

condensed interim consolidated statements of income and other comprehensive income

(unaudited)

Periods ended September 30 (millions except per share amounts) Note		Three months		Nine months	
		2015	2014	2015	2014
OPERATING REVENUES					
Service		\$ 2,934	\$ 2,801	\$ 8,647	\$ 8,252
Equipment		207	199	597	560
Revenues arising from contracts with customers		3,141	3,000	9,244	8,812
Other operating income	6	14	28	41	62
		3,155	3,028	9,285	8,874
OPERATING EXPENSES					
Goods and services purchased		1,394	1,333	4,050	3,823
Employee benefits expense	7	693	630	1,951	1,836
Depreciation	16	361	363	1,069	1,057
Amortization of intangible assets	17	110	96	322	309
		2,558	2,422	7,392	7,025
OPERATING INCOME					
Financing costs	8	597	606	1,893	1,849
		106	124	333	341
INCOME BEFORE INCOME TAXES					
Income taxes	9	491	482	1,560	1,508
		126	127	439	395
NET INCOME					
		365	355	1,121	1,113
OTHER COMPREHENSIVE INCOME					
Items that may subsequently be reclassified to income					
Change in unrealized fair value of derivatives designated as cash flow hedges	10	1	(4)	(1)	(4)
Foreign currency translation adjustment arising from translating financial statements of foreign operations		12	3	17	4
Change in unrealized fair value of available-for-sale financial assets		1	2	(2)	(2)
		14	1	14	(2)
Item never subsequently reclassified to income					
Employee defined benefit plan re-measurements		(156)	(14)	(41)	207
		(142)	(13)	(27)	205
COMPREHENSIVE INCOME					
		\$ 223	\$ 342	\$ 1,094	\$ 1,318
NET INCOME PER COMMON SHARE					
Basic	11	\$ 0.61	\$ 0.58	\$ 1.85	\$ 1.80
Diluted		\$ 0.61	\$ 0.58	\$ 1.85	\$ 1.80
TOTAL WEIGHTED AVERAGE COMMON SHARES OUTSTANDING					
Basic		601	613	605	617
Diluted		603	615	606	619

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

condensed interim consolidated statements of financial position

(unaudited)

As at (millions)	Note	September 30, 2015	December 31, 2014
ASSETS			
Current assets			
Cash and temporary investments, net		\$ 141	\$ 60
Accounts receivable	25(a)	1,430	1,483
Income and other taxes receivable		17	97
Inventories	25(a)	407	320
Prepaid expenses		331	199
Real estate joint venture advances	18(c)	57	—
Current derivative assets	4(e)	40	27
		2,423	2,186
Non-current assets			
Property, plant and equipment, net	16	9,592	9,123
Intangible assets, net	17	9,873	7,797
Goodwill, net	17	3,761	3,757
Real estate joint venture advances	18(c)	—	120
Real estate joint ventures	18(c)	25	21
Other long-term assets	25(a)	262	213
		23,513	21,031
		\$ 25,936	\$ 23,217
LIABILITIES AND OWNERS' EQUITY			
Current liabilities			
Short-term borrowings	19	\$ 101	\$ 100
Accounts payable and accrued liabilities	25(a)	2,100	2,019
Income and other taxes payable		11	2
Dividends payable	12	252	244
Advance billings and customer deposits	25(a)	753	753
Provisions	20	133	126
Current maturities of long-term debt	21	1,512	255
Current derivative liabilities	4(e)	1	—
		4,863	3,499
Non-current liabilities			
Provisions	20	384	342
Long-term debt	21	10,200	9,055
Other long-term liabilities	25(a)	1,081	931
Deferred income taxes		1,988	1,936
		13,653	12,264
Liabilities		18,516	15,763
Owners' equity			
Common equity	22	7,420	7,454
		\$ 25,936	\$ 23,217

Contingent Liabilities

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

As at September 30, 2015 (millions)	Non-derivative				Derivative						
	Non-interest bearing financial liabilities	Short-term borrowings ¹	Construction credit facilities commitment (Note 18) ²	Composite long-term debt			Other	Currency swap agreement amounts to be exchanged		Total	
				Long-term debt ¹ (Note 21)	Currency swap agreement amounts to be exchanged ³						
					(Receive)	Pay		(Receive)	Pay		
2015 (fourth quarter)	\$ 1,109	\$ —	\$ 143	\$ 1,040	\$ (787)	\$ 780	\$ —	\$ (138)	\$ 127	\$ 2,274	
2016	797	101	—	1,060	—	—	—	(211)	197	1,944	
2017	17	—	—	1,132	—	—	3	—	—	1,152	
2018	8	—	—	663	—	—	—	—	—	671	
2019	6	—	—	1,411	—	—	—	—	—	1,417	
Thereafter	14	—	—	11,838	—	—	—	—	—	11,852	
Total	\$ 1,951	\$ 101	\$ 143	\$ 17,144	\$ (787)	\$ 780	\$ 3	\$ (349)	\$ 324	\$ 19,310	
				Total (Note 21(f))		\$ 17,137					

