above			
Change in associated non-cash investing working capital		**(180)**	(65)
		$ (1,013)	$ (750)

(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(e)*)	Non-cash changes: Other	End of period
THREE-MONTH PERIOD ENDED MARCH 31, 2021						
Dividends payable to holders of Common Shares	$ 403	$ —	$ (403)	$ —	$ 404	$ 404
Dividends reinvested in shares from Treasury	—	—	152	—	(152)	—
	$ 403	$ —	$ (251)	$ —	$ 252	$ 404
Short-term borrowings	$ 100	$ —	$ —	$ —	$ —	$ 100
Long-term debt						
TELUS Corporation senior notes	$ 15,021	$ —	$ —	$ (37)	$ 3	$ 14,987
TELUS Corporation commercial paper	731	975	(778)	(10)	—	918
TELUS Communications Inc. debentures	622	—	—	—	—	622
TELUS International (Cda) Inc. credit facility	1,804	—	(624)	(13)	1	1,168
Other	273	—	(5)	—	52	320
Lease liabilities	1,837	—	(123)	(6)	49	1,757
Derivatives used to manage currency risk arising from U.S. dollar-denominated long-term debt – liability	120	785	(791)	23	(76)	61
	20,408	1,760	(2,321)	(43)	29	19,833
To eliminate effect of gross settlement of derivatives used to manage currency risk arising from U.S. dollar-denominated long-term debt	—	(785)	785	—	—	—
	$ 20,408	$ 975	$ (1,536)	$ (43)	$ 29	$ 19,833
THREE-MONTH PERIOD ENDED MARCH 31, 2022						
Dividends payable to holders of Common Shares	$ 449	**$ —**	**$ (449)**	**$ —**	**$ 450**	**$ 450**
Dividends reinvested in shares from Treasury	—	**—**	**156**	**—**	**(156)**	**—**
	$ 449	**$ —**	**$ (293)**	**$ —**	**$ 294**	**$ 450**
Short-term borrowings	$ 114	**$ —**	**$ (6)**	**$ —**	**$ —**	**$ 108**
Long-term debt						
TELUS Corporation senior notes	$ 15,258	**$ 1,143**	**$ —**	**$ (61)**	**$ (12)**	**$ 16,328**
TELUS Corporation commercial paper	1,900	**1,144**	**(1,616)**	**(14)**	**—**	**1,414**
TELUS Communications Inc. debentures	448	**—**	**—**	**—**	**—**	**448**
TELUS International (Cda) Inc. credit facility	1,062	**—**	**(39)**	**(15)**	**1**	**1,009**
Other	308	**—**	**(75)**	**—**	**71**	**304**
Lease liabilities	1,876	**—**	**(123)**	**(6)**	**69**	**1,816**
Derivatives used to manage currency risk arising from U.S. dollar-denominated long-term debt – liability (asset)	4	**1,623**	**(1,629)**	**63**	**(73)**	**(12)**
	20,856	**3,910**	**(3,482)**	**(33)**	**56**	**21,307**
To eliminate effect of gross settlement of derivatives used to manage currency risk arising from U.S. dollar-denominated long-term debt	—	**(1,623)**	**1,623**	**—**	**—**	**—**
	$ 20,856	**$ 2,287**	**$ (1,859)**	**$ (33)**	**$ 56**	**$ 21,307**