Quad/Graphics, Inc.
Form 10-K
March 02, 2015
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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549
FORM 10-K

T ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the fiscal year ended December 31, 2014
or

.. TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the transition period from to
Commission File Number 001-34806
QUAD/GRAPHICS, INC.
(Exact name of registrant as specified in its charter)

Wisconsin	39-1152983
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)
N61 W23044 Harry's Way, Sussex, Wisconsin 53089-3995	(414) 566-6000
(Address of principal executive offices) (Zip Code)	(Registrant's telephone number, including area code)

Securities registered pursuant to Section 12(b) of the Act:

Title of Class	Name of Each Exchange on Which Registered
Class A Common Stock, par value $0.025 per share	The New York Stock Exchange, LLC

Securities registered pursuant to Section 12(g) of the Act: None

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes ¨ No x

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act. Yes ¨ No x

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes x No ¨

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes x No ¨

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. ¨

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer or a smaller reporting company. See the definitions of "large accelerated filer," "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer o	Accelerated filer x	Non-accelerated filer o	Smaller reporting company o

(Do not check if a smaller reporting company)

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Act). Yes ¨ No x

The aggregate market value of the class A common stock (based on the closing price of $22.37 per share on the New York Stock Exchange, LLC) on June 30, 2014, the last business day of the registrant's most recently completed second fiscal quarter, held by non-affiliates was $627,642,357. The registrant's class B common stock is not listed on a national securities exchange or traded in an organized over-the-counter market, but each share of the registrant's class B common stock is convertible into one share of the registrant's class A common stock. In August 2012, all outstanding shares of the registrant's class C common stock were converted into shares of class A common stock.

Indicate the number of shares outstanding of each of the issuer's classes of common stock as of the latest practicable date.

Class	Outstanding as of February 19, 2015
Class A Common Stock	34,708,793
Class B Common Stock	14,198,464
Class C Common Stock	—

DOCUMENTS INCORPORATED BY REFERENCE

Portions of the Proxy Statement for the registrant's 2015 Annual Meeting of Shareholders are incorporated by reference into Part III of this Form 10-K.

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Forward-Looking Statements

To the extent any statements in this Annual Report on Form 10-K contain information that is not historical, these statements are forward-looking statements within the meaning of Section 21E of the Securities Exchange Act of 1934, as amended. These forward-looking statements relate to, among other things, the objectives, goals, strategies, beliefs, intentions, plans, estimates, prospects, projections and outlook of Quad/Graphics, Inc. (the "Company" or "Quad/Graphics"), and can generally be identified by the use of words such as "may," "will," "expect," "intend," "estimate," "anticipate," "plan," "foresee," "believe" or "continue" or the negatives of these terms, variations on them and other similar expressions. In addition, any statements that refer to expectations, projections or other characterizations of future events or circumstances are forward-looking statements.

These forward-looking statements are not guarantees of future performance and are subject to risks, uncertainties and other factors, some of which are beyond the control of the Company. These risks, uncertainties and other factors could cause actual results to differ materially from those expressed or implied by those forward-looking statements. Among risks, uncertainties and other factors that may impact Quad/Graphics are those described in Part I, Item 1A, "Risk Factors," of this Annual Report on Form 10-K, as such may be amended or supplemented in Part II, Item 1A, "Risk Factors," of the Company's subsequently filed Quarterly Reports on Form 10-Q, and the following:

- The impact of decreasing demand for printed materials and significant overcapacity in the highly competitive commercial printing industry creates downward pricing pressures;
- The inability of the Company to reduce costs and improve operating efficiency rapidly enough to meet market conditions;
- The impact of electronic media and similar technological changes including digital substitution by consumers;
- The impact of changing future economic conditions;
- The failure of clients to perform under contracts or to renew contracts with clients on favorable terms or at all;
- The failure to successfully identify, manage, complete and integrate acquisitions and investments;
- The impact of changes in postal rates, service levels or regulations;
- The impact of increased business complexity as a result of the Company's entry into additional markets;
- The impact of fluctuations in costs (including labor and labor-related costs, energy costs, freight rates and raw materials) and the impact of fluctuations in the availability of raw materials;
- The impact of regulatory matters and legislative developments or changes in laws, including changes in cyber-security, privacy and environmental laws;
- The impact on the holders of Quad/Graphics' class A common stock of a limited active market for such shares and the inability to independently elect directors or control decisions due to the voting power of the class B common stock;
- The impact of risks associated with the operations outside of the United States; and
- Significant capital expenditures may be needed to maintain the Company's platform and processes and to remain technologically and economically competitive.

Quad/Graphics cautions that the foregoing list of risks, uncertainties and other factors is not exhaustive and you should carefully consider the other factors detailed from time to time in Quad/Graphics' filings with the United States Securities and Exchange Commission ("SEC") and other uncertainties and potential events when reviewing the Company's forward-looking statements.

Because forward-looking statements are subject to assumptions and uncertainties, actual results may differ materially from those expressed or implied by such forward-looking statements. You are cautioned not to place undue reliance on such statements, which speak only as of the date of this Annual Report on Form 10-K. Except to the extent required by the federal securities laws, Quad/Graphics undertakes no obligation to publicly update or revise any forward-looking statements, whether as a result of new information, future events or otherwise.

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PART I

Item 1. Business

Overview

At the forefront of innovation in the printing industry for more than 40 years, Quad/Graphics is a leading global provider of print and media solutions. The Company was founded in Pewaukee, Wisconsin, as a Wisconsin corporation, in 1971 by the late Harry V. Quadracci. As of December 31, 2014, the Company had approximately 24,100 full-time equivalent employees in North America, South America, and Europe, and served a diverse base of approximately 9,700 clients from 143 facilities located in 12 countries, as well as strategic investments in printing operations in Brazil, Chile and India. With consultative ideas, worldwide capabilities, leading-edge technology and single-source simplicity, the Company believes it has the resources and knowledge to help a wide variety of clients in vertical industries, including, but not limited to, retail, publishing, insurance, financial and healthcare.

Quad/Graphics creates value for its clients by helping them perform better in today's rapidly changing world through innovative solutions that improve efficiencies, reduce costs, lift response and increase revenue. The Company believes that doing things differently—and better—enhances results and that constant innovation provides its clients with more agility and faster speed to market while also creating powerful client experiences that drive improved performance.

The Company's diverse range of print and related products, services and solutions in North America, South America and Europe primarily include:

- Print Solutions. Including retail inserts, publications, catalogs, special interest publications, journals, direct mail, books, directories, in-store marketing, packaging, newspapers, custom products, other commercial and specialty printed products and paper services.

- Logistics Services. Including mailing solutions, postal consultation, delivery optimization and hygiene services, delivery monitoring and tracking, and distribution, logistics and transportation services.

- Digital Solutions. Including email, image recognition, near-field communication technology, mobile apps, mobile websites and digital publishing.

- Strategy. Including brand, campaign and media planning and placement.

- Data. Including data insights, segmentation and response analysis.

- Creative. Including concept and design, page layout and production, copywriting, interactive solutions, photography, retouching, and video production and optimization.

- Workflow. Including content management, process management, facilities management services, color management, and digital file processing and proofing.

Quad/Graphics has contractual relationships with leading magazine publishers, including Condé Nast, Hearst Magazines, Meredith Corporation, The National Geographic Society, Rodale Inc., Source Interlink Media, LLC, Time Inc. and Wenner Media LLC. Quad/Graphics prints retail inserts for major retailers such as Bass Pro Shops, The Bon-Ton Stores, Inc., CVS Health Corporation, The Great Atlantic and Pacific Tea Company (A&P), J.C. Penney Company, Inc., Shopko Stores Operating Co., LLC, Target Corporation, Tractor Supply Company and Walgreens Corporation; catalogs for industry-leading marketers such as American Girl, Bluestem Brands, Colony Brands and

OSP Group; and direct mail products for companies such as American Eagle Outfitters, Charter Communications, Publishers Clearing House, Inc. and Weight Watchers International, Inc. Quad/Graphics prints books for publishers such as Harlequin Enterprises Limited, McGraw-Hill Education and Simon & Schuster, Inc.; and directories for publishers such as hibu plc and Yellow Media Limited.

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The Company benefits from consistent executive leadership who is committed to transforming the Company to remain relevant and competitive, and create value for shareholders. The Company refers to its transformative journey in chapters. The Company's first chapter covers a period of tremendous organic growth that began with its founding in 1971 and concluded in 2010. The Company views this chapter as a 40-year period of building a strong and lasting foundation in which Quad/Graphics established the Company's culture based on strong values that are still in place today. During this period, the Company grew rapidly through greenfield growth; built a premier manufacturing and distribution platform equipped with the latest technology; and established its reputation as one of the industry's foremost innovators. When chapter one culminated in 2010, Quad/Graphics had grown from a tiny upstart into a $1.8 billion global provider of print and media solutions with approximately 11,600 employees in the United States, South America and Europe operating 11 domestic plants, plus international locations in Poland, Argentina and Brazil.

Quad/Graphics' second chapter began in 2010 and continues today. The Company's second chapter relates to its role as a disciplined industry consolidator. Quad/Graphics saw an opportunity to start participating in industry consolidation in response to economic and industry pressures following the great recession of 2008 and 2009, which severely impacted volumes. At the same time, digital and mobile content delivery methods came of age as consumers rushed to adopt new technologies, creating confusion for marketers on how to use print in combination with other channels as part of a multimedia campaign. This created an opportunity for companies like Quad/Graphics—with manufacturing and distribution economies of scale, strong balance sheets and access to capital markets—to take advantage of consolidating acquisition opportunities in order to reduce costs and address overcapacity in the industry.

The Company completed a number of value-driven industry consolidation opportunities in recent years, including the July 2010 acquisition of World Color Press Inc. ("World Color Press"), which was a transformative event in the Company's history as it significantly enhanced Quad/Graphics' size, range of product and service offerings and overall industry presence. In conjunction with that acquisition, Quad/Graphics became a controlled publicly-traded company using equity to finance a portion of the acquisition in order to preserve the strength of the Company's balance sheet. At this time, Quad/Graphics class A common stock begin to trade on The New York Stock Exchange, LLC ("NYSE") under the symbol "QUAD". Other consolidating acquisitions have included Vertis Holdings Inc. ("Vertis") in January 2013 and Brown Printing Company ("Brown Printing") in May 2014 as well as the asset swap with Transcontinental Inc. ("Transcontinental") in 2011. Through each of these acquisitions, the Company was able to enhance or expand its product offerings, while removing inefficient and underutilized capacity, pulling out costs, and transitioning work to the most efficient platform. This includes facilities that Quad/Graphics built and maintained during chapter one of the Company's transformative journey, as well as plants that were acquired in which Quad/Graphics continues to make strategic investments.

While the Company continues on its journey in chapter two, it also began moving into chapter three, which is about continued transformation, while remaining focused on serving the Quad/Graphics clients well while adding products and services that support their needs globally. This transformation includes reinventing existing product lines, such as the Company's book platform in which Quad/Graphics is investing in 20 or more high-speed color digital web presses to transform the platform and capabilities, as well as expansion into product lines with higher growth potential, such as packaging and commercial and specialty print.

In 2013, the Company entered the folded-carton packaging market with the acquisition of Proteus Packaging ("Proteus"). Proteus offers packaging solutions for a wide variety of industries, including automotive, biotechnology, food, personal care, pharmaceuticals, software and electronics. As part of the Company's focus on growth and opportunities in commercial and specialty print, Quad/Graphics recently announced the acquisition of Marin's International ("Marin's"), a worldwide leader in the point-of-sale display industry. Marin's will enhance Quad/Graphics' existing in-store and large-format marketing solutions as well as expand its ability to help retailers and brand marketers promote their brands as part of a global campaign. While small, the Marin's acquisition enhances Quad/Graphics position with major consumer packaged goods companies and retailers with which Marin's does

business all over the world. Outside of print, Quad/Graphics will also be looking at the continued expansion of the Company's QuadMed subsidiary, which specializes in employee-sponsored health care solutions. Founded in 1990 to address the Company's own employees' needs for quality, cost-effective primary care, QuadMed today provides workplace solutions on a national level to employers of all sizes, including private and public sector companies. These services include on-site

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and near-site primary care clinics, retail clinic management, telemedicine, and comprehensive health and wellness programs.

Quad/Graphics remains focused on five primary strategic goals that support its objective to transform the Company and drive performance through innovation. The Company believes these goals will allow it to be successful despite ongoing industry challenges. These strategic goals are described in the "Strategy" section of this document, and include:

1. Strengthen the core;

2. Grow the business profitably;

3. Walk in the shoes of our clients;

4. Engage employees; and

5. Enhance financial strength and create shareholder value.

More information regarding Quad/Graphics is available on the Company's website at www.QG.com. Quad/Graphics is not including the information contained on or available through its website as part of, or incorporating such information by reference into, this Annual Report on Form 10-K. The Company's Annual Report on Form 10-K, Quarterly Reports on Form 10-Q, Current Reports on Form 8-K and any amendments to those reports are made available to the public at no charge through a link appearing on the Company's website. Quad/Graphics provides access to such materials through its website as soon as reasonably practicable after electronically filing such material with, or furnishing it to, the SEC.

Industry

The global commercial printing industry is made up of companies whose capabilities include commercial lithographic printing, gravure printing, flexographic, screen printing, quick printing, digital printing, business form printing, book printing, prepress services that include adjusting images and text and creating high-quality print files and book binding. According to the October 2014 Global Commercial Printing IBISWorld industry report, the global commercial printing industry generates an estimated $435 billion in annual revenue and has a low level of market share concentration with the four largest players (which includes Quad/Graphics) in the industry accounting for approximately 6% of annual industry revenue.

Quad/Graphics operates primarily in the commercial print portion of the printing industry. According to the August 2014 Printing in the U.S. IBISWorld industry report, the United States commercial printing industry generates an estimated $82 billion in annual revenue, employs more than 450,000 employees and is comprised of approximately 48,000 companies. The commercial printing industry is also highly fragmented, with the five largest printing companies (which includes Quad/Graphics) accounting for approximately 20% of total commercial print industry annual revenue in the United States. Although there has been significant industry consolidation, particularly in the past decade, the largest 400 printers in the printing industry still only represent approximately half of the total industry revenue in the United States, according to the December 2014 Printing Impressions PI400.

According to the August 2014 Printing in the U.S. IBISWorld industry report, the commercial print industry in the United States services markets including advertising, publishing, retailers, consumer goods manufacturers, stationery and textile manufacturers, financial and legal firms, and wholesalers with capabilities that include:

- Commercial Lithographic Printing. Commercial lithographic printing accounts for approximately 55% of industry revenue with primary end uses including advertising, publications, periodicals, catalogs, directories, financial and legal printing, and labels and wrappers.

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- Commercial Screen Printing. Commercial screen printing accounts for approximately 9% of industry revenue and derives its revenue from printing on apparel in addition to revenue from advertisers, label printing, and printing decals.

- Commercial Flexographic Printing. Commercial flexographic printing accounts for approximately 8% of industry revenue and is mainly used for packaging, labels and wrappers.

- Digital Printing. Digital printing accounts for approximately 7% of industry revenue and, since it does not require printing plates and requires less initial setup than many of the other forms of commercial printing, it is very cost effective for small print runs.

- Book Printing. Book printing accounts for approximately 5% of industry revenue and involves printing and binding books and pamphlets.

- Commercial Gravure Printing. Commercial gravure printing accounts for approximately 4% of industry revenue with primary end uses including advertising, catalogs, directories, publications, periodicals, stationery, and labels.

- Quick Printing. Quick printing accounts for approximately 3% of industry revenue and is primarily a business-to-business service that is characterized by its short-run printing and fast copying speeds.

- Other Printing. Other printing accounts for approximately 9% of industry revenue and includes printing blankbooks, looseleaf binders and business forms.

Demand for printed products and related services is impacted by real gross domestic product growth, as economic activity and advertising spending are key drivers of consumer demand. In times of global economic uncertainty, advertisers may reduce spending. Magazine publishers, facing diminished advertising pages, reduce total page counts; catalog marketers reduce page counts, circulation and the frequency of print campaigns; retailers curb investments in store inventory and cut back advertising; and other advertisers reduce their direct mail campaigns, particularly in the banking, insurance, credit card, real estate and nonprofit industries. In addition, the Company believes the commercial print industry has moved toward a demand for shorter print runs, faster product turnaround and increased production efficiency of products with lower page counts and increasing complexity. This, combined with increases in postage expenses (which significantly outpaced inflation over the last 10 years) and the increased use of alternative marketing technologies have led to ongoing industry consolidation. This industry consolidation has allowed for larger printers with economies of scale, strong balance sheets and access to capital markets the ability to adopt more efficient equipment, take advantage of consolidating acquisition opportunities as they arise and look for ways to reduce costs, including plant closures, while at the same time addressing the concerns of overcapacity in the marketplace.

The industry continues to have excess manufacturing capacity which was created, in part, by declines in industry volumes during the past recession, which in turn has created continued downward pricing pressures. In more recent years, these pressures have been somewhat offset by ongoing industry consolidation, whereby consolidators have removed excess, inefficient and/or underutilized capacity. In addition, digital delivery of documents and data, including the online distribution and hosting of media content and mobile technologies, offer alternatives to traditional delivery of printed documents. Increasing consumer acceptance of digital delivery of content has resulted in marketers and publishers allocating their marketing and advertising spend across the expanding selection of digital delivery options, which further reduces demand in certain print categories and contributes to industry overcapacity. Additionally, the Company faces competition from print management firms, which look to streamline processes and reduce the overall print spend of the Company's clients, as well as from strategic marketing firms focused on helping businesses integrate multiple channels into their marketing campaigns.

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Quad/Graphics believes that traditional business users of print and print-related services are focused on generating and tracking the highest returns on their marketing dollars. The Company believes that its clients receive the greatest return on their marketing and advertising dollars when they effectively utilize data to target the appropriate customers and combine digital alternatives with customized print products in a targeted, multichannel marketing campaign driven by an overall marketing strategy. Quad/Graphics believes it is well positioned to help its clients navigate through this changing landscape and create innovative ways to connect print with digital channels.

Finally, the Company believes that successful commercial printing companies will invest in mailing and logistics capabilities because, for many clients, mailing and distribution represent their largest cost—typically two to three times the cost of their print expense. Therefore, Quad/Graphics believes a printer's ability to impact mailing and distribution expenses through data hygiene solutions and sophisticated, automated printing, finishing and distribution equipment creates value for clients by minimizing their total manufacturing and distribution cost.

Seasonality

The Company is subject to seasonality in its quarterly results as net sales and operating income are higher in the third and fourth quarters of the calendar year as compared to the first and second quarters. The fourth quarter is the highest seasonal quarter for cash flows from operating activities and Free Cash Flow due to the reduction of working capital requirements that reach peak levels during the third quarter. Seasonality is driven by increased magazine advertising page counts, retail inserts, catalogs and books primarily due to back-to-school and holiday-related advertising and promotions. The Company expects this seasonality impact to continue in future years.

Strategy

Quad/Graphics remains focused on the following five primary strategic goals that support its objectives to transform the Company and drive performance through innovation.

1. Strengthen the Core

Quad/Graphics utilizes a disciplined return on capital framework to make significant investments in its print manufacturing platform and data management capabilities, resulting in what it believes is one of the most integrated, automated, efficient and modern manufacturing platforms in the industry. Core or foundational print product lines at Quad/Graphics include retail inserts, publications, catalogs, books and directories, as they represent a large percentage of the Company's net sales. The Company's ability to maintain the strength of its core product lines, through investments to automate and improve efficiencies and throughput while reducing labor, promotes continued value creation to support future growth opportunities.

A commitment to Lean Enterprise and a disciplined culture of continuous process improvement is a high priority throughout the Company and supports its goal of strengthening the core product lines. Quad/Graphics also strengthens its core product lines through a dedicated focus on having the right people in the right roles at the right time. The Company benefits from leadership consistency and longevity with senior executives having decades of print industry experience, which gives them valuable knowledge and perspective. The Company also continues to enhance its leadership team, bringing aboard complementary, experienced talent who can immediately contribute to advancing the Company's goals.

Quad/Graphics believes that its national distribution network is also a key attribute in its ability to strengthen the core foundation of the Company. Quad/Graphics has made strategic capital expenditure and information technology ("IT") investments to build what it believes is one of the most efficient and innovative distribution networks in the commercial printing industry. The Company's goal, and an integral component of how Quad/Graphics creates client

value, is to maintain and utilize a fully integrated, national distribution network to help mitigate rising postage costs for its clients by minimizing their total cost of production and distribution.

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2. Grow the Business Profitably

The Company believes it is well positioned to grow the business profitably. Key components of this strategy are centered on the Company's ability to grow through ongoing innovation, organic growth and disciplined acquisitions. Innovation takes many different forms at Quad/Graphics. From a manufacturing platform perspective, innovation drives the Company's ability to help clients precisely segment and target their audience to deliver relevant content, ads and offers. Through advanced demographic binding capabilities and data management solutions, the Company can provide personalized ads and covers to encourage end-consumer connection and reader engagement. Innovation also drives Quad/Graphics' client-centric approach to help marketers, publishers, agencies and brand owners connect print with multiple media channels to create measurable client value. Clients benefit through better reach and end-user engagement, improved response and increased revenue derived from these integrated multichannel marketing campaigns. This has created an opportunity for Quad/Graphics to help maximize the revenue clients derive from their overall printing spend.

Another key attribute of this strategy is the Company's ability to grow the business through compelling, ongoing platform investments that drive profitable organic growth and productivity in the Company's current business, as well as executing on acquisitions through a disciplined approach that includes expansion into higher growth print product categories, new product categories, expansion into growing geographic markets and pursuing additional value-driven industry consolidation opportunities.

The Company believes additional value-driven industry consolidation opportunities will create measurable value through the addition of complementary capabilities, allowing the Company to provide an enhanced range of products and services, and create significant efficiencies in the overall print production and distribution processes. As the Company transitions deeper into chapter three of its journey, it will continue pursuing growth opportunities that will help transform an existing product line, expand Quad/Graphics' business into product and service categories with higher growth potential, and/or expand the Company into world geographies with growing middle classes who consume a variety of printed products.

3. Walk in the Shoes of our Clients

Quad/Graphics believes that every client, regardless of size, is the most important client. A key component of Quad/Graphics' client-facing strategy is to strengthen relationships at different levels inside the client's organization so the Company can better understand, anticipate and satisfy clients' needs—sometimes before clients even know they have a need. While Quad/Graphics has dedicated sales, sales service and customer service representatives, the Company reinforces that all employees, regardless of job title, are part of the Quad/Graphics' client experience team. As such, all employees are responsible for meeting the needs of its clients every day, making it easy to do work with Quad/Graphics, and making the client experience enjoyable at every touch point. Quad/Graphics believes its strategy to walk in the shoes of our clients helps all employees focus on the client experience at all touch points throughout its end-to-end process to improve client satisfaction and create loyalty to the Quad/Graphics brand. The Company also believes its proactive thought leadership in the key issues facing clients—such as omnichannel marketing and postal reform—will create value and deepen client relationships.

4. Engage Employees

Quad/Graphics' strategy to engage employees builds on key aspects of its distinct corporate culture, including an organization-wide entrepreneurial spirit and opportunity-seeking mentality where employees are encouraged to take pride and ownership in their work; take advantage of continuous learning and job-advancement opportunities; share knowledge by mentoring others; and innovate solutions. With the encouragement to do things differently—and find a better way—the Company believes its employees are more fully engaged in producing better results for clients and

advancing the Company's strategic goals.

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The Company believes one of the most important ways it can drive employee engagement is by acting on employee feedback gathered through daily conversations, surveys, roundtable discussions and focus groups, and open forums at Company and department meetings. Through these mechanisms, the Company gives employees a voice and then demonstrates its commitment to their engagement by implementing programs and policies that address their needs and/or suggestions. At the same time, the Company is able to reinforce the Company's eight core values that drive how the Company operates: Believe in People, Do the Right Thing, Trust in Trust, Innovate, Grow, Make Money, Have Fun, and Do Things for the Rose (i.e., do things for the sake of excellence).

5. Enhance Financial Strength and Create Shareholder Value

Quad/Graphics follows a disciplined approach to maintaining and enhancing financial strength to create shareholder value, which is essential given ongoing industry challenges. This key strategic goal is centered on the Company's ability to maximize Free Cash Flow, net earnings and EBITDA; maintain consistent financial policies to ensure a strong balance sheet and liquidity level; and retain the financial flexibility needed to strategically allocate and deploy capital as circumstances change.

The priorities for capital allocation and deployment are adjusted based on prevailing circumstances and what the Company thinks is best for shareholder value creation at any particular point in time. Those priorities currently include: (1) making compelling investments that drive profitable organic growth and productivity in the Company's current business, as well as executing on acquisitions through a disciplined approach that includes expansion into higher-growth products and services, expansion into growing geographic markets and pursuing value-driven industry consolidation; (2) deleveraging the Company's balance sheet through debt and pension liability reduction; and (3) returning capital to shareholders through dividends and share repurchases.

Competitive Advantages

Quad/Graphics believes its success has been fueled by a number of key competitive advantages that drive its five primary strategic goals. These competitive advantages are: an efficient, flexible and modern manufacturing platform; leading mailing and distribution capabilities; a commitment to ongoing innovation, rapid adoption of technology and integration of new media; a well-defined integration process; a client-centric approach; a disciplined and consistent financial approach; and a distinct corporate culture that empowers and engages employees to think and act like owners to drive business results.

Efficient, Flexible and Modern Manufacturing Platform

The Company has continuously invested in its manufacturing platform through modern equipment and automation that allow for more pages to be printed for each revolution of the press, reducing the amount of time that each individual printing job takes to complete. In addition, the Company's long-standing commitment to investing in manufacturing process improvements has led to increases in productivity, reductions in waste and smaller crew sizes. The Company's investment in its manufacturing platform has consistently been based on evaluating investment opportunities on the useful economic life of the underlying equipment rather than focusing on the potential mechanical life of the equipment. This discipline is critical in an industry in which technological change can create obsolescence well before the end of the mechanical life of equipment.

Another key aspect of the Company's modern manufacturing platform is the combination of its footprint of mega plants (facilities greater than 1.0 million square feet) that produce a number of different products under one roof; mega zones where multiple facilities in close geographic proximity are managed as one large facility; and smaller strategically located facilities. The Company has continued to evolve its platform, equipping facilities to be product line agnostic, which enables the Company to maximize equipment utilization. Quad/Graphics believes that the large

plant size of certain of its key printing facilities allows the Company to drive savings in certain product lines (such as magazines and catalogs) due to efficiencies of scale and from investments in automation and technology. Complementing its mega plant and mega zone footprints are smaller facilities, strategically located closer to final distribution points for expedited delivery. This allows clients greater deadline flexibility for adjusting content or marketing strategy, especially for commercial products, direct mail and retail inserts. The Company's platform provides

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it with the flexibility to meet complex customer service requirements, such as quick turns for time-sensitive material, or when weather patterns threaten production or delivery in a specific area of the country.

Quad/Graphics has also focused on investments in automation designed to reduce headcount and labor costs. Capital investments in advanced applications of robotics and automation and manufacturing process improvements have allowed the Company to lower personnel costs through attrition, decrease overtime and the use of temporary labor, and complete workforce reductions.

To achieve its goal to be the industry's low-cost producer, Quad/Graphics makes a concerted effort to treat all costs as variable and maintains a stringent focus on achieving productivity improvements and sustainable cost reductions through a variety of continuous improvement programs in both manufacturing and administrative areas. The Company believes it is making progress toward this goal by remaining focused on:

- the implementation of sustainable reductions in non-labor and indirect labor spending areas;

- vertically-integrated non-print capabilities—such as data management, imaging, logistics and distribution, ink manufacturing, and equipment research and design—to assist the Company in delivering lower costs for its clients, enhancing customer service levels, allowing substantial control over critical links in the overall print supply chain (such as the Company's ink manufacturing capabilities which help it control the quality, cost and availability of a key input in the printing process), increasing flexibility and providing more aggregated services to each client;

- a disciplined approach to improving capacity utilization and productivity across the entire platform; and

- a focused effort to take out direct costs through a variety of means, including the maximization of labor mix and the expansion of continuous improvement programs to reduce waste, eliminate redundancies and shorten cycle times.

Leading Mailing and Distribution Capabilities

Quad/Graphics creates targeted and personalized printed materials for its clients, which helps its clients increase consumer response rates, maximize their return on print spending and reduce overall costs. Quad/Graphics uses its in-house list services bureau to analyze mail list data, demographic data, consumer transaction data and other consumer-specific data to help its clients target consumers through personalized printed materials. Personalization and targeting create the opportunity to reach the right recipients with the right (or relevant) message at the right time. The Company believes that integrating its analysis of mail list data with its logistics services allows it to reduce client freight costs for shipments to newsstands and postal centers, while providing a high level of dependability and rapid response times that are crucial to the delivery of time-sensitive materials. Further, the Company uses a national consolidation network to combine like-destination freight to maximize cost-effectiveness.

Postal rates are a significant component of many clients' cost structures and Quad/Graphics believes that postal costs influence the number of pieces that its clients print and mail. The Company has invested significantly in its mail preparation and distribution capabilities to offset increasing postage costs, and to help clients successfully navigate the ever-changing postal environment. Through its data analytics, unique software to merge mailstreams on a large scale, advanced finishing capabilities and technology, and in-house transportation and logistics operations, the Company manages the mail preparation and distribution of most of its clients' products to maximize efficiency and reduce these costs. The Company helps its U.S. clients reduce their overall postage costs through what it believes, based on information published by or otherwise made available from its competitors, is the industry's largest co-mail program. The Company's co-mail program involves the sorting and bundling of printed products to be mailed to consumers, in order to facilitate better integration with the United States Postal Service ("USPS"). The USPS offers significant work-sharing discounts for this sorting, bundling and drop-shipping to approximately 300 USPS postal processing

centers as it reduces handling by the USPS. By combining the products of multiple clients in the mailstream, the Company leverages the volume from all of its clients, regardless of the production facility, to achieve USPS discounts to benefit its clients. Quad/Graphics co-mailed approximately 5.3 billion magazines, catalogs and direct marketing pieces in 2014,

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representing an organic growth increase of approximately 5% over 2013. Quad/Graphics estimates that the Company's clients save an estimated $250 million annually through co-mailing versus conventional drop-shipping. In 2015, the Company will begin incorporating volumes from the Brown Printing acquisition, further bolstering volumes and savings opportunities for clients.

Quad/Graphics is also able to leverage the volume of products running through its plants for further client distribution savings by coordinating and consolidating shipments from single mega plants or multiple plants that create a mega zone, and then routing those shipments directly to thousands of local newspapers, USPS processing facilities or other distribution facilities. In addition, each major United States metropolitan area is within one day's drive of at least one of the Company's strategically located facilities, providing its clients the flexibility to print closest to their end consumers.

Commitment to Ongoing Innovation, Rapid Adoption of Technology and Integration of New Media

Quad/Graphics regularly reinvests in its platform approximately 3% of net sales annually for capital expenditures. The Company has had a continued commitment to research and development, platform maintenance, manufacturing process improvements, and the rapid adoption of technological innovations. For example, the Company announced in early 2015 a three-year plan to transform its book platform from conventional web offset presses to modern digital presses that will give publishers a full range of options to produce and deliver books faster and more cost-effectively. The plan includes an investment in 20-plus high-speed color digital web presses; front-end workflow solutions for accepting orders and putting them immediately into production; and back-end integrated systems for finishing, distribution and fulfillment, including shipping directly to the end recipient with an auto-generated invoice. The investment allows for an entirely new business model for bringing books to market and the Company believes it will transform the supply chain for publishers, improving the economics of book publishing by reducing the need to carry large book inventories that may go unsold and become obsolete. The plan also will strengthen the Company's full-service offering to publishers who seek to deliver content in all forms, from magazines, special interest publications, journals and directories to books.

