TELUS CORPORATION

CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

(UNAUDITED)

MARCH 31, 2017

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

Periods ended March 31 (millions except per share amounts)	Note	Three months 2017	2016
OPERATING REVENUES			
Service		**$ 3,027**	$ 2,924
Equipment		**158**	172
Revenues arising from contracts with customers		**3,185**	3,096
Other operating income	*6*	**13**	12
		3,198	3,108
OPERATING EXPENSES			
Goods and services purchased		**1,313**	1,300
Employee benefits expense	*7*	**624**	668
Depreciation	*17*	**402**	385
Amortization of intangible assets	*18*	**130**	115
		2,469	2,468
OPERATING INCOME		**729**	640
Financing costs	*8*	**138**	123
INCOME BEFORE INCOME TAXES		**591**	517
Income taxes	*9*	**150**	139
NET INCOME		**441**	378
OTHER COMPREHENSIVE INCOME	*10*		
Items that may subsequently be reclassified to income			
Change in unrealized fair value of derivatives designated as cash flow hedges		**(9)**	(10)
Foreign currency translation adjustment arising from translating financial statements of foreign operations		**3**	(4)
Change in unrealized fair value of available-for-sale financial assets		**(2)**	—
		(8)	(14)
Item never subsequently reclassified to income			
Employee defined benefit plan re-measurements		**68**	(77)
		60	(91)
COMPREHENSIVE INCOME		**$ 501**	$ 287
NET INCOME ATTRIBUTABLE TO:			
Common Shares		**$ 433**	$ 378
Non-controlling interests		**8**	—
		$ 441	$ 378
COMPREHENSIVE INCOME ATTRIBUTABLE TO:			
Common Shares		**$ 491**	$ 287
Non-controlling interests		**10**	—
		$ 501	$ 287
NET INCOME PER COMMON SHARE	*11*		
Basic		**$ 0.73**	$ 0.64
Diluted		**$ 0.73**	$ 0.64
TOTAL WEIGHTED AVERAGE COMMON SHARES OUTSTANDING			
Basic		**591**	593
Diluted		**591**	594

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

condensed interim consolidated statements of financial position (unaudited)

As at (millions)	Note	**March 31, 2017**	December 31, 2016
ASSETS			
Current assets			
Cash and temporary investments, net		**$ 794**	$ 432
Accounts receivable	*16*	**1,408**	1,471
Income and other taxes receivable		**105**	9
Inventories	*1(b)*	**327**	318
Prepaid expenses		**353**	233
Current derivative assets	*4(d)*	**11**	11
		2,998	2,474
Non-current assets			
Property, plant and equipment, net	*17*	**10,637**	10,464
Intangible assets, net	*18*	**10,392**	10,364
Goodwill, net	*18*	**3,792**	3,787
Other long-term assets	*20*	**742**	640
		25,563	25,255
		$ 28,561	$ 27,729
LIABILITIES AND OWNERS' EQUITY			
Current liabilities			
Short-term borrowings	*22*	**$ 100**	$ 100
Accounts payable and accrued liabilities	*23*	**2,084**	2,330
Income and other taxes payable		**41**	37
Dividends payable	*12*	**283**	284
Advance billings and customer deposits	*24*	**775**	737
Provisions	*25*	**73**	124
Current maturities of long-term debt	*26*	**1,386**	1,327
Current derivative liabilities	*4(d)*	**10**	12
		4,752	4,951
Non-current liabilities			
Provisions	*25*	**399**	395
Long-term debt	*26*	**12,291**	11,604
Other long-term liabilities	*27*	**744**	736
Deferred income taxes		**2,223**	2,107
		15,657	14,842
Liabilities		**20,409**	19,793
Owners' equity			
Common equity	*28*	**8,122**	7,917
Non-controlling interests		**30**	19
		8,152	7,936
		$ 28,561	$ 27,729

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, 2016		594	$ 5,050	$ 135	$ 2,428	$ 59	$ 7,672		
Net income		—	—	—	378	—	378		
Other comprehensive income	*10*	—	—	—	(77)	(14)	(91)		
Dividends	*12*	—	—	—	(261)	—	(261)		
Share option award net-equity settlement feature	*13(d)*	—	1	(1)	—	—	—		
Normal course issuer bid purchase of Common Shares		(1)	(12)	—	(38)	—	(50)		
Liability for automatic share purchase plan commitment pursuant to normal course issuer bids for Common Shares									
Reversal of opening liability		—	14	—	46	—	60		
Recognition of closing liability		—	(10)	—	(40)	—	(50)		
Balance as at March 31, 2016		593	$ 5,043	$ 134	$ 2,436	$ 45	$ 7,658		
Balance as at January 1, 2017		**590**	**$ 5,029**	**$ 372**	**$ 2,474**	**$ 42**	**$ 7,917**	**$ 19**	**$ 7,936**
Net income		**—**	**—**	**—**	**433**	**—**	**433**	**8**	**441**
Other comprehensive income	*10*	**—**	**—**	**—**	**68**	**(10)**	**58**	**2**	**60**
Dividends	*12*	**—**	**—**	**—**	**(283)**	**—**	**(283)**	**—**	**(283)**
Share option award net-equity settlement feature	*13(d)*	**1**	**1**	**(1)**	**—**	**—**	**—**	**—**	**—**
Change in ownership interests of subsidiary	*31(b)*	**—**	**—**	**(3)**	**—**	**—**	**(3)**	**1**	**(2)**
Balance as at March 31, 2017		**591**	**$ 5,030**	**$ 368**	**$ 2,692**	**$ 32**	**$ 8,122**	**$ 30**	**$ 8,152**

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 2017	2016
OPERATING ACTIVITIES			
Net income		**$ 441**	$ 378
Adjustments to reconcile net income to cash provided by operating activities:			
Depreciation and amortization		**532**	500
Deferred income taxes	*9*	**93**	(31)
Share-based compensation expense, net	*13(a)*	**16**	16
Net employee defined benefit plans expense	*14(a)*	**21**	22
Employer contributions to employee defined benefit plans		**(22)**	(25)
Other		**(19)**	4
Net change in non-cash operating working capital	*31(a)*	**(353)**	(301)
Cash provided by operating activities		**709**	563
INVESTING ACTIVITIES			
Cash payments for capital assets	*31(a)*	**(796)**	(646)
Cash payments for acquisitions		**(12)**	(2)
Real estate joint ventures advances	*21(c)*	**(5)**	(12)
Real estate joint venture receipts	*21(c)*	**3**	—
Proceeds on dispositions		**3**	—
Other		**(15)**	—
Cash used by investing activities		**(822)**	(660)
FINANCING ACTIVITIES	*31(b)*		
Dividends paid to holders of Common Shares	*12(a)*	**(284)**	(263)
Purchase of Common Shares for cancellation		**—**	(60)
Long-term debt issued	*26*	**2,518**	1,246
Redemptions and repayment of long-term debt	*26*	**(1,749)**	(571)
Other		**(10)**	—
Cash provided by financing activities		**475**	352
CASH POSITION			
Increase in cash and temporary investments, net		**362**	255
Cash and temporary investments, net, beginning of period		**432**	223
Cash and temporary investments, net, end of period		**$ 794**	$ 478
SUPPLEMENTAL DISCLOSURE OF OPERATING CASH FLOWS			
Interest paid		**$ (142)**	$ (123)
Income taxes paid, net		**$ (146)**	$ (273)

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

MARCH 31, 2017

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

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

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

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1 condensed interim consolidated financial statements

(a) Basis of presentation

The notes presented in our condensed interim consolidated financial statements include only significant events and transactions and are not fully inclusive of all matters normally disclosed in our annual audited financial statements; thus, our interim consolidated financial statements are referred to as condensed. Our condensed interim consolidated financial statements should be read in conjunction with our audited consolidated financial statements for the year ended December 31, 2016.

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, 2016, other than as set out in *Note 2*. The generally accepted accounting principles that we use are International Financial Reporting Standards as issued by the International Accounting Standards Board (IFRS-IASB) and Canadian generally accepted accounting principles. Our condensed interim consolidated financial statements comply with International Accounting Standard 34, *Interim Financial Reporting* and reflect all adjustments (which are of a normal recurring nature) that are, in our opinion, necessary for a fair statement of the results for the interim periods presented.

Our condensed interim consolidated financial statements for the three-month period ended March 31, 2017, were authorized by our Board of Directors for issue on May 11, 2017.

(b) Inventories

Our inventories consist primarily of wireless handsets, parts and accessories (totalling $263 million (December 31, 2016 – totalling $266 million)) and communications equipment held for resale. Costs of goods sold for the three-month period ended March 31, 2017, totalled $408 million (2016 – $403 million).

2 accounting policy developments

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

Amendments to standards arising from *Annual Improvements to IFRSs 2014-2016 Cycle* are required to be applied for years beginning on or after January 1, 2017 (for IFRS 12, *Disclosure of Interests in Other Entities*), and January 1, 2018 (for the balance of the amendments); such application has had no effect on our financial performance or disclosure.

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

- IFRS 9, *Financial Instruments*, is required to be applied for years beginning on or after January 1, 2018. The new standard includes a model for the classification and measurement of financial instruments, a single forward-looking "expected loss" impairment model and a reformed approach to hedge accounting. Based upon current facts and circumstances, we do not expect our financial performance or disclosure to be materially affected by the application of the standard.
- IFRS 15, *Revenue from Contracts with Customers*, is required to be applied for years beginning on or after January 1, 2018, such date reflecting the one-year deferral approved by the International Accounting Standards Board on July 22, 2015. The International Accounting Standards Board and the Financial Accounting Standards Board of the United States worked on this joint project to clarify the principles for the recognition of revenue. The new standard was released in May 2014 and supersedes existing standards and interpretations including IAS 18, *Revenue*. In April 2016, the International Accounting Standards Board issued *Clarifications to IFRS 15, Revenue from Contracts with Customers*, clarifying application of some of the more complex aspects of the standard. We are currently assessing the impacts and transition provisions of the new standard; however, we expect that we will apply the standard retrospectively to prior reporting periods, subject to permitted and elected practical expedients.

  The effects of the new standard and the materiality of those effects will vary by industry and entity. Like many other telecommunications companies, we currently expect to be materially affected by its application, primarily in respect of the timing of revenue recognition, the classification of revenue, the capitalization of costs of obtaining a contract with a customer and possibly the capitalization of the costs of contract fulfilment (as defined by the new standard).

  Revenue – timing of recognition; classification

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

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

  We currently are planning to retrospectively apply the new standard, subject to associated decisions in respect of transitional provisions and permitted practical expedients. The contract asset that will initially be recorded upon transition to the new standard represents revenues that will have not been reflected, at any time, in our periodic results of operations, but, if not for transitioning to the new standard, would have been; the transitional contract asset, net of income tax effects, will be recognized as an adjustment to opening retained earnings.

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

Implementation
Our operations and associated systems are complex and our accounting for millions of multi-year contracts with our customers will be affected. Significantly, in order to effect the associated accounting, incremental compilation of historical data will be necessary for the millions of already existing multi-year contracts with our customers that are expected to be in-scope for purposes of transitioning to the new standard. Our current estimate of the time and effort necessary to develop and implement the accounting policies, estimates, judgments and processes (including critical incremental requirements of our information technology systems) we will need to have in place in order to comply with the new standard extends into mid/late-2017.

