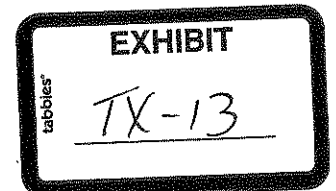


## SALES AND MARKETING

**\*\*\*Annual SEC statements 2001 – 2009**

**\*\*\*2009 Disclosure Statement**

**“Each sales representative has the ability to sell into any  
plant in the Company’s global network.”**



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competitive advantages over traditional pre-press shops that are not able to provide the same level of integrated services. Que-Net Media brings together the full range of digital technologies and pre-media assets within the Company that allows it to focus on providing a more comprehensive range of solutions to the customer base of the Company.

The establishment of Quebecor World Logistics has made the Company the largest and most technologically advanced print transport company, as well as the largest customer by volume of the U.S. Postal Service. Quebecor World Logistics provides complete logistics services including customized door-to-door planning, management, transportation, delivery and tracking solutions, thereby providing customers with cost-effective, efficient and trackable distribution services.

### 3.2 MANUFACTURING

#### DESCRIPTION OF PROCESSES AND EQUIPMENT

The Company uses principally two types of printing processes, rotogravure and offset, which are the most commonly used commercial printing processes. Both processes have undergone substantial technological advances over the past decade, resulting in significant improvements in speed and print quality. The Company estimates that in 2001 approximately eighty percent of its revenues by volume were printed using offset and the remainder using the rotogravure process.

#### ROTOGRAVURE

With 102 rotogravure presses, the Company is one of the largest world-wide printers using the rotogravure process. The process uses a copper-coated printing cylinder which is mechanically engraved using high-precision, computer-controlled and diamond-cutting heads. Although the engraving of the printing cylinder is relatively expensive, the printing cylinder itself is extremely durable and cost effective per long run. The rotogravure process has an excellent reputation for the quality of its four-color reproductions on various grades of paper and the very high speed at which it is capable of running.

The rotogravure process is well suited to long-run printing of advertising inserts and circulars, Sunday newspaper magazines, and other high-circulation magazines and catalogs. The Company believes that its coast-to-coast network of rotogravure facilities in the United States offers both the capacity and locations required by large merchandisers and publishers. The acquisition in 1995 of Financiere Jean Didier with its rotogravure capacity and of the European printing assets of Hachette Filipacchi Medias that closed in 2002 provides an advantageous position in the rotogravure market in Europe. The Company's advanced ability in rotogravure digital pre-media also ensures more efficient and accurate production of the same insert simultaneously in multiple locations, thereby offering the customer the efficiency and cost savings of manufacturing and distribution closer to its end-use markets in reduced time frames.

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OFFSET

In the offset process, an inked impression from a thin metal plate is first made on a rubber cylinder, after which it is offset to paper. There are several types of offset printing processes: sheetfed and web, heatset and coldset. Sheetfed presses print on sheets of paper, whereas web presses print on rolls of paper. Short-run printing is generally best served by sheetfed offset, whereas web offset is generally the best process for longer runs.

Heatset web offset involves a press which uses an oven to instantly set or dry the oil-based inks. This permits high speed and better quality and is best suited for printing on glossier papers (coated paper). Heatset web offset is used to print retail inserts, magazines, catalogs and books. The Company owns 436 heatset web offset presses.

Coldset web offset involves a press that does not use an oven to dry the ink, instead using oil-based inks that are absorbed into the paper and dried by oxidation. Coldset web offset is used mainly to print newspapers, books, directories, and some retail inserts. The Company owns 84 coldset web offset presses.

The Company owns 214 sheetfed offset presses, which print books, promotional material and direct-mail products and form a network of smaller regional facilities that constitutes an advantage in the Company's overall business strategy. Most of these facilities are large suppliers in their local markets.

### 3.3 SALES AND MARKETING

The sales and marketing activities of the Company are highly integrated and reflect an increasingly global approach to meeting customers' needs that is complemented by product-specific sales efforts. Sales representatives are located in plants or in regional offices throughout North America, Europe, and Latin America, generally close to their customers and prospects. Each sales

representative has the ability to sell into any plant in the Company's global network. This enables the customer to coordinate simultaneous printing throughout the Company's network through one sales representative. Certain of the larger customers centralize the purchase of printing services and, in this regard, the Company's ability to provide broad geographical services is clearly an advantage over smaller regional competitors.

The Company also offers a wide variety of pre-media, logistics and other value-added services to customers. Such pre-media services include the color electronic pre-media system, which takes art work from idea to final product, and desktop publishing, which gives the customer greater control over the finished product. These pre-media services are especially helpful to smaller customers, who may not have the capital to employ such equipment or who may have to rely on third-party vendors, which may result in coordination and delay problems. Other value-added services, including mail list, shipping and distribution expertise, ink-jet personalizing and customer-targeted binding, are rapidly becoming requirements of numerous customers.

Since 1995, the Company has proceeded to complete ISO 9000 series certification at various plants where it operates and it is continuing to ensure that more and more plants will be ISO 9000 series certified. The ISO 9000 series of international standards certify that a company meets quality control requirements in its production processes.