1 Interest payment cash outflows in respect of 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 September 30, 2015.

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

3 The amounts included in the 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 rates in effect as at September 30, 2015. The U.S. dollar denominated long-term debt contractual maturity amounts, 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		
	Non-interest bearing financial liabilities	Short-term borrowings ¹	Construction credit facilities commitment (Note 18) ²	Long-term debt ¹ (Note 21)	Currency swap agreement amounts to be exchanged		
As at December 31, 2014 (millions)					(Receive)	Pay	Total
2015							
First quarter	\$ 1,195	\$ —	\$ 85	\$ 214	\$ (49)	\$ 47	\$ 1,492
Balance of year	604	1	—	471	(114)	111	1,073
2016	6	102	—	1,011	—	—	1,119
2017	9	—	—	1,083	—	—	1,092
2018	4	—	—	365	—	—	369
2019	3	—	—	1,365	—	—	1,368
Thereafter	7	—	—	9,696	—	—	9,703
Total	\$ 1,828	\$ 103	\$ 85	\$ 14,205	\$ (163)	\$ 158	\$ 16,216

1 Interest payment cash outflows in respect of 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, 2014.

2 The drawdowns on the construction credit facilities are expected to occur as construction progresses through 2016.

(c) Currency risk

Our functional currency is the Canadian dollar, but certain routine revenues and operating costs are denominated in U.S. dollars and some inventory purchases and capital asset acquisitions are sourced internationally. The U.S. dollar is the only foreign currency to which we have a significant exposure.

Our foreign exchange risk management includes the use of foreign currency forward contracts and currency options to fix the exchange rates on short-term U.S. dollar denominated transactions, commitments and commercial paper. Hedge accounting is applied to these short-term foreign currency forward contracts and currency options on a limited basis.

(d) Market risk

Net income and other comprehensive income for the nine-month periods ended September 30, 2015 and 2014, could have varied if the Canadian dollar: U.S. dollar exchange rates and our Common Share price varied by reasonably possible amounts from their actual statement of financial position date values.

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 weighted average statutory income tax rates for the reporting periods.

(millions)	Amount of gain (loss) recognized in other comprehensive income (effective portion) (Note 10)		Location	Gain (loss) reclassified from other comprehensive income to income (effective portion) (Note 10)	
	2015	2014		Amount	
				2015	2014
NINE-MONTH PERIODS ENDED SEPTEMBER 30					
Derivatives used to manage:					
Currency risks arising from U.S. dollar denominated purchases	\$ 6	\$ —	Goods and services purchased	\$ —	\$ 2
Changes in share-based compensation costs (Note 13(c))	(1)	4	Employee benefits expense	7	6
Currency risks arising from U.S. dollar denominated commercial paper (Note 21 (c))	7	—	Financing costs	7	—
	\$ 12	\$ 4		\$ 14	\$ 8

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 condensed interim consolidated statements of income and other comprehensive income.

Periods ended September 30 (millions)	Location	Gain (loss) recognized in income on derivatives			
		Three months		Nine months	
		2015	2014	2015	2014
Derivatives used to manage currency risks	Financing costs	\$ 10	\$ 8	\$ 19	\$ 2

5 segmented information

General

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

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

The following segmented information is regularly reported to our chief operating decision-maker.

Three-month periods ended September 30 (millions)	Wireless		Wireline		Eliminations		Consolidated	
	2015	2014	2015	2014	2015	2014	2015	2014
Operating revenues								
External revenue	\$ 1,767	\$ 1,684	\$ 1,388	\$ 1,344	\$ —	\$ —	\$ 3,155	\$ 3,028
Intersegment revenue	16	13	44	46	(60)	(59)	—	—
	\$ 1,783	\$ 1,697	\$ 1,432	\$ 1,390	\$ (60)	\$ (59)	\$ 3,155	\$ 3,028
EBITDA¹	\$ 715	\$ 700	\$ 353	\$ 365	\$ —	\$ —	\$ 1,068	\$ 1,065
CAPEX, excluding spectrum licences ²	\$ 209	\$ 251	\$ 414	\$ 406	\$ —	\$ —	\$ 623	\$ 657
EBITDA less CAPEX, excluding spectrum licences	\$ 506	\$ 449	\$ (61)	\$ (41)	\$ —	\$ —	\$ 445	\$ 408
					Operating revenues (above)		\$ 3,155	\$ 3,028
					Goods and services purchased		1,394	1,333
					Employee benefits expense		693	630
					EBITDA (above)		1,068	1,065
					Depreciation		361	363
					Amortization		110	96
					Operating income		597	606
					Financing costs		106	124
					Income before income taxes		\$ 491	\$ 482

