

Quebecor World

MANAGEMENT'S DISCUSSION AND ANALYSIS

SECOND QUARTER 2008

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INTRODUCTION

The following is a discussion of the consolidated financial position and results of operations of Quebecor World Inc. (the “Company” or “Quebecor World”) for the three-month and six-month periods ended June 30, 2008, and it should be read together with the Company’s corresponding interim Consolidated Financial Statements and the 2007 annual Management’s Discussion and Analysis (“MD&A”). All references made to “Notes” in the MD&A correspond to the Notes to the Consolidated Financial Statements for the period ended June 30, 2008. The interim Consolidated Financial Statements and this interim MD&A have been reviewed by the Company’s Audit Committee and approved by its Board of Directors. This discussion contains forward-looking information that is qualified by reference to, and should be read together with, the discussion regarding forward-looking statements that is part of this MD&A. Management determines whether or not information is “material” based on whether it believes a reasonable investor’s decision to buy, sell or hold securities in the Company would likely be influenced or changed if the information were omitted or misstated.

Presentation of financial information

Financial data have been prepared in conformity with Canadian generally accepted accounting principles (“Canadian GAAP”).

The Company reports on certain non-GAAP measures that are used by management to evaluate performance of business segments. These measures used in this discussion and analysis do not have any standardized meaning under Canadian GAAP. When used, these measures are defined in such terms as to allow the reconciliation to the closest Canadian GAAP measure. Numerical reconciliations are provided in Figure 5. It is unlikely that these measures could be compared to similar measures presented by other companies.

The Company’s reporting currency is the U.S. dollar, and its functional currency is the Canadian dollar.

Forward-looking statements

This MD&A includes “forward-looking statements” that involve risks and uncertainties. All statements other than statements of historical facts included in this MD&A, including statements regarding the prospects of the industry, and prospects, plans, financial position and business strategy of the Company, may constitute forward-looking statements within the meaning of the U.S. Private Securities Litigation Reform Act of 1995 and Canadian securities legislation and regulations. Forward-looking statements generally can be identified by the use of forward-looking terminology such as “may”, “will”, “expect”, “intend”, “estimate”, “anticipate”, “plan”, “foresee”, “believe” or “continue” or the negatives of these terms or variations of them or similar terminology. Although the Company believes that the expectations reflected in these forward-looking statements are reasonable, it can give no assurance that these expectations will prove to have been correct. Forward-looking statements do not take into account the effect that transactions or non-recurring or other special items announced or occurring after the statements are made have on the Company’s business. For example, they do not include the effect of dispositions, acquisitions, other business transactions, asset write-downs or other charges announced or occurring after forward-looking statements are made. Investors and others are cautioned that undue reliance should not be placed on any forward-looking statements.

For more information on the risks, uncertainties and assumptions that would cause the Company’s actual results to differ from current expectations, please also refer to the Company’s public filings available at www.sedar.com, www.sec.gov and www.quebecorworld.com. In particular, further details and descriptions of these and other factors are disclosed in the section “Risk factors” in the Company’s 2007 annual MD&A.

Unless mentioned otherwise, the forward-looking statements in this MD&A reflect the Company’s expectations as of August 12, 2008, the date on which this MD&A has been approved, and are subject to change after this date. The Company expressly disclaims any obligation or intention to update or revise any forward-looking statements, whether as a result of new information, future events or otherwise, unless required by the applicable securities laws.

Quebecor World Inc. is currently subject to Court protection under the *Companies’ Creditors Arrangement Act* (Canada), and various U.S. subsidiaries have filed petitions under Chapter 11 of the U.S. Bankruptcy Code.

1. Creditor protection and restructuring

On January 21, 2008 (the "Filing Date"), Quebecor World Inc. ("Quebecor World" or the "Company") obtained an order (the "Initial Order") from the Quebec Superior Court (the "Court") granting creditor protection under the Companies' Creditors Arrangement Act (the "CCAA") for itself and for 53 U.S. subsidiaries (the "U.S. Subsidiaries" and, collectively with the Company, the "Applicants"). On the same date, the U.S. Subsidiaries filed a petition under Chapter 11 of the U.S. Bankruptcy Code ("Chapter 11") in the U.S. Bankruptcy Court for the Southern District of New York (the "U.S. Bankruptcy Court"). The proceedings under the CCAA are hereinafter referred to as the "Canadian Proceedings", the proceedings under Chapter 11 are hereinafter referred to as the "U.S. Proceedings" and the Canadian Proceedings and the U.S. Proceedings are hereinafter collectively referred to as the "Insolvency Proceedings". The Company's Latin American subsidiaries are not subject to the Insolvency Proceedings and prior to their disposition, as discussed below, nor were the European subsidiaries. Pursuant to the Insolvency Proceedings, the Applicants are provided with the authority to, among other things, continue operating the Applicants' business (subject to court approval for certain activities), file with the Court and submit to creditors a plan of compromise or arrangement under the CCAA (the "Plan") and operate an orderly restructuring of the Applicants' business and financial affairs, in accordance with the terms of the Initial Order. Ernst & Young Inc. (the "Monitor") has been appointed by the Court as Monitor in the Canadian Proceedings. Pursuant to the terms of the orders made in the Insolvency Proceedings, as amended, the Monitor was appointed to monitor the business and financial affairs of the Applicants and, in connection with such role, the Initial Order imposes a number of duties and functions on the Monitor, including, but not limited to, assisting the Applicants in connection with their restructuring and reporting to the Court on the state of the business and financial affairs of the Applicants and on developments in the Insolvency Proceedings, as the Monitor considers appropriate. Reference should be made to the Initial Order for a more complete description of the duties and functions of the Monitor.

Chapter 11 provides for all actions and proceedings against the U.S. Subsidiaries to be stayed during the continuation of the U.S. Proceedings. The Initial Order also provides for a general stay, and, pursuant to subsequent orders of the Court this stay period was extended to May 12, 2008, then to July 25, 2008 and subsequently to September 30, 2008 in Canada. The stay period is subject to further extensions as the Court may deem appropriate. The applicable stays generally preclude parties from taking any actions against the Applicants. The purpose of the stay period and the Insolvency Proceedings is to provide the Applicants the opportunity to stabilize their operations and businesses and to develop a business plan, all with a view to proposing a final Plan. Any such Plan will be subject to approval by affected creditors, as well as court approval.

The Company became in default under its revolving bank facility, its equipment financing credit facility and its North American securitization program on January 16, 2008. On January 24, 2008 pursuant to the Insolvency Proceedings entered into by the Company, an amount of \$417.6 million, including fees, was paid in order to terminate the North American securitization program.

The Insolvency Proceedings also triggered defaults under substantially all other debt obligations of the Applicants. Generally, the Insolvency Proceedings have stayed actions against the Applicants, including actions to collect pre-filing indebtedness or to exercise control over any of the Applicants' property. As a result of the stay, the Applicants have ceased making payments of interest and principal on substantially all of their prepetition debt obligations. The orders granted in the Insolvency Proceedings have provided the Applicants with the authority, among other things: (a) to pay outstanding and future employee wages, salaries and benefits; (b) to make rent payments under existing arrangements payable after the Filing Date; and (c) to honour obligations to customers.

The Applicants are in the process of developing comprehensive business and financial plans, which will serve as a basis for discussions with stakeholders, with the advice and guidance of their financial advisors and the Monitor. The Applicants presented their business plan to the Ad Hoc Bondholder Group, the Bank Syndicate and the Official Committee of Unsecured Creditors (collectively, the "Committees") at the beginning of June 2008. An overview of the Applicants five-year business plan was presented as well as details related to each of the major business segments. The business plan that was presented will serve as a basis for discussions with the creditor constituencies in anticipation of the formulation of a Plan or Plans of reorganization and, subject to receipt of necessary approvals from affected creditors, the Court and the U.S. Bankruptcy Court, the Applicants will implement one or more Plans. There can be no assurance, however, that a successful Plan or Plans of reorganization will be proposed by the Applicants, supported by the Applicants' creditors or confirmed by the Court and the U.S. Bankruptcy Court, or that any such Plan or Plans will be consummated.

Pursuant to orders entered by the U.S. Bankruptcy Court, the Applicants filed their schedule of assets and liabilities and a statement of financial affairs on July 18, 2008. The Applicants intend to file a requisite motion establishing bar dates by which all creditors must file proofs of their respective claims and interests against the Applicants. At this time, it is not possible to determine the extent of the claims that may be filed, whether or not such claims will be disputed, or whether or not such claims will be subject to discharge in the Insolvency Proceedings. It is also not possible at this

time to determine whether to establish any additional liabilities in respect of claims. Once all applicable bar dates are established and all claims against the Applicants have been filed, the Applicants will review all claims filed and begin the claims reconciliation process. In connection with the review and reconciliation process, the Applicants will also determine the additional liabilities, if any, that should appropriately be established in respect of such claims.