Once we have developed and implemented the necessary accounting policies, estimates, judgments and processes, we will commence the incremental compilation of historical data, as well as the accounting for that data, which is necessary to transition to, and to make reasonable quantitative estimates (which will also be subject to associated incremental internal controls over financial reporting) of the effects of, the new standard. As a result, at this time, it is not possible to make reasonable quantitative estimates of the effects of the new standard, and we may not be able to do so prior to completing our December 31, 2017, annual consolidated financial statements.

The forgoing discussion of the implications of the new standard should be read in conjunction with the Illustrative example in Note 2(b) – Accounting policy developments in our audited consolidated financial statements for the year ended December 31, 2016.

- In January 2016, the International Accounting Standards Board released IFRS 16, *Leases*, which is required to be applied for years beginning on or after January 1, 2019, and which supersedes IAS 17, *Leases*; earlier application is allowed, but not before the application of IFRS 15, *Revenue from Contracts with Customers*. The International Accounting Standards Board and the Financial Accounting Standards Board of the United States worked together to modify the accounting for leases, generally by eliminating lessees' classification of leases as either operating leases or finance leases and, for IFRS-IASB, introducing a single lessee accounting model.

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

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

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

  We are currently assessing the impacts and transition provisions of the new standard; however, we expect that we will apply the standard retrospectively to prior reporting periods, subject to permitted and elected practical expedients; our current intention is to apply the new standard concurrent with our initial application of IFRS 15, *Revenue from Contracts with Customers*. Our current estimate of the time and effort necessary to develop and

implement the accounting policies, estimates and processes (including incremental requirements of our information technology systems) we will need to have in place in order to comply with the new standard extends into late 2017. We expect that our Consolidated statement of financial position will be materially affected, as will those financial metrics related to both debt and results of operations; however, at this time it is not possible to make reasonable quantitative estimates of the effects of the new standard.

3 capital structure financial policies

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

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

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

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; and dividend payout 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, EBITDA – excluding restructuring and other costs and adjusted net earnings are measures that do not have any standardized meanings prescribed by IFRS-IASB and are therefore unlikely to be comparable to similar measures presented by other companies. The calculation of these measures is as set out in the following table. Net debt is one component of a ratio used to determine compliance with debt covenants.

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

During 2017, our financial objectives, which are reviewed annually and which were unchanged from 2016 included the financial objectives set out in the following table. We believe that our financial objectives are supportive of our long-term strategy.

As at, or for the12-month periods ended, March 31 ($ in millions)	Objective	**2017**	2016
Components of debt and coverage ratios			
Net debt [1]		**$ 13,054**	$ 12,374
EBITDA – excluding restructuring and other costs [2]		**$ 4,785**	$ 4,524
Net interest cost [3]		**$ 564**	$ 494
Debt ratio			
Net debt to EBITDA – excluding restructuring and other costs	2.00 – 2.50 [4]	**2.73**	2.74
Coverage ratios			
Earnings coverage [5]		**4.1**	4.6
EBITDA – excluding restructuring and other costs interest coverage [6]		**8.5**	9.2
Other measures			
Dividend payout ratio of adjusted net earnings [7]		**76%**	76%
Dividend payout ratio	65%–75% [8]	**87%**	76%

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

1 Net debt is calculated as follows:

As at March 31	Note	2017	2016
Long-term debt	26	**$ 13,677**	$ 12,676
Debt issuance costs netted against long-term debt		**75**	50
Derivative (assets) liabilities, net		**38**	26
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)		**(42)**	—
Cash and temporary investments, net		**(794)**	(478)
Short-term borrowings	22	**100**	100
Net debt		**$ 13,054**	$ 12,374

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

	EBITDA *(Note 5)*	Restructuring and other costs *(Note 15)*	EBITDA – excluding restructuring and other costs
Add			
Three-month period ended March 31, 2017	$ 1,261	$ 4	$ 1,265
Year ended December 31, 2016	4,229	479	4,708
Deduct			
Three-month period ended March 31, 2016	(1,140)	(48)	(1,188)
EBITDA – excluding restructuring and other costs	$ 4,350	$ 435	$ 4,785

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

4 Our long-term objective range for this ratio is 2.00 – 2.50 times. The ratio as at December 31, 2016, is outside the long-term objective range. In the short term, we may permit, and have permitted, this ratio to go outside the objective range (for long-term investment opportunities), but will endeavour to return this ratio to within the objective range in the medium term, as we believe that this range is supportive of our long-term strategy. We are in compliance with our credit facilities leverage ratio covenant, which states that we may not permit our net debt to operating cash flow ratio to exceed 4.00:1.00 (see *Note 26(d)*); the calculation of the debt ratio is substantially similar to the calculation of the leverage ratio covenant in our credit facilities.

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

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

7 Adjusted net earnings attributable to Common Shares is calculated as follows:

12-month periods ended March 31	2017	2016
Net income attributable to Common Shares	**$ 1,278**	$ 1,345
Gain on exchange of wireless spectrum licences, after income taxes	**(13)**	—
Gain and net equity income related to real estate redevelopment project, after income taxes	**(16)**	—
Business acquisition-related provisions, after income taxes	**11**	4
Immediately vesting transformative compensation expense, after income taxes	**224**	—
Income tax-related adjustments	**(18)**	2
Adjusted net earnings attributable to Common Shares	**$ 1,466**	$ 1,351

8 Our target guideline for the dividend payout ratio is 65%–75% of sustainable earnings on a prospective basis; however we estimate that we are within our target guideline when considered on a prospective basis.

Net debt to EBITDA – excluding restructuring and other costs was 2.73 times as at March 31, 2017, slightly down from 2.74 times one year earlier. The increase in net debt was approximately offset by growth in EBITDA – excluding restructuring and other costs. The earnings coverage ratio for the twelve-month period ended March 31, 2017, was 4.1 times, down from 4.6 times one year earlier. Higher borrowing costs reduced the ratio by 0.2 and lower income before borrowing costs and income taxes reduced the ratio by 0.3. The EBITDA – excluding restructuring and other costs interest coverage ratio for the twelve-month period ended March 31, 2017, was 8.5 times, down from 9.2 times one year earlier. Growth in EBITDA – excluding restructuring and other costs increased the ratio by 0.5, while an increase in net interest costs reduced the ratio by 1.2.

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 as set out in the following table:

As at (millions)	**March 31, 2017**	December 31, 2016
Cash and temporary investments, net	**$ 794**	$ 432
Accounts receivable	**1,408**	1,471
Derivative assets	**18**	17
	$ 2,220	$ 1,920

Cash and temporary investments

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

Accounts receivable

Credit risk associated with accounts receivable is inherently managed by 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.

The following table presents an analysis of the age of customer accounts receivable for which an allowance had not been made as at the dates of the Consolidated statements of financial position. As at March 31, 2017, the weighted average age of customer accounts receivable was 25 days (December 31, 2016 – 26 days) and the weighted average age of past-due customer accounts receivable was 62 days (December 31, 2016 – 61 days). Any late payment charges are levied at an industry-based market or negotiated rate on outstanding non-current customer account balances.

As at (millions)	*Note*	**March 31, 2017**	December 31, 2016
Customer accounts receivable, net of allowance for doubtful accounts			
Less than 30 days past billing date		**$ 826**	$ 897
30-60 days past billing date		**156**	176
61-90 days past billing date		**24**	35
More than 90 days past billing date		**54**	55
		$ 1,060	$ 1,163
Customer accounts receivable	*16*	**$ 1,110**	$ 1,217
Allowance for doubtful accounts		**(50)**	(54)
		$ 1,060	$ 1,163

We maintain allowances for potential credit losses related to doubtful accounts. Current economic conditions, historical information, reasons for the accounts being past due and line of business from which the customer accounts receivable arose are all considered when determining whether 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 **2017**	2016
Balance, beginning of period	**$ 54**	$ 52
Additions (doubtful accounts expense)	**17**	16
Net use	**(21)**	(16)
Balance, end of period	**$ 50**	$ 52

Derivative assets (and derivative liabilities)

Counterparties to our share-based compensation cash-settled equity forward agreements and foreign exchange derivatives are major financial institutions that have been accorded investment grade ratings by a primary credit rating agency. The dollar amount of credit exposure under contracts with any one financial institution is limited and counterparties' credit ratings

are monitored. We do not give or receive collateral on swap agreements and hedging items due to our credit rating and those of our counterparties. While we are exposed to potential credit losses due to the possible non-performance of our counterparties, we consider this risk remote. Our derivative liabilities do not have credit risk-related contingent features.

(b) Liquidity risk

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

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

Our debt maturities in future years are as disclosed in *Note 26(f)*. As at March 31, 2017, we could offer $1.2 billion of debt or equity securities pursuant to a shelf prospectus that is in effect until April 2018 (December 31, 2016 – $2.2 billion). We believe that our investment grade credit ratings contribute to reasonable access to capital markets.

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

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

	Non-derivative						Derivative			
				Composite long-term debt						
As at March 31, 2017 (millions)	Non-interest bearing financial liabilities	Short-term borrowings [1]	Construction credit facilities commitment (*Note 21*) [2]	Long-term debt [1] (*Note 26*)	Currency swap agreement amounts to be exchanged [3] (Receive)	Currency swap agreement amounts to be exchanged [3] Pay	Other	Currency swap agreement amounts to be exchanged (Receive)	Currency swap agreement amounts to be exchanged Pay	Total
2017	**$ 1,578**	**$ 1**	**$ 88**	**$ 1,521**	**$ (1,148)**	**$ 1,146**	**$ 3**	**$ (437)**	**$ 431**	**$ 3,183**
2018	**272**	**102**	**—**	**789**	**(47)**	**46**	**—**	**(131)**	**130**	**1,161**
2019	**16**	**—**	**—**	**1,537**	**(47)**	**46**	**—**	**—**	**—**	**1,552**
2020	**9**	**—**	**—**	**1,486**	**(47)**	**46**	**—**	**—**	**—**	**1,494**
2021	**9**	**—**	**—**	**1,719**	**(47)**	**46**	**—**	**—**	**—**	**1,727**
Thereafter	**16**	**—**	**—**	**13,116**	**(1,733)**	**1,725**	**—**	**—**	**—**	**13,124**
Total	**$ 1,900**	**$ 103**	**$ 88**	**$ 20,168**	**$ (3,069)**	**$ 3,055**	**$ 3**	**$ (568)**	**$ 561**	**$ 22,241**
				Total (*Note 26(f)*)		**$ 20,154**				

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, 2017.