As of the date hereof, six of the Company's plants have received the ISO-14001 certification, an internationally recognized environmental management system, the goal of which is the continuous improvement in environmental management. Two more plants will in the near future begin the process of implementing this standard by using a customized environmental package.

The Company supports its sales efforts with marketing programs that involve advertising and trade shows to reinforce the corporate image in the buyer's mind. It also provides technical seminars and printing consulting services to make customers aware of market opportunities and the Company's capabilities.

The Company believes that its size and network of locations throughout North America, Europe and Latin America is an advantage over smaller competitors in terms of shipping and distribution. Because of its volume, the Company is able to set up pool-shipping systems, which enable customers to ship their products at significant discounts. The discount is achieved through agreements with the postal services, which provides the mailer/ customer with a discount if the mailer/customer pays the freight costs to transport the mail closer to the postal services delivery office. The Company uses its custom-built mail analysis system, which automatically combines

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different customers into truck-load shipments and analyzes the cost-savings benefit to the customer. The mail analysis system then generates the necessary forms, bills of lading and freight invoices for the customer.

Ink-jet personalizing is increasingly being used by many publishers and catalogers. Ink-jet addressing eliminates the additional process of printing paper labels and improves mailing efficiency. Catalogers use ink-jet personalizing in a number of ways. Ink-jet addressing allows both the cover and the order form to be labelled and to show customer-coding information. Furthermore, as catalogers continue to look for methods to increase the level of personalization, the ink-jet process is being used more frequently to add personal messages, specific inserts to frequent buyers, or unique coding information for order entry. Another advantage to ink-jet printing and selective binding is the Company's ability to merge lists of names for the same customer or to co-mail different customers to achieve increased postal pre-sort discounts.

#### 3.4 COMPETITIVE STRENGTHS

Management believes it has certain competitive strengths which enable it to provide enhanced customer service while maintaining a low cost position in the industry. Such advantages include broad geographic coverage, a single source of printing services, technological capabilities, economies of scale and a large manufacturing base.

**BROAD GEOGRAPHIC COVERAGE.** Certain of the Company's largest customers utilize simultaneous printing in several of the Company's locations. The Company is one of the few commercial printers that can service these customers in virtually all of their markets, allowing them to coordinate their requirements. In addition, multi-plant simultaneous printing makes delivery more efficient and lowers distribution costs for national products such as PARADE, USA WEEKEND, and THE SUN.

**SINGLE SOURCING.** By providing its customers a wide variety of printing, pre-press, post-press and distribution services, the Company is able to become a more integral element in its customers' publishing process while simultaneously expanding its sources of revenues. As large customers have centralized their purchasing of printing services, the Company's ability to provide a single source for comprehensive printing services and broad geographical coverage is a

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computer-controlled and diamond-cutting heads. Although the engraving of the printing cylinder is relatively expensive, the printing cylinder itself is extremely durable and cost effective per long run. The rotogravure process has an excellent reputation for the quality of its four-color reproductions on various grades of paper and the very high speed at which it is capable of running.

The rotogravure process is well suited to long-run printing of advertising inserts and circulars, Sunday newspaper magazines and other high-circulation magazines and catalogs. The Company believes that its coast-to-coast network of rotogravure facilities in the United States offers both the capacity and locations required by large merchandisers and publishers. The acquisition in March 2002 of the European printing assets of Hachette Filipacchi Medias provides an advantageous position in the rotogravure market in Europe. The Company's advanced ability in rotogravure digital pre-media also ensures more efficient and accurate production of the same insert simultaneously in multiple locations, thereby offering the customer the efficiency and cost savings of manufacturing and distribution closer to its end-use markets in reduced time frames.

### *Offset*

In the offset process, an inked impression from a thin metal plate is first made on a rubber cylinder, after which it is offset to paper. There are several types of offset printing processes: sheetfed and web, heatset and coldset. Sheetfed presses print on sheets of paper, whereas web presses print on rolls of paper. Short-run printing is generally best served by sheetfed offset, whereas web offset is generally the best process for longer runs.

Heatset web offset involves a press which uses an oven to instantly set or dry the oil-based inks. This permits high speed and better quality and is best suited for printing on glossier papers (coated paper). Heatset web offset is used to print retail inserts, magazines, catalogs and books. The Company owns 468 heatset web offset presses.

Coldset web offset involves a press that does not use an oven to dry the ink, instead using oil-based inks that are absorbed into the paper and dried by oxidation. Coldset web offset is used mainly to print newspapers, books, directories, and some retail inserts. The Company owns 60 coldset web offset presses.

The Company owns 193 sheetfed offset presses, which print books, promotional material and direct-mail products and form a network of smaller regional facilities that constitutes an advantage in the Company's overall business strategy. Most of these facilities are large suppliers in their local markets.

### 3.3 SALES AND MARKETING

The sales and marketing activities of the Company are highly integrated and reflect an increasingly global approach to meeting customers' needs that is complemented by product-specific sales efforts. Sales representatives are located in plants or in regional offices throughout North America, Europe, and Latin America, generally close to their customers and prospects. Each sales representative has the ability to sell into any plant in the Company's global network. This enables the customer to coordinate simultaneous printing throughout the Company's network through one sales representative. Certain of the larger customers centralize the purchase of printing services and, in this regard, the Company's ability to provide broad geographical services is clearly an advantage over smaller regional competitors.

