



MANAGEMENT DISCUSSION AND ANALYSIS

SECOND QUARTER 2024

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CORPORATE PROFILE

This Management Discussion and Analysis covers the main activities of Quebecor Inc. in the second quarter of 2024 and the major changes from the previous financial year. Quebecor Inc., one of Canada's largest telecommunications and media groups, operates in the following segments: Telecommunications, Media, and Sports and Entertainment. Unless the context otherwise requires, in this Management Discussion and Analysis, "Quebecor" and "the Corporation" refer to Quebecor Inc. and its subsidiaries.

A Canadian leader in telecommunications and media, Quebecor is expanding its geographic footprint in the Canadian telecom market through a strategy focused on increasing competition in mobile telephony, and is pursuing a convergence strategy to leverage the value of its content for the benefit of its various properties and multiple distribution platforms.

Videotron Ltd. ("Videotron") acquired Freedom Mobile Inc. ("Freedom") from Shaw Communications Inc. ("Shaw") on April 3, 2023. Videotron paid \$2.07 billion in cash and assumed certain liabilities, mainly lease obligations. The acquisition includes the Freedom brand's entire wireless and Internet customer base, as well as its owned infrastructure, spectrum and retail outlets.

This report should be read in conjunction with the information in the consolidated financial statements and Management Discussion and Analysis for the financial year ended December 31, 2023. All amounts are stated in Canadian dollars ("CAN") unless otherwise indicated.

The Corporation uses financial measures not standardized under International Financial Reporting Standards ("IFRS"), such as adjusted EBITDA, adjusted income from operating activities, adjusted cash flows from operations, free cash flows from operating activities and consolidated net debt leverage ratio. It also uses key performance indicators, such as revenue-generating unit ("RGU") and average monthly mobile revenue per unit ("mobile ARPU"). The Corporation discontinued the use of total ARPU as of the first quarter of 2024. With the evolution of the product mix as a result of the Corporation's geographic diversification, total ARPU is no longer meaningful. Definitions of the non-IFRS measures and key performance indicators used by the Corporation are provided in the "Non-IFRS financial measures" and "Key performance indicators" sections.

HIGHLIGHTS

Second quarter 2024

Revenues: \$1.39 billion, an \$11.6 million (-0.8%) decrease.

Adjusted EBITDA:¹ \$624.9 million, a \$19.7 million (3.3%) increase, mainly due to the Media segment.

Net income attributable to shareholders: \$207.6 million (\$0.90 per basic share), an increase of \$33.5 million (\$0.15 per basic share) or 19.2%.

Adjusted income from operating activities:¹ \$205.1 million (\$0.89 per basic share), an increase of \$22.8 million (\$0.10 per basic share) or 12.5%.

Adjusted cash flows from operations:¹ \$449.7 million, a \$5.6 million (-1.2%) decrease.

Cash flows provided by operating activities: \$391.6 million, a \$33.2 million (9.3%) increase.

Year to date

Revenues: \$2.75 billion, a \$235.6 million (9.4%) increase due to the acquisition of Freedom.

Adjusted EBITDA: \$1.18 billion, a \$136.4 million (13.0%) increase, mainly due to the contribution of Freedom and also to the Media segment.

Net income attributable to shareholders: \$380.8 million (\$1.65 per basic share), an increase of \$85.8 million (\$0.37 per basic share) or 29.1%.

Adjusted income from operating activities: \$368.2 million (\$1.60 per basic share), an increase of \$49.9 million (\$0.22 per basic share) or 15.7%.

Adjusted cash flows from operations: \$868.7 million, a \$67.4 million (8.4%) increase, including the contribution of the Freedom acquisition.

Cash flows provided by operating activities: \$780.4 million, a \$150.1 million (23.8%) increase.

¹ See "Non-IFRS financial measures."

Table 1
Consolidated summary of income, cash flows and balance sheet
(in millions of Canadian dollars, except per basic share data)

	Three months ended June 30		Six months ended June 30	
	2024	2023	2024	2023
Income				
Revenues:				
Telecommunications	\$ 1,186.9	\$ 1,201.2	\$ 2,366.4	\$ 2,126.2
Media	184.4	180.3	353.2	351.1
Sports and Entertainment	45.4	48.8	92.1	97.3
Inter-segments	(29.8)	(31.8)	(62.0)	(60.5)
	1,386.9	1,398.5	2,749.7	2,514.1
Adjusted EBITDA (negative adjusted EBITDA):				
Telecommunications	608.1	607.6	1,183.6	1,081.8
Media	18.9	(0.5)	2.2	(26.9)
Sports and Entertainment	1.0	3.0	4.9	6.4
Head Office	(3.1)	(4.9)	(6.3)	(13.3)
	624.9	605.2	1,184.4	1,048.0
Depreciation and amortization	(237.6)	(250.6)	(473.8)	(439.1)
Financial expenses	(108.1)	(113.7)	(217.0)	(191.6)
Gain (loss) on valuation and translation of financial instruments	5.7	1.6	15.5	(9.7)
Restructuring, acquisition costs and other	(7.0)	(13.3)	(9.2)	(18.9)
Income taxes	(71.3)	(57.9)	(125.7)	(103.9)
Net income	\$ 206.6	\$ 171.3	\$ 374.2	\$ 284.8
Net income attributable to shareholders	\$ 207.6	\$ 174.1	\$ 380.8	\$ 295.0
Adjusted income from operating activities	205.1	182.3	368.2	318.3
Per basic share:				
Net income attributable to shareholders	0.90	0.75	1.65	1.28
Adjusted income from operating activities	0.89	0.79	1.60	1.38

Table 1 (continued)

	Three months ended June 30		Six months ended June 30	
	2024	2023	2024	2023
Capital expenditures:				
Telecommunications	\$ 162.1	\$ 145.9	\$ 295.0	\$ 240.6
Media	11.0	2.2	17.2	3.2
Sports and Entertainment	1.9	1.7	3.3	2.6
Head Office	0.2	0.1	0.2	0.3
	175.2	149.9	315.7	246.7
Acquisition of spectrum licenses	239.1	–	298.9	9.9
Cash flows:				
Adjusted cash flows from operations:				
Telecommunications	446.0	461.7	888.6	841.2
Media	7.9	(2.7)	(15.0)	(30.1)
Sports and Entertainment	(0.9)	1.3	1.6	3.8
Head Office	(3.3)	(5.0)	(6.5)	(13.6)
	449.7	455.3	868.7	801.3
Free cash flows from operating activities ¹	220.8	222.9	443.4	369.9
Cash flows provided by operating activities	391.6	358.4	780.4	630.3
			June 30, 2024	Dec. 31, 2023
Balance sheet				
Cash and cash equivalents			\$ 8.1	\$ 11.1
Working capital			27.5	(1,125.6)
Net assets related to derivative financial instruments			76.9	110.8
Total assets			12,879.3	12,741.3
Total long-term debt (including current portion)			7,757.2	7,668.2
Lease liabilities (current and long term)			373.1	376.2
Convertible debentures, including embedded derivatives			–	165.0
Equity attributable to shareholders			2,118.7	1,726.9
Equity			2,226.6	1,837.7
Consolidated net debt leverage ratio¹			3.39x	3.39x

¹ See "Non-IFRS financial measures."

Telecommunications

- The Telecommunications segment's revenues decreased by \$14.3 million (-1.2%) and its adjusted EBITDA was stable in the second quarter of 2024.
- There was a net increase of 66,200 RGUs¹ (0.9%) in the second quarter of 2024, including 93,500 connections (2.4%) to the mobile telephony service.
- Barely a year after acquiring Freedom, Quebecor proudly announced that it has fulfilled all nine undertakings that Videotron made to Innovation, Science and Economic Development Canada (ISED) at the time of the transaction on April 3, 2023.
- In the second quarter of 2024, Fizz and Freedom announced the expansion of their service areas in several regions of Canada, including Manitoba, through agreements reached under the Canadian Radio-television and Telecommunications Commission ("CRTC")'s Mobile Virtual Network Operator (MVNO) regime. This expansion continued on July 23, 2024, when Freedom announced the addition of 50 cities and communities in Alberta and British Columbia to its service area.
- On May 7, 2024, Freedom announced the phased roll-out of its affordable new wireline Internet and TV services, Freedom Home Internet and Freedom TV, becoming a true multi-service player positioned to address a new customer segment seeking bundled offers.
- On April 10, 2024, Videotron announced that it would help improve wireless coverage in outlying regions of Québec by installing at least 37 new cell towers in Abitibi-Témiscamingue and the Laurentians in partnership with the Québec government.
- Both Videotron and Freedom performed very well in the mid-year report released by the Commission for Complaints for Telecom-television Services (CCTS) on April 25, 2024. Videotron's and Freedom's outstanding customer service and their determination to resolve issues promptly are reflected in this report. While the volume of complaints logged by CCTS about the telecom industry as a whole rose sharply by 43.1%, Videotron stood out from the other major players with a significant drop of 11.4%, while Freedom saw its percentage of complaints decrease from 6.5% to 4.7% compared to the industry total volume of complaints.

