

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*

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

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EIGHTH REPORT OF THE MONITOR – JUNE 10, 2008

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INTRODUCTION

1. On January 21, 2008 this Court, sitting as designated tribunal under the *Companies' Creditors Arrangement Act* ("CCAA")<sup>1</sup>, 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 (the "Monitor"). The initial order of the Court, which governs these proceedings, was modified on January 31, February 19, April 21 and May 9, 2008 (the "Initial Order").
2. The purpose of this Eighth Report of the Monitor (the "Report") is to provide this Court with information regarding QWI's printing operations in Europe (the "European Operations") and the proposed sale of the European Operations to Vadeho II B.V. ("Vadeho"), an affiliate of Homborgh Holdings B.V. ("HHBV"). The information in this Report is presented as follows:
  - Terms of Reference
  - Background of the European Operations

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<sup>1</sup> *Companies' Creditors Arrangement Act* ("CCAA"), R.S.C. 1985, c. C-36, as amended.

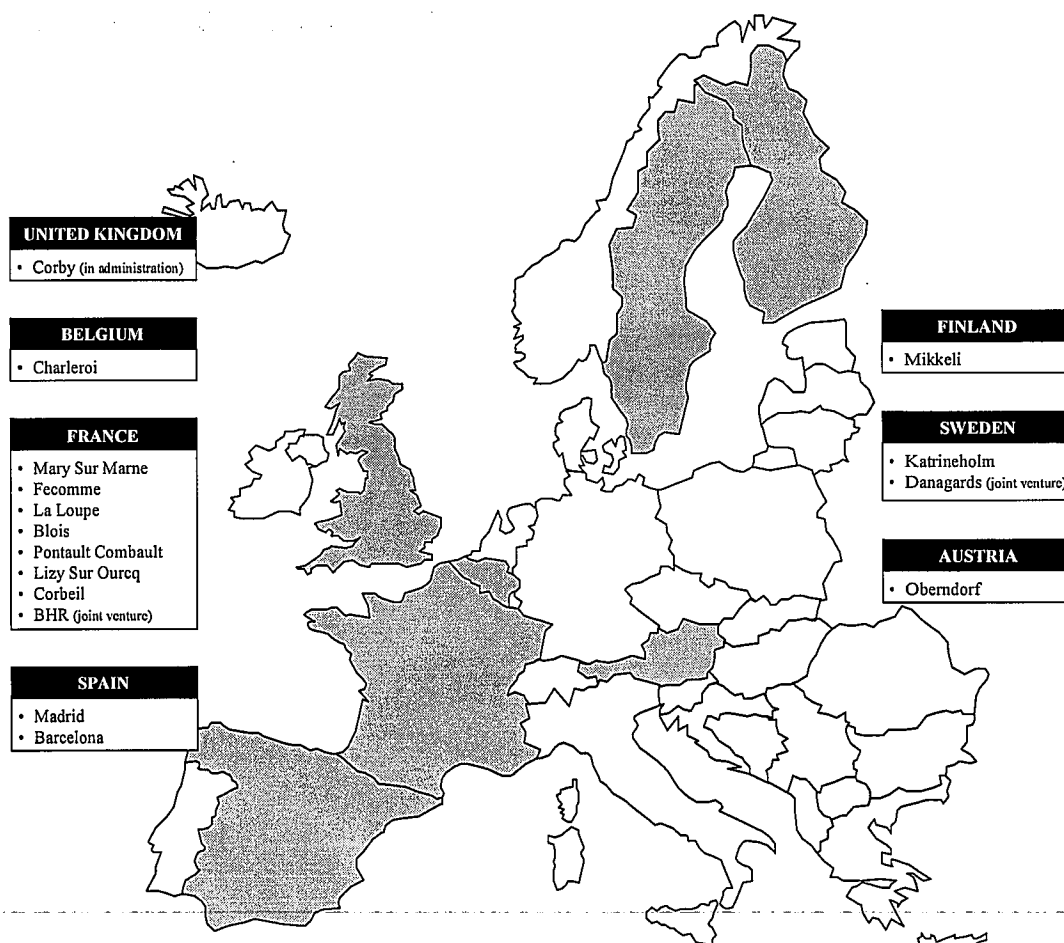
- Corporate Structure of the European Operations
- Recent Financial Performance of the European Operations
- Divestiture of the European Operations
- Sale Process
- Proposed Sale Transaction
- Alternative to the Proposed Sale Transaction
- Rationale for the Proposed Sale Transaction
- Monitor's Recommendations

