Condensed consolidated financial statements of

QUEBECOR INC.

Three-month periods ended March 31, 2017 and 2016

QUEBECOR INC.

CONSOLIDATED STATEMENTS OF INCOME

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

	Note	Three months ended March 31 2017	2016
Revenues	2	**$ 996.4**	$ 975.4
Employee costs	3	**187.1**	185.0
Purchase of goods and services	3	**444.2**	435.7
Depreciation and amortization		**169.8**	161.7
Financial expenses	4	**77.1**	80.8
Loss (gain) on valuation and translation of financial instruments	5	**72.4**	(6.6)
Restructuring of operations, litigation and other items	6	**(10.9)**	7.9
Loss on debt refinancing	8	**15.6**	-
Income before income taxes		**41.1**	110.9
Income taxes (recovery):			
Current		**3.4**	38.2
Deferred		**22.0**	(10.5)
		25.4	27.7
Net income		**$ 15.7**	$ 83.2
Net (loss) income attributable to			
Shareholders		**$ (0.2)**	$ 69.9
Non-controlling interests		**15.9**	13.3
Earnings per share attributable to shareholders	9		
Basic		**$ -**	$ 0.57
Diluted		**-**	0.46
Weighted average number of shares outstanding (in millions)		**121.6**	122.5
Weighted average number of diluted shares (in millions)		**121.6**	143.6

See accompanying notes to condensed consolidated financial statements.

QUEBECOR INC.

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

(in millions of Canadian dollars) (unaudited)	Three months ended March 31	
	2017	2016
Net income	**$ 15.7**	$ 83.2
Other comprehensive loss:		
Items that may be reclassified to income:		
Cash flow hedges:		
(Loss) gain on valuation of derivative financial instruments	**(12.3)**	10.1
Deferred income taxes	**3.8**	15.3
Items that will not be reclassified to income:		
Defined benefit plans:		
Re-measurement loss	**-**	(78.0)
Deferred income taxes	**-**	21.0
	(8.5)	(31.6)
Comprehensive income	**$ 7.2**	$ 51.6
Comprehensive (loss) income attributable to		
Shareholders	**$ (7.1)**	$ 47.1
Non-controlling interests	**14.3**	4.5

See accompanying notes to condensed consolidated financial statements.

QUEBECOR INC.
SEGMENTED INFORMATION

(in millions of Canadian dollars)
(unaudited)

Three months ended March 31, 2017

	Telecommuni-cations	Media	Sports and Enter-tainment	Head office and Inter-segments	Total
Revenues	**$ 799.9**	**$ 210.8**	**$ 11.4**	**$ (25.7)**	**$ 996.4**
Employee costs	**100.6**	**63.9**	**3.1**	**19.5**	**187.1**
Purchase of goods and services	**322.2**	**149.8**	**8.4**	**(36.2)**	**444.2**
Adjusted operating income[1]	**377.1**	**(2.9)**	**(0.1)**	**(9.0)**	**365.1**
Depreciation and amortization					**169.8**
Financial expenses					**77.1**
Loss on valuation and translation of financial instruments					**72.4**
Restructuring of operations, litigation and other items					**(10.9)**
Loss on debt refinancing					**15.6**
Income before income taxes					**$ 41.1**
Additions to property, plant and equipment	**$ 161.8**	**$ 6.0**	**$ 0.1**	**$ 0.4**	**$ 168.3**
Additions to intangible assets	**33.6**	**1.1**	**-**	**0.4**	**35.1**

Three months ended March 31, 2016

	Telecommuni-cations	Media	Sports and Enter-tainment	Head office and Inter-segments	Total
Revenues	$ 772.5	$ 221.1	$ 10.3	$ (28.5)	$ 975.4
Employee costs	99.1	69.7	4.4	11.8	185.0
Purchase of goods and services	314.7	154.1	6.7	(39.8)	435.7
Adjusted operating income[1]	358.7	(2.7)	(0.8)	(0.5)	354.7
Depreciation and amortization					161.7
Financial expenses					80.8
Gain on valuation and translation of financial instruments					(6.6)
Restructuring of operations, litigation and other items					7.9
Income before income taxes					$ 110.9
Additions to property, plant and equipment	$ 159.6	$ 13.7	$ 0.6	$ 0.3	$ 174.2
Additions to intangible assets	38.6	1.8	0.3	0.8	41.5

[1] The Chief Executive Officer uses adjusted operating income as the measure of profit to assess the performance of each segment. Adjusted operating income is referred as a non-IFRS measure and is defined as net income before depreciation and amortization, financial expenses, loss (gain) on valuation and translation of financial instruments, restructuring of operations, litigation and other items, loss on debt refinancing and income taxes.