Media

- In the second quarter of 2024, the Media segment posted a \$4.1 million (2.3%) increase in revenues and a \$19.4 million favourable variance in adjusted EBITDA due to, among other things, an agreement concerning the carriage fees for the LCN specialty channel, leading to a \$10.2 million favourable retroactive adjustment.

Sports and Entertainment

- On June 26, 2024, Event Management Gestev Inc. ("Gestev") acquired Evenma, a company that manages popular and corporate events including the renowned Festivent and Festibières festivals. This acquisition is an important step in Gestev's expansion, strengthening its leadership position in the events market.

Financing activities

- On June 25, 2024, the Corporation redeemed all of its outstanding 4.0% convertible debentures in the aggregate principal amount of \$150.0 million. Pursuant to the terms of the debentures, the Corporation elected to settle the redemption in shares and consequently issued and delivered 5,161,237 Class B Subordinate Voting Shares ("Class B Shares") to the holders.
- On June 21, 2024, Videotron issued \$600.0 million aggregate principal amount of Senior Notes bearing interest at 4.650% and maturing on July 15, 2029, and \$400.0 million aggregate principal amount of Senior Notes bearing interest at 5.000% and maturing on July 15, 2034, for total net proceeds of \$992.6 million, net of the \$7.4 million related to the discount at issuance and financing costs. The proceeds were used to repay US\$600.0 million aggregate principal amount of Senior Notes on June 17, 2024 and to reduce drawings on its revolving bank credit facility.
- On June 17, 2024, Videotron redeemed at maturity its Senior Notes in aggregate principal amount of US\$600.0 million, bearing interest at 5.375%, and unwound the related hedging contracts for a total cash consideration of \$662.3 million.
- On June 13, 2024, Videotron amended its term credit facility by extending the maturity of the first tranche of \$700.0 million from October 2024 to October 2025 and transitioning to the Canadian Overnight Repo Rate Average (CORRA).

¹ See "Key performance indicators."

- On June 13, 2024, following the new ratings obtained by Videotron in May 2024, all liens on Videotron's assets granted to bank lenders were terminated and all the related debt instruments (including derivative financial instruments) are now unsecured.
- On May 6, 2024, S&P Global Ratings upgraded Videotron's unsecured debt from BB+ to BBB- with stable outlook. On May 30, 2024, Moody's Ratings upgraded Videotron's unsecured debt from Ba2 to Baa3 with stable outlook.

ANALYSIS OF CONSOLIDATED RESULTS OF OPERATIONS AND CASH FLOWS

2024/2023 second quarter comparison

Revenues: \$1.39 billion, an \$11.6 million (-0.8%) decrease.

- Revenues decreased in Telecommunications (\$14.3 million or -1.2% of segment revenues) and in Sports and Entertainment (\$3.4 million or -7.0%).
- Revenues increased in Media (\$4.1 million or 2.3%).

Adjusted EBITDA: \$624.9 million, a \$19.7 million (3.3%) increase.

- There was a favourable variance in the Media segment (\$19.4 million), including the \$10.2 million favourable retroactive impact of an agreement on the carriage fees for the LCN specialty channel combined with higher volume in film production and audiovisual services, and a favourable variance at Head Office (\$1.8 million).
- Adjusted EBITDA was stable in the Telecommunications segment.
- The change in the fair value of Quebecor stock options and stock-price-based share units resulted in a \$1.7 million favourable variance in the Corporation's stock-based compensation charge in the second quarter of 2024 compared with the same period of 2023.

Net income attributable to shareholders: \$207.6 million (\$0.90 per basic share) in the second quarter of 2024, compared with \$174.1 million (\$0.75 per basic share) in the same period of 2023, an increase of \$33.5 million (\$0.15 per basic share) or 19.2%.

- The favourable variances were:
 - \$19.7 million increase in adjusted EBITDA;
 - \$13.0 million decrease in the depreciation and amortization charge;
 - \$6.3 million decrease in the charge for restructuring, acquisition costs and other;
 - \$5.6 million decrease related to financial expenses;
 - \$4.1 million favourable variance in gains and losses on valuation and translation of financial instruments, including \$3.8 million without any tax consequences.
- The main unfavourable variance was:
 - \$13.4 million increase in the income tax expense.

Adjusted income from operating activities: \$205.1 million (\$0.89 per basic share) in the second quarter of 2024, compared with \$182.3 million (\$0.79 per basic share) in the same period of 2023, an increase of \$22.8 million (\$0.10 per basic share) or 12.5%.

Adjusted cash flows from operations: \$449.7 million, a \$5.6 million (-1.2%) decrease in the second quarter of 2024 due to the \$25.3 million increase in capital expenditures, partially offset by a \$19.7 million increase in adjusted EBITDA.

Cash flows provided by operating activities: \$391.6 million, a \$33.2 million (9.3%) increase in the second quarter of 2024 due primarily to the increase in adjusted EBITDA, the favourable net change in non-cash balances related to operating activities and the decrease in the cash portion of financial expenses, partially offset by the increase in current income taxes.

Depreciation and amortization charge: \$237.6 million in the second quarter of 2024, a \$13.0 million decrease due mainly to the slowdown in capital expenditures in recent years following the review of strategic priorities.

Financial expenses: \$108.1 million in the second quarter of 2024, a \$5.6 million decrease due primarily to lower average indebtedness and the impact of lower average interest rates on long-term debt.

Gain on valuation and translation of financial instruments: \$5.7 million in the second quarter of 2024, a \$4.1 million favourable variance primarily due to the favourable variance, without any tax consequences, in gains and losses on embedded derivatives related to convertible debentures.

Charge for restructuring, acquisition costs and other: \$7.0 million, a \$6.3 million favourable variance.

In the second quarter of 2024, the Corporation recorded a \$5.4 million charge in connection with cost-reduction measures in various segments (\$1.1 million in the second quarter of 2023), an \$8.0 million asset impairment charge and \$6.4 million in other net gains, including the share of results of associates (\$12.2 million in other net charges in the second quarter of 2023, mainly in connection with acquisition costs related to the Freedom transaction).

Income tax expense: \$71.3 million in the second quarter of 2024 (effective tax rate of 25.7%), compared with \$57.9 million in the same period of 2023 (effective tax rate of 25.7%), a \$13.4 million unfavourable variance caused mainly by the impact of the increase in taxable income. The effective tax rate is calculated considering only taxable and deductible items.

2024/2023 year-to-date comparison

Revenues: \$2.75 billion, a \$235.6 million (9.4%) increase.

- Revenues increased in Telecommunications (\$240.2 million or 11.3% of segment revenues), due primarily to the impact of the Freedom acquisition, and in Media (\$2.1 million or 0.6%).
- Revenues decreased in Sports and Entertainment (\$5.2 million or -5.3%).

Adjusted EBITDA: \$1.18 billion, a \$136.4 million (13.0%) increase.

- Adjusted EBITDA increased in Telecommunications (\$101.8 million or 9.4% of segment adjusted EBITDA), including Freedom's contribution. There were favourable variances in Media (\$29.1 million), due to the same factors as those noted above in the 2024/2023 second quarter comparison, and at Head Office (\$7.0 million), due primarily to a decrease in the stock-based compensation charge.
- Adjusted EBITDA decreased in Sports and Entertainment (\$1.5 million or -23.4%).
- The change in the fair value of Quebecor stock options and stock-price-based share units resulted in a \$10.5 million favourable variance in the Corporation's stock-based compensation charge in the first half of 2024 compared with the same period of 2023.

Net income attributable to shareholders: \$380.8 million (\$1.65 per basic share) in the first half of 2024, compared with \$295.0 million (\$1.28 per basic share) in the same period of 2023, an increase of \$85.8 million (\$0.37 per basic share) or 29.1%.

- The main favourable variances were:
 - \$136.4 million increase in adjusted EBITDA;
 - \$25.2 million favourable variance in gains and losses on valuation and translation of financial instruments, without any tax consequences;
 - \$9.7 million favourable variance in the charge for restructuring, acquisition costs and other.
- The main unfavourable variances were:
 - \$34.7 million increase in the depreciation and amortization charge;
 - \$25.4 million increase related to financial expenses;
 - \$21.8 million increase in the income tax expense.

Adjusted income from operating activities: \$368.2 million (\$1.60 per basic share) in the first half of 2024, compared with \$318.3 million (\$1.38 per basic share) in the same period of 2023, an increase of \$49.9 million (\$0.22 per basic share) or 15.7%.

Adjusted cash flows from operations: \$868.7 million, a \$67.4 million (8.4%) increase due to the \$136.4 million increase in adjusted EBITDA, partially offset by a \$69.0 million increase in capital expenditures.

Cash flows provided by operating activities: \$780.4 million, a \$150.1 million (23.8%) increase due primarily to the increase in adjusted EBITDA, the favourable net change in non-cash balances related to operating activities and the decrease in the cash portion of restructuring, acquisition costs and other, partially offset by the increases in the cash portion of financial expenses and in current income taxes.

Depreciation and amortization charge: \$473.8 million in the first half of 2024, a \$34.7 million increase due primarily to the impact of the Freedom acquisition.

Financial expenses: \$217.0 million in the first half of 2024, a \$25.4 million increase due primarily to higher average indebtedness, including the impact of the financing of the Freedom acquisition, and also to the impact of higher average interest rates on long-term debt.