### TERMS OF REFERENCE

3. In preparing this Report, the Monitor has relied upon unaudited financial information prepared by or on behalf of the Companies, the Companies' books and records, discussions with management of the Companies ("**Management**"), and information from other sources. The Monitor has not audited, reviewed, or otherwise attempted to verify the accuracy or completeness of such information and, accordingly, the Monitor expresses no opinion or other form of assurance with respect to the information as presented in this Report.
4. This Report refers to future oriented financial information which was prepared by Management based on estimates and assumptions regarding future events and conditions. An examination or review of the underlying financial forecasts has not been performed by the Monitor. Readers are cautioned that since forecasts are based upon assumptions about future events and conditions that are not ascertainable, the actual results will vary from the forecasts, even if the assumptions materialize, and such variations may be significant.
5. The Monitor requested that Management bring to its attention any significant matters which were not addressed during the course of its specific inquiries. This Report is based solely on the information made available to the Monitor as at the date of this Report.
6. Unless otherwise stated, all monetary amounts contained herein are expressed in U.S. dollars.
7. Capitalized terms not defined in this Report are as defined in the Initial Order or in the Monitor's previous reports.

## BACKGROUND OF THE EUROPEAN OPERATIONS

8. QWI entered the European market in 1993 with the purchase of four printing facilities in France. Following a number of subsequent acquisitions across Europe over the following nine years, the European Operations evolved into one of the largest commercial printers in Europe.
9. The European Operations are currently comprised of sixteen active facilities across Austria, Belgium, France, Finland, Spain, and Sweden. The European Operations also carried on business in the United Kingdom (“QW UK”) up until January 28, 2008 at which time QW UK was placed into administration<sup>2</sup> and Mr. Ian Best and Mr. David Duggins of Ernst & Young UK were appointed as Joint Administrators. The geographic footprint of the European Operations is depicted below.



<sup>2</sup> The administration proceedings are conducted under the *Insolvency Act* of the United Kingdom.

10. The European Operations participate primarily in the magazine, retail insert, catalogue, and book market segments of the European commercial printing industry. The European Operations also offer pre-press services to their customers. The current operational structure of the European Operations is described by region below:

### AUSTRIA

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Number of facilities:	1
Number of employees:	296
2007 revenue:	€94 million
2007 EBITDA:	€9 million

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#### *Magazine, retail, and catalogue*

- The printing operations in Austria (“**QW Austria**”) were acquired by QWI in 1999. QW Austria carries on business as a high-end commercial printer of magazines, retail inserts, and catalogues as well as other short to medium run gloss printed materials.
- QW Austria operates four web offset printing presses as well as seven bindery machines on four shifts, six days a week at a facility located in Oberndorf.
- Although QW Austria has customers across Europe, the plant primarily services the Austrian, Southern German and the German-speaking Swiss markets. QW Austria exports nearly two-thirds of its production.

### BELGIUM AND FRANCE

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Number of facilities:	8 - France (including BHR joint venture) 1 - Belgium
Number of employees:	1,978
2007 revenue:	€320 million
2007 EBITDA:	€6 million

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#### *Magazine, retail, and catalogue*

- QWI first acquired four printing facilities in France in 1993. The European Operations continued to expand between 1995 and 2002 as QWI subsequently purchased additional facilities in France and Belgium. By 2002, the French operations included more than 20 facilities (“**QW France**”) focusing predominantly on magazines, catalogues as well as retail inserts and other printed materials produced through both gravure and offset printing platforms.
- QW France has reduced excess production capacity through the closure or sale of twelve facilities since 2005. QW France currently operates six gravure presses, seventeen web offset printing presses as well as twenty-four bindery machines at eight facilities located in Blois, Corbeil, Fecomme, La Loupe, Lizy sur Ourq, Mary sur Marne, and Pontault

Combault. QW France also operates six gravure presses at a centrally located “super plant” in Fleurus (Charleroi), Belgium.