See accompanying notes to condensed consolidated financial statements.

QUEBECOR INC.
CONSOLIDATED STATEMENTS OF EQUITY

(in millions of Canadian dollars)
(unaudited)

	Equity attributable to shareholders				Equity attributable to non-controlling interests	Total equity
	Capital stock	Contributed surplus	Retained earnings	Accumulated other comprehensive loss		
	(note 10)			(note 12)		
Balance as of December 31, 2015	$ 325.6	$ 2.3	$ 82.2	$ (111.2)	$ 353.1	$ 652.0
Net income	-	-	69.9	-	13.3	83.2
Other comprehensive loss	-	-	-	(22.8)	(8.8)	(31.6)
Dividends or distributions	-	-	(4.3)	-	(4.7)	(9.0)
Repurchase of Class B Shares	(0.1)	-	(1.2)	-	-	(1.3)
Balance as of March 31, 2016	325.5	2.3	146.6	(134.0)	352.9	693.3
Net income	-	-	124.8	-	40.8	165.6
Other comprehensive income	-	-	-	27.9	12.7	40.6
Dividends or distributions	-	-	(16.5)	-	(14.4)	(30.9)
Repurchase of Class B Shares	(2.2)	-	(19.2)	-	-	(21.4)
Balance as of December 31, 2016	323.3	2.3	235.7	(106.1)	392.0	847.2
Net (loss) income	-	-	(0.2)	-	15.9	15.7
Other comprehensive loss	-	-	-	(6.9)	(1.6)	(8.5)
Dividends or distributions	-	-	(5.5)	-	(4.7)	(10.2)
Repurchase of Class B Shares	(1.2)	-	(11.6)	-	-	(12.8)
Balance as of March 31, 2017	**$ 322.1**	**$ 2.3**	**$ 218.4**	**$ (113.0)**	**$ 401.6**	**$ 831.4**

See accompanying notes to condensed consolidated financial statements.

QUEBECOR INC.

CONSOLIDATED STATEMENTS OF CASH FLOWS

(in millions of Canadian dollars)
(unaudited)

	Note	Three months ended March 31 2017	2016
Cash flows related to operating activities			
Net income		**$ 15.7**	$ 83.2
Adjustments for:			
Depreciation of property, plant and equipment		**144.6**	139.6
Amortization of intangible assets		**25.2**	22.1
Loss (gain) on valuation and translation of financial instruments	5	**72.4**	(6.6)
Loss on debt refinancing	8	**15.6**	-
Amortization of financing costs and long-term debt discount	4	**1.8**	1.6
Deferred income taxes		**22.0**	(10.5)
Other		**1.3**	1.5
		298.6	230.9
Net change in non-cash balances related to operating activities		**(151.3)**	(11.4)
Cash flows provided by operating activities		**147.3**	219.5
Cash flows related to investing activities			
Business acquisitions	7	**(5.6)**	(119.3)
Business disposals		**-**	3.0
Additions to property, plant and equipment		**(168.3)**	(174.2)
Additions to intangible assets		**(35.1)**	(41.5)
Proceeds from disposals of assets		**0.4**	0.4
Cash flows used in investing activities		**(208.6)**	(331.6)
Cash flows related to financing activities			
Net change in bank indebtedness		**48.6**	44.0
Net change under revolving facilities		**197.4**	65.9
Repayments of long-term debt	8	**(183.7)**	(2.6)
Settlement of hedging contracts		**(0.1)**	5.8
Repurchase of Class B Shares	10	**(12.8)**	(1.3)
Dividends or distributions paid to non-controlling interests		**(4.7)**	(4.7)
Cash flows provided by financing activities		**44.7**	107.1
Net change in cash and cash equivalents		**(16.6)**	(5.0)
Cash and cash equivalents at beginning of period		**22.3**	18.6
Cash and cash equivalents at end of period		**$ 5.7**	$ 13.6
Cash and cash equivalents consist of			
Cash		**$ 4.6**	$ 11.8
Cash equivalents		**1.1**	1.8
		$ 5.7	$ 13.6
Interest and taxes reflected as operating activities			
Cash interest payments		**$ 42.3**	$ 42.6
Cash income tax payments (net of refunds)		**51.2**	34.5

See accompanying notes to condensed consolidated financial statements.