2 The drawdowns on the construction credit facilities are expected to occur as construction progresses through 2018.

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

	Non-derivative						Derivative			
				Composite long-term debt						
As at December 31, 2016 (millions)	Non-interest bearing financial liabilities	Short-term borrowings [1]	Construction credit facilities commitment (*Note 21*) [2]	Long-term debt [1] (*Note 26*)	Currency swap agreement amounts to be exchanged [3] (Receive)	Currency swap agreement amounts to be exchanged [3] Pay	Other	Currency swap agreement amounts to be exchanged (Receive)	Currency swap agreement amounts to be exchanged Pay	Total
2017	$ 1,949	$ 1	$ 93	$ 1,832	$ (634)	$ 634	$ 3	$ (475)	$ 469	$ 3,872
2018	227	102	—	750	(23)	23	—	—	—	1,079
2019	16	—	—	1,498	(23)	23	—	—	—	1,514
2020	9	—	—	1,447	(23)	23	—	—	—	1,456
2021	9	—	—	1,711	(23)	23	—	—	—	1,720
Thereafter	5	—	—	11,584	(930)	921	—	—	—	11,580
Total	$ 2,215	$ 103	$ 93	$ 18,822	$ (1,656)	$ 1,647	$ 3	$ (475)	$ 469	$ 21,221
				Total		$ 18,813				

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, 2016.

2 The drawdowns on the construction credit facilities are expected to occur as construction progresses through 2018.

3 The amounts included in undiscounted non-derivative long-term debt in respect of U.S. dollar-denominated long-term debt, and the corresponding amounts in the long-term debt currency swaps receive column, have been determined based upon the currency exchange rates in effect as at December 31, 2016. The hedged U.S. dollar-denominated long-term debt contractual amounts at maturity, in effect, are reflected in the long-term debt currency swaps pay column as gross cash flows are exchanged pursuant to the currency swap agreements.

(c) Market risks

Net income and other comprehensive income for the three-month periods ended March 31, 2017 and 2016, could have varied if the Canadian dollar: U.S. dollar exchange rate and our Common Share price varied by reasonably possible amounts from their actual statement of financial position date amounts.

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

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

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

Three-month periods ended March 31 (increase (decrease) in millions)	Net income		Other comprehensive income		Comprehensive income	
	2017	2016	**2017**	2016	**2017**	2016
Reasonably possible changes in market risks [1]						
10% change in Cdn.$: U.S.$ exchange rate						
Canadian dollar appreciates	**$ —**	$ (22)	**$ (13)**	$ (11)	**$ (13)**	$ (33)
Canadian dollar depreciates	**$ —**	$ 22	**$ 18**	$ 11	**$ 18**	$ 33
25% [2] change in Common Share price [3]						
Price increases	**$ (9)**	$ (11)	**$ 23**	$ 25	**$ 14**	$ 14
Price decreases	**$ 7**	$ 6	**$ (23)**	$ (25)	**$ (16)**	$ (19)

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

2 To facilitate ongoing comparison of sensitivities, a constant variance of approximate magnitude has been used. Reflecting a three-month data period and calculated on a monthly basis, the volatility of our Common Share price as at March 31, 2017, was 3.8% (2016 – 13.2%).

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

(d) Fair values

General

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

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

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

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

The fair values of the derivative financial instruments we use to manage our exposure to increases in compensation costs arising from certain forms of share-based compensation are based upon fair value estimates of the related cash-settled equity forward agreements provided by the counterparty to the transactions (such fair value estimates being largely based on our Common Share price as at the statement of financial position dates).

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

As at (millions)	Carrying value		Fair value measurements at reporting date using: Quoted prices in active markets for identical items (Level 1)		Significant other observable inputs (Level 2)		Significant unobservable inputs (Level 3)	
	Mar. 31, 2017	Dec. 31, 2016	**Mar. 31, 2017**	Dec. 31, 2016	**Mar. 31, 2017**	Dec. 31, 2016	**Mar. 31, 2017**	Dec. 31, 2016
Assets								
Foreign exchange derivatives	**$ 11**	$ 10	**$ —**	$ —	**$ 11**	$ 10	**$ —**	$ —
Share-based compensation derivatives	**7**	7	**—**	—	**7**	7	**—**	—
Available-for-sale portfolio investments	**64**	62	**—**	—	**64**	62	**—**	—
	$ 82	$ 79	**$ —**	$ —	**$ 82**	$ 79	**$ —**	$ —
Liabilities								
Foreign exchange derivatives	**$ 48**	$ 30	**$ —**	$ —	**$ 48**	$ 30	**$ —**	$ —
Share-based compensation derivatives	**3**	3	**—**	—	**3**	3	**—**	—
	$ 51	$ 33	**$ —**	$ —	**$ 51**	$ 33	**$ —**	$ —

Derivative

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

As at (millions)	Designation	**March 31, 2017** Maximum maturity date	Notional amount	Fair value and carrying value	December 31, 2016 Notional amount	Fair value and carrying value
Current Assets[1]						
Derivatives used to manage						
Currency risks arising from U.S. dollar-denominated purchases	HFT[2]	2017	**$ —**	**$ —**	$ 8	$ —
Currency risks arising from U.S. dollar-denominated purchases	HFH[3]	2018	**$ 309**	**6**	$ 263	7
Currency risks arising from U.S. dollar revenues	HFT[2]	2017	**$ 4**	**—**	$ 4	—
Changes in share-based compensation costs (*Note 13(b)*)	HFH[3]	2017	**$ 6**	**—**	$ 6	1
Currency risks arising from U.S. dollar-denominated long-term debt (*Note 26 (b)-(c)*)	HFH[3]	2017	**$ 494**	**5**	$ 191	3
				$ 11		$ 11
Other Long-Term Assets[1]						
Derivatives used to manage						
Changes in share-based compensation costs (*Note 13(b)*)	HFH[3]	2018	**$ 69**	**$ 7**	$ 69	$ 6
Current Liabilities[1]						
Derivatives used to manage						
Currency risks arising from U.S. dollar-denominated purchases	HFH[3]	2018	**$ 116**	**$ 1**	$ 69	2
Currency risks arising from U.S. dollar revenues	HFT[2]	2018	**$ 132**	**4**	$ 124	5
Changes in share-based compensation costs (*Note 13(b)*)	HFH[3]	2017	**$ 68**	**2**	$ 65	3
Currency risks arising from U.S. dollar-denominated long-term debt (*Note 26 (b)-(c)*)	HFH[3]	2017	**$ 628**	**3**	$ 422	2
				$ 10		$ 12
Other Long-Term Liabilities[1]						
Derivatives used to manage						
Changes in share-based compensation costs (*Note 13(b)*)	HFH[3]	2019	**$ 66**	**$ 1**	$ —	$ —
Currency risks arising from U.S. dollar-denominated long-term debt (*Note 26 (b)-(c)*)	HFH[3]	2027	**$ 1,933**	**40**	$ 1,036	21
				$ 41		$ 21

1 Derivative financial assets and liabilities are not set off.
2 Designated as held for trading (HFT) upon initial recognition; hedge accounting is not applied.
3 Designated as held for hedging (HFH) upon initial recognition (cash flow hedging item); hedge accounting is applied.

Non-derivative

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

As at (millions)	**March 31, 2017**		December 31, 2016	
	Carrying value	Fair value	Carrying value	Fair value
Long-term debt (*Note 26*)	**$ 13,677**	**$ 14,380**	$ 12,931	$ 13,533

(e) Recognition of derivative gains and losses

The following table sets out the gains and losses, excluding income tax effects, on derivative instruments that are classified as cash flow hedging items and their location within the Consolidated statements of income and other comprehensive income. There was no ineffective portion of derivative instruments classified as cash flow hedging items for the periods presented.

	Amount of gain (loss) recognized in other comprehensive income (effective portion) (*Note 10*)		Gain (loss) reclassified from other comprehensive income to income (effective portion) (*Note 10*)		
				Amount	
Three-month periods ended March 31 (millions)	**2017**	2016	Location	**2017**	2016
Derivatives used to manage					
Currency risks arising from U.S. dollar-denominated purchases	**$ (2)**	$ (23)	Goods and services purchased	**$ 1**	$ 1
Changes in share-based compensation costs *(Note 13(b))*	**—**	18	Employee benefits expense	**1**	7
Currency risks arising from U.S. dollar-denominated long-term debt (*Note 26 (b)-(c)*)	**(19)**	(38)	Financing costs	**(11)**	(38)
	$ (21)	$ (43)		**$ (9)**	$ (30)

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

		Gain (loss) recognized in income on derivatives	
Three-month periods ended March 31 (millions)	Location	**2017**	2016
Derivatives used to manage currency risks	Financing costs	**$ —**	$ (2)

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 operating results of which are regularly reviewed by a chief operating decision-maker to make resource allocation decisions and to assess performance. The operating segments that are regularly reported to our Chief Executive Officer (our chief operating decision-maker) are wireless and wireline.

A significant judgement we make is in respect of distinguishing between our wireless and wireline operations and cash flows, such distinction having been significantly affected by the convergence and integration of our wireless and wireline telecommunications infrastructure and technology. The continued build-out of our technology-agnostic fibre-optic infrastructure, in combination with converged edge technology, has significantly affected this judgment, as has the commercialization of fixed-wireless telecommunications solutions for customers. It has become increasingly impractical and impossible to objectively distinguish between our wireless and wireline operations and cash flows, and the assets from which those cash flows arise. Our judgment as to whether these operations can continue to be judged to be individual components of the business and discrete operating segments may change in the future.

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

The segment information regularly reported to our chief operating decision-maker, and the reconciliations thereof to our revenues and income before income taxes, are as set out in the following table.

Three-month periods ended March 31 (millions)	Wireless 2017	Wireless 2016	Wireline 2017	Wireline 2016	Eliminations 2017	Eliminations 2016	Consolidated 2017	Consolidated 2016
Operating revenues								
External revenues								
Service	**$ 1,679**	$ 1,580	**$ 1,348**	$ 1,344	**$ —**	$ —	**$ 3,027**	$ 2,924
Equipment	**102**	117	**56**	55	**—**	—	**158**	172
Revenues arising from contracts with customers	**1,781**	1,697	**1,404**	1,399	**—**	—	**3,185**	3,096
Other operating income	**2**	5	**11**	7	**—**	—	**13**	12
	1,783	1,702	**1,415**	1,406	**—**	—	**3,198**	3,108
Intersegment revenues	**11**	14	**52**	47	**(63)**	(61)	**—**	—
	$ 1,794	$ 1,716	**$ 1,467**	$ 1,453	**$ (63)**	$ (61)	**$ 3,198**	$ 3,108
EBITDA [1]	**$ 820**	$ 756	**$ 441**	$ 384	**$ —**	$ —	**$ 1,261**	$ 1,140
CAPEX [2]	**$ 249**	$ 180	**$ 475**	$ 438	**$ —**	$ —	**$ 724**	$ 618

	2017	2016
Operating revenues – external (above)	**$ 3,198**	$ 3,108
Goods and services purchased	**1,313**	1,300
Employee benefits expense	**624**	668
EBITDA (above)	**1,261**	1,140
Depreciation	**402**	385
Amortization	**130**	115
Operating income	**729**	640
Financing costs	**138**	123
Income before income taxes	**$ 591**	$ 517

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

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

Geographical information

We attribute revenues from external customers to individual countries on the basis of the location where the goods and/or services are provided. We do not have material revenues that we attribute to countries other than Canada (our country of domicile), nor do we have material amounts of property, plant, equipment, intangible assets and/or goodwill located outside of Canada.