From a client-facing technology perspective, Quad/Graphics believes it is at the forefront of the printing industry with creating and/or rapidly adopting solutions that help marketers and publishers integrate print with new media to drive business results. The Company's Media Solutions group develops, tests and delivers innovative solutions, including, but not limited to creative services, videography, photography, workflow solutions, digital imaging, facilities management services, and digital publishing. These services are seamlessly integrated to help clients optimize content, promote brand awareness and loyalty, and create experiences that connect with consumers and readers across multiple channels such as print (including in-store signage and point-of-purchase displays), mobile, email, the Web, tablets and e-readers, video and social media.

In 2015, Quad/Graphics announced the expansion of its existing BlueSoho business, a high-end digital art and color retouching studio, into an integrated marketing and technology firm for retailers, publishers and Fortune 500 companies. BlueSoho provides brand activation campaigns; digital and mobile; local promotional strategy, planning and buying; and creative and production services. The strategic repositioning of BlueSoho by the Company as an independent brand enables Quad/Graphics to capture new business, especially among publishers and marketers who would not otherwise consider their print partner for multichannel execution.

Data supports the Company's belief that marketers will continue to use a multichannel approach. According to the September 2014 Cross-Channel Attribution Must Convert Insight Into Action Forrester Consulting study, the average marketer is using 13 channels to drive his or her marketing objectives. The 2014 Digital Marketer Experian Marketing Services research report showed that approximately 80% of marketers planned to run cross-channel campaigns in 2014. Further, according to a 2013 State of Integrated Marketing Econsultancy research report, nearly 90% of

marketers describe marketing channel integration as "necessary and inevitable" for mid-sized and large organizations.

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Another example of Quad/Graphics' innovative approach is the integration of its imaging, manufacturing and distribution networks into a singular platform using a networked IT infrastructure. This platform—connected via Quad/Graphics' own Smartools®—provides seamless, real-time information flow across sales and estimating, production planning, scheduling, manufacturing, warehousing, logistics, invoicing, reporting and customer service.

With respect to the Company's print manufacturing platform, the Company has maintained a dedicated research and development group called QuadTech for more than 35 years. QuadTech engineers, designers and systems engineers, working closely with the Company's press and finishing operators and IT professionals, have developed a range of advancements. The value of these innovations to the industry is supported by the fact that QuadTech generates revenue by supplying some of these technology solutions and consulting services to other printers. In particular, the Company believes it is an internationally known, leading manufacturer of electronic process control systems and maintains offices in the Netherlands, India, Japan and China to sell and service these products to equipment manufacturers and other printers.

Outside of print, the Company continues to innovate through expansion of its QuadMed subsidiary, which it established in 1990 to improve the quality and cost of Quad/Graphics employees' healthcare through on-site and near-site primary care clinics, retail clinic management, telemedicine and comprehensive health and wellness programs. As the Company experienced success and word spread, other companies turned to QuadMed to create and manage their on-site clinics to deliver accessible, affordable and high-quality healthcare for their employees. In 2013, QuadMed acquired Novia CareClinics, LLC ("Novia") to provide workplace solutions on a national level to employers of all sizes, including private and public sector companies. In 2014, QuadMed expanded its services to retailers, sourcing and managing qualified healthcare professionals to staff clinics within a retail establishment. The retail model provides high-quality, low-cost, convenient healthcare for the retailers' own employees as well as customers, and presents a large growth opportunity.

Well-Defined Integration Process

As Quad/Graphics has grown through acquisitions, it has refined its integration process, creating what it believes to be a very well-defined and disciplined approach. The Company's integration process puts a strong focus on serving clients well—minimizing disruption and maximizing retention—while improving the efficiency and productivity of its platform to drive cost savings. The Company does not simply "bolt on" its acquisitions, leaving them to operate independently and overlooking the opportunities to eliminate redundancies and improve efficiencies. Rather, it seeks to fully integrate the business. Following an integration, Quad/Graphics takes a holistic approach to measuring success, considering client retention and satisfaction, employee integration, IT and platform integration and financial metrics, and using knowledge gained to improve future integration processes.

Given that integrating corporate cultures is one of the most complex and important efforts following an acquisition, the Company puts a strong focus on it. Looking specifically at employee integration efforts, Quad/Graphics spends time helping new employees understand the Company, including how it runs the business and the values system that drives decision-making and conduct. New employees in management and supervisory roles are quickly introduced to "Leading Within Quad," a training program that helps them develop a deeper understanding of the organization and resources.

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Client-Centric Approach

Throughout its 40-plus-year history, the Company has put its clients at the center of its operations, creating solutions clients need to meet their business objectives. In many instances, Quad/Graphics employees regularly visit or work onsite at client locations, promoting a sense of partnership and giving the Company unique insights into how the client operates and where they may be experiencing a marketing challenge the Company can help solve. The Company uses a client-centric consultative approach to help marketers and publishers take maximum advantage of the Company's full range of integrated multichannel solutions. This consultative approach includes:

- consulting with clients on marketing strategies to integrate personalized, targeted print communications (including in-store signage and point-of-purchase displays), with other media channels including mobile, email, the Web, tablets and e-readers, video and social media to drive higher response rates;

- leveraging its integrated data analytics, finishing technology and logistics operations, which allow clients to create and track customized and relevant communications across channels on a cost-effective basis, with the objective of delivering higher responses at a lower cost;

- improving the cost-effectiveness of local advertising investments through an improved understanding of best customers' shopping behavior, messaging preferences and media consumption habits;

- developing workflow solutions to help clients streamline content management across multiple channels;

- deploying its interactive media capabilities, including planning, executing and monitoring interactive print campaigns, email, personalized URLs, mobile solutions and digital editions, and creating and maintaining microsites in support of effective, print-focused marketing campaigns (the Company's interactive print solutions help connect print with mobile technologies—such as smartphones and tablets—to create compelling calls to action that drive business results); and

- continuing to invest in leading-edge technologies and capabilities to ensure it can provide the most desirable and effective multichannel solutions to marketers and publishers as technologies and user preferences change.

Quad/Graphics' "high tech/high touch" approach has led to what the Company believes is an excellent client service reputation. The Company uses the latest technology and tools to better connect clients with employees and employees with each other. Its own brand of Smartools® not only link the Company's people and equipment across its entire network of plants, but extend to the Company's clients as well, creating true, real-time communications integration. For example, the Company's Smartools® provide clients with access to the very same up-to-the-minute information used by the Company's production, customer service and sales representatives, allowing them to better manage current projects and plan future work.

Quad/Graphics pays particularly close attention to listening to what its clients say about the Company, proactively seeking their input through an annual Quad/Graphics Performance Client Survey. The survey provides sound insights on clients' experience with the Company as well as ways to enhance products, services and overall value. Key concerns are addressed by an Executive Steering Committee led by the Chairman, President and CEO, demonstrating the Company's top-down commitment to client satisfaction. Based on the Company's 2014 survey, for example, the Company immediately went to work on a series of initiatives to streamline and simplify processes to address known pain points; share more information about its expanded product and service offering, including a focus on its expertise in meeting the needs of specific vertical industries; and provide clients with peer networking and thought leadership opportunities in the key issues facing clients like omnichannel marketing challenges and postal reform issues. The Company holds a two-day marketing thought leadership conference at its Sussex, Wisconsin headquarters where it

brings together leading marketers and publishers from a diverse group of industries for learning and networking opportunities. The Company's event features keynote presentations, small group discussions, working breakout sessions and real stories from the front lines of omnichannel marketing. Quad/Graphics' Postal Conference connects USPS officials, key Congressional staff and client leadership responsible for circulation, production and marketing with a unique opportunity

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to share information, and discuss today's most pressing postal issues. The goal is for all participants to take away knowledge to help their business and advance postal regulation and legislation for a sustainable USPS.

Disciplined and Consistent Financial Approach

As a controlled public company, Quad/Graphics enjoys the competitive advantage of remaining under the leadership and control of the founder's family. The Quadracci family has had consistent control over the Company's operations and decision-making process since its founding in 1971, which allows for a longer-term strategic view with stability of leadership and strategic vision and deployment. As of February 19, 2015, the Quadracci family retains approximately 80% voting control of the Company through the ownership of high-vote stock. This leadership and voting control structure enables the Company to manage the Company's strategy and financial policy by having the foresight to make decisions today that could impact the Company years from now and avoiding the pitfalls of short-term decision-making that could potentially jeopardize the stability and longevity of the Company. Further, this structure perpetuates a management culture of always striving to be the Company's "own best investment."

Quad/Graphics believes that its disciplined financial approach of focusing on maximizing earnings and Free Cash Flow, and maintaining a strong balance sheet provides a competitive advantage. Continuous Improvement and Lean Manufacturing methodologies are among the tools that Quad/Graphics uses to improve manufacturing productivity and to ultimately maximize operating margins. The Company applies these same methodologies to its selling, general and administrative functions to create a truly Lean Enterprise. Additionally, Quad/Graphics has a culture of continuous cost reduction, which includes minimizing waste, increasing efficiencies and throughput, and simplifying and streamlining processes. The Company has been working diligently to lower its cost structure by consolidating its manufacturing platform into its most efficient facilities, as well as realizing purchasing, mailing and logistics efficiencies by centralizing and consolidating print manufacturing volumes and eliminating redundancies in its administrative and corporate operations. Quad/Graphics believes that its focused efforts to be the high-value, low-cost producer generates increased Free Cash Flow and allows the Company to focus on maintaining a strong balance sheet through debt and pension liability reductions.

The Company's disciplined financial approach allowed the Company to maintain sufficient liquidity as well as to reduce refinancing risk, with the nearest significant maturity not until April 2019. The Company enhanced its financial flexibility through the completion of its $1.9 billion debt financing arrangements on April 28, 2014, which included refinancing, extending and expanding its then existing revolving credit facility, Term Loan A and Term Loan B with a $1.6 billion senior secured credit facility (the "Senior Secured Credit Facility") and issuing $300.0 million aggregate principal amount of its unsecured 7.0% senior notes due May 1, 2022 (the "Senior Unsecured Notes"). The Senior Secured Credit Facility and the Senior Unsecured Notes were entered into to extend and stagger the Company's debt maturity profile, further diversify its capital structure and provide more borrowing capacity to better position the Company to execute on its strategic goals.

In addition, the Company redeemed $108.8 million of its senior notes under the Master Note and Security Agreement for $109.6 million on October 10, 2014. The Company used its revolving credit facility to effect the redemption. This redemption was primarily completed to reduce interest expense.

The Company takes a very disciplined approach to its capital allocation decisions. A key part of this discipline is a goal of having returns on investment exceed the cost of capital, whether the investments are related to purchasing the right equipment or investing in the right strategic growth initiatives. The Company balances the use of cash between compelling investment opportunities; deleveraging the balance sheet through debt and pension liability reductions; or returning cash back to shareholders through dividends.

When reviewing an investment opportunity, such as a consolidating acquisition, Quad/Graphics uses a disciplined, value-driven approach to ensure the following criteria are met before any opportunity is selected:

- Strategic Fit. The Company conducts a thorough review process to ensure a potential acquisition will be a good strategic fit.

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- Economics Make Sense. The Company ensures that the economics make sense and will create value through an enhanced range of products and services, revenue-generating solutions and increased efficiencies. Key economics include the negotiated purchase price, targeted efficiencies from integrating the companies together and the necessary cost to achieve those synergies.

- Executable Integration Plan. The Company makes certain that the integration plan is executable in a timely manner and without risk of significant client disruption. The Company has a holistic approach to integration and measures success with four key elements: financial metrics, client retention and satisfaction, employee integration, and IT and platform integration.

- Balance Sheet Integrity. The Company ensures that post-acquisition, it retains the financial strength and flexibility it had prior to the acquisition.

Distinct Corporate Culture

Quad/Graphics believes that its distinct corporate culture, which evolved from a core set of values conceived by the late founder Harry V. Quadracci, drives thoughtful decision-making, especially with regard to how it manages operations and creates solutions that redefine print in a multichannel media landscape, and better positions the Company to prevail in the dynamic and competitive printing industry. The Company fosters an entrepreneurial environment by inspiring and empowering employees to own projects and enact solutions that advance the Company's goals. Employees in the United States also may have a beneficial ownership interest in the Company through company stock held in an employee stock ownership plan, enhancing their sense of ownership. The Company believes that the empowerment, engagement and development of its employee owners foster a strong partnership approach within the business that delivers results.

To maintain a culture of employee empowerment, the Company helps employees keep current on skills through education and training programs offered on the job and in the classroom. Much of this education is developed specifically for its workforce by its in-house education division, QuadEducation, in cooperation with its Continuous Improvement and Safety business units. Continuous Improvement classes include Lean Enterprise and Six Sigma training, designed to empower both production and administrative employees to find better ways to do their job and improve department and Company performance. Safety initiatives include regular safety huddles and quizzes to discuss safe work conduct and promote a safety mindset, as well as on-site safety classes, including first-responder training. The Company also maintains what it believes to be the industry's premier management training program, also known as the Corporate Training Program, which attracts capable, inspired next-generation talent as well as experienced, ready-to-contribute second-career talent.

Quad/Graphics further invests in its employees by providing personal improvement classes, financial and retirement planning and comprehensive health and wellness benefits. Through its own network of QuadMed primary care clinics located at larger worksite locations combined with advanced telemedicine systems, the Company provides high-quality primary medical care and specialty services to employees and their families at a low cost. The Company demonstrates its commitment to wellness through onsite fitness centers at a number of printing plant locations, as well as by offering smoking cessation, weight-management and nutrition classes among other wellness-related programs; providing employee assistance program counseling services; and developing its own programs with financial incentives for managing chronic conditions such as diabetes and asthma (known as Well You) and promoting healthy lifestyles. QuadMed also sells this business model of healthcare services to third-party businesses.

More recently, the Company has rolled out a number of programs as part of an overall human resources strategy to attract next-generation talent while retaining and engaging existing, valued employees. These programs include reintroducing "Think Small," a small-group gathering outside of work hours to strengthen co-worker relationships and

provide a forum for meaningful business discussion; launching an industry years of service recognition program; expanding the frequency and reach of employee roundtable discussions and mentoring opportunities; and expanding financial and volunteer support in the communities where employees live and work. These programs are part of the Company's newly launched "Quad Proud" campaign, which had its genesis in employee responses to an employee value proposition survey. In that survey, employees consistently communicated their pride in their work and being a member

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of a team working toward a common goal. Quad Proud recognizes individual employee contributions to the Company's collective success while never forgetting the importance of being a Quad/Graphics team member, which includes the obligation to mentor the next generation of employees.

Quad/Graphics is led by an experienced management team with a proven track record in the printing industry that is committed to preserving the Company's values-based culture. The senior management team includes individuals with long tenure with the Company augmented with seasoned industry talent realized through strategic hiring or recent acquisitions, further supported by managers and employees committed to advancing print solutions in coordination with the ever-evolving multichannel media landscape. The Company believes the experience and stability of senior management, paired with next-generation entrepreneurially minded employees, will contribute to its long-term success.

Segment Description

Quad/Graphics operates primarily in the commercial print portion of the printing industry, with related product and service offerings designed to offer clients complete solutions for communicating their message to target audiences. The Company's operating and reportable segments are aligned with how the chief operating decision maker of the Company currently manages the business. The Company's reportable and operating segments and their product and service offerings are summarized below.

United States Print and Related Services

The United States Print and Related Services segment is predominantly comprised of the Company's United States printing operations and is managed as one integrated platform. This includes consumer magazines, catalogs, retail inserts, special interest publications, journals, direct mail, books, directories, in-store marketing, packaging, and other commercial and specialty printed products, together with the related service offerings, including marketing strategy, media planning and placement, data insights, response analytics services, creative services, videography, photography, workflow solutions, digital imaging, facilities management services, digital publishing, interactive print solutions including image recognition and near field communication technology, mailing, distribution, logistics, and data optimization and hygiene services. This segment also includes the design, development, manufacture and service of printing-related auxiliary equipment, as well as the manufacture of ink. The United States Print and Related Services segment accounted for approximately 91%, 90% and 88% of Quad/Graphics' consolidated net sales in 2014, 2013 and 2012, respectively.

International

The International segment consists of the Company's printing operations in Europe and Latin America, including operations in Poland, Argentina, Brazil, Chile, Colombia, Mexico and Peru. This segment provides printed products and related services consistent with the United States Print and Related Services segment, with the exception of printing-related auxiliary equipment, which is included in the United States Print and Related Services segment. The International segment accounted for approximately 9%, 10% and 12% of the Company's consolidated net sales in 2014, 2013 and 2012, respectively.

Corporate

Corporate consists of unallocated general and administrative activities and associated expenses including, in part, executive, legal and finance. In addition, in 2014 certain expenses and income from frozen employee retirement plans, such as pension and postretirement benefit plans, are included in Corporate and not allocated to the operating segments.

For additional financial information by segment and geographic area, see Note 23, "Segment Information," and Note 24, "Geographic Area and Product Information," to the consolidated financial statements, respectively, in Part II, Item 8, "Financial Statements and Supplementary Data," of this Annual Report on Form 10-K. For a discussion of the risks attendant to the Company's foreign operations, see the risk factor titled "There are risks associated with the Company's operations outside of the United States" in Item 1A, "Risk Factors," of this Annual Report on Form 10-K.

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Competition

The printing industry, with approximately 48,000 companies in the United States, is highly fragmented and competitive. The five largest printing companies account for approximately 20% of total commercial print industry annual revenue in the United States, with Quad/Graphics being the second largest. Although there has been significant industry consolidation, particularly in the past decade, the largest 400 printers in the printing industry still only represent approximately half of the total industry revenue in the United States, according to the December 2014 Printing Impressions PI400. According to the August 2014 Printing in the U.S. IBISWorld industry report, the majority of commercial printers in the United States are privately owned and generate, on average, less than $35 million in annual revenue and approximately 70% of firms operating in the industry have fewer than 10 employees.

In addition to being in a highly fragmented industry, the Company also faces competition due to the increased accessibility and quality of digital alternatives to traditional delivery of printed documents through the online distribution and hosting of media content, and the digital distribution of documents and data. In addition, the Company faces competition from print management firms, which look to streamline processes and reduce the overall print spend of the Company's clients, as well as from strategic marketing firms focused on helping businesses integrate multiple channels into their marketing campaigns.

Across Quad/Graphics' range of products and services, competition is based on a number of factors, including the following:

- total price of printing, materials and distribution;
- quality;
- range of services offered, including the ability to provide multichannel marketing campaigns;
- marketing expertise;
- distribution capabilities;
- customer service;
- access to a highly skilled workforce;
- availability to schedule work on appropriate equipment;
- on-time production and delivery; and
- state-of-the-art technology to meet a client's business objectives, including the ability to adopt new technology quickly.

Clients

Quad/Graphics enjoys long-standing relationships with a diverse base of clients, which includes both national and regional corporations in North America, South America and Europe. The Company's clients include industry-leading blue chip companies that operate in a wide range of industries and serve both businesses and consumers, including

retailers, publishers and direct marketers. The Company's relationships with its largest clients average more than 18 years in duration.

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In 2014, Quad/Graphics served approximately 9,700 clients, and its 10 largest clients accounted for approximately 15% of consolidated sales, with none representing more than 5% individually. The Company believes that its large and diverse client base, broad geographic coverage and extensive range of printing and print-related capabilities are competitive strengths.

Patents, Trademarks and Trade Names

Quad/Graphics operates research and development facilities that support the development of new equipment, process improvements, raw materials and content management, and distribution technologies to better meet client needs and improve operating efficiencies. The Company continues to innovate within the printing and print-related industry and, as a result, has developed what it believes to be one of the most powerful patent portfolios in the print industry.

Quad/Graphics currently holds or has rights to commercialize a wide variety of worldwide patents and applications relating to its business. The Company intends to continue to file patent applications that it believes will help ensure the continued strength of the Company and its portfolio. Additionally, the Company markets products, services and capabilities under a number of trademarks and trade names. Quad/Graphics aggressively defends its intellectual property rights and intends to continue to do so in the future.

Raw Materials

The primary raw materials that Quad/Graphics uses in its print business are paper, ink and energy.

The majority of paper used by the Company is supplied directly by its clients. For those clients that do not directly supply their own paper, Quad/Graphics makes use of its purchasing efficiencies to supply paper by negotiating with leading paper vendors, uses a wide variety of paper grades, weights and sizes, and does not rely on any one vendor. In addition, the Company generally includes price adjustment clauses in sales contracts for paper and other critical raw materials in the printing process. Although these clauses generally mitigate paper price risk, higher paper prices and tight paper supplies may have an impact on clients' demand for printed products. Quad/Graphics' working capital requirements, including the impact of seasonality, is partially mitigated through the direct purchasing of paper by the majority of Quad/Graphics' clients.

Quad/Graphics produces the majority of ink used in its print production, allowing it to control the quality, cost and supply of key inputs. Raw materials for the ink manufacturing process are purchased externally from a variety of vendors.

Quad/Graphics generally cannot pass on to clients the impact of higher electric and natural gas energy prices on its manufacturing costs, and increases in energy prices result in higher manufacturing costs for certain of its operations. The Company mitigates its risk through natural gas hedges when appropriate. In its logistic operations, however, the Company is able to pass a substantial portion of any increase in fuel prices directly to its clients.

Environmental Stewardship

As the owner, lessee or operator of various real properties and facilities, Quad/Graphics is subject to various federal, state and local environmental laws and regulations, including those relating to air emissions; waste generation, handling, management and disposal; sanitary and storm water discharge; and remediation of contaminated sites. Historically, compliance with these laws and regulations has not had a material adverse effect on the Company's results of operations, financial position or cash flows. Compliance with existing or new environmental laws and regulations may require the Company to make future expenditures.

Quad/Graphics strives to be the leader in the printing industry in adopting new technologies and processes to minimize the Company's impact on the environment. The Company believes it has long been known for its environmental stewardship. Quad/Graphics' proactive approach to incorporate holistic practices has also positively impacted operating costs through the reduction of waste, energy use, emissions, as well as through the implementation of water conservation solutions. The Company has also undertaken steps to reduce greenhouse gas emissions from its

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manufacturing processes and to improve fuel efficiency and reduce emissions in its fleet of Company-owned tractor trailers.

Employees

As of December 31, 2014, Quad/Graphics had approximately 24,100 full-time equivalent employees in North America, South America and Europe. Within the United States, there were approximately 20,200 full-time equivalent employees of which approximately 900 were covered by a collective bargaining agreement. Outside of the United States, there were approximately 3,900 full-time equivalent employees, of which approximately 1,600 were either governed by agreements that apply industry-wide, by a collective bargaining agreement or through works councils or similar arrangements. Quad/Graphics believes that its employee relations are good and that the Company maintains an employee-centric culture.

Business Acquisitions

The following is a listing of the Company's 2014 acquisition activity. For additional information related to the Company's acquisition activity, see Note 2, "Acquisitions and Strategic Investments," to the consolidated financial statements in Part II, Item 8, "Financial Statements and Supplementary Data," of this Annual Report on Form 10-K

- The Company completed the acquisition of Minnesota based Brown Printing on May 30, 2014. Brown Printing provides magazine and catalog printing, distribution services and integrated media solutions to magazine publishers and catalog marketers in the United States.

- The Company completed the acquisition of UniGraphic, Inc. ("UniGraphic"), a commercial and specialty printing company based in the Boston metro area, on February 5, 2014. UniGraphic offers commercial and specialty printing, in-store marketing, digital and fulfillment solutions for a wide variety of industries including arts and entertainment, education, financial, food, healthcare, mass media, pharmaceutical and retail.

Executive Officers of Quad/Graphics

The following table sets forth the names, ages (as of February 19, 2015) and positions of Quad/Graphics' executive officers.

Name	Age	Position
J. Joel Quadracci	46	Chairman, President and Chief Executive Officer
John C. Fowler	64	Vice Chairman and Executive Vice President of Strategy and Corporate Development
Thomas J. Frankowski	54	Chief Operating Officer
David A. Blais	52	Executive Vice President of Global Procurement and Platform Strategy
David J. Honan	46	Executive Vice President and Chief Financial Officer
Steven D. Jaeger	50	Executive Vice President, President of Direct Marketing and Chief Information Officer
Craig C. Faust	47	President of Commercial and Specialty
Tony Scaringi	47	President and General Manager of South America
Kelly A. Vanderboom	40	President of Logistics, Vice President and Treasurer
Jennifer J. Kent	43	Vice President and General Counsel
Nancy J. Ott	49	Vice President of Human Resources
Maura D. Packham	46	Vice President of Marketing and Communications
Anthony C. Staniak	42	Vice President, Corporate Controller and Chief Accounting Officer

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Mr. Quadracci has served as the Chairman, President and Chief Executive Officer of Quad/Graphics since January 2010. He previously served as President and Chief Executive Officer from July 2006 to January 2010, President from January 2005 to July 2006 and has served as a director of Quad/Graphics since 2003. Mr. Quadracci joined Quad/Graphics in 1991 and, prior to becoming President and Chief Executive Officer, served in various capacities, including Sales Manager, Regional Sales Strategy Director, Vice President of Print Sales, Senior Vice President of Sales & Administration, and President and Chief Operating Officer. Mr. Quadracci is the brother of Kathryn Quadracci Flores, a director of the Company, and the brother-in-law of Christopher B. Harned, a director of the Company. Quad/Graphics believes that Mr. Quadracci's experience in the printing industry and in leadership positions with the Company qualifies him for service as a director of the Company.

Mr. Fowler has served as Vice Chairman and Executive Vice President of Strategy and Corporate Development since March 2014. He previously served as Executive Vice President and Chief Financial Officer From July 2010 to March 2014, as Senior Vice President and Chief Financial Officer from May 2005 to July 2010 and as Vice President and Controller from when he joined Quad/Graphics in 1980 (which at the time was the Company's top financial position) until May 2005. Prior to joining Quad/Graphics, Mr. Fowler worked for Arthur Andersen LLP for six years.

Mr. Frankowski has served as Chief Operating Officer since March 2014. He previously served as Executive Vice President of Manufacturing & Operations and President of Europe from July 2010 to March 2014. Prior thereto, Mr. Frankowski was Senior Vice President of Manufacturing from 2004 to July 2010, President of Quad/Graphics Europe, Quad/Graphics' Polish subsidiary, from 2008 to July 2010, and he served in various other capacities since he joined Quad/Graphics in 1979.

Mr. Blais has served as Executive Vice President of Global Procurement and Platform Strategy since March 2014. He previously served as Executive Vice President of Sales and Client Services from January 2012 to March 2014 and as Executive Vice President and President of Magazines and Catalogs from July 2010 to January 2012. Mr. Blais was Senior Vice President of Sales & Administration from May 2005 to July 2010, Quad/Graphics' Vice President of Operations from 1999 to May 2005 and in various other capacities since he joined Quad/Graphics in 1984.

Mr. Honan has served as Executive Vice President and Chief Financial Officer since January 2015. He previously served as Vice President and Chief Financial Officer from March 2014 to January 2015, Vice President and Chief Accounting Officer from July 2010 to March 2014, Vice President and Corporate Controller from December 2009 to July 2010 and as the Company's Corporate Controller from when he joined Quad/Graphics in May 2009 until December 2009. Prior to joining Quad/Graphics, Mr. Honan served as Vice President, General Manager and Chief Financial Officer of Journal Community Publishing Group, a subsidiary of media conglomerate Journal Communications Inc., for five years. Before joining Journal Community Publishing Group, Mr. Honan worked in executive-level roles in investor relations and corporate development at Newell Rubbermaid, a global marketer of consumer and commercial products. Prior thereto, Mr. Honan worked at the accounting firm Arthur Andersen LLP for 11 years.

Mr. Jaeger has served as Executive Vice President, President of Direct Marketing and Chief Information Officer since November 2014. He previously served Executive Vice President, President of Direct Marketing and Media Solutions and Chief Information Officer from March 2014 to November 2014, as Corporate Vice President of Information and Technology for Quad/Graphics since 2013, Vice President of Information Systems and Infrastructure from 2007 to 2012 and as President of Quad/Direct since August 2007. Prior thereto, Mr. Jaeger had been Quad/Graphics' Vice President of Information Systems from 1998 to 2006 and had worked in various other capacities since he joined the Company in 1994. Prior to joining Quad/Graphics, Mr. Jaeger worked for Andersen Consulting for eight years.

Mr. Faust has served as President of Commercial and Specialty since May 2011. He previously served as President and Chief Executive Officer of HGI Company, LLC since November 2010. Prior to joining Quad/Graphics, Mr. Faust

was the President, Founder and Chief Executive Officer of HGI Company, LLC since 2003. Prior thereto, Mr. Faust was President of two divisions at Consolidated Graphics.

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Mr. Scaringi has served as President and General Manager of South America since August 2011. He previously served as Chief Financial Officer of Latin America when he joined Quad/Graphics in July 2010 until August 2011. Prior to joining Quad/Graphics, Mr. Scaringi served World Color Press as Vice President of Finance and Administration for Latin America from 2002 to 2010. Mr. Scaringi joined World Color Press in 1993 and held various positions in auditing until 1997 and then in Latin America since 1997.

Mr. Vanderboom has served as President of Logistics, Vice President and Treasurer since March 2014. He previously served as Quad/Graphics' Vice President & Treasurer from 2008 to March 2014 and as its Treasurer from 2007 to 2008. Prior to becoming Quad/Graphics' Treasurer, Mr. Vanderboom served as Director of Treasury, Risk & Planning from 2006 until 2007, as Controller of Quad/Graphics' Distribution and Facilities departments from 2004 until 2006, and in various other capacities since he joined Quad/Graphics in 1993.

Ms. Kent has served as Vice President and General Counsel since December 2013. She previously served as the Company's Assistant General Counsel from when she joined Quad/Graphics in August 2010 until December 2013. Prior to joining Quad/Graphics, Ms. Kent held various positions in the legal department at Harley-Davidson Motor Company from March 2003 to July 2010. Prior thereto, Ms. Kent served as an Assistant United States Attorney for the Eastern District of Wisconsin and practiced law at Foley & Lardner LLP, a Milwaukee-based law firm.

Ms. Ott has served as Vice President of Human Resources since December 2013. She previously served as the Company's Executive Director of Human Resources from 2009 to 2013, as Manager of Human Resources from 1994 to 2009 and as Employee Services Generalist from 1986 to 1994. Prior to joining Quad/Graphics, Ms. Ott worked for Principal Financial Group.

Ms. Packham has served as Vice President of Marketing and Communications from when she joined Quad/Graphics in July 2010. Prior to joining Quad/Graphics, Ms. Packham served as World Color Press' Vice President of Marketing for North America during 2010 and as World Color Press' Vice President of Marketing for the Marketing Solutions Group from 2003 to 2009. She joined World Color Press in 1995 as a senior financial analyst.

Mr. Staniak has served as Vice President, Corporate Controller and Chief Accounting Officer since January 2015. He previously served as Executive Director, Financial Controller and Chief Accounting Officer from March 2014 to January 2015, Executive Director and Financial Controller from March 2013 to March 2014, Director of Internal Audit from November 2011 to March 2013, Director of External Reporting from when he joined Quad/Graphics in October 2009 until November 2011. Prior to joining Quad/Graphics, Mr. Staniak served as Chief Financial Officer for the data consulting firm Sagence, Inc since 2002. Prior thereto, Mr. Staniak worked in the audit division of the accounting firm Arthur Andersen LLP since 1995.