QUEBECOR INC.

CONSOLIDATED BALANCE SHEETS

(in millions of Canadian dollars)
(unaudited)

	Note	March 31 2017	December 31 2016
Assets			
Current assets			
Cash and cash equivalents		**$ 5.7**	$ 22.3
Accounts receivable		**500.8**	525.4
Income taxes		**19.7**	6.9
Inventories		**207.9**	183.3
Prepaid expenses		**75.8**	53.0
		809.9	790.9
Non-current assets			
Property, plant and equipment		**3,586.9**	3,605.1
Intangible assets		**1,221.6**	1,224.0
Goodwill		**2,725.4**	2,725.4
Derivative financial instruments		**762.1**	809.0
Deferred income taxes		**26.6**	16.0
Other assets		**85.3**	91.9
		8,407.9	8,471.4
Total assets		**$ 9,217.8**	$ 9,262.3
Liabilities and equity			
Current liabilities			
Bank indebtedness		**$ 67.5**	$ 18.9
Accounts payable and accrued charges		**598.0**	705.9
Provisions		**50.1**	69.3
Deferred revenue		**345.7**	339.7
Income taxes		**2.0**	35.2
Current portion of long-term debt	8	**52.5**	51.8
		1,115.8	1,220.8
Non-current liabilities			
Long-term debt	8	**5,605.0**	5,616.9
Derivative financial instruments		**1.4**	0.3
Convertible debentures		**500.0**	500.0
Other liabilities		**574.6**	516.2
Deferred income taxes		**589.6**	560.9
		7,270.6	7,194.3
Equity			
Capital stock	10	**322.1**	323.3
Contributed surplus		**2.3**	2.3
Retained earnings		**218.4**	235.7
Accumulated other comprehensive loss	12	**(113.0)**	(106.1)
Equity attributable to shareholders		**429.8**	455.2
Non-controlling interests		**401.6**	392.0
		831.4	847.2
Total liabilities and equity		**$ 9,217.8**	$ 9,262.3

See accompanying notes to condensed consolidated financial statements.

Quebecor Inc. (“Quebecor” or the “Corporation”) is incorporated under the laws of Québec. Unless the context otherwise requires, Quebecor or the Corporation refer to Quebecor Inc. and its subsidiaries and Quebecor Media Inc. (“Quebecor Media”) refers to Quebecor Media Inc. and its subsidiaries. The Corporation’s head office and registered office is located at 612 rue Saint-Jacques, Montréal (Québec), Canada. Quebecor is a holding corporation with interests in Quebecor Media and in subsidiaries controlled by Quebecor Media.

The Corporation operates, through its subsidiaries, in the following industry segments: Telecommunications, Media, and Sports and Entertainment. The Telecommunications segment offers television distribution, Internet access, business solutions (including data centers), cable and mobile telephony and over-the-top video services in Canada and is engaged in the rental of movies, televisual products and video games through its video-on-demand service and video rental stores. The operations of the Media segment in Québec include the operation of an over-the-air television network and specialty television services, the operation of soundstage and equipment leasing and post-production services for the film and television industries, the printing, publishing and distribution of daily newspapers, the operation of Internet portals and specialized web sites, the publishing of books and magazines, the distribution of books, magazines and movies, the distribution and production of music, and the operation of an out-of-home advertising business. The activities of the Sports and Entertainment segment in Québec encompass the operation and management of the Videotron Centre in Québec City, show production, sporting and cultural events management, and the operation of two Quebec Major Junior Hockey League teams.

The Media segment experiences significant seasonality due, among other factors, to seasonal advertising patterns and influences on people’s viewing, reading and listening habits. Because the Media segment depends on the sale of advertising for a significant portion of its revenue, operating results are also sensitive to prevailing economic conditions, including changes in local, regional and national economic conditions, particularly as they may affect advertising expenditures. Accordingly, the results of operations for interim periods should not necessarily be considered indicative of full-year results due to the seasonality of certain operations.

