CANADA
PROVINCE OF QUÉBEC
DISTRICT OF MONTRÉAL
COURT NO: 500-11-032338-085

S U P E R I O R   C O U R T
Commercial Division
Designated tribunal under the CCAA[1]

IN THE MATTER OF THE PLAN OF COMPROMISE OR ARRANGEMENT OF QUEBECOR WORLD INC. AND VARIOUS SUBSIDIARIES AS LISTED IN SCHEDULE "A"

DEBTORS

- and -

ERNST & YOUNG INC.

MONITOR

THIRD REPORT OF THE MONITOR – APRIL 1st, 2008

INTRODUCTION

1. On January 21, 2008 this Court, sitting as designated tribunal under the *Companies' Creditors Arrangement Act* ("**CCAA**")[1], issued an order at the request of Quebecor World Inc. ("**QWI**") and certain of its affiliates (collectively, the "**Petitioners**" or the "**Companies**") declaring that the Petitioners are debtor companies to which the CCAA applies, granting certain relief to the Companies while they prepare a plan of arrangement pursuant to the CCAA, and appointing Ernst & Young Inc. as monitor ("**EYI**" or "**Monitor**"). The initial order of the Court, which governs these proceedings, was modified on January 31 and February 19, 2008 (the "**Initial Order**").

2. This Third Report of the Monitor ("**Report**") is provided to the Court as an update in respect of the activities of the Petitioners and certain events occurring since the date of the Monitor's Second Report dated February 14, 2008. The content of this report is presented in the following categories:

   - CCAA Proceedings;
   - Proceedings under Chapter 11 of the U.S. *Bankruptcy Code*[2] ("**Chapter 11**").
   - Stabilization of Operations;
   - Restructuring Actions;

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[1] *Companies' Creditors Arrangement Act* ("**CCAA**"), R.S.C. 1985, c. C-36, as amended.

[2] *U.S. Code,* title 11, chapter 11.

- Debtor-in-Possession Financing;
- Current Financial Performance and Cash Flow Forecast;
- Creditor Committees;
- Governance;
- Inter-Company Debt Reporting;
- Status of Latin American Operations;
- Status of the European Operations;
- Retention of Ernst & Young LLP U.S.
- Preparation of a Restructuring Business Plan; and
- Monitor's Analysis and Recommendation.

TERMS OF REFERENCE

3. In preparing this Report, the Monitor has relied upon unaudited financial information, Petitioners' records, Petitioners' prepared financial information and projections, discussions with management and employees of the Petitioners, and information from various other sources. EYI has not audited, reviewed, or otherwise attempted to verify the accuracy or completeness of such information and, accordingly, EYI expresses no opinion or other form of assurance in respect of such information.

   Some of the information referred to in this Report consists of forecasts and/or projections. An examination or review of the financial forecast and projections, as outlined in the Canadian Institute of Chartered Accountants ("**CICA**") Handbook, has not been performed. Future oriented financial information referred to in this Report was prepared based on management's estimates and assumptions. Readers are cautioned that since projections are based upon assumptions about future events and conditions that are not ascertainable, the actual results will vary from the projections, even if the assumptions materialize, and the variations could be significant.

   We have requested that management bring to our attention any significant matters which were not addressed in the course of our specific inquiries. Accordingly, this Report is based solely on the information (financial or otherwise) made available to us.

   This Report has been prepared for the use of this Court, as general information on the status of the Companies' progress in developing a restructuring plan. Given the nature of EYI's mandate, this information is subject to change as the mandate progresses.

4. Unless otherwise stated, all monetary amounts contained herein are expressed in U.S. dollars.

5. Capitalized terms not defined in this Report are as defined in the Initial Order or in the Monitor's previous reports.

CCAA PROCEEDINGS

6. On February 19, 2008, this Court granted Orders providing, inter alia, for the following:

   6.1. Extending the stay termination date up to and including May 12, 2008;

   6.2. Ordering that the Monitor prepare a report on inter-company transactions;

   6.3. Ordering that QWI be relieved of any obligation to call and hold an annual general meeting of shareholders on or before June 30, 2008 and that QWI be directed to call such a meeting within three months following the lifting of the stay termination date (as extended from time to time); and

   6.4. Confirming various changes to the Initial Order as amended on January 31, 2008.

7. The Monitor has made various materials relating to the proceedings available on its website, at www.ey.com/ca/QuebecorWorld. The Monitor intends to promptly post Canadian court orders, motion material and its reports on this website throughout these proceedings.

8. The Monitor has also established a toll-free telephone number (1-866-516-0910) to allow creditors and other interested parties in Canada and the U.S. to contact the Monitor to obtain additional information concerning the CCAA and Chapter 11 proceedings. As of the date of this Report, the Monitor has received approximately 600 calls.

PROCEEDINGS UNDER CHAPTER 11 OF THE U.S. *BANKRUPTCY CODE*

9. Since the date of the Monitor's Second Report, the U.S. Petitioners have presented motions to the U.S. Court. Some of the more significant Orders made by the U.S. Court include:

   9.1. Final Order signed on February 21, 2008 establishing case management procedures for: (A) omnibus hearing dates and (B) certain notice, case management, and administrative procedures;

   9.2. Final Order signed on February 21, 2008 authorizing the U.S. Petitioners to maintain financing of insurance premiums and renewals thereof and to make payments thereunder;

   9.3. Order signed on February 21, 2008 authorizing the U.S. Petitioners to pay and honour certain pre-petition claims for sales commissions;

9.4. Order signed on February 21, 2008 authorizing the U.S. Petitioners to reject an unexpired, residential real property lease;

9.5. Final Order signed on February 21, 2008 determining adequate assurance of payment for future utility services;

9.6. Order signed on March 7, 2008 (A) authorizing the rejection of a lease agreement for one Bombardier CL-601-3A aircraft and related engines and (B) terminating the automatic stay with respect thereto;

9.7. Order signed on March 7, 2008 authorizing the U.S. Petitioners to pay and honour certain pre-petition claims for broker sales commissions;

9.8. Order signed on March 20, 2008 authorizing but not directing the U.S. Petitioners to pay minimum funding contributions due to the debtors' defined benefit plans;

9.9. Order signed on March 20, 2008 authorizing the assumption of executory contracts with Hell Gravure Systems, GMBH & Co. KG for the purchase of engraving equipment;