Since 1995, the Company has proceeded to complete ISO 9000 series certification at various plants where it operates and it is continuing to ensure that more and more plants will be ISO 9000 series certified. The ISO 9000 series of international standards certify that a company meets quality control requirements in its production processes.

As of the date hereof, twelve of the Company's plants have received the ISO-14001 certification, an internationally recognized environmental management system, the goal of which is the continuous improvement in environmental management.

The Company supports its sales efforts with marketing programs that involve advertising and trade shows to reinforce the corporate image in the buyer's mind. It also provides technical seminars and printing consulting services to make

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customers aware of market opportunities and the Company's capabilities.

The Company believes that its size and network of locations throughout North America, Europe and Latin America is an advantage over smaller competitors in terms of shipping and distribution. Because of its volume, the Company is able to set up pool-shipping systems, which enable customers to ship their products at significant discounts. The discount is achieved through agreements with the postal services, which provides the mailer/customer with a discount if the mailer/customer pays the freight costs to transport the mail closer to the postal services delivery office. The Company uses its custom-built mail analysis system, which automatically combines different customers into truck-load shipments and analyzes the cost-savings benefit to the customer. The mail analysis system then generates the necessary forms, bills of lading and freight invoices for the customer.

Ink-jet personalizing is increasingly being used by many publishers and catalogers. Ink-jet addressing eliminates the additional process of printing paper labels and improves mailing efficiency. Catalogers use ink-jet personalizing in a number of ways. Ink-jet addressing allows both the cover and the order form to be labelled and to show customer-coding information. Furthermore, as catalogers continue to look for methods to increase the level of personalization, the ink-jet process is being used more frequently to add personal messages, specific inserts to frequent buyers, or unique coding information for order entry. Another advantage to ink-jet printing and selective binding is the Company's ability to merge lists of names for the same customer or to co-mail different customers to achieve increased postal pre-sort discounts.

### 3.4 COMPETITIVE STRENGTHS

Management believes it has certain competitive strengths which enable it to provide enhanced customer service while maintaining a low-cost position in the industry. Such advantages include broad geographic coverage, a single source of printing services, technological capabilities, economies of scale and a large manufacturing base.

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*Broad Geographic Coverage.* Certain of the Company's largest customers utilize simultaneous printing in several of the Company's locations. The Company is one of the few commercial printers that can service these customers in virtually all of their markets, allowing them to coordinate their requirements. In addition, multi-plant simultaneous printing makes delivery more efficient and lowers distribution costs for national products such as *Parade* and *USA Weekend*.

*Single Sourcing.* By providing its customers a wide variety of printing, pre-press, post-press and distribution services, the Company is able to become a more integral element in its customers' publishing process while simultaneously expanding its sources of revenues. As large customers have centralized their purchasing of printing services, the Company's ability to provide a single source for comprehensive printing services and broad geographical coverage is a competitive advantage, since customers are not required to contract with numerous smaller specialized and regional competitors.

*Technological Capabilities.* The Company is committed to the effective use of state-of-the-art technology, including the development of new printing technologies, upgrade of existing printing assets and further development of integrated services. The Company's technological capabilities have enabled it to lower its cost position and to better serve its customers by improving quality, flexibility, speed and cost of production. Keeping pace with the technological developments in the industry requires substantial capital expenditures. Hence, in 2002, the Company spent \$184.5 million on capital expenditures, including faster and more efficient presses and pre-press and post-press technologies. In 2003, capital expenditures will be made in order to maintain the Company's existing assets and to invest in new projects for expansion in selected markets. The breadth of the Company's business enables it to spread technological investments over numerous facilities and product segments and its size enables it to lower its relative cost position by spreading fixed capital investment over a greater base of revenues.

*Economies of Scale.* The Company enjoys significant economies of scale which, in the opinion of management, provides the Company with a cost advantage. The Company also purchases a significant amount of printing equipment. Management believes that such purchasing power enables the Company to purchase both raw materials, primarily paper and ink, and equipment, on enhanced terms. This purchasing power also ensures availability of raw materials in tight markets. In 1998, the Company opened a global procurement office in Fribourg, Switzerland. Global procurement allows the Company to achieve economies of scale for materials and equipment.

In the offset process, an inked impression from a thin metal plate is first made on a rubber cylinder, after which it is offset to paper. There are several types of offset printing processes: sheetfed and web, heatset and coldset. Sheetfed presses print on sheets of paper, whereas web presses print on rolls of paper. Short-run printing is generally best served by sheetfed offset, whereas web offset is generally the best process for longer runs.

Heatset web offset involves a press which uses an oven to instantly set or dry the oil-based inks. This permits high speed and better quality and is best suited for printing on glossier papers (coated paper). Heatset web offset is used to print retail inserts, magazines, catalogs and books. The Corporation owns 443 heatset web offset presses.

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Coldset web offset involves a press that does not use an oven to dry the ink, instead using oil-based inks that are absorbed into the paper and dried by oxidation. Coldset web offset is used mainly to print newspapers, books, directories, and some retail inserts. The Corporation owns 55 coldset web offset presses.

The Corporation owns 182 sheetfed offset presses, which print books, promotional material, covers and direct-mail products.