1. BASIS OF PRESENTATION

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (“IFRS”) as issued by the International Accounting Standards Board (“IASB”), except that they do not include all disclosures required under IFRS for annual consolidated financial statements. In particular, these consolidated financial statements were prepared in accordance with IAS 34, *Interim Financial Reporting*, and accordingly, they are condensed consolidated financial statements. These condensed consolidated financial statements should be read in conjunction with the Corporation’s 2016 annual consolidated financial statements, which contain a description of the accounting policies used in the preparation of these condensed financial statements.

These condensed consolidated financial statements were approved for issue by the Board of Directors of Quebecor on May 10, 2017.

Comparative figures for the three-month period ended March 31, 2016 have been restated to conform to the presentation adopted for the three-month period ended March 31, 2017.

(tabular amounts in millions of Canadian dollars, except for per share data and option data)

2. REVENUES

The breakdown of revenues between services rendered and product sales is as follows:

	Three months ended March 31	
	2017	2016
Services rendered	**$ 928.3**	$ 906.5
Product sales	**68.1**	68.9
	$ 996.4	$ 975.4

3. EMPLOYEE COSTS AND PURCHASE OF GOODS AND SERVICES

The main components of employee costs and purchase of goods and services are as follows:

	Three months ended March 31	
	2017	2016
Employee costs	**$ 234.9**	$ 232.3
Less employee costs capitalized to property, plant and equipment and intangible assets	**(47.8)**	(47.3)
	187.1	185.0
Purchase of goods and services:		
Royalties, rights and creation costs	**179.6**	186.2
Cost of products sold	**78.8**	67.3
Service contracts	**42.9**	40.6
Marketing, circulation and distribution expenses	**24.3**	26.6
Building expenses	**23.1**	20.7
Other	**95.5**	94.3
	444.2	435.7
	$ 631.3	$ 620.7

(tabular amounts in millions of Canadian dollars, except for per share data and option data)

4. FINANCIAL EXPENSES

	Three months ended March 31	
	2017	2016
Interest on long-term debt and on debentures	**$ 73.6**	$ 77.4
Amortization of financing costs and long-term debt discount	**1.8**	1.6
Interest on net defined benefit liability	**1.6**	1.8
Gain on foreign currency translation on short-term monetary items	**(0.4)**	(0.4)
Other	**0.5**	0.4
	$ 77.1	$ 80.8

5. LOSS (GAIN) ON VALUATION AND TRANSLATION OF FINANCIAL INSTRUMENTS

	Three months ended March 31	
	2017	2016
Loss (gain) on embedded derivatives related to convertible debentures	**$ 72.7**	$ (7.8)
Loss on the ineffective portion of fair value hedges	**0.3**	1.2
Loss on the ineffective portion of cash flow hedges	**–**	0.1
Gain on embedded derivatives related to long term	**(0.6)**	(0.1)
	$ 72.4	$ (6.6)

6. RESTRUCTURING OF OPERATIONS, LITIGATION AND OTHER ITEMS

During the first quarter of 2017, a net gain of $10.9 million was recorded relating to developments in certain litigations, various cost reduction initiatives across the Corporation and the migration of subscribers from analog to digital services in the Telecommunications segment (net charge of $7.9 million in 2016).

(tabular amounts in millions of Canadian dollars, except for per share data and option data)

7. BUSINESS ACQUISITIONS

On January 7, 2016, Videotron Ltd. (“Videotron”) acquired Fibrenoire inc., a company that provides businesses with fibre-optic connectivity services, for a purchase price of $125.0 million. At closing, Videotron paid an amount of $119.1 million, net of cash acquired of $1.8 million. A post-closing adjustment of $0.2 million was received in the second quarter of 2016. The purchase balance was paid in February 2017 for an amount of $5.6 million plus interests of $0.3 million.

An amount of $0.2 million was also paid in the first quarter of 2016 relating to a prior business acquisition.

8. LONG TERM DEBT

On January 5, 2017, Videotron redeemed an aggregate principal amount of $175.0 million of its issued and outstanding 6.875% Senior Notes due July 15, 2021, at a redemption price of 103.438% of their principal amount, for a cash consideration of $181.0 million.

On March 31, 2017, Videotron issued a notice for the redemption of all its issued and outstanding 6.875% Senior Notes due July 15, 2021 in aggregate principal amount of $125.0 million, at a redemption price of 103.438% of their principal amount. As a result, a loss of $5.2 million was accounted for in the first quarter of 2017. On May 1, 2017, the Senior Notes were redeemed for a cash consideration of $129.3 million.