9.10. Order signed on March 20, 2008 authorizing the assumption of executory contracts with Maschinenfabrik K. Walter GMBH & Co. KG for the purchase of two copper tanks;

9.11. Order signed on March 20, 2008 authorizing the assumption of an executory contract with SIM Products, Inc. for purchase of co-mailing equipment;

9.12. Order signed on March 20, 2008 authorizing the assumption of an executory contract with Goss International Americas, Inc. for the purchase of one Universal 45 four-high tower add on with related equipment;

9.13. Order signed on March 20, 2008 granting the U.S. Petitioners' first omnibus motion to reject certain unexpired real property leases;

9.14. Order signed on March 20, 2008 granting the U.S. Petitioners' motion for an extension of time within which to file schedules of assets and liabilities and statements of financial affairs;

9.15. Order signed on March 20, 2008 granting the U.S. Petitioners' motion to assume the agreement with Bank of America, NA to provide employee purchasing cards;

9.16. Order signed on March 20, 2008 authorizing the U.S. Petitioners to pay and honour certain pre-petition amounts due under the fiscal 2007 management incentive plans;

9.17. Order signed on March 20, 2008 authorizing the U.S. Petitioners to pay and honour certain pre-petition claims for sales commissions;

9.18. Final Order signed on April 1, 2008 granting the DIP Facility;

9.19. Order signed on April 1, 2008 authorizing the U.S. Petitioners to retain Prime Locations, LLC, George Comfort & Sons, Inc. and the Core Network to provide real estate consulting services; and

9.20. Order signed on April 1, 2008 authorizing the U.S. Petitioners to assume the unexpired lease of the Bombardier CL 600-2B16 aircraft and related engines and to exercise the buy-out option in relation thereto.

10. The U.S. Petitioners have an omnibus hearing scheduled before the U.S. Court on April 17, 2008. The Monitor understands that the U.S. Petitioners contemplate presenting motions in relation to the following matters, among others, at this hearing:

10.1. Authorizing the retention of certain professionals including:

10.1.1. KPMG LLP, for auditing and tax compliance work; and

10.1.2. Ernst & Young LLP U.S. relating to restructuring U.S. tax services; and

10.2. Authorizing the assumption of certain equipment leases and licences.

11. Copies of all of the U.S. Orders are posted on the website maintained by Donlin Recano (www.donlinrecano.com/cases/caseinfo.aspx?cl=qw). A dynamic link to the Donlin Recano website is included on the Monitor's website.

STABILIZATION OF OPERATIONS

General

12. As indicated in the Monitor's previous reports, the Companies continue to provide the Monitor with full co-operation and unrestricted access to their premises, books and records. Procedures for the daily monitoring of disbursements and the preparation of weekly variance analysis of actual results against the cash flow forecasts filed with this Court or provided to the DIP Lenders from time to time have been implemented and are being revised, as needed.

Overview

13. Since the commencement of the CCAA and Chapter 11 proceedings, the Petitioners have focussed on stabilizing operations and returning the operations to a "business as usual" basis. The Petitioners have successfully managed the issues created as a result of the CCAA and Chapter 11 filings and the operations have been stabilized with day to day operations returning to normal for the most part.

14. Discussions with suppliers to re-establish supply arrangements and to negotiate credit terms under which suppliers maintain the supply or will provide goods and services during the stay period are ongoing, with significant progress to date.

15. The Companies' centralized accounting systems have been challenged to adapt to a large volume of new information, increasing levels of time sensitive payment requests and high volumes of manual transactions. To address these issues, the Companies have hired additional accounting staff to process the additional volume of transactions and to ensure appropriate internal controls are in place. The Companies are also implementing procedures to ensure that renegotiated vendor credit limits are respected.

16. The Companies are working on a reconciliation of their pre-petition trade liabilities. This analysis is ongoing as the payment of pre-petition payments permitted by the U.S. Proceedings, the receipt and investigation of certain 20 day administrative and reclamation claims[3] and the set-off rights claimed by certain customers must be taken into consideration.

Banking

17. Despite the disruption caused by the initial filings, the Companies continue to use their existing banking structure and have been working with their banks to return to a more efficient way of operating the centralized cash systems. In particular, the Companies obtained an order from the U.S. Court on March 20, 2008 to reactivate the employee purchase card system ("**P-card**") by assuming the related contract with Bank of America. Access to the P-card system will relieve the accounts payable system from processing a large number of small value transactions.

18. In order to indemnify the Canadian Imperial Bank of Commerce ("**CIBC**") from potential exposure as the Companies' Canadian bank services provider, and, in accordance with the terms of the Initial Order, QWI was required to deposit and maintain cash or cash equivalents in a segregated account in the amount of Cdn $25 million or other amount as may be agreed upon. An amount of Cdn $20.0 million was negotiated and was deposited with CIBC on February 21, 2008. These restricted funds are specifically identified in the Revised Cash Flow Forecast (as defined below).

<u>Quebecor World Memphis Corp cash collateral bank account</u>

19. On March 7, 2008 the Companies opened a cash collateral bank account (the "**QW Memphis Collateral Account**") for Quebecor World Memphis Corp. ("**QW Memphis**") with Bank of America. This account was opened as a result of negotiations between the Companies and the Agent of the Pre-Petition Bank Syndicate in order to create a cash account to hold proceeds realized from the disposition of the pre-petition collateral in the form of QW Memphis inventory on site as at January 21, 2008. Specifically, the Companies are required to deposit in the QW Memphis Collateral Account all proceeds related to the sale of such inventory held at the date of the Initial Order. This agreement has been documented as part of the Final DIP Order.

20. On March 7, 2008, the Companies deposited an initial amount of $20.0 million into the QW Memphis Collateral Account. The agreement further contemplates that additional deposits will

[3] Sections 503(b)(9) and 546(c) of the U.S. *Bankruptcy Code*. The "reclamation claims" are claims similar in nature to the claims of unpaid suppliers under section 81.1 of the *Bankruptcy and Insolvency Act*.

be made to the QW Memphis Collateral Account as the QW Memphis inventory and other QW Memphis collateral of the Pre-Petition Bank Syndicate is realized. The Revised Cash Flow Forecast takes into consideration the disbursements relating to the increases in the QW Memphis Collateral Account.