Gain on valuation and translation of financial instruments: \$15.5 million in the first half of 2024, a \$25.2 million favourable variance due to the variance, without any tax consequences, in gains and losses on embedded derivatives related to convertible debentures.

Charge for restructuring, acquisition costs and other: \$9.2 million in the first half of 2024, a \$9.7 million favourable variance.

In the first half of 2024, the Corporation recorded a \$5.6 million charge in connection with cost-reduction measures in various segments (\$6.0 million in the first half of 2023), a \$10.4 million asset impairment charge and \$6.8 million in other net gains, including the share of results of associates (\$12.9 million in other net charges in the first half of 2023, including acquisition costs related to the Freedom transaction).

Income tax expense: \$125.7 million in the first half of 2024 (effective tax rate of 25.8%), compared with \$103.9 million in the same period of 2023 (effective tax rate of 26.4%), a \$21.8 million unfavourable variance caused mainly by the impact of the increase in taxable income. The effective tax rate is calculated considering only taxable and deductible items.

SEGMENTED ANALYSIS

Telecommunications

Second quarter 2024 operating results

Revenues: \$1.19 billion in the second quarter of 2024, a \$14.3 million (-1.2%) decrease.

- Revenues from mobile telephony services increased \$8.7 million (2.2%) to \$410.3 million, mainly because of an increase in the number of subscriber connections, partially offset by lower average per-connection revenues.
- Revenues from Internet access services decreased \$6.2 million (-1.9%) to \$315.7 million, mainly because of a decrease in average per-subscriber revenues.
- Revenues from television services decreased \$7.3 million (-3.6%) to \$195.9 million, primarily because of a decrease in the subscriber base.
- Revenues from wireline telephony services decreased \$8.2 million (-11.5%) to \$62.8 million, mainly because of the impact of the decrease in subscriber connections.
- Revenues from mobile equipment sales to customers increased \$8.5 million (6.1%) to \$147.6 million, mainly because of price increases, partially offset by a decrease in the number of mobile devices sold.
- Revenues from wireline equipment sales to customers decreased \$5.9 million (-32.8%) to \$12.1 million, mainly because of decreases in selling prices of equipment related to the Helix platform and the rental of Helix equipment since the beginning of June 2024.
- Other revenues decreased \$3.9 million (-8.4%) to \$42.5 million, mainly reflecting lower revenues from over-the-top (“OTT”) video services.

Mobile ARPU:¹ \$35.32 in the second quarter of 2024 compared with \$37.77 in the same period of 2023, a \$2.45 (-6.5%) decrease, mainly attributable to higher promotional discounts, lower overage revenues and a change in the customer mix, including the dilutive effect of Freedom’s and Fizz’s prepaid services.

Customer statistics

Acquisition of Freedom

The acquisition of Freedom on April 3, 2023 was significantly accretive to growth in the Telecommunications segment, immediately adding 1,844,400 RGUs, consisting of 1,824,400 subscriber connections to the mobile telephony service and 20,000 subscriptions to the Internet access service.

Analysis of current business

RGUs – The total number of RGUs was 7,606,400 at June 30, 2024, an increase of 66,200 (0.9%) in the second quarter of 2024 (compared with an increase of 24,600 in the same period of 2023), and a 12-month increase of 192,900 (2.6%) (Table 2).

Mobile telephony – The number of subscriber connections to the mobile telephony service stood at 3,918,600 at June 30, 2024, an increase of 93,500 (2.4%) in the second quarter of 2024 (compared with an increase of 49,100 in the same period of 2023), and a 12-month increase of 308,500 (8.5%) (Table 2).

Internet access – The number of subscribers to the Internet access service stood at 1,722,500 at June 30, 2024, an increase of 1,400 (0.1%) in the second quarter of 2024 (compared with an increase of 5,300 in the same period of 2023), and a 12-month increase of 5,700 (0.3%) (Table 2).

Television – The number of subscribers to television services stood at 1,321,900 at June 30, 2024, a decrease of 13,800 (-1.0%) in the second quarter of 2024 (compared with a decrease of 11,100 in the same period of 2023), and a 12-month decrease of 52,600 (-3.8%) (Table 2).

Wireline telephony – The number of subscriber connections to wireline telephony services stood at 643,400 at June 30, 2024, a decrease of 14,900 (-2.3%) in the second quarter of 2024 (compared with a decrease of 18,700 in the same period of 2023), and a 12-month decrease of 68,700 (-9.6%) (Table 2).

¹ See “Key performance indicators.”

Table 2**Telecommunications segment quarter-end RGUs for the last eight quarters**

(in thousands of units)

	June 2024	Mar. 2024	Dec. 2023	Sept. 2023	June 2023	Mar. 2023	Dec. 2022	Sept. 2022
Mobile telephony	3,918.6	3,825.1	3,764.9	3,698.8	3,610.1	1,736.6	1,710.4	1,697.3
Internet access	1,722.5	1,721.1	1,727.6	1,721.3	1,716.8	1,691.5	1,682.7	1,678.0
Television	1,321.9	1,335.7	1,355.6	1,362.5	1,374.5	1,385.6	1,396.1	1,402.1
Wireline telephony	643.4	658.3	674.7	691.9	712.1	730.8	751.2	769.9
Total	7,606.4	7,540.2	7,522.8	7,474.5	7,413.5	5,544.5	5,540.4	5,547.3

Adjusted EBITDA: Stable at \$608.1 million. The decrease in revenues was offset by decreases in operating expenses resulting from stringent cost control, leading to, among other things, a favourable update of certain provisions.

Cost/revenue ratio: Employee costs and purchases of goods and services for all Telecommunications segment operations, expressed as a percentage of revenues, were 48.8% in the second quarter of 2024 compared with 49.4% in the same period of 2023.

Adjusted cash flows from operations: \$446.0 million in the second quarter of 2024 compared with \$461.7 million in the same period of 2023 (Table 11). The \$15.7 million (-3.4%) decrease was due to a \$16.2 million increase in capital expenditures, mainly as a result of higher network and IT investments.

Year-to-date operating results

Revenues: \$2.37 billion in the first half of 2024, a \$240.2 million (11.3%) increase due to the impact of the Freedom acquisition in April 2023 and the same factors as those noted above in the discussion of second quarter 2024 results.

- Revenues from mobile telephony services increased \$216.7 million (36.0%) to \$819.4 million, due primarily to the Freedom acquisition.
- Revenues from Internet access services decreased \$0.4 million (-0.1%) to \$636.2 million.
- Revenues from television services decreased \$7.5 million (-1.9%) to \$395.1 million.
- Revenues from wireline telephony services decreased \$14.8 million (-10.4%) to \$127.5 million.
- Revenues from mobile equipment sales to customers increased \$64.7 million (30.2%) to \$278.9 million, mainly because of the Freedom acquisition.
- Revenues from wireline equipment sales to customers decreased \$8.7 million (-25.7%) to \$25.2 million.
- Other revenues decreased \$9.8 million (-10.4%) to \$84.1 million.

Mobile ARPU:¹ \$35.63 in the first half of 2024 compared with \$38.14 in the same period of 2023, a \$2.51 (-6.6%) decrease due mainly to the same factors as those noted above in the discussion of second quarter 2024 results.

Customer statistics*Analysis of current business*

RGUs – 83,600 (1.1%) unit increase in the first half of 2024, compared with an increase of 28,700 in the same period of 2023.

Mobile telephony – 153,700 (4.1%) subscriber connection increase in the first half of 2024, compared with an increase of 75,300 in the same period of 2023.

Internet access – 5,100 (-0.3%) subscriber decrease in the first half of 2024, compared with an increase of 14,100 in the same period of 2023.

Television – 33,700 (-2.5%) subscriber decrease in the first half of 2024, compared with a decrease of 21,600 in the same period of 2023.

¹ See "Key performance indicators."

Wireline telephony – 31,300 (-4.6%) subscriber-connection decrease in the first half of 2024, compared with a decrease of 39,100 in the same period of 2023.

Adjusted EBITDA: \$1.18 billion, a \$101.8 million (9.4%) increase mainly due to the impact of the Freedom acquisition as well as the factors noted above in the discussion of second-quarter 2024 operating results.

Cost/revenue ratio: Employee costs and purchases of goods and services for all Telecommunications segment operations, expressed as a percentage of revenues, were 50.0% in the first half of 2024 compared with 49.1% in the same period of 2023. The increase was due mainly to the impact of the Freedom acquisition.

Adjusted cash flows from operations: \$888.6 million in the first half of 2024 compared with \$841.2 million in the same period of 2023 (Table 11). The \$47.4 million (5.6%) increase was due to the \$101.8 million increase in adjusted EBITDA, partially offset by a \$54.4 million increase in capital expenditures, both of which were due primarily to the impact of the Freedom acquisition.

Media

Second quarter 2024 operating results

Revenues: \$184.4 million in the second quarter of 2024, a \$4.1 million (2.3%) increase.