- QW France supplies the French and Belgium domestic markets and also services customers in the United Kingdom, Germany, and the Netherlands.
- QW France holds a 50% joint venture interest in BHR S.A., a logistics business based in Pontault Combault.

## **FINLAND**

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Number of facilities:	1
Number of employees:	242
2007 revenue:	€96 million
2007 EBITDA:	€9 million

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### *Magazine, retail, and catalogue*

- The printing operations in Finland (“**QW Finland**”) were acquired by QWI in 1998. QW Finland produces long run printed materials for retail chains, publishers and mail order businesses in Finland, Sweden, Norway, Denmark, the United Kingdom, and Russia.
- QW Finland operates four gravure presses as well as five bindery machines on four shifts, six days a week at a facility located in Mikkeli.
- QW Finland exports approximately 80% of its production. Russia represents a significant market with QW Finland’s two largest customers from the market comprising 23% of sales and greater than 50% of EBITDA.

## **SPAIN**

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Number of facilities:	3
Number of employees:	810
2007 revenue:	€133 million
2007 EBITDA:	€4 million

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### *Magazine, retail, and catalogue*

- The European Operations’ first printing facility in Spain was acquired by QWI in 1996. QWI subsequently purchased another facility in 1999 (collectively with the book and pre-press operations, “**QW Spain**”). QW Spain is now the second largest commercial printer of magazines, retail-inserts, and catalogues in Spain.
- The magazine, retail, and catalogue division of QW Spain (“**QW Spain (Magazine)**”) operates five web offset presses on four shifts, six days a week at a printing facility located in Madrid and six web offset presses (of which three were idled during April 2008) on five shifts, seven days a week at a facility located in Barcelona. The building

that houses the Barcelona facility is shared with the book division of QW Spain (“**QW Spain (Book)**”).

- QW Spain (Magazine) primarily services the Spanish market and only exports approximately 10% of its production.
- For 2007, QW Spain (Magazine) reported sales totalling €93 million and generated €8 million of EBITDA.

#### *Book*

- QW Spain (Book) represents the only book business within the European Operations and was acquired by QWI in 1999. QW Spain (Book) is the second largest printer of books in Spain.
- QW Spain (Book) operates three web offset presses, seven sheet fed presses, and fourteen binding machines on five shifts, seven days a week at the facility shared with QW Spain (Magazine) in Barcelona.
- Approximately 40% of the production of QW Spain (Book) is exported to 27 countries.
- For 2007, QW Spain (Book) reported sales totalling €31 million and generated negative EBITDA of €4 million.

#### *Pre-press*

- The pre-press operations based in Barcelona, Spain (“**QW Spain (Pre-Press)**”) were acquired by QWI in 2001. In a rapidly evolving market, QW Spain (Pre-Press) provides publishers with a broad range of pre-press services including typesetting, copyediting, page layout, data creation and manipulation, data transmission, and technical support.
- For 2007, QW Spain (Pre-Press) reported sales totalling €8 million and generated €3 million of EBITDA.