Customers

21. The Petitioners have a large number of contracts with their customers that often are for terms of several years. The Petitioners continue to negotiate and extend contracts in the normal course. Contract extensions have been reached with several customers since filing, with several more significant contracts subject to ongoing negotiations. Management expects that receipt of the Final DIP Order in the Chapter 11 proceedings will enable the Companies to finalize negotiations with several significant customers.

22. The Economist Newspaper NA ("The Economist"), a customer, recently notified the Companies of its intention to terminate the print agreement at the end of the initial term or September 2008. The Economist took these steps to preserve its rights, however the Companies and The Economist are continuing discussions to find mutually agreeable terms and conditions to continue their working relationship beyond the initial term.

23. Since the initial filings, the Companies continue to honour customer programs such as volume rebates and over-consumption credits in the normal course.

Leases

24. The Companies have entered into new leases for additional office or warehousing space and as well as have renewed leases for manufacturing premises. The new leases have been small in value and for relatively short periods of time (one to six months), and the lease renewal for manufacturing premises was done substantially on the same conditions as previously existed, and is for a period of one year only.

25. The Monitor understands that the Companies will need to renew or sign new leases for certain of its manufacturing plants. We understand that the larger or longer term commitments will be discussed with the Committees (as defined below) prior to the execution of any long term material obligations.

Vendors

26. The Companies, with the assistance of their Canadian and U.S. legal advisors and the Monitor, continue to promptly address vendor issues to ensure ongoing supplies of goods and services.

Inter-Company Transactions

27. Thus far in these proceedings, the inter-company transactions have been limited to the automatic centralized accounting transfer of accounts payable and accounts receivable, funding of €9.0

million to Europe and $6.0 million to Latin America as authorized by the Interim DIP Order, and certain post-petition transactions in the ordinary course of business whereby one entity is providing services or products to another entity on terms consistent with those of any third party supplier.

2007 Financial Statements and Reporting Issues

28. The Companies have publicly announced that the issuance of their 2007 audited financial statements will be delayed as a result of the timing delays caused by the initiation of the restructuring proceedings and the additional audit work required by the filing, such as asset valuations and provisions for restructuring efforts. The delay of these audited financial statements will also delay the production of monthly information such as the monthly operating report, required for the U.S. Trustee and information required in accordance with the DIP agreement. The Companies have obtained waivers from the Agent for the DIP Lenders and are in discussions with the U.S. Trustee's office to obtain the necessary waivers in relation thereto.

RESTRUCTURING ACTIONS

29. The Petitioners, with the assistance of their legal counsel and the Monitor, are reviewing all of their real estate and equipment leases with a view to rejecting any lease that has unfavourable financial terms in comparison to the current market conditions or that is not necessary for the on-going operations of the Companies. The Companies have already identified and rejected certain leases through motions presented with the U.S. Court.

30. The Companies are also reviewing all of their executory contracts to determine if these contracts should be rejected or in the United States, assumed. As described in the Chapter 11 Proceedings section above, four executory contracts have been assumed to date. These contracts relate to capital expenditures commitments made by the Companies prior to January 21, 2008 that the Companies still believe are essential to its on-going operations.

31. In addition, the Companies continue to review the potential sale of redundant real estate.

Closure of Magog facility

32. On March 31, 2008, QWI announced the closure of its Magog facility, located in Magog, Québec. The Magog facility has a staff complement of approximately 387 full time and temporary employees, of which 105 were working at the time of the announcement with the other employees being on temporary layoff. The contracts that were serviced by this facility will be transferred to other Quebecor World facilities.

33. The economic analysis relating to the closure of the Magog facility was reviewed and approved by the Committees prior to the announcement of the closure.

34. As part of its business plan review (discussed later in this Report), the Companies are reviewing the operations and profitability of all of their facilities with a view to emerge from the CCAA and Chapter 11 proceedings more profitable and efficient.

DEBTOR-IN-POSSESSION FINANCING

35. Pursuant to the Initial Order and the U.S. Interim DIP Order, the DIP Lenders advanced the $600 million Term Loan Facility to the Petitioners on January 24, 2008.

36. The Initial Order and the U.S. Interim DIP Order also authorized a Revolving Loan Facility of $400 million, of which an interim amount of $150 million is available to the Petitioners immediately, with the remaining $250 million to be available upon the granting of the Final DIP Order by the U.S. Bankruptcy Court. The Final DIP Order was granted by the U.S. Court on April 1, 2008.

CURRENT FINANCIAL PERFORMANCE AND CASH FLOW FORECAST

Cash Flow Results for the Six Weeks Ended March 23, 2008

37. For the six weeks ended March 23, 2008, the consolidated North American operations of the Companies produced negative cash flow of $77 million, approximately $116 million better than that projected for the same period in the cash flow forecast prepared by the Companies ("**Cash Flow Forecast**") and attached to the Monitor's Second Report. Management advised that the favourable variance is attributable to a number of factors including scrap paper sales not reflected in the Cash Flow Forecast, limited post-filing credit received from certain suppliers, temporary deferral of several capital projects, and a conservative forecast of certain payroll costs. The actual cash flow results and the variances from the Cash Flow Forecast for the six week period are presented in further detail in the schedule attached (Appendix A).

Cash Flow Forecast for the Thirteen Weeks Ending June 22, 2008

38. To assist in assessing the Companies' short term financial performance and ongoing financing requirements during these restructuring proceedings, the Companies have prepared a revised cash flow forecast ("**Revised Cash Flow Forecast**") for the thirteen weeks ending June 22, 2008. The Revised Cash Flow Forecast reflects management's expectations that the consolidated North American operations will incur negative cash flow of $87 million during the period. Management anticipates, however, that the Companies will be marginally cash positive starting in May as the Companies move through their normal seasonal business cycle.

39. The Revised Cash Flow Forecast does not require borrowings on the $400 million Revolving Loan Facility, outside of the Letter of Credit Sub-Facility. The Revised Cash Flow Forecast is attached as Appendix B.

40. As a result of the Companies having received the Final DIP Order on April 1, 2008, the Companies have unrestricted cash balances of $160 million and an undrawn Revolving Loan Facility of $400 million. The Companies have access to total liquidities in excess of $400 million, resulting in the Petitioners have sufficient financing to operate their businesses during the CCAA and Chapter 11 proceedings.