### 3.3 SALES AND MARKETING

The sales and marketing activities of the Corporation are highly integrated and reflect an increasingly global approach to meeting customers' needs that is complemented by product-specific sales efforts. Sales representatives are located in plants or in regional offices throughout North America, Europe, and Latin America, generally close to their customers and prospects. Each sales representative has the ability to sell into any plant in the Corporation's global network. This enables the customer to coordinate simultaneous printing throughout the Corporation's network through one sales representative. Certain of the larger customers centralize the purchase of printing services and, in this regard, the Corporation's ability to provide broad geographical services is clearly an advantage over smaller regional competitors.

Since 1995, the Corporation has proceeded to complete ISO 9000 series certification at various plants where it operates and it is continuing to ensure that more and more plants will be ISO 9000 series certified. The ISO 9000 series of international standards certify that a company meets quality control requirements in its production processes.

As of the date of this Annual Information Form, twelve of the Corporation's plants have or are about to receive the ISO-14001 certification, an internationally recognized environmental management system, the goal of which is the continuous improvement in environmental management.

The Corporation believes that its size and network of locations throughout North America, Europe and Latin America is an advantage over smaller competitors in terms of shipping and distribution. Because of its volume, the Corporation is able to set up pool-shipping systems, which enable customers to ship their products at significant discounts. The discount is achieved through agreements with the postal services, which provides the mailer/customer with a discount if the mailer/customer pays the freight costs to transport the mail closer to the postal services delivery office. The Corporation uses its custom-built mail analysis system, which automatically combines different customers into truck-load shipments and analyzes the cost-savings benefit to the customer. The mail analysis system then generates the necessary forms, bills of lading and freight invoices for the customer.

Ink-jet personalizing is increasingly being used by many publishers and catalogers. Ink-jet addressing eliminates the additional process of printing paper labels and improves mailing efficiency. Catalogers use ink-jet personalizing in a number of ways. Ink-jet addressing allows both the cover and the order form to be labelled and to show customer-coding information. Furthermore, as catalogers continue to look for methods to increase the level of personalization, the ink-jet process is being used more frequently to add personal messages, specific inserts to frequent buyers, or unique coding information for order entry. Another advantage to ink-jet printing and selective binding is the Corporation's

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advantages over traditional pre-press shops that are not able to provide the same level of integrated services. Quebecor World Premedia Service brings together the full range of digital technologies and pre-media assets within the Corporation that allows it to focus on providing a more comprehensive range of solutions to the customer base of the Corporation.

Other value-added services, including mail list, shipping and distribution expertise, ink-jet personalizing and customer-targeted binding, are rapidly becoming requirements of numerous customers.

The establishment of Quebecor World Logistics Inc., a subsidiary of the Corporation, has made the Corporation one of the largest and most technologically advanced print transport companies, as well as one of the largest customers by volume of the U.S. Postal Service. Quebecor World Logistics Inc. provides complete logistics services including customized door-to-door planning, management, transportation, delivery and tracking solutions, thereby providing customers with cost-effective, efficient and trackable distribution services.

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## 2.3 MANUFACTURING

### 2.3.1 Description of Processes and Equipment

The Corporation uses principally two types of printing processes, rotogravure and offset, which are the most commonly used commercial printing processes. Both processes have undergone substantial technological advances over the past decade, resulting in significant improvements in speed and print quality.

#### Rotogravure

With 101 rotogravure presses, the Corporation is one of the largest world-wide printers using the rotogravure process. The process uses a copper-coated printing cylinder which is mechanically engraved using high-precision, computer-controlled and diamond-cutting heads. Although the engraving of the printing cylinder is relatively expensive, the printing cylinder itself is extremely durable and cost effective per long run. The rotogravure process has an excellent reputation for the quality of its four-color reproductions on various grades of paper and the very high speed at which it is capable of running.

The rotogravure process is well suited to long-run printing of advertising inserts and circulars, Sunday newspaper magazines and other high-circulation magazines and catalogs. The Corporation believes that its coast-to-coast network of rotogravure facilities in the United States offers both the capacity and locations required by large merchandisers and publishers. The acquisition, in March 2002, of the European printing assets of Hachette Filipacchi Medias provides an advantageous position in the rotogravure market in Europe. The Corporation's advanced ability in rotogravure digital pre-media also ensures more efficient and accurate production of the same insert simultaneously in multiple locations, thereby offering the customer the efficiency and cost savings of manufacturing and distribution closer to its end-use markets in reduced time frames.

#### Offset

In the offset process, an inked impression from a thin metal plate is first made on a rubber cylinder, after which it is offset to paper. There are several types of offset printing processes: sheetfed and web, heatset and coldset. Sheetfed presses print on sheets of paper, whereas web presses print on rolls of paper. Short-run printing is generally best served by sheetfed offset, whereas web offset is generally the best process for longer runs.

Heatset web offset involves a press which uses an oven to instantly set or dry the oil-based inks. This permits high speed and better quality and is best suited for printing on glossier papers (coated paper). Heatset web offset is used to print retail inserts, magazines, catalogs and books. The Corporation owns 445 heatset web offset presses.

Coldset web offset involves a press that does not use an oven to dry the ink, instead using oil-based inks that are absorbed into the paper and dried by oxidation. Coldset web offset is used mainly to print newspapers, books, directories, and some retail inserts. The Corporation owns 62 coldset web offset presses.