### **SWEDEN**

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Number of facilities:	2 (including Danagårds joint venture)
Number of employees:	328
2007 revenue:	€65 million
2007 EBITDA:	€4 million

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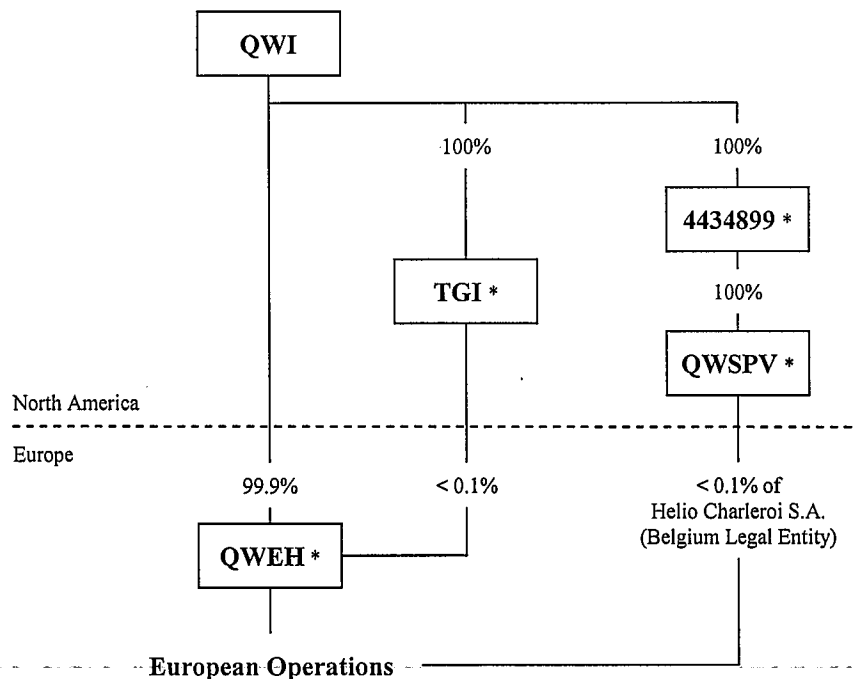
#### *Magazine, retail, and catalogue*

- The printing operations in Sweden (“**QW Sweden**”) were acquired by QWI in 1998. QW Sweden is the largest Swedish magazine printer. In addition to magazines, QW Sweden also prints retail inserts, catalogues, and certain specialty products.
- QW Sweden operates six web offset presses; one sheet fed press, as well as eleven bindery machines on four shifts, six days a week at a facility located in Katrineholm.

- QW Sweden primarily services the Swedish market with exported production accounting for less than 10% of total volume.
- QW Sweden holds a 49% non-controlling joint venture interest in Danagärds Grafiska A.B., a small printing company created following the disposition of a QW Sweden facility in 2003.

## CORPORATE STRUCTURE OF THE EUROPEAN OPERATIONS

- The European Operations are indirectly owned through a series of holding and operating companies held by Quebecor World European Holding S.A. (“QWEH”). QWI and one of its wholly owned subsidiaries, Transport Graphicor Inc. (“TGI”), are the shareholders of QWEH.
- A minority interest in the Belgium operating company within QW France is held by QW SPV (USA) LLC (“QWSPV”). QWSPV is a wholly owned subsidiary of 4434899 Canada Inc. (“4434899”) which is, in turn, a wholly owned subsidiary of QWI.
- A simplified organization chart summarizing the corporate structure as it relates to the legal entities involved in the Proposed Sale Transaction (as defined hereafter) is presented below:



\* Corporate entity not subject to the CCAA proceedings

## RECENT FINANCIAL PERFORMANCE OF THE EUROPEAN OPERATIONS

14. The consolidated financial performance of the European Operations for the past five years is summarized in the table below:

(millions)	2003	2004	2005	2006	2007
Sales	€ 1,017	€ 1,043	€ 933	€ 817	€ 754
EBITDA	€ 82	€ 102	€ 47	€ 29	€ 4 *
<i>EBITDA Margin</i>	8%	10%	5%	4%	1%

\* includes one time charges of €16 million and the negative EBITDA generated by QW UK and other discontinued operations in 2007