CREDITOR COMMITTEES

41. As discussed in the Monitor's Second Report, the Petitioners have encouraged dialogue amongst the professional advisors to each of the *Ad Hoc* Bondholder Group, the Bank Syndicate and the Official Committee (collectively the "**Committees**") to ensure an efficient review process, avoid unnecessary duplication of effort and to make the best use of the Companies' resources.

42. A weekly call has been set-up with the professional advisors to each of the Committees, the Companies and the Monitor to identify and discuss emerging issues.

43. As well, the Companies have created an internal team to handle information requests from the professional advisors to the Committees, with the support of UBS and the Monitor.

Ad Hoc Bondholder Group

44. As indicated in the Monitor's Second Report, the *Ad Hoc* Bondholder Group retained Goodmans LLP as Canadian legal counsel, Paul, Weiss, Rifkind, Wharton & Garrison LLP as U.S. counsel and Houlihan Lokey Howard & Zukin ("**HLHZ**") as financial advisor. The *Ad Hoc* Bondholder Group has created a subcommittee (the "***Ad Hoc* Bondholder Subcommittee**"). The *Ad Hoc* Bondholder Subcommittee has retained Milbank, Tweed, Hadley, McCloy LLP as U.S. counsel, to review and analyze issues regarding the rank and priorities of various notes issued by the Companies.

Official Committee

45. As mentioned in the Monitor's Second report the Official Committee retained Akin, Gump, Strauss, Hauer & Feld LLP as U.S. legal counsel, Osler, Hoskin & Harcourt LLP as Canadian legal counsel and Mesirow Financial as financial advisors. The Official Committee has also retained Jefferies & Company, Inc. as investment banker. The Monitor was recently advised that the Official Committee has retained Bennett Jones LLP as Canadian legal counsel to replace Osler, Hoskin & Harcourt LLP which had identified a conflict.

Fee Retainers Provided

46. The Companies have entered into fee arrangements with the following legal and financial advisors to the Committees, including:

	Fee retainer provided
Bank Syndicate	
McMillan Binch Mendelsohn LLP	$225,000
Latham & Watkins LLP	$250,000
PricewaterhouseCoopers Inc.	$225,000
Bondholders	
Goodmans LLP	$250,000
Paul, Weiss, Rifkind, Wharton & Garrison LLP	$250,000
Houlihan Lokey Howard & Zukin	$175,000
Noteholder Subcommittee	
Milbank, Tweed, Hadley, McCloy LLP	$125,000

47. The fee arrangements typically provide that they may be terminated on 30 business days' notice by either party (with the exception of Milbank, Tweed, Hadley, McCloy LLP which can be terminated on 5 days notice).

48. Each of the professional advisors to the Official Committee has been or will be retained pursuant to an Order of the U.S. Court and will be entitled to its actual fees and expenses as allowed by the U.S. Court. Specifically, each of the said advisors will generally receive 80% of its fees and 100% of its disbursements monthly, and will receive the balance of its fees, as adjusted, upon quarterly review and approval by the U.S. Court.

GOVERNANCE

49. As indicated in the Monitor Second Report, the Companies recognized the need for a chief restructuring officer ("**CRO**") to assist in the restructuring of the Companies and proceeded to interview candidates. The Board of Directors of QWI also established a restructuring committee (the "**Restructuring Committee**") to assist and supervise the restructuring process.

50. The members of the Restructuring Committee are the following:

- Mr. André Caillé;
- Mrs. Michèle Desjardins;

- Mr. Jean La Couture;
- Mr. Jean Neveu; and
- Mr. Jacques Mallette.

51. On March 24, 2008, the Restructuring Committee selected a candidate for the CRO position. The terms and conditions of the CRO engagement are under discussion and documentation.

INTER-COMPANY DEBT REPORTING

52. As specified in the February 19, 2008 Order granted by this Court, the Monitor will prepare a report on the inter-company transactions and will report thereon to this Court. The Monitor continues to work on this report and will provide it to the various stakeholders and the Court upon its completion.

STATUS OF LATIN AMERICAN OPERATIONS

53. As described in the Monitor's Second Report, specified amounts were transferred to entities located in certain of the Latin American countries for general corporate purposes as contemplated in the revised Interim DIP Order, as follows:

Country	**Amount**
Colombia	4.0 million
Mexico	2.5 million
Peru	2.5 million
Argentina	0.7 million
British Virgin Islands	0.3 million
Total	**10.0 million**

54. As at the date of this Report, the Petitioners had transferred a total of $6.0 million to Mexico, Peru, Argentina and the British Virgin Islands. The Companies are working on the transfer of the remaining $4.0 million to Colombia. The process to transfer funds to Colombia is complicated because Colombian laws prohibit funds transfers by way of an inter-company loan from non-domestic sources and the Financing Facilities prohibit the Petitioners from investing in the equity

of foreign subsidiaries. The Companies are reviewing alternative mechanisms to effect the cash transfer.

STATUS OF EUROPEAN OPERATIONS

55. The Petitioners are assessing their alternatives with respect to the European operations.

56. As of the date if this Report, the Petitioners have transferred €9.0 million to finance its European operations.

Operations in the United Kingdom

57. After being unable to renew the Associated Newspaper Limited contract in 2005, Quebecor World PLC ("**QW UK**") was unable to find a replacement for this major contract. Given the platform used by QW UK, it was difficult to realign costs to match reduced production volumes, resulting in operating losses and layoffs. These difficulties were compounded by the intense competition in the market driven by considerable overcapacity.

58. In December 2007, the discussions towards the planned sale of the European operations to Roto Smeets De Boer NV were terminated. The directors of QW UK continued to seek a buyer for the QW UK operations but given the large outstanding liabilities, including significant pension related obligations, they were unable to attract purchasers.

59. On January 28, 2008, QWI announced that its United Kingdom subsidiary, QW UK was placed into administration[4]. Ian Best and David Duggins of Ernst & Young UK were appointed as administrators ("**Administrators**") by the Directors for QW UK.

60. The Administrators continued to operate the business from January 28 to February 8, 2008, while they attempted to find a going-concern buyer of the business. The Administrators only had a very short time to market the business as a transaction would only be viable if a critical mass of customers were committed to QW UK.

61. On February 11, 2008, the Administrators terminated the employment of 228 employees as no purchaser had been identified and customers continued to move their work to the competition.

62. The firm of GVA Grimely has been retained to market and sell the QW UK fixed assets. A team of approximately 26 employees were retained to decommission the equipment and make the assets ready for sale. The Administrators estimate that the overall process, including the disassembly and removal of equipment, will not be completed until the end of 2008.