The Corporation owns 178 sheetfed offset presses, which print books, promotional material, covers and direct-mail products.

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## 2.4 SALES AND MARKETING

The sales and marketing activities of the Corporation are highly integrated and reflect an increasingly global approach to meeting customers' needs that is complemented by product-specific sales efforts. Sales representatives are located in plants or in regional offices throughout North America, Europe, and Latin America, generally close to their customers and prospects. Each sales representative has the ability to sell into any plant in the Corporation's global network. This enables the customer to coordinate simultaneous printing throughout the Corporation's network through one sales representative. Certain of the larger customers centralize the purchase of printing services and, in this regard, the Corporation's ability to provide broad geographical services is clearly an advantage over smaller regional competitors.

Since 1995, the Corporation has proceeded to complete ISO 9000 series certification and ISO-14001 certification at various plants where it operates and it is continuing to ensure that more and more plants will be ISO 9000 series and ISO-14001 certified. The ISO 9000 series of international standards certify that a company meets quality control requirements in its production processes. The ISO-14001 certification is an internationally recognized environmental management system, the goal of which is the continual improvement of the environmental management.

The Corporation believes that its size and network of locations throughout North America, Europe and Latin America is an advantage over smaller competitors in terms of shipping and distribution. Because of its volume, the Corporation is able to set up pool-shipment systems, which enable customers to ship their products at significant discounts. The discount is achieved through agreements with the postal services, which provides the mailer/customer with a discount if the mailer/customer pays the freight costs to transport the mail closer to the postal services delivery office. The Corporation uses its custom-built mail analysis system, which automatically combines different customers into truck-load shipments and analyzes the cost-savings benefit to the customer. The mail analysis system then generates the necessary forms, bills of lading and freight invoices for the customer.

Ink-jet personalizing is increasingly being used by many publishers and catalogers. Ink-jet addressing eliminates the additional process of printing paper labels and improves mailing efficiency. Catalogers use ink-jet personalizing in a number of ways. Ink-jet addressing allows both the cover and the order form to be labelled and to show customer-coding information. Furthermore, as catalogers continue to look for methods to increase the level of personalization, the ink-jet process is being used more frequently to add personal messages, specific inserts to frequent buyers, or unique coding information for order entry. Another advantage to ink-

greater throughput than other wide-web presses in the market today. The presses will also be equipped with the latest automated systems to provide maximum efficiency and the highest level of quality for our customers. The first press is expected to be operational in the latter half of the third quarter of 2006. These new 64-page offset presses will be equipped with the latest technology to deliver greater throughput at a lower cost. We are also considering investments in France as part of this \$250 million capital investment program, however those investments are conditional on the outcome of negotiations with employee representatives that are already under way.

Pre-media has continued to witness dramatic enhancements in the digital electronic area, with new computer software and hardware installed to help customers create their pages more quickly and more efficiently. We have been an industry leader in bringing new imaging services on-line that streamline the process of preparing pages for print. We were one of the first printers to install desktop publishing, direct-to-film and computer-to-plate systems for offset printing, which eliminate entirely the costly and time-consuming film step in print production. We have furthermore established one of the industry's most sophisticated data communications networks, capable of transmitting a customer's publication files quickly and efficiently from the customer's location to multiple plant locations.

We believe that only printers capable of investing and integrating new technology will continue to expand. We continue to upgrade our U.S. rotogravure network with a view to improving efficiency and service to our magazine, catalog, retail insert and weekend newspaper magazine customers. We were one of the first commercial printers in North America to install short cut-off tabloid offset presses. These presses print more pages at faster speeds and use less paper than do conventional tabloid presses. We have also invested in new and emerging digital and web-based technologies to improve services, reduce costs and expand our range of products.

We operate a North American-wide telecommunications network, which enhances our ability to move digital files between our facilities and customers quickly, share work among plants, and expand distribution and printing operations.

#### 2.4 SALES AND MARKETING

Our sales and marketing activities are highly integrated and reflect an increasingly global approach to meeting customers' needs that is complemented by product-specific sales efforts. Sales representatives are located in plants or in regional offices throughout North America, Europe, and Latin America, generally close to their customers and prospects. Each sales representative has the ability to sell into any plant in our global network. This enables the customer to coordinate simultaneous printing throughout our network through one sales representative. Some larger customers prefer to centralize the purchase of printing services and, in this regard, our ability to provide broad geographical services is clearly an advantage over smaller regional competitors.

#### 2.5 PURCHASING AND RAW MATERIALS

The principal raw materials used in our products are paper and ink. In 2005, we spent approximately \$2.4 billion on raw materials. We exercise our purchasing power to obtain pricing, terms, quality, quality control and service in line with our status as one of the largest industry customers.

We negotiate with a limited number of suppliers to maximize our purchasing power, but we do not rely on any single supplier. Purchasing activity at both the local plant and corporate level is coordinated in order to increase and benefit from economies of scale. Inventory-control operations are also integrated into our purchasing functions, which has resulted in improvements in inventory turns. Plant inventories are also managed and tracked on a regional basis, increasing the utilization of existing inventories. In addition, most of our long-term contracts with our customers include price-adjustment clauses based on the cost of materials in order to minimize the effects of fluctuation in the price of paper and ink.

