

Comparison of Actual Cash Flow Results to Filing Cash Flow Forecast

For Three Weeks Ended February 10, 2008

(US\$ Millions)(See Accompanying Notes)

Week Ended	Notes	Actual Cash Flow Results				Filing Cash Flow Forecast				Variance			
		Jan 27	Feb 03	Feb 10	Total	Jan 27	Feb 03	Feb 10	Total	Jan 27	Feb 03	Feb 10	Total
		Week 1	Week 2	Week 3		Week 1	Week 2	Week 3		Week 1	Week 2	Week 3	
RECEIPTS													
Accounts Receivable Collections and Other Inflows	(1)	69	76	71	216	49	75	58	182	20	1	13	34
Sale of Assets	(2)	-	-	-	-	6	-	8	14	(6)	-	(8)	(14)
DIP Advances		600	-	-	600	600	-	28	628	-	-	(28)	(28)
Other Receipts		-	-	-	-	-	-	-	-	-	-	-	-
Total Receipts		669	76	71	816	655	75	94	824	14	1	(23)	(8)
DISBURSEMENTS													
Accounts Payable - Paper and Other	(3)(4)	(10)	(17)	(32)	(59)	(4)	(45)	(45)	(94)	(6)	28	13	35
Accounts Payable - Ink		-	(9)	(5)	(14)	-	(7)	(7)	(14)	-	(2)	2	-
Customer Rebates	(5)	-	(13)	-	(13)	-	(24)	-	(24)	-	11	-	11
Payroll, Benefits, and Payroll Taxes	(6)	(18)	(26)	(22)	(66)	(27)	(27)	(27)	(81)	9	1	5	15
Workers Compensation Premiums		-	-	-	-	-	-	-	-	-	-	-	-
Pension Contributions		-	(11)	-	(11)	-	(11)	-	(11)	-	-	-	-
Professional Fees	(6)	-	-	-	-	(2)	(2)	(2)	(6)	2	2	2	6
Capital Expenditures	(7)(8)	-	(1)	-	(1)	-	-	(17)	(17)	-	(1)	17	16
Securitization Program Repayment		(418)	-	-	(418)	(415)	-	-	(415)	(3)	-	-	(3)
DIP Repayments		-	-	-	-	-	-	-	-	-	-	-	-
DIP Fees and Interest		(34)	-	-	(34)	(32)	-	(3)	(35)	(2)	-	3	1
Other Disbursements		-	-	-	-	(2)	(2)	(3)	(7)	2	2	3	7
Total Disbursements		(480)	(77)	(59)	(616)	(482)	(118)	(104)	(704)	2	41	45	88
Net Cash Flow from Operations		189	(1)	12	200	173	(43)	(10)	120	16	42	22	80
Estimated Non-Petitioners Financing Requirement	(4)(9)	-	-	(3)	(3)	(170)	-	-	(170)	170	-	(3)	167
Bank Reconciliation Item		7	(7)	-	-	-	-	-	-	7	(7)	-	-
Outstanding Cheques at Feb 10, 2008	(4)(10)	-	-	(19)	(19)	-	-	-	-	-	-	(19)	(19)
NET CASH FLOW		196	(8)	(10)	178	3	(43)	(10)	(50)	193	35	-	228
Opening Cash Position		59	255	247	59	50	53	10	50	9	202	237	9
CLOSING CASH POSITION		255	247	237	237	53	10	(0)	(0)	202	237	237	237

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		Week 1	Week 2	Week 3		Week 1	Week 2	Week 3		Week 1	Week 2	Week 3	
DIP LOAN													
<i>Continuity Rollforward</i>													
Opening DIP Position		-	600	600	-	-	600	603	-	-	-	(3)	-
Advances / (Repayments)		600	-	-	600	600	-	28	628	-	-	(28)	(28)
Letters of Credit Issued		-	-	7	7	-	3	-	3	-	(3)	7	4
Closing DIP Position		600	600	607	607	600	603	631	631	-	(3)	(24)	(24)
<i>Outstanding Advances by Facility</i>													
Term Loan		600	600	600		600	600	600		-	-	-	
Revolving Loan		-	-	-		-	-	28		-	-	(28)	
Letters of Credit		-	-	7		-	3	3		-	(3)	4	
Closing DIP Position		600	600	607		600	603	631		-	(3)	(24)	

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Limitations

This comparison (the "Cash Flow Comparison") of the actual cash flow results for the three weeks ended February 10, 2008 to that projected in the cash flow forecast attached to the Monitor's Report dated January 20, 2008 (the "Filing Cash Flow Forecast") was prepared by the Companies. The Monitor has not audited, reviewed, or otherwise attempted to verify the accuracy or completeness of the Cash Flow Comparison, and, accordingly, the Monitor expresses no opinion or other form of assurance with respect to the Cash Flow Comparison.