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

7 employee benefits expense

Periods ended September 30 (millions)	Note	Three months		Nine months	
		2015	2014	2015	2014
Employee benefits expense – gross					
Wages and salaries		\$ 653	\$ 614	\$ 1,873	\$ 1,799
Share-based compensation ¹	13	35	29	99	86
Pensions – defined benefit	14(a)	27	21	81	65
Pensions – defined contribution	14(b)	24	22	69	64
Restructuring costs ¹	15(b)	34	16	68	34
Other		38	36	115	113
		811	738	2,305	2,161
Capitalized internal labour costs					
Property, plant and equipment		(82)	(73)	(241)	(220)
Intangible assets subject to amortization		(36)	(35)	(113)	(105)
		(118)	(108)	(354)	(325)
		\$ 693	\$ 630	\$ 1,951	\$ 1,836

1 For the three-month and nine-month periods ended September 30, 2015, \$11 of share-based compensation was included in restructuring costs (2014 – \$NIL).

8 financing costs

Periods ended September 30 (\$ in millions)	Note	Three months		Nine months	
		2015	2014	2015	2014
Interest expense					
Interest on long-term debt - gross		\$ 128	\$ 111	\$ 368	\$ 318
Capitalized long-term debt interest ¹		(18)	—	(27)	—
Interest on long-term debt – net		110	111	341	318
Interest on short-term borrowings and other		2	1	5	5
Interest accretion on provisions	20	3	2	9	6
Long-term debt prepayment premium		—	13	—	13
		115	127	355	342
Employee defined benefit plans net interest	14(a)	7	1	20	2
Foreign exchange		(16)	(4)	(21)	(2)
		106	124	354	342
Interest income					
Interest on income tax refunds		—	—	(20)	—
Other		—	—	(1)	(1)
		—	—	(21)	(1)
		\$ 106	\$ 124	\$ 333	\$ 341

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 September 30 (millions)	Three months		Nine months	
	2015	2014	2015	2014
Current income tax expense (recovery)				
For current reporting period	\$ 118	\$ 90	\$ 462	\$ 307
Adjustments recognized in the current period for income tax of prior periods	(23)	—	(100)	—
	95	90	362	307
Deferred income tax expense (recovery)				
Arising from the origination and reversal of temporary differences	12	37	(48)	90
Revaluation of deferred income tax liability to reflect future statutory income tax rates	—	—	48	—
Adjustments recognized in the current period for income tax of prior periods	19	—	77	(2)
	31	37	77	88
	\$ 126	\$ 127	\$ 439	\$ 395

15 restructuring and other like costs

(a) Details of restructuring and other like 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 in other like costs.

Restructuring and other like costs are presented in the condensed interim consolidated statements of income and other comprehensive income as set out in the following table:

Periods ended September 30 (millions)	Three months		Nine months	
	2015	2014	2015	2014
Goods and services purchased	\$ 17	\$ 14	\$ 59	\$ 15
Employee benefits expense	34	16	68	34
	\$ 51	\$ 30	\$ 127	\$ 49

(b) Restructuring provisions

Employee related provisions and other provisions, as presented in *Note 20*, include amounts in respect of restructuring activities. In 2015, restructuring activities included ongoing efficiency initiatives such as: business integrations; business process outsourcing; internal offshoring and reorganizations; and consolidation of real estate. These initiatives were intended to improve our long-term operating productivity and competitiveness.

Three-month periods ended September 30 (millions)	2015			2014		
	Employee related ¹	Other ¹	Total ¹	Employee related ¹	Other ¹	Total ¹
Restructuring costs						
Additions	\$ 38	\$ 18	\$ 56	\$ 16	\$ 14	\$ 30
Reversal	(4)	(1)	(5)	—	—	—
Expense	34	17	51	16	14	30
Use	(17)	(17)	(34)	(9)	(12)	(21)
Expenses greater (less) than disbursements	17	—	17	7	2	9
Restructuring accruals and provisions						
Balance, beginning of period	40	64	104	23	26	49
Balance, end of period	\$ 57	\$ 64	\$ 121	\$ 30	\$ 28	\$ 58

¹ The transactions and balances in this column, excepting 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 20*.

Nine-month periods ended September 30 (millions)	2015			2014		
	Employee related ¹	Other ¹	Total ¹	Employee related ¹	Other ¹	Total ¹
Restructuring costs						
Additions	\$ 72	\$ 60	\$ 132	\$ 34	\$ 16	\$ 50
Reversal	(4)	(1)	(5)	—	(1)	(1)
Expense	68	59	127	34	15	49
Use	(52)	(23)	(75)	(39)	(20)	(59)
Expenses greater (less) than disbursements	16	36	52	(5)	(5)	(10)
Restructuring accruals and provisions						
Balance, beginning of period	41	28	69	35	33	68
Balance, end of period	\$ 57	\$ 64	\$ 121	\$ 30	\$ 28	\$ 58

¹ The transactions and balances in this column, excepting 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 20*.