We take pride in offering world-wide procurement service to our customers. Our procurement office, located in Fribourg, Switzerland, gives us a major competitive advantage. By consolidating the activities formerly carried out at four regional offices, we have been able to reduce administrative costs, standardize procurement and provide customers with assured supply at attractive prices.

#### 2.6 COMPETITIVE ENVIRONMENT

The commercial printing business in North America and Europe is highly competitive in most product categories and geographic segments. Industry analysts consider most of the industry's markets to be currently oversupplied, and competition is significant. Competition is largely based on price, quality, range of services offered, distribution capabilities, customer service, availability of printing time on appropriate equipment and state-of-the-art technology. See also Section 2.1.2 of this Annual Information Form, "Industry Overview".

#### 2.7 SEASONALITY OF THE CORPORATION'S BUSINESS

Operations in the print industry are seasonal, with the majority of our historical operating income during the past five financial years being realized in the second half of the financial year, primarily due to the higher number of magazine pages, new product launches and back-to-school, retail and holiday catalog promotions.

#### 2.8 HUMAN RESOURCES

As at December 31, 2005, we employed approximately 24,500 people in North America, 8,600 of whom were covered by 61 separate collective agreements. Of these, 22 collective agreements covering approximately 2,450 employees will expire in 2006. These agreements are limited to single plants and groups of employees within these plants.

As at December 31, 2005, we had approximately 4,700 employees in Europe. Our facility in the United Kingdom is unionized and labor relations with our employees in our other European facilities are governed by agreements that apply industry-wide and set minimum terms and conditions of employment. We also had approximately 2,000 employees in Latin America as at December 31, 2005.

#### 2.9 ENVIRONMENTAL REGULATIONS

We are subject to various laws, regulations and government policies relating to the generation, storage, transportation, and disposal of solid waste, to air and water releases of various substances into the environment, and to the protection of the environment in general. We believe we are in compliance with applicable laws and requirements in all material respects.

Since 1995, we have initiated implementation of ISO-14001 certification at various plants where we operate and we are continuing to ensure that more and more plants will be ISO-14001 certified. The ISO-14001 certification is an internationally recognized environmental management system, the goal of which is the continual improvement of the environmental management process.



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have been an industry leader in bringing new imaging services on-line that streamline the process of preparing pages for print. We were one of the first printers to install desktop publishing and computer-to-plate systems for offset printing, which eliminate entirely the costly and time-consuming film step in print production. Furthermore, we have established one of the industry's most sophisticated virtual private network (VPN) data communications networks, capable of transmitting a customer's publication files quickly and efficiently from the customer's location to multiple plant locations.

We believe that only printers capable of investing and integrating new technologies will continue to expand. We continue to upgrade our U.S. rotogravure network with a view to improving efficiency and service to our magazine, catalog, retail insert and weekend newspaper magazine customers. We were one of the first commercial printers in North America to install short cut-off tabloid offset presses. These presses print more pages at faster speeds and use less paper than do conventional tabloid presses. We have also invested in new and emerging digital and web-based technologies to improve services, reduce costs and expand our range of products.

We operate a North American-wide telecommunications network, which enhances our ability to move digital files between our facilities and customers quickly, share work among plants, and expand distribution and printing operations.

#### 2.4 SALES AND MARKETING

Our sales and marketing activities are highly integrated and reflect an increasingly global approach to meeting customers' needs that are complemented by product-specific sales efforts. Sales representatives are located in plants or in regional offices throughout North America, Europe and Latin America, generally close to their customers and prospects. Each sales representative has the ability to sell into any plant in our global network. This enables the customer to coordinate simultaneous printing throughout our network through one sales representative. Some larger customers prefer to centralize the purchase of printing services and, in this regard, our ability to provide broad geographical services is clearly an advantage over smaller regional competitors.

#### 2.5 PURCHASING AND RAW MATERIALS

The principal raw materials used in our products are paper and ink. In 2006, we spent approximately \$2.3 billion on raw materials. We exercise our purchasing power to obtain pricing, terms, quality, quality control and service in line with our status as one of the largest industry customers.

We negotiate with a limited number of suppliers to maximize our purchasing power, but we do not rely on any single supplier. Purchasing activity at both the local plant and corporate level is coordinated in order to increase and benefit from economies of scale. Inventory-control operations are also integrated into our purchasing functions, which has resulted in improvements in inventory turns. Plant inventories are also managed and tracked on a regional basis, increasing the utilization of existing inventories. In addition, most of our long-term contracts with our customers include price-adjustment clauses based on the cost of materials in order to minimize the effects of fluctuation in the price of paper and ink.

We take pride in offering world-wide procurement services to our customers. Our procurement office, located in Fribourg, Switzerland, gives us a competitive advantage. By consolidating the activities formerly carried out at four regional offices, we have been able to reduce administrative costs, standardize procurement and provide customers with assured supply at attractive prices.

#### 2.6 COMPETITIVE ENVIRONMENT

The commercial printing business in North America and Europe is highly competitive in most product categories and geographic segments. Industry analysts consider most of the industry's markets to be currently oversupplied, and competition is significant. Competition is largely based on price, quality, range of services offered, distribution capabilities, customer service, availability of printing time on appropriate equipment and state-of-the-art technology.