- Subscription revenues increased \$9.8 million (21.0%), mainly due to higher subscription revenues at the specialty channels, including the \$10.2 million favourable retroactive impact of an agreement concerning the carriage fees for the LCN specialty channel.
- Other revenues increased by \$2.4 million (4.9%), mainly because of the increase in revenues from film production and audiovisual services, partially offset by a decrease in production and distribution revenues.
- Advertising revenues decreased by \$8.1 million (-9.6%), mainly because of lower advertising revenues at TVA Network and the specialty channels.

Adjusted EBITDA: \$18.9 million in the second quarter of 2024, a favourable variance of \$19.4 million due mainly to the impact of the revenue increase and decreases in operating expenses, including content costs and cost savings resulting from various cost-reduction initiatives.

Cost/revenue ratio: Employee costs and purchases of goods and services for the Media segment's operations, expressed as a percentage of revenues, were 89.8% in the second quarter of 2024 compared with 100.3% in the same period of 2023; mainly because of the revenue increase, including the impact of the \$10.2 million favourable retroactive adjustment, and the decrease in operating expenses.

Adjusted cash flows from operations: \$7.9 million in the second quarter of 2024 compared with negative \$2.7 million in the same period of 2023 (Table 11). The \$10.6 million favourable variance was due to the \$19.4 million favourable variance in adjusted EBITDA, partially offset by the \$8.8 million increase in capital expenditures.

Year-to-date operating results

Revenues: \$353.2 million in the first half of 2024, a \$2.1 million (0.6%) increase.

- Subscription revenues increased \$7.9 million (8.5%), due primarily to higher subscription revenues at the specialty channels, mainly reflecting the \$10.2 million favourable retroactive impact noted in the discussion of second quarter 2024 operating results.
- Other revenues increased by \$6.7 million (7.3%), mainly because of the increase in revenues from film production and audiovisual services, partially offset by a decrease in production and distribution revenues.
- Advertising revenues decreased by \$12.5 million (-7.5%), mainly because of lower advertising revenues at TVA Network and the specialty channels.

Adjusted EBITDA: \$2.2 million in the first half of 2024, a \$29.1 million favourable variance due primarily to the same factors as those noted in the discussion of second quarter 2024 operating results.

Cost/revenue ratio: Employee costs and purchases of goods and services for the Media segment's operations, expressed as a percentage of revenues, were 99.4% in the first half of 2024 compared with 107.7% in the same period of 2023, due to the same factors as those noted in the discussion of second quarter 2024 operating results.

Adjusted cash flows from operations: Negative \$15.0 million in the first half of 2024 compared with negative \$30.1 million in the same period of 2023 (Table 11). The \$15.1 million favourable variance was due to the \$29.1 million favourable variance in adjusted EBITDA, partially offset by the \$14.0 million increase in capital expenditures.

Sports and Entertainment

Second quarter 2024 operating results

Revenues: \$45.4 million in the second quarter of 2024, a \$3.4 million (-7.0%) decrease due primarily to lower revenues from hockey, concerts and music, partially offset by higher revenues from books.

Adjusted EBITDA: \$1.0 million in the second quarter of 2024, a \$2.0 million decrease due primarily to the impact of the decrease in revenues.

Adjusted cash flows from operations: Negative \$0.9 million in the second quarter of 2024 compared with \$1.3 million in the same period of 2023 (Table 11). The \$2.2 million decrease was due primarily to the \$2.0 million decrease in adjusted EBITDA.

Year-to-date operating results

Adjusted EBITDA: \$92.1 million in the first half of 2024, a \$5.2 million (-5.3%) decrease due primarily to the same factors as those noted in the discussion of second quarter 2024 operating results.

Adjusted EBITDA: \$4.9 million in the first half of 2024, a \$1.5 million decrease due primarily to the impact of the decrease in revenues.

Adjusted cash flows from operations: \$1.6 million in the first half of 2024 compared with \$3.8 million in the same period of 2023 (Table 11). The \$2.2 million decrease was due to the \$1.5 million decrease in adjusted EBITDA and the \$0.7 million increase in capital expenditures.

CASH FLOWS AND FINANCIAL POSITION

This section provides an analysis of the Corporation's sources and uses of cash flows, as well as a financial position analysis as of the balance sheet date.

Operating activities

Second quarter 2024

Cash flows provided by operating activities: \$391.6 million in the second quarter of 2024 compared with \$358.4 million in the same period of 2023.

The \$33.2 million (9.3%) increase was primarily due to:

- \$19.7 million increase in adjusted EBITDA;
- \$10.0 million favourable net change in non-cash balances related to operating activities, due primarily to favourable variances in income tax payable, contract assets and accounts receivable, partially offset by unfavourable variances in accounts payable and accrued charges, and inventories;
- \$5.8 million decrease in the cash portion of financial expenses;
- \$5.3 million decrease in the cash portion of the charge for restructuring, acquisition costs and other.

Partially offset by:

- \$7.1 million increase in current income taxes.

Year to date

Cash flows provided by operating activities: \$780.4 million in the first half of 2024 compared with \$630.3 million in the same period of 2023.

The \$150.1 million (23.8%) increase was primarily due to:

- \$136.4 million increase in adjusted EBITDA;
- \$47.8 million favourable net change in non-cash balances related to operating activities, due primarily to favourable variances in income tax payable and accounts receivable, partially offset by unfavourable variances in inventories, accounts payable and accrued charges, and deferred revenue;
- \$11.4 million decrease in the cash portion of the charge for restructuring, acquisition costs and other.

Partially offset by:

- \$24.6 million increase in the cash portion of financial expenses;
- \$21.7 million increase in current income taxes.

Compared with the first half of 2023, cash flows provided by operating activities were favourably impacted in 2024 by the Freedom acquisition, which accounted for a large portion of the increase in the Telecommunications segment's adjusted EBITDA, despite the financial expenses associated with the financing of this acquisition. In addition, the increase in the adjusted EBITDA of the Media segment also had a positive impact on cash flows provided by operating activities in the first half of 2024.

Working capital: \$27.5 million as at June 30, 2024, compared with negative \$1.13 billion as at December 31, 2023. The favourable variance of \$1.15 billion was mainly due to the redemption upon maturity by Videotron of the entirety of its Senior Notes in the aggregate principal amount of US\$600.0 million, the redemption by share issue of all convertible debentures, and the evolution of current and long-term debt maturities.

Investing activities

Second quarter 2024

Cash flows used for capital expenditures: \$171.3 million in the second quarter of 2024 compared with \$136.0 million in the same period of 2023. The \$35.3 million increase was due to a \$25.3 million increase in capital expenditures, mostly in the Telecommunications segment, mainly as a result of higher network and IT investments, and in the Media segment, and a \$10.0 million unfavourable net change in current non-cash items.

Net subsidies used to finance capital expenditures: \$13.9 million in the second quarter of 2023. This amount represents the use of subsidies received under the program to roll out high-speed Internet services, recorded as a reduction of capital expenditures.

Acquisition of spectrum licenses: \$239.1 million in the second quarter of 2024. On May 29, 2024, Videotron acquired 305 blocks of spectrum in the 3800 MHz band across the country for a total price of \$298.9 million (of which \$59.8 million was paid in January 2024 and \$239.1 million in May 2024).

Proceeds from disposal of assets: \$0.5 million in the second quarters of 2024 and 2023.

Business acquisitions: \$7.0 million in the second quarter of 2024 compared with \$2.07 billion in the second quarter of 2023. The Telecommunications segment disbursed \$2.07 billion to acquire Freedom in the second quarter of 2023.

Acquisition of investments and other: \$0.8 million in the second quarter of 2024 compared with \$3.3 million in the same period of 2023.

Year to date

Cash flows used for capital expenditures: \$337.5 million in the first half of 2024 compared with \$261.2 million in the same period of 2023. The \$76.3 million increase was due to a \$69.0 million increase in capital expenditures, mainly in the Telecommunications segment, due primarily to the impact of the Freedom acquisition, and in the Media segment, and a \$7.3 million unfavourable net change in current non-cash items.

Net subsidies received to finance capital expenditures: \$37.0 million in the first half of 2024, compared with deferred subsidies of \$33.9 million used in the same half of 2023. In the first half of 2024, a \$37.0 million subsidy was received in advance as part of the Québec government's new initiative to improve wireless coverage in outlying regions of Québec. This amount for the first half of 2023 represents the use of subsidies received under the program to roll out high-speed Internet services, recorded as a reduction of capital expenditures.

Acquisitions of spectrum licenses: \$298.9 million in the first half of 2024, compared with \$9.9 million in the first half of 2023. On May 29, 2024, Videotron acquired 305 blocks of spectrum in the 3800 MHz band across the country for a total price of \$298.9 million.

Proceeds from disposal of assets: \$0.5 million in the first half of 2024, compared with \$0.8 million in the same period of 2023.

Business acquisitions: \$7.0 million in the first half 2024 compared with \$2.07 billion in the first half of 2023. The Telecommunications segment disbursed \$2.07 billion to acquire Freedom in the first half of 2023.

Acquisition of investments and other: \$15.4 million in the first half of 2024 compared with \$3.9 million in the same period of 2023.

Free cash flows from operating activities

Second quarter 2024

Free cash flows from operating activities: \$220.8 million in the second quarter of 2024 compared with \$222.9 million in the same period of 2023 (Table 12).