[4] Conducted in accordance to the UK Insolvency Act.

63. As well, the Administrators are marketing two properties where the operations were conducted. Holding costs, including insurance, site clean-up and security costs could be significant until these properties are sold.

64. A meeting of the creditors of QW UK was held on March 28, 2008 for the creditors to vote upon the proposal made by the Administrators including to:

    64.1. Continue the realization of the assets;

    64.2. Perform an investigation of any claims QW UK may have against third parties;

    64.3. Continue the Administration, as required;

    64.4. Establish a creditors' committee;

    64.5. Enable the Administrators to perform a distribution under the Administration, if it is more cost effective process than under a liquidation; and

    64.6. Move the company directly into a creditors' voluntary liquidation at the end of the Administration.

65. The Administrators have indicated that approximately 35 creditors were present at the meeting, most of whom were employees. The creditors voted in favour of the proposal and have requested that a creditors' committee be formed. The Administrator will be working with the creditors in this respect. The Companies have indicated that a representative of Quebecor World S.A. will sit on the creditor's committee.

66. The Monitor understands that QW UK has payables of approximately £70 million of which £41 million are for pension related obligations and £15 million are for inter-company payables.

67. The Administrators have not received financial support from the Petitioners since January 21, 2008.

RETENTION OF ERNST & YOUNG LLP U.S.

68. The Petitioners intend to retain Ernst & Young LLP U.S.("E&Y") to provide U.S. tax services in connection with the restructuring of the U.S. Petitioners. E&Y commenced discussions with the Petitioners U.S. advisors regarding the requirements to be completed by E&Y to be retained in the Chapter 11 proceedings.

PREPARATION OF RESTRUCTURING BUSINESS PLAN

69. The Petitioners have begun the preparation of their five year business and financial plans with the advice and assistance of UBS and input from the Monitor. The business plans will reflect the Petitioners' expectation of future operating performance during and after the CCAA and Chapter

11 processes. Management expects that the preparation of the business plans will be completed in the month of May.

MONITOR'S CONCLUSIONS

70. The Monitor has assisted and continues to assist the Petitioners' in their efforts to stabilize operations. The Monitor believes that the Petitioners are acting diligently and in good faith.

All of which is respectfully submitted this 1st day of April 2008.

ERNST & YOUNG INC.
In its capacity as the Monitor appointed by
the Court in the matter of the proposed arrangement
of Quebecor World Inc. ***et al.***

Michel Marleau for.
Per: Murray A. McDonald, CA, CIRP
President

SCHEDULE A

IN THE MATTER OF THE *COMPANIES' CREDITORS ARRANGEMENT ACT,* R.S.C. 1985, c. C-36, AS AMENDED

AND IN THE MATTER OF A PLAN OF COMPROMISE OR ARRANGEMENT OF QUEBECOR WORLD INC. *ET AL*

U.S. SUBSIDIARIES INCLUDED IN THE CCAA PROCEEDINGS

SCHEDULE "A"

Quebecor Printing Aviation Inc.
Quebecor Printing Holding Company
Quebecor World (USA) Inc.
Quebecor World Arcata Corp.
Quebecor World Atglen Inc.
Quebecor World Atlanta II LLC
Quebecor World Book Services LLC
Quebecor World Buffalo Inc.
Quebecor World Capital Corporation
Quebecor World Capital II GP
Quebecor World Capital II LLC
Quebecor World Century Graphics Corporation
Quebecor World Dallas II Inc.
Quebecor World Dallas, L.P.
Quebecor World DB Acquisition Corp.
Quebecor World Dittler Brothers Inc.
Quebecor World Dubuque Inc.
Quebecor World Eusey Press Inc.
Quebecor World Fairfield Inc.
Quebecor World Great Western Publishing Inc.
Quebecor World Hazleton Inc.
Quebecor World Infiniti Graphics Inc.
Quebecor World Johnson & Hardin Co.
Quebecor World KRI Inc.
Quebecor World Krueger Acquisition Corp.
Quebecor World Lease GP
Quebecor World Lease LC
Quebecor World Lincoln Inc.
Quebecor World Logistics Inc.
Quebecor World Loveland Inc.
Quebecor World Magna Graphic Inc.
Quebecor World Memphis LLC
Quebecor World Mid-South Press Corporation
Quebecor World Mt. Morris II LLC
Quebecor World Nevada II LLC
Quebecor World Nevada Inc.
Quebecor World Northeast Graphics Inc.
Quebecor World Olive Branch Inc.
Quebecor World Pendell Inc.
Quebecor World Petty Printing Inc.
Quebecor World Printing (USA) Corp.
Quebecor World Rai Inc.
Quebecor World Retail Printing Corporation
Quebecor World San Jose Inc.
Quebecor World Systems Inc.
Quebecor World Taconic Holdings Inc.
Quebecor World Up / Graphics Inc.
Quebecor World Waukee Inc.
QW Memphis Corp.
QW New York Corp.
The Webb Company
WCP-D, Inc.
WCZ, LLC

APPENDIX A

QUEBECOR WORLD INC. *et al* — APPENDIX "A"

Consolidated North American Operations

Comparison of Actual Cash Flow Results to Cash Flow Forecast

For Six Weeks Ended March 23, 2008

(US$ Millions)(See Accompanying Notes)