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Coldset web offset involves a press that does not use an oven to dry the ink, instead using oil-based inks that are absorbed into the paper and dried by oxidation. Coldset web offset is used mainly to print newspapers, books, directories and some retail inserts. We operate 39 coldset web offset presses.

We also operate 60 sheetfed offset presses, which print books, promotional material, covers and direct-mail products.

**3.3.2 Technology**

We cooperate with large suppliers in the area of research and development of new printing technologies, materials and processes. Our capital-improvement programs include adding, replacing and upgrading existing equipment.

In the past several years, we have invested in faster, more efficient and higher quality presses. In July 2004, we announced, as part of our retooling program, our intention to purchase latest generation web offset presses targeted for the magazine, catalog, retail and book platforms of our U.S. operations. This allowed us to further improve efficiency and meet the needs of both publishers and retailers. Since July 2004, we have installed 19 new presses, due mainly to our retooling program. During this period, we permanently de-commissioned or sold over 70 presses and relocated nearly 40 presses, excluding the European operations.

Pre-media has continued to adapt to ever changing technology advancements and embrace web-enabled digital workflows as part of our offerings to customers. The latest hardware and software solutions help drive the services upstream in the creative process and downstream to print and web media options. We have deployed content management systems and services to bridge the information to multiple media channels. We have been an industry leader in bringing new on-line imaging services in conjunction with traditional pre-media services and color management, which streamline the production of pages for print. We have pioneered the digital engraving process for gravure and early adoption to computer-to-plate process for offset printing to optimize the color quality and consistency on our presses. Migration to a complete PDF workflow simplifies and standardizes the process. We also believe that we have established one of the industry's most efficient data communications (VPN) network, capable of transmitting customer files from our pre-media centers to multiple print facility locations. Virtual Soft Proofing technology has allowed viewing of images and pages across the internet that will ultimately improve schedules and enable last-minute changes.

We have also upgraded our U.S. rotogravure network with a view to improving efficiency and service to our magazine, catalog, retail insert and weekend newspaper magazine customers. We were one of the first commercial printers in North America to install short cut-off tabloid offset presses. These presses print more pages at faster speeds and use less paper than do conventional tabloid presses. We have also invested in new and emerging digital and web-based technologies to improve services, reduce costs and expand our range of products.

We operate a North American-wide telecommunications network, which enhances our ability to move digital files between our facilities and customers quickly, share work among facilities, and expand distribution and printing operations.

**3.4 SALES AND MARKETING**

Our sales and marketing activities are highly integrated and reflect an increasingly international approach to meeting customers' needs that are complemented by product-specific sales efforts. Sales representatives are located in facilities or in regional offices throughout North America and Latin America, generally close to their customers and prospects. Each sales representative has the ability to sell into any facility in our network. This enables the customer to coordinate simultaneous printing throughout our network through one sales representative. Some larger customers prefer to centralize the purchase of printing services and, in this regard, our ability to provide broad geographical services is clearly an advantage over smaller regional competitors.

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efficient virtual private data communications network (or VPN), capable of transmitting customer files from our pre-media centers to multiple print facility locations. Virtual Soft Proofing™ technology has allowed viewing of images and pages across the Internet that will ultimately improve schedules and enable last-minute changes.

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#### **Sales and Marketing**

Our sales and marketing activities are highly integrated and reflect an increasingly international approach to meeting customers' needs that are complemented by product-specific sales efforts. Sales representatives are located in facilities or in regional offices throughout North America and Latin America, generally close to their customers and prospects. Each sales representative has the ability to sell into any facility in our network. This enables the customer to coordinate simultaneous printing throughout our network through one sales representative. Some larger customers prefer to centralize the purchase of printing services and, in this regard, our ability to provide broad geographical services is clearly an advantage over smaller regional competitors.

#### **Purchasing and Raw Materials**

The principal raw materials used in our products are paper and ink. In 2008, we spent approximately US\$1.4 billion on raw materials (excluding materials with respect to our European operations that we disposed of in June 2008). We exercise our purchasing power to obtain pricing, terms, quality, quality control and service in line with our status as one of the largest industry customers.

For most of our purchases, we negotiate with a limited number of suppliers to maximize our purchasing power, but we do not rely on any single supplier. Purchasing activity at both the local plant and corporate level is coordinated in order to increase and benefit from economies of scale. Inventory-control operations are also integrated into our purchasing functions, which has resulted in improvements in inventory turnover. Inventories are also managed and tracked on a regional basis, increasing the utilization of existing inventories.

We take pride in offering world-wide procurement services to our customers. We believe that our global procurement practices provide us with a competitive advantage, which allows us to reduce administrative costs, standardize procurement and provide customers with assured supply at attractive prices.

#### **Competitive Environment**

The commercial printing business is highly competitive in most product categories and geographic segments. Industry analysts consider most of the industry's markets to be currently oversupplied, and competition is significant. Competition is largely based on price, quality, range of services offered, distribution capabilities, customer service, availability of printing time on appropriate equipment and state-of-the-art technology.