6 other operating income

Periods ended March 31 (millions)	Three months 2017	Three months 2016
Government assistance, including deferral account amortization	**$ 7**	$ 9
Investment income (loss)	**2**	(3)
Gain on disposal of assets and other	**4**	6
	$ 13	$ 12

TELUS

7 employee benefits expense

Periods ended March 31 (millions)	Note	Three months 2017	2016
Employee benefits expense – gross			
Wages and salaries		**$ 634**	$ 627
Share-based compensation [1]	13	**25**	25
Pensions – defined benefit	14(a)	**21**	22
Pensions – defined contribution	14(b)	**23**	24
Restructuring costs [1]	15(b)	**—**	44
Other		**40**	39
		743	781
Capitalized internal labour costs			
Property, plant and equipment		**(80)**	(74)
Intangible assets subject to amortization		**(39)**	(39)
		(119)	(113)
		$ 624	$ 668

1 For the three-month period ended March 31, 2017, $NIL of share-based compensation was included in restructuring costs (2016 – $2).

8 financing costs

Periods ended March 31 (millions)	Note	Three months 2017	2016
Interest expense			
Interest on long-term debt – gross		**$ 138**	$ 133
Capitalized long-term debt interest [1]		**—**	(17)
Interest on long-term debt – net		**138**	116
Interest on short-term borrowings and other		**1**	1
Interest accretion on provisions	25	**3**	3
		142	120
Employee defined benefit plans net interest	14(a)	**1**	1
Foreign exchange		**(5)**	2
		$ 138	$ 123

1 Long-term debt interest at a composite rate of 3.31% was capitalized to intangible assets with indefinite lives.

9 income taxes

Periods ended March 31 (millions)	Three months 2017	2016
Current income tax expense		
For the current reporting period	**$ 63**	$ 170
Adjustments recognized in the current period for income taxes of prior periods	**(6)**	—
	57	170
Deferred income tax expense (recovery)		
Arising from the origination and reversal of temporary differences	**87**	(32)
Revaluation of deferred income tax liability to reflect future statutory income tax rates	**—**	1
Adjustments recognized in the current period for income taxes of prior periods	**6**	—
	93	(31)
	$ 150	$ 139

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

Three-month periods ended March 31 ($ in millions)	**2017**		2016	
Income taxes computed at applicable statutory rates	**$ 157**	**26.6%**	$ 137	26.6%
Revaluation of deferred income tax liability to reflect future income tax rates	**—**	**—**	1	0.2
Other	**(7)**	**(1.2)**	1	0.1
Income tax expense per Consolidated statements of income and other comprehensive income	**$ 150**	**25.4%**	$ 139	26.9%

10 other comprehensive income

(millions)	Items that may subsequently be reclassified to income: Change in unrealized fair value of derivatives designated as cash flow hedges in current period (*Note 4(e)*) — Gains (losses) arising	Prior period (gains) losses transferred to net income	Total	Cumulative foreign currency translation adjustment	Change in unrealized fair value of available-for-sale financial assets	Accumulated other comp. income	Item never reclassified to income: Employee defined benefit plan re-measurements	Other comp. income
Accumulated balance as at January 1, 2016			$ —	$ 43	$ 16	$ 59		
Other comprehensive income (loss)								
Amount arising	$ (43)	$ 30	(13)	(4)	—	(17)	$ (105)	$ (122)
Income taxes	$ (11)	$ 8	(3)	—	—	(3)	(28)	(31)
Net			(10)	(4)	—	(14)	$ (77)	$ (91)
Accumulated balance as at March 31, 2016			$ (10)	$ 39	$ 16	$ 45		
Accumulated balance as at January 1, 2017			**$ (20)**	**$ 48**	**$ 16**	**$ 44**		
Other comprehensive income (loss)								
Amount arising	**$ (21)**	**$ 9**	**(12)**	**3**	**(2)**	**(11)**	**$ 92**	**$ 81**
Income taxes	**$ (4)**	**$ 1**	**(3)**	**—**	**—**	**(3)**	**24**	**21**
Net			**(9)**	**3**	**(2)**	**(8)**	**$ 68**	**$ 60**
Accumulated balance as at March 31, 2017			**$ (29)**	**$ 51**	**$ 14**	**$ 36**		
Attributable to:								
Common Shares						**$ 32**		
Non-controlling interests						**4**		
						$ 36		

As at March 31, 2017, our estimate of the net amount of existing gains (losses) arising from the unrealized fair value of derivatives designated as cash flow hedges that are reported in accumulated other comprehensive income and are expected to be reclassified to net income in the next twelve months, excluding income tax effects, is $NIL.

11 per share amounts

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

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

Periods ended March 31 (millions)	Three months **2017**	2016
Basic total weighted average number of Common Shares outstanding	**591**	593
Effect of dilutive securities		
Share option awards	**—**	1
Diluted total weighted average number of Common Shares outstanding	**591**	594

For the three-month periods ended March 31, 2017 and 2016, no outstanding TELUS Corporation share option awards were excluded in the computation of diluted net income per Common Share.

12 dividends per share

(a) Dividends declared

Three-month periods ended March 31 (millions except per share amounts)	**2017**				2016			
	Declared		Paid to		Declared		Paid to	
Common Share dividends	Effective	Per share	shareholders	Total	Effective	Per share	shareholders	Total
Quarter 1 dividend	**Mar 10, 2017**	**$ 0.48**	**Apr 3, 2017**	**$ 283**	Mar. 11, 2016	$ 0.44	Apr. 1, 2016	$ 261

On May 10, 2017, the Board of Directors declared a quarterly dividend of $0.4925 per share on our issued and outstanding Common Shares payable on July 4, 2017, to holders of record at the close of business on June 9, 2017. The final amount of the dividend payment depends upon the number of Common Shares issued and outstanding at the close of business on June 9, 2017.

(b) Dividend Reinvestment and Share Purchase Plan

We have a Dividend Reinvestment and Share Purchase Plan under which eligible holders of Common Shares may acquire additional Common Shares by reinvesting dividends and by making additional optional cash payments to the trustee. Under this Plan, we have the option of offering Common Shares from Treasury or having the trustee acquire Common Shares in the stock market. We may, at our discretion, offer Common Shares at a discount of up to 5% from the market price under the Plan.

In respect of Common Share dividends declared during the three-month period ended March 31, 2017, $15 million (2016 – $16 million) was to be reinvested in Common Shares the trustee acquired from Treasury (2016 – acquired in the stock market), with no discount applicable.

Under the share purchase feature of the Plan, eligible shareholders can make optional cash payments and purchase our Common Shares at the market price without brokerage commissions or service charges; such purchases are subject to a minimum investment of $100 per transaction and a maximum investment of $20,000 per calendar year.

13 share-based compensation

(a) Details of share-based compensation expense

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

Three-month periods ended March 31 (millions)		**2017**			2016		
	Note	Employee benefits expense	Associated operating cash outflows	Statement of cash flows adjustment	Employee benefits expense	Associated operating cash outflows	Statement of cash flows adjustment
Restricted stock units [1]	*(b)*	**$ 16**	**$ —**	**$ 16**	$ 18	$ (2)	$ 16
Employee share purchase plan	*(c)*	**9**	**(9)**	**—**	9	(9)	—
		$ 25	**$ (9)**	**$ 16**	$ 27	$ (11)	$ 16

1 The expense arising from restricted stock units was net of cash-settled equity swap agreement effects (see *Note 4(e)*). Within employee benefits expense (see *Note 7*), restricted stock unit expense of $NIL (2016 – $2) is presented as share-based compensation and the balance is included in restructuring costs.

For the three-month period ended March 31, 2017, the associated operating cash outflows in respect of restricted stock units were net of cash inflows arising from the cash-settled equity swap agreements of $2 million (2016 – $1 million). For the three-month period ended March 31, 2017, the income tax benefit arising from share-based compensation was $7 million (2016 – $7 million).

(b) Restricted stock units

General

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

become payable when vesting is completed and typically vest over a period of 33 months (the requisite service period). The vesting method of restricted stock units, which is determined on or before the date of grant, may be either cliff or graded; the majority of restricted stock units outstanding have cliff vesting. The associated liability is normally cash-settled.

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

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

Number of non-vested restricted stock units as at	**March 31, 2017**	December 31, 2016
Restricted stock units without market performance conditions		
Restricted stock units with only service conditions	**4,812,974**	3,260,745
Notional subset affected by total customer connections performance condition	**206,981**	130,234
	5,019,955	3,390,979
Restricted stock units with market performance conditions		
Notional subset affected by relative total shareholder return performance condition	**620,944**	390,703
	5,640,899	3,781,682

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

Period ended March 31, 2017	Three months		
	Number of restricted stock units [1]		Weighted average grant-date fair value
	Non-vested	Vested	
Outstanding, beginning of period			
Non-vested	3,390,979	—	$ 41.71
Vested	—	29,108	$ 38.09
Issued			
Initial award	1,670,033	—	$ 43.42
In lieu of dividends	37,813	101	$ 42.99
Vested	(17,717)	17,717	$ 42.07
Settled in cash	—	(37,867)	$ 41.23
Forfeited and cancelled	(61,153)	—	$ 41.90
Outstanding, end of period			
Non-vested	5,019,955	—	$ 42.40
Vested	—	9,059	$ 41.05

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

With respect to certain issuances of TELUS Corporation restricted stock units, we have entered into cash-settled equity forward agreements that fix our cost; that information, as well as a schedule of non-vested TELUS Corporation restricted stock units outstanding as at March 31, 2017, is set out in the following table.

Vesting in years ending December 31	Number of fixed-cost restricted stock units	Our fixed cost per restricted stock unit	Number of variable-cost restricted stock units	Total number of non-vested restricted stock units [1]
2017	1,677,719	$ 45.30	30,075	1,707,794
2018	1,792,286	$ 40.91	34,421	1,826,707
2019	1,385,734	$ 45.46	99,720	1,485,454
	4,855,739		164,216	5,019,955

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

TELUS International (Cda) Inc. restricted stock units

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

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

Three-month period ended March 31	2017				
	U.S.$ denominated		Canadian $ denominated		
	Number of non-vested restricted stock units	Grant-date fair value	Number of restricted stock units		Grant-date fair value
			Non-vested	Vested	
Outstanding, beginning and end of period					
Non-vested	**163,785**	**U.S.$ 21.90**	**—**	**—**	**$ —**
Vested	**—**	**U.S.$ —**	**—**	**32,299**	**$ 21.36**

(c) Employee share purchase plan

We have an employee share purchase plan under which eligible employees up to a certain job classification can purchase our Common Shares through regular payroll deductions by contributing between 1% and 20% of their pay; for more highly compensated job classifications, employees may contribute between 1% and 55% of their pay. For every dollar contributed by an employee, up to a maximum of 6% of eligible employee pay, we are required to make a contribution at a percentage between 20% and 40%. For the three-month periods ended March 31, 2017 and 2016, we contributed 40% for employees up to a certain job classification; for more highly compensated job classifications, we contributed 35%. We record our contributions as a component of Employee benefits expense and our contribution vests on the earlier of a plan participant's last day in our employ or the last business day of the calendar year of our contribution, unless the plan participant's employment is terminated with cause, in which case the plan participant will forfeit any in-year contribution from us.