Actual Cash Flow Results

Week Ended	Notes	Feb 17 Week 1	Feb 24 Week 2	Mar 02 Week 3	Mar 09 Week 4	Mar 16 Week 5	Mar 23 Week 6	Total
RECEIPTS								
Accounts Receivable Collections and Other Inflows	(1)	66	88	66	77	82	76	455
Sale of Assets		-	-	-	-	-		-
DIP Advances		-	-	-	-	-		-
Total Receipts		66	88	66	77	82	76	455
DISBURSEMENTS								
Paper and Other Purchases	(2)	(35)	(35)	(38)	(48)	(48)	(54)	(258)
Ink Purchases		(4)	(5)	(5)	(5)	(5)	(4)	(28)
Change in Outstanding Cheques	(2)(3)	(6)	(3)	(3)	(8)	3	3	(14)
Customer Rebates		(9)	-	-	(1)	-	-	(10)
Payroll, Benefits, and Payroll Taxes	(4)	(21)	(19)	(24)	(21)	(22)	(21)	(128)
Workers Compensation Premiums		-	-	-	-	(17)	-	(17)
Pension Contributions		(1)	(1)	(1)	(1)	(1)	(6)	(11)
Professional Fees	(2)(5)	-	-	-	(2)	-	-	(2)
Capital Expenditures	(6)	-	-	(1)	(1)	(1)	(1)	(4)
DIP Repayments		-	-	-	-	-	-	-
DIP Fees and Interest		-	-	-	(9)	-	(1)	(10)
Other Disbursements		-	-	-	-	-	-	-
Total Disbursements		(76)	(63)	(72)	(96)	(91)	(84)	(482)
Net Cash Flow from Operations		(10)	25	(6)	(19)	(9)	(8)	(27)
Estimated Non-Petitioners Financing Requirement	(7)	(3)	-	(7)	-	-	-	(10)
Cash Collateral Paid	(8)	-	(20)	-	(20)	-	-	(40)
NET CASH FLOW		(13)	5	(13)	(39)	(9)	(8)	(77)
Opening Unrestricted Cash Position		237	224	229	216	177	168	237
CLOSING UNRESTRICTED CASH POSITION		224	229	216	177	168	160	160
Cash Collateral Held by Cash Management Banks		-	20	20	40	40	40	40
Closing Cash Position	(9)	224	249	236	217	208	200	200
AVAILABLE LIQUIDITY								
Unrestricted Cash Position		224	229	216	177	168	160	
Revolving DIP Loan	(10)	143	141	140	140	140	136	
Total Available Liquidity		367	370	356	317	308	296	
DIP LOAN								
Continuity Rollforward								
Opening DIP Position		607	607	609	610	610	610	
Advances / (Repayments)		-	-	-	-	-	-	
Letters of Credit Issued		-	2	1	-	-	4	
Closing DIP Position		607	609	610	610	610	614	
Outstanding Advances by Facility								
Term Loan		600	600	600	600	600	600	
Revolving Loan		-	-	-	-	-	-	
Letters of Credit		7	9	10	10	10	14	
Closing DIP Position		607	609	610	610	610	614	

Cash Flow Forecast

Week Ended	Feb 17 Week 1	Feb 24 Week 2	Mar 02 Week 3	Mar 09 Week 4	Mar 16 Week 5	Mar 23 Week 6	Total
RECEIPTS							
Accounts Receivable Collections and Other Inflows	74	72	70	72	78	70	436
Sale of Assets	-	-	-	-	-	-	-
DIP Advances	-	-	-	-	-	-	-
Total Receipts	74	72	70	72	78	70	436
DISBURSEMENTS							
Paper and Other Purchases	(45)	(48)	(48)	(43)	(47)	(45)	(276)
Ink Purchases	(6)	(6)	(6)	(6)	(6)	(6)	(35)
Change in Outstanding Cheques	-	-	-	-	-	-	-
Customer Rebates	(9)	(3)	-	(1)	(1)	(1)	(15)
Payroll, Benefits, and Payroll Taxes	(28)	(28)	(28)	(28)	(28)	(28)	(168)
Workers Compensation Premiums	-	-	(19)	-	-	-	(19)
Pension Contributions	-	-	-	-	(4)	-	(4)
Professional Fees	(2)	(2)	(2)	(1)	(1)	(1)	(8)
Capital Expenditures	(8)	(6)	(3)	(2)	(5)	(2)	(26)
DIP Repayments	-	-	-	-	-	-	-
DIP Fees and Interest	-	-	-	(9)	-	-	(9)
Other Disbursements	(2)	-	-	(1)	(1)	(1)	(5)
Total Disbursements	(99)	(92)	(106)	(91)	(93)	(84)	(565)
Net Cash Flow from Operations	(25)	(20)	(36)	(19)	(15)	(14)	(129)
Estimated Non-Petitioners Financing Requirement	(3)	(41)	-	-	-	-	(44)
Cash Collateral Paid	(20)	-	-	-	-	-	(20)
NET CASH FLOW	(48)	(61)	(36)	(19)	(15)	(14)	(193)
Opening Unrestricted Cash Position	237	189	128	92	73	58	237
CLOSING UNRESTRICTED CASH POSITION	189	128	92	73	58	44	44
Cash Collateral Held by Cash Management Banks	20	20	20	20	20	20	20
Closing Cash Position	209	148	112	93	78	64	64
AVAILABLE LIQUIDITY							
Unrestricted Cash Position	189	128	92	73	58	44	
Revolving DIP Loan	143	129	117	112	112	112	
Total Available Liquidity	332	257	209	185	170	156	
DIP LOAN							
Continuity Rollforward							
Opening DIP Position	607	607	621	633	638	638	
Advances / (Repayments)	-	-	-	-	-	-	
Letters of Credit Issued	-	14	12	5	-	-	
Closing DIP Position	607	621	633	638	638	638	
Outstanding Advances by Facility							
Term Loan	600	600	600	600	600	600	
Revolving Loan	-	-	-	-	-	-	
Letters of Credit	7	21	33	38	38	38	
Closing DIP Position	607	621	633	638	638	638	