15. The European Operations produced €754 million of sales in 2007 representing a steady decline of €289 million or 28% since 2004. The deteriorating sales resulted from a number of factors including difficult market conditions<sup>3</sup> and internal efforts undertaken to rationalize production capacity within the European Operations.
16. Several factors including lower production volume, continual pricing pressures, inability to pass on energy, ink, and other cost increases, unfavourable shifts in product mix, and the temporary inefficiencies experienced with the installation of new presses and transfer of production volumes between facilities contributed to the erosion in EBITDA from €102 million earned in 2004 to the current level of €4 million in 2007.
17. The issues noted above have continued to adversely affect the European Operations' financial performance into 2008 and, consequently, the need for ongoing financial support from QWI has continued. As at May 28, 2008, the European Operations were indebted to QWI and its non-European subsidiaries<sup>4</sup> (the "Non-European Subsidiaries") with respect to Inter-company Loans (as defined hereafter) for a total of approximately €515 million<sup>5</sup>.

<sup>3</sup> The Monitor is advised by Management that the difficult market conditions facing the European Operations include lower customer demand, shifting consumer preferences to electronic media, and greater price competition due to industry overcapacity, growing presence of low cost competitors in Eastern Europe and Asia, and traditional competitors operating at marginal cost.

<sup>4</sup> For purposes of this Report, reference to the non-European subsidiaries of QWI includes certain companies registered in European jurisdictions that do not engage in printing operations. These companies are not part of the European Operations and are excluded from the schedule of legal entities to be sold to Vadeho, as attached to the share purchase agreement.

<sup>5</sup> The balance of the European Operations' inter-company indebtedness is at May 28, 2008, the date immediately prior to the date on which QWI and Vadeho executed the share purchase agreement, and includes €13 million of post-filing advances, as permitted by the DIP Order.



## DIVESTURE OF THE EUROPEAN OPERATIONS

18. The deterioration in the financial performance of the European Operations and the excess printing capacity in Europe prompted QWI to initiate a strategic review in 2006. In November 2006, Management concluded that the European Operations were non-strategic to QWI's core business in North America and the most appropriate course of action was to divest the European Operations.
19. Although QWI has marketed the European Operations for sale for more than eighteen months, its efforts to complete a transaction to date have not been successful.
20. Management does not believe, however, that maintaining the status quo or attempting to affect a turnaround of the European Operations, even in the short term, represent viable options given, among other things, the lack of available liquidity to provide the necessary funding in either scenario, as illustrated by the following:
  - (a) Approximately €8 million remains from the €25 million of DIP proceeds designated as available for the funding of the European Operations (the "**DIP Funding Basket**") and an estimated amount of €3.1 million will be required to suspend the cash pool arrangement<sup>6</sup>. Management has indicated that this amount will not be sufficient to meet the minimum "status quo" operational cash flow and working capital requirements of the European Operations;
  - (b) In addition to the minimum funding requirements, Management believes further funds are needed to fully stabilize the European Operations and show commitment to the business for customers, local management, employees and suppliers;
  - (c) The cash flow of the European Operations has been and continues to be negatively affected by difficult market conditions and overcapacity in the European printing industry. QWI believes that consolidation in the European printing industry is necessary to successfully address these external factors. However, QWI does not have access to sufficient capital to participate in such consolidation as a result of its own complicated restructuring proceedings; and
  - (d) While the cash flow of the European Operations could be improved through gains in operational efficiency, QWI believes significant investment in new production equipment and further operational restructuring would be required to achieve such gains. As discussed above, QWI does not have access to sufficient capital for such an investment.

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<sup>6</sup> BNP Parisbas ("BNP") currently provides a cash pool arrangement for QW France and QW Spain (note, the cash pool for certain operations has already been suspended). BNP has indicated it will suspend the remaining cash pool on or about June 13, 2008. QWI anticipates €3.1 million will be required to fund the shortfall in the cash pool at that time.

21. Irrespective of liquidity constraints, Management considers the European Operations to be non-strategic and recommends no further investment because:
  - (a) The long term profitability of the European Operations is uncertain particularly given the negative trends affecting the European market; and
  - (b) The new investment in the European Operations over the last several years has produced negative returns.
22. Management does not believe status quo ownership of the European Operations is feasible. In the event the Proposed Sale Transaction is not completed, the likely outcome will be a significant restructuring of the business through an alternative divestiture of certain viable operations.