(d) Share option awards

General

We use share option awards as a form of retention and incentive compensation. We apply the fair value method of accounting for share-based compensation awards granted to officers and other employees. Share option awards typically have a three-year vesting period (the requisite service period), but may vest over periods of up to five years. The vesting method of share option awards, which is determined on or before the date of grant, may be either cliff or graded; all share option awards granted subsequent to 2004 have been cliff-vesting awards.

The weighted average fair value of share option awards granted is calculated by using the Black-Scholes model (a closed-form option pricing model). The risk-free interest rate used in determining the fair value of the share option awards is based on a Government of Canada yield curve that is current at the time of grant. The expected lives of the share option awards are based on our historical share option award exercise data. Similarly, expected volatility considers the historical volatility in the price of our Common Shares for TELUS Corporation share options and historical volatility in the price of a peer group's shares in respect of TELUS International (Cda) Inc. share options. The dividend yield is the annualized dividend current at the time of grant divided by the share option award exercise price. Dividends are not paid on unexercised share option awards and are not subject to vesting.

TELUS Corporation share options

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

Period ended March 31, 2017	Three months	
	Number of share options	Weighted average share option price
Outstanding, beginning of period	1,417,693	$ 24.49
Exercised [1]	(367,823)	$ 18.95
Forfeited	(1,646)	$ 27.90
Expired	(20,388)	$ 16.31
Outstanding, end of period	1,027,836	$ 26.63

1 The total intrinsic value of share option awards exercised for the three-month period ended March 31, 2017, was $9 million, reflecting a weighted average price at the dates of exercise of $43.58 per share. The difference between the number of share options exercised and the number of Common Shares issued (as reflected in the Consolidated statements of changes in owners' equity) is the effect of our choosing to settle share option award exercises using the net-equity settlement feature.

The following is a life and exercise price stratification of outstanding TELUS Corporation share options, all of which are vested, as at March 31, 2017.

Options outstanding and exercisable				
Range of option prices			Total	Weighted average price
Low	$ 18.92	$ 28.56	$ 18.92	
High	$ 25.64	$ 31.69	$ 31.69	
Year of expiry and number of options				
2017	9,830	—	9,830	$ 20.42
2018	432,612	—	432,612	$ 23.29
2019	—	585,394	585,394	$ 29.21
	442,442	585,394	1,027,836	
Weighted average remaining contractual life (years)	0.9	2.1	1.6	
Weighted average price	$ 23.23	$ 29.21	$ 26.63	
Aggregate intrinsic value [1] (millions)	$ 9	$ 8	$ 17	

1 The aggregate intrinsic value is calculated based on the March 31, 2017, price of $43.17 per Common Share.

TELUS International (Cda) Inc. share options

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

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

Three-month period ended March 31	**2017**			
	U.S.$ denominated		Canadian $ denominated	
	Number of share options	Weighted average share option price [1]	Number of share options	Share option price [2]
Outstanding, beginning and end of period	**573,354**	**U.S.$ 30.86**	**53,832**	**$ 21.36**

1 The range of share option prices is U.S.$21.90 – U.S.$40.26 per TELUS International (Cda) Inc. equity share and the weighted average remaining contractual life is 9.7 years.
2 The weighted average remaining contractual life is 9.3 years.

14 employee future benefits

(a) Defined benefit pension plans – details

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

Three-month periods ended March 31 (millions)	**2017**				2016			
Recognized in	Employee benefits expense (*Note 7*)	Financing costs (*Note 8*)	Other comp. income (*Note 10*)	Total	Employee benefits expense (*Note 7*)	Financing costs (*Note 8*)	Other comp. income (*Note 10*)	Total
Current service cost	**$ 19**	**$ —**	**$ —**	**$ 19**	$ 21	$ —	$ —	$ 21
Net interest; return on plan assets								
Interest expense arising from defined benefit obligations accrued	**—**	**83**	**—**	**83**	—	85	—	85
Return, including interest income, on plan assets [1]	**—**	**(83)**	**(92)**	**(175)**	—	(85)	105	20
Interest effect on asset ceiling limit	**—**	**1**	**—**	**1**	—	1	—	1
	—	**1**	**(92)**	**(91)**	—	1	105	106
Administrative fees	**2**	**—**	**—**	**2**	1	—	—	1
	$ 21	**$ 1**	**$ (92)**	**$ (70)**	$ 22	$ 1	$ 105	$ 128

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

TELUS

(b) Defined contribution plans – expense

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

Periods ended March 31 (millions)	Three months 2017	2016
Union pension plan and public service pension plan contributions	**$ 6**	$ 8
Other defined contribution pension plans	**17**	16
	$ 23	$ 24

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

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

	Restructuring *(b)*		Other		Total	
Three-month periods ended March 31 (millions)	**2017**	2016	**2017**	2016	**2017**	2016
Goods and services purchased	**$ 4**	$ 4	**$ —**	$ —	**$ 4**	$ 4
Employee benefits expense	**—**	44	**—**	—	**—**	44
	$ 4	$ 48	**$ —**	$ —	**$ 4**	$ 48

(b) Restructuring provisions

Employee related provisions and other provisions, as presented in *Note 25,* include amounts in respect of restructuring activities. In 2017, restructuring activities included ongoing and incremental efficiency initiatives, including personnel-related costs and rationalization of real estate. These initiatives were intended to improve our long-term operating productivity and competitiveness.

Three-month periods ended March 31 (millions)	**2017**			2016		
	Employee related [1]	Other [1]	Total [1]	Employee related [1]	Other [1]	Total [1]
Restructuring costs						
Additions	**$ 3**	**$ 4**	**$ 7**	$ 44	$ 8	$ 52
Reversal	**(3)**	**—**	**(3)**	—	(4)	(4)
Expense	**—**	**4**	**4**	44	4	48
Use	**(44)**	**(6)**	**(50)**	(69)	(5)	(74)
Expenses greater (less) than disbursements	**(44)**	**(2)**	**(46)**	(25)	(1)	(26)
Restructuring provisions						
Balance, beginning of period	**82**	**80**	**162**	116	57	173
Balance, end of period	**$ 38**	**$ 78**	**$ 116**	$ 91	$ 56	$ 147

1 The transactions and balances in this column, excluding share-based compensation amounts, are included in, and thus are a subset of, the transactions and balances in the column with the same caption in *Note 25.*

16 accounts receivable

As at (millions)	*Note*	**March 31, 2017**	December 31, 2016
Customer accounts receivable	*4(a)*	**$ 1,110**	$ 1,217
Accrued receivables – customer		**126**	131
Allowance for doubtful accounts	*4(a)*	**(50)**	(54)
		1,186	1,294
Accrued receivables – other		**222**	177
		$ 1,408	$ 1,471

17 property, plant and equipment

(millions)	Network assets	Buildings and leasehold improvements	Other	Land	Assets under construction	Total
At cost						
As at January 1, 2017	$ 28,284	$ 2,954	$ 1,021	$ 55	$ 592	$ 32,906
Additions	**215**	**7**	**12**	**—**	**338**	**572**
Additions arising from business acquisitions	**2**	**—**	**—**	**—**	**—**	**2**
Dispositions, retirements and other	**(255)**	**(11)**	**(16)**	**—**	**—**	**(282)**
Assets under construction put into service	**242**	**43**	**16**	**—**	**(301)**	**—**
As at March 31, 2017	**$ 28,488**	**$ 2,993**	**$ 1,033**	**$ 55**	**$ 629**	**$ 33,198**
Accumulated depreciation						
As at January 1, 2017	$ 19,950	$ 1,836	$ 656	$ —	$ —	$ 22,442
Depreciation	**349**	**25**	**28**	**—**	**—**	**402**
Dispositions, retirements and other	**(247)**	**(8)**	**(28)**	**—**	**—**	**(283)**
As at March 31, 2017	**$ 20,052**	**$ 1,853**	**$ 656**	**$ —**	**$ —**	**$ 22,561**
Net book value						
As at December 31, 2016	$ 8,334	$ 1,118	$ 365	$ 55	$ 592	$ 10,464
As at March 31, 2017	**$ 8,436**	**$ 1,140**	**$ 377**	**$ 55**	**$ 629**	**$ 10,637**

As at March 31, 2017, our contractual commitments for the acquisition of property, plant and equipment totalled $270 million over a period ending December 31, 2021 (December 31, 2016 – $436 million over a period ending December 31, 2020).

18 intangible assets and goodwill

(a) Intangible assets and goodwill, net

(millions)	Intangible assets subject to amortization					Intangible assets with indefinite lives			
	Customer contracts, related customer relationships, subscriber base and leasehold interests	Software	Access to rights-of-way and other	Assets under construction	Total	Spectrum licences	Total intangible assets	Goodwill [1]	Total intangible assets and goodwill
At cost									
As at January 1, 2017	$ 485	$ 4,295	$ 93	$ 212	$ 5,085	$ 8,693	$ 13,778	$ 4,151	$ 17,929
Additions	—	21	1	132	154	—	154	—	154
Additions arising from business acquisitions	5	—	—	—	5	—	5	7	12
Dispositions, retirements and other	(30)	(78)	(3)	—	(111)	—	(111)	—	(111)
Assets under construction put into service	—	106	—	(106)	—	—	—	—	—
Net foreign exchange differences	—	—	—	—	—	—	—	(2)	(2)
As at March 31, 2017	**$ 460**	**$ 4,344**	**$ 91**	**$ 238**	**$ 5,133**	**$ 8,693**	**$ 13,826**	**$ 4,156**	**$ 17,982**
Accumulated amortization									
As at January 1, 2017	$ 323	$ 3,032	$ 59	$ —	$ 3,414	$ —	$ 3,414	$ 364	$ 3,778
Amortization	10	119	1	—	130	—	130	—	130
Dispositions, retirements and other	(30)	(78)	(2)	—	(110)	—	(110)	—	(110)
As at March 31, 2017	**$ 303**	**$ 3,073**	**$ 58**	**$ —**	**$ 3,434**	**$ —**	**$ 3,434**	**$ 364**	**$ 3,798**
Net book value									
As at December 31, 2016	$ 162	$ 1,263	$ 34	$ 212	$ 1,671	$ 8,693	$ 10,364	$ 3,787	$ 14,151
As at March 31, 2017	**$ 157**	**$ 1,271**	**$ 33**	**$ 238**	**$ 1,699**	**$ 8,693**	**$ 10,392**	**$ 3,792**	**$ 14,184**

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, 2017, our contractual commitments for the acquisition of intangible assets, excluding the acquisition arising from BCE Inc.'s announced agreement to acquire Manitoba Telecom Services Inc. discussed in (b) below, totalled $36 million over a period ending December 31, 2021 (December 31, 2016 – $82 million over a period ending December 31, 2020).