Executive officers of the Company are elected by and serve at the discretion of the Company's board of directors. Other than described above, there are no family relationships between any directors or executive officers of Quad/Graphics.

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Item 1A. Risk Factors

You should carefully consider each of the risks described below, together with all of the other information contained in this Annual Report on Form 10-K, before making an investment decision with respect to Quad/Graphics' securities. If any of the following risks develop into actual events, the Company's business, financial condition or results of operations could be materially and adversely affected, and you may lose all or part of your investment.

Quad/Graphics operates in a highly competitive industry.

Quad/Graphics operates primarily in the commercial print portion of the printing industry. The printing industry, with approximately 48,000 companies in the United States, is highly fragmented and competitive. The five largest printing companies account for approximately 20% of total commercial print industry annual revenue in the United States. Although there has been significant industry consolidation, particularly in the past decade, the largest 400 printers in the printing industry still only represent approximately half of the total industry revenue in the United States, according to the December 2014 Printing Impressions PI400. According to the August 2014 Printing in the U.S. IBISWorld Industry Report, the majority of commercial printers in the United States are privately owned and generate, on average, less than $35 million in annual revenue and approximately 70% of firms operating in the industry have fewer than 10 employees. As such, the Company competes for business not only with large and mid-sized printers, but also with smaller regional printers. In certain circumstances, due primarily to factors such as freight rates and client preference for local services, printers with better access to certain regions of a given country may be preferred by clients in such regions.

In recent years, the printing industry has experienced a reduction in demand for printed materials and overcapacity due to various factors including the great recession of 2008 and 2009, which severely impacted volumes and competition from alternative sources of communication, including email, the Web, electronic readers, interactive television and electronic retailing. The impacts of overcapacity and intense competition have led to continued downward pricing pressures. Printing industry revenues may continue to decrease in the future. Some of the industries that the Company services have been subject to consolidation efforts, leading to a smaller number of potential clients. Furthermore, if the smaller clients of Quad/Graphics are consolidated with larger companies using other printing companies, the Company could lose its clients to competing printing companies.

The printing industry is highly competitive and expected to remain so. Any failure on the part of the Company to compete effectively in the markets it serves could have a material adverse effect on its results of operations, financial condition or cash flows and could require changes to the way it conducts its business or require it to reassess strategic alternatives involving its operations.

Significant downward pricing pressure and decreasing demand for printing services caused by factors outside of the Company's control may adversely affect the Company.

The Company has experienced significant downward pricing pressures for printing services in the past, and pricing for printing services has declined significantly in recent years. Such pricing may continue to decline from current levels. In addition, demand for printing services has decreased in recent years and may continue to decrease. Any increases in the supply of printing services or decreases in demand could cause prices to continue to decline, and prolonged periods of low prices, weak demand and/or excess supply could have a material adverse effect on the Company's business growth, results of operations and liquidity.

Quad/Graphics may not be able to reduce costs and improve its operating efficiency rapidly enough to meet market conditions.

Because the markets in which the Company competes are highly competitive, Quad/Graphics will need to continue to improve its operating efficiency in order to maintain or improve its profitability. There is no assurance that the Company will be able to do so in the future. In addition, the need to reduce ongoing operating costs have and, in the future, may continue to result in significant up-front costs to reduce workforce, close or consolidate facilities, or upgrade equipment and technology.

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The impact of electronic media and similar technological changes including the substitution of printed products for digital content may continue to adversely affect the results of the Company's operations.

The media landscape is experiencing rapid change due to the impact of electronic media and digital content on printed products. Improvements in the accessibility and quality of digital media through the online distribution and hosting of media content, mobile technologies, e-reader technologies, electronic retailing and the digital distribution of documents and data has resulted and may continue to result in increased consumer substitution. Continued consumer acceptance of such digital media, as an alternative to print materials, is uncertain and difficult to predict and may decrease the demand for the Company's printed products, result in reduced pricing for its printing services and additional excess capacity in the printing industry and adversely affect the results of the Company's operations.

Future declines in economic conditions may adversely affect the Company's results of operations.

In general, demand for the Company's products and services is highly related to general economic conditions in the markets Quad/Graphics clients serve. Declines in economic conditions in the United States or in other countries in which the Company operates may adversely impact the Company's financial results and these impacts may be material. Because such declines in demand are difficult to predict, the Company or the industry may have increased excess capacity as a result. An increase in excess capacity has resulted and may continue to result in declines in prices for the Company's products and services. In addition, a prolonged decline in the global economy and an uncertain economic outlook has and could further reduce the demand in the printing industry. Economic weakness and constrained advertising spending have resulted, and may in the future result, in decreased revenue, operating margin, earnings and growth rates and difficulty in managing inventory levels and collecting accounts receivable. The Company has experienced, and expects to experience in the future, excess capacity and lower demand due to economic factors affecting consumers' and businesses' spending behavior. Uncertainty about future economic conditions makes it difficult for the Company to predict results of operations, financial position and cash flows and to make strategic decisions regarding the allocation and deployment of capital.

Quad/Graphics' business depends substantially on customer contract renewals and/or customer retention. Any contract non-renewals, renewals on different terms and conditions or decline in the Company's customer retention or expansion could materially adversely affect Quad/Graphics' results of operations, financial condition and cash flows.

The Company has historically derived a significant portion of its revenue from long-term contracts with significant clients. If the Company loses significant clients, is unable to renew such contracts on similar terms and conditions, or at all, or is not awarded new long-term contracts with important clients in the future, its results of operations, financial condition and cash flows may be adversely affected.

The Company is exposed to risks of loss in the event of nonperformance by its clients. Some of the Company's clients are highly leveraged or otherwise subject to their own operating and regulatory risks. Even if the Company's credit review and analysis mechanisms work properly, the Company may experience financial losses and loss of future business if its clients become bankrupt, insolvent or otherwise are unable to pay the Company for its work performed. Any increase in the nonpayment or nonperformance by clients could adversely affect the Company's results of operations and financial condition.

Certain of the industries in which the Company's clients operate are seeing consolidation. When client consolidation occurs, it is possible that the volume of work performed by the Company for a client after the consolidation will be less than it was before the consolidation or that the client's work will be completely moved to competitors. Any such reduction or loss of work could adversely affect the Company's results of operations and financial condition.

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If Quad/Graphics fails to identify, manage, complete and integrate acquisitions, investment opportunities or other significant transactions, it may adversely affect the Company's future results.

As part of Quad/Graphics growth strategy, the Company may pursue acquisitions of, investment opportunities in or other significant transactions with companies that are complementary to the Company's business. In order to pursue this strategy successfully, the Company must identify attractive acquisition or investment opportunities, successfully complete the transaction, some of which may be large and complex, and manage post-closing issues such as integration of the acquired company or employees. Quad/Graphics may not be able to identify or complete appealing acquisition or investment opportunities given the intense competition for these transactions. Even if the Company identifies and completes suitable corporate transactions, the Company may not be able to successfully address inherent risks in a timely manner, or at all. These inherent risks include, among other things: (1) failure to successfully integrate the purchased operations, technologies, products or services and maintain uniform standard controls, policies and procedures; (2) substantial unanticipated integration costs; (3) loss of key employees including those of the acquired business; (4) diversion of management's attention from other operations; (5) failure to retain the clients of the acquired business; (6) failure to achieve any projected synergies and performance targets; (7) additional debt and/or assumption of known or unknown liabilities; (8) potential dilutive issuances of equity securities; and (9) a write-off of goodwill, client lists, other intangibles and amortization of expenses. If the Company fails to successfully integrate an acquisition, the Company may not realize all or any of the anticipated benefits of the acquisition, and Quad/Graphics future results of operations could be adversely affected. In addition, the diversion of management's attention from the Company's other operations due to these acquisitions and integration effort could adversely affect its business and have a negative financial impact.

Changes in postal rates, postal regulations and postal services may adversely impact demand for Quad/Graphics' products and services.

Postal costs are a significant component of the cost structures of many of the Company's clients and potential clients. Postal rate changes and USPS regulations that result in higher overall costs can influence the number of pieces that these clients will be willing to mail. In addition to the actual costs of postage, Quad/Graphics clients' mail must meet specific design standards established by the USPS. At times, these design standards place an undue burden on the mailer and may increase compliance costs. Any resulting decline in print volumes mailed could have an adverse effect on the Company's business. In addition, integrated distribution with the postal service is an important component of the Company's business. Any material change in the current service levels provided by the postal service could impact the demand that clients have for print services. The USPS has reported net losses in the last six fiscal years and has estimated these losses will continue into the near future and, as a result, has come under increased pressure to adjust its postal rates and service levels. Late in 2013, the USPS went before the Postal Regulatory Commission ("PRC") and requested to increase postage due to "exigent" circumstances. The PRC granted the USPS with the authority to increase rates through a temporary two-year surcharge. This action by the USPS resulted in postage rates being increased by 6.0% on January 26, 2014. The increase includes the normal and expected annual Consumer Price Index ("CPI") increase of 1.7% and an additional 4.3% temporary exigency-based increase. This increase may cause the Company's clients to reduce mail volumes and explore the use of alternative methods for delivering their products; such as continued diversion to the Internet and other alternative media channels. The USPS has filed a lawsuit challenging the legal authority of the PRC to limit the increase to a two-year surcharge. Instead, the USPS is arguing that the exigent rate increase ought to be made a permanent part of the base postage rates going forward. A permanent increase will increase postage costs in the coming years.

The Company's clients enjoy significant postal savings due to “work-share” discounts that provide incentives to co-mail and place product as far down the mail-stream as possible. Discounts are earned as a result of less handling of the mail and therefore lower costs for the USPS. Due to the overall financial struggles of the USPS, consideration has been given to eliminating or scaling back these discounts. If the USPS were to take this action, the net impact will be to

effectively increase postage rates for the Company's clients. Quad/Graphics has made substantial investments in co-mailing technology and equipment. If the incentives to co-mail are eliminated or scaled back, the value of these investments would be significantly reduced. Co-mailing has the added benefit that Quad/Graphics maintains control over the product for as long as possible and therefore increases the timeliness of the Company's clients' delivery needs. Lastly, if the "work-share" discounts were eliminated or scaled back and the USPS took control of the Company's clients'

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products earlier, significant amounts of time would be lost which would lead to uncertainty in the timing of the clients' product reaching the ultimate end consumer.

Due in large part to the uncertainty of the financial sustainability of the USPS, the USPS has considered changing their delivery schedule from six days per week to five days per week. This change would diminish the value of the mail for some customers as there will be fewer opportunities to communicate with their target consumers.

The USPS has taken steps to consolidate their network of processing facilities to reflect the realities of lower mail volumes throughout the country. While these consolidations are needed, it may result in longer distances that the mail must travel and may result in delays in final "in-home" delivery. In addition, the consolidation of the USPS' network has resulted in a change in the location of the appropriate entry point into the postal service. At times this has resulted in some confusion as to where the appropriate entry point is, which, in turn, may result in erroneous shipments that may impact the timeliness of the final delivery to the consumer.

Quad/Graphics entry into additional markets increases the complexity of the Company's business, and if the Company is unable to successfully adapt its business processes as required by these new markets, the Company will be at a competitive disadvantage and its ability to grow will be adversely affected.

As the Company expands its product line to provide additional marketing and publishing channels, the overall complexity of the Company's business increases at an accelerated rate and the Company becomes subject to different market dynamics. The new markets into which Quad/Graphics is expanding, or may expand, may have different characteristics from the markets in which the Company currently competes. These different characteristics may include, among other things, demand volume requirements, demand seasonality, product generation development rates, client concentrations and performance and compatibility requirements. The Company's failure to make the necessary adaptations to its business model to address these different characteristics, complexities and new market dynamics could adversely affect the Company's operating results.

Quad/Graphics may be adversely affected by increases in its operating costs, including the cost and availability of raw materials, labor-related costs, fuel and other energy costs and freight rates.

Paper, ink and energy are the primary raw materials used by the Company in the operation of its business. The price of such raw materials has fluctuated over time and has caused fluctuations in the Company's net sales and cost of sales. This volatility may continue and Quad/Graphics may experience increases in the costs of its raw materials in the future as prices in the overall paper, ink and energy markets are expected to remain beyond its control.

In general, the Company has been able to pass along increases in the cost of paper to many of its clients. If the Company is unable to continue to pass along increases in the cost of paper to its clients, future increases in paper costs would adversely affect its margins and profits. If Quad/Graphics passes along increases in the cost of paper and the price of the Company's products and services increases as a result, client demand could be adversely affected and thereby negatively impact Quad/Graphics' financial performance.

Quad/Graphics is dependent upon the vendors within the Company's supply chain to maintain a steady supply of inventory, parts and materials. Many of the Company's products are dependent upon a limited number of vendors, and significant disruptions could adversely affect operations. Under recent market conditions, including the tightening credit market, it is possible that one or more of the Company's vendors will be unable to fulfill their operating obligations due to financial hardships, liquidity issues or other reasons related to the prolonged market recovery.

Due to the significance of paper in the Company's business, it is dependent on the availability of paper. In periods of high demand, certain paper grades have been in short supply, including grades used in the Company's business. In

addition, during periods of tight supply, many paper producers allocate shipments of paper based upon historical purchase levels of customers. Although Quad/Graphics generally has not experienced significant difficulty in obtaining adequate quantities of paper, unforeseen developments in the overall paper markets could result in a decrease in the supply of paper and could adversely affect the Company's revenues or profits.

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In addition, the Company may not be able to resell waste paper and other by-products or the prices received for their sale may decline substantially.

The Company has less frequently been able to pass along increases in the cost of ink and energy to its clients. If the Company is unable to pass along increases in the cost of ink and energy, future increases in these items would adversely affect its margins and profits. If Quad/Graphics is able to pass along increases in the costs of ink and energy and the price of the Company's products and services increases as a result, client demand could be adversely affected and thereby negatively impact Quad/Graphics' financial performance.

Labor represents a significant component of the cost structure of Quad/Graphics. Increases in wages, salaries and benefits, such as medical, dental, pension and other post-retirement benefits, may impact the Company's financial performance. Changes in interest rates, investment returns or the regulatory environment may impact the amounts the Company will be required to contribute to the pension plans that it sponsors and may affect the solvency of these pension plans. In addition, Quad/Graphics may be unable to retain employees or labor may not be adequately available in locations in which the Company operates, which could negatively impact the Company's financial performance.

Freight rates and fuel costs also represent a significant component of the Company's cost structure. In general, the Company has been able to pass along increases in the cost of freight and fuel to many of its clients. If the Company is not able to pass along a substantial portion of increases in freight rates or in the price of fuel, future increases in these items would adversely impact the Company's margin and profits. If Quad/Graphics passes along increases in the cost of freight and fuel and the price of the Company's products and services increases as a result, client demand could be adversely affected and thereby negatively impact Quad/Graphics' financial performance.

Quad/Graphics and its facilities are subject to various consumer protection and privacy laws and regulations (including cyber-security laws), and will become subject to additional laws and regulations in the future. If Quad/Graphics' efforts to comply with such laws or protect the security of information are unsuccessful, any failure may subject the Company to material liability, require it to incur material costs or otherwise adversely affect its results of operations as a result of compliance with such laws, costly enforcement actions and private litigation.

The nature of the Quad/Graphics business includes the receipt and storage of information about the Company's clients, vendors and the end-users of Quad/Graphics products and services. Quad/Graphics and its clients are subject to various United States and foreign consumer protection, information security (including cyber-security), data privacy and "do not mail" requirements at the federal, states, provincial and local levels. Quad/Graphics is subject to many legislative and regulatory laws and regulations around the world concerning data protection and privacy. In addition, the interpretation and application of consumer and data protection laws in the United States and elsewhere are often fluid and uncertain. The Company may not be able to anticipate techniques used to gain access to Quad/Graphics systems or facilities, the Company's clients systems, vendor systems or implement adequate prevention measures. Moreover, unauthorized parties may attempt to access Quad/Graphics systems or facilities, the Company's clients systems or vendor systems through fraud or deception. To the extent that the Company or its clients become subject to additional or more stringent requirements or that the Company is not successful in its efforts to comply with existing requirements or protect the security of information, demand for the Company's services may decrease and the Company's reputation may suffer, which could adversely affect the Company's results of operations. In addition, such laws may be interpreted and applied in a manner inconsistent with Quad/Graphics internal policies. If so, the Company could suffer costly enforcement actions (including an order requiring changes to Quad/Graphics data practices) and private litigation, which could have an adverse effect on the Company's business and results of operations. Complying with these various laws could cause Quad/Graphics to incur substantial costs or require changes to the Company's business practices in a manner adverse to Quad/Graphics business.

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If Quad/Graphics is not able to take advantage of technological developments in the printing industry on a timely basis, the Company may experience a decline in the demand for its services, be unable to implement its business strategy and experience reduced profits.

The printing industry is experiencing rapid change as new technologies are developed that offer clients an array of choices for their marketing and publication needs. In order to grow and remain competitive, the Company will need to adapt to future changes in technology, enhance the Company's existing offerings and introduce new offerings to address the changing demands of clients. If Quad/Graphics is unable to meet future challenges from competing technologies on a timely basis or at an acceptable cost, the Company could lose clients to competitors. In general, the development of new communication channels inside and outside the printing and media solutions industry requires the Company to anticipate and respond to the varied and continually changing demands of clients. The Company may not be able to accurately predict technological trends or the success of new services in the market.

Currently, there is a limited active market for Quad/Graphics' class A common stock and, as a result, shareholders may be unable to sell their class A common stock without losing a significant portion of their investment.

The Company's class A common stock has been traded on the NYSE under the symbol "QUAD" since July 6, 2010. However, there is currently a limited active market for the class A common shares. The Company cannot predict the extent to which investor interest in the Company will lead to the development of an active trading market for its class A common stock on the NYSE or how liquid that market will become. If a more active trading market does not develop, shareholders may have difficulty selling any class A common stock without negatively affecting the stock price and thereby losing a significant portion of their investment.

Quad/Graphics' debt facilities include various covenants imposing restrictions that may affect the Company's ability to operate its business.

On September 1, 1995, and as last amended on November 24, 2014, Quad/Graphics entered into a Senior Secured Note Agreement (the "Master Note and Security Agreement") pursuant to which the Company has issued over time senior notes in an aggregate principal amount of $1.1 billion in various tranches. As of December 31, 2014, the borrowings outstanding under the Master Note and Security Agreement were $316.6 million. On April 28, 2014, and as last amended on December 18, 2014, the Company entered into the $1.6 billion Senior Secured Credit Facility, which includes three different loan facilities, a Term Loan A, a Term Loan B, and a revolving credit facility. The $850.0 million revolving credit facility and the $450.0 million Term Loan A mature on April 27, 2019. The $300.0 million Term Loan B matures on April 27, 2021. As of December 31, 2014, the borrowings outstanding under the Senior Secured Credit Facility was $778.5 million. On April 28, 2014, the Company also issued $300.0 million aggregate principal amount of its 7.0% Senior Unsecured Notes, all of which remains outstanding as of December 31, 2014.

The Company's various lending arrangements include certain financial covenants. In addition to the financial covenants, the debt facilities also include certain limitations on acquisitions, indebtedness, liens, dividends and repurchases of capital stock. As of December 31, 2014, the Company was in compliance with all financial covenants in its debt agreements. While the Company currently expects to be in compliance in future periods with all of the financial covenants, there can be no assurance that these covenants will continue to be met. The Company's failure to maintain compliance with the covenants could prevent the Company from borrowing additional amounts and could result in a default under any of the debt agreements. Such default could cause the outstanding indebtedness to become immediately due and payable, by virtue of cross-acceleration or cross-default provisions.

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Changes in the legal and regulatory environment could limit the Company's business activities, increase its operating costs, reduce demand for its products or result in litigation.

The conduct of the Company's businesses is subject to various laws and regulations administered by federal, state and local government agencies in the United States, as well as to foreign laws and regulations administered by government entities and agencies in markets in which the Company operates. These laws and regulations and interpretations thereof may change, sometimes dramatically, as a result of political, economic or social events. Such regulatory environment changes may include changes in environmental laws, requirements of United States and foreign occupational health and safety laws, accounting standards and taxation requirements. Changes in laws, regulations or governmental policy and the related interpretations may alter the environment in which Quad/Graphics does business and, therefore, may impact its results or increase its costs or liabilities.

In addition, the Company and its subsidiaries are party to a variety of legal and environmental remediation obligations arising in the normal course of business, as well as environmental remediation and related indemnification proceedings in connection with certain historical activities, former facilities and contractual obligations of acquired businesses. Permits are required for the operation of certain parts of the Company's business, and these permits are subject to renewal, modification and, in some circumstances, revocation. Due to regulatory complexities, uncertainties inherent in litigation and the risk of unidentified contaminants on current and former properties, the potential exists for remediation, liability and indemnification costs to differ materially from the costs the Company has estimated. Quad/Graphics cannot assure you that the Company's costs in relation to these matters will not exceed its established liabilities or otherwise have an adverse effect on its results of operations.

Various laws and regulations addressing climate change are being considered at the federal and state levels. Proposals under consideration include limitations on the amount of greenhouse gas that can be emitted (so-called "caps") together with systems of trading allowed emissions capacities. The impacts of such proposals could have a material adverse impact on the Company's financial condition and results of operations.

An other than temporary decline in operating results and enterprise value could lead to non-cash impairment charges due to the impairment of goodwill, other intangible assets and property, plant and equipment.

The Company has a material amount of goodwill, other intangible assets and property, plant and equipment on its balance sheet, due in part to acquisitions. As of December 31, 2014, the Company had the following long-lived assets on its consolidated balance sheet included in Part II, Item 8, "Financial Statements and Supplementary Data," of this Annual Report on Form 10-K:

- Goodwill, representing the excess of the total purchase price for its acquisitions over the fair value of the net assets acquired, of $775.5 million;

- Other intangible assets, primarily representing the fair value of customer relationships acquired, of $149.1 million; and

- Property, plant and equipment of $1,855.5 million.

As of December 31, 2014, these assets represented approximately 68% of the Company's total assets. The Company evaluates goodwill for impairment on an annual basis or more frequently if impairment indicators are present based on the estimated fair value of each reporting unit. The Company assesses impairment of other intangible assets and property, plant and equipment based upon the expected future cash flows of the respective assets. These valuations include management's estimates of sales, profitability, cash flow generation, capital structure, cost of debt, interest rates, capital expenditures and other assumptions. A decline in expected profitability, significant negative industry or

economic trends, inability to effectively integrate acquired businesses, unexpected significant changes or planned changes in use of the assets or in entity structure, and divestitures may adversely impact the assumptions used in the valuations. As a result, the recoverability of these assets could be called into question and the Company could be required to write down or write off these assets. Such an occurrence could have a material adverse effect on the Company's results of operations and financial position and could result in the Company being in non-compliance with

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certain of its debt facility covenants (see "Quad/Graphics' debt facilities include various covenants imposing restrictions that may affect the Company's ability to operate its business" above).

Quad/Graphics may be required to make capital expenditures to maintain its platform and processes and to remain technologically and economically competitive, which may increase its costs or disrupt its operations.

The Company may need to make significant capital expenditures as it develops and continues to maintain its platform and processes. The Company also may be required to make capital expenditures to develop and integrate new technologies to remain technologically and economically competitive. In order to accomplish this effectively, the Company will need to deploy its resources efficiently, maintain effective cost controls and bear potentially significant market and raw material risks. If the Company's revenues decline, it may impact the Company's ability to expend the capital necessary to develop and implement new technology and be economically competitive. Debt or equity financing, or cash generated from operations, may not be available or sufficient for these requirements or for other corporate purposes or, if debt or equity financing is available, it may not be on terms favorable to the Company. In addition, even if capital is available to the Company, there is risk that the Company's vendors will have discontinued the production of parts needed for repairs, replacements or improvements to the Company's existing manufacturing platform, leading the Company to expend more capital than expected to perform such repairs, replacements or improvements.

Quad/Graphics' revenue is subject to cyclical and seasonal variations.

The Company's business is seasonal, with Quad/Graphics recognizing the majority of its operating income in the third and fourth quarters of the financial year, primarily as a result of the increased magazine advertising page counts and retail inserts, catalogs and books from back-to-school and holiday-related advertising and promotions. The fourth quarter is the highest seasonal quarter for cash flows from operating activities and Free Cash Flow due to the reduction of working capital requirements that reach peak levels during the third quarter. Within any year, this seasonality could adversely affect the Company's cash flows and results of operations.

The Company has significant liabilities with respect to defined benefit pension plans that could grow in the future and cause the Company to incur additional costs.

As a result of the 2010 acquisition of World Color Press, the Company assumed frozen single employer defined benefit pension plans for certain of its employees in the United States. The majority of the plans' assets are held in North American and global equity securities and debt securities. The asset allocation as of December 31, 2014, was approximately 66% equity securities and 34% debt securities.

As of December 31, 2014, the Company had underfunded pension liabilities of approximately $163 million for single employer defined benefit plans in the United States. Under current United States pension law, pension funding deficits are generally required to be funded over a seven-year period. These pension deficits may increase or decrease depending on changes in the levels of interest rates, pension plan investment performance, pension legislation and other factors. Declines in global, and in particular North American, equity markets would increase the Company's potential pension funding obligations. Any significant increase in the Company's required contributions could have a material adverse impact on its business, financial condition, results of operations and cash flows.

In addition to the single employer defined benefit plans described above, the Company participates in multiemployer pension plans ("MEPPs") in the United States. Prior to the acquisition of World Color Press by Quad/Graphics, World Color Press received notice that certain plans in which it participated were in critical status, as defined in Section 432 of the Internal Revenue Code of 1986, as amended (the "Internal Revenue Code"). As a result, the Company could have been subject to increased contribution rates associated with these plans or other MEPPs suffering from declines

in their funding levels. Due to the significantly underfunded status of the United States multiemployer plans and the potential increased contribution rates, the Company withdrew from participation in these multiemployer plans and has replaced these pension benefits with a Company-sponsored "pay as you go" defined contribution plan, which is historically the form of retirement benefit provided to the Company's employees.

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As of December 31, 2014, the Company estimates and has recorded in its financial statements a pre-tax withdrawal liability for all United States multiemployer plans of approximately $59 million in the aggregate. Until discussions with the multiemployer plans' trustees are concluded, the exact amount of the withdrawal liability will not be known, and, as such, a difference from the recorded estimate could have an adverse effect on the Company's results of operations, financial position and cash flows.

There are risks associated with the Company's operations outside of the United States.

Although the substantial majority of the Company's business activity takes place in the United States, a portion of Quad/Graphics net sales are derived from operations in foreign countries. The Company has wholly-owned subsidiaries, majority-owned controlled subsidiaries and other ownership investments in Argentina, Brazil, Chile, Colombia, India, Mexico, Peru and Poland. Net sales from the Company's wholly-owned and majority-owned controlled subsidiaries outside of the United States accounted for approximately 9%, 10% and 12% of its consolidated net sales for the years ended December 31, 2014, 2013 and 2012, respectively.

As a result, the Company is subject to the risks inherent in conducting business outside of the United States, including, but not limited to: the impact of economic and political instability; fluctuations in currency values, foreign-currency exchange rates, devaluation and conversion restrictions; exchange control regulations and other limits on the Company's ability to import raw materials or finished product; tariffs and other trade barriers; political and economic instability; trade restrictions and economic embargoes by the United States or other countries; social unrest, acts of terrorism, force majeure, war or other armed conflicts; inflation and fluctuations in interest rates; language barriers; difficulties in staffing, training, employee retention and managing international operations; logistical and communications challenges; differing local business practices and cultural consideration; restrictions on the ability to repatriate funds; foreign ownership restrictions and the potential for nationalization or expropriation of property or other resources; longer accounts receivable payment cycles; potential adverse tax consequences and being subject to different legal and regulatory regimes that may preclude or make more costly certain initiatives or the implementation of certain elements of its business strategy. Any international expansion or acquisition that the Company undertakes could amplify these risks related to operating outside of the United States.

Quad/Graphics is exposed to the economic and political conditions in Argentina. The Argentine economy has experienced significant volatility in recent decades, characterized by periods of low or negative growth, high and variable levels of inflation and currency devaluation. As a consequence, the Company’s business and operations have been, and could be in the future, affected from time to time to varying degrees by economic and political developments and other material events affecting the Argentine economy. The majority of the Company's employees in Argentina are covered by a collective bargaining agreement. A strike, work stoppage or other form of labor protest in Argentina in the future could disrupt the Company's operations and result in a material adverse impact to the Company's Argentina operations' financial condition, results of operations and cash flows, which could force the Company to reassess its strategic alternatives involving operations in Argentina. As of December 31, 2014, the Company had $35.6 million of total assets in Argentina, representing 0.9% of Quad/Graphics consolidated total assets. For the year ended December 31, 2014, the Company recognized $71.9 million of net sales in Argentina, representing 1.5% of Quad/Graphics consolidated net sales.

The Company could be adversely affected by engaging in business practices that are in violation of United States and foreign anti-corruption regulations such as the United States Foreign Corrupt Practices Act. The Company operates in parts of the world with developing economies that have experienced governmental corruption to some degree, and in certain circumstances, strict compliance with anti-corruption laws may conflict with local customs and practices. There can be no assurance that all of the Company's employees, contractors or agents, including those representing us in countries where practices which violate anti-corruption laws may be customary, will not take actions in violation of Quad/Graphics policies and procedures. The failure to comply with the laws governing international business

practices may result in substantial penalties and fines.

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Holders of class A common stock are not able to independently elect directors of Quad/Graphics or control any of the Company's management policies or business decisions or its decisions to issue additional shares, declare and pay dividends or enter into corporate transactions because the holders of class A common stock have substantially less voting power than the holders of the Company's class B common stock, all of which is owned by certain members of the Quadracci family, trusts for their benefit or other affiliates of Quad/Graphics, whose interests may be different from the holders of class A common stock.

The Company's outstanding stock is divided into two classes of common stock: class A common stock ("class A stock") and class B common stock ("class B stock"). The class B stock has ten votes per share on all matters and the class A stock is entitled to one vote per share. As of February 19, 2015, the class B stock constitutes approximately 80% of Quad/Graphics' total voting power. As a result, holders of class B stock are able to exercise a controlling influence over the Company's business, have the power to elect its directors and indirectly control decisions such as whether to issue additional shares, declare and pay dividends or enter into corporate transactions. All of the class B stock is owned by certain members of the Quadracci family or trusts for their benefit, whose interests may differ from the interests of the holders of class A stock.

Approximately 91% of the outstanding class B stock is held of record by the Quad/Graphics Voting Trust, and that constitutes approximately 73% of the Company's total voting power. The trustees of the Quad/Graphics Voting Trust have the authority to vote the stock held by the Quad/Graphics Voting Trust. Accordingly, the trustees of the Quad/Graphics Voting Trust are able to exercise a controlling influence over the Company's business, have the power to elect its directors and indirectly control decisions such as whether to issue additional shares, declare and pay dividends or enter into corporate transactions.

Quad/Graphics is a controlled company within the meaning of the rules of the NYSE and, as a result, it relies on exemptions from certain corporate governance requirements that provide protection to shareholders of other companies.

Since the Quad/Graphics Voting Trust owns more than 50% of the total voting power of the Company's stock, the Company is considered a controlled company under the corporate governance listing standards of the NYSE. As a controlled company, an exception under the NYSE listing standards exempts the Company from the obligation to comply with certain of the NYSE's corporate governance requirements, including the requirements:

- that a majority of the Company's board of directors consist of independent directors, as defined under the rules of the NYSE;
- that the Company have a corporate governance and nominating committee that is composed entirely of independent directors with a written charter addressing the committee's purpose and responsibilities; and
- that the Company have a compensation committee that is composed entirely of independent directors with a written charter addressing the committee's purpose and responsibilities.