The \$2.1 million decrease was due to:

- \$35.3 million increase in cash flows used for capital expenditures.

Partially offset by:

- \$33.2 million increase in cash flows provided by operating activities.

Year to date

Free cash flows from operating activities: \$443.4 million in the first half of 2024 compared with \$369.9 million in the same period of 2023 (Table 12).

The \$73.5 million increase was due primarily to:

- \$150.1 million increase in cash flows provided by operating activities.

Partially offset by:

- \$76.3 million increase in cash flows used for capital expenditures.

Financing activities

Consolidated debt (long-term debt plus bank indebtedness): \$89.1 million increase in the first half of 2024; \$33.9 million net unfavourable variance in the net asset related to derivative financial instruments.

- Debt increases in the first half of 2024 essentially consisted of:
 - issuance by Videotron on June 21, 2024 of \$600.0 million aggregate principal amount of Senior Notes bearing interest at 4.650% and maturing on July 15, 2029, and \$400.0 million aggregate principal amount of Senior Notes bearing interest at 5.000% and maturing on July 15, 2034, for total net proceeds of \$992.6 million;
 - \$132.6 million unfavourable impact of exchange rate fluctuations. The consolidated debt increase attributable to this item was offset by the increase in the net asset related to derivative financial instruments.
- Debt reductions in the first half of 2024 essentially consisted of:
 - redemption upon maturity by Videotron on June 17, 2024 of the entirety of its 5.375% Senior Notes in the aggregate principal amount of US\$600.0 million;
 - \$216.7 million decrease in total drawings on the revolving bank credit facilities of Videotron and Quebecor Media Inc. ("Quebecor Media").
- Derivative financial instruments totalled a net asset of \$76.9 million at June 30, 2024 compared with \$110.8 million at December 31, 2023. The \$33.9 million net unfavourable variance was mainly due to:
 - receipt of the \$163.0 million asset related to the hedging contracts on the Senior Notes redeemed on June 17, 2024.

Partially offset by:

- favourable impact of exchange rate fluctuations on the value of derivative financial instruments.
- On June 13, 2024, Videotron amended its term credit facility by extending the maturity of the first tranche of \$700.0 million from October 2024 to October 2025 and transitioning to the Canadian Overnight Repo Rate Average (CORRA).
- On June 13, 2024, following the new ratings obtained by Videotron in May 2024, all liens on Videotron's assets granted to bank lenders were terminated and all the related debt instruments (including derivative financial instruments) are now unsecured.

Financial position

Net available liquidity: \$2.13 billion at June 30, 2024 for Quebecor and its wholly owned subsidiaries, consisting of \$2.13 billion in available unused revolving credit facilities less \$4.0 million in bank indebtedness.

Consolidated debt (long-term debt plus bank indebtedness): \$7.73 billion at June 30, 2024, an \$89.1 million increase compared with December 31, 2023; \$33.9 million net unfavourable variance in the net asset related to derivative financial instruments (see "Financing activities" above).

- Consolidated debt essentially consisted of Videotron's \$7.71 billion debt (\$7.61 billion at December 31, 2023) and Quebecor Media's \$21.4 million debt (\$31.9 million at December 31, 2023).

As of June 30, 2024, minimum principal payments on long-term debt in the coming years were as follows:

Table 3
Minimum principal payments on Quebecor's long-term debt
12-month periods ended June 30
(in millions of Canadian dollars)

2025	\$	400.0
2026		1,796.1
2027		1,678.7
2028		750.0
2029		684.0
2030 and thereafter		2,448.4
Total	\$	7,757.2

From time to time, Quebecor may (but is under no obligation to) seek to retire or purchase its outstanding securities in open market purchases, privately negotiated transactions, or otherwise. Such repurchases, if any, will depend on its liquidity position and requirements, prevailing market conditions, contractual restrictions and other factors. The amounts involved may be material.

The weighted average term of Quebecor's consolidated debt was approximately 3.9 years as of June 30, 2024 (3.5 years as of December 31, 2023). After taking into account hedging instruments, the debt consisted of approximately 74.2% fixed-rate debt (67.7% at December 31, 2023) and 25.8% floating-rate debt (32.3% at December 31, 2023).

Management of the Corporation believes that cash flows and available sources of financing should be sufficient to cover committed cash requirements for capital expenditures, acquisitions of spectrum licences, working capital, interest payments, income tax payments, debt and lease repayments, pension plan contributions, share repurchases, and dividend payments to shareholders. The Corporation believes it will be able to meet future debt and lease liability maturities, which are staggered over the coming years.

Pursuant to its financing agreements, the Corporation is required to maintain certain financial ratios and comply with certain financial covenants. At June 30, 2024, the Corporation was in compliance with all required financial ratios and restrictive covenants in its financing agreements.

Dividends declared

On August 7, 2024, the Board of Directors of Quebecor declared a quarterly dividend of \$0.325 per share on its Class A Multiple Voting Shares ("Class A Shares") and Class B Shares, payable on September 17, 2024 to shareholders of record at the close of business on August 23, 2024.

Spectrum licences

On May 29, 2024, Videotron acquired 305 blocks of spectrum in the 3800 MHz band across the country for a total price of \$298.9 million (of which \$59.8 million was paid in January 2024 and \$239.1 million in May 2024). Approximately 61% of the 305 blocks of wireless spectrum are located outside Québec, mainly in southern Ontario, Alberta and British Columbia.

Analysis of consolidated balance sheet

Table 4

Consolidated balance sheet of Quebecor

Analysis of main differences between June 30, 2024 and December 31, 2023

(in millions of Canadian dollars)

	June 30, 2024 ¹	Dec. 31, 2023	Difference	Main reasons for difference
Assets				
Accounts receivable	\$ 1,135.9	\$ 1,175.1	\$ (39.2)	Impact of current variances in activity
Inventories	444.2	512.1	(67.9)	Impact of current variances in activity
Property, plant et equipment	3,391.2	3,417.9	(26.7)	Depreciation for the period less acquisitions
Intangible assets	3,639.5	3,385.1	254.4	Acquisitions, including spectrum licences, less amortization for the period
Derivative financial instruments ²	76.9	110.8	(33.9)	See "Financing activities"
Other assets	698.4	622.8	75.6	Gain on remeasurement of pension plans
Liabilities				
Accounts payable, accrued charges and provisions	1,003.2	1,185.9	(182.7)	Impact of current variances in activity
Income tax ³	4.6	(24.3)	28.9	Current income taxes for the period less current disbursements
Convertible debentures	-	150.0	(150.0)	Redemption by issuance of share of all convertible debentures
Long-term debt, including current portion and bank indebtedness	7,731.1	7,642.0	89.1	See "Financing activities"

¹ The "restricted cash" and "deferred subsidies" line items are combined for the purposes of the analysis.

² Current and long-term assets less long-term liabilities.

³ Current liabilities less current assets.

ADDITIONAL INFORMATION

Contractual obligations

At June 30, 2024, material contractual obligations of operating activities included: capital repayment and interest on long-term debt and lease liabilities; capital expenditure and other commitments, including mobile devices; and obligations related to derivative financial instruments, less estimated future receipts on derivative financial instruments. Table 5 below shows a summary of these contractual obligations.

Table 5
Contractual obligations of Quebecor as of June 30, 2024
(in millions of Canadian dollars)

	Total	Under 1 year	1–3 years	3–5 years	5 years or more
Long-term debt ¹	\$ 7,757.2	400.0	3,474.8	1,434.0	2,448.4
Interest payments ²	1,338.1	306.0	556.0	284.5	191.6
Lease liabilities	373.1	100.0	144.8	78.9	49.4
Interest payments on lease liabilities	91.6	23.5	34.9	19.8	13.4
Capital expenditure and other commitments	2,439.0	1,045.9	1,042.0	208.1	143.0
Derivative financial instruments ³	(104.1)	(9.3)	(16.3)	(78.5)	–
Total contractual obligations	\$ 11,894.9	\$ 1,866.1	\$ 5,236.2	\$ 1,946.8	\$ 2,845.8

¹ The carrying value of long-term debt excluding financing costs.

² Estimated interest payable on long-term debt based on interest rates, hedging of interest rates and hedging of foreign exchange rates as of June 30, 2024.

³ Estimated future receipts, net of future disbursements, related to foreign exchange hedging on the principal of U.S.-dollar-denominated debt using derivative financial instruments.

Related party transactions

In the second quarter of 2024, the Corporation incurred expenses to affiliated corporations in the amount of \$24.0 million (\$26.1 million in the same period of 2023), which are included in the purchase of goods and services, and made capital expenditures to affiliated corporations in the amount of \$3.3 million (\$6.6 million in the same period of 2023). The Corporation also made sales to affiliated corporations in the amount of \$3.0 million (\$3.1 million in the same period of 2023).

In the first half of 2024, the Corporation incurred expenses to affiliated corporations in the amount of \$56.4 million (\$48.5 million in the same period of 2023), which are included in the purchase of goods and services, and made capital expenditures to affiliated corporations in the amount of \$10.8 million (\$8.2 million in the same period of 2023). The Corporation also made sales to affiliated corporations in the amount of \$6.7 million (\$6.2 million in the same period of 2023).