(b) Business acquisitions – subsequent to reporting period

On May 2, 2016, BCE Inc. announced that it had entered into a definitive agreement to acquire all issued and outstanding shares of Manitoba Telecom Services Inc., subject to customary closing conditions, including court, shareholder and regulatory approvals, and that the acquisition was expected to close in late 2016 or early 2017; as of September 30, 2016, all court and shareholder approvals had been obtained. In June 2016, we submitted a notification and advanced ruling request to the Competition Bureau regarding our previously announced agreement in principle with BCE Inc., pursuant to which we intend to acquire a portion of Manitoba Telecom Services Inc.'s postpaid wireless subscribers, certain network assets and dealer locations in Manitoba, upon the successful completion of BCE Inc.'s acquisition of Manitoba Telecom Services Inc. On February 2, 2017, BCE Inc. announced that it expected to close its acquisition of Manitoba Telecom Services Inc. by the end of March 31, 2017, subject to Competition Bureau and Innovation, Science and Economic Development Canada approvals. On February 15, 2017, BCE Inc. announced that it had received approval from the Competition

Bureau and Innovation, Science and Economic Development Canada and that it expected to complete its transaction with Manitoba Telecom Services Inc. on March 17, 2017.

On April 1, 2017, we acquired approximately one-quarter of Manitoba Telecom Services Inc.'s postpaid wireless customer contracts, certain network assets and rights to 15 retail locations in Manitoba for cash consideration of approximately $300 million; our total price of the transaction with BCE Inc. will vary depending upon the actual number of qualifying postpaid wireless subscribers who migrate from Manitoba Telecom Services Inc. The primary reason for this acquisition is to enhance our distribution of wireless products and customer services across all of Manitoba. As of May 11, 2017, our initial provision for the net identifiable assets acquired is in the magnitude of $75 million-$100 million; as is customary in a business acquisition transaction, until the time of acquisition of control, we did not have full access to the relevant portions of Manitoba Telecom Services Inc.'s books and records. Upon having sufficient time to review the relevant portions of Manitoba Telecom Services Inc.'s books and records, as well as obtaining new and additional information about the related facts and circumstances as of the acquisition date, we will adjust the provisional amounts for identifiable assets acquired and liabilities assumed and thus finalize our purchase price allocation.

19 leases

We occupy leased premises in various locations and have land, buildings and equipment under operating leases. For the three-month period ended March 31, 2017, real estate and vehicle operating lease expenses, which are net of the amortization of deferred gains on the sale-leaseback of buildings and the occupancy costs associated with leased real estate, were $48 million (2016 – $43 million); occupancy costs associated with leased real estate totalled $32 million (2016 – $34 million).

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

20 other long-term assets

As at (millions)	*Note*	**March 31, 2017**	December 31, 2016
Pension assets		**$ 439**	$ 358
Investments		**64**	62
Prepaid maintenance		**61**	62
Real estate joint ventures	*21(c)*	**28**	30
Real estate joint venture advances	*21(c)*	**26**	21
Other		**124**	107
		$ 742	$ 640

21 real estate joint ventures

(a) General

In 2011, we partnered, as equals, with an arm's-length party in a residential condominium, retail and commercial real estate redevelopment project, TELUS Garden, in Vancouver, British Columbia. TELUS is a tenant in TELUS Garden, which is now our global headquarters. The new-build office tower has received its 2009 Leadership in Energy and Environmental Design (LEED) Platinum certification, and the neighbouring new-build residential condominium tower was built to the LEED Gold standard.

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

(b) Real estate joint ventures – summarized financial information

As at (millions)	March 31, 2017	December 31, 2016
ASSETS		
Current assets		
Cash and temporary investments, net	**$ 16**	$ 15
Escrowed deposits for tenant inducements and liens	**2**	5
Sales contract deposits held by arm's-length trustee	**2**	2
Other	**6**	6
Property under development – residential condominiums (subject to sales contracts)	**11**	13
	37	41
Non-current assets		
Property under development – Investment property	**143**	121
Investment property	**259**	261
	402	382
	$ 439	$ 423
LIABILITIES AND OWNERS' EQUITY		
Current liabilities		
Accounts payable and accrued liabilities	**$ 26**	$ 18
Sales contract deposits		
Payable	**2**	3
Held by arm's-length trustee	**2**	2
Current portion of senior secured 3.4% bonds due July 2025	**4**	4
Construction holdback liabilities	**7**	7
	41	34
Non-current liabilities		
Construction credit facilities	**78**	63
Senior secured 3.4% bonds due July 2025	**212**	213
	290	276
Liabilities	**331**	310
Owners' equity		
TELUS [1]	**46**	48
Other partners	**62**	65
	108	113
	$ 439	$ 423

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

Periods ended March 31 (millions)	Three months 2017	2016
Revenue		
From investment property	**$ 9**	$ 6
From sale of residential condominiums	**$ 2**	$ —
Depreciation and amortization	**$ 2**	$ 1
Interest expense [1]	**$ 2**	$ 2
Net income and comprehensive income[2]	**$ 2**	$ —

1 During the three-month period ended March 31, 2017, the real estate joint ventures capitalized $1 (2016 – $1) of financing costs.
2 As the real estate joint ventures are partnerships, no provision for income taxes of the partners is made in determining the real estate joint ventures' net income and comprehensive income.

(c) Our real estate joint ventures activity

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

Three-month periods ended March 31 (millions)	**2017**			2016		
	Loans and receivables [1]	Equity [2]	Total	Loans and receivables [1]	Equity [2]	Total
Related to real estate joint ventures' statements of income and other comprehensive income						
Comprehensive income attributable to us [3]	**$ —**	**$ 1**	**$ 1**	$ —	$ —	$ —
Related to real estate joint ventures' statements of financial position						
Cash flows in the current reporting period						
Construction credit facilities						
Amounts advanced	**5**	**—**	**5**	12	—	12
Funds repaid to us and earnings distributed	**—**	**(3)**	**(3)**	—	—	—
Net increase (decrease)	**5**	**(2)**	**3**	12	—	12
Real estate joint ventures carrying amounts						
Balance, beginning of period	**21**	**30**	**51**	69	25	94
Balance, end of period	**$ 26**	**$ 28**	**$ 54**	$ 81	$ 25	$ 106

1 Loans and receivables are included in our Consolidated statements of financial position as Real estate joint venture advances and are comprised of advances under construction credit facilities (see *(d)*) and, prior to its repayment during the three-month period ended September 30, 2016, an $18 mortgage on the TELUS Garden residential condominium tower.
2 We account for our interests in the real estate joint ventures using the equity method of accounting.
3 As the real estate joint ventures are partnerships, no provision for income taxes of the partners is made in determining the real estate joint ventures' net income and comprehensive income; provision for income taxes is made in determining the comprehensive income attributable to us.

During the three-month period ended March 31, 2017, the TELUS Garden real estate joint venture recognized $3 million (2016 – $3 million) of revenue from our TELUS Garden office tenancy; of this amount, one-half is due to our economic interest in the real estate joint venture and one-half is due to our partner's economic interest in the real estate joint venture.

(d) Commitments and contingent liabilities

Construction commitments

The TELUS Sky real estate joint venture is expected to spend a total of approximately $400 million on the construction of a mixed-use tower. As at March 31, 2017, the real estate joint venture's construction-related contractual commitments were approximately $114 million through to 2018 (December 31, 2016 – $121 million through to 2018).

Construction credit facilities

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

As at (millions)	Note	**March 31, 2017**	December 31, 2016
Construction credit facilities commitment – TELUS Corporation			
Undrawn	*4(b)*	**$ 88**	$ 93
Advances		**26**	21
		114	114
Construction credit facilities commitment – other		**228**	228
		$ 342	$ 342

22 short-term borrowings

On July 26, 2002, one of our subsidiaries, TELUS Communications Inc., entered into an agreement with an arm's-length securitization trust associated with a major Schedule I bank under which it is able to sell an interest in certain trade receivables up to a maximum of $500 million (December 31, 2016 – $500 million). This revolving-period securitization agreement term ends December 31, 2018, 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 at least a BB (2015 – BB) credit rating by Dominion Bond Rating Service or the securitization trust may require the sale program to be wound down prior to the end of the term.

When we sell our trade receivables, we retain reserve accounts, which are retained interests in the securitized trade receivables, and servicing rights. As at March 31, 2017, we had sold to the trust (but continued to recognize) trade receivables of $116 million (December 31, 2016 – $116 million). Short-term borrowings of $100 million (December 31, 2016 – $100 million) are comprised of amounts advanced to us by the arm's-length securitization trust pursuant to the sale of trade receivables.

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

23 accounts payable and accrued liabilities

As at (millions)	**March 31, 2017**	December 31, 2016
Accrued liabilities	**$ 976**	$ 1,013
Payroll and other employee related liabilities	**264**	460
Restricted stock units liability	**64**	55
	1,304	1,528
Trade accounts payable	**556**	578
Interest payable	**136**	144
Other	**88**	80
	$ 2,084	$ 2,330

24 advance billings and customer deposits

As at (millions)	**March 31, 2017**	December 31, 2016
Advance billings	**$ 709**	$ 697
Deferred customer activation and connection fees	**17**	17
Customer deposits	**43**	15
Regulatory deferral accounts	**6**	8
	$ 775	$ 737

25 provisions

(millions)	Asset retirement obligation	Employee related	Other	Total
As at January 1, 2017	$ 339	$ 77	$ 103	$ 519
Additions	**—**	**3**	**2**	**5**
Use	**(2)**	**(44)**	**(6)**	**(52)**
Reversal	**—**	**(3)**	**—**	**(3)**
Interest effect	**3**	**—**	**—**	**3**
As at March 31, 2017	**$ 340**	**$ 33**	**$ 99**	**$ 472**
Current	**$ 9**	**$ 32**	**$ 32**	**$ 73**
Non-current	**331**	**1**	**67**	**399**
As at March 31, 2017	**$ 340**	**$ 33**	**$ 99**	**$ 472**

Asset retirement obligation

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

Employee related

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

Other

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

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

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

26 long-term debt

(a) Details of long-term debt

As at (millions)	Note	**March 31, 2017**	December 31, 2016
TELUS Corporation notes	*(b)*	**$ 11,638**	$ 11,367
TELUS Corporation commercial paper	*(c)*	**1,122**	613
TELUS Communications Inc. debentures		**619**	619
TELUS International (Cda) Inc. credit facility	*(e)*	**298**	332
Long-term debt		**$ 13,677**	$ 12,931
Current		**$ 1,386**	$ 1,327
Non-current		**12,291**	11,604
Long-term debt		**$ 13,677**	$ 12,931