Variance from Forecast

Week Ended	Feb 17 Week 1	Feb 24 Week 2	Mar 02 Week 3	Mar 09 Week 4	Mar 16 Week 5	Mar 23 Week 6	Total
RECEIPTS							
Accounts Receivable Collections	(8)	16	(4)	5	4	6	19
and Other Inflows	-	-	-	-	-	-	
Sale of Assets	-	-	-	-	-	-	-
DIP Advances	-	-	-	-	-	-	-
Total Receipts	(8)	16	(4)	5	4	6	19
DISBURSEMENTS							
Paper and Other Purchases	10	13	10	(5)	(1)	(9)	18
Ink Purchases	2	1	1	1	1	2	7
Change in Outstanding Cheques	(6)	(3)	(3)	(8)	3	3	(14)
Customer Rebates	-	3	-	-	1	1	5
Payroll, Benefits, and Payroll Taxes	7	9	4	7	6	7	40
Workers Compensation Premiums	-	-	19	-	(17)	-	2
Pension Contributions	(1)	(1)	(1)	(1)	3	(6)	(7)
Professional Fees	2	2	2	(1)	1	1	6
Capital Expenditures	8	6	2	1	4	1	22
DIP Repayments	-	-	-	-	-	-	-
DIP Fees and Interest	-	-	-	0	-	(1)	(1)
Other Disbursements	2	-	-	1	1	1	5
Total Disbursements	23	29	34	(5)	2	-	83
Net Cash Flow from Operations	15	45	30	0	6	6	102
Estimated Non-Petitioners Financing Requirement	-	41	(7)	-	-	-	34
Cash Collateral Paid	20	(20)	-	(20)	-	-	(20)
NET CASH FLOW	35	66	23	(20)	6	6	116
Opening Unrestricted Cash Position	-	35	101	124	104	110	-
CLOSING UNRESTRICTED CASH POSITION	35	101	124	104	110	116	116
Cash Collateral Held by Cash Management Banks	(20)	-	-	20	20	20	40
Closing Cash Position	15	101	124	124	130	136	156
AVAILABLE LIQUIDITY							
Unrestricted Cash Position	35	101	124	104	110	116	
Revolving DIP Loan	-	12	23	28	28	24	
Total Available Liquidity	35	113	147	132	138	140	
DIP LOAN							
Continuity Rollforward							
Opening DIP Position	-	-	(12)	(23)	(28)	(28)	
Advances / (Repayments)	-	-	-	-	-	-	
Letters of Credit Issued	-	(12)	(11)	(5)	-	4	
Closing DIP Position	-	(12)	(23)	(28)	(28)	(24)	
Outstanding Advances by Facility							
Term Loan	-	-	-	-	-	-	
Revolving Loan	-	-	-	-	-	-	
Letters of Credit	-	(12)	(23)	(28)	(28)	(24)	
Closing DIP Position	-	(12)	(23)	(28)	(28)	(24)	

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Comparison of Actual Cash Flow Results to Cash Flow Forecast
For Six Weeks Ended March 23, 2008
(US$ Millions)

Limitations

This comparison (the "**Cash Flow Comparison**") of the actual cash flow results of the consolidated North American operations for the six weeks ended March 23, 2008 to that projected in the cash flow forecast attached to the Second Report (the "**Cash Flow Forecast**") was prepared by the Companies. The Monitor has not audited, reviewed, or otherwise attempted to verify the accuracy or completeness of the Cash Flow Comparison, and, accordingly, the Monitor expresses no opinion or other form of assurance with respect to the Cash Flow Comparison.

Basis of Preparation

Due to information system constraints, the timing of the recognition of disbursements between the actual cash flow results and the Cash Flow Forecast differs. The actual cash flow results are initially reported on a "cheques cleared" basis (i.e. when a cheque is debited against the Companies' bank account) from the Companies' information systems. As such, the actual disbursements reported for a given week exclude cheques written and released but not cleared through the Companies' bank accounts that week. In contrast, the Cash Flow Forecast reflects disbursements on a "cheques released" basis, irrespective of when the cheques are processed through the Companies' bank accounts. To compensate for the timing difference, the Companies manually adjust the actual cash flow results and cash position to a "cheques released" basis by including the weekly change in outstanding cheques as an additional disbursement category in the actual cash flow results. The reader is cautioned that the amount of outstanding cheques may affect a line by line comparison between the actual cash flow results and the Cash Flow Forecast.

Notes on Significant Variances

Management advised that the primary factors affecting the significant variances between the actual cash flow results and those projected in the Cash Flow Forecast were as follows:

(1) Accounts receivable collections and other inflows include $12 million received from the sales of scrap paper in February and March. The Cash Flow Forecast did not incorporate scrap paper sales. Management advised that the balance of the favourable variance is timing related and is expected to reversed during subsequent weeks.

(2) To review the variance on paper and other purchases, the variances on the change in outstanding cheques (refer to Note (3) below) and professional fees (refer to Note (5) below) should also be considered. Management attributed the combined favourable variance of $10 million mainly to the accumulation of post-filing credit in excess of that assumed in the Cash Flow Forecast and the delay arising from the time required to process invoices through the Companies' accounts payable system.

(3) The actual cash flow results and cash position are reported each week on a "cheques cleared" basis due to constraints within the Companies' information systems. To derive a cash position on a "cheques released" basis, the cash position was reduced by the amount of outstanding cheques (the "cheque float"). The weekly fluctuations in the cheque float are captured in the "Change in Outstanding Cheques" disbursement category.

(4) The projected payroll expenditures in the Cash Flow Forecast were based on the management's preliminary analysis of budgeted payroll expenses. Management has since further reviewed the cash cost of payroll expenses and determined that the amounts initially reflected in the Cash Flow Forecast were conservative. The forecasted payroll expenditures going forward have been further refined accordingly.

(5) Professional fees are processed and paid through the Companies' trade accounts payable system. Currently, these expenditures are not tracked separately as presented in the Cash Flow Forecast and, therefore, the payment of the majority of professional fees is included in the "Paper and Other Purchases" disbursement category.

Comparison of Actual Cash Flow Results to Cash Flow Forecast

For Six Weeks Ended March 23, 2008
(US$ Millions)

(6) The Companies have postponed many of the capital projects initially planned for the first half of 2008 until later in the year. As a result, capital expenditures were lower than projected in the Cash Flow Forecast.

The Companies have not yet been able to fully quantify the amount of the variance because their information systems report capital expenditures on a monthly basis, rather than weekly. Accordingly, the amount of capital expenditures shown on the Cash Flow Comparison under the "Capital Expenditures" disbursement category was derived from limited data gathered through an ad hoc process. Any capital expenditures excluded under the "Capital Expenditures" disbursement category would be included under "Paper and Other Purchases". The Companies are in the process of establishing a mechanism to more accurately track capital expenditures on a weekly basis.

(7) The $34 million favourable variance with respect to the non-petitioners financing requirement is expected to reverse during the course of the next ten weeks.

(8) During the week ended March 9, 2008, the Companies transferred $20 million of cash collateral with respect to the security held by the pre-petition lenders over the assets of Quebecor World Memphis Corp. to a segregated and restricted bank account.

(9) The closing cash position represents a consolidated balance for the Companies' bank accounts for its North American operations at March 23, 2008 of $233 million less outstanding cheques of $33 million.

(10) In accordance with the terms and conditions of the DIP Loan Agreement, the availability under the Revolving Loan Facility during the six week period was the lesser of:

(a) $150 million of interim availability less the amount drawn on the Revolving Loan Facility. During the period, the Companies did not utilize the Revolving Loan Facility other than as required to post letters of credit under the Letter of Credit Sub-Facility; and

(b) the amount available under the borrowing base as calculated pursuant to the DIP Loan Agreement. The most recent borrowing based submitted by the Companies (dated as at January 31, 2008) reported borrowing base availability of $325 million.