These transactions were accounted for at the consideration agreed between parties.

Capital stock

In accordance with Canadian financial reporting standards, Table 6 below presents information on the Corporation's capital stock as at July 17, 2024. In addition, 13,050,211 share options of the Corporation were outstanding as of the same date.

Table 6

Capital stock

(in shares and millions of Canadian dollars)

	July 17, 2024	
	Issued and outstanding	Book value
Class A Shares	76,692,135	\$ 8.6
Class B Shares	158,004,692	1,049.1

Repurchase of shares

On August 9, 2023, the Board of Directors of the Corporation authorized a normal course issuer bid for a maximum of 1,000,000 Class A Shares representing approximately 1.3% of issued and outstanding Class A Shares, and for a maximum of 2,000,000 Class B Shares representing approximately 1.3% of issued and outstanding Class B Shares as of August 1, 2023. The purchases can be made from August 15, 2023 to August 14, 2024, at prevailing market prices on the open market through the facilities of the Toronto Stock Exchange or other alternative trading systems in Canada. All shares purchased under the bid will be cancelled.

On August 11, 2023, the Corporation entered into an automatic securities purchase plan ("the plan") with a designated broker whereby shares may be repurchased under the plan at times when such purchases would otherwise be prohibited pursuant to regulatory restrictions or self-imposed blackout periods. The plan received prior approval from the Toronto Stock Exchange. It came into effect on August 15, 2023 and will terminate on the same date as the normal course issuer bid.

Under the plan, before entering a self-imposed blackout period, the Corporation may, but is not required to, ask the designated broker to make purchases under the normal course issuer bid. Such purchases shall be made at the discretion of the designated broker, within parameters established by the Corporation prior to the blackout periods. Outside the blackout periods, purchases will be made at the discretion of the Corporation's management.

On August 7, 2024, the Board of Directors of the Corporation authorized a normal course issuer bid for a maximum of 1,000,000 Class A Shares representing approximately 1.3% of issued and outstanding Class A Shares, and for a maximum of 5,000,000 Class B Shares representing approximately 3.2% of issued and outstanding Class B Shares as of August 1, 2024. The purchases can be made from August 15, 2024 to August 14, 2025, at prevailing market prices on the open market through the facilities of the Toronto Stock Exchange or other alternative trading systems in Canada. All shares purchased under the bid will be cancelled.

In the first half of 2024, the Corporation purchased and cancelled 940,000 Class B Shares for a total cash consideration of \$27.7 million. The \$22.1 million excess of the purchase price over the carrying value of Class B Shares repurchased was recorded as a reduction of retained earnings.

Issuance of shares

On June 25, 2024, the Corporation redeemed all of its outstanding 4.0% convertible debentures in the aggregate principal amount of \$150.0 million. Pursuant to the terms of the debentures, the Corporation elected to settle the redemption in shares and consequently issued and delivered 5,161,237 Class B Shares to the holders.

Financial instruments

The Corporation uses a number of financial instruments, mainly cash and cash equivalents, restricted cash, trade receivables, contract assets, long-term investments, bank indebtedness, trade payables, accrued liabilities, long-term debt, lease liabilities and derivative financial instruments.

In order to manage its foreign exchange and interest rate risks, the Corporation uses derivative financial instruments: (i) to set in CAN dollars future payments on debts denominated in U.S. dollars (interest and principal) and certain purchases of inventories and other capital expenditures denominated in a foreign currency; and (ii) to achieve a targeted balance of fixed- and floating-rate debt. The Corporation does not intend to settle its derivative financial instruments prior to their maturity as none of these instruments is held or issued for speculative purposes.

Certain cross-currency interest rate swaps entered into by the Corporation include an option that allows each party to unwind the transaction on a specific date at the settlement amount then in effect.

The carrying value and fair value of long-term debt, convertible debentures and derivative financial instruments as of June 30, 2024 and December 31, 2023 are as follows:

Table 7
Fair value of long-term debt, convertible debentures and derivative financial instruments
(in millions of Canadian dollars)

Asset (liability)	June 30, 2024		December 31, 2023	
	Carrying value	Fair value	Carrying value	Fair value
Long-term debt¹	\$ (7,757.2)	\$ (7,560.5)	\$ (7,668.2)	\$ (7,391.0)
Convertible debentures²	–	–	(165.0)	(165.0)
Derivative financial instruments				
Foreign exchange forward contracts	0.8	0.8	(1.5)	(1.5)
Interest rate swaps	10.0	10.0	5.4	5.4
Cross-currency swaps	66.1	66.1	106.9	106.9

¹ The carrying value of long-term debt excludes changes in the fair value of long-term debt related to hedged interest rate risk and financing costs.

² The carrying value and fair value of convertible debentures consist of the principal amount and the value of the conversion features related to the floor and ceiling prices, recognized as embedded derivatives.

The fair value of long-term debt and convertible debentures is estimated based on quoted market prices when available or on valuation models. When the Corporation uses valuation models, the fair value is estimated based on discounted cash flows using period-end market yields or the market value of similar instruments with the same maturity.

The fair value of derivative financial instruments recognized on the consolidated balance sheets is estimated as per the Corporation's valuation models. These models project future cash flows and discount the future amounts to a present value using the contractual terms of the derivative financial instrument and factors observable in external market data, such as period-end swap rates and foreign exchange rates. An adjustment is also included to reflect non-performance risk, impacted by the financial and economic environment prevailing at the date of the valuation, in the recognized measure of the fair value of the derivative financial instruments by applying a credit default premium, estimated using a combination of observable and unobservable inputs in the market, to the net exposure of the counterparty or the Corporation.

The fair value of embedded derivatives related to convertible debentures is determined by option pricing models using market inputs, including volatility, discount factors and the underlying instrument's implicit interest rate and credit premium.

Gains and losses on valuation and translation of financial instruments in the second quarters and first semesters of 2024 and 2023 are summarized in Table 8.

Table 8
(Gain) loss on valuation and translation of financial instruments
(in millions of Canadian dollars)

	Three months ended June 30		Six months ended June 30	
	2024	2023	2024	2023
(Gain) loss on embedded derivatives related to convertible debentures	\$ (5.7)	\$ (1.9)	\$ (15.5)	\$ 9.7
Other	–	0.3	–	–
	\$ (5.7)	\$ (1.6)	\$ (15.5)	\$ 9.7

Losses of \$13.7 million and \$5.8 million were recorded under "Other comprehensive income" in the second quarter and first half of 2024, respectively (gains of \$23.5 million and \$27.5 million in the second quarter and first half of 2023, respectively).

Non-IFRS financial measures

The financial measures not standardized under IFRS that are used by the Corporation to assess its financial performance, such as adjusted EBITDA, adjusted income from operating activities, adjusted cash flows from operations, free cash flows from operating activities and consolidated net debt leverage ratio, are not calculated in accordance with, or recognized by, IFRS. The Corporation's method of calculating these non-IFRS financial measures may differ from the methods used by other companies and, as a result, the non-IFRS financial measures presented in this document may not be comparable to other similarly titled measures disclosed by other companies.

Adjusted EBITDA

In its analysis of operating results, the Corporation defines adjusted EBITDA, as reconciled to net income under IFRS, as net income before depreciation and amortization, financial expenses, gain (loss) on valuation and translation of financial instruments, restructuring, acquisition costs and other, and income taxes. Adjusted EBITDA as defined above is not a measure of results that is consistent with IFRS. It is not intended to be regarded as an alternative to IFRS financial performance measures or to the statement of cash flows as a measure of liquidity. It should not be considered in isolation or as a substitute for measures of performance prepared in accordance with IFRS. The Corporation's management and Board of Directors use this measure in evaluating its consolidated results as well as the results of the Corporation's operating segments. This measure eliminates the significant level of impairment and depreciation/amortization of tangible and intangible assets and is unaffected by the capital structure or investment activities of the Corporation and its business segments.

Adjusted EBITDA is also relevant because it is a component of the Corporation's annual incentive compensation programs. A limitation of this measure, however, is that it does not reflect the capital expenditures and acquisitions of spectrum licences needed to generate revenues in the Corporation's segments. The Corporation also uses other measures that do reflect capital expenditures, such as adjusted cash flows from operations and free cash flows from operating activities. The Corporation's definition of adjusted EBITDA may not be the same as similarly titled measures reported by other companies.

Table 9 provides a reconciliation of adjusted EBITDA to net income as disclosed in Quebecor's condensed consolidated financial statements.