Accordingly, for so long as Quad/Graphics is a controlled company, holders of class A stock will not have the same protections afforded to shareholders of companies that are subject to all of the corporate governance requirements of the NYSE.

The Company is heavily dependent on its Chief Executive Officer, its management team and key personnel.

The Company's continued success depends, in part, on the retention, recruitment and continued contributions of key management, finance, sales and marketing personnel, some of whom could be difficult to replace. The Company's

success is largely dependent upon its senior management team, led by its Chief Executive Officer and other key managers. The loss of any one or more of such persons could have an adverse effect on the Company's business and financial condition.

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The Company may not be able to utilize deferred tax assets to offset future taxable income.

As of December 31, 2014, the Company had deferred tax assets, net of valuation allowances, of $319.9 million on the consolidated balance sheet included in Part II, Item 8, "Financial Statements and Supplementary Data," of this Annual Report on Form 10-K. The Company expects to utilize the deferred tax assets to reduce consolidated income tax liabilities over a period of time not to exceed 20 years. However, the Company may not be able to fully utilize the deferred tax assets if its future taxable income and related income tax liability is insufficient to permit their use. In addition, in the future, the Company may be required to record a valuation allowance against the deferred tax assets if the Company believes it is unable to utilize them, which would have an adverse effect on the Company's results of operations and financial position.

Quad/Graphics may be adversely affected by interest rates and foreign exchange rates.

As of December 31, 2014, 55% of the Company's borrowings were subject to variable interest rates. As a result, the Company is exposed to market risks associated with fluctuations in interest rates, and increases in interest rates could adversely affect the Company.

Because a portion of the Company's operations are outside of the United States, significant revenues and expenses are denominated in local currencies. Although operating in local currencies may limit the impact of currency rate fluctuations on the results of operations of the Company's non-U.S. subsidiaries and business units, fluctuations in such rates may affect the translation of these results into the Company's consolidated financial statements. To the extent revenues and expenses are not in the applicable local currency, the Company may enter into foreign exchange forward contracts to hedge the currency risk. There can be no assurance, however, that the Company's efforts at hedging will be successful. There is always a possibility that attempts to hedge currency risks will lead to greater losses than predicted.

Quad/Graphics may be adversely affected by strikes and other labor protests.

As of December 31, 2014, Quad/Graphics had a total of approximately 24,100 employees, of which approximately 2,500 were covered by a collective bargaining agreement. As of December 31, 2014, the Company had nine collective bargaining agreements in the United States and eight agreements outside of the United States that are either industry-wide individual collective bargaining agreements or works councils or similar arrangements.

While the Company believes its employee relations are good and that the Company maintains an employee-centric culture, and there has not been any material disruption in operations resulting from labor disputes, the Company cannot be certain that it will be able to maintain a productive and efficient labor environment. The Company cannot predict the outcome of any future negotiations relating to the renewal of the collective bargaining agreements, nor can there be any assurance that work stoppages, strikes or other forms of labor protests pending the outcome of any future negotiations will not occur. A strike or other forms of labor protest affecting a series of major plants in the future could materially disrupt the Company's operations and result in a material adverse impact on its financial condition, results of operations and cash flows, which could force the Company to reassess its strategic alternatives involving certain of its operations.

Item 1B. Unresolved Staff Comments

The Company has no unresolved staff comments to report pursuant to this item.

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Item 2. Properties

Quad/Graphics' corporate office is located in Sussex, Wisconsin. The Company owned or leased 143 facilities located in 12 countries including manufacturing operations, warehouses and office space totaling approximately 30,230,000 square feet, of which approximately 22,300,000 is owned space and approximately 7,930,000 is leased space as of December 31, 2014. In addition to these owned and leased facilities, the Company has strategic investments in printing operations located in Brazil, Chile and India. Within the United States, the Company operated 68 owned or leased manufacturing facilities encompassing approximately 24,260,000 square feet as of December 31, 2014. The following table lists the Company's operating locations in the United States as of December 31, 2014, with manufacturing facilities totaling over 100,000 square feet, all of which are owned except where noted:

United States Locations	Size (Square Feet)
Lomira, Wisconsin, United States	2,174,000
Sussex, Wisconsin, United States	1,970,000
Martinsburg, West Virginia, United States	1,953,000
Hartford, Wisconsin, United States	1,571,000
Versailles, Kentucky, United States	1,066,000
Saratoga Springs, New York, United States	1,025,000
Oklahoma City, Oklahoma, United States	1,010,000
West Allis, Wisconsin, United States	911,000
The Rock, Georgia, United States	788,000
Waseca, Minnesota, United States	786,000
Evans, Georgia, United States	652,000
Franklin, Kentucky, United States (2)	623,000
Effingham, Illinois, United States	579,000
Merced, California, United States	508,000
Taunton, Massachusetts, United States (2)	504,000
Atlanta, Georgia, United States (1)(3)	433,000
Atglen, Pennsylvania, United States	427,000
East Greenville, Pennsylvania, United States	425,000
Franklin, Wisconsin, United States (1)	418,000
Fernley, Nevada, United States	410,000
Westampton, New Jersey, United States (1)	371,000
Fairfield, Pennsylvania, United States	337,000
Dickson, Tennessee, United States (3)	318,000
Riverside, California, United States (2)	309,000
Pewaukee, Wisconsin, United States	303,000
Chalfont, Pennsylvania, United States	299,000
New Berlin, Wisconsin, United States (1)	295,000
Hazleton, Pennsylvania, United States	250,000
Dallas, Texas, United States	222,000
Midland, Michigan, United States	205,000
York, Pennsylvania, United States (1)	203,000
Lufkin, Texas, United States	170,000
Loveland, Colorado, United States (1)	170,000
Shakopee, Minnesota, United States	165,000
East Longmeadow, Massachusetts, United States (1)	159,000
Burlington, Wisconsin, United States (1)	145,000
Cranbury, New Jersey, United States (1)	145,000
Columbus, Ohio, United States (1)	141,000

Greenville, Michigan, United States	138,000
Portland, Oregon, United States (1)	125,000
Waukee, Iowa, United States	118,000
Manassas, Virginia, United States (1)	108,000
Nashville, Tennessee, United States (1)	107,000
Charlotte, North Carolina, United States (1)	106,000
Valdosta, Georgia, United States	106,000
Salt Lake City, Utah, United States (1)	104,000

(1) Leased facilities
(2) Includes both owned and leased facilities
(3) Manufacturing operations have been closed and operations have ceased subsequent to December 31, 2014

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Outside of the United States, the Company operated 10 owned or leased manufacturing facilities encompassing approximately 1,950,000 square feet as of December 31, 2014. The following table lists the Company's international operating locations as of December 31, 2014, with manufacturing facilities totaling over 100,000 square feet, all of which are owned except where noted:

International Locations	Size (Square Feet)
Wyszkow, Poland	616,000
Xochimilco, Mexico	275,000
Buenos Aires, Argentina	270,000
Lima, Peru	207,000
Bogota, Colombia (2)	184,000
Pilar, Argentina	116,000
El Marquez (Queretaro), Mexico (3)	115,000

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(1) Leased facilities
(2) Includes both owned and leased facilities
(3) Manufacturing operations have been closed and operations have ceased subsequent to December 31, 2014

Item 3. Legal Proceedings

Quad/Graphics is subject to various legal actions, administrative proceedings and claims arising out of the ordinary course of business. Quad/Graphics believes that such unresolved legal actions, proceedings and claims will not materially adversely affect its results of operations, financial condition or cash flows.

Item 4. Mine Safety Disclosures

Not applicable.

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PART II

Item 5. Market for the Registrant's Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities

Capital Stock and Dividends

Quad/Graphics' authorized capital stock consists of 80.0 million shares of class A stock; 80.0 million shares of class B stock; 20.0 million shares of class C common stock; and 0.5 million shares of preferred stock. The Company's outstanding capital stock as of December 31, 2014, consisted of 34.7 million shares of class A stock; 14.2 million shares of class B stock; no shares of class C common stock; and no shares of preferred stock. As of February 19, 2015, there were 2,472 record holders of the class A stock and 26 record holders of the class B stock.

The Company's class A stock is listed on the NYSE under the symbol "QUAD". The class A stock is entitled to one vote per share.

The Company's class B stock is held by certain members of the Quadracci family or trusts for their benefit (and can only be voluntarily transferred to the Company or to a member of the Quadracci "family group," as defined in the Company's amended and restated articles of incorporation; and any transfer in violation of the Company's amended and restated articles of incorporation results in the automatic conversion of such class B stock into class A stock). The class B stock is entitled to ten votes per share. Each share of class B stock may, at the option of the holder, be converted at any time into one share of class A stock. There is no public trading market for the class B stock.

The Company's class C common stock was held by the Quad/Graphics Employee Stock Ownership Plan ("ESOP") (and can only be owned by, or transferred to, a Company employee benefit plan which is intended to satisfy the qualification requirements of Section 401 of the Internal Revenue Code). In August 2012, all outstanding shares of class C stock were converted into shares of class A stock.

Pursuant to the Company's amended and restated articles of incorporation, each outstanding class of common stock has equal rights with respect to cash dividends. Pursuant to the Company's debt facilities, the Company is subject to limitations on dividends and repurchases of capital stock. If the Company's total leverage ratio (as defined in the Company's Senior Secured Credit Facility) is greater than 3.00 to 1.00, the Company is prohibited from making greater than $120.0 million of annual dividend payments, capital stock repurchases and certain other payments. If the total leverage ratio is less than 3.00 to 1.00, there are no such restrictions. For the twelve months ended December 31, 2014, there were no such restrictions as the Company's leverage ratio was 2.57 to 1.00.

The high and low closing sales prices of the Company's class A stock during each quarter and the quarterly dividends paid per share of each class of common stock then outstanding during the years ended December 31, 2014 and 2013, are contained in the chart below:

	Dividends Paid		Class A Closing Stock Prices			
			2014		2013	
	2014	2013	High	Low	High	Low
First Quarter	$0.30	$0.30	$26.39	$21.89	$24.42	$20.15
Second Quarter	0.30	0.30	23.64	19.30	24.56	19.69
Third Quarter	0.30	0.30	22.71	19.25	33.84	24.30
Fourth Quarter	0.30	0.30	23.30	18.26	36.56	24.02

Securities Authorized For Issuance Under Equity Compensation Plans

See Part III, Item 12, "Security Ownership of Certain Beneficial Owners and Management and Related Shareholder Matters," of this Annual Report on Form 10-K for certain information regarding the Company's equity compensation plans.

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Issuer Purchases of Equity Securities

On September 6, 2011, the Company's board of directors authorized a share repurchase program of up to $100.0 million of the Company's outstanding class A stock. Under the authorization, share repurchases may be made at the Company's discretion, from time to time, in the open market and/or in privately negotiated transactions as permitted by federal securities laws and other legal requirements. The timing, manner, price and amount of any repurchase will depend on economic and market conditions, share price, trading volume, applicable legal requirements and other factors. The program may be suspended or discontinued at any time. There were no stock repurchases made during the three months ended December 31, 2014. As of December 31, 2014, there were $91.8 million of authorized repurchases remaining under the program.

Stock Performance Information

The following graph compares cumulative shareholder return on Quad/Graphics' class A stock since July 6, 2010 (the date on which Quad/Graphics' class A stock was first publicly traded), as compared to the Standard & Poor's MidCap 400 Index and Standard & Poor's 1500 Commercial Printing Index over the same period. The graph assumes a $100.00 investment in Quad/Graphics common stock at $48.00, which was the closing market price per share on the first day of trading. It also assumes that all dividends are reinvested. The comparison in the graph below is based upon historical stock performance and should not be considered indicative of future stockholder returns.

Indexed Returns

	Base Period 7/6/2010	12/31/2010	12/31/2011	12/31/2012	12/31/2013	12/31/2014
Quad/Graphics, Inc.	$100.00	$85.96	$30.69	$51.13	$71.47	$63.64
S&P MidCap 400 Index	100.00	130.51	128.25	151.18	201.82	221.54
S&P 1500 Commercial Printing Index	100.00	116.67	108.04	97.66	198.56	203.28

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Item 6. Selected Financial Data

The selected consolidated statements of operations data for the years ended December 31, 2014, 2013 and 2012, and the selected consolidated balance sheets data at December 31, 2014 and 2013, are derived from the audited consolidated financial statements of the Company included in Item 8, "Financial Statements and Supplementary Data," of this Annual Report on Form 10-K. The selected consolidated statements of operations data for the years ended December 31, 2011 and 2010, and the consolidated balance sheets data at December 31, 2012, 2011 and 2010, are derived from audited consolidated financial statements not included herein.

SELECTED FINANCIAL DATA
(In millions, except per share data)

	2014	2013	2012	2011	2010
Consolidated Statements of Operations Data:					
Net sales	$4,862.4	$4,795.9	$4,094.0	$4,324.6	$3,185.8
Operating income from continuing operations[1]	141.3	142.2	106.5	156.9	61.6
Net earnings (loss) attributable to Quad/Graphics common shareholders:					
From continuing operations[1]	18.6	32.5	56.6	(8.3)	(245.5) [2]
From discontinued operations[3]	—	—	30.8	(38.6)	(4.6)
Net earnings (loss)[1]	$18.6	$32.5	$87.4	$(46.9)	$(250.1) [2]
Earnings (loss) per diluted share attributable to Quad/Graphics common shareholders:					
From continuing operations	$0.38	$0.65	$1.13	$(0.18)	$(6.55)
From discontinued operations	—	—	0.65	(0.82)	(0.12)
Earnings (loss) per diluted share	$0.38	$0.65	$1.78	$(1.00)	$(6.67)
Consolidated Balance Sheets Data:					
Total assets	$4,077.2	$4,165.7	$4,098.9	$4,735.2	$4,947.0
Long-term debt and capital lease obligations (excluding current portion)	1,329.4	1,272.2	1,227.0	1,367.7	1,461.6
Other Financial Data:					
Dividends per share of common stock[4]	$1.20	$1.20	$3.00	$0.60	$0.50
Cash distributions per share of common stock in connection with the acquisition of World Color Press	—	—	—	—	4.98

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(1) Includes restructuring, impairment and transaction-related charges of $67.3 million, $95.3 million, $118.3 million, $114.0 million and $147.5 million for the years ended December 31, 2014, 2013, 2012, 2011 and 2010, respectively.

(2) In connection with the July 2, 2010, acquisition of World Color Press and the public registration of the Quad/Graphics class A stock, the Company changed the tax status of certain entities within the Quad/Graphics legal structure to C corporation status under the provisions of the Internal Revenue Code. From that point forward, these entities are subject to federal and state income taxes. The impact from the conversion to C corporation status resulted in the recognition of net short-term deferred tax assets of $23.6 million, net long-term deferred tax liabilities of $223.3 million, an increase in accumulated other comprehensive loss due to the impact of foreign currency translation of $0.8 million, and recognition of income tax expense for the year ended December 31, 2010 of $200.5 million.

(3) The results of operations of the Company's Canadian operations have been reported as discontinued operations for all periods presented. Loss from discontinued operations, net of tax, decreased $35.4 million during the year ended December 31, 2012, to a $3.2 million loss, which primarily reflects the sale of the Company's Canadian operations

on March 1, 2012, and the effect of reporting two months of activity as opposed to twelve months for the year ended December 31, 2011. This $3.2 million loss was offset by a gain on disposal of discontinued operations, net of tax, of $34.0 million, resulting in $30.8 million of earnings from discontinued operations for the year ended December 31, 2012.

(4) Dividends per share of common stock in 2012 includes a special dividend of $2.00 per share, which was declared and paid in December 2012. Excludes aggregate tax distributions declared to S corporation shareholders of $2.7 million and $5.2 million for the years ended December 31, 2011 and 2010, respectively. There were no tax distributions declared to S corporation shareholders for the years ended December 31, 2014, 2013 and 2012. Amounts also exclude the July 2, 2010 cash distribution of $4.98 per share of class A stock, class B stock and class C stock to the pre-World Color Press acquisition shareholders of Quad/Graphics.

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Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations

The following discussion of the financial condition and results of operations of Quad/Graphics should be read together with the Quad/Graphics audited consolidated financial statements for each of the three years in the period ended December 31, 2014, including the notes thereto, included in Item 8, "Financial Statements and Supplementary Data," of this Annual Report on Form 10-K. This discussion contains forward-looking statements that reflect the Company's plans, estimates and beliefs. The Company's actual results could differ materially from those discussed in these forward-looking statements. Factors that could cause or contribute to these differences include, but are not limited to, those discussed in "Forward-Looking Statements" and Part I, Item 1A, "Risk Factors," included earlier within this Annual Report on Form 10-K.

Management's discussion and analysis of financial condition and results of operations is provided as a supplement to the Company's consolidated financial statements and accompanying notes to help provide an understanding of the Company's financial condition, the changes in the Company's financial condition and the Company's results of operations. This discussion and analysis is organized as follows:

- Overview. This section includes a general description of the Company's business and segments, an overview of key performance metrics the Company's management measures and utilizes to evaluate business performance, and an overview of trends affecting the Company, including management's actions related to the trends.

- Results of Operations. This section contains an analysis of the Company's results of operations by comparing the results for (1) the year ended December 31, 2014, to the year ended December 31, 2013, and (2) the year ended December 31, 2013, to the year ended December 31, 2012. The comparability of the Company's results of operations between periods was significantly impacted by acquisitions, including the 2013 acquisitions of Vertis, Novia, Proteus and Transpak Corporation ("Transpak") and the 2014 acquisitions of Brown Printing and UniGraphic. The results of operations of all acquisitions are included in the Company's consolidated results prospectively from their respective acquisition dates. Forward-looking statements providing a general description of recent and projected industry and company developments that are important to understanding the Company's results of operations are included in this section. This section also provides a discussion of EBITDA and EBITDA margin, financial measures not prepared in accordance with accounting principles generally accepted in the United States of America ("GAAP") that the Company uses to assess the performance of its business.

- Liquidity and Capital Resources. This section provides an analysis of the Company's capitalization, cash flows, a statement about off-balance sheet arrangements, and a discussion and table of outstanding debt and commitments. The cash flows of the Company's Canadian operations which were sold to Transcontinental have not been reported as discontinued operations and thus are included in all cash flow analysis through the disposition date of March 1, 2012. Forward-looking statements important to understanding the Company's financial condition are also included in this section. This section also provides a discussion of Free Cash Flow and Debt Leverage Ratio, non-GAAP financial measures that the Company uses to assess liquidity and capital allocation and deployment.

- Critical Accounting Policies and Estimates. This section contains a discussion of the accounting policies that the Company's management believes are important to the Company's financial condition and results of operations, as well as allowances and reserves that require significant judgment and estimates on the part of the Company's management. In addition, all of the Company's significant accounting policies, including critical accounting policies, are summarized in Note 1, "Basis of Presentation and Summary of Significant Accounting Policies," to the consolidated financial statements in Item 8, "Financial Statements and Supplementary Data," of this Annual Report on Form 10-K.

- New Accounting Pronouncements. This section provides a discussion of new accounting pronouncements and the anticipated impact of those accounting pronouncements to the Company's consolidated financial statements.

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Overview

Business Overview

Quad/Graphics is a leading global provider of print and media solutions. With consultative ideas, worldwide capabilities, leading-edge technology and single-source simplicity, the Company believes it has the resources and knowledge to help a wide variety of clients in vertical industries, including, but not limited to, retail, publishing, insurance, financial and healthcare. The Company's diverse range of print and related products, services and solutions in North America, South America and Europe primarily include:

- Print Solutions. Including retail inserts, publications, catalogs, special interest publications, journals, direct mail, books, directories, in-store marketing, packaging, newspapers, custom products, other commercial and specialty printed products and paper services.
- Logistics Services. Including mailing solutions, postal consultation, delivery optimization and hygiene services, delivery monitoring and tracking, and distribution, logistics and transportation services.
- Digital Solutions. Including email, image recognition, near-field communication technology, mobile apps, mobile websites and digital publishing.
- Strategy. Including brand, campaign and media planning and placement.
- Data. Including data insights, segmentation and response analysis.
- Creative. Including concept and design, page layout and production, copywriting, interactive solutions, photography, retouching, and video production and optimization.
- Workflow. Including content management, process management, facilities management services, color management, and digital file processing and proofing.

Quad/Graphics remains focused on five primary strategic goals that support its objective to transform the Company and drive performance through innovation. The Company believes these strategic goals will allow it to be successful despite ongoing industry challenges. These goals are summarized as follows:

- Strengthen the Core. Quad/Graphics core print categories—retail inserts, magazines, catalogs, books and directories—have been under pressure in recent years, but remain foundational to most marketer's and publisher's business strategies and generate a significant amount of Free Cash Flow for the Company. Using a disciplined return on capital framework, Quad/Graphics makes significant ongoing investments in its core manufacturing and distribution platform including equipment automation and continuous process improvements, resulting in what it believes is one of the most integrated, automated, efficient and modern manufacturing platforms in the industry. The Company's ability to maintain the strength of its core product lines promotes continued value creation to support future growth opportunities.
- Grow the Business Profitably. The Company believes it is well positioned to grow the business profitably through ongoing innovation, organic growth and disciplined acquisitions. Regarding acquisitions, Quad/Graphics continues to take a disciplined approach to pursue opportunities that expand the Company's business into new product categories and geographies, transform an existing product, or create value-driven industry consolidation. The Company will also look to continue to capitalize on growth opportunities through ongoing investments and innovations in Quad/Graphics existing platform, in addition to helping marketer's and publisher's deliver their brands consistently across multiple

media channels.

Walk in the Shoes of our Clients. The Company is focused on creating a client experience that creates loyalty to the
•Quad/Graphics brand by partnering with our clients to fully understand their internal processes, marketing strategies and challenges so the Company can better deliver the solutions that will

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help them achieve their business objectives. As a business solutions consultant, Quad/Graphics examines everything from clients marketing strategy—including how clients manage their customer data—to production and marketing workflow processes. Through a consultative approach, the Company's ultimate goal is to help clients lower their operating costs, improve productivity and decrease time to market, while providing revenue generating ideas and omnichannel strategies.

- Engage Employees. Quad/Graphics' looks to engage employees through the Company's unique corporate culture, which encourages employees to take pride and ownership in their work, take advantage of continuous learning and job advancement opportunities, share knowledge by mentoring others, and innovate solutions. One key way the Company drives employee engagement is by acting on employee feedback gathered through daily conversations, surveys, roundtable discussions and open forums at Company and departmental meetings.

- Enhance Financial Strength and Create Shareholder Value. Quad/Graphics follows a disciplined approach to maintaining and enhancing financial strength to create shareholder value, which is essential given ongoing industry challenges. This key strategic goal is centered on the Company's ability to maximize Free Cash Flow, net earnings and EBITDA; maintain consistent financial policies to ensure a strong balance sheet and liquidity level; and retain the financial flexibility needed to strategically allocate and deploy capital as circumstances change.

Quad/Graphics operates primarily in the commercial print portion of the printing industry, with related product and service offerings designed to offer clients complete solutions for communicating their message to target audiences. The Company's operating and reportable segments are aligned with how the chief operating decision maker of the Company currently manages the business. The Company's reportable and operating segments are summarized below.

The United States Print and Related Services segment is predominantly comprised of the Company's United States printing operations and is managed as one integrated platform. This includes consumer magazines, catalogs, retail inserts, special interest publications, journals, direct mail, books, directories, in-store marketing, packaging, and other commercial and specialty printed products, together with the related service offerings, including marketing strategy, media planning and placement, data insights, response analytics services, creative services, videography, photography, workflow solutions, digital imaging, facilities management services, digital publishing, interactive print solutions including image recognition and near field communication technology, mailing, distribution, logistics, and data optimization and hygiene services. This segment also includes the design, development, manufacture and service of printing-related auxiliary equipment, as well as the manufacture of ink. The United States Print and Related Services segment accounted for approximately 91% of the Company's consolidated net sales during the year ended December 31, 2014.

The International segment consists of the Company's printing operations in Europe and Latin America, including operations in Poland, Argentina, Brazil, Chile, Colombia, Mexico and Peru. This segment provides printed products and related services consistent with the United States Print and Related Services segment, with the exception of printing-related auxiliary equipment, which is included in the United States Print and Related Services segment. The International segment accounted for approximately 9% of the Company's consolidated net sales during the year ended December 31, 2014.

Corporate consists of unallocated general and administrative activities and associated expenses including, in part, executive, legal and finance. In addition, in 2014 certain expenses and income from frozen employee retirement plans, such as pension and other postretirement benefits plans, are included in Corporate and not allocated to the operating segments.

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Key Performance Metrics Overview

The Company's management believes the ability to generate net sales growth, profit increases and positive cash flow, while maintaining the appropriate level of debt, are key indicators of the successful execution of the Company's business strategy and will increase shareholder value. The Company uses period over period net sales growth, EBITDA, EBITDA margin, net cash provided by operating activities, Free Cash Flow and Debt Leverage Ratio as metrics to measure operating performance, financial condition and liquidity. EBITDA, EBITDA margin, Free Cash Flow and Debt Leverage Ratio are non-GAAP financial measures (see the definitions of EBITDA, EBITDA margin and the reconciliation of net earnings attributable to Quad/Graphics common shareholders to EBITDA in the "Results of Operations" section below, and see the definitions of Free Cash Flow and Debt Leverage Ratio, the reconciliation of net cash provided by operating activities to Free Cash Flow, and the calculation of Debt Leverage Ratio in the "Liquidity and Capital Resources" section below).

Net sales growth. The Company uses period over period net sales growth as a key performance metric. The Company's management assesses net sales growth based on the ability to generate increased net sales through increased sales to existing clients, sales to new clients, sales of new or expanded solutions to existing and new clients and opportunities to expand sales through strategic investments, including acquisitions.

EBITDA and EBITDA margin. The Company uses EBITDA and EBITDA margin as metrics to assess operating performance. The Company's management assesses EBITDA and EBITDA margin based on the ability to increase revenues while controlling variable expense growth.

Net cash provided by operating activities. The Company uses net cash provided by operating activities as a metric to assess liquidity. The Company's management assesses net cash provided by operating activities based on the ability to meet recurring cash obligations while increasing available cash to fund integration and restructuring requirements including acquired operations and other cost reduction activities, as well as to fund capital expenditures, debt service requirements, World Color Press single employer pension plan contributions, World Color Press MEPPs withdrawal liabilities, acquisitions and other investments in future growth and shareholder dividends. Net cash provided by operating activities can be significantly impacted by the timing of non-recurring or infrequent receipts or expenditures.

Free Cash Flow. The Company uses Free Cash Flow as a metric to assess liquidity and capital deployment. The Company's management assesses Free Cash Flow as a measure to quantify cash available for strategic capital allocation and deployment through investments in the business (acquisitions and strategic investments), for strengthening the balance sheet (debt reduction), and returning capital to the shareholders (dividends and share repurchases). The priorities for capital allocation and deployment will change as circumstances dictate for the business, and Free Cash Flow can be significantly impacted by the Company's restructuring activities and other unusual items, such as payments related to completing the World Color Press bankruptcy process.

Debt Leverage Ratio. The Company uses the Debt Leverage Ratio as a metric to assess liquidity and the flexibility of its balance sheet. Consistent with other liquidity metrics, the Company monitors the Debt Leverage Ratio as a measure to determine the appropriate level of debt the Company believes is optimal to operate its business and, accordingly, to quantify debt capacity available for strategic capital allocation and deployment through investments in the business (capital expenditures and acquisitions), for strengthening the balance sheet (debt and pension liability reduction), and returning capital to the shareholders (dividends and share repurchases). The priorities for capital allocation and deployment will change as circumstances dictate for the business, and the Debt Leverage Ratio can be significantly impacted by the amount and timing of large expenditures requiring debt financing, as well as changes in profitability.

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Overview of Trends Affecting Quad/Graphics

Competition in the highly fragmented printing industry remains intense. The industry has excess manufacturing capacity created by declines in industry volumes during the past recession which, in turn, has created continued downward pricing pressures. In addition, digital delivery of documents and data, including the online distribution and hosting of media content and mobile technologies, offer alternatives to traditional delivery of printed documents. Increasing consumer acceptance of digital delivery of content has resulted in marketers and publishers allocating their marketing and advertising spend across the expanding selection of digital delivery options, which further reduces demand and contributes to industry overcapacity. The Company also faces competition from print management firms, which look to streamline processes and reduce the overall print spend of the Company’s clients, as well as from strategic marketing firms focused on helping businesses integrate multiple channels into their marketing campaigns.

The Company believes that a disciplined approach for capital management and a strong balance sheet are critical to be able to invest in profitable growth opportunities and technological advances, thereby providing the highest return for shareholders. Management balances the use of cash between compelling investment opportunities, deleveraging the Company's balance sheet (through reduction in debt and pension and postretirement obligations), and returns to shareholders (including a quarterly shareholder dividend that increased from $0.25 per share in 2012 to $0.30 per share in 2013 and 2014, as well as a $2.00 per share special dividend totaling $93.5 million paid in December 2012).

The Company continues to remain disciplined with its debt leverage. The Company's consolidated debt and capital leases increased by $18.8 million during the year ended December 31, 2014, despite borrowing $139.2 million for capital expenditures and $112.5 million to fund acquisitions (primarily the 2014 Brown and UniGraphic acquisitions). This is due to debt paydown resulting from the Company's operating cash flow generation. The Company expects the Brown Printing acquisition to further contribute to the Company's cash generation, after expending the initial up-front integration costs in 2014, and, consistent with past consolidating acquisitions (such as World Color Press and Vertis) will help deleverage the Company's balance sheet over the long-term. Since the Company completed the World Color Press acquisition in July 2010, the Company has reduced debt and capital leases by $369 million and has reduced the obligations for pension, postretirement and MEPPs by $325 million.

The Company has been working diligently to integrate acquired companies, thereby lowering its cost structure by consolidating its manufacturing platform into its most efficient facilities, as well as realizing purchasing, mailing and logistics efficiencies by centralizing and consolidating print manufacturing volumes and eliminating redundancies in its administrative and corporate operations. These efforts include the deployment of the Company's Smartools® platform to streamline workflows and improve data visibility across the consolidated platform. In addition, restructuring actions initiated by the Company beginning in 2010 have resulted in the announcement of 25 plant closures and have reduced headcount by approximately 8,300 employees through December 31, 2014.

In addition to cost savings through acquisition-related synergies, the Company continues its focus on cost reductions through Lean Manufacturing and Continuous Improvement initiatives, both on the production floor and administrative support, in order to achieve improved efficiencies, reduce waste, lower overall operating costs, enhance quality and timeliness and create a safer work environment for the Company's employees.

Postal costs are a significant component of the cost structures of many of the Company's clients and potential clients, and postal rate changes can influence the number of pieces that these clients are willing to print and mail. In January 2014, the USPS implemented a temporary two-year exigent postage rate increase of 6.0% (includes the normal and expected annual CPI increase of 1.7% and an additional 4.3% temporary exigent increase). In January 2015, the USPS filed a proposal with the PRC for an April 26, 2015 CPI increase of 2.0%. Quad/Graphics has invested significantly in its mail preparation and distribution capabilities to mitigate the impact of increases in postage costs, and to help clients successfully navigate the ever-changing postal environment. Through its data analytics, unique software to merge

mailstreams on a large scale, advanced finishing capabilities and technology, and in-house transportation and logistics operations, the Company manages the mail preparation and distribution of most of its clients' products to maximize efficiency and partially reduce these costs, however the net impact of increasing postal costs may create a decrease in client demand for print and mail products.