(b) TELUS Corporation notes

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

					Principal face amount		Redemption present value spread	
Series [1]	Issued	Maturity	Issue price	Effective interest rate [2]	Originally issued	Outstanding at financial statement date	Basis points	Cessation date
4.95% Notes, Series CD	March 2007	March 2017	$999.53	4.96%	$700 million	$NIL	24 [3]	N/A
5.05% Notes, Series CG [4]	December 2009	December 2019	$994.19	5.13%	$1.0 billion	$1.0 billion	45.5 [3]	N/A
5.05% Notes, Series CH [4]	July 2010	July 2020	$997.44	5.08%	$1.0 billion	$1.0 billion	47 [3]	N/A
3.35% Notes, Series CJ [4]	December 2012	March 2023	$998.83	3.36%	$500 million	$500 million	40 [5]	Dec. 15, 2022
3.35% Notes, Series CK [4]	April 2013	April 2024	$994.35	3.41%	$1.1 billion	$1.1 billion	36 [5]	Jan. 2, 2024
4.40% Notes, Series CL [4]	April 2013	April 2043	$997.68	4.41%	$600 million	$600 million	47 [5]	Oct. 1, 2042
3.60% Notes, Series CM [4]	November 2013	January 2021	$997.15	3.65%	$400 million	$400 million	35 [3]	N/A
5.15% Notes, Series CN [4]	November 2013	November 2043	$995.00	5.18%	$400 million	$400 million	50 [5]	May 26, 2043
3.20% Notes, Series CO [4]	April 2014	April 2021	$997.39	3.24%	$500 million	$500 million	30 [5]	Mar. 5, 2021
4.85% Notes, Series CP [4]	Multiple [6]	April 2044	$987.91 [6]	4.93% [6]	$500 million [6]	$900 million [6]	46 [5]	Oct. 5, 2043
3.75% Notes, Series CQ [4]	September 2014	January 2025	$997.75	3.78%	$800 million	$800 million	38.5 [5]	Oct. 17, 2024
4.75% Notes, Series CR [4]	September 2014	January 2045	$992.91	4.80%	$400 million	$400 million	51.5 [5]	July 17, 2044
1.50% Notes, Series CS [4]	March 2015	March 2018	$999.62	1.51%	$250 million	$250 million	N/A [7]	N/A
2.35% Notes, Series CT [4]	March 2015	March 2022	$997.31	2.39%	$1.0 billion	$1.0 billion	35.5 [5]	Feb. 28, 2022
4.40% Notes, Series CU [4]	March 2015	January 2046	$999.72	4.40%	$500 million	$500 million	60.5 [5]	July 29, 2045
3.75% Notes, Series CV [4]	December 2015	March 2026	$992.14	3.84%	$600 million	$600 million	53.5 [5]	Dec. 10, 2025
2.80% U.S. Dollar Notes [4, 8]	September 2016	February 2027	U.S.$991.89	2.89%	U.S.$600 million	U.S.$600 million	20 [9]	Nov. 16, 2026
3.70% U.S. Dollar Notes [4, 10]	March 2017	September 2027	U.S.$998.95	3.71%	U.S.$500 million	U.S.$500 million	20 [9]	June 15, 2027
4.70% Notes, Series CW [4]	March 2017	March 2048	$990.65	4.76%	$325 million	$325 million	58.5 [5]	Sept. 6, 2047

1 Interest is payable semi-annually.

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

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

4 This series of notes requires us to make an offer to repurchase the notes at a price equal to 101% of their principal amount plus accrued and unpaid interest to the date of repurchase upon the occurrence of a change in control triggering event, as defined in the supplemental trust indenture.

5 At any time prior to the respective maturity dates set out in the table, the notes are redeemable at our option, in whole at any time, or in part from time to time, on not fewer than 30 and not more than 60 days' prior notice. The redemption price is equal to the greater of (i) the present value of the notes discounted at

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

6 $500 million of 4.85% Notes, Series CP were issued in April 2014 at an issue price of $998.74 and an effective interest rate of 4.86%. This series of notes was reopened in December 2015 and a further $400 million of notes were issued at an issue price of $974.38 and an effective interest rate of 5.02%.

7 The notes are not redeemable at our option, other than in the event of certain changes in tax laws.

8 We have entered into a foreign exchange derivative (a cross currency interest rate exchange agreement) which effectively converted the principal payments and interest obligations to Canadian dollar obligations with a fixed interest rate of 2.95% and an issued and outstanding amount of $792 million (reflecting a fixed exchange rate of $1.3205).

9 At any time prior to the maturity date set out in the table, the notes are redeemable at our option, in whole at any time, or in part from time to time, on not fewer than 30 and not more than 60 days' prior notice. The redemption price is equal to the greater of (i) the present value of the notes discounted at the U.S. Adjusted Treasury Rate plus the redemption present value spread calculated over the period to the redemption present value spread cessation date, or (ii) 100% of the principal amount thereof. In addition, accrued and unpaid interest, if any, will be paid to the date fixed for redemption. On or after the redemption present value spread cessation date set out in the table, the notes are redeemable at our option, in whole but not in part, on not fewer than 30 and not more than 60 days' prior notice, at a redemption price equal to 100% of the principal amount thereof.

10 We have entered into a foreign exchange derivative (a cross currency interest rate exchange agreement) which effectively converted the principal payments and interest obligations to Canadian dollar obligations with a fixed interest rate of 3.41% and an issued and outstanding amount of $667 million (reflecting a fixed exchange rate of $1.3348).

(c) TELUS Corporation commercial paper

TELUS Corporation has an unsecured commercial paper program, which is backstopped by our $2.25 billion syndicated credit facility (see *(d)*) and is to be used for general corporate purposes, including capital expenditures and investments. This program enables us to issue commercial paper, subject to conditions related to debt ratings, up to a maximum aggregate amount at any one time of $1.4 billion (December 31, 2016 – $1.4 billion). Foreign currency forward contracts are used to manage currency risk arising from issuing commercial paper denominated in U.S. dollars. Commercial paper debt is due within one year and is classified as a current portion of long-term debt, as the amounts are fully supported, and we expect that they will continue to be supported, by the revolving credit facility, which has no repayment requirements within the next year. As at March 31, 2017, we had $1,122 million of commercial paper outstanding, all of which was denominated in U.S. dollars (U.S.$844 million), with an effective weighted average interest rate of 1.31%, maturing through June 2017.

(d) TELUS Corporation credit facility

As at March 31, 2017, TELUS Corporation had an unsecured revolving $2.25 billion bank credit facility, expiring on May 31, 2021, with a syndicate of financial institutions, which is to be used for general corporate purposes, including the backstopping of commercial paper.

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

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

As at (millions)	**March 31, 2017**	December 31, 2016
Net available	**$ 1,128**	$ 1,637
Backstop of commercial paper	**1,122**	613
Gross available	**$ 2,250**	$ 2,250

We had $214 million of letters of credit outstanding as at March 31, 2017 (December 31, 2016 – $210 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, 2017, TELUS International (Cda) Inc. had a bank credit facility, secured by its assets, expiring on May 31, 2021, with a syndicate of financial institutions. The credit facility is comprised of a U.S.$115 million revolving component and an amortizing U.S.$215 million term loan component. The credit facility is non-recourse to TELUS Corporation. As at March 31, 2017, $305 million ($298 million net of unamortized issue costs) was outstanding, all of which was denominated in U.S. dollars (U.S.$229 million), with a weighted average interest rate of 2.72%.

As at (millions)	March 31, 2017			December 31, 2016		
	Revolving component	Term loan component	Total	Revolving component	Term loan component	Total
Available	**U.S.$ 93**	**U.S.$ N/A**	**U.S.$ 93**	U.S.$ 72	U.S.$ N/A	U.S.$ 72
Outstanding	**22**	**207**	**229**	43	210	253
	U.S.$ 115	**U.S.$ 207**	**U.S.$ 322**	U.S.$ 115	U.S.$ 210	U.S.$ 325

TELUS International (Cda) Inc.'s credit facility bears interest at prime rate, U.S. Dollar Base Rate, a bankers' acceptance rate or London interbank offered rate (LIBOR) (all such terms as used or defined in the credit facility), plus applicable margins. The credit facility contains customary representations, warranties and covenants, including two financial quarter-end financial ratio tests. These tests are that TELUS International (Cda) Inc.'s net debt to operating cash flow ratio must not exceed 3.75:1.00 through June 30, 2017, and 3.25:1.00 subsequently, and its operating cash flow to debt service (interest and scheduled principal repayment) ratio must not be less than 1.50:1.00, all as defined in the credit facility.

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

(f) Long-term debt maturities

Anticipated requirements to meet long-term debt repayments, calculated upon such long-term debts owing as at March 31, 2017, for each of the next five fiscal years are as follows:

Long-term debt denominated in	Cdn. dollars	U.S. dollars				
			Derivative liability			
Years ending December 31 (millions)	Debt	Debt	(Receive) [1]	Pay	Total	Total
2017 (balance of year)	**$ —**	**$ 1,133**	**$ (1,124)**	**$ 1,122**	**$ 1,131**	**$ 1,131**
2018	**250**	**14**	**—**	**—**	**14**	**264**
2019	**1,000**	**14**	**—**	**—**	**14**	**1,014**
2020	**1,000**	**14**	**—**	**—**	**14**	**1,014**
2021	**1,075**	**252**	**—**	**—**	**252**	**1,327**
Thereafter	**7,574**	**1,463**	**(1,463)**	**1,460**	**1,460**	**9,034**
Future cash outflows in respect of long-term debt principal repayments	**10,899**	**2,890**	**(2,587)**	**2,582**	**2,885**	**13,784**
Future cash outflows in respect of associated interest and like carrying costs [2]	**5,862**	**517**	**(482)**	**473**	**508**	**6,370**
Undiscounted contractual maturities (*Note 4(b)*)	**$ 16,761**	**$ 3,407**	**$ (3,069)**	**$ 3,055**	**$ 3,393**	**$ 20,154**

1 Where applicable, principal-related cash flows reflect foreign exchange rates at March 31, 2017.
2 Future cash outflows in respect of associated interest and like carrying costs for commercial paper and amounts drawn under our credit facilities (if any) have been calculated based upon the rates in effect at March 31, 2017.

27 other long-term liabilities

As at (millions)	March 31, 2017	December 31, 2016
Pension and other post-retirement liabilities	**$ 472**	$ 480
Other	**179**	170
Restricted stock unit and deferred share unit liabilities	**71**	62
	722	712
Deferred customer activation and connection fees	**22**	24
	$ 744	$ 736

28 Common Share capital

General

Our authorized share capital is as follows:

As at	March 31, 2017	December 31, 2016
First Preferred Shares	**1 billion**	1 billion
Second Preferred Shares	**1 billion**	1 billion
Common Shares	**2 billion**	2 billion

Only holders of Common Shares may vote at our general meetings, with each holder of Common Shares entitled to one vote per Common Share held at all such meetings so long as not less than 66-2/3% of the issued and outstanding Common Shares are owned by Canadians. With respect to priority in payment of dividends and in the distribution of

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

As at March 31, 2017, approximately 48 million Common Shares were reserved for issuance, from Treasury, under a share option plan (see *Note 13(c)*).

29 contingent liabilities

Claims and lawsuits

General

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

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:

System access fee class actions

In 2004 a class action was brought in Saskatchewan against a number of past and present wireless service providers, including us, which alleged breach of contract, misrepresentation, unjust enrichment and violation of competition, trade practices and consumer protection legislation across Canada in connection with the collection of system access fees. In September 2007, a national opt-in class was certified by the Saskatchewan Court of Queen's Bench in relation to the unjust enrichment claim only; all appeals of this certification decision have now been exhausted. In February 2008, the Saskatchewan Court of Queen's Bench granted an order amending the certification order so as to exclude from the class of plaintiffs any customer bound by an arbitration clause with us. All appeals of this decision have now been exhausted. In addition to the 2004 class action brought in Saskatchewan, fourteen additional class actions were brought against us and other wireless service providers in the period 2004 to date in connection with the collection of system access fees in nine provinces. None of these additional fourteen class actions has ever been certified and all have now been dismissed, stayed or discontinued, with the exception of a Nova Scotia class action which is in the process of being permanently and unconditionally stayed by consent.