Basis of Preparation

Due to information system constraints, the timing of recognition of disbursements between the actual cash flow results and the Filing Cash Flow Forecast differs. The actual cash flow results report disbursements on a "cheques cleared" basis such that disbursements are included in the actual cash flow results when debited to the Companies' bank accounts. The actual cash flow results do not include cheques written and released by the Companies during the three week period that have not cleared the Companies' bank accounts. In contrast, the Filing Cash Flow Forecast assumed disbursements to be reported on a "cheques released" basis, irrespective of when the cheques were processed through the Companies' bank accounts. To compensate for this timing difference in the actual cash flow results, the Companies adjusted the closing cash position at February 10, 2008 for the outstanding cheques at that date to show the closing cash position on a cheques released basis. The reader is cautioned that the amount of outstanding cheques may affect a line by line comparison between the actual cash flow results and the Filing Cash Flow Forecast.

The Filing Cash Flow Forecast was presented in the Monitor's Report dated January 20, 2008 on a net balance basis (where the DIP loan was netted with the cash balance). For purposes of this analysis, the presentation has been modified to show the borrowings under the DIP financing and the cash held in the Companies' bank accounts separately.

Notes on Significant Variances

Management advised that the main factors leading to significant variances between the actual cash flow results and those projected in the Filing Cash Flow Forecast were as follows:

- (1) The variance on accounts receivable collections and other inflows was attributed to two factors:
 - (a) other inflows include non-customer receipts such as supplier rebates and sales of scrap paper totalling \$12 million during the three week period. Given the uncertainty about the nature, amount, and timing of non-customer receipts, the Filing Cash Flow Forecast was conservative and did not incorporate assumptions regarding the collection of non-customer receipts; and
 - (b) the Filing Cash Flow Forecast assumed that some customers would initially defer payment of invoices following the commencement of the restructuring proceedings until the Companies had stabilized operations and, as a result, the collection of trade accounts receivable would be negatively impacted during the first weeks. Collections were not, in fact, materially affected resulting in a timing difference between the actual cash flow results and the Filing Cash Flow Forecast. The timing difference is not projected to significantly reverse during the period of revised cash flow forecast ("Revised Cash Flow Forecast").
- (2) The Filing Cash Flow Forecast contemplated the sale of certain pieces of equipment to a sister corporation. The sales did not occur, and the Companies do not anticipate completing the proposed transactions during the period of the Revised Cash Flow Forecast.
- (3) To fully consider the variance on other accounts payable payments, the variances on payroll taxes and professional fees (refer to Note (5) below) as well as the cheques outstanding at February 10, 2008 (refer to Note (10) below) should also be included.

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The Companies attributed the combined favourable variance of \$37 million to the limited post-filing credit obtained from certain suppliers. The Filing Cash Flow Forecast assumed that the Companies would make all supplier payments on a COD basis whereas payments are, in fact, being made several days following delivery due to the time required to process invoices through the Companies accounts payable system as well as the Companies' efforts to negotiate post-filing credit with certain suppliers. As a result, the Companies' cash flow has benefited from limited accumulation of some short term credit.

- (4) The Filing Cash Flow Forecast provided for a \$25 million contingency under the “Estimated Non-Petitioners Financing Requirement” caption for required payments not contemplated in the forecasted disbursements. The Companies paid, as authorized by the Initial Order and the First Day Orders, certain pre-petition obligations with respect to certain freight and warehousing charges, employee expenses, employee benefit premiums and costs, and taxes during the three week period. The Companies have not yet been able to fully quantify the total amount paid due to limitations inherent to their information systems. However, the data currently available indicates that any such cheques would be included under the “Accounts Payable – Other” or “Outstanding Cheques at February 10, 2008” captions. The Companies are in the process of establishing a mechanism to more accurately capture the payment of approved pre-filing obligations.
- (5) Pursuant to the provisions of the First Day Orders, the Companies are permitted to continue customer programs in the ordinary course of business. The variance from the Filing Cash Flow Forecast with respect to the customer rebates paid during the three week period is expected to reverse by February 24, 2008.
- (6) Payroll taxes and professional fees are processed and paid through the Companies' trade accounts payable system. Currently, these expenditures are not tracked separately as presented in the Filing Cash Flow Forecast and, therefore, the payment of payroll taxes and professional fees is included in the “Accounts Payable – Other” caption. The Companies are in the process of establishing a mechanism to track payroll taxes and professional fees payments separately.
- (7) The Companies have postponed many of the capital projects initially planned for the first half of 2008 until later in the year. As a result, capital expenditures were lower than projected in the Filing Cash Flow Forecast.
- (8) The Companies have not yet been able to fully quantify the amount of the variance because their information systems report capital expenditures on a monthly basis, rather than weekly. Accordingly, the amount of capital expenditures shown on the Cash Flow Comparison under the “Capital Expenditures” caption was derived from limited data gathered through an *ad hoc* process. Any capital expenditures excluded under the “Capital Expenditures” caption would be included under the “Accounts Payable – Other” caption. The Companies are in the process of establishing a mechanism to more accurately track capital expenditures on a weekly basis.
- (9) Subsequent to the commencement of the CCAA proceedings, the amount of financing to the Companies' Latin American and European operations which QWI was authorized to advance was restricted in an amendment to the Initial Order to \$10 million and €25 million, respectively. \$3 million was advanced during the three week period.
- (10) As noted in the “Basis of Presentation” section above, this adjustment for outstanding cheques at February 10, 2008 converts the closing cash position from a “cheques cleared” to “cheques released” basis.