Another important step in our restructuring activities has been the sale of our European operations to a subsidiary of Homborgh Holdings B.V. ('HHBV'), a Netherlands based investment group (Note 10). On June 17, 2008, the Court and the U.S. Bankruptcy Court approved the proposed sale transaction, which closed on June 26, 2008. Under the terms of the agreement, the Company received €52.2 million in cash at closing. HHBV issued a €21.5 million five-year note bearing interest at 7% per year payable to Quebecor World. The sale was made substantially on an "as is, where is" basis.

Should the stay period and any subsequent extensions, if granted, not be sufficient to develop and present a Plan, or should the Plan not be accepted by affected creditors and, in any such case, the Applicants lose the protection of the stay of proceedings, substantially all debt obligations of the Applicants will then become due and payable immediately, creating an immediate liquidity crisis which would in all likelihood lead to the liquidation of the Applicants' assets. Failure to implement a Plan and obtain sufficient exit financing within the time granted by the Court and the U.S. Bankruptcy Court will also result in substantially all of the Applicants' debt obligations becoming due and payable immediately, which would in all likelihood lead to the liquidation of the Applicants' assets.

As detailed in Note 10, the Company's UK subsidiary was placed into administration on January 28, 2008.

Contributing factors

Quebecor World's financial performance has suffered in the past few years, especially with respect to its European operations, which were funded, in part, with cash flows generated by the North American operations, as a result of a combination of factors, including declining prices and sales volume, and temporary disturbances and inefficiencies caused by a major retooling and restructuring of its printing operations initiated in 2004. The combination of significant capital investments and continued operating losses, principally as a result of its European operations, resulted in increased financing needs. During the last quarter of 2007, it was also necessary for the Company to repurchase certain senior notes in order to avoid breaching certain financial ratios, while also facing reduction in amounts available under its revolving bank facility.

More recent events further hindered the Company's efforts to improve its balance sheet and financial position. First, on November 20, 2007, Quebecor World announced the withdrawal of a refinancing plan previously announced on November 13, 2007 due to adverse financial market conditions. Second, on December 13, 2007, Quebecor World announced that it would not be able to consummate a previously announced transaction to sell/merge its European operations, which otherwise would have resulted in proceeds being paid to Quebecor World.

On December 17, 2007, the Board of Directors of QWI appointed Jacques Mallette as President and Chief Executive Officer in order to execute the business plan of the Company.

On December 31, 2007, the Company obtained a waiver from its bank syndicate lenders and from the sponsors of its North American securitization program, subject to the satisfaction of certain conditions and refinancing milestones, including obtaining \$125 million in new financing by January 15, 2008. On January 16, 2008, the Company failed to satisfy the conditions and refinancing milestones set by the bank syndicate lenders, which resulted in the Company and certain of its subsidiaries being in default of its obligations under its revolving bank facility, its equipment financing credit facility and its North American securitization program.

As a result of the unsuccessful efforts of the Company to obtain new financing, the inability at the time to conclude the first proposed sale of its European operations and the operational demands of the Company, by mid-January 2008, the Company was experiencing a severe lack of liquidity and concluded it no longer had the ability to meet obligations which were falling due.

On April 29, 2008, the Company announced the appointment of Randy Benson as Chief Restructuring Officer reporting to the Restructuring Committee of the Board of Directors. His mandate is principally to develop a restructuring plan with a view to quickly emerge from creditor protection as a strong company in our industry.

On July 28, 2008, Jeremy Roberts was appointed Chief Financial Officer of the Company. Mr. Roberts was previously Senior Vice President, Corporate Finance and Treasurer.

Basis of presentation and going concern issues

These financial statements have been prepared using the same Canadian generally accepted accounting principles ("GAAP") as applied by the Company prior to the Insolvency Proceedings. While the Applicants have filed for and been granted creditor protection, these financial statements continue to be prepared using the going concern concept, which assumes that the Company will be able to realize its assets and discharge its liabilities in the normal course of business for the foreseeable future. The Insolvency Proceedings provide the Company with a period of time to stabilize its operations and financial condition and develop a Plan. During the period, Debtor-In-Possession ("DIP") financing has been approved by the Court and the U.S. Bankruptcy Court and is available, subject to borrowing conditions, as described below. Management believes that these actions make the going concern basis appropriate. However, it is not possible to predict the outcome of these proceedings and, as such, realization of assets and discharge of liabilities is subject to significant uncertainty. Accordingly, substantial doubt exists as to whether the Company will be able to continue as a going concern. Further, it is not possible to predict whether the actions taken in any restructuring will result in improvements to the financial condition of the Company sufficient to allow it to continue as a going concern. If the going concern basis is not appropriate, adjustments will be necessary to the carrying amounts and/or classification of assets and liabilities, and to the expenses in these financial statements.

The accompanying financial statements do not purport to reflect or provide for the consequences of the Insolvency Proceedings. In particular, such financial statements do not purport to show: (a) as to assets, their realizable value on a liquidation basis or their availability to satisfy liabilities; (b) as to pre-petition liabilities, the amounts that may be allowed for claims or contingencies, or the status and priority thereof; (c) as to shareholders accounts, the effect of any changes that may be made in the capitalization of the Company; or (d) as to operations, the effect of any changes that may be made in its business.

While the Company is under creditor protection, it will make adjustments to the financial statements to isolate assets, liabilities, revenues, and expenses related to the reorganization and restructuring activities so as to distinguish these events and transactions from those associated with the ongoing operation of the business. Further, claims allowed arising under the Insolvency Proceedings may be recorded as liabilities and presented separately on the consolidated balance sheets. If a restructuring occurs and there is substantial realignment of the equity and non-equity interests in the Company, the Company will be required, under Canadian GAAP, to adopt "fresh start" reporting. Under fresh start reporting, the Company would undertake a comprehensive revaluation of its assets and liabilities based on the reorganization value as established and confirmed in the Plan. The financial statements do not present any adjustments that may be required during the period that the Company remains under creditor protection, or that may be required under fresh start reporting.

In accordance with Canadian GAAP appropriate for a going concern, property, plant, and equipment is carried at cost less accumulated amortization and any impairment losses and they are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of such assets may not be recoverable. Goodwill is carried at cost less any impairment losses. Goodwill is tested for impairment annually and between annual tests when an event or circumstance occurs that more likely than not reduces the fair value of a reporting unit below its carrying amount. The series of events that led the Company to the Insolvency Proceedings and the events since then triggered impairment tests for its property, plant, and equipment, and goodwill. The Company made assumptions, such as expected growth, maintaining customer base and achieving costs reductions, about the future cash flows expected from the use of its assets. There can be no assurance that expected future cash flows will be realized or will be sufficient to recover the carrying amount of long lived assets or goodwill. The Company completed its annual goodwill impairment testing in the second quarter of 2008 and it was concluded that the goodwill for its North America segment was not impaired.

The preparation of financial statements in conformity with Canadian GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the dates of the consolidated financial statements and the reported amounts of revenues and expenses during the reporting periods. The Insolvency Proceedings materially affect the degree of uncertainty associated with the measurement of many amounts in the financial statements. More specifically, it could impact the recoverability tests and fair value assumptions used in the impairment test of property, plant and equipment and goodwill, the valuation of future income tax assets and of contract acquisition costs.

In light of the Insolvency Proceedings, it is unlikely that the Company's existing Multiple Voting Shares, Redeemable First Preferred Shares and Subordinate Voting Shares will have any material value following the approval of a Plan. There is a risk such shares could be cancelled.

DIP financing

On January 21, 2008, the Court approved a Senior Secured Superpriority DIP Credit Agreement (as subsequently amended by amendments dated January 25, 2008, February 26, 2008, March 27, 2008 and August 5, 2008, the "DIP Credit Agreement") between the Company and Quebecor World (USA) Inc., each a debtor-in-possession under the U.S. Proceedings and a petitioner under the Canadian Proceedings, as Borrowers, Credit Suisse, as Administrative Agent, Initial Issuing Bank and Initial Swing Line Lender, General Electric Capital Corporation and GE Canada Finance Holding Company, as Collateral Agent, Morgan Stanley Senior Funding, Inc., and Wells Fargo Foothill, LLC, as Co-Syndication Agents, and Wachovia Bank, N.A., as Documentation Agent.

The DIP financing is comprised of both a revolving credit facility with sub-facilities for Canadian dollar borrowings, swing line loans and issuance of letters of credit for an aggregate maximum commitment of the lenders of \$400 million (the "Revolving DIP Facility") bearing interest at variable rates based on Base rate, or Eurodollar rate, Canadian Banker's Acceptance rate or Canadian prime rate, plus applicable margins and a \$600 million term loan ("DIP Term Loan"), bearing interest at variable rates based on Base rate, or Eurodollar rate, plus applicable margins, which was fully drawn immediately following the Initial Order and the interim order of the U.S. Bankruptcy Court, dated January 23, 2008 (the "Interim DIP Order"). Amounts borrowed under the DIP Term Loan and repaid or prepaid may not be re-borrowed. Under the Revolving DIP Facility, the availability of funds is determined by a borrowing base based on percentages of eligible receivables and inventory. The unused portion of the Revolving DIP Facility is subject to a commitment fee of 0.50% per annum. From the date of the Interim DIP Order up to the date of the final order of the U.S. Bankruptcy Court dated April 1, 2008 (the "Final DIP Order"), the maximum availability under the Revolving DIP Facility was \$150 million. By the entry of the Final DIP Order by the U.S. Bankruptcy Court, the maximum availability under the Revolving DIP Facility became \$400 million. On June 30, 2008, the Company repaid \$74.5M on the DIP Term Loan. As at June 30, 2008 and August 8, 2008, the Company had drawn \$557.2 million and \$550.8 million, respectively, on the DIP Term Loan and Revolving DIP Facility.

The DIP Credit Agreement contains certain restrictive financial covenants which were met as of June 30, 2008.

The DIP Revolving Facility and DIP Term Loan are secured by a perfected lien on, and security interest in, all present and after-acquired property of Quebecor World, the U.S. subsidiaries subject to the U.S. Proceedings and certain subsidiaries in Latin America. The liens are junior to the liens securing the Company's syndicated revolving bank facility with Royal Bank of Canada as administrative agent and its equipment financing credit facility with Société Générale (Canada) as lender up to an aggregate amount of \$170 million, which was granted prior to the Filing Date to the extent such liens are valid, perfected and not voidable. The DIP Revolving Facility and DIP Term Loan are also guaranteed by substantially all of the Company's direct and indirect North American subsidiaries and certain foreign subsidiaries.

The DIP Revolving Facility and DIP Term loan mature on the earliest to occur of (a) July 21, 2009 and (b) the substantial consummation of a Plan. The DIP Credit Agreement may be prepaid or accelerated upon the occurrence of an event of default and contains mandatory prepayments including, among other things, the net proceeds of certain asset sales, issuance of certain debt and certain extraordinary receipts.

Should the Court dismiss the Insolvency Proceedings or enter any order granting relief from the stays provided for thereunder, this would constitute an event of default under the DIP Credit Agreement and the debt could become due and payable immediately, which would, in all likelihood, lead to the liquidation of all the Applicants' assets.

The DIP Credit Agreement provides for various restrictions on, among other things, the ability of the Company and its subsidiaries to incur additional debt, secure such debt, make investments, dispose of their assets (including pursuant to sale and leaseback transactions and sales of receivables under securitization programs) and make capital expenditures. Each of these transactions would require the consent of a majority of the Company's DIP lenders if they exceed certain thresholds set forth in the DIP Credit Agreement, and may, in certain cases, require the consent of the Monitor and/or the Courts.

The Court limits the amounts of funding available for its Latin America subsidiaries to \$10 million, in addition to a \$5 million amount for non-applicants subsidiaries. As of August 8 2008, \$10 million was utilized to fund Latin America subsidiaries, while a supplemental of approximately \$4 million was used to fund Latin America subsidiaries and other non-applicants subsidiaries.

Accounting policies applicable to an entity under Creditor Protection

As a result of the Insolvency Proceedings, the Company will follow accounting policies, including disclosure items, applicable to entities that are under creditor protection. In addition to Canadian GAAP, the Company is applying the guidance in the American Institute of Certified Public Accountants Statement of Position 90-7, "Financial Reporting by Entities in Reorganization under the Bankruptcy Code" (SOP 90-7). While SOP 90-7 refers specifically to Chapter 11 in the United States, its guidance, in management's view, is also applicable to an entity restructuring under CCAA where it does not conflict with Canadian GAAP.

Consistent with Canadian GAAP, SOP 90-7 does not change the manner in which financial statements are prepared. However, SOP 90-7 does require that the financial statements for periods subsequent to the filing distinguish transactions and events that are directly associated with the reorganization from the ongoing operations of the business.

Revenues, expenses, gains and losses, and provisions for losses that can be directly associated with the reorganization and restructuring of the business will be reported separately as reorganization items (see Note 4). Cash flows related to reorganization items have been disclosed separately.

While payments may not be made on liabilities subject to compromise, including long-term debt, interest on debt obligations will continue to be recognized. Interest is not a reorganization item. The consolidated balance sheet distinguishes pre-filing liabilities subject to compromise from both those pre-filing liabilities that are not subject to compromise and from post-filing liabilities (see Note 5). Liabilities that may be affected by the Plan may be settled for lesser amounts and the resulting adjustments may be material. No claims procedure has yet been established.

Consolidated financial statements that include one or more entities in reorganization proceedings and one or more entities not in reorganization proceedings are required to include disclosure of entities in reorganization proceedings, including disclosure of Condensed Combined Financial Information of the entities in the reorganization proceedings, including disclosure of the amount of intercompany receivables and payables therein (see Note 6).

SOP 90-7 has been applied effective January 21, 2008, and for subsequent reporting periods while the Company continues to operate under creditor protection.

The resulting changes in reporting are described in Note 4 Reorganization Items, Note 5 Liabilities Subject to Compromise and Note 6 Condensed Combined Financial Information.

2. Discontinued operations

Over the years, the European operations faced difficult market conditions including 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. These factors in addition to the deterioration of European financial performance impacted by excess printing capacity in Europe initiated a strategic review of the Company's European operations. Management concluded that the European operations were non-strategic to the Company's core business in North America, given the uncertainty of the long-term profitability of the European operations and the negative returns in spite of new investments made by the Company over the last several years.

On June 17, 2008, the Court and the U.S. Bankruptcy Court approved the proposed sale transaction of Quebecor's European operations to HHBV, a Netherlands based investment group, which closed on June 26, 2008.

The sale of the Company's European operations is an important step in the restructuring activities of the Company as it provides liquidity and eliminates the need for the Company to provide continuing financial support to its European operations, enabling it to exit creditor protection in North America as a stronger player in its industry.

3. Financial review

The Company assesses performance based on, among other measures, operating income and Adjusted EBIT (Figure 5). The following financial review focuses only on continuing operations.

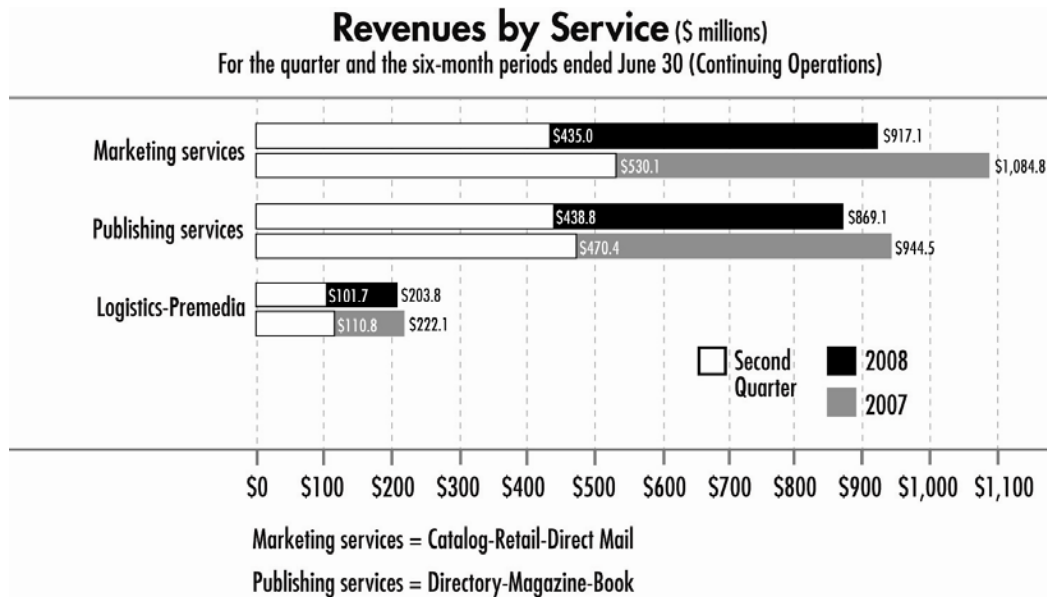


Figure 1

3.1 Second quarter review

The Company's consolidated revenues for the second quarter of 2008 were \$975.5 million, a 12.2% decrease when compared to \$1.11 billion for the same period in 2007. Excluding the positive impact of currency translation (Figure 2), revenues were \$953.5 million for the quarter, down 14.2% compared to the same period in 2007. The decrease in revenues resulted from plant closures, the impact of the Insolvency Proceedings, lower paper sales, decreased volumes and continued price pressures as further discussed in the "Segment results" section. In the second quarter of 2008, Adjusted EBIT decreased to \$27.8 million compared to \$48.0 million for the same period in 2007. Adjusted EBIT margin was 2.8% for the second quarter, compared to 4.3% for the same period in 2007. Decreases in Adjusted EBIT and Adjusted EBITDA margin are mainly due to lower revenues as explained above.

Impact of Foreign Currency (\$ millions)

	Three months ended June 30, 2008		Six months ended June 30, 2008	
Foreign currency favorable impact on revenues	\$	22.0	\$	53.0
Foreign currency unfavorable impact on operating income	\$	(0.5)	\$	(3.0)

Figure 2

Paper sales, excluding the effect of currency translation, decreased by 17.8% for the second quarter of 2008, compared to the same period in 2007. The decrease in paper sales is mostly explained by lower volumes. Although the variance in paper sales has an impact on revenues, it has little impact on operating income because the cost is generally passed on to the customer. Most of the Company's long-term contracts with its customers include price-adjustment clauses based on the cost of materials in order to minimize the effects of fluctuation in the price of paper.

Cost of sales for the second quarter of 2008 decreased by 11.0% to \$811.2 million compared to \$911.7 million for the corresponding period in 2007. The decrease compared to the second quarter of 2007 is explained mostly by decreases in sales volume and labor costs. Gross profit margin was 16.8% in the second quarter of 2008 compared to 18.0% in 2007. Excluding the negative impact of currency, gross profit margin decreased to 17.0% in the second quarter of 2008.

Selling, general and administrative expenses for the second quarter of 2008 were \$77.5 million compared with \$86.2 million for the same period in 2007. Excluding the unfavorable impact of currency translation of \$2.3 million, selling, general and administrative expenses decreased by 12.8% compared to the same period last year, mostly explained by a gain on the disposal of an aircraft.

Securitization fees were nil for the second quarter of 2008, compared to \$5.7 million for the second quarter of 2007. The variance is explained by the termination of the North American program as of January 23, 2008 as well as the termination of the European program in the last quarter of 2007.

Depreciation and amortization expenses were \$59.0 million in the second quarter of 2008, compared with \$59.7 million for the same period in 2007.

During the second quarter of 2008, the Company recorded impairment of assets, restructuring and other charges ("IAROC") of \$11.0 million, compared to \$28.8 million for the same period in 2007. The charge for the quarter was mainly related to the closure of the North Haven, CT facility as well as headcount reductions in North America. These measures are described in the "Impairment of assets and restructuring initiatives" section.

Financial expenses were \$52.9 million in the second quarter of 2008, compared to \$30.7 million for the same period in 2007. The increase is mainly due to a higher level of debt and a reduction of net gain on foreign exchange, partly offset by a decrease in the weighted average of interest rates and a reduction of the financial expenses related to hedging activity. The higher level of debt is mostly explained by the addition of the DIP financing. A portion was used to repurchase the North American receivables.

The Company recorded reorganization items which represent post-filing expenses, gains and losses, and provisions for losses that can be directly associated with the reorganization and restructuring of the Applicants. The total expense for the second quarter of 2008 is \$27.6 million.

Income tax expense was \$12.7 million in the second quarter of 2008, compared to a recovery of \$24.8 million for the same period in 2007. Income tax expense before IAROC was \$16.2 million in the second quarter of 2008, compared to an income tax recovery of \$15.1 million for the same period last year. The income tax expense in the second quarter of 2008 was mainly due to the valuation allowance taken on current losses.

For the second quarter ended June 30, 2008, the Company reported a loss per share of \$0.44, compared to a earnings per share of \$0.05 for the same period in 2007. These results incorporated IAROC, net of income taxes, of \$7.5 million or \$0.04 per share, compared with \$19.1 million or \$0.14 per share for the same period in 2007. Adjusted diluted loss per share was \$0.40 in the second quarter of 2008, compared to adjusted diluted earnings per share of \$0.19 in the same period of 2007.

3.2 Year-to-date review

On a year-to-date basis, the Company's consolidated revenues were \$1.99 billion, an 11.6% decrease when compared to \$2.25 billion for the same period in 2007. Excluding the positive impact of currency translation (Figure 2), revenues were \$1.94 billion for the first six months of 2008, down 14.0% compared to 2007. The decrease in revenues resulted from the impact of the Insolvency Proceedings, lower paper sales, decreased volume as well as plant closures and continued price pressures as further discussed in the "Segment results" section. On a year-to-date basis, adjusted EBIT decreased to \$37.0 million, compared to \$86.5 million in 2007. Adjusted EBIT margin was 1.9% for the first six months of 2008, compared to 3.8% for the same period in 2007.

Paper sales, excluding the effect of currency translation, decreased by 19.2% for the first semester of 2008, compared to the same period in 2007. The explanation provided in the "Second quarter review" section above, outlining the causes behind the decrease, also applies for the year-to-date variance.

On a year-to-date basis, cost of sales decreased by 10.7% to \$1.66 billion, compared to \$1.86 billion for the corresponding period in 2007. The decrease, compared to 2007, is mostly explained by decreases in sales volume and paper sales, impacting all variable costs, but more significantly labor costs. Gross profit margin decreased to 16.7% for the first six months of 2008 compared to 17.6% in 2007. Excluding the impact of currency, gross profit margin decreased to 16.9% on a year-to-date basis.

Selling, general and administrative expenses were \$176.5 million on a year-to-date basis, compared with \$179.4 million in 2007. Excluding the unfavourable impact of currency translation of \$6.2 million, selling, general and administrative expenses decreased by 5.1%, compared to the same period last year, partly explained by the gain on the disposal of an aircraft.

Securitization fees were nil on a year-to-date basis, down from \$9.7 million for the same period in 2007. The variance is explained by the termination of the North American program as of January 23, 2008 as well as the termination of the European program in the last quarter of 2007.

Depreciation and amortization expenses were \$119.5 million for the first six months of 2008, compared with \$120.6 million in 2007. Excluding the unfavourable impact of currency translation of \$2.6 million, depreciation and amortization expenses decreased 3.1%, compared to last year. The replacement and decommissioning of underperforming assets by investments in state-of-the-art printing technology has mostly offset the decrease in depreciation and amortization expenses in the first semester of 2007 caused by plant closures.

During the first six months of 2008, the Company recorded IAROC of \$47.6 million, compared to \$46.6 million last year. The charge for the first six months of 2008 was mainly related to the closure and consolidation of facilities in North America as well as workforce reductions and impairment of long-lived assets in North America. These measures are described in the "Impairment of assets and restructuring initiatives" section.

Financial expenses were \$138.6 million on a year-to-date basis, compared to \$56.2 million in 2007. The variance of \$82.4 million was mainly explained by the DIP financing and its related issuance costs. A portion of the DIP financing was used to repurchase the North American receivables. The increase in financial expenses is also explained by the amortization of the deferred financing costs during the first quarter of 2008.

The Company recorded reorganization items which represent post-filing expenses, gains and losses, and provisions for losses that can be directly associated with the reorganization and restructuring of the Applicants. The total expense for the first six months of 2008 is \$41.8 million. The cash flow usage amounts to \$22.5 million and relates primarily to professional fees.

Income tax expense was \$31.6 million on a year-to-date basis, compared to an income tax recovery of \$39.3 million in 2007. Income tax expense before IAROC was \$36.5 million for the first six months of 2008, compared to an income tax recovery of \$23.2 million for the same period last year. The income tax expense in the first half of 2008 was mainly due to the valuation allowance taken on current losses.

On a year-to-date basis, the Company reported a loss per share of \$1.41, compared to earnings per share of \$0.06 in 2007. These results incorporated IAROC, net of income taxes, of \$42.7 million or \$0.26 per share, compared with \$30.5 million or \$0.24 per share in 2007. Adjusted diluted loss per share was \$1.15 for the first six months of 2008 compared with adjusted diluted earnings per share of \$0.30 in the same period of 2007.

3.3 Quarterly trends

Selected Quarterly Financial Data (Continuing Operations)
(\$ millions, except per share data)

	2008		2007				2006	
	Q2	Q1	Q4	Q3	Q2	Q1	Q4	Q3
Consolidated Results								
Revenues	\$ 975.5	\$ 1,014.5	\$ 1,231.0	\$ 1,172.1	\$ 1,111.3	\$ 1,140.1	\$ 1,353.1	\$ 1,302.1
Adjusted EBITDA	92.7	74.2	121.8	123.5	113.2	105.0	163.7	143.7
Adjusted EBIT	27.8	9.2	8.9	57.9	48.0	38.5	83.8	74.0
IAROC	11.0	36.6	105.8	55.2	28.8	17.8	35.6	3.9
Goodwill impairment charge	-	-	1,832.9	-	-	-	-	-
Operating income (loss)	16.8	(27.4)	(1,929.8)	2.7	19.2	20.7	48.2	70.1
Operating margin	1.7 %	(2.7) %	(156.8) %	0.2 %	1.7 %	1.8 %	3.6 %	5.4 %
Adjusted EBIT margin	2.8 %	0.9 %	0.7 %	4.9 %	4.3 %	3.4 %	6.2 %	5.7 %
Net income (loss) from continuing operations	\$ (77.7)	\$ (148.6)	\$ (1,802.6)	\$ (55.3)	\$ 10.8	\$ 9.7	\$ 37.4	\$ 41.1
Net income (loss)	(751.1)	(190.0)	(1,826.1)	(315.1)	(21.1)	(38.1)	11.4	18.9
Per Share Data								
Earnings (loss) Basic and diluted								
Continuing operations	\$ (0.44)	\$ (1.04)	\$ (13.69)	\$ (0.45)	\$ 0.05	\$ 0.02	\$ 0.23	\$ 0.25
Discontinued operations	\$ (3.61)	\$ (0.28)	\$ (0.18)	\$ (1.97)	\$ (0.25)	\$ (0.36)	\$ (0.20)	\$ (0.16)
Adjusted diluted	\$ (0.40)	\$ (0.80)	\$ 0.12	\$ (0.18)	\$ 0.19	\$ 0.11	\$ 0.40	\$ 0.27

IAROC: Impairment of assets, restructuring and other charges

Adjusted: Defined as before IAROC and before goodwill impairment charge

Figure 3

Adjusted EBITDA trend

Adjusted EBITDA for the second quarter of 2008 was lower than last year due to volume declines and price pressures. These more than offset the year-over-year improvements, achieved in the second quarter of 2008, resulting from the retooling initiatives and restructuring process and continuous improvement initiatives.

Overall performance for the previous eight quarters was also affected by operational inefficiencies mainly in plants involved in the installation of new equipment or press shutdowns as well as plant closures. In the second quarter of 2008, the Company continued to face difficult market conditions, resulting in price erosion and decreased volume in certain of the Company's markets. The retooling benefits, as well as strategic options to create growth in some of the Company's segments are intended to help reverse this negative trend.

Seasonal impact

Revenues generated by the Company are seasonal with a greater part of volume being realized in the second half of the fiscal year, primarily due to the higher number of magazine pages, new product launches, back-to-school ads, marketing by retailers, increased catalog activity, and holiday promotions. Therefore, an analysis of the consecutive quarters is not a true measurement of the revenue trend (Figure 3).

IAROC impact

Significant IAROC have resulted from the Company's focus on cost reduction and retooling activities undertaken during the previous years that involved a reduction in workforce, closure or downsizing of facilities, decommissioning of under-performing assets, lowering of overhead expenses, consolidating corporate functions and relocating sales and administrative offices into plants. This determined focus on cost containment has reduced the Company's long-term cost structure and is expected to improve efficiency across the platform. For the six months period ended June 30, 2008, the Company recorded IAROC of \$47.6 million relating to its North American and Latin American platforms. Of that amount, \$16.7 million was related to an impairment charge of long-lived assets for North America, \$30.9 million related to restructuring charges incurred in 2008 for the closure of North American facilities and the continuation of prior year initiatives.

Goodwill impairment charge impact

In the fourth quarter of 2007, the unsuccessful efforts of the Company to obtain new financing and its inability to conclude the previously announced sale/merger of its European operations combined with a decline in its stock price triggered a requirement for a goodwill impairment test related to the Company's reporting units. As a result, the Company recorded a total impairment charge of \$1,832.9 million related to its North American and Latin American reporting units.

General market conditions impact

The Company's performance for the last eight quarters was primarily affected by the difficult market environment as well as the recessionary outlook in the United States, which more than offset some of the benefits from Quebecor World's comprehensive retooling program and the decreased costs from other initiatives mentioned above. Competition in the industry remains intense as the industry is still in the process of consolidation, evidenced by several recent mergers. The Company is focusing on adding customer value and improving productivity through continuous improvement projects and the recent deployment of next generation technology, in order to create an operating network capable of being highly competitive in this market.

3.4 Segment results

The following is a review of activities by segment which, except as otherwise indicated, focuses only on continuing operations.

During the second quarter of 2008, management modified the Company's reportable segments to reflect the sale of the European operations (refer to Note 10). The revised reporting structure includes two segments, North America and Latin America.

All prior periods have been reclassified to conform to this current reporting structure.

Segment Results of Continuing Operations (\$ millions) Selected Performance Indicators

	North America		Latin America		Inter-Segment and Others		Total	
	2008	2007	2008	2007	2008	2007	2008	2007
Three months ended June 30								
Revenues	\$ 898.7	\$ 1,049.3	\$ 76.8	\$ 63.4	\$ -	\$ (1.4)	\$ 975.5	\$ 1,111.3
Adjusted EBITDA	84.3	117.1	6.6	5.0	1.8	(8.9)	92.7	113.2
Adjusted EBIT	22.9	55.1	3.0	1.8	1.9	(8.9)	27.8	48.0
IAROC	10.1	28.7	0.9	0.1	-	-	11.0	28.8
Operating income (loss)	12.8	26.4	2.1	1.7	1.9	(8.9)	16.8	19.2
Adjusted EBITDA margin	9.4 %	11.1 %	8.5 %	7.9 %			9.5 %	10.2 %
Adjusted EBIT margin	2.6 %	5.3 %	3.9 %	2.8 %			2.8 %	4.3 %
Operating margin	1.4 %	2.5 %	2.8 %	2.8 %			1.7 %	1.7 %
Capital expenditures ⁽¹⁾	\$ 35.0	\$ 51.6	\$ 1.6	\$ 1.5	\$ 2.0	\$ 4.5	\$ 38.6	\$ 57.6
Change in non-cash balances related to operations, cash flow (outflow) ⁽¹⁾	(19.7)	20.5	(8.6)	4.7	32.0	8.0	3.7	33.2
Six months ended June 30								
Revenues	\$ 1,844.7	\$ 2,126.5	\$ 145.3	\$ 127.3	\$ -	\$ (2.4)	\$ 1,990.0	\$ 2,251.4
Adjusted EBITDA	160.7	217.8	11.6	10.5	(5.4)	(10.2)	166.9	218.1
Adjusted EBIT	37.7	92.4	4.7	4.3	(5.4)	(10.2)	37.0	86.5
IAROC	46.6	46.5	1.0	0.1	-	-	47.6	46.6
Operating income (loss)	(8.9)	45.9	3.7	4.2	(5.4)	(10.2)	(10.6)	39.9
Adjusted EBITDA margin	8.7 %	10.2 %	8.0 %	8.3 %			8.4 %	9.7 %
Adjusted EBIT margin	2.0 %	4.3 %	3.2 %	3.4 %			1.9 %	3.8 %
Operating margin	(0.5) %	2.2 %	2.5 %	3.3 %			(0.5) %	1.8 %
Capital expenditures ⁽¹⁾	\$ 52.9	\$ 97.7	\$ 2.2	\$ 2.4	\$ 6.3	\$ 34.6	\$ 61.4	\$ 134.7
Change in non-cash balances related to operations, cash flow (outflow) ⁽¹⁾	54.3	52.8	(2.6)	2.4	25.5	19.0	77.2	74.2

IAROC: Impairment of assets, restructuring and other charges

Adjusted: Defined as before IAROC and before goodwill impairment charge

⁽¹⁾ Including both continuing and discontinued operations

Figure 4

North America

Prior to the second quarter of 2008, the North American segment was comprised of the following business groups: Magazine, Retail, Catalog, Book & Directory, Direct, Canada, Logistics, Premedia and other value added services.

On June 16, 2008, the Company announced the merging of its U.S. Retail Insert, Catalog, Sunday Magazine and Direct Mail Divisions into a new integrated Marketing Solutions Group to better serve the marketing and advertising needs of its customers in multiple markets including retail, direct marketing, Sunday magazine, agency and financial services.

Subsequently, on June 17, 2008, the Company further announced the integration of its Magazine, Book and Directory Divisions into a single operating structure. In the first quarter of 2008, the Company announced the merging of the Premedia and Logistics Divisions into one operating structure. The new Publishing Services Group is intended to streamline the operations of the company, improve services, and better serve existing and new publishing customers.

The Canadian business group will continue to operate under its existing operating structure.

North American revenues for the second quarter of 2008 were \$898.7 million, down 14.4% from \$1,049.3 million for the same period in 2007 and \$1,844.7 million for the first semester, down 13.2% from \$2,126.5 million for the same period last year. Excluding the effect of currency translation and the unfavorable impact of paper sales, revenues decreased by 10.5% in the second quarter compared to the same period last year and 9.5% on a year-to-date basis. Revenues in the North American segment continued to be impacted by negative price pressures and volume declines. Volume in North America decreased during the second quarter and the first six months of 2008 partly due to the recessionary outlook in the United States, as well as the restructuring initiatives in the Magazine and Canada Groups. Furthermore, volumes in the Book Group and the Catalog Group have each been affected by the non-renewal of a contract with a large customer.

Operating income and margin in North America decreased in the second quarter and the first semester of 2008, compared to the same period in 2007. Operating income in North America continue to be impacted by the competitive market conditions. The decrease in volume was partly offset by cost reduction initiatives and efficiencies realized through productivity gains, mainly in the Magazine Group.

Year-over-year, the North American workforce was reduced by 1,818 employees, or approximately 8.4%, mainly explained by the various restructuring initiatives, including the downsizing of operations of the Islington facility in Ontario, which was mostly completed in the second quarter of 2008 and to the closure of the Magog facility in Quebec, which was completed in the first quarter of 2008.

Latin America

Latin America operates mainly in the Book, Directory, Magazine, Catalog and Retail markets. Latin America's revenues for the second quarter of 2008 were \$76.8 million, up 21.1% from \$63.4 million for the same period in 2007 and \$145.3 million for the first semester of 2008, up 14.1% from \$127.3 million for the same period in 2007. Excluding the impact of foreign currency and paper sales, revenues for the second quarter of 2008 were up 5.0% compared to last year and 2.1% on a year-to-date basis. Overall, operating income and margin for the Latin American segment were slightly higher for the second quarter of 2008 than those seen in the same period last year but slightly lower on a year-to-date basis.

3.5 Impairment of assets and restructuring initiatives

Quebecor World has undertaken various restructuring initiatives in order to ensure facilities are producing optimal pressroom efficiencies and higher returns. Restructuring costs relate largely to plant closures and workforce reductions related to current and prior years' initiatives. A description of these initiatives is provided in the Notes to the Consolidated Financial Statements for the period ended June 30, 2008.

The 2008 restructuring initiatives affected a total of 1,167 employees, of which 1,062 positions have been eliminated as of June 30, 2008 and 434 are expected to be eliminated. However, the Company estimates that 329 new jobs should be created in other facilities with respect to the 2008 initiatives. During the first semester of 2008, the execution of prior years' initiatives resulted in the elimination of 234 positions with 78 positions still to be eliminated.

As at June 30, 2008, the balance of the restructuring reserve was \$21.4 million. The total cash disbursement related to this reserve is expected to be \$21.2 million for the remainder of 2008. Finally, the Company expects to record a charge of \$18.0 million in upcoming quarters for the restructuring initiatives that have already been announced as at June 30, 2008.

Reconciliation of non-GAAP measures

(\$ millions, except per share data)

	Three months ended June 30		Six months ended June 30	
	2008	2007	2008	2007
Operating income from continuing operations- adjusted				
Operating income (loss) ("EBIT")	\$ 16.8	\$ 19.2	\$ (10.6)	\$ 39.9
Impairment of assets, restructuring and other charges ("IAROC")	11.0	28.8	47.6	46.6
Adjusted EBIT	\$ 27.8	\$ 48.0	\$ 37.0	\$ 86.5
EBIT	\$ 16.8	\$ 19.2	\$ (10.6)	\$ 39.9
Depreciation of property, plant and equipment ⁽¹⁾	69.8	74.5	141.5	149.7
Amortization of other assets ⁽¹⁾	6.0	5.6	10.5	11.2
Less depreciation and amortization from discontinued operations ⁽¹⁾	(10.9)	(14.9)	(22.1)	(29.3)
Operating income before depreciation and amortization ("EBITDA")	\$ 81.7	\$ 84.4	\$ 119.3	\$ 171.5
IAROC	11.0	28.8	47.6	46.6
Adjusted EBITDA	\$ 92.7	\$ 113.2	\$ 166.9	\$ 218.1
Earnings (loss) per share from continuing operations				
Net income (loss) from continuing operations	\$ (77.7)	\$ 10.8	\$ (226.3)	\$ 20.5
IAROC ⁽²⁾	7.5	19.1	42.7	30.5
Adjusted income (loss) from continuing operations	\$ (70.2)	\$ 29.9	\$ (183.6)	\$ 51.0
Net income allocated to holders of preferred shares	4.5	4.8	9.0	12.0
Adjusted income (loss) from continuing operations available to holders of equity shares	\$ (74.7)	\$ 25.1	\$ (192.6)	\$ 39.0
Diluted average number of equity shares outstanding (in millions)	186.5	132.0	167.4	131.9
Income (loss) per share from continuing operations				
Diluted	\$ (0.44)	\$ 0.05	\$ (1.41)	\$ 0.06
Adjusted diluted	\$ (0.40)	\$ 0.19	\$ (1.15)	\$ 0.30
Free Cash Flow				
Cash provided by (used in) operating activities	\$ (5.9)	\$ 101.9	\$ 79.7	\$ 175.3
Dividends on preferred shares	-	(4.6)	-	(11.7)
Additions to property, plant and equipment	(38.6)	(57.6)	(61.4)	(134.7)
Net proceeds from disposal of assets	21.2	3.9	22.3	40.5
Net proceeds from business disposals	44.0	-	44.0	-
Free cash flow	\$ 20.7	\$ 43.6	\$ 84.6	\$ 69.4

Figure 5

Adjusted: Defined as before IAROC and goodwill impairment charge

⁽¹⁾ As reported in the Consolidated Statements of Cash Flows

⁽²⁾ Net of income taxes of \$3.5 million for the second quarter of 2008 (\$4.9 million year-to-date) and \$9.7 million for the second quarter of 2007 (\$16.1 million year-to-date)

4. Liquidity and capital resources

4.1 Operating activities

Cash provided by (used in) operating activities (\$ millions)	Three months ended June 30		Six months ended June 30	
	2008	2007	2008	2007
	\$ (5.9)	\$ 101.9	\$ 79.7	\$ 175.3

Cash flow from operating activities decreased in the second quarter and the first half of 2008 mainly due to the decline in net income resulting from decreased operating income impacted by plant closures, increased financial expenses and reorganization items related to the Company's filings under CCAA and Chapter 11.

The working capital deficiency was \$2,695.9 million as at June 30, 2008, compared to \$1,069.4 million as at December 31, 2007. The change is mainly due to the reclassification of the long-term debt to liabilities subject to compromise.

4.2 Financing activities

Cash provided by (used in) financing activities (\$ millions)	Three months ended June 30		Six months ended June 30	
	2008	2007	2008	2007
	\$ (25.0)	\$ (31.9)	\$ 151.1	\$ (31.9)

In the first quarter of 2008, the Company received the DIP proceeds of \$556.5 million, net of issuance costs, and repaid its North American securitization program for \$413.0 million, which was terminated as a result of the Insolvency Proceedings.

On June 30, 2008, the Company repaid \$74.5 million on its DIP Term Loan, using proceeds from the sale of its European operations. Pursuant to various transactions (drawings and repayments), drawings on the Revolving DIP Facility increased from nil at the end of the first quarter of 2008, to \$31.7 million at the end of the second quarter.

No dividends on preferred shares were paid in 2008 and \$4.6 million was paid in the second quarter of 2007 (\$11.7 million on a year-to-date basis).

4.3 Investing activities

Cash provided by (used in) investing activities (\$ millions)	Three months ended June 30		Six months ended June 30	
	2008	2007	2008	2007
	\$ 16.1	\$ (57.5)	\$ (47.7)	\$ (104.0)

Additions to property, plant and equipment

In the second quarter of 2008, the Company invested \$38.6 million in capital projects, compared to \$57.6 million during the same period in 2007. On a year-to-date basis, \$61.4 million has been invested in capital projects in 2008, compared to \$134.7 million in 2007. Of that amount, approximately 50% was for organic growth, including expenditures for new capacity requirements and productivity improvement. The remaining portion was spent on the maintenance of the Company's existing structure. In 2007, the organic growth spending amounted to 70%.

Restricted Cash

During the first quarter of 2008, the Company set up a cash collateral account in the amount of \$30.3 million in order to use secured pre-petition QW Memphis Corp. inventories. In addition, the Company provided CA \$20 million in cash collateral to a major Canadian financial institution in order to maintain Canadian cash management services.

Proceeds from disposal of assets

During the first half of 2008, proceeds on disposal of assets amounted to \$22.3 million, compared to \$40.5 million for the same period in 2007. These proceeds came from the disposal of the aircraft and other machinery and equipment in the North American platform.

Sale of European operations

On June 26, 2008, the Company sold its European operations to a subsidiary of Hombergh Holdings B.V. ("HHBV"). The total consideration for the Company was €52.2 million (\$82.1 million) in cash and a €21.5 million five-year note bearing interest at 7% per year and is carried in other assets at its fair value of €14.1 million (\$22.3 million). The net cash proceeds were mainly used by the Company to repay the DIP Term Loan. This transaction resulted in a loss on disposal of \$652.7 million, including the cumulative translation adjustment impact and presented as part of the net loss from discontinued operations

5. Financial position

5.1 Free cash flow

Free cash flow (\$ millions)	Three months ended June 30		Six months ended June 30	
	2008	2007	2008	2007
	\$ 20.7	\$ 43.6	\$ 84.6	\$ 69.4

The Company reports free cash flow because it is a measure used by management to evaluate its liquidity (Figure 5). Free cash flow is not a calculation based on or derived from Canadian or U.S. GAAP and should not be considered as an alternative to the Consolidated Statement of Cash Flows. Free cash flow is a measure that can be used to gauge the Company's performance over time. Investors should be cautioned that free cash flow as reported by Quebecor World may not be comparable in all instances to free cash flow as reported by other companies.

The decrease in free cash flow was due mainly to lower cash flows provided by operating activities partly offset by a increase in proceeds from disposals of assets and business disposals.

5.2 Financial covenants and credit ratings

Financial covenants

On January 16, 2008, since the Company had not obtained the \$125.0 million of new financing, as had been required under the terms of the revolving bank facility and North American securitization program waivers, the Company became in default under its revolving bank facility, its Equipment financing facility and its North American securitization program. Upon filing for creditor protection in the Insolvency Proceedings on January 21, 2008, the Company became in default under substantially all of its other debt agreements and instruments.

The Company is subject to certain financial covenants under the DIP facility. The Company was in compliance with all significant debt covenants as at June 30, 2008.

Credit ratings

Unsecured debt

As at August 1, 2008, the following credit ratings had been attributed to the senior unsecured debt of the Company:

Rating Agency	Rating
Dominion Bond Rating Service Limited	D

On January 16, 2008, DBRS lowered its credit ratings from CCC to C. On January 21, 2008, the Company commenced the Insolvency Proceedings in Canada and in the US. On the same day, DBRS lowered its rating from C to D and the following day, Moody's reduced its rating from Caa2 to Ca. During 2008, Moody's and S&P withdrew from rating the senior unsecured debt.

Secured debt

Following the commencement of the Insolvency Proceedings, the Company's DIP Credit Agreement was rated. Accordingly, on February 11, 2008, Moody's attributed an initial rating of Ba3 for the term loan portion of the DIP Facility and Ba2 for the revolving portion of the DIP Facility. S&P, on February 13, 2008 rated both the term loan and revolving portions of the DIP Facility BBB.

Rating Agency	Rating Term Loan	Rating Revolver
Moody's	Ba3	Ba2
S&P	BBB	BBB

Both the Moody's' and S&P ratings were issued at a point in time in connection with the DIP financing and are not being maintained. The DIP financing is therefore not currently rated.

5.3 Contractual cash obligations

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due or the risk that these financial obligations be met at excessive cost. The Company has been under creditor protection since January 21, 2008 (Section 1).

As of June 30, 2008, material contractual obligations related to financial instruments included capital repayment and interest on long-term debt and obligations related to the DIP financing, as described in Section 1, which is collateralized by substantially all of the Company's assets. Since the Insolvency Proceedings described in Section 1, the Company has ceased to make payments of its interest and principal. These obligations and their maturities, notwithstanding the filings for creditor protection, were as follows:

Contractual Cash Obligations
(\$ millions)

	Remainder of 2008	2009	2010	2011	2012	2013 and thereafter	Total
Long-term debt	\$ 1,631.0	\$ -	\$ -	\$ -	\$ -	\$ 1,253.5	\$ 2,884.5
Capital leases	7.4	10.4	10.3	10.3	10.3	19.6	68.3
Interest payments on long-term debt, and capital leases ⁽¹⁾	109.7	153.9	112.7	111.0	133.4	259.9	880.6
Operating leases	25.7	55.0	36.4	23.3	20.4	89.1	249.9
Capital asset purchase commitments	7.9	2.3	-	-	-	-	10.2
Total contractual cash obligations	\$ 1,781.7	\$ 221.6	\$ 159.4	\$ 144.6	\$ 164.1	\$ 1,622.1	\$ 4,093.5

Figure 6

⁽¹⁾ Interest payments were calculated using the interest rate that would prevail should the debt be reimbursed according to their contractual term, and the outstanding balance as at June 30, 2008.

The Company has major operating leases pursuant to which it has the option to purchase the underlying equipment (presses and binders) at the end of the term. Whether the equipment will be acquired at the end of the lease term will depend on circumstances prevailing at the time the option is available. The total terminal value of these operating leases expiring between 2008 and 2015 is approximately \$53.7 million.

The Company monitors the funded status of its pension plans very closely. During the first half of 2008 the Company made contributions of \$27.6 million (\$35.2 million for the same period in 2007), which were in accordance with the minimum required contributions as determined by the Company's actuaries. Minimum required contributions are estimated at \$39.8 million for 2008.

6. Off-balance sheet arrangements and other disclosures

6.1 Off-balance sheet arrangements

During 2007, the Company was party to various off-balance sheet arrangements. The Company's 2007 annual MD&A contains a complete description of these arrangements.

6.2 Derivative financial instruments

The estimated fair value of the Company's long-term debt, including the portion due within one year and liabilities subject to compromise, is not reasonably determinable, given the current status of the Company while under creditor protection (see Section 1). The carrying value of other financial instruments approximated fair value due to the short maturities or the terms and conditions attached to these instruments.

Following the filing of creditor protection under the Insolvency Proceedings on January 21, 2008, substantially all derivative contracts were subsequently terminated by their counterparties. The amount of any gains and losses associated with derivative contracts designated as hedging items that had previously been recognized in other comprehensive income as a result of applying hedge accounting will be carried forward to be recognized in net income in the same periods during which the hedged forecast transaction will occur.

During the three-month period ended June 30, 2008, the Company recorded a net loss of \$0.1 million as a reversal of derivative financial instruments for which hedge accounting was not used, according to the expected date at which the transaction was planned to occur, and embedded derivatives not closely related to their host contracts (a net loss of \$38.6 million in 2007). During the first half of the year 2008, the Company recorded a net gain of \$31.9 million, of which \$12.3 million is presented as Reorganization items (a net loss of \$34.2 million in 2007).

6.3 Related party transactions

Quebecor Inc. ("Quebecor"), directly and through a wholly-owned subsidiary, holds 76.5% of the outstanding voting interests in Quebecor World. As a result, Quebecor has the power to determine many matters requiring shareholder approval, including the election of directors and the approval of significant corporate transactions. The interests of Quebecor may conflict with the interests of other holders of our equity and debt securities. However, the Court has exempted Quebecor World from the requirement to hold an annual meeting of shareholders until such time as the Company emerges from the Insolvency Proceedings. In addition, any fundamental transaction or proposed change to Quebecor World's organizational documents would require Court approval. Consequently, even though Quebecor currently holds 76.5% of the Company's outstanding voting interests, it is unlikely that Quebecor will be able to exercise its votes during the Insolvency Proceedings in order to change the composition of the Board of Directors or cause fundamental changes in the affairs and organizational documents of the Company.

During the second quarter of 2008, the Company acquired all rights, title and interest to an aircraft previously leased by the Company from a third party and subsequently sold it to Quebecor Media Inc. The transaction was done at fair value based on two independent appraisals; the Company received a cash consideration of \$20.3 million, resulting in a gain on disposal of \$9.9 million.

6.4 Outstanding share data

Figure 7 discloses the Company's outstanding share data as at August 1, 2008.

Outstanding Share Data
(\$ in millions and shares in thousands)

	August 1, 2008	
	Issued and outstanding shares	Book value
Multiple Voting Shares	46,987	\$ 93.5
Subordinate Voting Shares	143,795	1,266.7
First Preferred Shares, Series 3 - Classified as equity	12,000	212.5
First Preferred Shares, Series 5 - Classified as liability	2,507	61.0

Figure 7

As of June 30, 2008, a total of 6,168,420 options to purchase Subordinate Voting Shares were outstanding, of which 3,451,891 were exercisable.

On June 1, 2008, 517,184 Series 5 Cumulative Redeemable First Preferred shares were converted into Subordinate Voting shares. Each Series 5 Preferred Share was converted into 13.146875 Subordinate Voting Shares. Only the registered holders of Series 5 Preferred Shares who submitted notices of conversion on or prior March 27, 2008 were eligible to such conversion. Approximately 6.8 million new Subordinate Voting Shares were issued by the Company.

Prior to June 27, 2008, the Company received notices in respect of 744,124 of its remaining 2,507,153 issued and outstanding Series 5 Cumulative Redeemable First Preferred Shares requesting conversion into the Company's Subordinate Voting Shares effective on September 1, 2008.

7. Controls and procedures

This Section should be read in conjunction with Section 5.5 "Controls and procedures" of the Company's annual MD&A for the year ended December 31, 2007 containing Management's Report on Internal Control over Financial Reporting.

Evaluation of Disclosure Controls and Procedures

Disclosure controls and procedures are designed to provide reasonable assurance that information required to be disclosed by the Company is recorded, processed, summarized and reported within the time periods specified under Canadian and U.S. securities laws and include controls and procedures designed to ensure that information is accumulated and communicated to management, including the President and Chief Executive Officer and the Chief Financial Officer, to allow timely decisions regarding required disclosure.

An evaluation was carried out under the supervision of and with the participation of management, including the President and Chief Executive Officer and the Chief Financial Officer, of the effectiveness of Quebecor World's disclosure controls and procedures as defined in Rule 13a-15(e) under the U.S. Securities Exchange Act of 1934 and in Multilateral Instrument 52-109 adopted by the Canadian Securities Administrators. Based on that evaluation, the President and Chief Executive Officer, and the Chief Financial Officer concluded that the disclosure controls and procedures were not effective as of the end of the second quarter of 2008, resulting from the fact that as of the end of such quarter, the remedial measures to address the material weaknesses discussed below are still in the process of being implemented.

Changes in Internal Control over Financial Reporting

The Company disclosed in its 2007 annual MD&A that it had identified material weaknesses in its internal control over financial reporting. Management also disclosed in its 2007 annual MD&A that it has put in place remediation plans intended to address the conditions leading to the material weaknesses that have been identified, which remediation plans consist of:

1. The Company has created a Special Projects Group to manage the creditor protection issues and requests. This is intended to alleviate some of the work overload in the finance and accounting departments.
2. The Company has created a Restructuring Committee to manage the activities around various projects; this is intended to alleviate some of the work overload in the finance and accounting departments.
3. The Company continues to leverage external resources with specific accounting expertise to consult on complex accounting matters. Management will exercise greater oversight and monitoring over these consultations.
4. The Company continues to pursue hiring additional staff for the finance and accounting departments with key technical skills.
5. The Company will develop and deploy a more comprehensive system to review and monitor complex and non-routine transactions.
6. The Company will establish a system of cross-functional coordination and communication to provide for timely dissemination of information that could have an impact on the consolidated financial statements.

The Company is in the process of implementing the above described remediation plans and will keep investors apprised of any progress that it makes in its future Management's Discussion and Analysis.

There were no changes to the Company's internal control over financial reporting identified during the six months ended June 30, 2008, that have materially affected, or are reasonably likely to materially affect the Company's internal control over financial reporting.

8. Critical accounting estimates and changes in accounting standards and adoption of new accounting policies

8.1 Critical accounting estimates

The preparation of financial statements in conformity with Canadian GAAP requires the Company to make estimates and assumptions which affect the reported amounts of assets and liabilities, disclosure with respect to contingent assets and liabilities at the date of the financial statements and reported amounts of revenues and expenses during the reporting period. Critical accounting estimates are generally defined as those requiring assumptions made about matters that are highly uncertain at the time the estimate is made, and when the use of different reasonable estimates or changes to the accounting estimates would have a material impact on a company's financial condition or results of operations. A complete discussion of the critical accounting estimates made by the Company is included in its 2007 annual MD&A.

During the first six months of 2008, Management updated its estimates to factor in the current CCAA/Chapter 11 status of the Company and its expected impact on future operations. Significant changes were required to the estimates related to goodwill, impairment of long-lived assets and future income taxes.

Actual results could differ from those estimates, as further explained on Note 1 to the Company's consolidated financial statements for the first six months ended June 30, 2008.

8.2 Changes in accounting standards and adoption of new accounting policies

Changes in accounting standards

Effective January 1, 2008, the Company adopted the following Canadian Institute of Chartered Accountants ("CICA") Handbook sections.

- Section 1535, Capital Disclosures, which requires the disclosure of both qualitative and quantitative information that enables users of financial statements to evaluate the entity's objectives, policies and processes for managing capital. The adoption of this section requires disclosure of information on capital management, which are included in Note 15, Capital and Liquidity Management.
- Section 3862, Financial Instruments – Disclosures, and Section 3863, Financial Instruments – Presentation, which require additional disclosures relating to financial instruments. The adoption of these sections required disclosure of risks associated with financial instruments to which the Company is exposed, including sensitivity analysis and how the Company manages those risks. This information is included in Note 14, Financial Instruments.
- Section 3031, Inventories, which provides more extensive guidance on the recognition and measurement of inventories, and related disclosures. Upon adoption of this new section, in accordance with the transition rules, the Company adjusts opening retained earnings as if the new rules had always been applied in the past, without restating comparative figures of prior years. Accordingly, the following adjustments were recorded in the consolidated financial statements as at January 1, 2008:
 - Decrease of inventory by \$32.9 million
 - Increase of property, plant and equipment by \$7.2 million
 - Decrease of future income taxes liabilities by \$4.7 million
 - Increase of deficit by \$21.0 million

Adoption of new accounting policies

During the first quarter of 2008

As a result of the Insolvency Proceedings, the Company will follow accounting policies, including disclosure items, applicable to entities that are under creditor protection. In addition to Canadian GAAP, the Company is applying the guidance in the American Institute of Certified Public Accountants Statement of Position 90-7, "Financial Reporting by Entities in Reorganization under the Bankruptcy Code" (SOP 90-7). While SOP 90-7 refers specifically to Chapter 11 in the United States, its guidance, in management's view, is also applicable to an entity restructuring under CCAA where it does not conflict with Canadian GAAP.

Future adoption

- The Company intends to change the September 30th annual measurement date of plan assets and accrued benefit obligations to December 31st with respect to its pension and post-retirement benefits. The Company is currently evaluating the effect of this standard on its consolidated financial statements.
- In February 2008, the CICA issued Section 3064, "Goodwill and Intangible Assets", replacing Section 3062, "Goodwill and Other Intangible Assets". The new section clarifies the requirements for recognizing intangible assets on costs that may only be deferred when they relate to an item that meets the definition of an asset. Section 3064 effectively converges Canadian GAAP for intangible assets with International Financial Reporting Standards ("IFRS").

This standard is effective for the Company for the first quarter of 2009. The Company is currently assessing the impact of the adoption of this new section on its financial statements.

- The Canadian Accounting Standards Board will require all public companies to adopt IFRS for interim and annual financial statements relating to fiscal years beginning on or after January 1, 2011. Companies will be required to provide IFRS comparative information for the previous fiscal year. The transition from Canadian GAAP to IFRS will be applicable for the Company for the first quarter of 2011 when the Company will prepare both the current and comparative financial information using IFRS. The Company expects the transition to IFRS to impact financial reporting, business processes and information systems. The Company is currently assessing the future impact of these new standards on its consolidated financial statements.

9. Risk factors

The principal risk factors of the Company are set out in its 2007 annual MD&A that has been previously filed with the Canadian securities regulatory authorities at www.sedar.com and with the U.S. Securities and Exchange Commission at www.sec.gov. The Company's annual MD&A is also available at www.quebecorworld.com.

Additional risk factors that the Company is unaware of, or that the Company currently deems to be immaterial, may also become important factors that affect it. If any of such risks actually occurs, the Company's business, cash flows, financial condition or results of operations could be materially adversely affected.

10. Additional information

Additional information relating to Quebecor World is available on the Company's website at www.quebecorworld.com, on SEDAR at www.sedar.com and on EDGAR at www.sec.gov.

Montreal, Canada
August 12, 2008