Per minute billing class action

In 2008 a class action was brought in Ontario against us alleging breach of contract, breach of the Ontario *Consumer Protection Act*, breach of the *Competition Act* and unjust enrichment, in connection with our practice of "rounding up" wireless airtime to the nearest minute and charging for the full minute. The action sought certification of a national class. In November 2014, an Ontario class only was certified by the Ontario Superior Court of Justice in relation to the breach of contract, breach of *Consumer Protection Act*, and unjust enrichment claims; all appeals of the certification decision have now been exhausted. At the same time, the Ontario Superior Court of Justice declined to stay the claims of our business customers notwithstanding an arbitration clause in our customer service agreements with those customers. This latter decision is under appeal; the appeal hearing was held in September 2016 and we are awaiting the Court's decision.

Unilateral rate amendments class actions

In 2012 a class action was brought against us in Quebec alleging that we improperly unilaterally amended customer contracts to increase various wireless rates for optional services, contrary to the Quebec *Consumer Protection Act*

and the *Civil Code of Quebec*. On June 13, 2013, the Superior Court of Quebec authorized this matter as a class action. This class action follows on a non-material 2008 class action brought in Quebec alleging that we improperly unilaterally amended customer contracts to charge for incoming SMS messages. On April 8, 2014, judgment was granted in part against TELUS in the 2008 class action. We had appealed that judgment, but have now settled both the 2008 and 2012 class actions. This settlement received court approval in June 2016, is being implemented and has been fully accounted for in our financial statements.

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 TELUS' customer service agreements. The sole exception was the cause of action based on deceptive or unconscionable practices under the British Columbia *Business Practices and Consumer Protection Act*, which the Supreme Court of Canada declined to stay. In January 2016, the British Columbia Supreme Court certified this class action in relation to the claim under the *Business Practices and Consumer Protection Act*. The class is limited to residents of British Columbia who contracted wireless services with TELUS in the period from January 21, 1999, to April 2010. We have appealed the certification decision and the appeal hearing is expected to occur in May 2017. A companion class action was brought against us in Alberta at the same time as the British Columbia class action. The Alberta class action duplicates the allegations in the British Columbia action, but has not proceeded to date and is not certified.

Uncertified class actions
Uncertified class actions against us include:

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

Electromagnetic field radiation class actions
In 2013 a class action was brought in British Columbia against us, other telecommunications carriers, and cellular telephone manufacturers alleging that prolonged usage of cellular telephones causes adverse health effects. The British Columbia class action alleges: strict liability; negligence; failure to warn; breach of warranty; breach of competition, consumer protection and trade practices legislation; negligent misrepresentation, breach of a duty not to market the products in question; and waiver of tort. Certification of a national class is sought, but the action has not proceeded to date and no steps were taken in 2016. In 2015 a class action was brought in Quebec against us, other telecommunications carriers, and various other defendants alleging that electromagnetic field radiation causes adverse health effects, contravenes the Quebec *Environmental Quality Act*, creates a nuisance, and constitutes an abuse of right pursuant to the Quebec *Civil Code*. This action has not yet proceeded to an authorization hearing.

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

Promotional pricing class action
In 2016 a class action was brought in Quebec against us, other telecommunications carriers, and various other defendants alleging that we violated the Quebec *Consumer Protection Act* by enticing Quebec consumer customers to contract with us by providing them goods or services at a reduced price, or free as a trial, for a fixed period and, at the end of the fixed period, charging them the regular price if they did not take steps to either renegotiate or cancel their contract with us. This action has not yet proceeded to an authorization hearing.

Handset subsidy class action
In 2016 a class action was brought in Quebec against us and other telecommunications carriers alleging that we breached the Quebec *Consumer Protection Act* and the *Civil Code of Quebec* by making false or misleading representations relating to the handset subsidy provided to our wireless customers, and by charging our wireless customers inflated rate plan prices and termination fees higher than those permitted under the *Act*. This action has not yet proceeded to an authorization hearing.

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

Optik TV patent infringement claim
A patent infringement claim was filed in Ontario in 2014 alleging that TELUS' IPTV products, including its Optik TV product that utilizes the MediaRoom platform and its previous TELUS TV product that utilized the Minerva platform, infringe two third-party patents. In late 2016, the plaintiff agreed to abandon its claims relating to the TELUS TV product and relating to one of the two patents that it had asserted. This matter has now settled.

4G LTE network patent infringement claim
A patent infringement claim was filed in Ontario in 2016 alleging that communications between devices, including cellular telephones, and base stations on TELUS' 4G LTE network infringe three third-party patents. No trial date has yet been set for this matter.

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

30 related party transactions

(a) Transactions with key management personnel

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

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

Periods ended March 31 (millions)	Three months 2017	Three months 2016
Short-term benefits	**$ 3**	$ 3
Post-employment pension [1] and other benefits	**1**	1
Share-based compensation [2]	**4**	12
	$ 8	$ 16

1 Our Executive Leadership Team members are either: members of our *Pension Plan for Management and Professional Employees of TELUS Corporation* and non-registered, non-contributory supplementary defined benefit pension plans; or members of one of our defined contribution pension plans.
2 For the three-month period ended March 31, 2017, share-based compensation expense is net of $NIL (2016 – $1) of the effects of derivatives used to manage share-based compensation costs (*Note 13(b)*). For the three-month period ended March 31, 2017, share-based compensation expense of $NIL (2016 – $2) was included in restructuring costs (*Note 15*).

As disclosed in *Note 13*, we made initial awards of share-based compensation in 2017 and 2016, including, as set out in the following table, to our key management personnel. As most of these awards are cliff-vesting or graded-vesting and have multi-year requisite service periods, the expense will be recognized ratably over a period of years and thus only a portion of the 2017 and 2016 awards are included in the amounts in the table above.

Three-month periods ended March 31	**2017**			2016		
($ in millions)	Number of restricted stock units	Notional value [1]	Grant-date fair value [1]	Number of restricted stock units	Notional value [1]	Grant-date fair value [1]
Awarded in period	**640,171**	**$ 28**	**$ 29**	575,871	$ 23	$ 15

1 Notional value is determined by multiplying the Common Share price at the time of award by the number of units awarded. The grant-date fair value differs from the notional value because the fair values of some awards have been determined using a Monte Carlo simulation (see *Note 13(b)*).

During the three-month period ended March 31, 2017, key management personnel (including retirees) exercised no share options. In the comparative 2016 period, key management personnel (including retirees) exercised 22,491 share options that had an intrinsic value of $1 million at the time of exercise, reflecting a weighted average price at the date of exercise of $39.29.

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

As at (millions)	**March 31, 2017**	December 31, 2016
Restricted stock units	**$ 29**	$ 25
Deferred share units [1]	**30**	32
	$ 59	$ 57

1 Our *Directors' Deferred Share Unit Plan* provides that, in addition to his or her annual equity grant of deferred share units, a director may elect to receive his or her annual retainer and meeting fees in deferred share units, Common Shares or cash. Deferred share units entitle directors to a specified number of, or a cash payment based on the value of, our Common Shares. Deferred share units are paid out when a director ceases to be a director, for any reason, at a time elected by the director in accordance with the *Directors' Deferred Share Unit Plan*; during the three-month period ended March 31, 2017, $2 (2016 – $3) was paid out.

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

(b) Transactions with defined benefit pension plans

During the three-month period ended March 31, 2017, 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 (2016 – $2 million).

(c) Transactions with real estate joint ventures

During the three-month periods ended March 31, 2017 and 2016, we had transactions with the real estate joint ventures, which are related parties, as set out in *Note 21.*

31 additional statement of cash flow information

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

Periods ended March 31 (millions)	*Note*	Three months **2017**	2016
Net change in non-cash operating working capital			
Accounts receivable		**$ 62**	$ 67
Inventories		**(9)**	19
Prepaid expenses		**(120)**	(112)
Accounts payable and accrued liabilities		**(181)**	(145)
Income and other taxes receivable and payable, net		**(92)**	(106)
Advance billings and customer deposits		**38**	(2)
Provisions		**(51)**	(22)
		$ (353)	$ (301)

Periods ended March 31 (millions)	Note	Three months 2017	2016
Cash payments for capital assets			
Capital asset additions			
Gross capital expenditures			
Property, plant and equipment	*17*	**$ (572)**	$ (468)
Intangible assets	*18*	**(154)**	(154)
		(726)	(622)
Additions arising from non-monetary transactions		**2**	4
Capital expenditures		**(724)**	(618)
Change in associated non-cash investing working capital		**(72)**	(28)
		$ (796)	$ (646)

(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, 2016						
Dividends paid to holders of Common Shares	$ 263	$ —	$ (263)	$ —	$ 261	$ 261
Purchase of Common Shares for cancellation	$ 10	$ —	$ (60)	$ —	$ 50	$ —
Short-term borrowings	$ 100	$ —	$ —	$ —	$ —	$ 100
Long-term debt						
TELUS Corporation notes	$ 11,164	$ —	$ —	$ —	$ 2	$ 11,166
TELUS Corporation commercial paper	256	1,246	(573)	(38)	—	891
TELUS Communications Inc. debentures	618	—	—	—	1	619
Derivatives used to manage currency risks arising from U.S. dollar denominated long-term debt – liability (asset)	(14)	573	(571)	38	—	26
	12,024	1,819	(1,144)	—	3	12,702
To eliminate effect of gross settlement of derivatives used to manage currency risks arising from U.S. dollar denominated long-term debt	—	(573)	573	—	—	—
	$ 12,024	$ 1,246	$ (571)	$ —	$ 3	$ 12,702
THREE-MONTH PERIOD ENDED MARCH 31, 2017						
Dividends paid to holders of Common Shares	$ 284	**$ —**	**$ (284)**	**$ —**	**$ 283**	**$ 283**
Short-term borrowings	$ 100	**$ —**	**$ —**	**$ —**	**$ —**	**$ 100**
Long-term debt						
TELUS Corporation notes	$ 11,367	**$ 990**	**$ (700)**	**$ (8)**	**$ (11)**	**$ 11,638**
TELUS Corporation commercial paper	613	**1,528**	**(1,016)**	**(3)**	—	**1,122**
TELUS Communications Inc. debentures	619	—	—	—	—	**619**
TELUS International (Cda) Inc. credit facility	332	—	**(31)**	**(3)**	—	**298**
Derivatives used to manage currency risks arising from U.S. dollar denominated long-term debt – liability	20	**1,016**	**(1,018)**	**11**	**9**	**38**
	12,951	**3,534**	**(2,765)**	**(3)**	**(2)**	**13,715**
To eliminate effect of gross settlement of derivatives used to manage currency risks arising from U.S. dollar denominated long-term debt	—	**(1,016)**	**1,016**	**—**	**—**	**—**
	$ 12,951	**$ 2,518**	**$ (1,749)**	**$ (3)**	**$ (2)**	**$ 13,715**
Issue of shares by subsidiary to non-controlling interest						
Gross proceeds on share issuance	$ —	**$ 1**	**$ —**	**$ —**	**$ (1)**	**$ —**
Transaction costs	4	**—**	**(1)**	**—**	**3**	**6**
	$ 4	**$ 1**	**$ (1)**	**$ —**	**$ 2**	**$ 6**