## SALE PROCESS

23. Following the strategic review process in 2006, QWI retained Banc of America Securities Limited (“**BAS**”) as financial advisor in December 2006 to assist with the divestiture of the European Operations. BAS has prepared a report outlining the sale process (the “**Sale Process Report**”) in further detail. A copy of the Sale Process Report is attached to the Confidential Report of the Monitor dated June 10, 2008 that supplements this Report. The Sale Process Report contains information that is not public and for which the Companies have a duty to maintain confidentiality.
24. BAS and QWI initially contacted potential strategic and financial purchasers during the period from December 2006 to April 2007. A number of offers were subsequently received; although, only three offers were considered to warrant further review and discussions with the potential purchasers.
25. QWI entered into exclusive negotiations with one of the potential purchasers in April 2007 and signed a share purchase agreement on May 27, 2007 subject to, among other things, the approval of the transaction by QWI’s Board of Directors. The Board of Directors ultimately rejected the proposed transaction. Consequently, the share purchase agreement was terminated.
26. Following the failure of the May transaction, QWI continued to explore divestiture alternatives and, in October 2007, QWI entered into discussions with RSDB NV (“**RSDB**”)<sup>7</sup> regarding a merger of RSDB and the European Operations. A share purchase agreement with RSDB was signed on November 7, 2007. The transaction was valued at an estimated €240 million<sup>8</sup>. On

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<sup>7</sup> RSDB is one of the European Operation’s largest competitors.

<sup>8</sup> As consideration for the merger, QWI was to receive, a 29.9% equity interest in the combined entity, €150 million in cash, €35 million in vendor take back notes, as well as the release from certain liabilities.

December 13, 2007, however, RSDB's shareholders rejected the proposed merger and the share purchase agreement was terminated.

27. Following the failure of the RSDB transaction, QWI again approached a number of the parties contacted during the initial sales process to gauge any renewed interest. Some interest was expressed in certain parts of the European Operations; however, the interest did not result in any acceptable offers.
28. HHBV, a new party to the sale process, made an unsolicited approach to QWI in February 2008 regarding the purchase of the European Operations as a whole.
29. On February 29, 2008, QWI signed a letter of intent with HHBV. The HHBV transaction was conditional on HHBV simultaneously executing certain other strategic transactions as well as regulatory and financing conditions.
30. During the due diligence period, the financial performance of the European Operations deteriorated from that previously communicated to HHBV as a result of the deteriorating business conditions in Europe.
31. HHBV subsequently determined that the conditions associated with its other strategic initiatives would require several months to be satisfied. Given the lack of the necessary liquidity to fund the European Operations while HHBV undertook to resolve these conditions, QWI negotiated an unconditional sale transaction with HHBV in exchange for a reduction in price.
32. On May 29, 2008, QWI announced that it had entered into a definitive agreement to sell the European Operations to HHBV (the "**Proposed Sale Transaction**"). The consideration from the Proposed Sale Transaction is €133 million<sup>9</sup>.

## PROPOSED SALE TRANSACTION

33. QWI, together with TGI and 4434889 as sellers, and Vadeho, an affiliate of HHBV as purchaser, executed a share purchase agreement (the "**Sale Agreement**") on May 29, 2008 whereby Vadeho will acquire all of the issued and outstanding shares of QWEH from QWI and TGI as well as 4434889's membership interest in QWSPV (collectively, the "**Shares**"). Under the terms of the Sale Agreement, Vadeho has the option, at its sole discretion, to elect to directly purchase the share of Helio Charleroi S.A.<sup>10</sup> (the "**Helio Share**") owned by QWSPV rather than indirectly acquiring control over the Helio Share through the purchase of

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<sup>9</sup> The value of the Proposed Sale Transaction is equal to the sum of: (1) the purchase price contemplated under the Sale Agreement (as defined hereafter) of €68 million; (2) the Inter-company Loans advanced subsequent to the date of the Sale Agreement of €4 million; and (3) the net third party debt to be assumed by the purchaser of approximately €61.4 million.