On March 31, 2017, Quebecor Media issued a notice for the redemption of all its issued and outstanding 7.375% Senior Notes due January 15, 2021 in aggregate principal amount of $325.0 million, at a redemption price of 102.458% of their principal amount. As a result, a loss of $10.4 million was accounted for in the first quarter of 2017. On May 1, 2017, the Senior Notes were redeemed for a cash consideration of $333.0 million.

On April 13, 2017, Videotron issued US$600.0 million aggregate principal amount of Senior Notes bearing interest at 5.125% and maturing on April 15, 2027, for net proceeds of $794.5 million, net of financing fees of $9.9 million. The Senior Notes are unsecured and contain certain restrictions, including limitations on Videotron’s ability to incur additional indebtedness, pay dividends and make other distributions. The notes are guaranteed by specific subsidiaries of Videotron and are redeemable at the option of Videotron, in whole or in part, at a price based on a make-whole formula during the first five years of the term of the Notes and at a decreasing premium thereafter. Videotron has fully hedged the foreign currency risk associated with the new Senior Notes by using cross-currency swaps.

On May 4, 2017, Videotron transferred all then existing commitments under its unsecured revolving credit facility to its secured revolving credit facility, hence increasing its secured facility from $630.0 million to $965.0 million and terminating its unsecured facility.

Components of long-term debt are as follows:

	March 31, 2017	December 31, 2016
Long-term debt	**$ 5,686.1**	$ 5,700.8
Change in fair value related to hedged interest rate risk	**7.5**	8.4
Adjustment related to embedded derivatives	**–**	0.6
Financing fees, net of amortization	**(36.1)**	(41.1)
	5,657.5	5,668.7
Less current portion	**(52.5)**	(51.8)
	$ 5,605.0	$ 5,616.9

9. EARNINGS PER SHARE ATTRIBUTABLE TO SHAREHOLDERS

Basic earnings per share are calculated by dividing net (loss) income attributable to shareholders by the weighted average number of shares outstanding during the period. Diluted earnings per share are calculated by taking into account the potentially dilutive effect of stock options of the Corporation on the number of shares outstanding, the potentially dilutive effect of stock options of the Corporation's subsidiaries on net (loss) income attributable to shareholders, and the potentially dilutive effect of conversion of convertible debentures issued by the Corporation on the number of shares outstanding and on net (loss) income attributable to shareholders.

The following table sets forth the computation of basic and diluted earnings per share attributable to shareholders:

	Three months ended March 31	
	2017	2016
Net (loss) income attributable to shareholders	**$ (0.2)**	$ 69.9
Impact of assumed conversion of stock options of subsidiaries and of convertible debentures of the Corporation	**(0.2)**	(4.2)
Net (loss) income attributable to shareholders, adjusted for dilution effect	**$ (0.4)**	$ 65.7
Weighted average number of shares outstanding (in millions)	**121.6**	122.5
Potentially dilutive effect of stock options and of convertible debentures of the Corporation (in millions)	**–**	21.1
Weighted average number of diluted shares outstanding (in millions)	**121.6**	143.6

10. CAPITAL STOCK

(a) Authorized capital stock

An unlimited number of Class A Multiple Voting Shares ("Class A Shares") with voting rights of 10 votes per share convertible at any time into Class B Subordinate Voting Shares ("Class B Shares") on a one-for-one basis.

An unlimited number of Class B Shares convertible into Class A Shares on a one-for-one basis, only if a takeover bid for Class A Shares is made to holders of Class A Shares without being made concurrently and under the same terms to holders of Class B Shares, for the sole purpose of allowing the holders of Class B Shares to accept the offer and subject to certain other stated conditions provided in the articles, including acceptance of the offer by the majority holder.

Holders of Class B Shares are entitled to elect 25% of the Board of Directors of Quebecor. Holders of Class A Shares may elect the other members of the Board of Directors.