Table 9

Reconciliation of the adjusted EBITDA measure used in this report to the net income measure used in the condensed consolidated financial statements

(in millions of Canadian dollars)

	Three months ended June 30		Six months ended June 30	
	2024	2023	2024	2023
Adjusted EBITDA (negative adjusted EBITDA):				
Telecommunications	\$ 608.1	\$ 607.6	\$ 1,183.6	\$ 1,081.8
Media	18.9	(0.5)	2.2	(26.9)
Sports and Entertainment	1.0	3.0	4.9	6.4
Head Office	(3.1)	(4.9)	(6.3)	(13.3)
	624.9	605.2	1,184.4	1,048.0
Depreciation and amortization	(237.6)	(250.6)	(473.8)	(439.1)
Financial expenses	(108.1)	(113.7)	(217.0)	(191.6)
Gain (loss) on valuation and translation of financial instruments	5.7	1.6	15.5	(9.7)
Restructuring, acquisition costs and other	(7.0)	(13.3)	(9.2)	(18.9)
Income taxes	(71.3)	(57.9)	(125.7)	(103.9)
Net income	\$ 206.6	\$ 171.3	\$ 374.2	\$ 284.8

Adjusted income from operating activities

The Corporation defines adjusted income from operating activities, as reconciled to net income attributable to shareholders under IFRS, as net income attributable to shareholders before the gain (loss) on valuation and translation of financial instruments, and restructuring, acquisition costs and other, net of income tax related to adjustments and net income attributable to non-controlling interest related to adjustments. Adjusted income from operating activities, as defined above, is not a measure of results that is consistent with IFRS. It should not be considered in isolation or as a substitute for measures of performance prepared in accordance with IFRS. The Corporation uses adjusted income from operating activities to analyze trends in the performance of its businesses. The above-listed items are excluded from the calculation of this measure because they impair the comparability of financial results. Adjusted income from operating activities is more representative for forecasting income. The Corporation's definition of adjusted income from operating activities may not be identical to similarly titled measures reported by other companies.

Table 10 provides a reconciliation of adjusted income from operating activities to the net income attributable to shareholders' measure used in Quebecor's condensed consolidated financial statements.

Table 10

Reconciliation of the adjusted income from operating activities measure used in this report to the net income attributable to shareholders measure used in the condensed consolidated financial statements

(in millions of Canadian dollars)

	Three months ended June 30		Six months ended June 30	
	2024	2023	2024	2023
Adjusted income from operating activities	\$ 205.1	\$ 182.3	\$ 368.2	\$ 318.3
Gain (loss) on valuation and translation of financial instruments	5.7	1.6	15.5	(9.7)
Restructuring, acquisition costs and other	(7.0)	(13.3)	(9.2)	(18.9)
Income taxes related to adjustments ¹	1.3	3.5	3.7	5.1
Non-controlling interest related to adjustments	2.5	—	2.6	0.2
Net income attributable to shareholders	\$ 207.6	\$ 174.1	\$ 380.8	\$ 295.0

¹ Includes impact of fluctuations in income tax applicable to adjusted items, either for statutory reasons or in connection with tax transactions.

Adjusted cash flows from operations and free cash flows from operating activities

Adjusted cash flows from operations

Adjusted cash flows from operations represents adjusted EBITDA less capital expenditures (excluding spectrum licence acquisitions). Adjusted cash flows from operations represents funds available for interest and income tax payments, expenditures related to restructuring programs, business acquisitions, acquisitions of spectrum licences, payment of dividends, repayment of long-term debt and lease liabilities, and share repurchases. Adjusted cash flows from operations is not a measure of liquidity that is consistent with IFRS. It is not intended to be regarded as an alternative to IFRS financial performance measures or to the statement of cash flows as a measure of liquidity. Adjusted cash flows from operations is used by the Corporation's management and Board of Directors to evaluate the cash flows generated by the operations of all of its segments, on a consolidated basis, in addition to the operating cash flows generated by each segment. Adjusted cash flows from operations is also relevant because it is a component of the Corporation's annual incentive compensation programs. The Corporation's definition of adjusted cash flows from operations may not be identical to similarly titled measures reported by other companies.

Free cash flows from operating activities

Free cash flows from operating activities represents cash flows provided by operating activities calculated in accordance with IFRS, less cash flows used for capital expenditures (excluding spectrum licence acquisitions), plus proceeds from disposal of assets. Free cash flows from operating activities is used by the Corporation's management and Board of Directors to evaluate cash flows generated by the Corporation's operations. Free cash flows from operating activities represents available funds for business acquisitions, acquisitions of spectrum licences, payment of dividends, repayment of long-term debt and lease liabilities, and share repurchases. Free cash flows from operating activities is not a measure of liquidity that is consistent with IFRS. It is not intended to be regarded as an alternative to IFRS financial performance measures or to the statement of cash flows as a measure of liquidity. The Corporation's definition of free cash flows from operating activities may not be identical to similarly titled measures reported by other companies.

Tables 11 and 12 provide a reconciliation of adjusted cash flows from operations and free cash flows from operating activities to cash flows provided by operating activities reported in the condensed consolidated financial statements.

Table 11
Adjusted cash flows from operations
(in millions of Canadian dollars)

	Three months ended June 30		Six months ended June 30	
	2024	2023	2024	2023
Adjusted EBITDA (negative adjusted EBITDA)				
Telecommunications	\$ 608.1	\$ 607.6	\$ 1,183.6	\$ 1,081.8
Media	18.9	(0.5)	2.2	(26.9)
Sports and Entertainment	1.0	3.0	4.9	6.4
Head Office	(3.1)	(4.9)	(6.3)	(13.3)
	624.9	605.2	1,184.4	1,048.0
Minus				
Capital expenditures: ¹				
Telecommunications	(162.1)	(145.9)	(295.0)	(240.6)
Media	(11.0)	(2.2)	(17.2)	(3.2)
Sports and Entertainment	(1.9)	(1.7)	(3.3)	(2.6)
Head Office	(0.2)	(0.1)	(0.2)	(0.3)
	(175.2)	(149.9)	(315.7)	(246.7)
Adjusted cash flows from operations				
Telecommunications	446.0	461.7	888.6	841.2
Media	7.9	(2.7)	(15.0)	(30.1)
Sports and Entertainment	(0.9)	1.3	1.6	3.8
Head Office	(3.3)	(5.0)	(6.5)	(13.6)
	\$ 449.7	\$ 455.3	\$ 868.7	\$ 801.3

¹ Reconciliation to cash flows used for capital expenditures as per condensed consolidated financial statements:

	Three months ended June 30		Six months ended June 30	
	2024	2023	2024	2023
Capital expenditures	\$ (175.2)	\$ (149.9)	\$ (315.7)	\$ (246.7)
Net variance in current operating items related to capital expenditures (excluding government credits receivable for major capital projects)	3.9	13.9	(21.8)	(14.5)
Cash flows used for capital expenditures	\$ (171.3)	\$ (136.0)	\$ (337.5)	\$ (261.2)

Table 12**Free cash flows from operating activities and cash flows provided by operating activities reported in the condensed consolidated financial statements**

(in millions of Canadian dollars)

	Three months ended June 30		Six months ended June 30	
	2024	2023	2024	2023
Adjusted cash flows from operations from Table 11	\$ 449.7	\$ 455.3	\$ 868.7	\$ 801.3
<u>Plus (minus)</u>				
Cash portion of financial expenses	(105.7)	(111.5)	(212.3)	(187.7)
Cash portion of restructuring, acquisition costs and other	(8.5)	(13.8)	(8.9)	(20.3)
Current income taxes	(64.7)	(57.6)	(146.8)	(125.1)
Other	1.5	2.0	2.8	2.3
Net change in non-cash balances related to operating activities	(55.4)	(65.4)	(38.3)	(86.1)
Net variance in current operating items related to capital expenditures (excluding government credits receivable for major capital projects)	3.9	13.9	(21.8)	(14.5)
Free cash flows from operating activities	220.8	222.9	443.4	369.9
<u>Plus (minus)</u>				
Cash flows used for capital expenditures (excluding spectrum licence acquisitions)	171.3	136.0	337.5	261.2
Proceeds from disposal of assets	(0.5)	(0.5)	(0.5)	(0.8)
Cash flows provided by operating activities	\$ 391.6	\$ 358.4	\$ 780.4	\$ 630.3

Consolidated net debt leverage ratio

The consolidated net debt leverage ratio represents consolidated net debt, excluding convertible debentures, divided by the trailing 12-month adjusted EBITDA. Consolidated net debt, excluding convertible debentures, represents total long-term debt plus bank indebtedness, lease liabilities and liabilities related to derivative financial instruments, less assets related to derivative financial instruments and cash and cash equivalents. The consolidated net debt leverage ratio serves to evaluate the Corporation's financial leverage and is used by management and the Board of Directors in its decisions on the Corporation's capital structure, including its financing strategy, and in managing debt maturity risks. The consolidated net debt leverage ratio excludes convertible debentures because, subject to certain conditions, those debentures can be repurchased at the Corporation's discretion by issuing Quebecor Class B Shares. Consolidated net debt leverage ratio is not a measure established in accordance with IFRS. It is not intended to be used as an alternative to IFRS measures or the balance sheet to evaluate the Corporation's financial position. The Corporation's definition of consolidated net debt leverage ratio may not be identical to similarly titled measures reported by other companies.

Table 13 provides the calculation of consolidated net debt leverage ratio and the reconciliation to balance sheet items reported in Quebecor's condensed consolidated financial statements.