<sup>10</sup> Helio Charleroi S.A. is the Belgium legal entity.

the membership interest in QWSPV held 4434889. A copy of the Sale Agreement is attached as Appendix "A".

34. As part of the Proposed Sale Transaction, the inter-company loans advanced by QWI and the Non-European Subsidiaries<sup>11</sup> to the European Operations (the "**Inter-company Loans**") will also be assigned to Vadeho. There are no direct Inter-company Loans from the U.S. Petitioners. The Sale Agreement defines the Inter-company Loans as all loans or other financing liabilities or financing obligations owed to QWI and the Non-European Subsidiaries, excluding any trading debts and payables.
35. The major terms of the Proposed Sale Transaction include:

*Purchase Price* €68 million (\$106.9 million<sup>12</sup>) payable in cash and by way of a vendor take back note, allocated as follows:

Shares

Cash €2,001 (\$3,145). The purchase price attributable to the Shares is payable on closing and is not affected if Vadeho elects to purchase the Helio Share.

Inter-company Loans

Cash €46.5 million (\$73.1 million). The cash portion of the purchase price attributable to the Inter-company Loans was paid into escrow upon the execution of the Sale Agreement. The full amount of the escrowed balance is payable to QWI on closing.

Vendor take back note A subordinated and unsecured, 5 year vendor take back note (the "**Note**") with a principal value of €21.5 million (\$33.8 million). Interest on the Note is payable quarterly at a rate of 7% per annum and the principal is repayable at maturity. The loan agreement between QWI, as lender, and Vadeho, as borrower, is attached as Schedule 8 to the Sale Agreement.

<sup>11</sup> The Inter-company Loans totalled approximately €515 million as at May 28, 2008 of which approximately €420 million were held by the Non-European Subsidiaries. Prior to closing, the Inter-company Loans held by the Non-European Subsidiaries will be transferred to QWI.

<sup>12</sup> Translated into U.S. dollars based on the noon U.S. dollar to Euro exchange rate of \$1.5718 as at June 9, 2008.

<i>Price Adjustments</i>	Vahedo will reimburse QWI for the full value of any inter-company advances made by QWI or the Non-European Subsidiaries to the European Operations from the date of the Sale Agreement to closing of the transaction. QWI advanced €3.8 million on May 30, 2008.
<i>Condition Precedent</i>	This Court makes an order (the “ <b>Approval Order</b> ”) by June 30, 2008 approving the Proposed Sale Transaction, the Sale Agreement, and other agreements ancillary to the Proposed Sale Transaction, and the Approval Order vests title to the Shares and Inter-company Loans in Vadeho free and clear of any encumbrances. If no appeal is filed within 48 hours after the making of the Approval Order, the condition precedent is satisfied.
<i>Closing Date</i>	Later of June 18, 2008 or the third business day following satisfaction or waiver of the condition precedent. If closing does not occur by June 30, 2008, the Sale Agreement may be terminated.
<i>Major Representations and Warranties</i>	The Shares and Inter-company Loans will be sold on an “as is, where is” basis. Representations and warranties of QWI within the Sale Agreement are principally limited to title.
<i>Other Terms</i>	<p>Post-closing, QWI will provide transitional corporate services to the European Operations through to December 31, 2008 at cost.</p> <p>Post-closing, Quebecor World SA, QWI’s global purchasing subsidiary, will continue to provide the existing procurement services to the European Operations through to December 31, 2008 at prices and on terms in effect as at May 26, 2008.</p> <p>Subject to certain conditions, QWI will not compete with the existing business of the European Operations for a period of two years following closing.</p> <p>QWI’s liability for any breach under the Sale Agreement is limited to the value of the Note.</p>

36. QWI anticipates that tax losses ranging \$700 to \$770 million will arise upon completion of the Proposed Sale Transaction.