(tabular amounts in millions of Canadian dollars, except for per share data and option data)

10. CAPITAL STOCK (continued)

(b) Issued and outstanding capital stock

	Class A Shares		Class B Shares	
	Number	Amount	Number	Amount
Balance as of December 31, 2016	38,798,272	$ 8.6	83,055,592	$ 314.7
Class A Shares converted into Class B Shares	(30,100)	–	30,100	–
Shares purchased and cancelled	–	–	(329,600)	(1.2)
Balance as of March 31, 2017	**38,768,172**	**$ 8.6**	**82,756,092**	**$ 313.5**

On August 3, 2016, the Corporation filed a normal course issuer bid for a maximum of 500,000 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 2.4% of issued and outstanding Class B Shares as of August 3, 2016. The purchases can be made from August 15, 2016 to August 14, 2017 at prevailing market prices on the open market through the facilities of the Toronto Stock Exchange. All shares purchased under the bid will be cancelled.

In the first quarter of 2017, the Corporation purchased and cancelled 329,600 Class B Shares for a total cash consideration of $12.8 million (39,600 Class B Shares for a total cash consideration of $1.3 million in 2016). The excess of $11.6 million of the purchase price over the carrying value of Class B Shares repurchased was recorded in reduction of retained earnings ($1.2 million in 2016).

On May 10, 2017, the Board of Directors of the Corporation declared a dividend of $0.055 per share on Class A Shares and Class B Shares, or approximately $6.7 million, payable on June 20, 2017 to shareholders of record at the close of business on May 26, 2017.

(tabular amounts in millions of Canadian dollars, except for per share data and option data)

11. STOCK-BASED COMPENSATION PLANS

Stock option plans

The following table provides details of changes to outstanding options in the principal stock-based compensation plans in which management of the Corporation and its subsidiaries participates, for the three-month period ended March 31, 2017:

	Outstanding options	
	Number	Weighted average exercise price
Quebecor		
As of December 31, 2016	1,310,000	$ 25.36
Exercised	(580,000)	25.93
Cancelled	(290,000)	25.93
As of March 31, 2017	**440,000**	**$ 24.24**
Vested options as of March 31, 2017	**263,333**	**$ 23.55**
Quebecor Media		
As of December 31, 2016	980,905	$ 61.71
Exercised	(14,850)	67.92
Cancelled	(90,400)	59.16
As of March 31, 2017	**875,655**	**$ 61.87**
Vested options as of March 31, 2017	**219,250**	**$ 59.06**
TVA Group Inc.		
As of December 31, 2016	357,632	$ 12.71
Cancelled	(104,915)	14.00
As of March 31, 2017	**252,717**	**$ 12.18**
Vested options as of March 31, 2017	**198,717**	**$ 13.44**

During the three-month period ended March 31, 2017, 580,000 stock options of Quebecor were exercised for a cash consideration of $8.2 million (none in 2016) and 14,850 stock options of Quebecor Media were exercised for a cash consideration of $0.2 million (55,461 stock options for $1.0 million in 2016).

(tabular amounts in millions of Canadian dollars, except for per share data and option data)

11. STOCK-BASED COMPENSATION PLANS (continued)

Mid-term stock-based compensation plan

Under the mid-term stock-based compensation plan, participants are entitled to receive a cash payment at the end of a three-year period based on the appreciation of the Quebecor Class B Share price, and subject to the achievement of certain non-market performance criteria. The following table provides details of changes to outstanding units in the mid-term stock-based compensation plan for the three-month period ended March 31, 2017:

	Outstanding units	
	Units	**Weighted average exercise price**
Balance as of December 31, 2016	1,427,624	$ 28.92
Exercised	(1,140,941)	28.24
Cancelled	(193,073)	31.62
Balance as of March 31, 2017	**93,610**	**$ 31.62**

During the first quarter of 2017, a cash consideration of $9.8 million was paid upon the exercise of 1,140,941 units (none in 2016).

Deferred share unit and performance share unit plans

The deferred share unit ("DSU") and performance share unit ("PSU") plans are based either on Quebecor Class B Shares and on TVA Group Inc. Class B Non-voting Shares (TVA Group Class B Shares"). The DSUs vest over six years and will be redeemed for cash only upon the participant's retirement or termination of employment, as the case may be, and the PSUs vest over three years and will be redeemed for cash at the end of this period subject to the achievement of financial targets. DSUs and PSUs entitle the holders to receive additional units when dividends are paid on Quebecor Class B Shares or TVA Group Class B Shares. The following table provides details of changes to outstanding units in the DSU and PSU plans for the three-month period ended March 31, 2017:

	Outstanding units	
	DSU	**PSU**
Quebecor		
Balance as of December 31, 2016	79,841	102,212
Exercised	(3,467)	(7,890)
Cancelled	(14,317)	(16,412)
Balance as of March 31, 2017	**62,057**	**77,910**
TVA Group		
Balance as of December 31, 2016	209,327	212,671
Exercised	(5,034)	–
Cancelled	(20,474)	(7,128)
Balance as of March 31, 2017	**183,819**	**205,543**

(tabular amounts in millions of Canadian dollars, except for per share data and option data)

11. STOCK-BASED COMPENSATION PLANS (continued)

Stock-based compensation expense

For the three-month period ended March 31, 2017, a consolidated charge related to all stock-based compensation plans was recorded in the amount of $6.7 million ($2.8 million in 2016).

12. ACCUMULATED OTHER COMPREHENSIVE LOSS

	Cash flow hedges	Defined benefit plans	Total
Balance as of December 31, 2015	$ (57.6)	$ (53.6)	$ (111.2)
Other comprehensive income (loss)	20.6	(43.4)	(22.8)
Balance as of March 31, 2016	(37.0)	(97.0)	(134.0)
Other comprehensive (loss) income	(32.8)	60.7	27.9
Balance as of December 31, 2016	(69.8)	(36.3)	(106.1)
Other comprehensive loss	(6.9)	–	(6.9)
Balance as of March 31, 2017	**$ (76.7)**	**$ (36.3)**	**$ (113.0)**

No significant amount is expected to be reclassified in income over the next 12 months in connection with derivatives designated as cash flow hedges. The balance is expected to reverse over a 7 1/4-year period.

13. FAIR VALUE OF FINANCIAL INSTRUMENTS

In accordance with IFRS 13, *Fair value measurement*, the Corporation considers the following fair value hierarchy which reflects the significance of the inputs used in measuring its financial instruments :

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2: inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices); and
- Level 3: inputs that are not based on observable market data (unobservable inputs).

The fair value of long-term debt and convertible debentures is estimated based on quoted market prices when available or on valuation models using Level 1 and Level 2 inputs. When the Corporation uses valuation models, the fair value is estimated using discounted cash flows using year-end market yields or the market value of similar instruments with the same maturity.

The fair value of cash equivalents and bank indebtedness, classified as held for trading and accounted for at their fair value in the consolidated balance sheets, is determined using Level 2 inputs.

(tabular amounts in millions of Canadian dollars, except for per share data and option data)

13. FAIR VALUE OF FINANCIAL INSTRUMENTS (continued)

The fair value of derivative financial instruments recognized in 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 instrument and factors observable in external market data, such as period-end swap rates and foreign exchange rates (Level 2 inputs). 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 instruments by applying a credit default premium, estimated using a combination of observable and unobservable inputs in the market (Level 3 inputs), to the net exposure of the counterparty or the Corporation. Derivative financial instruments are classified as Level 2.

The fair value of early settlement options recognized as embedded derivatives and embedded derivative related to convertible debentures is determined by option pricing models using Level 2 market inputs, including volatility, discount factors, and the underlying instrument's adjusted implicit interest rate and credit premium.

The carrying value and fair value of long-term debt, convertible debentures and derivative financial instruments as of March 31, 2017 and December 31, 2016 are as follows:

	March 31, 2017		December 31, 2016	
Asset (liability)	**Carrying value**	**Fair value**	Carrying value	Fair value
Long-term debt[1,2]	**$ (5,686.1)**	**$ (5,908.6)**	$ (5,700.8)	$ (5,866.6)
Convertible debentures[3]	**(854.1)**	**(854.1)**	(780.0)	(780.0)
Derivative financial instruments				
Early settlement options	**–**	**–**	0.4	0.4
Foreign exchange forward contracts[4]	**1.5**	**1.5**	2.5	2.5
Interest rate swaps	**(0.2)**	**(0.2)**	(0.3)	(0.3)
Cross-currency interest rate swaps[4]	**759.4**	**759.4**	806.5	806.5

1 The carrying value of long-term debt excludes adjustments to record changes in the fair value of long-term debt related to hedged interest risk, embedded derivatives and financing fees.

2 The fair value of long-term debt does not include the fair value of early settlement options, which is presented separately in the table.

3 The carrying value and fair value of convertible debentures consist of the initial capital investment and the value of the cap and floor conversion price features, recognized as embedded derivatives.

4 The value of foreign exchange forward contracts entered into to lock-in the value of existing hedging positions is netted from the value of the offset financial instruments.