Table 13
Consolidated net debt leverage ratio
(in millions of Canadian dollars)

	June 30, 2024	Dec. 31, 2023
Total long-term debt¹	\$ 7,757.2	\$ 7,668.2
Plus (minus)		
Lease liabilities ²	373.1	376.2
Bank indebtedness	9.0	9.6
Derivative financial instruments ³	(76.9)	(110.8)
Cash and cash equivalents	(8.1)	(11.1)
Consolidated net debt excluding convertible debentures	8,054.3	7,932.1
Divided by:		
Trailing 12-month adjusted EBITDA ⁴	\$ 2,374.2	\$ 2,337.1
Consolidated net debt leverage ratio⁴	3.39x	3.39x

¹ Excluding changes in the fair value of long-term debt related to hedged interest rate risk and financing costs.

² Current and long-term liabilities.

³ Current and long-term assets less long-term liabilities.

⁴ On a pro forma basis as at December 31, 2023, using Freedom's trailing 12-month adjusted EBITDA.

Key performance indicators

Revenue-generating unit

The Corporation uses RGU, an industry metric, as a key performance indicator. An RGU represents, as the case may be, subscriber connections to the mobile and wireline telephony services and subscriptions to the Internet access and television services. RGU is not a measurement that is consistent with IFRS and the Corporation's definition and calculation of RGU may not be the same as identically titled measurements reported by other companies or published by public authorities.

Average monthly mobile revenue per unit

The Corporation uses mobile ARPU, an industry metric, as a key performance indicator. This indicator is calculated by dividing mobile telephony revenues by the average number of mobile RGUs during the applicable period, and then dividing the resulting amount by the number of months in the applicable period. Mobile ARPU is not a measurement that is consistent with IFRS and the Corporation's definition and calculation of mobile ARPU may not be the same as identically titled measurements reported by other companies.

Controls and procedures

The purpose of internal controls over financial reporting is to provide reasonable assurance as to the reliability of the Corporation's financial reporting and the preparation of its consolidated financial statements in accordance with IFRS.

There have not been any changes in internal controls over financial reporting during the three months ended June 30, 2024 that have materially affected, or are reasonably likely to materially affect, the Corporation's internal controls over financial reporting.

Additional information

The Corporation is a reporting issuer subject to the securities laws of all Canadian provinces and is therefore required to file financial statements, a proxy circular and an annual information form with the various securities commissions. Copies of those documents are available free of charge from the Corporation on request at www.quebecor.com and on the SEDAR+ website at www.sedarplus.ca.

Cautionary statement regarding forward-looking statements

The statements in this report that are not historical facts are forward-looking statements and are subject to significant known and unknown risks, uncertainties and assumptions that could cause the Corporation's actual results for future periods to differ materially from those set forth in forward-looking statements. Forward-looking statements may be identified by the use of the conditional or by

forward-looking terminology such as the terms “plans,” “expects,” “may,” “anticipates,” “intends,” “estimates,” “projects,” “seeks,” “believes,” or similar terms, variations of such terms or the negative of such terms. Some important factors that could cause actual results to differ materially from those expressed in these forward-looking statements include, but are not limited to:

- Quebecor’s ability to continue successfully developing its network and the facilities that support its mobile services;
- general economic, financial or market conditions and variations in the businesses of local, regional and national advertisers in Quebecor’s newspapers, television outlets and other media properties;
- the intensity of competitive activity in the industries in which Quebecor operates;
- Quebecor’s ability to penetrate new, highly competitive markets, and the accuracy of the estimated size of potential markets;
- fragmentation of the media landscape;
- new technologies that might change consumer behaviour with respect to Quebecor’s product suites;
- unanticipated higher capital spending required for developing Quebecor’s network or to address the continued development of competitive alternative technologies, or the inability to obtain additional capital to continue the development of Quebecor’s business;
- Quebecor’s ability to implement its business and operating strategies successfully and to manage its growth and expansion;
- risks relating to the acquisition of Freedom and the strategy for expanding outside Québec, including Quebecor’s ability to successfully integrate Freedom’s operations and to capture synergies, and potential unknown liabilities or costs associated with the acquisition of Freedom;
- the anticipated benefits and effects of the acquisition of Freedom, which may not be realized in a timely manner or at all, and ongoing operating costs and capital expenditures, which could be different than anticipated, as well as unanticipated litigation or other regulatory proceedings associated with the acquisition of Freedom, which could result in changes to the parameters of the transaction;
- the impacts of the significant and recurring investments that will be required in the new markets of Freedom and Videotron as mobile virtual network operators (MVNOs) and other markets for development and expansion and to compete effectively with the incumbent local exchange carriers (ILECs) and other current or potential competitors in these markets, including the fact that the post-acquisition Videotron business will continue to face the same risks that Videotron currently faces, but will also face increased risks relating to new geographies and markets;
- disruptions to the network through which Quebecor provides its television, Internet access, mobile and wireline telephony and OTT services, and its ability to protect such services against piracy, unauthorized access and other security breaches;
- labour disputes or strikes;
- service interruptions resulting from equipment breakdown, network failure, the threat of natural disasters, epidemics, pandemics and other public-health crises and political instability in some countries;
- impact of emergency measures that have been or may be implemented by various levels of government;
- changes in Quebecor’s ability to obtain services and equipment critical to its operations;
- changes in laws and regulations, or in their interpretations, which could result, among other things, in the loss (or reduction in value) of Quebecor’s licences or markets, or in an increase in competition, compliance costs or capital expenditures;
- Quebecor’s ability to successfully develop its Sports and Entertainment segment and other expanding lines of business in its other segments;
- Quebecor’s substantial indebtedness, the tightening of credit markets, and the restrictions on its business imposed by the terms of its debt; and
- interest rate fluctuations that could affect a portion of Quebecor’s interest payment requirements on long-term debt.

The forward-looking statements in this document are made to provide investors and the public with a better understanding of the Corporation’s circumstances and are based on assumptions it believes to be reasonable as of the day on which they are made. Investors and others are cautioned that the foregoing list of factors that may affect future results is not exhaustive and that undue reliance should not be placed on any forward-looking statements. For more information on the risks, uncertainties and assumptions that could cause the Corporation’s actual results to differ from current expectations, please refer to the Corporation’s public filings, available at www.sedarplus.ca and www.quebecor.com, including, in particular, the “Trend Information” and “Risks and Uncertainties” sections of the Corporation’s Management Discussion and Analysis for the year ended December 31, 2023.

The forward-looking statements in this Management Discussion and Analysis reflect the Corporation's expectations as of August 7, 2024 and are subject to change after that date. The Corporation expressly disclaims any obligation or intention to update or revise any forward-looking statements, whether as a result of new information, future events or otherwise, except as required by applicable securities laws.

Montréal, Québec

August 7, 2024

QUEBECOR INC.

SELECTED QUARTERLY FINANCIAL DATA

(in millions of Canadian dollars, except per share data)

	2024		2023				2022	
	June 30	March 31	Dec. 31	Sept. 30	June 30	March 31	Dec. 31	Sept. 30
Revenues	\$ 1,386.9	\$ 1,362.8	\$ 1,504.8	\$ 1,415.4	\$ 1,398.5	\$ 1,115.6	\$ 1,185.0	\$ 1,143.7
Adjusted EBITDA	624.9	559.5	565.4	624.4	605.2	442.8	483.0	518.0
Adjusted cash flows from operations	449.7	419.0	395.7	482.4	455.3	346.0	359.4	403.1
Contribution to net income attributable to shareholders:								
Operating activities	205.1	163.1	167.5	202.3	182.3	136.0	159.4	175.0
Gain (loss) on valuation and translation of financial instruments	5.7	9.7	(8.7)	13.1	1.8	(11.4)	(16.3)	7.0
Unusual items	(3.2)	0.4	(12.6)	(6.1)	(10.0)	(3.7)	(0.6)	(3.6)
Net income attributable to shareholders	207.6	173.2	146.2	209.3	174.1	120.9	142.5	178.4

Basic data per share

Contribution to net income attributable to shareholders:									
Operating activities	\$ 0.89	\$ 0.71	\$ 0.73	\$ 0.88	\$ 0.79	\$ 0.59	\$ 0.69	\$ 0.75	
Gain (loss) on valuation and translation of financial instruments	0.02	0.04	(0.04)	0.06	0.01	(0.05)	(0.07)	0.03	
Unusual items	(0.01)	-	(0.06)	(0.03)	(0.05)	(0.02)	-	(0.02)	
Net income attributable to shareholders	0.90	0.75	0.63	0.91	0.75	0.52	0.62	0.76	

Weighted average number of shares outstanding (in millions)

	230.8	230.7	230.7	230.9	230.9	230.9	231.4	233.5
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Diluted data per share

Contribution to net income attributable to shareholders:									
Operating activities	\$ 0.89	\$ 0.70	\$ 0.72	\$ 0.87	\$ 0.78	\$ 0.58	\$ 0.68	\$ 0.74	
Dilution impact	-	-	0.01	-	-	0.01	0.01	-	
Gain (loss) on valuation and translation of financial instruments	0.02	-	(0.04)	-	-	(0.05)	(0.07)	-	
Unusual items	(0.01)	-	(0.06)	(0.03)	(0.05)	(0.02)	-	(0.02)	
Net income attributable to shareholders	0.90	0.70	0.63	0.84	0.73	0.52	0.62	0.72	

Weighted average number

of diluted shares outstanding (in millions)	231.1	236.0	230.9	236.2	236.2	231.2	231.5	238.9
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