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media channels. We have been an industry leader in bringing new on-line imaging services in conjunction with traditional pre-media services and color management, which streamline the production of pages for print. Migration to a complete portable data format, also known as PDF, simplifies and standardizes the process. We also believe that we have established one of the industry's most efficient virtual private data communications network (or VPN), capable of transmitting customer files from our pre-media centers to multiple print facility locations. Virtual Soft Proofing™ technology has allowed viewing of images and pages across the internet that will ultimately improve schedules and enable last-minute changes.

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We operate a North American-wide telecommunications network, which enhances our ability to move digital files between our facilities and customers quickly, share work among facilities, and expand distribution and printing operations.

**Sales and Marketing**

Our sales and marketing activities are highly integrated and reflect an increasingly international approach to meeting customers' needs that are complemented by product-specific sales efforts. Sales representatives are located in facilities or in regional offices throughout North America and Latin America, generally close to their customers and prospects. Each sales representative has the ability to sell into any facility in our network. This enables the customer to coordinate simultaneous printing throughout our network through one sales representative and larger customers to centralize the purchase of printing services.

**Purchasing and Raw Materials**

The principal raw materials used in our products are paper and ink. In 2009, we spent approximately \$1.0 billion on raw materials. We exercise our purchasing power to obtain pricing, terms, quality, quality control and service in line with our status as one of the largest industry customers.

For most of our purchases, we negotiate with a limited number of suppliers to maximize our purchasing power, but we do not rely on any single supplier. Purchasing activity at both the local plant and corporate level is coordinated in order to increase and benefit from economies of scale. Inventory-control operations are also integrated into our purchasing functions, which has resulted in improvements in inventory turnover. Inventories are also managed and tracked on a regional basis, increasing the utilization of existing inventories.

We take pride in offering world-wide procurement services to our customers. We believe that our global procurement practices provide us with a competitive advantage, which allows us to reduce administrative costs, standardize procurement and provide customers with assured supply at attractive prices.

**Competitive Environment**

The commercial printing business is highly competitive. Industry analysts consider most of the industry's markets to have excess capacity, and competition is significant as the industry is still in the process of consolidating. Competition is based on a number of factors including price, quality, range of services offered, distribution capabilities, customer service and availability of printing time on appropriate equipment.

On June 26, 2008, Quebecor World completed the sale of its European operations to Hombergh/De Punder Group ("HHBV"), a Netherlands-based investment group (which has since become CirclePrinters Holding B.V.). At the time the Company sold its European operations, these operations consisted of 16 printing and related facilities employing approximately 3,500 people in Austria, Belgium, Finland, France, Spain and Sweden and producing magazines, catalogs, retail inserts, direct mail products, books and directories.

The Company's sales and marketing activities are highly integrated and are complemented by product-specific sales efforts. Sales representatives are located in facilities or in regional offices throughout North America and Latin America, generally close to their customers and prospects. Each sales representative has the ability to sell into any facility in the Company's network. This enables the customer to coordinate simultaneous printing throughout the Company's network through one sales representative. Some larger customers prefer to centralize the purchase of printing services and, in this regard, the Company's ability to provide broad geographical services is clearly an advantage over smaller regional competitors.

#### C. Industry Overview

Commercial printing is a highly fragmented, capital-intensive industry. The North American and Latin American printing industries are very competitive in most product categories and geographic regions. The Company believes that the ten largest competitors in the North American commercial printing market have less than 25% of the total share of each of their respective markets. In 2006, in the United States alone, there were approximately 30,700 commercial printers.

Commercial printers tend to compete within each product category based on price, quality, range of services offered, distribution capabilities, customer service, availability of printing time on appropriate equipment and state-of-the-art technology. Small competitors are generally limited to servicing customers for a specific product category within a regional market. Larger and more diversified commercial printers with greater geographic coverage, such as the Company, have the ability to serve national and international customers across multiple print service categories.

The Company believes that the trend toward consolidation will continue as larger commercial printers displace medium-size printers and regional competitors. Industry trends in Latin America, which are mirroring historical developments in North America, indicate that this market may also undergo consolidation. The Company has historically been a participant in such consolidation, and expects to continue to seek value-enhancing acquisition or merger opportunities in the future.

In addition, technological changes continue to increase the accessibility and quality of electronic alternatives to traditional delivery of printed documents through the increased use of the Internet and the electronic distribution of media content, documents and data. While the acceleration of consumer acceptance of such electronic media will probably continue to increase, the Company believes that the value and role of printed media should continue to play a strong role in marketing, advertising and publishing because, in the Company's view, print media is an efficient and effective vehicle to market and advertise products. The Company believes that in a multi-channel marketing strategy, print should continue to play a key and important role. The Company further believes that a significant percentage of the purchases over the Internet are based upon a buying decision that originated from a catalog or retail insert, and that print plays a synergistic role with many of the new technologies.

#### D. Industry Trends and Outlook

Global economic conditions affect the Company's customers' businesses and the markets they serve. The current and ongoing credit crisis and global economic weakness has resulted in constrained advertising spending and, in certain cases, customer financial difficulties in the Company's North American segment. This has put significant downward pressure on volumes and, to a lesser degree, on price, across nearly all of North America's printing and related services, particularly in the fourth quarter of 2008 and early 2009.

During 2008 and continuing in 2009, the Company undertook various initiatives to adapt its cost structure to the rapidly changing economic environment including: