FORM 6-K

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

REPORT OF FOREIGN PRIVATE ISSUER

PURSUANT TO RULE 13a-16 OR 15d-16 OF THE SECURITIES EXCHANGE ACT OF 1934

FOR THE MONTH OF MAY 2017

QUEBECOR MEDIA INC.

(Name of Registrant)

612 St-Jacques Street, Montreal, Canada, H3C 4M8
(Address of principal executive offices)

[Indicate by check mark whether the registrant files or will file annual reports under cover Form 20-F or Form 40-F.]

Form 20-F __X__ Form 40-F ______

[Indicate by check mark whether the registrant by furnishing the information contained in this Form is also thereby furnishing the information to the Commission pursuant to Rule 12g 3-2(b) under the Securities Exchange Act of 1934.]

Yes ______ No __X__

[If "Yes" is marked, indicate below the file number assigned to the registrant in connection with Rule 12g 3-2(b): 82-______.]

MANAGEMENT DISCUSSION AND ANALYSIS

CORPORATE PROFILE

Quebecor Media Inc., a subsidiary of Quebecor Inc. ("Quebecor"), is governed by the Business Corporations Act (Québec) and is one of Canada's largest telecommunications and media corporations. Unless the context otherwise requires, "Quebecor Media" or the "Corporation" refer to Quebecor Media Inc. and its subsidiaries. Quebecor Media operates in the following business segments: Telecommunications, Media, and Sports and Entertainment. Quebecor Media is pursuing a convergence strategy that captures synergies among its properties and leverages the value of content to the benefit of multiple distribution platforms.

The following Management Discussion and Analysis covers the Corporation's main activities in the first quarter of 2017 and the major changes from the previous financial year. All amounts are stated in Canadian dollars unless otherwise indicated. This report should be read in conjunction with the information in the Corporation's Annual Report for the financial year ended December 31, 2016 (Form 20-F), which is available on the website of the U.S. Securities and Exchange Commission at <www.sec.gov>.

HIGHLIGHTS SINCE END OF 2016

- Quebecor Media's revenues totalled $996.4 million in the first quarter of 2017, a $21.0 million (2.2%) increase from the same period of 2016.
- On February 16, 2017, Quebecor announced major corporate management changes. Pierre Karl Péladeau returned to the position of President and Chief Executive Officer of Quebecor and Quebecor Media, replacing Pierre Dion who was appointed Chair of the Board of Quebecor Media and a director of Quebecor.

Telecommunications

- The Telecommunications segment's revenues increased by $27.4 million (3.5%) and its adjusted operating income by $18.4 million (5.1%) in the first quarter of 2017.
- In the first quarter of 2017, Videotron Ltd. ("Videotron") significantly increased its revenues from mobile telephony ($26.5 million or 22.8%), Internet access ($8.8 million or 3.6%), business solutions ($5.8 million or 22.7%) and the Club illico over-the-top video service ("Club illico") ($1.3 million or 16.9%).
- Net increase of 30,000 revenue-generating units[1] (0.5%) in the first quarter of 2017, including 27,000 connections to the mobile telephony service, 15,300 subscriptions to the cable Internet access service and 9,800 memberships in Club illico.
- Average monthly revenue per user ("ARPU"): $149.48 in the first quarter of 2017 compared with $141.37 in the same period of 2016, an $8.11 (5.7%) increase.
- On January 12, 2017, 4Degrees Colocation Inc. ("4Degrees Colocation"), a subsidiary of Videotron, announced an agreement with Megaport (USA), Inc., a global leader in secure interconnectivity, which will allow business customers to link directly to the world's largest providers of public cloud services. Customers will enjoy fast, secure, redundant access to business applications from three leading information and communications technology providers: Microsoft Corporation (Azure, Office 365, Exchange), Amazon Web Services Inc. and Google.

Media

- On March 1, 2017, Quebecor's Media Group announced a partnership agreement with Tuango Inc. ("Tuango"), Québec's largest online promotional network. Businesses will now be able to barter their goods and services for advertising space on Quebecor's media properties instead of making monetary payment. Quebecor's Media Group will therefore be able to sell advertising space on its television channels and digital sites, in its newspapers and magazines, and on its out-of-home networks in exchange for goods and services, from which it will be able to derive revenues by reselling them on Tuango.

[1] The sum of subscriptions to the cable television, cable Internet access and Club illico services, plus subscriber connections to the cable and mobile telephony services.

- On January 10, 2017, the Montréal Impact, a Major League Soccer ("MLS") team, and Quebecor announced an agreement making TVA Sports the exclusive French-language broadcaster of the Montréal Impact and an official MLS broadcaster for the next five years. TVA Sports will broadcast all Montréal Impact regular season and playoff games, the All-Star Game and the MLS Cup playoffs, including the final. The agreement will enrich TVA Sports' programming with coverage of a sport that is growing fast in Québec and make it possible to disseminate that content on all of Quebecor's media platforms.

Sports and Entertainment

- On April 4, 2017, Event Management Gestev inc. ("Gestev") announced the acquisition of Montréal-based marketing agency Wasabi atelier expérientiel. The transaction will expand Gestev's experiential marketing and sponsorship activation capabilities and extend its reach in the Montréal market.

Financial transactions

- 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.
- On May 1, 2017, Quebecor Media redeemed the entirety of its outstanding 7.375% Senior Notes issued on January 5, 2011 and maturing on January 15, 2021, in the aggregate principal amount of $325.0 million, at a redemption price of 102.458% of their principal amount, in accordance with a notice issued on March 31, 2017.
- On May 1, 2017, Videotron redeemed $125.0 million aggregate principal amount of its outstanding 6.875% Senior Notes issued on July 5, 2011 and maturing on July 15, 2021 at a redemption price of 103.438% of their principal amount, in accordance with a notice issued on March 31, 2017. The repurchase followed the redemption on January 5, 2017 of a first $175.0 million tranche of the Notes, in accordance with a notice issued on December 2, 2016.
- On April 13, 2017, Videotron issued US$600.0 million aggregate principal amount of 5.125% Senior Notes maturing on April 15, 2027, for net proceeds of $794.5 million, net of financing fees of $9.9 million.

NON-IFRS FINANCIAL MEASURES

The financial measures not standardized under International Financial Reporting Standards ("IFRS") that are used by the Corporation to assess its financial performance, such as adjusted operating income, cash flows from segment operations and free cash flows from continuing operating activities, 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 Operating Income

In its analysis of operating results, the Corporation defines adjusted operating income, 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 of operations, litigation and other items, loss on debt refinancing and income taxes. Adjusted operating income 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 other financial operating 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 parent company, Quebecor, uses adjusted operating income in order to assess the performance of its investment in Quebecor Media. The Corporation's management and Board of Directors use this measure in evaluating its consolidated results as well as the results of its 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 Quebecor Media and its business segments. Adjusted operating income is also relevant because it is a significant component of the Corporation's annual incentive compensation programs. A limitation of this measure, however, is that it does not reflect the periodic costs of tangible and intangible assets used in generating revenues in the Corporation's segments. It therefore uses other measures that do reflect such costs, such as cash flows from segment operations and free cash flows from continuing operating activities. The Corporation's definition of adjusted operating income may not be the same as similarly titled measures reported by other companies.

Table 1 below provides a reconciliation of adjusted operating income to net income as disclosed in the Corporation's condensed consolidated financial statements.

Table 1

Reconciliation of the adjusted operating income 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 March 31	
	2017	**2016**
Adjusted operating income (loss):		
Telecommunications	**$ 377.1**	$ 358.7
Media	**(2.9)**	(2.7)
Sports and Entertainment	**(0.1)**	(0.8)
Head Office	**(6.9)**	(0.6)
	367.2	354.6
Depreciation and amortization	**(169.2)**	(161.1)
Financial expenses	**(71.1)**	(74.7)
Gain (loss) on valuation and translation of financial instruments	**0.3**	(1.2)
Restructuring of operations, litigation and other items	**10.9**	(7.9)
Loss on debt refinancing	**(15.6)**	—
Income taxes	**(27.8)**	(29.5)
Net income	**$ 94.7**	$ 80.2

Cash Flows from Segment Operations

Cash flows from segment operations represents adjusted operating income, less additions to property, plant and equipment and to intangible assets (excluding disbursements for licence acquisitions and renewals), plus proceeds from disposal of assets. The Corporation uses cash flows from segment operations as a measure of the liquidity generated by its segments. Cash flows from segment operations represents funds available for interest and income tax payments, expenditures related to restructuring programs, business acquisitions, licence acquisitions and renewals, payment of dividends, reduction of paid-up capital, repayment of long-term debt and repurchase of shares. Cash flows from segment operations is not a measure of liquidity that is consistent with IFRS. It is not intended to be regarded as an alternative to other financial operating performance measures or to the statement of cash flows as a measure of liquidity. Cash flows from segment operations is used by the Corporation's management and Board of Directors to evaluate cash flows generated by its segments' operations. The Corporation's definition of cash flows from segment operations may not be identical to similarly titled measures reported by other companies. When cash flows from segment operations is reported, a reconciliation to adjusted operating income is provided in the same section of the report.

Free Cash Flows from Continuing Operating Activities

Free cash flows from continuing operating activities consists of cash flows provided by operating activities calculated in accordance with IFRS, less additions to property, plant and equipment and to intangible assets (excluding disbursements for licence acquisitions and renewals), plus proceeds from disposal of assets. The Corporation uses free cash flows from continuing operating activities as a measure of total liquidity generated on a consolidated basis. Free cash flows from continuing operating activities represents funds available for business acquisitions, licence acquisitions and renewals, payment of dividends, reduction of paid-up capital, repayment of long-term debt and repurchase of shares. Free cash flows from continuing operating activities is not a measure of liquidity that is consistent with IFRS. It is not intended to be regarded as an alternative to other financial operating performance measures or to the statement of cash flows as a measure of liquidity. The Corporation's definition of free cash flows from continuing operating activities may not be identical to similarly titled measures reported by other companies.

Table 6 provides a reconciliation of free cash flows from continuing operating activities of the Corporation to cash flows provided by operating activities reported in the condensed consolidated financial statements.

KEY PERFORMANCE INDICATOR

The Corporation uses ARPU, an industry metric, as a key performance indicator. This indicator is used to measure monthly revenues per average basic customer from its cable television, Internet access, cable and mobile telephony services and Club illico. ARPU is not a measurement that is consistent with IFRS and the Corporation's definition and calculation of ARPU may not be the same as identically titled measurements reported by other companies. The Corporation calculates ARPU by dividing the combined revenues from its cable television, Internet access, cable and mobile telephony services and Club illico by the average number of basic customers during the applicable period, and then dividing the resulting amount by the number of months in the applicable period.

ANALYSIS OF CONSOLIDATED RESULTS OF QUEBECOR MEDIA

2017/2016 first quarter comparison

Revenues: $996.4 million, a $21.0 million (2.2%) increase.

- Revenues increased in Telecommunications ($27.4 million or 3.5% of segment revenues) and in Sports and Entertainment ($1.1 million or 10.7%).
- Revenues decreased in Media ($10.3 million or -4.7%).

Adjusted operating income: $367.2 million, a $12.6 million (3.6%) increase.

- Adjusted operating income increased in Telecommunications ($18.4 million or 5.1% of segment adjusted operating income). There was a favourable variance in Sports and Entertainment ($0.7 million).
- There were unfavourable variances in Media ($0.2 million or -7.4%) and at Head Office ($6.3 million). The change at Head Office was essentially due to higher compensation costs, including the stock-based compensation charge.
- The change in the fair value of Quebecor Media stock options resulted in a $0.7 million favourable variance in the stock-based compensation charge in the first quarter of 2017 compared with the same period of 2016. The change in the fair value of Quebecor stock options and in the value of Quebecor stock-price-based share units resulted in a $2.5 million unfavourable variance in the Corporation's stock-based compensation charge in the first quarter of 2017.

Net income attributable to shareholders: $97.2 million in the first quarter of 2017 compared with $82.5 million in the same period of 2016, a $14.7 million increase.

- The favourable variance was due primarily to:
  - $18.8 million favourable variance in restructuring of operations, litigation and other items;
  - $12.6 million increase in adjusted operating income;
  - $3.6 million decrease in financial expenses;
  - $1.5 million favourable variance in gains and losses on valuation and translation of financial instruments.

  Partially offset by:
  - $15.6 million unfavourable variance in loss on debt refinancing in the first quarter of 2017;
  - $8.1 million increase in the depreciation and amortization charge.

Depreciation and amortization charge: $169.2 million in the first quarter of 2017, an $8.1 million increase due mainly to the impact of capital expenditures in the Telecommunications segment, including depreciation of investments in the wired and wireless networks and in computer systems.

Financial expenses: $71.1 million in the first quarter of 2017, a $3.6 million decrease caused mainly by lower average indebtedness and the impact of lower interest rates on long-term debt due to debt refinancing at lower rates.

Gain on valuation and translation of financial instruments: $0.3 million in the first quarter of 2017 compared with a $1.2 million loss in the same period of 2016. The $1.5 million favourable variance was caused mainly by the ineffective portion of fair value hedges.

Restructuring of operations, litigation and other items: $10.9 million gain in the first quarter of 2017 compared with a $7.9 million charge in the same period of 2016, an $18.8 million favourable variance.

- A $10.9 million net gain was recognized in the first quarter of 2017 in connection with developments in legal disputes, labour-cost-reduction initiatives in the Corporation's various segments, and customer migration from analog to digital service in the Telecommunications segment.
- In the first quarter of 2016, a $7.9 million charge was recognized in connection with cost-reduction programs in the Corporation's businesses.

Loss on debt refinancing: $15.6 million in the first quarter of 2017.

- On May 1, 2017, Videotron redeemed $125.0 million aggregate principal amount of its outstanding 6.875% Senior Notes issued on July 5, 2011 and maturing on July 15, 2021 at a redemption price of 103.438% of their principal amount, in accordance with a notice issued on March 31, 2017. A $5.2 million loss was recorded in the consolidated statement of income in the first quarter of 2017 in connection with this redemption.
- On May 1, 2017, Quebecor Media redeemed the entirety of its outstanding 7.375% Senior Notes issued on January 5, 2011 and maturing on January 15, 2021, in the aggregate principal amount of $325.0 million, at a redemption price of 102.458% of their principal amount, in accordance with a notice issued on March 31, 2017. A $10.4 million loss was recorded in the consolidated statement of income in the first quarter of 2017 in connection with this redemption.

Income tax expense: $27.8 million in the first quarter of 2017 (effective tax rate of 26.5%) compared with $29.5 million in the same period of 2016 (effective tax rate of 26.9%), a $1.7 million favourable variance caused mainly by the decrease in taxable income.

SEGMENTED ANALYSIS

Telecommunications

First quarter 2017 operating results

Revenues: $799.9 million in the first quarter of 2017, a $27.4 million (3.5%) increase.

- Revenues from the mobile telephony service increased $26.5 million (22.8%) to $142.9 million, essentially due to the increase in the number of subscriber connections and higher net revenue per connection.
- Revenues from Internet access services increased $8.8 million (3.6%) to $250.5 million as a result of higher per-subscriber revenues, partly because of the favourable impact of the product mix, and customer growth, including customers of Internet resellers, partially offset by the impact of lower rates for Internet resellers and a decrease in usage.
- Combined revenues from all cable television services decreased $9.1 million (-3.5%) to $251.3 million, due primarily to the impact of the net decrease in the customer base, the impact of fewer video-on-demand and pay TV orders and higher discounts, partially offset by increased revenues from the leasing of digital set-top boxes.
- Revenues from the cable telephone service decreased $4.9 million (-4.6%) to $102.6 million, mainly because of the impact of the net decrease in subscriber connections and lower long-distance revenues.
- Revenues from Club illico increased $1.3 million (16.9%) to $9.0 million, essentially because of subscriber growth.
- Revenues of Videotron Business Solutions increased $5.8 million (22.7%) to $31.4 million, due primarily to the impact of higher revenues at 4Degrees Colocation and Fibrenoire Inc. (“Fibrenoire”).
- Revenues from customer equipment sales decreased $0.2 million (-2.4%) to $8.3 million.
- Revenues of the Le SuperClub Vidéotron ltée (“Le SuperClub Vidéotron”) retail chain decreased $0.3 million (-15.8%) to $1.6 million, mainly because of the impact of store closings.
- Other revenues decreased $0.5 million (-17.2%) to $2.4 million.

ARPU: $149.48 in the first quarter of 2017 compared with $141.37 in the same period of 2016, an $8.11 (5.7%) increase.

Customer statistics

Revenue generating units – As of March 31, 2017, the total number of revenue generating units stood at 5,795,400, an increase of 30,000 (0.5%) from the end of 2016, compared with an increase of 17,800 in the first quarter of 2016 (Table 2). In the 12-month period ended March 31, 2017, the number of revenue-generating units increased by 130,100 (2.3%). Revenue-generating units are the sum of subscriptions to the cable television, cable Internet access and Club illico services, plus subscriber connections to the cable and mobile telephony services.

Mobile telephony service – As of March 31, 2017, the number of subscriber connections to the mobile telephony service stood at 920,900, an increase of 27,000 (3.0%) in the first quarter of 2017 (compared with an increase of 27,100 in the first quarter of 2016), and a 12-month increase of 125,200 (15.7%) (Table 2).

Cable Internet access – The number of subscribers to cable Internet access services stood at 1,628,100 at March 31, 2017, an increase of 15,300 (0.9%) in the first quarter of 2017 (compared with an increase of 9,900 in the same period of 2016), and a 12-month increase of 50,000 (3.2%) (Table 2). As of March 31, 2017, Videotron’s cable Internet access services had a household and business penetration rate (number of subscribers as a proportion of the total 2,845,700 homes and businesses passed by Videotron’s network as of March 31, 2017, up from 2,812,900 one year earlier) of 57.2% compared with 56.1% a year earlier.

Cable television – The combined customer base for all of Videotron’s cable television services decreased by 10,300 (-0.6%) in the first quarter of 2017 (compared with a decrease of 14,900 in the same period of 2016) and by 41,400 (-2.4%) in the 12-month period ended March 31, 2017 (Table 2). At the end of the first quarter of 2017, Videotron had 1,680,600 subscribers to its cable television services. The household and business penetration rate was 59.1% versus 61.2% a year earlier.

- As of March 31, 2017, the number of subscribers to the illico Digital TV service stood at 1,595,100, an increase of 8,000 (0.5%) in the first quarter of 2017 (compared with a decrease of 1,700 in the same quarter of 2016) and a 12-month increase of 26,200 (1.7%). As of March 31, 2017, illico Digital TV had a household and business penetration rate of 56.1% versus 55.8% a year earlier.

- The customer base for analog cable television services decreased by 18,300 (-17.6%) in the first quarter of 2017 (compared with a decrease of 13,200 in the same period of 2016) and by 67,600 over a 12-month period.

Cable telephony service – The number of subscriber connections to cable telephony service stood at 1,241,300 as of March 31, 2017, a quarterly decrease of 11,800 (-0.9%) (compared with a decrease of 12,000 in the same period of 2016), and a 12-month decrease of 63,000 (-4.8%) (Table 2). At March 31, 2017, the cable telephony service had a household and business penetration rate of 43.6% versus 46.4% a year earlier.

Club illico – As of March 31, 2017, the number of subscribers to Club illico stood at 324,500, an increase of 9,800 (3.1%) in the first quarter of 2017 (compared with an increase of 7,700 in the same period of 2016) and a 12-month increase of 59,300 (22.4%) (Table 2).

Table 2

Telecommunications segment quarter-end customer numbers for the last eight quarters
(in thousands of customers)

	March 2017	Dec. 2016	Sept. 2016	June 2016	March 2016	Dec. 2015	Sept. 2015	June 2015
Mobile telephony[1]	**920.9**	893.9	867.7	828.9	795.7	768.6	742.5	702.9
Cable Internet	**1,628.1**	1,612.8	1,596.1	1,571.7	1,578.1	1,568.2	1,559.5	1,539.1
Cable television:								
Analog	**85.5**	103.8	124.9	137.7	153.1	166.3	181.3	194.8
Digital	**1,595.1**	1,587.1	1,570.8	1,559.8	1,568.9	1,570.6	1,564.6	1,552.8
	1,680.6	1,690.9	1,695.7	1,697.5	1,722.0	1,736.9	1,745.9	1,747.6
Cable telephony[1]	**1,241.3**	1,253.1	1,265.1	1,284.0	1,304.3	1,316.3	1,329.5	1,337.7
Club illico	**324.5**	314.7	278.5	266.3	265.2	257.5	228.5	192.8
Total (revenue-generating units)	**5,795.4**	5,765.4	5,703.1	5,648.4	5,665.3	5,647.5	5,605.9	5,520.1

[1] In thousands of connections

Adjusted operating income: $377.1 million, an $18.4 million (5.1%) increase due primarily to:

- impact of the revenue increase.

Partially offset by:

- impact of the increased loss incurred on mobile device sales, partially offset by the favourable impact of "bring your own device" plans.

Cost/revenue ratio: Operating costs for all Telecommunications segment operations, expressed as a percentage of revenues, were 52.9% in the first quarter of 2017 compared with 53.6% in the same period of 2016, mainly because of the fixed component of costs, which does not fluctuate in proportion to revenue growth.

Cash flows from segment operations: $182.1 million in the first quarter of 2017, compared with $160.9 million in the same period of 2016 (Table 3).

- The $21.2 million increase was due to the $18.4 million increase in adjusted operating income and a $2.8 million decrease in additions to property, plant and equipment and to intangible assets.

Table 3: Telecommunications

Cash flows from operations
(in millions of Canadian dollars)

	Three months ended March 31	
	2017	**2016**
Adjusted operating income	**$ 377.1**	$ 358.7
Additions to property, plant and equipment	**(161.8)**	(159.6)
Additions to intangible assets	**(33.6)**	(38.6)
Proceeds from disposal of assets	**0.4**	0.4
Cash flows from segment operations	**$ 182.1**	$ 160.9

Media

First quarter 2017 operating results

Revenues: $210.8 million in the first quarter of 2017, a $10.3 million (-4.7%) decrease.

- Broadcasting revenues increased $4.8 million (4.5%), mainly due to:
  - increased subscription revenues at TVA Sports;
  - higher advertising revenues at TVA Network and TVA Sports.

  Partially offset by:
  - decreased revenues from commercial production.
- Film production and audiovisual service revenues decreased by $3.9 million (-25.2%), mainly because of lower revenues from soundstage and equipment leasing due to fewer major productions in the first quarter of 2017 than in the same period of 2016, partially offset by higher revenues from visual effects and postproduction.
- Newspaper publishing revenues decreased $4.6 million (-9.2%).
  - Advertising revenues decreased 17.4%; circulation revenues decreased 5.8%; digital revenues decreased 6.5%; combined revenues from commercial printing and other sources increased 5.4%.
- Magazine publishing revenues decreased by $6.1 million (-22.2%) in the first quarter of 2017, mainly because of decreased advertising revenues, the discontinuance of some titles, lower newsstand and subscription revenues, and lower custom publishing revenues.
- Quebecor Media Out of Home's revenues increased $0.1 million (4.3%).
- Book distribution and publishing revenues decreased by $0.7 million (-3.6%), primarily as a result of lower general literature sales and lower volumes in mass market distribution, partially offset by higher revenues from scholastic publishing.
- Music distribution and production revenues decreased by $1.8 million (-17.5%), mainly because of lower CD sales in the first quarter of 2017 than in the same period of 2016, due primarily to the release of singer-songwriter Adele's hit album at the end of 2015.

Adjusted operating loss: $2.9 million in the first quarter of 2017, compared with $2.7 million in the same period of 2016, a $0.2 million (-7.4%) unfavourable variance.

- The $4.6 million favourable variance in adjusted operating income from broadcasting operations was due to:
  - impact of higher subscription revenues at TVA Sports;
  - impact of higher advertising revenues at TVA Network and TVA Sports;
  - cost savings yielded by restructuring initiatives.

Partially offset by:

- higher content costs at TVA Sports.

- The $3.7 million unfavourable variance in adjusted operating income from film production and audiovisual services was mainly due to the impact of the revenue decrease.
- Adjusted operating income from newspaper publishing increased by $0.3 million due to:
  - favourable impact on adjusted operating income of reduced operating expenses, including the impact of restructuring initiatives, partially offset by the impact of the revenue decrease.
- Adjusted operating income from magazine publishing decreased by $1.7 million (-81.0%) mainly because of the impact of the decrease in revenues, partially offset by lower operating expenses, including printing, production and marketing expenses, as well as cost reductions related to restructuring initiatives.
- There was a $0.1 million (-8.3%) unfavourable variance in the adjusted operating loss of Quebecor Media Out of Home.
- There was a $0.3 million (33.3%) favourable variance in the adjusted operating loss of book distribution and publishing operations. The impact of increased revenues and margins in scholastic publishing and lower operating expenses in general literature outweighed the impact of decreased revenues from general literature and distribution.
- There was a $0.2 million unfavourable variance in the adjusted operating loss of the music distribution and production business, due primarily to the impact of the revenue decrease.

Cost/revenue ratio: Employee costs and purchases of goods and services for all Media segment operations, expressed as a percentage of revenues, were 101.4% in the first quarter of 2017 compared with 101.2% in the same period of 2016.

Cash flows from segment operations: Negative $10.0 million in the first quarter of 2017 compared with negative $18.2 million in the same period of 2016 (Table 4). The $8.2 million favourable variance was mainly due to the $8.4 million decrease in additions to property, plant and equipment and to intangible assets.

Table 4: Media

Cash flows from operations
(in millions of Canadian dollars)

	Three months ended March 31	
	2017	**2016**
Adjusted operating loss	**$ (2.9)**	$ (2.7)
Additions to property, plant and equipment	**(6.0)**	(13.7)
Additions to intangible assets	**(1.1)**	(1.8)
Cash flows from segment operations	**$ (10.0)**	$ (18.2)

Sports and Entertainment

First quarter 2017 operating results

Revenues: $11.4 million in the first quarter of 2017, a $1.1 million (10.7%) increase due primarily to:

- higher revenues from concerts and events at the Videotron Centre;
- higher revenues from Gestev sporting events.

Adjusted operating loss: $0.1 million in the first quarter of 2017 compared with $0.8 million in the same period of 2016. The $0.7 million favourable variance was due mainly to the impact of the revenue increase.

Cash flows from segment operations: Negative $0.2 million in the first quarter of 2017 compared with negative $1.7 million in the same period of 2016 (Table 5). The $1.5 million favourable variance was due to the $0.8 million decrease in additions to property, plant and equipment and to intangible assets, and the $0.7 million decrease in the adjusted operating loss.

Table 5: Sports and Entertainment

Cash flows from operations
(in millions of Canadian dollars)

	Three months ended March 31	
	2017	**2016**
Adjusted operating loss	**$ (0.1)**	$ (0.8)
Additions to property, plant and equipment	**(0.1)**	(0.6)
Additions to intangible assets	**—**	(0.3)
Cash flows from segment operations	**$ (0.2)**	$ (1.7)

CASH FLOWS AND FINANCIAL POSITION

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

Operating activities

Cash flows provided by operating activities: $155.8 million in the first quarter of 2017, compared with $219.6 million in the same period of 2016.

- The $63.8 million decrease was mainly due to:
  - $133.5 million unfavourable change in non-cash operating assets and liabilities, due primarily to unfavourable variances in inventory, income tax and accounts payable in the Telecommunications segment.

  Partially offset by:
  - $34.8 million decrease in current income taxes;
  - $18.8 million favourable variance in the cash portion of restructuring of operations, litigation and other items;
  - $18.4 million increase in adjusted operating income in the Telecommunications segment.

Increased inventory and decreased accounts payable in the Telecommunications segment had a negative impact on cash flows provided by operating activities in the first quarter of 2017, while higher profitability in the segment had a positive impact.

Working capital: Negative $253.9 million at March 31, 2017 compared with negative $386.8 million at December 31, 2016. The $132.9 million favourable variance was mainly due to investments in inventory and decreases in income tax payable and in accounts payable.

Investing activities

Additions to property, plant and equipment: $168.2 million in the first quarter of 2017 compared with $174.1 million in the same period of 2016, a $5.9 million decrease.

Additions to intangible assets: $35.1 million in the first quarter of 2017, compared with $41.5 million in the same period of 2016. The Telecommunications segment accounted for the largest part of the $6.4 million decrease.

Proceeds from disposal of assets: $0.4 million in the first quarter of 2017, comparable to the same period of 2016.

Business acquisitions: $5.6 million in the first quarter of 2017 compared with $119.3 million in the same period of 2016.

- In the first quarter of 2017, business acquisitions consisted of payments on the balance payable on the acquisition of Fibrenoire by the Telecommunications segment.
- In the first quarter of 2016, business acquisitions included, among others, the acquisition of Fibrenoire by the Telecommunications segment.

Business disposals: $3.0 million in the first quarter 2016, consisting of the balance of the selling price of Archambault Group Inc.'s retail operations.

Free cash flows from continuing operating activities

Free cash flows from continuing operating activities: Negative $47.1 million in the first quarter of 2017 compared with positive $4.4 million in the same period of 2016 (Table 6).

- The $51.5 million unfavourable variance was due to:
  - $63.8 million decrease in cash flows provided by operating activities.

  Partially offset by:
  - $12.3 million decrease in additions to property, plant and equipment and to intangible assets.

Table 6

Cash flows provided by operating activities reported in the condensed consolidated financial statements and free cash flows from continuing operating activities
(in millions of Canadian dollars)

	Three months ended March 31 2017	Three months ended March 31 2016
Adjusted operating income (loss):		
Telecommunications	**$ 377.1**	$ 358.7
Media	**(2.9)**	(2.7)
Sports and Entertainment	**(0.1)**	(0.8)
Head Office	**(6.9)**	(0.6)
	367.2	354.6
Cash interest expense[1]	**(69.4)**	(73.1)
Cash portion related to restructuring of operations, litigation and other items[2]	**10.9**	(7.9)
Current income taxes	**(3.4)**	(38.2)
Other	**1.3**	1.5
Net change in non-cash balances related to operating activities	**(150.8)**	(17.3)
Cash flows provided by operating activities	**155.8**	219.6
Additions to property, plant and equipment and to intangible assets, less proceeds from disposal of assets:		
Telecommunications	**(195.0)**	(197.8)
Media	**(7.1)**	(15.5)
Sports and Entertainment	**(0.1)**	(0.9)
Head Office	**(0.7)**	(1.0)
	(202.9)	(215.2)
Free cash flows from continuing operating activities	**$ (47.1)**	$ 4.4

1 Interest on long-term debt, interest on net defined benefit liability, impact of foreign currency translation on short-term monetary items and other financial expenses (see note 4 to the condensed consolidated financial statements).

2 Restructuring of operations, litigation and other items (see note 6 to the condensed consolidated financial statements).

Financing activities

Consolidated debt (long-term debt plus bank indebtedness): $37.7 million increase in the first quarter of 2017; $48.0 million net unfavourable variance in assets and liabilities related to derivative financial instruments.

- Summary of first quarter 2017 debt increases:
  - Increased use by Videotron and TVA Group Inc. ("TVA Group") of their secured revolving credit facilities in the amounts of $190.7 million and $6.7 million respectively;
  - $48.6 million increase in bank indebtedness of Videotron, TVA Group and Quebecor Media.
- Summary of first quarter 2017 debt reductions:
  - redemption by Videotron on January 5, 2017 of $175.0 million aggregate principal amount of its outstanding 6.875% Senior Notes issued on July 5, 2011 and maturing on July 15, 2021 at a redemption price of 103.438% of their principal amount, in accordance with a notice issued on December 2, 2016;
  - $34.7 million favourable impact of exchange rate fluctuations. The consolidated debt reduction attributable to this item was offset by a decrease in the asset (or increase in the liability) related to cross-currency swap agreements entered under "Derivative financial instruments."
- Assets and liabilities related to derivative financial instruments totalled a net asset of $760.7 million at March 31, 2017 compared with $808.7 million at December 31, 2016. The $48.0 million net unfavourable variance was mainly due to the unfavourable impact of exchange rate fluctuations on the value of derivative financial instruments.
- 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.
- On May 1, 2017, Quebecor Media redeemed the entirety of its outstanding 7.375% Senior Notes issued on January 5, 2011 and maturing on January 15, 2021, in the aggregate principal amount of $325.0 million, at a redemption price of 102.458% of their principal amount, in accordance with a notice issued on March 31, 2017.
- On May 1, 2017, Videotron redeemed $125.0 million aggregate principal amount of its outstanding 6.875% Senior Notes issued on July 5, 2011 and maturing on July 15, 2021 at a redemption price of 103.438% of their principal amount, in accordance with a notice issued on March 31, 2017.
- On April 13, 2017, Videotron issued US$600.0 million aggregate principal amount of 5.125% Senior Notes maturing on April 15, 2027, for net proceeds of $794.5 million, net of financing fees of $9.9 million.

Financial Position

Net available liquidity: $1.16 billion at March 31, 2017 for Quebecor Media and its wholly owned subsidiaries, consisting of $1.22 billion in available unused revolving credit facilities, less $59.3 million in bank indebtedness, pro forma the issuance in April 2017 of US$600 million of Senior Notes bearing interest at 5.125% and maturing on April 15, 2027, the redemption in May 2017 of aggregate principal amount $450.0 million of Senior Notes bearing interest at 7.375% and 6.875% and maturing on January 15, 2021 and July 15, 2021 respectively, and reduced drawings on Videotron's secured revolving credit facility following the above financial transactions ("financial transactions completed since the end of the first quarter of 2017").

Consolidated debt (long-term debt plus bank indebtedness): $5.69 billion at March 31, 2017, a $37.7 million increase compared with December 31, 2016; $48.0 million net unfavourable variance in assets and liabilities related to derivative financial instruments (see "Financing activities" above).

- Consolidated debt essentially consisted of Videotron's $3.21 billion debt ($3.17 billion at December 31, 2016); TVA Group's $81.7 million debt ($69.1 million at December 31, 2016); and Quebecor Media's $2.41 billion debt ($2.41 billion at December 31, 2016).

As of March 31, 2017, minimum principal payments on long-term debt in the coming years were as follows:

Table 7

Minimum principal payments on Quebecor Media's long-term debt
12-month periods ended March 31
(in millions of Canadian dollars)

2018	$ 21.9
2019	26.3
2020	54.0
2021	762.1
2022	523.8
2023 and thereafter	4,267.3
Total	**$5,655.4**

From time to time, Quebecor Media may (but is under no obligation to) seek to retire or purchase its outstanding Senior Notes 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.

Pro forma the financial operations completed since the end of the first quarter of 2017, the weighted average term of Quebecor Media's consolidated debt was approximately 6.8 years as of March 31, 2017 (6.1 years as of December 31, 2016). After taking into account the hedging instruments, the debt consisted of approximately 87.1% fixed-rate debt (83.7% as of December 31, 2016) and 12.9% floating-rate debt (16.3% as of December 31, 2016).

Management of the Corporation believes that cash flows and available sources of financing should be sufficient to cover committed cash requirements for capital investments, working capital, interest payments, income tax payments, debt repayments, pension plan contributions and dividend payments (or distribution of capital). The Corporation has access to cash flows generated by its subsidiaries through dividends (or distributions) and cash advances paid by its wholly owned subsidiaries. The Corporation believes it will be able to meet future debt maturities, which are staggered over the coming years.

Pursuant to its financing agreements, the Corporation is required to maintain certain financial ratios. The key indicators listed in those financing agreements include debt service coverage ratio and debt ratio (long-term debt over adjusted operating income).
At March 31, 2017, the Corporation was in compliance with all required financial ratios.

Distributions declared and paid

- On March 15, 2017, the Corporation declared a distribution, in the form of a reduction of paid-up capital, in the amount of $25.0 million, which was paid to shareholders on March 15, 2017.
- On May 11, 2017, the Corporation declared a distribution, in the form of a reduction of paid-up capital, in the amount of $25.0 million, which was paid to shareholders on May 11, 2017.

Analysis of consolidated balance sheet as at March 31, 2017

Table 8

Consolidated balance sheet of Quebecor Media
Analysis of main differences between March 31, 2017 and December 31, 2016
(in millions of Canadian dollars)

	March 31, 2017	Dec. 31, 2016	Difference	Main reasons for difference
Assets				
Accounts receivable	**$ 499.0**	$ 525.0	$ (26.0)	Impact of current variances in activity
Income taxes[1]	**17.7**	(28.3)	46.0	Increased depreciation and amortization for tax purposes and recognition of related tax benefits
Inventories	**207.9**	183.3	24.6	Impact of current variances in activity
Property, plant and equipment	**3,544.9**	3,562.5	(17.6)	Depreciation for the period less additions to property, plant and equipment on an accrual basis
Derivative financial instruments[2]	**760.7**	808.7	(48.0)	See "Financing Activities"
Liabilities				
Accounts payable and accrued charges	**575.2**	690.9	(115.7)	Impact of current variances in activity and reduction in accounts payable on capital purchases
Long-term debt, including short-term portion and bank indebtedness	**5,694.7**	5,657.0	37.7	See "Financing Activities"
Deferred income tax[3]	**544.8**	524.3	20.5	Net deferred income tax expense

1 Current assets less current liabilities
2 Long-term assets less long-term liabilities
3 Long-term liabilities less long-term assets

ADDITIONAL INFORMATION

Contractual Obligations

At March 31, 2017, material contractual obligations of operating activities included: capital repayment and interest payments on long-term debt; operating lease arrangements; capital asset purchases and other commitments; and obligations related to derivative financial instruments, less estimated future receipts on derivative financial instruments. Table 9 below shows a summary of these contractual obligations.

Table 9

Contractual obligations of Quebecor Media as of March 31, 2017
(in millions of Canadian dollars)

	Total	Under 1 year	1-3 years	3-5 years	5 years or more
Long-term debt[1]	**$5,655.4**	$ 21.9	$ 80.3	$1,285.9	$4,267.3
Interest payments[2]	**1,613.4**	203.8	546.6	492.0	371.0
Operating leases	**279.2**	53.1	76.7	38.4	111.0
Additions to property, plant and equipment and other commitments	**1,162.1**	192.1	256.9	221.7	491.4
Derivative financial instruments[3]	**(808.1)**	(17.8)	1.1	(93.5)	(697.9)
Total contractual obligations	**$7,902.0**	**$453.1**	**$ 961.6**	**$1,944.5**	**$4,542.8**

[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 rate risk, embedded derivatives and financing fees.

[2] Estimated interest payable on long-term debt, based on interest rates, hedging of interest rates and hedging of foreign exchange rates as of March 31, 2017.

[3] Estimated future receipts, net of future disbursements, on derivative financial instruments related to foreign exchange hedging.

Related Party Transactions

The following describes transactions in which the Corporation and its directors, executive officers and affiliates are involved. The Corporation believes that each of the transactions described below was on terms no less favourable to Quebecor Media than could have been obtained from independent third parties.

Operating transactions

During the first quarter of 2017, the Corporation made purchases and incurred rent charges with the parent corporation and affiliated companies in the amount of $2.3 million ($2.2 million in the same period of 2016), which are included in purchase of goods and services. The Corporation made sales to an affiliated corporation in the amount of $0.7 million ($1.0 million in the same period of 2016). These transactions were accounted for at the consideration agreed between the parties.

Management arrangements

The parent corporation has entered into management arrangements with the Corporation. Under these management arrangements, the parent corporation and the Corporation provide management services to each other on a cost-reimbursement basis. The expenses subject to reimbursement include the salaries of the Corporation’s executive officers, who also serve as executive officers of the parent corporation.

During the first quarter of 2017, the Corporation received an amount of $0.6 million, which is included as a reduction in employee costs ($0.5 million in the same period of 2016), and incurred management fees of $0.7 million ($0.7 million in the same period of 2016) with shareholders.

Financial Instruments

The Corporation uses a number of financial instruments, mainly cash and cash equivalents, accounts receivable, long-term investments, bank indebtedness, trade payables, accrued liabilities, long-term debt, 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 Canadian 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, (ii) to achieve a targeted balance of fixed- and floating-rate debts, and (iii) to lock-in the value of certain derivative financial instruments through offsetting transactions. 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 then settlement amount.

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

Table 10

Fair value of long-term debt and derivative financial instruments
(in millions of Canadian dollars)

	March 31, 2017		December 31, 2016	
Asset (liability)	Carrying value	Fair value	Carrying value	Fair value
Long-term debt[1,2]	**$(5,655.4)**	**$(5,877.8)**	$(5,669.9)	$(5,835.5)
Derivative financial instruments				
Early settlement options	**—**	**—**	0.4	0.4
Foreign exchange forward contracts[3]	**1.5**	**1.5**	2.5	2.5
Interest rate swaps	**(0.2)**	**(0.2)**	(0.3)	(0.3)
Cross-currency interest rate swaps[3]	**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 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.

The fair value of long-term debt is estimated based on quoted market prices when available or on valuation models. 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 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 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 of the Corporation.

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

The gains and losses on valuation and translation of financial instruments in the first quarters of 2017 and 2016 are summarized in Table 11.

Table 11

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

	Three months ended March 31	
	2017	**2016**
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 debt	**(0.6)**	(0.1)
	$ (0.3)	$ 1.2

A loss on cash flow hedges of $12.3 million was recorded under "Other comprehensive income" in the first quarter of 2017 (gain of $10.1 million in the first quarter of 2016).

Cautionary Statement regarding Forward-Looking Statements

This report contains forward-looking statements with respect to the Corporation's financial condition, results of operations, business, and certain of its plans and objectives. These forward-looking statements are made pursuant to the "Safe Harbor" provisions of the United States *Private Securities Litigation Reform Act of 1995*. These forward-looking statements are based on current expectations, estimates, forecasts and projections about the industries in which the Corporation operates, as well as beliefs and assumptions made by its management. Such statements include, in particular, statements about the Corporation's plans, prospects, financial position and business strategies. Words such as "may," "will," "expect," "continue," "intend," "estimate," "anticipate," "plan," "foresee," "believe," or "seek," or the negatives of those terms or variations of them or similar terminology, are intended to identify such forward-looking statements. Although the Corporation believes that the expectations reflected in these forward-looking statements are reasonable, these statements, by their nature, involve risks and uncertainties and are not guarantees of future performance. Such statements are also subject to assumptions concerning, among other things: the Corporation's anticipated business strategies; anticipated trends in its business; anticipated reorganizations of any of its segments or businesses, and any related restructuring provisions or impairment charges; and its ability to continue to control costs. The Corporation can give no assurance that these estimates and expectations will prove to have been correct. Actual outcomes and results may, and often do, differ from what is expressed, implied or projected in such forward-looking statements, and such differences may be material. 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 Media's ability to successfully continue developing its network and facilities-based mobile services;
- general economic, financial or market conditions and variations in the Telecommunications, Media, and Sports and Entertainment businesses of Quebecor Media;
- the intensity of competitive activity in the industries in which Quebecor Media operates;
- fragmentation of the media landscape;
- new technologies that might change consumer behaviour toward Quebecor Media's product suite;
- unanticipated higher capital spending required to deploy its network or to address the continued development of competitive alternative technologies, or the inability to obtain additional capital to continue the development of Quebecor Media's business;
- Quebecor Media's ability to implement successfully its business and operating strategies and manage its growth and expansion;
- disruptions to the network through which Quebecor Media provides its digital television, Internet access, telephony and Club illico services, and its ability to protect such services from piracy, unauthorized access or other security breaches;
- labour disputes or strikes;
- changes in Quebecor Media'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 Media's licences or markets or in an increase in competition, compliance costs or capital expenditures;

- Quebecor Media's ability to successfully develop its Sports and Entertainment segment and other expanding lines of business in its other segments;
- Quebecor Media'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 affect a portion of Quebecor Media's interest payment requirements on long-term debt.

The Corporation cautions investors and others that the above list of cautionary statements is not exhaustive. These and other factors are discussed in further detail in the Annual Report on Form 20-F under "Item 3. Key Information – B. Risk Factors". Each of these forward-looking statements speaks only as of the date of this report. The Corporation disclaims any obligation to update these statements unless applicable securities laws require it to do so. The Corporation advises investors and others to consult any documents it may file with or furnish to the U.S. Securities and Exchange Commission.

QUEBECOR MEDIA INC.

CONSOLIDATED STATEMENTS OF INCOME

(in millions of Canadian dollars)
(unaudited)

	Note	Three months ended March 31 2017	2016
Revenues	2	**$ 996.4**	$ 975.4
Employee costs	3	**184.2**	184.4
Purchase of goods and services	3	**445.0**	436.4
Depreciation and amortization		**169.2**	161.1
Financial expenses	4	**71.1**	74.7
(Gain) loss on valuation and translation of financial instruments	5	**(0.3)**	1.2
Restructuring of operations, litigation and other items	6	**(10.9)**	7.9
Loss on debt refinancing	8	**15.6**	-
Income before income taxes		**122.5**	109.7
Income taxes (recovery):			
Current		**3.4**	38.2
Deferred		**24.4**	(8.7)
		27.8	29.5
Net income		**$ 94.7**	$ 80.2
Net income (loss) attributable to			
Shareholders		**$ 97.2**	$ 82.5
Non-controlling interests		**(2.5)**	(2.3)

See accompanying notes to condensed consolidated financial statements.

QUEBECOR MEDIA INC.

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

(in millions of Canadian dollars)
(unaudited)

	Three months ended March 31	
	2017	2016
Net income	**$ 94.7**	$ 80.2
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	**$ 86.2**	$ 48.6
Comprehensive income (loss) attributable to		
Shareholders	**$ 88.7**	$ 54.4
Non-controlling interests	**(2.5)**	(5.8)

See accompanying notes to condensed consolidated financial statements.

QUEBECOR MEDIA 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**	**16.6**	**184.2**
Purchase of goods and services	**322.2**	**149.8**	**8.4**	**(35.4)**	**445.0**
Adjusted operating income[1]	**377.1**	**(2.9)**	**(0.1)**	**(6.9)**	**367.2**
Depreciation and amortization					**169.2**
Financial expenses					**71.1**
Gain on valuation and translation of financial instruments					**(0.3)**
Restructuring of operations, litigation and other items					**(10.9)**
Loss on debt refinancing					**15.6**
Income before income taxes					**$ 122.5**
Additions to property, plant and equipment	**$ 161.8**	**$ 6.0**	**$ 0.1**	**$ 0.3**	**$ 168.2**
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	11.2	184.4
Purchase of goods and services	314.7	154.1	6.7	(39.1)	436.4
Adjusted operating income[1]	358.7	(2.7)	(0.8)	(0.6)	354.6
Depreciation and amortization					161.1
Financial expenses					74.7
Loss on valuation and translation of financial instruments					1.2
Restructuring of operations, litigation and other items					7.9
Income before income taxes					$ 109.7
Additions to property, plant and equipment	$ 159.6	$ 13.7	$ 0.6	$ 0.2	$ 174.1
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, (gain) loss 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 MEDIA INC.

CONSOLIDATED STATEMENTS OF EQUITY

(in millions of Canadian dollars)
(unaudited)

	Equity attributable to shareholders					
	Capital stock	Contributed surplus	Deficit	Accumulated other comprehensive loss	Equity attributable to non-controlling interests	Total equity
	(note 9)			(note 11)		
Balance as of December 31, 2015	$ 3,801.4	$ 1.3	$ (2,334.8)	$ (136.0)	$ 100.9	$ 1,432.8
Net income (loss)	-	-	82.5	-	(2.3)	80.2
Other comprehensive loss	-	-	-	(28.1)	(3.5)	(31.6)
Reduction of paid-up capital	(25.0)	-	-	-	-	(25.0)
Balance as of March 31, 2016	3,776.4	1.3	(2,252.3)	(164.1)	95.1	1,456.4
Net income (loss)	-	-	269.5	-	(10.3)	259.2
Other comprehensive income	-	-	-	34.6	6.2	40.8
Dividends	-	-	-	-	(0.2)	(0.2)
Reduction of paid-up capital	(75.0)	-	-	-	-	(75.0)
Balance as of December 31, 2016	3,701.4	1.3	(1,982.8)	(129.5)	90.8	1,681.2
Net income (loss)	-	-	97.2	-	(2.5)	94.7
Other comprehensive loss	-	-	-	(8.5)	-	(8.5)
Reduction of paid-up capital	(25.0)	-	-	-	-	(25.0)
Balance as of March 31, 2017	**$ 3,676.4**	**$ 1.3**	**$ (1,885.6)**	**$ (138.0)**	**$ 88.3**	**$ 1,742.4**

See accompanying notes to condensed consolidated financial statements.

QUEBECOR MEDIA 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		**$ 94.7**	$ 80.2
Adjustments for:			
Depreciation of property, plant and equipment		**144.0**	139.0
Amortization of intangible assets		**25.2**	22.1
(Gain) loss on valuation and translation of financial instruments	5	**(0.3)**	1.2
Loss on debt refinancing	8	**15.6**	-
Amortization of financing costs and long-term debt discount	4	**1.7**	1.6
Deferred income taxes		**24.4**	(8.7)
Other		**1.3**	1.5
		306.6	236.9
Net change in non-cash balances related to operating activities		**(150.8)**	(17.3)
Cash flows provided by operating activities		**155.8**	219.6
Cash flows related to investing activities			
Business acquisitions	7	**(5.6)**	(119.3)
Business disposals		**-**	3.0
Additions to property, plant and equipment		**(168.2)**	(174.1)
Additions to intangible assets		**(35.1)**	(41.5)
Proceeds from disposal of assets		**0.4**	0.4
Acquisition of tax deductions from the parent company		**-**	(8.4)
Other		**(0.1)**	-
Cash flows used in investing activities		**(208.6)**	(339.9)
Cash flows related to financing activities			
Net change in bank indebtedness		**48.6**	44.5
Net change under revolving facilities		**197.4**	89.9
Repayment of long-term debt	8	**(183.3)**	(2.3)
Settlement of hedging contracts		**(0.1)**	5.8
Reduction of paid-up capital	9	**(25.0)**	(25.0)
Cash flows provided by financing activities		**37.6**	112.9
Net change in cash and cash equivalents		**(15.2)**	(7.4)
Cash and cash equivalents at beginning of period		**20.7**	18.6
Cash and cash equivalents at end of period		**$ 5.5**	$ 11.2
Cash and cash equivalents consist of			
Cash		**$ 4.5**	$ 9.3
Cash equivalents		**1.0**	1.9
		$ 5.5	$ 11.2
Interest and taxes reflected as operating activities			
Cash interest payments		**$ 41.8**	$ 42.0
Cash income tax payments (net of refunds)		**51.2**	34.5

See accompanying notes to condensed consolidated financial statements.

QUEBECOR MEDIA INC.

CONSOLIDATED BALANCE SHEETS

(in millions of Canadian dollars)
(unaudited)

	Note		March 31 2017		December 31 2016
Assets					
Current assets					
Cash and cash equivalents		**$**	**5.5**	$	20.7
Accounts receivable			**499.0**		525.0
Income taxes			**19.7**		6.9
Amounts receivable from the parent corporation			**2.5**		-
Inventories			**207.9**		183.3
Prepaid expenses			**73.9**		52.9
			808.5		788.8
Non-current assets					
Property, plant and equipment			**3,544.9**		3,562.5
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			**85.1**		91.7
			8,365.7		8,428.6
Total assets		**$**	**9,174.2**	$	9,217.4
Liabilities and equity					
Current liabilities					
Bank indebtedness		**$**	**67.5**	$	18.9
Accounts payable and accrued charges			**575.2**		690.9
Provisions			**50.1**		69.3
Deferred revenue			**345.7**		339.7
Income taxes			**2.0**		35.2
Amounts payable to the parent corporation			**-**		0.7
Current portion of long-term debt	8		**21.9**		20.9
			1,062.4		1,175.6
Non-current liabilities					
Long-term debt	8		**5,605.3**		5,617.2
Derivative financial instruments			**1.4**		0.3
Other liabilities			**191.3**		202.8
Deferred income taxes			**571.4**		540.3
			6,369.4		6,360.6
Equity					
Capital stock	9		**3,676.4**		3,701.4
Contributed surplus			**1.3**		1.3
Deficit			**(1,885.6)**		(1,982.8)
Accumulated other comprehensive loss	11		**(138.0)**		(129.5)
Equity attributable to shareholders			**1,654.1**		1,590.4
Non-controlling interests			**88.3**		90.8
			1,742.4		1,681.2
Total liabilities and equity		**$**	**9,174.2**	$	9,217.4

See accompanying notes to condensed consolidated financial statements.

QUEBECOR MEDIA INC.
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the three-month periods ended March 31, 2017 and 2016
(tabular amounts in millions of Canadian dollars, except for option data)
(unaudited)

Quebecor Media Inc. ("Quebecor Media" or the "Corporation") is incorporated under the laws of Québec and is a subsidiary of Quebecor Inc. ("Quebecor" or the "parent corporation"). Unless the context otherwise requires, Quebecor Media or the Corporation refer to Quebecor Media and its subsidiaries. The Corporation's head office and registered office is located at 612 rue Saint-Jacques, Montréal (Québec), Canada.

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 Media 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.

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

QUEBECOR MEDIA INC.
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the three-month periods ended March 31, 2017 and 2016
(tabular amounts in millions of Canadian dollars, except for option data)
(unaudited)

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	**$ 232.0**	$ 231.7
Less employee costs capitalized to property, plant and equipment and intangible assets	**(47.8)**	(47.3)
	184.2	184.4
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	**24.7**	22.1
Other	**94.7**	93.6
	445.0	436.4
	$ 629.2	$ 620.8

4. FINANCIAL EXPENSES

	Three months ended March 31	
	2017	2016
Interest on long-term debt	**$ 67.7**	$ 71.4
Amortization of financing costs and long-term debt discount	**1.7**	1.6
Interest on net defined benefit liability	**1.4**	1.7
Gain on foreign currency translation on short-term monetary items	**(0.4)**	(0.4)
Other	**0.7**	0.4
	$ 71.1	$ 74.7

QUEBECOR MEDIA INC.
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the three-month periods ended March 31, 2017 and 2016
(tabular amounts in millions of Canadian dollars, except for option data)
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5. (GAIN) LOSS ON VALUATION AND TRANSLATION OF FINANCIAL INSTRUMENTS

	Three months ended March 31	
	2017	2016
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 debt	**(0.6)**	(0.1)
	$ (0.3)	$ 1.2

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).

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.

QUEBECOR MEDIA INC.
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the three-month periods ended March 31, 2017 and 2016
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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	**$ 5,655.4**	$ 5,669.9
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	**(35.7)**	(40.8)
	5,627.2	5,638.1
Less current portion	**(21.9)**	(20.9)
	$ 5,605.3	$ 5,617.2

QUEBECOR MEDIA INC.
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the three-month periods ended March 31, 2017 and 2016
(tabular amounts in millions of Canadian dollars, except for option data)
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9. CAPITAL STOCK

(a) Authorized capital stock

An unlimited number of Common Shares, without par value;

An unlimited number of non-voting Cumulative First Preferred Shares, without par value; the number of preferred shares in each series and the related characteristics, rights and privileges are determined by the Board of Directors prior to each issue:

- An unlimited number of Cumulative First Preferred Shares, Series A (“Preferred A Shares”), carrying a 12.5% annual fixed cumulative preferential dividend, redeemable at the option of the holder and retractable at the option of the Corporation;
- An unlimited number of Cumulative First Preferred Shares, Series B (“Preferred B Shares”), carrying a fixed cumulative preferential dividend, generally equivalent to the Corporation’s credit facility interest rate, redeemable at the option of the holder and retractable at the option of the Corporation;
- An unlimited number of Cumulative First Preferred Shares, Series C (“Preferred C Shares”), carrying an 11.25% annual fixed cumulative preferential dividend, redeemable at the option of the holder and retractable at the option of the Corporation;
- An unlimited number of Cumulative First Preferred Shares, Series D (“Preferred D Shares”), carrying an 11.0% annual fixed cumulative preferential dividend, redeemable at the option of the holder and retractable at the option of the Corporation;
- An unlimited number of Cumulative First Preferred Shares, Series F (“Preferred F Shares”), carrying a 10.85% annual fixed cumulative preferential dividend, redeemable at the option of the holder and retractable at the option of the Corporation;
- An unlimited number of Cumulative First Preferred Shares, Series G (“Preferred G Shares”), carrying a 10.85% annual fixed cumulative preferential dividend, redeemable at the option of the holder and retractable at the option of the Corporation;

An unlimited number of non-voting Preferred Shares, Series E (“Preferred E Shares”), carrying a non-cumulative dividend subsequent to the holders of Cumulative First Preferred Shares, redeemable at the option of the holder and retractable at the option of the Corporation.

(b) Issued and outstanding capital stock

	Common Shares	
	Number	Amount
Balance as of December 31, 2016	95,983,176	$ 3,701.4
Reduction of paid-up capital	–	(25.0)
Balance as of March 31, 2017	**95,983,176**	**$ 3,676.4**

In the first quarter of 2017, the Corporation reduced its paid-up capital for a cash consideration of $25.0 million.

QUEBECOR MEDIA INC.
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the three-month periods ended March 31, 2017 and 2016
(tabular amounts in millions of Canadian dollars, except for option data)
(unaudited)

10. 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	680,000	$ 25.37
Exercised	(290,000)	25.93
Cancelled	(145,000)	25.93
As of March 31, 2017	**245,000**	**$ 24.36**
Vested options as of March 31, 2017	**148,333**	**$ 23.78**
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, 290,000 stock options of Quebecor were exercised for a cash consideration of $4.1 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).

QUEBECOR MEDIA INC.
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the three-month periods ended March 31, 2017 and 2016
(tabular amounts in millions of Canadian dollars, except for option data)
(unaudited)

10. 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	713,813	$ 28.92
Exercised	(570,471)	28.24
Cancelled	(96,537)	31.62
Balance as of March 31, 2017	**46,805**	**$ 31.62**

During the first quarter of 2017, a cash consideration of $4.9 million was paid upon the exercise of 570,471 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	64,471	81,075
Exercised	(1,793)	(3,945)
Cancelled	(7,384)	(8,523)
Balance as of March 31, 2017	**55,294**	**68,607**
TVA Group		
Balance as of December 31, 2016	191,322	212,671
Exercised	(3,074)	–
Cancelled	(12,353)	(7,128)
Balance as of March 31, 2017	**175,895**	**205,543**

QUEBECOR MEDIA INC.
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the three-month periods ended March 31, 2017 and 2016
(tabular amounts in millions of Canadian dollars, except for option data)
(unaudited)

10. 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 $4.0 million ($2.2 million in 2016).

11. ACCUMULATED OTHER COMPREHENSIVE LOSS

	Cash flow hedges	Defined benefit plans	Total
Balance as of December 31, 2015	$ (71.1)	$ (64.9)	$ (136.0)
Other comprehensive income (loss)	25.4	(53.5)	(28.1)
Balance as of March 31, 2016	(45.7)	(118.4)	(164.1)
Other comprehensive (loss) income	(40.5)	75.1	34.6
Balance as of December 31, 2016	(86.2)	(43.3)	(129.5)
Other comprehensive loss	(8.5)	–	(8.5)
Balance as of March 31, 2017	**$ (94.7)**	**$ (43.3)**	**$ (138.0)**

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.

12. 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 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.

QUEBECOR MEDIA INC.
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the three-month periods ended March 31, 2017 and 2016
(tabular amounts in millions of Canadian dollars, except for option data)
(unaudited)

12. 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 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 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]	**$ (5,655.4)**	**$ (5,877.8)**	$ (5,669.9)	$ (5,835.5)
Derivative financial instruments				
Early settlement options	**–**	**–**	0.4	0.4
Foreign exchange forward contracts[3]	**1.5**	**1.5**	2.5	2.5
Interest rate swaps	**(0.2)**	**(0.2)**	(0.3)	(0.3)
Cross-currency interest rate swaps[3]	**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 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.

SIGNATURE

Pursuant to the requirements of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

QUEBECOR MEDIA INC.

By: /S/ JEAN-FRANÇOIS PRUNEAU

Jean-François Pruneau
Senior Vice President and
Chief Financial Officer

Date: MAY 16, 2017