APPENDIX B

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APPENDIX "B"

Revised Cash Flow Forecast
For the Thirteen Weeks Ending June 22, 2008
(US$ Millions)(See Accompanying Notes)

Week Ending	Notes	Mar 30 Week 1	Apr 06 Week 2	Apr 13 Week 3	Apr 20 Week 4	Apr 27 Week 5	May 04 Week 6	May 11 Week 7	May 18 Week 8	May 25 Week 9	Jun 01 Week 10	Jun 08 Week 11	Jun 15 Week 12	Jun 22 Week 13	Total
RECEIPTS															
Accounts Receivable Collections and Other Inflows		62	75	72	80	77	77	72	77	71	71	75	73	79	961
Sale of Assets		-	-	-	-	-	-	8	-	-	-	-	-		8
DIP Advances		-	-	-	-	-	-	-	-	-	-	-	-		-
Total Receipts		62	75	72	80	77	77	80	77	71	71	75	73	79	969
DISBURSEMENTS															
Paper and Other Purchases		(46)	(46)	(40)	(40)	(40)	(40)	(41)	(40)	(40)	(40)	(40)	(40)	(40)	(533)
Ink Purchases		(6)	(6)	(6)	(5)	(6)	(5)	(5)	(5)	(5)	(5)	(6)	(5)	(6)	(71)
Change in Outstanding Cheques		-	-	-	-	-	-	-	-	-	-	-	-	-	-
Customer Rebates		(7)	(5)	(1)	(1)	(1)	(1)	(1)	(1)	(1)	(1)	-	-	-	(20)
Payroll, Benefits, and Payroll Taxes		(24)	(22)	(24)	(22)	(24)	(22)	(24)	(22)	(24)	(22)	(24)	(22)	(23)	(299)
Workers Compensation Premiums		-	-	-	-	-	-	-	-	-	-	-	-	-	-
Pension Contributions		-	(1)	-	(12)	-	(1)	-	-	-	(1)	-	-	-	(15)
Professional Fees		(1)	(1)	(1)	(1)	(1)	(1)	(1)	(1)	(1)	(1)	(1)	(1)	(1)	(13)
Capital Expenditures		(9)	(2)	(4)	(2)	(1)	(3)	(1)	(2)	(1)	(1)	-	(1)	-	(27)
DIP Repayments		-	-	-	-	-	-	-	-	-	-	-	-	-	-
DIP Fees and Interest		(3)	(3)	-	-	-	(3)	-	-	-	-	(3)	-	-	(12)
Other Disbursements		(7)	(1)	(1)	(1)	(1)	(1)	(5)	(1)	(1)	(1)	(1)	(1)	(1)	(23)
Total Disbursements		(103)	(87)	(77)	(84)	(74)	(77)	(78)	(72)	(73)	(72)	(75)	(70)	(71)	(1,013)
Net Cash Flow from Operations		(41)	(12)	(5)	(4)	3	-	2	5	(2)	(1)	-	3	8	(44)
Estimated Non-Petitioners Financing Requirement		(6)	-	(21)	-	-	-	-	(6)	-	-	-	-	-	(33)
Cash Collateral Paid		(3)	(2)	(3)	(2)	-	-	-	-						(10)
NET CASH FLOW		(50)	(14)	(29)	(6)	3	-	2	(1)	(2)	(1)	-	3	8	(87)
Opening Unrestricted Cash Position		160	110	96	67	61	64	64	66	65	63	62	62	65	160
CLOSING UNRESTRICTED CASH POSITION		110	96	67	61	64	64	66	65	63	62	62	65	73	73
Cash Collateral Held by Cash Management Bank		43	45	48	50	50	50	50	50	50	50	50	50	50	50
Total Cash Position		153	141	115	111	114	114	116	115	113	112	112	115	123	123
AVAILABLE LIQUIDITY															
Unrestricted Cash Position		110	96	67	61	64	64	66	65	63	62	62	65	73	
Revolving DIP Loan	(1)	135	367	367	361	361	361	362	366	366	366	366	366	367	
Total Available Liquidity		245	463	434	422	425	425	428	431	429	428	428	431	440	
DIP LOAN															
Continuity Rollforward															
Opening DIP Position		614	615	633	633	639	639	639	638	634	634	634	634	634	
Advances / (Repayments)		-	-	-	-	-	-	-	-	-	-	-	-	-	
Letters of Credit Issued		1	18	-	6	-	-	(1)	(4)	-	-	-	-	(1)	
Closing DIP Position		615	633	633	639	639	639	638	634	634	634	634	634	633	
Outstanding Advances by Facility															
Term Loan		600	600	600	600	600	600	600	600	600	600	600	600	600	
Revolving Loan		-	-	-	-	-	-	-	-	-	-	-	-	-	
Letters of Credit		15	33	33	39	39	39	38	34	34	34	34	34	33	
Closing DIP Position		615	633	633	639	639	639	638	634	634	634	634	634	633	

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Revised Cash Flow Forecast
For Thirteen Weeks Ending June 22, 2008
(US$ Millions)

Limitations

This weekly cash flow forecast for the consolidated North American operations (the "**Revised Cash Flow Forecast**") for the thirteen weeks ending June 22, 2008 was prepared by the Companies. The Monitor has not audited, reviewed, or otherwise attempted to verify the accuracy or completeness of the Revised Cash Flow Forecast. Accordingly, the Monitor expresses no opinion or other form of assurance on the Revised Cash Flow Forecast.

The Revised Cash Flow Forecast is based upon management's estimates and assumptions concerning future events. These estimates and assumptions may or may not prove to be accurate and, as such, the actual cash flow results will vary from that projected in the Revised Cash Flow Forecast. Variations from the Revised Cash Flow Forecast may be material.

Notes

(1) Following the court hearing scheduled on April 1, 2008 regarding the final DIP Order, the Revised Cash Flow Forecast assumes that the Revolving Loan Facility availability will increase to the $400 million of final availability (less the amount used under the Letter of Credit Sub-Facility). For purposes of projecting the liquidity available, the Revised Cash Flow Forecast assumes that the borrowing base is at least the amount of final availability.