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#### **ALTERNATIVE TO THE PROPOSED SALE TRANSACTION**

37. Given Management’s market assessment of the European printing industry and the lack of liquidity and investment capital under the CCAA and Chapter 11 proceedings to complete the necessary consolidation and restructuring initiatives to make the European

Operations profitable, QWI intends to pursue an alternative divestiture process should the Proposed Sale Transaction not be completed. The objective of such a process would be to isolate and sell, as a going concern on a piece meal basis, those regions within the European Operations that are viable.

#### **RATIONALE FOR THE PROPOSED TRANSACTION**

38. Management and the Monitor believe the Proposed Sale Transaction represents the best opportunity to realize value for the European Operations because:
- (a) The Proposed Sale Transaction is the only transaction available to QWI to sell the European Operations as a going concern, as indicated by:
    - (i) The efforts undertaken by QWI to sell the European Operations are widely known, particularly since the failure of the RSDB transaction in December 2007. Nevertheless, limited interest has been received;
    - (ii) The two previously proposed transactions failed; and
    - (iii) The European Operations have been marketed for over 18 months.
  - (b) The Proposed Sale Transaction eliminates the need for QWI to provide continuing financial support to the European Operations;
  - (c) Based on the most recent cash flow forecast prepared by the European Operations, the required funding will exceed the remaining balance of the DIP Funding Basket by the end of August 2008. The magnitude of the financial support and the current restriction on QWI in providing funding beyond the DIP Funding Basket necessitates a quick completion of a sale. The Proposed Sale Transaction satisfies this need;
  - (d) An alternative divestiture of the European Operations is very complex with a higher level of execution risk. Management anticipates that an alternative divestiture would not yield any greater recovery yet could pose risks to QWI's core business in North and Latin America;
  - (e) The Sale Agreement offers a straight forward transaction with several terms which are favourable to QWI, including:
    - (i) The Sale Agreement does not incorporate major representations or warranties, and the Proposed Sale Transaction is to be completed on an "as is, where is" basis;
    - (ii) The Sale Agreement is subject to only one condition precedent, being court approval;

- (iii) The Sale Agreement provides for a quick closing thereby reducing transaction completion risk as well as reducing any exposure QWI may have to a possible further deterioration in the financial performance of the European Operations; and
- (iv) QWI's potential liability to any breach of the terms and conditions of the Sale Agreement is limited to the value of the Note and does not attach to the cash consideration.

Management does not believe that the favourable terms in the Sale Agreement could be replicated in an alternative transaction to the extent an alternative transaction was available and could be closed prior to the European Operations consuming the remainder of the DIP Funding Basket;

- (f) The Proposed Sale Transaction generates cash for QWI. The cash proceeds, net of customary transaction costs, will be used to permanently reduce the DIP Term Loan and, consequently, lower the level of required exit financing; and
- (g) The Proposed Sale Transaction encompasses all of the European Operations<sup>13</sup> across multiple foreign jurisdictions. The single transaction reduces the complexity and cost of a sale compared to the divestiture of the individual regions on a piece meal basis.

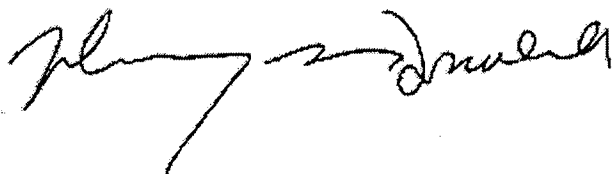
#### MONITOR'S RECOMMENDATIONS

39. For all of the reasons described in this Report, the Monitor recommends that this Court approve the Proposed Sale Transaction and the Sale Agreement.

All of which is respectfully submitted this 10th day of June 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.*



Per: Murray A. McDonald, CA, CIRP  
President

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<sup>13</sup> Except the operations in the United Kingdom that are currently subject to administration proceedings.

# **SCHEDULE A**

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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*

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U.S. SUBSIDIARIES INCLUDED IN THE CCAA PROCEEDINGS  
SCHEDULE "A"

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