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In this increasingly multichannel marketplace, the Company believes that the printing industry will need to make capital investments in new technologies, such as those to deliver targeted and customized print solutions and to deploy multichannel marketing campaigns through the integration of new media. The Company believes its ongoing commitment to technology has been paramount in delivering high-quality and relevant offerings to its customers, as well as driving production efficiencies in response to continued downward print pricing pressures. The Company invested $139 million in capital projects in 2014, and intends to invest $145 million to $165 million in new capital projects in 2015.

When making capital investment decisions, management undertakes a thorough process aimed at driving the strongest contribution to long-term profitability, whether those are fixed asset additions, organic growth opportunities, or acquisitions. Some recent examples of capital investments made by the Company include:

- The Company announced its plan to invest in multiple high-speed color digital web presses on January 14, 2015, as part of a three-year strategy to transform the Company's book platform that includes 20 or more of the widest, most productive digital web presses available in the marketplace today.

- The Company completed the $100 million acquisition of Brown Printing on May 30, 2014. Brown Printing provides magazine and catalog printing, distribution services and integrated media solutions to magazine publishers and catalog marketers in the United States.

- The Company completed the acquisition of UniGraphic, a commercial and specialty printing company based in the Boston metro area on February 5, 2014 for a net purchase price of $11 million. UniGraphic offers commercial and specialty printing, in-store marketing, digital and fulfillment solutions for a wide variety of industries including arts and entertainment, education, financial, food, healthcare, mass media, pharmaceutical and retail. The acquisition expands Quad/Graphics capabilities in the commercial and specialty printing market and strengthens the Company's ability to service national retailers' large-format and in-store marketing needs, adding an East Coast presence to Quad/Graphics existing Midwest and West Coast locations.

- The Company completed the $49 million acquisition of Wisconsin-based Proteus as well as its sister company Transpak on December 18, 2013. Proteus is a designer and manufacturer of high-end paperboard packaging, offering packaging solutions for a wide variety of industries, including automotive, biotechnology, food, personal care, pharmaceuticals, software and electronics. Transpak is a full-service industrial packaging company, offering crating, packaging, warehousing, distribution and logistics services to destinations worldwide. Through the acquisition of the two companies, Quad/Graphics expanded its capabilities to serve the packaging market.

- The Company completed the $13 million acquisition of Novia, an Indianapolis, Indiana healthcare solutions company, on November 7, 2013. Novia develops and manages onsite and shared primary care clinics for small to medium sized companies and the public sector, such as school districts and city and county governments.

- The Company completed its acquisition of substantially all of the assets of Vertis, a provider of retail advertising inserts, direct marketing and in-store marketing solutions, on January 16, 2013. The $265 million purchase price included the payment of $95 million for current assets that were in excess of normalized working capital requirements, for a net purchase price of $170 million. The Company believes the acquisition of Vertis strengthened its client offering with an enhanced range of products and services, and also increased manufacturing flexibility and distribution efficiencies from an extended geographic footprint in the United States.

- The Company entered into a $18 million strategic partnership with India-based Manipal Technologies Limited ("ManipalTech"), through the purchase of a minority equity ownership interest, on March 28, 2012. ManipalTech is

one of India's largest providers of printing services and supports clients' marketing,

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branding and communication needs through print services and technology solutions. The strategic investment expanded Quad/Graphics' geographic reach to Asia and broadened its product and service scope.

The Company is subject to seasonality in its quarterly results as net sales and operating income are higher in the third and fourth quarters of the calendar year as compared to the first and second quarters. The fourth quarter is the highest seasonal quarter for cash flows from operating activities and Free Cash Flow due to the reduction of working capital requirements that reach peak levels during the third quarter. Seasonality is driven by increased magazine advertising page counts, retail inserts, catalogs and books primarily due to back-to-school and holiday-related advertising and promotions. The Company expects this seasonality impact to continue in future years.

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Results of Operations for the Year Ended December 31, 2014 Compared to the Year Ended December 31, 2013

Summary Results

The Company's operating income from continuing operations, operating margin, net earnings attributable to Quad/Graphics common shareholders (computed using a 40% normalized tax rate) and diluted earnings per share attributable to Quad/Graphics common shareholders for the year ended December 31, 2014, changed from the year ended December 31, 2013, as follows (dollars in millions, except per share data):

	Operating Income from Continuing Operations	Operating Margin	Net Earnings Attributable to Quad/Graphics Common Shareholders	Earnings Per Share Attributable to Quad/Graphics Common Shareholders—Diluted
For the year ended December 31, 2013	$142.2	3.0 %	$32.5	$ 0.65
2014 restructuring, impairment and transaction-related charges[1]	(67.3)	(1.4)%	(40.4)	(0.83)
2013 restructuring, impairment and transaction-related charges[2]	95.3	2.0 %	57.2	1.19
Increase in interest expense[3]	N/A	N/A	(4.4)	(0.09)
Increase in loss on debt extinguishment[4]	N/A	N/A	(4.3)	(0.09)
Impact of income taxes[5]	N/A	N/A	(3.1)	(0.06)
Decrease attributable to investments in unconsolidated entities and noncontrolling interests, net of tax[6]	N/A	N/A	(1.5)	(0.03)
Decrease in operating income[7]	(28.9)	(0.7)%	(17.4)	(0.36)
For the year ended December 31, 2014	$141.3	2.9 %	$18.6	$ 0.38

(1) Restructuring, impairment and transaction-related charges of $67.3 million incurred during the year ended December 31, 2014, included:

a. $30.6 million of employee termination charges related to workforce reductions through facility consolidations and involuntary separation programs;

b. $14.4 million of impairment charges including: (1) $8.0 million of impairment charges for machinery and equipment no longer being utilized in production as a result of facility consolidations including Atlanta, Georgia; Dickson, Tennessee; Mexico City, Mexico; Pomona, California; and St. Cloud, Minnesota, as well as other capacity reduction restructuring initiatives and (2) $6.4 million of land and building impairment charges primarily related to the Bristol, Pennsylvania and Dickson, Tennessee plant closures;

c. $2.6 million of transaction-related charges consisting of professional service fees for business acquisition and divestiture activities, which primarily includes professional service fees for the acquisitions of Brown Printing and UniGraphic;

d. $11.2 million of acquisition-related integration costs primarily related to preparing existing facilities to meet new production requirements resulting from work transferring from closed plants, as well as other costs related to the integration of the acquired companies; and

e. $8.5 million of other restructuring charges, including costs to maintain and exit closed facilities, as well as lease exit charges, presented net of a $4.9 million gain from the termination of the postretirement medical benefit plan.

The Company expects to incur additional restructuring and integration costs in future reporting periods in connection with eliminating excess manufacturing capacity and properly aligning its cost structure in conjunction with the Company's acquisitions and strategic investments, and other cost reduction programs.

(2) Restructuring, impairment and transaction-related charges of $95.3 million incurred during the year ended December 31, 2013, included:

a. $15.7 million of employee termination charges related to workforce reductions through facility consolidations and involuntary separation programs;

b. $21.8 million of impairment charges including: (1) $11.7 million of impairment charges for machinery and equipment no longer being utilized in production as a result of facility consolidations including Dubuque, Iowa; Jonesboro, Arkansas; Pittsburg, California and Vancouver, British Columbia, Canada, as well as other capacity reduction restructuring initiatives and (2) $10.1 million of land and building impairment charges primarily related to the Corinth, Mississippi; Marengo, Iowa and Mexico City, Mexico plant closures;

c. $4.0 million of transaction-related charges consisting of professional service fees for business acquisition and divestiture activities, which primarily includes professional service fees for the acquisitions of Vertis, Proteus and Transpak;

d. $25.2 million of acquisition-related integration costs primarily related to preparing existing facilities to meet new production requirements resulting from work transferring from closed plants, as well as other costs related to the integration of the acquired companies; and

e. $28.6 million of other restructuring charges, including costs to maintain and exit closed facilities, as well as lease exit charges, presented net of a $2.1 million pension plan settlement gain.

(3) Interest expense increased $7.4 million ($4.4 million, net of tax) during the year ended December 31, 2014, to $92.9 million. This change was due to a higher weighted average interest rate on borrowings due to the debt financing completed on April 28, 2014, and increased debt levels in 2014 as compared to 2013, primarily related to acquisitions.

(4) A non-recurring $7.2 million loss on debt extinguishment ($4.3 million, net of tax) was recognized during the year ended December 31, 2014, primarily related to the $1.9 billion debt financing arrangements completed on April 28, 2014. The $7.2 million represents certain debt issuance costs that were expensed.

(5) The incremental income tax expense of $3.1 million above the normalized amount as calculated in the following table is primarily due to: (1) $6.8 million of income tax expense recorded in 2014 to establish a valuation allowance for certain operations in Mexico, (2) a $5.2 million decrease in domestic deductions and (3) $1.6 million of one-time foreign benefits in 2013, partially offset by (4) a $10.5 million tax benefit from reversal of reserves for unrecognized tax benefits related to audit settlements or the expiration of the applicable statutes of limitations.

	Year Ended December 31,		
	2014	2013	$ Change
Earnings before income taxes and equity in loss of unconsolidated entities	$41.2	$56.7	$(15.5)
40% normalized tax rate	40.0 %	40.0 %	40.0 %
Income tax expense at 40% normalized tax rate	16.5	22.7	(6.2)
Income tax expense from the consolidated statements of operations	20.2	23.3	3.1
Incremental income tax expense above normalized amount	$(3.7)	$(0.6)	$(3.1)

(6) The decrease attributable to investments in unconsolidated entities and noncontrolling interests, net of tax, of $1.5 million during the year ended December 31, 2014, was primarily due to a decrease of $1.3 million of excluded noncontrolling interest loss in the Company's consolidated statements of operations related to the Company's ownership in Argentina due to the Company increasing its ownership share from 85% to 100%.

(7) Operating income, excluding restructuring, impairment and transaction-related charges, decreased $28.9 million ($17.4 million, net of tax) primarily due to a decline in earnings from ongoing industry volume and pricing pressures, as well as $9.5 million in net gains in 2013 that did not repeat in 2014 related to favorable legal, environmental and bankruptcy related settlements and a gain on the sale of Quad/Graphics' Brazilian operations in January 2013 to the Company's existing Brazilian joint venture with Plural Editoria e Grafica ("Plural"). These declines were partially offset by the operating results from the acquisition of Brown

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Printing and lower employee related costs, including labor productivity improvements. The following discussion provides additional details.

Operating Results

The following table sets forth certain information from the Company's consolidated statements of operations on an absolute dollar basis and as a relative percentage of total net sales for each noted period, together with the relative percentage change in such information between the periods set forth below:

	Year Ended December 31,								
	2014			2013					
	(dollars in millions)								
	Amount	% of Sales		Amount	% of Sales		$ Change	% Change	
Net sales:									
Products	$4,197.5	86.3	%	$4,186.6	87.3	%	$10.9	0.3	%
Services	664.9	13.7	%	609.3	12.7	%	55.6	9.1	%
Total net sales	4,862.4	100.0	%	4,795.9	100.0	%	66.5	1.4	%
Cost of sales:									
Products	3,421.4	70.3	%	3,360.1	70.1	%	61.3	1.8	%
Services	470.5	9.7	%	441.8	9.2	%	28.7	6.5	%
Total cost of sales	3,891.9	80.0	%	3,801.9	79.3	%	90.0	2.4	%
Selling, general & administrative expenses	425.5	8.8	%	416.0	8.6	%	9.5	2.3	%
Depreciation and amortization	336.4	6.9	%	340.5	7.1	%	(4.1)	(1.2	)%
Restructuring, impairment and transaction-related charges	67.3	1.4	%	95.3	2.0	%	(28.0)	(29.4	)%
Total operating expenses	4,721.1	97.1	%	4,653.7	97.0	%	67.4	1.4	%
Operating income from continuing operations	$141.3	2.9	%	$142.2	3.0	%	$(0.9)	(0.6	)%

Net Sales

Product sales increased $10.9 million, or 0.3%, for the year ended December 31, 2014, compared to the year ended December 31, 2013, primarily due to a $253.7 million increase from acquisitions, primarily the Brown Printing acquisition completed on May 30, 2014. This increase was partially offset by a $181.2 million decrease in product sales in the Company's United States core print and specialty print product lines due to ongoing volume and pricing pressures, $33.9 million in lower paper sales and $22.5 million in foreign exchange losses.

Service sales, which primarily consist of imaging, logistics and distribution services, increased $55.6 million, or 9.1%, for the year ended December 31, 2014, compared to the year ended December 31, 2013, primarily due to $33.3 million in increased sales of QuadMed medical services and $22.3 million in increased logistics and imaging sales primarily resulting from acquisitions.

Cost of Sales

Cost of product sales increased $61.3 million, or 1.8%, for the year ended December 31, 2014, compared with the year ended December 31, 2013, primarily due to a $217.7 million increase from cost of product sales resulting from acquisitions, partially offset by lower print and paper volumes and lower employee-related costs in product lines

owned more than a year.

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Cost of product sales as a percentage of net sales increased to 70.3% for the year ended December 31, 2014, from 70.1% for the year ended December 31, 2013, primarily due to the Brown Printing acquisition, which operates with lower gross margins than the Company's historical gross margins.

Cost of service sales increased $28.7 million, or 6.5%, for the year ended December 31, 2014, compared with the year ended December 31, 2013, primarily due to $22.6 million in additional cost of service sales resulting from sales generated by the QuadMed medical services and a $9.5 million increase in freight costs, partially offset by a $5.1 million reduction in costs of service sales related to imaging.

Cost of service sales as a percentage of net sales increased to 9.7% for the year ended December 31, 2014, from 9.2% for the year ended December 31, 2013, primarily due to increased costs of QuadMed medical services and increased freight costs.

Selling, General and Administrative Expenses

Selling, general and administrative expenses increased $9.5 million, or 2.3%, for the year ended December 31, 2014, compared with the year ended December 31, 2013, primarily due to an $8.8 million increase in employee-related costs attributable to acquisitions (predominantly from the Brown Printing acquisition) and $7.7 million of net gains recorded in 2013 that did not repeat in 2014 or at the same level in 2014, including legal, environmental and bankruptcy related expenses as well as a $2.8 million gain on the sale of Quad/Graphics' Brazilian operations in January 2013 to the Company's existing Brazilian joint venture with Plural. These increases were partially offset by a $3.4 million decrease in general administrative and professional fees and a $3.1 million reduction in sales promotion expense. Selling, general and administrative expenses as a percentage of net sales increased from 8.6% to 8.8% between years due to the items discussed in the preceding sentence.

Depreciation and Amortization

Depreciation and amortization decreased $4.1 million, or 1.2%, for the year ended December 31, 2014, compared with the year ended December 31, 2013, primarily due to a $9.7 million decrease in depreciation expense. The decreased depreciation expense is a result of property, plant and equipment becoming fully depreciated over the past year, partially offset by depreciation of property, plant and equipment purchased in the Brown acquisition. The decrease in depreciation expense was partially offset by a $5.6 million increase in amortization expense, primarily due to amortization of customer relationship intangible assets from the companies acquired during 2013 and 2014.

Restructuring, Impairment and Transaction-Related Charges

Restructuring, impairment and transaction-related charges decreased $28.0 million, or 29.4%, for the year ended December 31, 2014, compared with the year ended December 31, 2013, primarily due to a $20.1 million decrease in other restructuring charges, a $14.0 million decrease in acquisition-related integration costs, a $7.4 million decrease in impairment charges and a $1.4 million decrease in transaction-related charges, partially offset by a $14.9 million increase in employee termination charges.

Restructuring, impairment and transaction-related charges of $67.3 million incurred in the year ended December 31, 2014, included: (1) $30.6 million of employee termination charges related to workforce reductions through facility consolidations and involuntary separation programs, (2) $14.4 million of impairment charges, including $8.0 million of impairment charges for machinery and equipment no longer being utilized in production as a result of facility consolidations including Atlanta, Georgia; Dickson, Tennessee; Mexico City, Mexico; Pomona, California; and St. Cloud, Minnesota, as well as other capacity reduction restructuring initiatives and $6.4 million of land and building impairment charges primarily related to the Bristol, Pennsylvania and Dickson, Tennessee plant closures,

(3) $2.6 million of transaction-related charges consisting of professional service fees for business acquisition and divestiture activities, which primarily includes professional service fees for the acquisitions of Brown Printing and UniGraphic, (4) $11.2 million of acquisition-related integration costs primarily related to preparing existing facilities to meet new production requirements resulting from work transferring from closed plants, as well as other costs related to the integration of the acquired companies and (5) $8.5 million of other restructuring charges, including costs to maintain and

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exit closed facilities, as well as lease exit charges, presented net of a $4.9 million gain from the termination of the postretirement medical benefit plan.

Restructuring, impairment and transaction-related charges of $95.3 million incurred in the year ended December 31, 2013, included: (1) $15.7 million of employee termination charges related to workforce reductions through facility consolidations and involuntary separation programs, (2) $21.8 million of impairment charges, including $11.7 million of impairment charges for machinery and equipment no longer being utilized in production as a result of facility consolidations including Dubuque, Iowa; Jonesboro, Arkansas; Pittsburg, California and Vancouver, British Columbia, Canada, as well as other capacity reduction restructuring initiatives and $10.1 million of land and building impairment charges primarily related to the Corinth, Mississippi; Marengo, Iowa and Mexico City, Mexico plant closures, (3) $4.0 million of transaction-related charges consisting of professional service fees for business acquisition and divestiture activities, which primarily includes professional service fees for the acquisitions of Vertis, Proteus and Transpak, (4) $25.2 million of acquisition-related integration costs primarily related to preparing existing facilities to meet new production requirements resulting from work transferring from closed plants, as well as other costs related to the integration of the acquired companies and (5) $28.6 million of other restructuring charges, including costs to maintain and exit closed facilities, as well as lease exit charges, presented net of a $2.1 million pension plan settlement gain.

EBITDA and EBITDA Margin—Consolidated

EBITDA and EBITDA margin for the year ended December 31, 2014, compared to the year ended December 31, 2013, were as follows:

	Year Ended December 31,					
	2014			2013		
	Amount	% of Net Sales		Amount	% of Net Sales	
	(dollars in millions)					
EBITDA and EBITDA margin	$468.1	9.6	%	$481.8	10.0	%

EBITDA decreased $13.7 million for the year ended December 31, 2014, compared to the year ended December 31, 2013, primarily due to: (1) ongoing volume and pricing pressures from excess capacity in the printing industry, (2) $11.3 million in net favorable gains in 2013, that did not repeat at the same level in 2014, (3) $9.5 million of increased selling, general and administrative expenses primarily from the Brown Printing acquisition, and (4) the $7.2 million loss on debt extinguishment recorded in 2014. These impacts were partially offset by $28.0 million of decreased restructuring, impairment and transaction-related charges and the additional earnings on sales generated from acquisitions. The EBITDA margin decreased from 10.0% for the year ended December 31, 2013, to 9.6% for the year ended December 31, 2014, primarily due to the margin impact from lower print pricing in product lines owned more than a year and the acquired Brown Printing operations, which operate with lower margins than the Company's historical margins.

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EBITDA represents net earnings attributable to Quad/Graphics common shareholders, plus (i) interest expense, (ii) income tax expense (if applicable) and (iii) depreciation and amortization, and less income tax benefit (if applicable). EBITDA margin represents EBITDA as a percentage of net sales. EBITDA and EBITDA margin are presented to provide additional information regarding Quad/Graphics' performance and because both are important measures by which Quad/Graphics gauges the profitability and assesses the performance of its business. EBITDA and EBITDA margin are not measures of financial performance in accordance with GAAP. EBITDA and EBITDA margin should not be considered alternatives to net earnings as a measure of operating performance or to cash flows provided by operating activities as a measure of liquidity. Quad/Graphics' calculation of EBITDA and EBITDA margin may be different from the calculations used by other companies and therefore comparability may be limited. A reconciliation of EBITDA to net earnings attributable to Quad/Graphics common shareholders follows:

	Year Ended December 31,	
	2014	2013
	(dollars in millions)	
Net earnings attributable to Quad/Graphics common shareholders[(1)]	$18.6	$32.5
Interest expense	92.9	85.5
Income tax expense	20.2	23.3
Depreciation and amortization	336.4	340.5
EBITDA	$468.1	$481.8

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(1) Net earnings attributable to Quad/Graphics common shareholders includes the effects of:

a. Restructuring, impairment and transaction-related charges of $67.3 million and $95.3 million for the years ended December 31, 2014 and 2013, respectively; and

b. Loss on debt extinguishment of $7.2 million for the year ended December 31, 2014.

United States Print and Related Services

The following table summarizes net sales, operating income, operating margin and certain items impacting comparability within the United States Print and Related Services segment:

	Year Ended December 31,			
	2014	2013		
	(dollars in millions)			
	Amount	Amount	$ Change	% Change
Net sales:				
Products	$3,760.6	$3,746.2	$14.4	0.4 %
Services	645.2	593.5	51.7	8.7 %
Operating income (including restructuring, impairment and transaction-related charges)	197.9	230.7	(32.8)	(14.2)%
Operating margin	4.5 %	5.3 %	N/A	N/A
Restructuring, impairment and transaction-related charges	$52.1	$52.3	$(0.2)	(0.4)%

Net Sales

Product sales for the United States Print and Related Services segment increased $14.4 million, or 0.4%, for the year ended December 31, 2014, compared to the year ended December 31, 2013, primarily due to a $253.7 million increase from acquisitions. This increase was partially offset by a $181.2 million decrease in product sales in the Company's core print and specialty print product lines owned more than a year due to ongoing volume and pricing pressures and a

$45.6 million decrease in paper sales.

Service sales for the United States Print and Related Services segment increased $51.7 million, or 8.7%, for the year ended December 31, 2014, compared to the year ended December 31, 2013, primarily due to $33.3 million in increased sales of QuadMed medical services and $18.4 million in increased logistics and imaging sales primarily resulting from acquisitions.

Operating Income

Operating income for the United States Print and Related Services segment decreased $32.8 million, or 14.2%, for the year ended December 31, 2014, compared to the year ended December 31, 2013, primarily due to the ongoing volume and pricing pressures from excess capacity in the printing industry. This decrease in operating income was partially offset by $30.1 million lower employee-related costs, including labor productivity improvements, and increased operating profit from acquisitions.

Operating margin for the United States Print and Related Services segment decreased to 4.5% for the year ended December 31, 2014, from 5.3% for the year ended December 31, 2013, primarily due to lower print volumes and pricing and the Brown acquisition, which operates with lower margins than the Company's historical margins.

Restructuring, Impairment and Transaction-Related Charges

Restructuring, impairment and transaction-related charges for the United States Print and Related Services segment for the year ended December 31, 2014, were $52.1 million, consisting of: (1) $19.9 million of employee termination charges related to workforce reductions through facility consolidations and involuntary separation programs, (2) $12.7 million of impairment charges, including $7.0 million of impairment charges for machinery and equipment no longer being utilized in production as a result of facility consolidations including Atlanta, Georgia; Dickson, Tennessee; Pomona, California; and St. Cloud, Minnesota, as well as other capacity reduction restructuring initiatives and $5.7 million of land and building impairment charges primarily related to the Bristol, Pennsylvania and Dickson, Tennessee plant closures, (3) $8.8 million of acquisition-related integration costs primarily related to preparing existing facilities to meet new production requirements resulting from work transferring from closed plants, as well as other costs related to the integration of the acquired companies and (4) $10.7 million of other restructuring charges, including costs to maintain and exit closed facilities, as well as lease exit charges.

Restructuring, impairment and transaction-related charges for the United States Print and Related Services segment for the year ended December 31, 2013, were $52.3 million, consisting of: (1) $10.0 million of employee termination charges related to workforce reductions through facility consolidations and involuntary separation programs, (2) $15.6 million of impairment charges, including $10.3 million of impairment charges for machinery and equipment no longer being utilized in production as a result of facility consolidations including Dubuque, Iowa; Jonesboro, Arkansas; Pittsburg, California and Vancouver, British Columbia, Canada, as well as other capacity reduction restructuring initiatives and $5.3 million of land and building impairment charges primarily related to the Corinth, Mississippi and Marengo, Iowa plant closures and (3) $26.7 million of other restructuring charges, including costs to maintain and exit closed facilities, as well as lease exit charges, presented net of a $2.1 million pension plan settlement gain.

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International

The following table summarizes net sales, operating loss, operating margin, certain items impacting comparability and equity in loss of unconsolidated entities within the International segment:

	Year Ended December 31,			
	2014	2013		
	(dollars in millions)			
	Amount	Amount	$ Change	% Change
Net sales:				
Products	$436.9	$440.4	$(3.5)	(0.8)%
Services	19.7	15.8	3.9	24.7%
Operating loss (including restructuring, impairment and transaction-related charges)	(11.2)	(7.7)	(3.5)	(45.5)%
Operating margin	(2.5)%	(1.7)%	N/A	N/A
Restructuring, impairment and transaction-related charges	$9.2	$9.6	$(0.4)	(4.2)%
Equity in loss of unconsolidated entities	(2.7)	(2.5)	(0.2)	8.0%

Net Sales

Product sales for the International segment decreased $3.5 million, or 0.8%, for the year ended December 31, 2014, compared to the year ended December 31, 2013, primarily due to $23.7 million of decreased product sales in Latin America as a result of $23.7 million of foreign exchange losses in Argentina. This decrease was partially offset by $20.2 million of increased sales in Europe driven by an increase in paper sales, higher volumes and a $1.2 million positive impact from foreign currency translation in Europe.

Service sales for the International segment increased $3.9 million, or 24.7%, for the year ended December 31, 2014, compared to the year ended December 31, 2013, primarily due to an increase in logistics revenue in Europe.

Operating Loss

Operating loss for the International segment increased $3.5 million, or 45.5%, for the year ended December 31, 2014, compared to the year ended December 31, 2013, primarily due to the margin impact of lower product sales in Latin America, a $2.8 million gain on the sale of Quad/Graphics' Brazilian operations in January 2013 to the Company's existing Brazilian joint venture with Plural that did not recur in 2014 and a $0.2 million increase in equity loss of unconsolidated entities, as discussed below. These increases in operating loss were partially offset by improvement in operating income in Europe.

Restructuring, Impairment and Transaction-Related Charges

Restructuring, impairment and transaction-related charges for the International segment for the year ended December 31, 2014, were $9.2 million, consisting of: (1) $6.0 million of employee termination charges related to workforce reductions through facility consolidations and involuntary separation programs, (2) $1.7 million of impairment charges, including $1.0 million of impairment charges for machinery and equipment no longer being utilized in production as a result of facility consolidations in Mexico City, Mexico, as well as other capacity reduction restructuring initiatives and $0.7 million of land and building impairment charges as a result of facility consolidations in Poland and (3) $1.5 million of other restructuring charges.

Restructuring, impairment and transaction-related charges for the International segment for the year ended December 31, 2013, were $9.6 million, consisting of: (1) $2.9 million of employee termination charges related to workforce reductions through facility consolidations and involuntary separation programs, (2) $6.2 million of impairment charges, including $4.8 million of land and building impairment charges primarily related to the Mexico City, Mexico plant closure and $1.4 million of impairment charges for machinery and equipment no longer being utilized in production as a result of facility consolidations in Pila, Poland, as well as other capacity reduction restructuring initiatives, (3) $(0.2) million of an adjustment for updated estimates related to employee related liabilities for the integration of Transcontinental's Mexican operations and (4) $0.7 million of other restructuring charges.

Equity in Loss of Unconsolidated Entities

Investments in entities where Quad/Graphics has the ability to exert significant influence, but not control, are accounted for using the equity method of accounting. The Company holds a 49% ownership interest in Plural, a commercial printer based in São Paulo, Brazil. In January 2013, the Company sold 100% of its ownership interest in Quad/Graphics Nordeste Industria Gráfica LTDA. and Quad/Graphics São Paulo Industria Gráfica S.A. to Plural (see Note 9, "Equity Method Investments in Unconsolidated Entities," to the consolidated financial statements in Item 8, "Financial Statements and Supplementary Data," of this Annual Report on Form 10-K for further discussion). The Company also holds a 50% interest in a joint venture based in Santiago, Chile, Quad/Graphics Chile S.A. ("Chile"), that was acquired as part of the World Color Press acquisition. The equity in loss of unconsolidated entities in the International segment increased $0.2 million for the year ended December 31, 2014, compared to the year ended December 31, 2013, primarily due to a decrease in equity earnings at Chile.

Unrestricted Subsidiaries

Unrestricted subsidiaries as defined in the Senior Unsecured Notes indenture represented less than 2.0% of total consolidated net sales for the year ended December 31, 2014.

Corporate

The following table summarizes unallocated operating expenses presented as Corporate:

	Year Ended December 31,			
	2014	2013		
	(dollars in millions)			
	Amount	Amount	$ Change	% Change
Operating expenses (including restructuring, impairment and transaction-related charges)	$45.4	$80.8	$(35.4)	(43.8)%
Restructuring, impairment and transaction-related charges	6.0	33.4	(27.4)	(82.0)%

Operating Expenses

Corporate operating expenses decreased $35.4 million, or 43.8%, for the year ended December 31, 2014, compared with the year ended December 31, 2013, primarily due to a $27.4 million decrease in restructuring, impairment and transaction-related charges and $11.1 million in pension and other postretirement income that is being allocated to Corporate in 2014, instead of to the United States Print and Related Services segment (as was done in 2013), partially offset by a $3.3 million increase in employee-related costs, including costs resulting from the Brown Printing acquisition.

Restructuring, Impairment and Transaction-Related Charges

Corporate restructuring, impairment and transaction-related charges for the year ended December 31, 2014, were $6.0 million, consisting of: (1) $4.7 million of employee termination charges related to workforce reductions

through facility consolidations and involuntary separation programs, (2) $2.6 million of transaction-related charges consisting of professional service fees for business acquisition and divestiture activities, which primarily includes professional service fees for the acquisitions of Brown Printing and UniGraphic, (3) $2.4 million of acquisition-related integration costs primarily related to professional fees and (4) $(3.7) million of other restructuring charges (income), which includes a $4.9 million gain from the termination of the postretirement medical benefit plan.

Corporate restructuring, impairment and transaction-related charges for the year ended December 31, 2013, were $33.4 million, consisting of: (1) $2.8 million of employee termination charges related to workforce reductions through facility consolidations and involuntary separation programs, (2) $4.0 million of transaction-related charges consisting of professional service fees for business acquisition and divestiture activities, which primarily includes professional service fees for the acquisitions of Vertis, Proteus and Transpak, (3) $25.4 million of acquisition-related integration costs primarily related to preparing existing facilities to meet new production requirements resulting from work transferring from closed plants, as well as other costs related to the integration of the acquired companies and (4) $1.2 million of other restructuring charges.

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Results of Operations for the Year Ended December 31, 2013 Compared to the Year Ended December 31, 2012

Summary Results

The Company's operating income from continuing operations, operating margin, net earnings attributable to Quad/Graphics common shareholders and diluted earnings per share attributable to Quad/Graphics common shareholders for the year ended December 31, 2013, changed from the year ended December 31, 2012, as follows (dollars in millions, except per share data):

	Operating Income from Continuing Operations	Operating Margin	Net Earnings Attributable to Quad/Graphics Common Shareholders	Earnings Per Share Attributable to Quad/Graphics Common Shareholders—Diluted
For the year ended December 31, 2012	$106.5	2.6 %	$87.4	$ 1.78
2013 restructuring, impairment and transaction-related charges[1]	(95.3)	(2.0)%	(57.2)	(1.19)
2012 restructuring, impairment and transaction- related charges[2]	118.3	2.9 %	71.0	1.50
Increase in interest expense[3]	N/A	N/A	(0.9)	(0.02)
Increase in income tax expense[4]	N/A	N/A	(41.1)	(0.86)
Loss from discontinued operations in 2012, net of tax[5]	N/A	N/A	3.2	0.07
Gain on disposal of discontinued operations in 2012, net of tax[6]	N/A	N/A	(34.0)	(0.72)
Decrease attributable to investments in unconsolidated entities and noncontrolling interests, net of tax[7]	N/A	N/A	(3.5)	(0.07)
Increase in operating income[8]	12.7	(0.5)%	7.6	0.16
For the year ended December 31, 2013	$142.2	3.0 %	$32.5	$ 0.65

(1) Restructuring, impairment and transaction-related charges of $95.3 million incurred during the year ended December 31, 2013 included:

a. $15.7 million of employee termination charges related to workforce reductions through facility consolidations and involuntary separation programs;

b. $21.8 million of impairment charges: including (1) $10.1 million of land and building impairment charges primarily related to the Corinth, Mississippi; Marengo, Iowa and Mexico City, Mexico plant closures and (2) $11.7 million of impairment charges for machinery and equipment no longer being utilized in production as a result of facility consolidations including Dubuque, Iowa; Jonesboro, Arkansas; Pittsburg, California and Vancouver, British Columbia, Canada, as well as other capacity reduction restructuring initiatives;

c. $4.0 million of transaction-related charges consisting of professional service fees for business acquisition and divestiture activities, which primarily includes professional service fees for the acquisitions of Vertis, Proteus and Transpak;

d. $25.2 million of acquisition-related integration costs primarily related to preparing existing facilities to meet new production requirements resulting from work transferring from closed plants, as well as other costs related to the

integration of the acquired companies; and

e. $28.6 million of other restructuring charges, including costs to maintain and exit closed facilities, as well as lease exit charges, presented net of a $2.1 million pension plan settlement gain.

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The Company expects to incur additional restructuring and integration costs in future reporting periods in connection with eliminating excess manufacturing capacity and properly aligning its cost structure in conjunction with the Company's acquisitions and strategic investments, and other cost reduction programs.

(2) Restructuring, impairment and transaction-related charges of $118.3 million incurred during the year ended December 31, 2012 included:

a. $27.2 million of employee termination charges related to workforce reductions through facility consolidations and involuntary separation programs;

b. $23.0 million of impairment charges including: (1) $13.1 million of land and building impairment charges primarily related to the Limerick, Ireland; Mt. Morris, Illinois; Pila, Poland; Richmond, Virginia and Stillwater, Oklahoma plant closures and (2) $9.9 million of machinery and equipment impairment charges related to facility consolidations including Jonesboro, Arkansas; Mexico City, Mexico; Pila, Poland and Stillwater, Oklahoma, as well as other capacity reduction restructuring initiatives;

c. $4.1 million of transaction-related charges consisting of professional service fees for business acquisition and divestiture activities, primarily related to the acquisition of Vertis and the business exchange transaction with Transcontinental;

d. $44.6 million of acquisition-related integration costs primarily related to preparing existing facilities to meet new production requirements resulting from work transferring from closed plants, as well as other costs related to the integration of the acquired companies; and

e. $19.4 million of other restructuring charges, including costs to maintain and exit closed facilities, as well as lease exit charges, presented net of a $12.8 million curtailment gain as a result of the amendment to postretirement medical benefit plans and a $2.4 million gain on the collection of a note receivable related to a settlement of a disputed pre-acquisition World Color Press note receivable.

(3) Interest expense increased $1.5 million ($0.9 million net of tax) during the year ended December 31, 2013, to $85.5 million. This change was due to an increase in debt levels in 2013 as compared to 2012 primarily related to funding the purchase price for the Vertis acquisition, partially offset by a lower weighted average interest rate on borrowings.

(4) Income tax expense, excluding the tax attributable to restructuring, impairment and transactions-related charges (included as a part of (1) and (2) above), tax attributable to interest expense (included as part of (3) above) and operating income (included as part of (8) below), increased $41.1 million during 2013, primarily due to a $43.5 million benefit recorded during 2012 from decreasing the liability recorded for unrecognized tax benefits related to the settlement of Internal Revenue Service ("IRS") audits and the expiration of the applicable statutes of limitations. This benefit did not recur during the year ended December 31, 2013.

(5) Loss from discontinued operations, net of tax, of $3.2 million during the year ended December 31, 2012, did not recur during the year ended December 31, 2013, due to the completion of the sale of the Company's Canadian operations to Transcontinental on March 1, 2012.

(6) Gain on disposal of discontinued operations, net of tax, of $34.0 million during the year ended December 31, 2012, did not recur during the year ended December 31, 2013, due to the completion of the sale of the Company's Canadian operations to Transcontinental on March 1, 2012.

(7) The decrease attributable to investments in unconsolidated entities and noncontrolling interests, net of tax, of $3.5 million during the year ended December 31, 2013, was primarily due to a $4.8 million decrease in earnings from unconsolidated entities (predominantly related to lower equity earnings at Plural), partially offset by the exclusion of $1.3 million of noncontrolling interest in the Company's consolidated statements of operations related to the Company's 85% ownership of certain operations in Argentina.

(8) Operating income, excluding restructuring, impairment and transaction-related charges, increased $12.7 million ($7.6 million, net of tax) primarily due to incremental net earnings resulting from the Vertis acquisition, partially offset by a decline in net earnings from lower print volumes and lower print pricing in product lines owned more than a year as a result of continued pricing pressure from excess manufacturing capacity in the printing industry. The following discussion provides additional details.

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Operating Results from Continuing Operations

The following table sets forth certain information from the Company's consolidated statements of operations on an absolute dollar basis and as a relative percentage of total net sales for each noted period, together with the relative percentage change in such information between the periods set forth below:

	Year Ended December 31,							
	2013			2012				
	(dollars in millions)							
	Amount	% of Sales		Amount	% of Sales		$ Change	% Change	
Net sales:									
Products	$4,186.6	87.3	%	$3,638.6	88.9	%	$548.0	15.1	%
Services	609.3	12.7	%	455.4	11.1	%	153.9	33.8	%
Total net sales	4,795.9	100.0	%	4,094.0	100.0	%	701.9	17.1	%
Cost of sales:									
Products	3,360.1	70.1	%	2,848.3	69.6	%	511.8	18.0	%
Services	441.8	9.2	%	335.2	8.2	%	106.6	31.8	%
Total cost of sales	3,801.9	79.3	%	3,183.5	77.8	%	618.4	19.4	%
Selling, general & administrative expenses	416.0	8.6	%	347.1	8.4	%	68.9	19.9	%
Depreciation and amortization	340.5	7.1	%	338.6	8.3	%	1.9	0.6	%
Restructuring, impairment and transaction-related charges	95.3	2.0	%	118.3	2.9	%	(23.0)	(19.4	)%
Total operating expenses	4,653.7	97.0	%	3,987.5	97.4	%	666.2	16.7	%
Operating income from continuing operations	$142.2	3.0	%	$106.5	2.6	%	$35.7	33.5	%

Net Sales

Product sales increased $548.0 million, or 15.1%, for the year ended December 31, 2013, compared to the year ended December 31, 2012, primarily due to increased product sales resulting from the Vertis acquisition, partially offset by lower print volumes and lower print pricing in product lines owned more than a year as a result of continued pricing pressure from excess capacity in the printing industry, lower paper sales and negative impact from foreign currency translation.

Service sales, which primarily consist of imaging, logistics and distribution services, increased $153.9 million, or 33.8%, for the year ended December 31, 2013, compared to the year ended December 31, 2012, primarily due to additional service sales from logistics and distribution services and media solutions resulting from the Vertis acquisition, as well as increases in media solutions and logistics and distribution services owned more than a year.

Cost of Sales

Cost of product sales increased $511.8 million, or 18.0%, for the year ended December 31, 2013, compared with the year ended December 31, 2012, primarily due to the Vertis acquisition, partially offset by lower cost of sales due to a decrease in sales related to reduced print volumes from product lines owned more than a year and cost reduction activities.

Cost of product sales as a percentage of net sales increased from 69.6% for the year ended December 31, 2012, to 70.1% for the year ended December 31, 2013, primarily due to the Vertis acquisition, which operates with lower gross margins than the Company's historical gross margins, and lower print volumes and lower print pricing in product lines owned more than a year as a result of continued pricing pressure from excess manufacturing capacity in the printing

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industry. The increase in cost of product sales as a percentage of net sales was partially offset by synergy savings related to the Vertis integration and other cost reduction activities.

Cost of service sales increased $106.6 million, or 31.8%, for the year ended December 31, 2013, compared with the year ended December 31, 2012, primarily due to additional cost of service sales resulting from the Vertis acquisition.

Cost of service sales as a percentage of net sales increased from 8.2% for the year ended December 31, 2012, to 9.2% for the year ended December 31, 2013, primarily due to the Vertis acquisition, which operates with lower gross margins than the Company's historical gross margins.

Selling, General and Administrative Expenses

Selling, general and administrative expenses increased $68.9 million, or 19.9%, for the year ended December 31, 2013, compared with the year ended December 31, 2012, primarily due to $65.6 million in additional selling, general and administrative expenses predominantly resulting from administrative functions at the acquired Vertis manufacturing plants as well as a $6.9 million increase in losses from foreign currency movements. These increases were partially offset by a $2.8 million gain on the sale of Quad/Graphics' Brazilian operations in January 2013 to the Company's existing Brazilian joint venture with Plural and $0.8 million in other net miscellaneous cost decreases. Selling, general and administrative expenses as a percentage of net sales increased from 8.4% to 8.6% between years due to the items discussed in the preceding sentence.

Depreciation and Amortization

Depreciation and amortization increased $1.9 million, or 0.6%, for the year ended December 31, 2013, compared with the year ended December 31, 2012, primarily due to increased capital expenditures and additional depreciation and amortization related to the Vertis acquisition, partially offset by an increase in fully depreciated property, plant and equipment.

Restructuring, Impairment and Transaction-Related Charges

Restructuring, impairment and transaction-related charges decreased $23.0 million, or 19.4%, for the year ended December 31, 2013, compared with the year ended December 31, 2012, primarily due to a $19.4 million decrease in acquisition-related integration costs, a $11.5 million decrease in employee termination charges, a $1.2 million decrease in impairment charges and a $0.1 million decrease in transaction-related charges, partially offset by a $9.2 million increase in other restructuring charges.

Restructuring, impairment and transaction-related charges of $95.3 million incurred in the year ended December 31, 2013, included: (1) $15.7 million of employee termination charges related to workforce reductions through facility consolidations and involuntary separation programs, (2) $21.8 million of impairment charges, including $10.1 million of land and building impairment charges primarily related to the Corinth, Mississippi; Marengo, Iowa and Mexico City, Mexico plant closures and $11.7 million of impairment charges for machinery and equipment no longer being utilized in production as a result of facility consolidations including Dubuque, Iowa; Jonesboro, Arkansas; Pittsburg, California and Vancouver, British Columbia, Canada, as well as other capacity reduction restructuring initiatives, (3) $4.0 million of transaction-related charges consisting of professional service fees for business acquisition and divestiture activities, which primarily includes professional service fees for the acquisitions of Vertis, Proteus and Transpak, (4) $25.2 million of acquisition-related integration costs primarily related to preparing existing facilities to meet new production requirements resulting from work transferring from closed plants, as well as other costs related to the integration of the acquired companies and (5) $28.6 million of other restructuring charges, including costs to maintain and exit closed facilities, as well as lease exit charges, presented net of a $2.1 million pension plan

settlement gain.

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Restructuring, impairment and transaction-related charges of $118.3 million incurred in the year ended December 31, 2012, included: (1) $27.2 million of employee termination charges related to workforce reductions through facility consolidations and involuntary separation programs, (2) $23.0 million of impairment charges, including $13.1 million of land and building impairment charges primarily related to the Limerick, Ireland; Mt. Morris, Illinois; Pila, Poland; Richmond, Virginia and Stillwater, Oklahoma plant closures and $9.9 million of machinery and equipment impairment charges related to facility consolidations including Jonesboro, Arkansas; Mexico City, Mexico; Pila, Poland and Stillwater, Oklahoma, as well as other capacity reduction restructuring initiatives, (3) $4.1 million of transaction-related charges consisting of professional service fees for business acquisition and divestiture activities, primarily related to the acquisition of Vertis and the business exchange transaction with Transcontinental, (4) $44.6 million of acquisition-related integration costs primarily related to preparing existing facilities to meet new production requirements resulting from work transferring from closed plants, as well as other costs related to the integration of the acquired companies and (5) $19.4 million of other restructuring charges, including costs to maintain and exit closed facilities, as well as lease exit charges, presented net of a $12.8 million curtailment gain as a result of the amendment to postretirement medical benefit plans and a $2.4 million gain on the collection of a note receivable related to a settlement of a disputed pre-acquisition World Color Press note receivable.

EBITDA and EBITDA Margin—Consolidated

EBITDA and EBITDA margin for the year ended December 31, 2013, compared to the year ended December 31, 2012, were as follows:

	Year Ended December 31,			
	2013		2012	
	Amount	% of Net Sales	Amount	% of Net Sales
	(dollars in millions)			
EBITDA and EBITDA margin	$481.8	10.0 %	$478.5	11.7 %

EBITDA increased $3.3 million for the year ended December 31, 2013, compared to the year ended December 31, 2012, primarily due to the margin impact of a $701.9 million, or 17.1%, increase in net sales substantially resulting from the Vertis acquisition, $23.0 million of decreased restructuring, impairment and transaction-related charges and a $3.2 million loss from discontinued operations, net of tax, recorded during the year ended December 31, 2012, that did not recur in 2013. These impacts were partially offset by $68.9 million of increased selling, general and administrative expenses as a result of the Vertis acquisition, the margin impact of lower print volumes and lower print pricing in product lines owned more than a year, and a $34.0 million gain on disposal of discontinued operations, net of tax, recorded during the year ended December 31, 2012, that did not recur in 2013. While EBITDA increased, EBITDA margin decreased from 11.7% for the year ended December 31, 2012 to 10.0% for the year ended December 31, 2013 primarily due to the acquired Vertis operations, which operate with lower gross margins than the Company's historical gross margins, and the margin impact from lower print pricing in product lines owned more than a year.

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EBITDA represents net earnings attributable to Quad/Graphics common shareholders, plus (i) interest expense, (ii) income tax expense (if applicable) and (iii) depreciation and amortization, and less income tax benefit (if applicable). EBITDA margin represents EBITDA as a percentage of net sales. EBITDA and EBITDA margin are presented to provide additional information regarding Quad/Graphics' performance and because both are important measures by which Quad/Graphics gauges the profitability and assesses the performance of its business. EBITDA and EBITDA margin are not measures of financial performance in accordance with GAAP. EBITDA and EBITDA margin should not be considered alternatives to net earnings as a measure of operating performance or to cash flows provided by operating activities as a measure of liquidity. Quad/Graphics' calculation of EBITDA and EBITDA margin may be different from the calculations used by other companies and therefore comparability may be limited. A reconciliation of EBITDA to net earnings attributable to Quad/Graphics common shareholders follows:

	Year Ended December 31,	
	2013	2012
	(dollars in millions)	
Net earnings attributable to Quad/Graphics common shareholders[1]	$32.5	$87.4
Interest expense	85.5	84.0
Income tax expense (benefit)	23.3	(31.5)
Depreciation and amortization	340.5	338.6
EBITDA	$481.8	$478.5

(1) Net earnings attributable to Quad/Graphics common shareholders includes the effects of:

a. Restructuring, impairment and transaction-related charges of $95.3 million and $118.3 million for the years ended December 31, 2013 and 2012, respectively;

b. Loss from discontinued operations, net of tax, was $3.2 million for the year ended December 31, 2012, respectively. EBITDA from discontinued operations was $(3.2) million for the year ended December 31, 2012, and included restructuring, impairment and transaction-related charges of $1.7 million for the year ended December 31, 2012.

c. Gain on disposal of discontinued operations, net of tax of $34.0 million for the year ended December 31, 2012.

United States Print and Related Services

The following table summarizes net sales, operating income, operating margin and certain items impacting comparability within the United States Print and Related Services segment:

	Year Ended December 31,			
	2013	2012		
	(dollars in millions)			
	Amount	Amount	$ Change	% Change
Net sales:				
Products	$3,746.2	$3,151.3	$594.9	18.9 %
Services	593.5	446.6	146.9	32.9 %
Operating income (including restructuring, impairment and transaction-related charges)	230.7	216.5	14.2	6.6 %
Operating margin	5.3 %	6.0 %	N/A	N/A
Restructuring, impairment and transaction-related charges	$52.3	$48.5	$3.8	7.8 %

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Net Sales

Product sales for the United States Print and Related Services segment increased $594.9 million, or 18.9%, for the year ended December 31, 2013, compared to the year ended December 31, 2012, primarily due to increased product sales resulting from the Vertis acquisition, partially offset by lower print volumes and lower print pricing in product lines owned more than a year as a result of continued pricing pressure from excess capacity in the printing industry and lower paper sales.

Service sales for the United States Print and Related Services segment increased $146.9 million, or 32.9%, for the year ended December 31, 2013, compared to the year ended December 31, 2012, primarily due to additional service sales from logistics and distribution services and media solutions resulting from the Vertis acquisition, as well as increases in media solutions and logistics and distribution services owned more than a year.

Operating Income

Operating income for the United States Print and Related Services segment increased $14.2 million, or 6.6%, for the year ended December 31, 2013, compared to the year ended December 31, 2012, primarily due to the Vertis acquisition, partially offset by the margin impact of lower print volumes and lower print pricing in product lines owned more than a year as a result of continued pricing pressure from excess capacity in the printing industry, and $3.8 million in increased restructuring, impairment and transaction-related charges.

Operating margin for the United States Print and Related Services segment decreased from 6.0% for the year ended December 31, 2012, to 5.3% for the year ended December 31, 2013, primarily due to the Vertis acquisition, which operates with lower gross margins than the Company's historical gross margins, lower print volumes and pricing as discussed in the preceding paragraph and increased restructuring, impairment and transaction-related charges.

Restructuring, Impairment and Transaction-Related Charges

Restructuring, impairment and transaction-related charges for the United States Print and Related Services segment for the year ended December 31, 2013, were $52.3 million, consisting of: (1) $10.0 million of employee termination charges related to workforce reductions through facility consolidations and involuntary separation programs, (2) $15.6 million of impairment charges, including $5.3 million of land and building impairment charges primarily related to the Corinth, Mississippi and Marengo, Iowa plant closures and $10.3 million of impairment charges for machinery and equipment no longer being utilized in production as a result of facility consolidations including Dubuque, Iowa; Jonesboro, Arkansas; Pittsburg, California and Vancouver, British Columbia, Canada, as well as other capacity reduction restructuring initiatives and (3) $26.7 million of other restructuring charges, including costs to maintain and exit closed facilities, as well as lease exit charges, presented net of a $2.1 million pension plan settlement gain.

Restructuring, impairment and transaction-related charges for the United States Print and Related Services segment for the year ended December 31, 2012, were $48.5 million, consisting of: (1) $20.2 million of employee termination charges related to workforce reductions through facility consolidations and involuntary separation programs, (2) $11.9 million of impairment charges, including $7.0 million of land and building impairment charges primarily related to the Mt. Morris, Illinois; Richmond, Virginia and Stillwater, Oklahoma plant closures and $4.9 million of machinery and equipment impairment charges related to facility consolidations including Jonesboro, Arkansas and Stillwater, Oklahoma, as well as other capacity reduction restructuring initiatives and (3) $16.4 million of other restructuring charges including costs to maintain and exit closed facilities, as well as lease exit charges, presented net of a $12.8 million curtailment gain as a result of the amendment to postretirement medical benefit plans and a $2.4 million gain on the collection of a note receivable related to a settlement of a disputed pre-acquisition World

Color Press note receivable.

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International

The following table summarizes net sales, operating loss, operating margin, certain items impacting comparability and equity in earnings (loss) of unconsolidated entities within the International segment:

	Year Ended December 31,			
	2013	2012		
	(dollars in millions)			
	Amount	Amount	$ Change	% Change
Net sales:				
Products	$440.4	$487.3	$(46.9)	(9.6)%
Services	15.8	8.8	7.0	79.5%
Operating loss (including restructuring, impairment and transaction-related charges)	(7.7)	(24.8)	17.1	69.0%
Operating margin	(1.7)%	(5.0)%	N/A	N/A
Restructuring, impairment and transaction-related charges	$9.6	$26.3	$(16.7)	(63.5)%
Equity in earnings (loss) of unconsolidated entities	(2.5)	2.3	(4.8)	(208.7)%

Net Sales

Product sales for the International segment decreased $46.9 million, or 9.6%, for the year ended December 31, 2013, compared to the year ended December 31, 2012, primarily due to the sale of Quad/Graphics' Brazilian operations in January 2013 to the Company's existing Brazilian joint venture with Plural, which reduced product sales by $19.9 million, $17.2 million of lower sales in Europe related predominantly to lower paper sales and print volumes and $8.1 million of lower sales in Mexico.

Service sales for the International segment increased $7.0 million, or 79.5%, for the year ended December 31, 2013, compared to the year ended December 31, 2012, primarily due to an increase in logistics revenue in Europe.

Operating Loss

Operating loss for the International segment decreased $17.1 million, or 69.0%, for the year ended December 31, 2013, compared to the year ended December 31, 2012, primarily due to a $16.7 million decrease in restructuring, impairment and integration expenses, a $3.7 million reduction in operating losses from 2012 in Brazil, and a $2.8 million gain on the sale of Quad/Graphics' Brazilian operations in January 2013. These reductions in operating loss were partially offset by a $4.8 million decrease in equity earnings of unconsolidated entities, as discussed below.

Restructuring, Impairment and Transaction-Related Charges

Restructuring, impairment and transaction-related charges for the International segment for the year ended December 31, 2013, were $9.6 million, consisting of: (1) $2.9 million of employee termination charges related to workforce reductions through facility consolidations and involuntary separation programs, (2) $6.2 million of impairment charges, including $4.8 million of land and building impairment charges primarily related to the Mexico City, Mexico plant closure and $1.4 million of impairment charges for machinery and equipment no longer being utilized in production as a result of facility consolidations in Pila, Poland, as well as other capacity reduction restructuring initiatives, (3) $(0.2) million of an adjustment for updated estimates related to employee related liabilities for the integration of Transcontinental's Mexican operations and (4) $0.7 million of other restructuring charges.

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Restructuring, impairment and transaction-related charges for the International segment for the year ended December 31, 2012, were $26.3 million, consisting of: (1) $7.0 million of employee termination charges related to workforce reductions through facility consolidations and involuntary separation programs, (2) $11.1 million of impairment charges, including $6.1 million of land and building impairment charges primarily related to the Limerick, Ireland and Pila, Poland plant closures and $5.0 million of machinery and equipment impairment charges related to facility consolidations including Mexico City, Mexico and Pila, Poland, as well as other capacity reduction restructuring initiatives, (3) $5.6 million of integration costs primarily related to the integration of the acquired companies and (4) $2.6 million of other restructuring charges.

Equity in Earnings (Loss) of Unconsolidated Entities

Investments in entities where Quad/Graphics has the ability to exert significant influence, but not control, are accounted for using the equity method of accounting. The Company holds a 49% ownership interest in Plural, a commercial printer based in São Paulo, Brazil. In January 2013, the Company sold 100% of its ownership interest in Quad/Graphics Nordeste Industria Gráfica LTDA. and Quad/Graphics São Paulo Industria Gráfica S.A. to Plural (see Note 9, "Equity Method Investments in Unconsolidated Entities," to the consolidated financial statements in Item 8, "Financial Statements and Supplementary Data," of this Annual Report on Form 10-K for further discussion). The Company also holds a 50% interest in a joint venture based in Santiago, Chile, Quad/Graphics Chile S.A. ("Chile"), that was acquired as part of the World Color Press acquisition. The equity in earnings (loss) of unconsolidated entities in the International segment decreased $4.8 million for the year ended December 31, 2013 compared to the year ended December 31, 2012, primarily due to a $4.7 million decrease in equity earnings at Plural.

Corporate

The following table summarizes unallocated operating expenses presented as Corporate:

	Year Ended December 31,			
	2013	2012		
	(dollars in millions)			
	Amount	Amount	$ Change	% Change
Operating expenses (including restructuring, impairment and transaction-related charges)	$80.8	$85.2	$(4.4)	(5.2)%
Restructuring, impairment and transaction-related charges	33.4	43.5	(10.1)	(23.2)%

Operating Expenses

Corporate operating expenses decreased $4.4 million, or 5.2%, for the year ended December 31, 2013, compared with the year ended December 31, 2012, primarily due to a $10.1 million decrease in restructuring, impairment and transaction-related charges, partially offset by a $5.3 million increase in employee related costs (of which $4.0 million was an increase in non-cash stock-based compensation expense) and $0.4 million of other net miscellaneous expense increases.

Restructuring, Impairment and Transaction-Related Charges

Corporate restructuring, impairment and transaction-related charges for the year ended December 31, 2013, were $33.4 million, consisting of: (1) $2.8 million of employee termination charges related to workforce reductions through facility consolidations and involuntary separation programs, (2) $4.0 million of transaction-related charges consisting of professional service fees for business acquisition and divestiture activities, which primarily includes professional

service fees for the acquisitions of Vertis, Proteus and Transpak, (3) $25.4 million of acquisition-related integration costs primarily related to preparing existing facilities to meet new production requirements resulting from work transferring from closed plants, as well as other costs related to the integration of the acquired companies and (4) $1.2 million of other restructuring charges.

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Corporate restructuring, impairment and transaction-related charges for the year ended December 31, 2012, were $43.5 million, consisting of: (1) $4.1 million of transaction-related charges consisting of professional service fees for business acquisition and divestiture activities, primarily related to the acquisition of Vertis and the business exchange transaction with Transcontinental, (2) $39.0 million of acquisition-related integration costs primarily related to preparing existing facilities to meet new production requirements resulting from work transferring from closed plants, as well as other costs related to the integration of the acquired companies and (3) $0.4 million of other restructuring charges.

Liquidity and Capital Resources

The Company utilizes cash flows from operating activities and borrowings under its credit facilities to satisfy its liquidity and capital requirements. The Company believes its expected future cash flows from operating activities and $754.1 million of unused available capacity under the revolving credit facility, net of $52.0 million of issued letters of credit, as of December 31, 2014, provide sufficient resources to fund ongoing operating requirements and the integration and restructuring requirements related to acquired operations, as well as future capital expenditures, debt service requirements, World Color Press single employer pension plan contributions, World Color Press MEPPs withdrawal payments, investments in future growth to create value for its shareholders and shareholder dividends. Borrowings under the $850.0 million revolving credit facility were $43.9 million as of December 31, 2014, and peak borrowings were $315.0 million during the year ended December 31, 2014.

Net Cash Provided by Operating Activities

Year Ended December 31, 2014 Compared to Year Ended December 31, 2013

Net cash provided by operating activities was $293.2 million for the year ended December 31, 2014, compared to $441.1 million for the year ended December 31, 2013, resulting in a $147.9 million decrease in cash provided by operating activities. The decrease was primarily due to a $161.3 million decrease in cash flows from changes in operating assets and liabilities and a $5.0 million decrease in dividends from unconsolidated entities, partially offset by $18.4 million of improved operating cash flows from earnings (excluding non-cash items). The $161.3 million decrease in cash flows from changes in operating assets and liabilities was primarily related to an estimated $90 million one-time benefit realized during 2013 from the restoration of normalized working capital levels following the acquisition of Vertis, which was acquired without normalized levels of accounts payable and certain liabilities. The remaining change is due to an increase of $71 million in cash used for working capital primarily due to an increase in accounts receivable.

Year Ended December 31, 2013 Compared to Year Ended December 31, 2012

Net cash provided by operating activities was $441.1 million for the year ended December 31, 2013, compared to $354.2 million for the year ended December 31, 2012, resulting in a $86.9 million increase in cash provided by operating activities. The increase was primarily due to a $81.4 million increase in cash flows from changes in operating assets and liabilities and a $4.5 million increase in dividends from unconsolidated entities. The changes in operating assets and liabilities is primarily related to an estimated $90 million one-time benefit realized in 2013 from the restoration of normalized working capital levels following the acquisition of Vertis, which was acquired without normalized levels of accounts payable and certain liabilities.

Net Cash Used in Investing Activities

Year Ended December 31, 2014 Compared to Year Ended December 31, 2013

Net cash used in investing activities was $224.2 million for the year ended December 31, 2014, compared to $430.6 million for the year ended December 31, 2013, resulting in a $206.4 million decrease in cash used in investing activities. The decrease was primarily due to $179.4 million of reduced cash payments related to acquisitions and strategic investments, predominantly driven by the $235.4 million net cash paid for the Vertis acquisition on January 16, 2013 and the $43.1 million net cash paid for the Proteus and Transpak acquisitions on December 18, 2013, less the $96.4 million net cash paid for the Brown Printing acquisition on May 30, 2014. The decrease in cash used in investing

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activities is also attributable to: (1) a $20.3 million increase in receipts of restricted cash and (2) a $10.3 million decrease in purchases of property, plant and equipment in 2014.

Year Ended December 31, 2013 Compared to Year Ended December 31, 2012

Net cash used in investing activities was $430.6 million for the year ended December 31, 2013, compared to $70.1 million for the year ended December 31, 2012, resulting in a $360.5 million increase in cash used in investing activities. The increase was primarily due to a $285.3 million increase in cash invested in acquiring businesses. The 2013 acquisitions included the $235.4 million net cash outlay related to the acquisition of Vertis on January 16, 2013 (which represents the total $265.4 million Vertis purchase price less a $25.9 million payment made during the fourth quarter of 2012 and less $4.1 million of cash acquired). The Company also acquired Proteus and Transpak on December 18, 2013, and made a cash payment of $43.1 million as part of the acquisition consideration. In addition to cash invested to complete acquisitions, other factors causing the increase in cash used in investing activities include: (1) a $50.0 million refund of the deposit related to the Transcontinental acquisition received during 2012 that did not recur during 2013 and (2) a $46.0 million increase in purchases of property, plant and equipment in 2013. These impacts were partially offset by the $18.1 million ManipalTech cost method investment made on March 28, 2012.

Net Cash Used in Financing Activities

Year Ended December 31, 2014 Compared to Year Ended December 31, 2013

Net cash used in financing activities was $71.7 million for the year ended December 31, 2014, compared to $10.2 million for the year ended December 31, 2013, resulting in a $61.5 million increase in cash used in financing activities. The increase was primarily due to: (1) a $29.8 million decrease in net debt borrowings in 2014 as compared to 2013, (2) $16.5 million of debt issuance costs paid in 2014 related to the April 28, 2014 $1.9 billion debt financing arrangements, the October 10, 2014 redemption of $108.8 million of its senior notes under the master note and security agreement and the November 24, 2014 amendment to the master note and security agreement, (3) $6.9 million reduced net cash proceeds from equity incentive instruments and (4) $4.8 million higher dividend payments in 2014.

Year Ended December 31, 2013 Compared to Year Ended December 31, 2012

Net cash used in financing activities was $10.2 million for the year ended December 31, 2013, compared to $285.6 million for the year ended December 31, 2012, resulting in a $275.4 million decrease in cash used in financing activities. The decrease was primarily due to net debt borrowings of $41.3 million in 2013, compared to net debt repayments of $121.0 million in 2012, representing a $162.3 million decrease in net cash used in financing activities. In addition, cash dividend payments decreased $95.4 million between years due to a $93.5 million, or $2.00 per share, special dividend paid in December 2012, and World Color Press bankruptcy claim payments on unsecured notes to be issued decreased $10.4 million in 2013.

Free Cash Flow

Free Cash Flow is defined as net cash provided by operating activities less purchases of property, plant and equipment.

The Company's management assesses Free Cash Flow as a measure to quantify cash available for (1) strategic capital allocation and deployment through investments in the business (acquisitions and strategic investments), (2) strengthening the balance sheet (debt reduction) and (3) returning capital to the shareholders (dividends and share repurchases). The priorities for capital allocation and deployment will change as circumstances dictate for the

business, and Free Cash Flow can be significantly impacted by the Company's restructuring activities and other unusual items, such as payments related to completing the World Color Press bankruptcy process.

Free Cash Flow is a non-GAAP measure. Free Cash Flow should not be considered an alternative to cash flows provided by operating activities as a measure of liquidity. Quad/Graphics' calculation of Free Cash Flow may be different from similar calculations used by other companies and, therefore, comparability may be limited.

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Free Cash Flow for the years ended December 31, 2014, 2013 and 2012 was as follows:

	Year Ended December 31,		
	2014	2013	2012
	(dollars in millions)		
Net cash provided by operating activities	$293.2	$441.1	$354.2
Less: purchases of property, plant and equipment	(139.2)	(149.5)	(103.5)
Free Cash Flow	$154.0	$291.6	$250.7

Free Cash Flow decreased $137.6 million for the year ended December 31, 2014, compared to the year ended December 31, 2013, due to a $147.9 million decrease in net cash provided by operating activities, partially offset by a $10.3 million decrease in capital expenditures. The $147.9 million decrease in net cash provided by operating activities includes an estimated $90 million one-time benefit realized during 2013 from the restoration of normalized working capital levels following the acquisition of Vertis and an increase of $71 million in cash used for working capital primarily due to an increase in accounts receivable.

Free Cash Flow increased $40.9 million for the year ended December 31, 2013, compared to the year ended December 31, 2012, due to a $86.9 million increase in net cash provided by operating activities primarily as a result of the estimated $90 million one-time benefit realized during 2013 from the restoration of normalized working capital levels following the acquisition of Vertis. This was partially offset by a $46.0 million increase in capital expenditures.

See the "Net Cash Provided by Operating Activities" section above for further explanations of the changes in operating cash flows and the "Net Cash Used in Investing Activities" section above for further explanations of the changes in purchases of property, plant and equipment.

Debt Leverage Ratio

The Debt Leverage Ratio is defined as total debt and capital lease obligations divided by the sum of: (1) the last twelve months of EBITDA (see the definition of EBITDA and the reconciliation of net earnings attributable to Quad/Graphics common shareholders to EBITDA in the "Results of Operations" section above), (2) restructuring, impairment and transaction-related charges, (3) loss on debt extinguishment and (4) pro forma historical results related to the May 30, 2014 acquisition of Brown Printing.

The Company uses the Debt Leverage Ratio as a metric to assess liquidity and the flexibility of its balance sheet. Consistent with other liquidity metrics, the Company monitors the Debt Leverage Ratio as a measure to determine the appropriate level of debt the Company believes is optimal to operate its business and, accordingly, to quantify debt capacity available for strategic capital allocation and deployment through investments in the business (capital expenditures and acquisitions), for strengthening the balance sheet (debt and pension liability reduction), and for returning capital to the shareholders (dividends and share repurchases). The priorities for capital allocation and deployment will change as circumstances dictate for the business, and the Debt Leverage Ratio can be significantly impacted by the amount and timing of large expenditures requiring debt financing, as well as changes in profitability.

The Debt Leverage Ratio is a non-GAAP measure, and should not be considered an alternative to cash flows provided by operating activities as a measure of liquidity. Quad/Graphics' calculation of the Debt Leverage Ratio may be different from similar calculations used by other companies and, therefore, comparability may be limited.

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The Debt Leverage Ratio calculated below differs from both the total leverage ratio and senior secured leverage ratio included in the Company's debt covenant calculations (see Note 13, "Debt," to the consolidated financial statements in Item 8, "Financial Statements and Supplementary Data," of this Annual Report on Form 10-K for further information on debt covenants). The total leverage ratio included in the Company's debt covenants includes letters of credit as debt, excludes non-cash stock-based compensation expense from EBITDA and includes certain pro forma historical results of acquisitions and divestitures in EBITDA. Similarly, the senior secured leverage ratio included in the Company's debt covenants includes and excludes the same adjustments as the total leverage ratio, in addition to the exclusion of the outstanding balance of the Senior Unsecured Notes.

The Debt Leverage Ratio as of December 31, 2014 and 2013, was as follows:

	December 31, 2014	December 31, 2013
	(dollars in millions)	
Total debt and capital lease obligations on the consolidated balance sheets	$1,425.6	$1,406.8
Divided by:		
Quad/Graphics EBITDA as adjusted for purposes of calculating Debt Leverage Ratio for the year ended	$542.6	$577.1
January 1, 2014 to May 29, 2014 Brown Printing pro forma EBITDA as adjusted for purposes of calculating the Debt Leverage Ratio(1)	5.2	—
Pro forma EBITDA as adjusted for purposes of calculating the Debt Leverage Ratio for the year ended	$547.8	$577.1
Debt Leverage Ratio	2.60 x	2.44 x

(1) As permitted by the Senior Secured Credit Facility, certain pro forma financial information related to the acquisition of Brown Printing was included when calculating the Debt Leverage Ratio as of December 31, 2014. As the acquisition of Brown Printing was completed on May 30, 2014, the $5.2 million pro forma EBITDA as adjusted for purposes of calculating the Debt Leverage Ratio represents the period from January 1, 2014 to May 29, 2014. Pro forma EBITDA as adjusted for purposes of calculating the Debt Leverage Ratio for Brown Printing was calculated in a consistent manner with the calculation above for Quad/Graphics. Brown Printing's financial information subsequent to the May 30, 2014 acquisition has been included within the Quad/Graphics EBITDA as adjusted for purposes of calculating the Debt Leverage Ratio as the results of Brown Printing have been consolidated with Quad/Graphics' financial results since that date. If the pro forma EBITDA as adjusted for purposes of calculating the Debt Leverage Ratio for Brown Printing was not included in the calculation, the Company's Debt Leverage Ratio would have been 2.63x.

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The calculation of Quad/Graphics EBITDA as adjusted for purposes of calculating the Debt Leverage Ratio for the years ended December 31, 2014 and 2013, was as follows:

	Year Ended December 31,	
	2014	2013
	(dollars in millions)	
Net earnings attributable to Quad/Graphics common shareholders	$18.6	$32.5
Interest expense	92.9	85.5
Income tax expense	20.2	23.3
Depreciation and amortization	336.4	340.5
EBITDA	$468.1	$481.8
Restructuring, impairment and transaction-related charges	67.3	95.3
Loss on debt extinguishment	7.2	—
Quad/Graphics EBITDA as adjusted for purposes of calculating Debt Leverage Ratio	$542.6	$577.1

The Debt Leverage Ratio increased 0.16x at December 31, 2014, compared to December 31, 2013, primarily due to decreased Quad/Graphics EBITDA as adjusted for purposes of calculating the Debt Leverage Ratio. The Debt Leverage Ratio also decreased due to increased borrowings in 2014 of $18.8 million primarily to fund acquisitions and strategic investments (such as Brown Printing and UniGraphic), partially offset by debt paydown resulting from the Company's operating cash flow generation. The Debt Leverage Ratio at December 31, 2014 of 2.60x is above management's desired target Debt Leverage Ratio range of 2.0x to 2.5x; however, the Company operates at times above or below the Debt Leverage Ratio target range depending on the timing of compelling strategic investment opportunities like the Brown Printing and UniGraphic acquisitions and seasonal working capital needs.

Description of Significant Outstanding Debt Obligations as of December 31, 2014

As of December 31, 2014, the Company utilized a combination of debt instruments to fund cash requirements, including:

- $1.9 Billion Debt Financing Arrangements which includes:

Senior Secured Credit Facility:

$850.0 million revolving credit facility ($43.9 million outstanding as of December 31, 2014);

$450.0 million Term Loan A ($438.8 million outstanding as of December 31, 2014); and

$300.0 million Term Loan B ($295.8 million outstanding as of December 31, 2014);

Senior Unsecured Notes ($300.0 million outstanding as of December 31, 2014);

- Master Note and Security Agreement ($316.6 million outstanding as of December 31, 2014); and a
- $14.3 million international revolving credit facility ($0.2 million outstanding as of December 31, 2014).

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$1.9 Billion Debt Financing Arrangements

The Company completed its $1.9 billion debt financing agreement on April 28, 2014, which included refinancing, extending and expanding its existing revolving credit facility, Term Loan A and Term Loan B with a $1.6 billion senior secured credit facility (the "Senior Secured Credit Facility") and the issuance of $300.0 million aggregate principal amount of its unsecured 7.0% senior notes due May 1, 2022 (the "Senior Unsecured Notes"). The Senior Secured Credit Facility and the Senior Unsecured Notes were entered into to extend and stagger the Company's debt maturity profile, further diversify its capital structure and provide more borrowing capacity to better position the Company to execute on its strategic goals. The proceeds from the Senior Secured Credit Facility and Senior Unsecured Notes were used to: (1) repay the Company's previous revolving credit facility, Term Loan A, Term Loan B and the international term loan, (2) fund the acquisition of Brown Printing and (3) for general corporate purposes.

- Senior Secured Credit Facility. The Senior Secured Credit Facility consists of three different loan facilities. The first facility is a revolving credit facility in the amount of $850.0 million with a term of five years maturing on April 27, 2019. The second facility is a Term Loan A in the aggregate amount of $450.0 million with a term of five years maturing on April 27, 2019, subject to certain required amortization. The third facility is a Term Loan B in the amount of $300.0 million with a term of seven years maturing on April 27, 2021, subject to certain required amortization.

Borrowings under the revolving credit facility and Term Loan A loans made under the Senior Secured Credit Facility will initially bear interest at 2.00% in excess of reserve adjusted London Interbank Offered Rate ("LIBOR"), or 1.00% in excess of an alternate base rate. The interest rate for the revolving credit facility was 2.30% and the interest rate for the Term Loan A loans was 2.32% at December 31, 2014, and interest is payable monthly. Term Loan B loans will bear interest at 3.25% in excess of reserve adjusted LIBOR, with a LIBOR floor of 1.00%, or 2.25% in excess of an alternative base rate at the Company's option. The interest rate for the Term Loan B loans was 4.25% at December 31, 2014, and interest is payable monthly.

The Senior Secured Credit Facility is secured by substantially all of the unencumbered assets of the Company. The Senior Secured Credit Facility also requires the Company to provide additional collateral to the lenders in certain limited circumstances.

The Company entered into an amendment to the Senior Secured Credit Facility on December 18, 2014, which eliminated the "net debt" concept from the calculation of the total leverage ratio and the senior secured leverage ratio and provides for the elimination of the consolidated net worth covenant (removed for all periods after December 31, 2014).

- Senior Unsecured Notes. The Company received $294.8 million in net proceeds from the sale of the $300.0 million Senior Unsecured Notes, after deducting the initial purchasers' discounts and commissions. The Senior Unsecured Notes bear interest at 7.0% and interest is payable semi-annually. The Senior Unsecured Notes are due May 1, 2022.

Each of the Company's existing and future domestic subsidiaries that is a borrower or guarantees indebtedness under the Company's Senior Secured Credit Facility or that guarantees certain of the Company's other indebtedness or indebtedness of the Company's restricted subsidiaries (other than intercompany indebtedness) fully and unconditionally guarantee or, in the case of future subsidiaries, will guarantee, on a joint and several basis, the Senior Unsecured Notes (the "Guarantor Subsidiaries"). All of the current Guarantor Subsidiaries are 100% owned by the Company. Guarantor Subsidiaries will be automatically released from these guarantees upon the occurrence of certain events, including the following: (1) the designation of any of the Guarantor Subsidiaries as an unrestricted subsidiary; (2) the release or discharge of any guarantee or indebtedness that resulted in the creation of the guarantee of the Senior

Unsecured Notes by any of the Guarantor Subsidiaries; or (3) the sale or disposition, including the sale of substantially all the assets, of any of the Guarantor Subsidiaries.

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Master Note and Security Agreement (sometimes referred to as senior notes)

On September 1, 1995, and as last amended on November 24, 2014, the Company entered into the Master Note and Security Agreement pursuant to which the Company issued over time senior notes in an aggregate principal amount of $1.1 billion in various tranches, of which $316.6 million was outstanding as of December 31, 2014. These senior notes have a weighted-average interest rate of 7.55% at December 31, 2014, which is fixed to maturity, and interest is payable semiannually. Principal payments commenced September 1997 and extend through April 2031 in various tranches. The notes are collateralized by certain United States land, buildings and press and finishing equipment under the terms of the Master Note and Security Agreement.

The Company redeemed $108.8 million of its senior notes under the Master Note and Security Agreement for $109.6 million on October 10, 2014. The Company used its revolving credit facility to effect the redemption. This redemption was primarily completed to reduce interest expense based on current LIBOR rates.

The Master Note and Security Agreement was amended on November 24, 2014. The amendment, among other things, amended the financial covenants by removing the consolidated net worth requirement (removed for all periods after December 31, 2014) and the fixed charge coverage ratio, as well as adding a minimum interest coverage ratio, a maximum total leverage ratio and a maximum senior secured leverage ratio. These amendments align the financial covenants in the Master Note and Security Agreement more closely with the financial covenants in the Senior Secured Credit Facility.

International Revolving Credit Facility

On December 16, 2008, Quad/Winkowski Sp. z o.o. ("Quad/Winkowski") entered into a secured facilities agreement that included a multicurrency revolving credit facility for $14.3 million that was renewed in 2014 and will expire on September 30, 2015 (which is used for Quad/Winkowski's working capital and general business needs). The borrowings outstanding on the multicurrency revolving credit facility were $0.2 million at December 31, 2014, leaving $14.1 million available for future borrowings. The terms of the multicurrency revolving credit facility include a guarantee by Quad/Graphics and a security agreement that includes collateralizing substantially all of the Quad/Winkowski assets. The multicurrency revolving credit facility bears interest at the aggregate of the Euro Interbank Offered Rate ("EURIBOR") or the Warsaw Interbank Offered Rate ("WIBOR") and margin. The weighted-average interest rate of the multicurrency revolving credit facility was 2.65% at December 31, 2014.

Covenants and Compliance

The Company's various lending arrangements include certain financial covenants (all financial terms, numbers and ratios are as defined in the Company's debt agreements). Among these covenants, the Company was required to maintain the following as of December 31, 2014:

- Total Leverage Ratio. On a rolling twelve-month basis, the total leverage ratio, defined as total consolidated debt to consolidated EBITDA, shall not exceed 3.75 to 1.00 (for the twelve months ended December 31, 2014, the Company's total leverage ratio was 2.57 to 1.00).

- Senior Secured Leverage Ratio. On a rolling twelve-month basis, the senior secured leverage ratio, defined as senior secured debt to consolidated EBITDA, shall not exceed 3.50 to 1.00 (for the twelve months ended December 31, 2014, the Company's senior secured leverage ratio was 2.04 to 1.00).

- Minimum Interest Coverage Ratio. On a rolling twelve-month basis, the minimum interest coverage ratio, defined as consolidated EBITDA to consolidated cash interest expense, shall not be less than 3.50 to 1.00 (for the twelve months

ended December 31, 2014, the Company's minimum interest coverage ratio was 5.89 to 1.00).

- Consolidated Net Worth. As of December 31, 2014, the Company's consolidated net worth must be at least $802.4 million (as of December 31, 2014, the Company's consolidated net worth under the most restrictive

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covenant per the various debt agreements was $1.08 billion). This covenant will be removed for all periods after December 31, 2014, due to the recent debt agreement amendments.

In addition to those covenants, the Senior Secured Credit Facility also includes certain limitations on acquisitions, indebtedness, liens, dividends and repurchases of capital stock, including:

- If the Company's total leverage ratio is greater than 3.00 to 1.00 (as defined in the Senior Secured Credit Facility), the Company is prohibited from making greater than $120.0 million of annual dividend payments, capital stock repurchases and certain other payments. If the total leverage ratio is less than 3.00 to 1.00, there are no such restrictions.

- If the Company's senior secured leverage ratio is greater than 3.00 to 1.00 or the Company's total leverage ratio is greater than 3.50 to 1.00 (these ratios as defined in the Senior Secured Credit Facility), the Company is prohibited from voluntarily prepaying any of the Senior Unsecured Notes and from voluntarily prepaying any other unsecured or subordinated indebtedness, with certain exceptions (including any mandatory prepayments on the Senior Unsecured Notes or any other unsecured or subordinated debt). If the senior secured leverage ratio is less than 3.00 to 1.00 and the total leverage ratio is less than 3.50 to 1.00, there are no such restrictions.

The indenture underlying the Senior Unsecured Notes contains various covenants, including, but not limited to, covenants that, subject to certain exceptions, limit the Company's and its restricted subsidiaries' ability to: incur and/or guarantee additional debt; pay dividends, repurchase stock or make certain other restricted payments; enter into agreements limiting dividends and certain other restricted payments; prepay, redeem or repurchase subordinated debt; grant liens on assets; enter into sale and leaseback transactions; merge, consolidate, transfer or dispose of substantially all of the Company's consolidated assets; sell, transfer or otherwise dispose of property and assets; and engage in transactions with affiliates.

The Company was in compliance with all financial covenants in its debt agreements as of December 31, 2014. While the Company currently expects to be in compliance in future periods with all of the financial covenants, there can be no assurance that these covenants will continue to be met. The Company's failure to maintain compliance with the covenants could prevent the Company from borrowing additional amounts and could result in a default under any of the debt agreements. Such default could cause the outstanding indebtedness to become immediately due and payable, by virtue of cross-acceleration or cross-default provisions.

Net Pension and Postretirement Benefit Obligations

The net underfunded pension, postretirement and MEPPs benefit obligations increased by $34.7 million during the year ended December 31, 2014, from $187.0 million at December 31, 2013, to $221.7 million at December 31, 2014. This increase is due to a $95.2 million year-end increase in the single-employer pension benefit obligation as a result of the December 31, 2014 actuarial valuation, which included a 90 basis point decrease in the liability discount rate from 4.8% at December 31, 2013, to 3.9% at December 31, 2014, and the adoption of a new mortality table with longer life expectancies. The increase was partially offset by 2014 cash contributions of $36.7 million to the single-employer pension and postretirement plans and required payments of $13.9 million to the MEPPs. The Company continues to focus on reducing its net benefit obligation for these underfunded plans through cash contributions to the plans and plan design changes, such as the 2014 termination of postretirement medical benefits.

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Share Repurchase Program

On September 6, 2011, the Company's board of directors authorized a share repurchase program of up to $100.0 million of the Company's outstanding class A stock. Under the authorization, share repurchases may be made at the Company's discretion, from time to time, in the open market and/or in privately negotiated transactions as permitted by federal securities laws and other legal requirements. The timing, manner, price and amount of any repurchase will depend on economic and market conditions, share price, trading volume, applicable legal requirements and other factors. The program may be suspended or discontinued at any time. There were no stock repurchases made under this share repurchase program during the year ended December 31, 2014. As of December 31, 2014, there were $91.8 million of authorized repurchases remaining under the program.

Risk Management

For a discussion of the Company's exposure to market risks and management of those market risks, see Item 7A, "Quantitative and Qualitative Disclosures About Market Risk," of this Annual Report on Form 10-K.

Off-Balance Sheet Arrangements

Except as set forth below in the Contractual Obligations and Other Commitments table and in Note 14, "Lease Obligations," to the consolidated financial statements in Item 8, "Financial Statements and Supplementary Data," of this Annual Report on Form 10-K (including operating leases and future interest on debt and capital leases to be incurred), the Company has no off-balance sheet arrangements, financings or special purpose entities that the Company expects to have a material current or future effect on financial condition, changes in financial condition, results of operations, liquidity, capital expenditures, capital resources or significant components of sales or expenses.

Contractual Obligations and Other Commitments

The Company's contractual cash obligations at December 31, 2014, were as follows (in millions):

	Payments Due by Period						
	Total	2015	2016	2017	2018	2019	Thereafter
Debt obligations[1]	$1,796.5	$160.2	$157.5	$140.0	$143.7	$410.4	$784.7
Pension benefits[2]	76.3	12.7	15.9	15.9	15.9	15.9	—
Operating lease obligations	173.7	41.2	34.3	27.3	21.1	15.1	34.7
Capital lease obligations[3]	14.8	4.6	4.1	3.3	1.3	0.6	0.9
Purchase obligations[4]	43.8	43.8	—	—	—	—	—
Acquisitions of businesses[5]	2.7	1.9	0.8	—	—	—	—
Total[6][7]	$2,107.8	$264.4	$212.6	$186.5	$182.0	$442.0	$820.3

(1) Debt obligations include $384.8 million for anticipated future interest payments. With respect to the variable interest rate portions of the debt, the interest amounts were calculated by applying the December 31, 2014, weighted-average interest rate to determine the value of future interest payments. For the Master Note and Security Agreement, the weighted-average interest rate of the notes was applied to the average principal balance outstanding for each time period. Amounts included in "Thereafter" include principal payments and estimated interest expense through April 2031.

(2) For the pension benefits, contributions and benefit payments to be funded from Company assets included in the table have been actuarially estimated over a five year period. While benefit payments under these benefit plans are expected to continue beyond 2019, the Company believes that an estimate beyond this period is unreasonable. The

contractual obligations table above does not include a $59.0 million estimated withdrawal liability for the U.S. World Color Press MEPPs due to the uncertainty with the amount and timing of any potential withdrawal liability payment. During 2015, the Company is required to make minimum payments of $14.4 million, pending no settlement. See Note 18, "Employee Retirement Plans," to the consolidated financial statements in Item 8, "Financial Statements and Supplementary Data," of this Annual Report on Form 10-K for further discussion of the withdrawal from the MEPPs.

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(3) Capital lease obligations include $0.9 million for anticipated future interest payments.

(4) Purchase obligations consist primarily of $41.1 million in firm commitments to purchase press and finishing equipment, as well as $2.7 million of other purchase obligations.

(5) Acquisition of businesses represents deferred payments of $0.6 million associated with the acquisition of Proteus and Transpak and $2.1 million associated with the acquisition of UniGraphic. See Note 2, "Acquisitions and Strategic Investments," to the consolidated financial statements in Item 8, "Financial Statements and Supplementary Data," of this Annual Report on Form 10-K for further discussion.

(6) The contractual obligations table above does not include reserves for uncertain tax positions recorded in accordance with the accounting guidance on uncertainties in income taxes. The Company has taken tax positions for which the ultimate amount and the year(s) any necessary payments will be made that pertain to those tax positions is uncertain. The reserve for uncertain tax positions prior to interest and penalties is $31.1 million as of December 31, 2014. The Company has also recorded accruals for interest and penalties related to uncertain tax positions of $4.9 million and $0.5 million, respectively, as of December 31, 2014.

(7) The contractual obligations table above does not include the share repurchase program as no repurchases are required under the program. See the "Share Repurchase Program" section above for further discussion, including the maximum potential cash payments under the program.

Critical Accounting Policies and Estimates

The Company's consolidated financial statements are prepared in accordance with GAAP. The Company's most critical accounting policies are those that are most important to the portrayal of its financial condition and results of operations, and which require the Company to make its most difficult and subjective estimates. Management is required to make judgments and estimates that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the statements, and the reported amounts of revenues and expenses during the reporting period. The Company bases its estimates on historical experience and on various other assumptions that are believed to be reasonable under the circumstances. The Company's management believes that such judgments and estimates are made with consistent and appropriate methods based on information available at the time, and that any reasonable deviation from those judgments and estimates would not have a material impact on the Company's consolidated financial position or results of operations. Actual results may differ from these estimates under different assumptions or conditions. To the extent that the estimates used differ from actual results, adjustments to the consolidated statements of operations and corresponding consolidated balance sheets would be necessary. These adjustments would be made in future statements.

The Company has identified the following as its critical accounting policies and estimates.

Revenue Recognition

The Company recognizes its printing revenues upon transfer of title and the passage of risk of loss, which is generally upon shipment to the customer. Under agreements with certain customers, products may be stored by the Company for future delivery. In these situations, the Company may receive warehouse management fees for the services it provides. In certain of these cases, delivery and billing schedules are outlined in the customer agreement and product revenue is recognized when manufacturing is complete, title and risk of loss transfer to the customer, and there is a reasonable assurance as to collectability. Product returns are not significant because the majority of products are customized; however, the Company accrues for the estimated amount of customer allowances at the time of sale based on

historical experience and known trends.

Revenue from services is recognized as services are performed. Revenues related to the Company's imaging operations, which include digital content management, photography, color services and page production, are recognized in accordance with the terms of the contract, typically upon completion of the performed service and acceptance by the customer. With respect to the Company's logistics operations, which include the delivery of printed material, the Company recognizes revenue upon completion of services.

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The Company also manufactures printing-related auxiliary equipment to ensure industry-leading technology for its own printing operations as well as to sell to other businesses. Revenue is generally recognized for the equipment sales at time of shipment. Revenue from services related to the installation of equipment at customer sites are recognized upon completion of the installation. Payments can be received from customers during the manufacture of equipment and prior to shipment, or in the case of the installation services prior to completion of the installation. In all cases when payments are received in advance of meeting the applicable revenue recognition criteria, deferred revenue is recorded until the revenue recognition criteria are subsequently met.

Services account for greater than 10% of the Company's consolidated net sales; therefore, net sales and related costs of sales of products and services have been included as separate line items in the consolidated statements of operations in Item 8, "Financial Statements and Supplementary Data," of this Annual Report on Form 10-K.

Certain revenues earned by the Company require judgment to determine if revenue should be recorded gross as a principal or net of related costs as an agent. Billings for third-party shipping and handling costs, primarily in the Company's logistics operations, and out-of-pocket expenses are recorded gross in net sales and cost of sales in the consolidated statements of operations in Item 8, "Financial Statements and Supplementary Data," of this Annual Report on Form 10-K. Many of the Company's operations process materials, primarily paper, that may be supplied directly by customers or may be purchased by the Company and sold to customers. No revenue is recognized for customer-supplied paper. Revenues for Company-supplied paper are recognized on a gross basis.

Impairment of Goodwill

The allocation of the purchase price for business combinations requires management estimates and judgment as to expectations for future cash flows of the acquired business and the allocation of those cash flows to identifiable assets and liabilities assumed, including valuations performed by third-party appraisers when appropriate, in determining the estimated fair value for purchase price allocation purposes. Goodwill is measured as the excess of the purchase price over the fair value assigned to the identifiable assets acquired and liabilities assumed. Changes in management's estimates or judgments, including changes based on actual results differing from the estimates and judgments used in the purchase price allocation process, could result in an impairment charge, and such a charge could have a material adverse effect on the Company's results of operations.

Accounting guidance requires that goodwill impairment is to be tested at the reporting unit level on at least an annual basis. In the fourth quarter of 2014, the Company's financial reporting structure was changed to align with the launch of the Company's five primary strategic goals that support its objectives to transform the Company and drive performance through innovation discussed in the "Strategy" section of Part I, Item 1. "Business," of this Annual Report on Form 10-K. As a result, the Company re-evaluated the reporting units within the United States Print and Related Services operating segment and concluded that there are three reporting units as compared to one reporting unit in the prior year. The carrying value of goodwill in the Company's United States reporting unit was allocated based on the relative fair value of the Company's Core Print and Related Services, Specialty Print and Related Services and Other United States Products and Services businesses, as of October 31, 2014, the annual assessment date. Therefore, the Company has identified five reporting units: (1) Core Print and Related Services, (2) Specialty Print and Related Services, (3) Other United States Products and Services, (4) Latin America and (5) Europe. As of December 31, 2014, goodwill totaled $775.5 million, of which $751.3 million was allocated to the United States and Related Services operating segment and $24.2 million was allocated to the International operating segment. The European reporting unit is the only reporting unit that has no goodwill allocated to it.

The Company performs its annual goodwill impairment test as of October 31, or more frequently if an event occurs or circumstances change that would more likely than not reduce the fair value of a reporting unit below its carrying value. A multi-step method is used for determining goodwill impairment, which includes the option of first

performing a qualitative assessment to determine whether the existence of events or circumstances leads to a determination that it is more likely than not that the fair value of the reporting unit is less than its carrying amount. The Company did not apply this optional qualitative assessment in its annual goodwill impairment test.

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In the first step, the Company compares the estimated fair value of each reporting unit with goodwill allocated to it to its carrying amount, including the goodwill. Fair value is determined using an equal weighting of both the income and market approaches. Under the income approach, the Company determines fair value based on estimated future cash flows discounted by an estimated weighted-average cost of capital, which reflects the overall level of inherent risk and the rate of return an outside investor would expect to earn. Under the market approach, the Company derives the fair value of the reporting units based on market multiples of comparable publicly-traded companies. This fair value determination is categorized as Level 3 in the fair value hierarchy (see Note 16, "Financial Instruments and Fair Value Measurements," to the consolidated financial statements in Item 8, "Financial Statements and Supplementary Data," of this Annual Report on Form 10-K for the definition of Level 3 inputs). If the carrying amount of such reporting unit exceeds the estimated fair value, step two is completed to determine the amount of the impairment charge.

Step two requires the allocation of the estimated fair value of the reporting unit to the assets, including any unrecognized intangible assets, and liabilities in a hypothetical purchase price allocation. Any remaining unallocated fair value represents the implied fair value of the goodwill, which is then compared to the corresponding carrying value of the goodwill to compute the goodwill impairment charge. The Company's methodologies for valuing goodwill are applied consistently on a year-over-year basis. The assumptions used in performing the 2014 impairment calculations were evaluated in light of market and business conditions. The Company continues to believe that the discounted cash flow model and market multiples model provide a reasonable and meaningful fair value estimate based upon the reporting units' projections of future operating results and cash flows and replicates how market participants would value the Company's reporting units.

The Company conducted its annual impairment assessment of its five reporting units as of October 31, 2014, the date of the annual assessment. In performing the annual impairment assessment, the key assumptions specific to each of the four reporting units that have goodwill allocated to it included:

- Core Print and Related Services. Fair value was determined using an equal weighting of both the income and market approaches. Specific to this reporting unit, a 9.0% after-tax weighted average cost of capital was used for the income approach.

- Specialty Print and Related Services. Fair value was determined using an equal weighting of both the income and market approaches. Specific to this reporting unit, a 9.5% after-tax weighted average cost of capital was used for the income approach.

- Other United States Products and Services. Fair value was determined using the income approach only. Specific to this reporting unit, a 12.5% after-tax weighted average cost of capital was used for the income approach.

- Latin America. Fair value was determined using an equal weighting of both the income and market approaches. Specific to this reporting unit, a 12.7% after-tax weighted average cost of capital was used for the income approach.

Significant assumptions used under the income approach included: estimated future cash flows including expected future revenue growth, profit margins, capital expenditures, working capital levels and terminal value multiples. Estimated future cash flows were based on the Company's internal projection models, industry projections and other assumptions deemed reasonable by management. Significant assumptions used under the market approach included: a control premium based on similar transactions, selection of the guideline public companies and selected market multiples. Management concluded that no impairment existed as of October 31, 2014, because the estimated fair value of each of the Company's reporting units exceeded its carrying amount. No additional indications of impairment were identified between October 31, 2014 and December 31, 2014.

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In addition, the Company performed a sensitivity analysis as of October 31, 2014, on the material assumptions used in the discounted cash flow valuation models. In performing the annual goodwill impairment assessment, the percentage by which estimated fair value exceeded carrying value was more than 10% in each of the Company's four reporting units that have goodwill allocated to it. Based on the goodwill impairment assessments performed, no goodwill impairment charge pertaining to goodwill has been required to be recorded during the years ended December 31, 2014, 2013 or 2012.

Impairment of Property, Plant and Equipment and Finite-lived Intangible Assets

The Company performs impairment evaluations of its long-lived assets, of which the most significant are property, plant and equipment and the customer relationship intangible assets recorded in conjunction with an acquisition, whenever business conditions, events or circumstances indicate that those assets may be impaired, including whether the estimated useful life of such long-lived assets may warrant revision or whether the remaining balance of an asset may not be recoverable. Assessing the impairment of long-lived assets requires the Company to make important estimates and assumptions, including, but not limited to, the expected future cash flows that the assets will generate, how the assets will be used based on the strategic direction of the Company, their remaining useful life and their residual value, if any. Considerable judgment is also applied in incorporating the potential impact of the current economic climate on customer demand and selling prices, the cost of production and the limited activity on secondary markets for the assets and on the cost of capital. When the estimated future undiscounted cash flows to be generated by the assets are less than the carrying value of the long-lived assets, the assets are written down to fair value and a charge is recorded to current operations. The Company uses internal undiscounted cash flow estimates, quoted market prices when available and independent appraisals, as appropriate, to determine fair value. Based on the assessments completed during the years ended December 31, 2014, 2013 and 2012 the Company recognized total fixed asset impairment charges of $14.4 million, $21.8 million and $23.0 million, respectively, primarily related to the Company's closure and exit from 25 manufacturing facilities, as well as other capacity reduction restructuring initiatives. There were no impairment charges recorded during the years ended December 31, 2014, 2013 or 2012 for the customer relationship intangible assets.

The Company continues to monitor groups of assets to identify any new events or changes in circumstances that could indicate that their carrying values are not recoverable, particularly in light of potential declines in profitability that may result from the highly competitive industry landscape and continued uncertainty in the global economy. In the event that there are significant and unanticipated changes in circumstances, such as significant adverse changes in business climate, adverse actions by regulators, unanticipated competition, loss of key customers and/or changes in technology or markets, or that actual results differ from management's estimates, a provision for impairment could be required in a future period.

Pension and Postretirement Benefit Plans

As a result of the acquisition of World Color Press, the Company acquired multiple underfunded pension and postretirement defined benefit plans. Pension plan costs are determined using actuarial methods and are funded through contributions determined in accordance with the projected benefit method pro-rated on service. The Company records amounts relating to its pension and postretirement benefit plans based on calculations which include various actuarial assumptions including discount rates, mortality, assumed rates of return and turnover rates. The Company reviews its actuarial assumptions on an annual basis and modifies the assumptions based on current rates and trends when it is appropriate to do so. The effects of modifications are recognized immediately on the consolidated balance sheets, but are generally amortized into operating income over future periods, with the deferred amount recorded in accumulated other comprehensive loss on the consolidated balance sheets included in Item 8, "Financial Statements and Supplementary Data," of this Annual Report on Form 10-K. The Company believes that the assumptions utilized in recording its obligations under its plans are reasonable based on its experience, market conditions and input from its

actuaries and investment advisors. When an event gives rise to both a curtailment and a settlement, the curtailment is accounted for prior to the settlement. The Company's measurement date to measure the defined benefit plan assets and the projected benefit obligation is December 31. For the purposes of calculating the expected return on plan assets, those assets are valued at fair value.

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The Company determines its assumption for the discount rate to be used for purposes of computing annual service and interest costs for each pension plan based on an index of high-quality corporate bond yields and matched-funding yield curve analysis as of that date. The weighted-average discount rate used to determine benefit obligations for the pension plans at December 31, 2014, was 3.9%, a 90 basis point decrease from the December 31, 2013 discount rate of 4.8%.

The Company employs a total return on investment approach for its pension plans whereby a diversified mix of equity securities and debt securities are used to maximize the long-term pension plan assets. The intent of this strategy is to outperform the growth in plan liabilities over the long run, such that plan contributions can be decreased, balanced with maintaining a lower degree of investment risk. Risk tolerance is established through careful consideration of plan liabilities, plan funded status, and corporate financial condition. Equity securities are diversified across geography and market capitalization through investments in U.S. large-capitalization stocks, U.S. small-capitalization stocks and international securities. Investment risk is measured and monitored on an ongoing basis through annual liability measurements, periodic asset/liability studies and quarterly investment portfolio reviews. The expected long-term rate of return for plan assets is based upon many factors including expected asset allocations, historical asset returns, current and expected future market conditions and risk. The target asset allocation for plan assets on a weighted-average basis are 67% equity securities and 33% debt securities. The actual asset allocation as of December 31, 2014, was approximately 66% equity securities and 34% debt securities. The expected return on plan assets assumption at December 31, 2014 and 2013 was 6.5% for the Company's funded United States pension plans. Actual return on plan assets for the years ended December 31, 2014 and 2013 was 8.2% and 18.3%, respectively. Certain pension plans are unfunded (those plans do not hold plan assets).

In 2014, the Company announced the elimination of postretirement medical benefit coverage for all retirees, which resulted in the reduction of plan obligations by $3.7 million and recognition of a termination gain of $4.9 million. The termination gain was recorded in restructuring, impairment and transaction-related charges in the consolidated statement of operations.

The Company also participated in MEPPs as a result of the acquisition of World Color Press. Due to the significant underfunded status of the MEPPs, the Company has withdrawn from all significant MEPPs and replaced these union sponsored "promise to pay in the future" defined benefit plans with a Company sponsored "pay as you go" defined contribution plan, which is historically the form of retirement benefit provided to Quad/Graphics employees. As a result of the decision to withdraw, the Company recorded an estimated withdrawal liability for the MEPPs as part of the purchase price allocation process based on information received from the MEPPs trustees. The estimated withdrawal liability will be updated as new withdrawal liability projections are provided from the trustees or based on other significant events, such as potential new information from the ongoing arbitration proceedings with both MEPPs, until the final withdrawal liability is determined. The exact amount of the withdrawal liability could be higher or lower than the estimate depending on, among other things, the nature and timing of any triggering events and the funded status of the plans at that time.

New Accounting Pronouncements

In November 2014, the Financial Accounting Standards Board ("FASB") issued new guidance providing companies the option to apply pushdown accounting to acquired entities in its separate financial statements upon occurrence of an event in which an acquirer obtains control of an acquired entity. The acquired entity will have the option to elect to apply pushdown accounting in the reporting period in which the change-in-control event occurs. If pushdown accounting is not applied in the reporting period in which the change-in-control event occurs, an acquired entity will have the option to elect to apply pushdown accounting in a subsequent reporting period as a change in accounting principle. If pushdown accounting is applied to an individual change-in-control event, that election is irrevocable. Additional disclosures are required to enable the users of the financial statements to evaluate the effect of pushdown

accounting. This guidance was effective upon issuance on November 18, 2014. As such, the Company adopted the new guidance effective November 18, 2014. The Company does not believe the adoption of this guidance will have a material impact on the consolidated financial statements.

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In August 2014, the FASB issued new guidance on the required disclosures related to an entity's ability to continue as a going concern. The guidance requires management to evaluate, at each interim and annual reporting period, whether there are conditions or events that raise substantial doubt about the entity's ability to continue as a going concern within one year after the date the financial statements are issued, and provide related disclosures. This guidance is effective for annual periods ending after December 15, 2016, and for each annual and interim period thereafter with early adoption permitted. The Company plans to adopt this new guidance effective December 31, 2016. The Company does not believe the adoption of this guidance will have a material impact on the consolidated financial statements.

In June 2014, the FASB issued new guidance on certain share-based payment awards, which clarifies the treatment of performance targets that can be met after the requisite service period of a share-based payment award. Under the new guidance, an entity should treat the performance targets that can be met after the requisite period of service as performance conditions that affect vesting. This guidance is effective for interim and annual periods beginning after December 15, 2015 with early adoption permitted. The Company plans to adopt this new guidance effective January 1, 2016. The Company does not believe the adoption of this guidance will have a material impact on the consolidated financial statements.

In May 2014, the FASB issued new guidance on recognizing revenue from contracts with customers. Under this guidance, an entity will recognize revenue when it transfers promised goods or services to the customer in the amount that reflects what it expects in exchange for the goods or services. This guidance also requires more detailed disclosures to enable users of the financial statements to understand the nature, amount, timing and uncertainty of the revenue and cash flow arising from contracts with customers. This guidance is effective for interim and annual periods beginning after December 15, 2016 with early adoption not permitted. This guidance allows the option of either a full retrospective adoption, meaning the guidance is applied to all periods presented, or a modified retrospective adoption, meaning the guidance is applied only to the most current period. The Company is currently evaluating the impact of this guidance on the consolidated financial statements and determining which transition method to use.

In April 2014, the FASB issued new guidance on the presentation of discontinued operations, which modifies the requirements for disposals to qualify as discontinued operations and expands related disclosure requirements. This guidance is effective prospectively for interim and annual periods beginning after December 15, 2014, with early adoption permitted for disposals that have not been reported in financial statements previously issued or available for issuance. The Company plans to adopt this new guidance effective January 1, 2015. The adoption of this guidance may impact whether future disposals qualify as discontinued operations and, therefore, could impact the Company's financial statement presentation and disclosures.

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Item 7A. Quantitative and Qualitative Disclosures About Market Risk

The Company is exposed to a variety of market risks which may adversely impact the Company's results of operations and financial condition, including changes in interest and foreign currency exchange rates, changes in the economic environment that would impact credit positions and changes in the prices of certain commodities. The Company's management takes an active role in the risk management process and has developed policies and procedures that require specific administrative and business functions to assist in the identification, assessment and control of various risks. These risk management strategies may not fully insulate the Company from adverse impacts due to market risks.

Interest Rate Risk

The Company is exposed to interest rate risk on variable rate debt obligations and price risk on fixed rate debt and capital leases. As of December 31, 2014, the Company had fixed rate debt and capital leases outstanding of $643.8 million at a current weighted average interest rate of 7.2% and variable rate debt outstanding of $781.8 million at a current weighted average interest rate of 3.1%. The variable rate debt outstanding at December 31, 2014, is primarily comprised of the $1.6 billion Senior Secured Credit Facility entered into on April 28, 2014, including $438.8 million outstanding on the $450.0 million Term Loan A, $295.8 million outstanding on the $300.0 million Term Loan B and $43.9 million outstanding on the $850.0 million revolving credit facility. The Term Loan B bears interest primarily based on LIBOR; however, it is subject to a 1.0% LIBOR minimum rate and thus the interest rate on the Term Loan B will not begin to fluctuate until LIBOR exceeds that percentage. At December 31, 2014, LIBOR was significantly lower than the 1.0% LIBOR minimum rate, and as a result the interest on the Term Loan B would not fluctuate with a 10% increase in the market interest rate. Excluding the Term Loan B, a hypothetical change in the interest rate of 10% from the Company's current weighted average interest rate on variable rate debt obligations of 2.7% would not have a material impact on the Company's interest expense. A hypothetical 10% change in market interest rates would change the fair value of fixed rate debt at December 31, 2014, by approximately $7.5 million.

Foreign Currency Risk and Translation Exposure

The Company is exposed to the impact of foreign currency fluctuations in certain countries in which it operates. The exposure to foreign currency movements is limited in most countries because the operating revenues and expenses of its various subsidiaries and business units are substantially in the local currency of the country in which they operate. Although operating in local currencies may limit the impact of currency rate fluctuations on the results of operations of the Company's non-U.S. subsidiaries and business units, fluctuations in such rates may affect the translation of these results into the Company's consolidated financial statements. To the extent revenues and expenses are not in the applicable local currency, the Company may enter into foreign exchange forward contracts to hedge the currency risk.

The Company's hedging operations have historically not been material, and gains or losses from these operations have not been material to the Company's results of operations, financial position or cash flows. The Company does not use derivative financial instruments for trading or speculative purposes.

These international operations are subject to risks typical of international operations, including, but not limited to, differing economic conditions, changes in political climate, potential restrictions on the movement of funds, differing tax structures, and other regulations and restrictions. Accordingly, future results could be adversely impacted by changes in these or other factors.

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Credit Risk

Credit risk is the possibility of loss from a customer's failure to make payments according to contract terms. Prior to granting credit, each customer is evaluated in an underwriting process, taking into consideration the prospective customer's financial condition, past payment experience, credit bureau information and other financial and qualitative factors that may affect the customer's ability to pay. Specific credit reviews and standard industry credit scoring models are used in performing this evaluation. Customers' financial condition is continuously monitored as part of the normal course of business. Some of the Company's customers are highly leveraged or otherwise subject to their own operating and regulatory risks. Based on those customer account reviews and due to the continued uncertainty of the global economy, the Company has established an allowance for doubtful accounts of $57.8 million as of December 31, 2014.

The Company has a large, diverse customer base and does not have a high degree of concentration with any single customer account. During the year ended December 31, 2014, the Company's largest customer accounted for less than 5% of the Company's net sales. Even if the Company's credit review and analysis mechanisms work properly, the Company may experience financial losses in its dealings with customers and other parties. Any increase in nonpayment or nonperformance by customers could adversely impact the Company's results of operations and financial condition. Economic disruptions could result in significant future charges.

Commodity Risk

The primary raw materials used by the Company are paper, ink and energy. At this time, the Company's supply of raw materials is readily available from numerous vendors; however, based on market conditions, that could change in the future. The Company generally buys these raw materials based upon market prices that are established with the vendor as part of the purchase process.

The majority of paper used in the printing process is supplied directly by the Company's customers. For those customers that do not supply paper, the Company generally includes price adjustment clauses in sales contracts. The Company produces the majority of ink used in its print production. Raw materials for the ink manufacturing process are purchased externally from a variety of vendors. The Company generally includes price adjustment clauses for ink and other critical raw materials in the printing process in its sales contracts.

The Company generally cannot pass on to customers the impact of higher electric and natural gas energy prices on its manufacturing costs, and increases in energy prices result in higher manufacturing costs for certain of its operations. The Company mitigates its risk through natural gas hedges when appropriate. In its logistic operations, however, the Company is able to pass a substantial portion of any increase in fuel prices directly to its customers.

As a result, management believes a hypothetical 10% change in the price of paper and other raw materials would not have a significant direct impact on the Company's consolidated annual results of operations or cash flows; however, significant increases in commodity pricing or tight supply could influence future customers' demand for printed products. Inflation has not had a significant impact on the Company historically.

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Item 8. Financial Statements and Supplementary Data

Quarterly Financial Data (Unaudited)

The following table sets forth selected financial information for each of the eight quarters in the two-year period ended December 31, 2014. This unaudited information has been prepared by the Company on the same basis as the consolidated financial statements and includes all normal recurring adjustments necessary to present this information fairly when read in conjunction with the Company's audited consolidated financial statements and the notes thereto.
UNAUDITED INTERIM FINANCIAL INFORMATION
(In millions, except per share data)

	Year Ended December 31,				
	First Quarter	Second Quarter	Third Quarter	Fourth Quarter	Full Year
2014					
Net sales[1]	$1,102.8	$1,099.0	$1,236.4	$1,424.2	$4,862.4
Operating income[1]	11.0	0.5	53.6	76.2	141.3
Net earnings (loss)[1]	(9.1)	(22.8)	24.4	25.8	18.3
Net earnings (loss) attributable to Quad/Graphics common shareholders[1]	(8.8)	(22.8)	24.4	25.8	18.6
Earnings (loss) per diluted share attributable to Quad/Graphics common shareholders	(0.19)	(0.48)	0.50	0.53	0.38
Closing stock price high	26.39	23.64	22.71	23.30	26.39
Closing stock price low	21.89	19.30	19.25	18.26	18.26
Closing stock price at quarter-end	23.45	22.37	19.25	22.96	22.96
2013					
Net sales[1]	$1,129.5	$1,110.8	$1,206.0	$1,349.6	$4,795.9
Operating income (loss)[1]	(0.9)	(5.2)	44.4	103.9	142.2
Net earnings (loss)[1]	(14.1)	(27.6)	12.6	60.0	30.9
Net earnings (loss) attributable to Quad/Graphics common shareholders[1]	(14.0)	(27.2)	13.0	60.7	32.5
Earnings (loss) per diluted share attributable to Quad/Graphics common shareholders	(0.31)	(0.59)	0.26	1.24	0.65
Closing stock price high	24.42	24.56	33.84	36.56	36.56
Closing stock price low	20.15	19.69	24.30	24.02	19.69
Closing stock price at quarter-end	23.94	24.10	30.36	27.23	27.23

(1) Reflects results of acquired businesses from the relevant acquisition dates, primarily related to acquisitions of Brown Printing on May 30, 2014 and Vertis on January 16, 2013 (see Note 2, "Acquisitions and Strategic Investments," to the consolidated financial statements in Item 8 of this Annual Report on Form 10-K for further information on the acquisitions).

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REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Board of Directors and Shareholders of
Quad/Graphics, Inc. and subsidiaries
Sussex, WI

We have audited the accompanying consolidated balance sheets of Quad/Graphics, Inc. and subsidiaries (the "Company") as of December 31, 2014 and 2013, and the related consolidated statements of operations, comprehensive income (loss), redeemable equity, common stock and other equity and non-controlling interests, and cash flows for each of the three years in the period ended December 31, 2014. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on the financial statements based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, such consolidated financial statements present fairly, in all material respects, the financial position of Quad/Graphics, Inc. and subsidiaries at December 31, 2014 and 2013, and the results of their operations and their cash flows for each of the three years in the period ended December 31, 2014, in conformity with accounting principles generally accepted in the United States of America.

We have also audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the Company's internal control over financial reporting as of December 31, 2014, based on the criteria established in Internal Control—Integrated Framework (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission and our report dated March 2, 2015 expressed an unqualified opinion on the Company's internal control over financial reporting.

/s/ Deloitte & Touche LLP

Milwaukee, Wisconsin
March 2, 2015

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REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Board of Directors and Shareholders of
Quad/Graphics, Inc. and subsidiaries
Sussex, WI

We have audited the internal control over financial reporting of Quad/Graphics, Inc. and subsidiaries (the "Company") as of December 31, 2014, based on the criteria established in Internal Control—Integrated Framework (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission. As described in Management's Report on Internal Control Over Financial Reporting, management excluded from its assessment the internal control over financial reporting at the business units acquired from Brown Printing Company ("Brown Printing"), which were acquired on May 30, 2014. The business activities that were excluded from the assessment constitute approximately 6% of consolidated total current assets, approximately 3% of consolidated net sales and approximately 4% of consolidated cost of sales as of and for the year ended December 31, 2014. Accordingly, our audit did not include the internal control over financial reporting for these business activities of Brown Printing. The Company's management is responsible for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting, included in the accompanying Management's Report on Internal Control Over Financial Reporting. Our responsibility is to express an opinion on the Company's internal control over financial reporting based on our audit.

We conducted our audit in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects. Our audit included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, testing and evaluating the design and operating effectiveness of internal control based on the assessed risk, and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

A company's internal control over financial reporting is a process designed by, or under the supervision of, the company's principal executive and principal financial officers, or persons performing similar functions, and effected by the company's board of directors, management, and other personnel to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of the inherent limitations of internal control over financial reporting, including the possibility of collusion or improper management override of controls, material misstatements due to error or fraud may not be prevented or detected on a timely basis. Also, projections of any evaluation of the effectiveness of the internal control over financial reporting to future periods are subject to the risk that the controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

In our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as of December 31, 2014, based on the criteria established in Internal Control - Integrated Framework (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission.

We have also audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the consolidated financial statements as of and for the year ended December 31, 2014 of the Company and our report dated March 2, 2015 expressed an unqualified opinion on those financial statements.

/s/ Deloitte & Touche LLP
Milwaukee, Wisconsin

March 2, 2015

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QUAD/GRAPHICS, INC.
CONSOLIDATED STATEMENTS OF OPERATIONS
(in millions, except per share data)

	Year Ended December 31,		
	2014	2013	2012
Net sales			
Products	$4,197.5	$4,186.6	$3,638.6
Services	664.9	609.3	455.4
Total net sales	4,862.4	4,795.9	4,094.0
Cost of sales			
Products	3,421.4	3,360.1	2,848.3
Services	470.5	441.8	335.2
Total cost of sales	3,891.9	3,801.9	3,183.5
Operating expenses			
Selling, general and administrative expenses	425.5	416.0	347.1
Depreciation and amortization	336.4	340.5	338.6
Restructuring, impairment and transaction-related charges	67.3	95.3	118.3
Total operating expenses	4,721.1	4,653.7	3,987.5
Operating income from continuing operations	$141.3	$142.2	$106.5
Interest expense	92.9	85.5	84.0
Loss on debt extinguishment	7.2	—	—
Earnings from continuing operations before income taxes and equity in earnings (loss) of unconsolidated entities	41.2	56.7	22.5
Income tax expense (benefit)	20.2	23.3	(31.5)
Earnings from continuing operations before equity in earnings (loss) of unconsolidated entities	21.0	33.4	54.0
Equity in earnings (loss) of unconsolidated entities	(2.7)	(2.5)	2.3
Net earnings from continuing operations	$18.3	$30.9	$56.3
Loss from discontinued operations, net of tax	—	—	(3.2)
Gain on disposal of discontinued operations, net of tax	—	—	34.0
Net earnings	$18.3	$30.9	$87.1
Net loss attributable to noncontrolling interests	0.3	1.6	0.3
Net earnings attributable to Quad/Graphics common shareholders	$18.6	$32.5	$87.4
Earnings per share attributable to Quad/Graphics common shareholders:			
Basic:			
Continuing operations	$0.39	$0.67	$1.14
Discontinued operations	—	—	0.66
Earnings per share attributable to Quad/Graphics common shareholders	$0.39	$0.67	$1.80
Diluted:			
Continuing operations	$0.38	$0.65	$1.13
Discontinued operations	—	—	0.65
Earnings per share attributable to Quad/Graphics common shareholders	$0.38	$0.65	$1.78
Weighted average number of common shares outstanding:			
Basic	47.5	47.0	46.8
Diluted	48.5	48.0	47.2

See accompanying Notes to Consolidated Financial Statements.

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QUAD/GRAPHICS, INC.
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (LOSS)
(in millions)

	Year Ended December 31,		
	2014	2013	2012
Net earnings	$18.3	$30.9	$87.1
Other comprehensive income (loss)			
Translation adjustments:			
Foreign currency translation adjustments	(61.9)	(21.0)	6.5
Translation of long-term loans to foreign subsidiaries	16.5	0.8	(1.6)
Revaluation gain on sale of businesses	—	(2.4)	—
Translation adjustments, net	(45.4)	(22.6)	4.9
Pension and other postretirement benefit plans:			
Net gain (loss) arising during period	(95.2)	133.6	(28.7)
Amortization of prior service credit included in net earnings	(5.8)	(5.7)	(3.4)
Amortization of net actuarial (gain) loss included in net earnings	(0.3)	0.3	(0.1)
Plan curtailments/settlements included in net earnings	—	(2.1)	(12.7)
Postretirement benefit plan termination included in net earnings	(4.9)	—	—
Pension and other postretirement benefit plans, net	(106.2)	126.1	(44.9)
Other comprehensive income (loss), before tax	(151.6)	103.5	(40.0)
Income tax benefit (expense) related to items of other comprehensive income (loss)	40.6	(48.7)	17.3
Other comprehensive income (loss), net of tax	(111.0)	54.8	(22.7)
Total comprehensive income (loss)	(92.7)	85.7	64.4
Less: comprehensive loss attributable to noncontrolling interests	0.3	1.6	0.4
Comprehensive income (loss) attributable to Quad/Graphics common shareholders	$(92.4)	$87.3	$64.8

See accompanying Notes to Consolidated Financial Statements.

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QUAD/GRAPHICS, INC.
CONSOLIDATED BALANCE SHEETS
(in millions, except per share data)

	December 31, 2014	December 31, 2013
ASSETS		
Cash and cash equivalents	$9.6	$13.1
Receivables, less allowances for doubtful accounts of $57.8 at December 31, 2014 and $58.9 at December 31, 2013	766.2	698.9
Inventories	287.8	272.5
Prepaid expenses and other current assets	39.1	37.2
Deferred income taxes	48.4	48.1
Short-term restricted cash	31.2	4.5
Total current assets	1,182.3	1,074.3
Property, plant and equipment—net	1,855.5	1,925.5
Goodwill	775.5	773.1
Other intangible assets—net	149.1	221.8
Long-term restricted cash	—	51.5
Equity method investments in unconsolidated entities	42.0	57.1
Other long-term assets	72.8	62.4
Total assets	$4,077.2	$4,165.7
LIABILITIES AND SHAREHOLDERS' EQUITY		
Accounts payable	$406.9	$401.0
Amounts owing in satisfaction of bankruptcy claims	1.4	2.5
Accrued liabilities	358.1	350.7
Short-term debt and current portion of long-term debt	92.0	127.6
Current portion of capital lease obligations	4.2	7.0
Total current liabilities	862.6	888.8
Long-term debt	1,319.7	1,265.7
Unsecured notes to be issued	9.0	18.0
Capital lease obligations	9.7	6.5
Deferred income taxes	384.4	395.2
Other long-term liabilities	339.3	303.9
Total liabilities	2,924.7	2,878.1
Commitments and contingencies (Note 11)		
Quad/Graphics common stock and other equity (Note 21)		
Preferred stock, $0.01 par value; Authorized: 0.5 million shares; Issued: None	—	—
Common stock, Class A, $0.025 par value; Authorized: 80.0 million shares; Issued: 40.0 million shares at December 31, 2014 and 2013	1.0	1.0
Common stock, Class B, $0.025 par value; Authorized: 80.0 million shares; Issued: 15.0 million shares at December 31, 2014 and 2013	0.4	0.4
Common stock, Class C, $0.025 par value; Authorized: 20.0 million shares; Issued: 0.5 million shares at December 31, 2014 and 2013	—	—
Additional paid-in capital	971.3	983.1

Treasury stock, at cost, 6.6 million shares at December 31, 2014 and 7.5 million shares at December 31, 2013	(218.8)	(248.8)
Retained earnings	515.2	558.8
Accumulated other comprehensive loss	(116.6)	(5.6)
Quad/Graphics common stock and other equity	1,152.5	1,288.9
Noncontrolling interests	—	(1.3)
Total common stock and other equity and noncontrolling interests	1,152.5	1,287.6
Total liabilities and shareholders' equity	$4,077.2	$4,165.7

See accompanying Notes to Consolidated Financial Statements.

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QUAD/GRAPHICS, INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS
(in millions)

	Year Ended December 31,		
	2014	2013	2012
OPERATING ACTIVITIES			
Net earnings	$18.3	$30.9	$87.1
Adjustments to reconcile net earnings to net cash provided by operating activities:			
Depreciation and amortization	336.4	340.5	338.6
Impairment charges	14.4	21.8	23.0
Amortization of debt issuance costs and original issue discount	4.2	4.1	4.5
Loss on debt extinguishment	7.2	—	—
Stock-based compensation charges	17.3	18.6	13.4
Termination/curtailment/settlement gain on pension/postretirement benefit plans	(4.9)	(2.1)	(12.7)
Gain on disposal of discontinued operations, net of tax	—	—	(34.0)
Loss (Gain) on sales or disposal of property, plant and equipment	0.4	(0.8)	(0.6)
Deferred income taxes	26.8	(11.1)	(13.6)
Equity in (earnings) loss of unconsolidated entities	2.7	2.5	(2.3)
Dividends from unconsolidated entities	—	5.0	0.5
Changes in operating assets and liabilities—net of acquisitions:			
Receivables	(20.4)	25.7	103.4
Inventories	(3.4)	0.5	8.6
Prepaid expenses and other current assets	(5.2)	15.2	33.9
Accounts payable and accrued liabilities	(22.4)	63.0	(105.4)
Other	(78.2)	(72.7)	(90.2)
Net cash provided by operating activities	293.2	441.1	354.2
INVESTING ACTIVITIES			
Purchases of property, plant and equipment	(139.2)	(149.5)	(103.5)
Cost investment in unconsolidated entities	(4.1)	(2.5)	(18.1)
Proceeds from the sale of property, plant and equipment	6.8	8.8	23.5
Transfers from restricted cash	24.8	4.5	15.4
Deposit paid related to Vertis acquisition (Note 2)	—	—	(25.9)
Deposit refunded related to business exchange transaction (Note 3)	—	—	50.0
Purchase price payments on business exchange transaction (Note 3)	—	—	(4.9)
Acquisition of businesses—net of cash acquired	(112.5)	(291.9)	(6.6)
Net cash used in investing activities	(224.2)	(430.6)	(70.1)
FINANCING ACTIVITIES			
Proceeds from issuance of long-term debt	1,047.0	—	—
Payments of long-term debt	(859.4)	(102.7)	(74.6)
Payments of capital lease obligations	(8.4)	(9.8)	(21.0)
Borrowings on revolving credit facilities	1,409.9	1,628.8	270.3
Payments on revolving credit facilities	(1,577.6)	(1,475.0)	(295.7)
Payment of debt issuance costs	(16.5)	—	(2.1)
Bankruptcy claim payments on unsecured notes to be issued	(8.0)	(4.5)	(14.9)
Sale of stock from options exercised	2.7	7.2	0.1

Shares withheld from employees for the tax obligation on equity grants	(1.0)	—	—
Tax benefit on equity award activity	0.8	2.2	4.1
Payment of cash dividends	(61.2)	(56.4)	(151.8)
Net cash used in financing activities	(71.7)	(10.2)	(285.6)
Effect of exchange rates on cash and cash equivalents	(0.8)	(4.1)	(7.2)
Net decrease in cash and cash equivalents	(3.5)	(3.8)	(8.7)
Cash and cash equivalents at beginning of year	13.1	16.9	25.6
Cash and cash equivalents at end of year	$9.6	$13.1	$16.9

See accompanying Notes to Consolidated Financial Statements.

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QUAD/GRAPHICS, INC.
CONSOLIDATED STATEMENTS OF REDEEMABLE EQUITY, COMMON STOCK AND OTHER EQUITY AND NONCONTROLLING INTERESTS
(in millions)

	Redeemable Equity		Quad/Graphics Common Stock and Other Equity								
	Redeemable Equity		Common Stock		Additional Paid-in Capital	Treasury Stock		Retained Earnings	Accumulated Other Comprehensive Income (Loss)	Quad/Graphics Common Stock and Other Equity	Noncontrolling Interests
	Shares	Amount	Shares	Amount	Capital	Shares	Amount				
Balance at January 1, 2012	0.3	$ 3.5	55.2	$ 1.4	$ 984.2	(8.6)	$ (295.4)	$ 650.2	$ (37.7)	$ 1,302.7	$ 0.7
Net earnings (loss)	—	—	—	—	—	—	—	87.4	—	87.4	(0.3)
Foreign currency translation adjustments	—	—	—	—	—	—	—	—	4.9	4.9	(0.1)
Cash dividends declared	—	(0.2)	—	—	—	—	—	(152.8)	—	(152.8)	—
Redeemable equity exchange	(0.3)	(4.3)	0.3	—	(4.1)	—	4.1	4.3	—	4.3	—
Stock-based compensation charges	—	—	—	—	13.4	—	—	—	—	13.4	—
Sale of stock for options exercised	—	—	—	—	(0.1)	—	0.1	—	—	—	—
Issuance of restricted stock and deferred stock units	—	—	—	—	(11.9)	0.3	11.9	—	—	—	—
Increase in redemption value of redeemable equity	—	1.0	—	—	—	—	—	(1.0)	—	(1.0)	—
Tax benefit on stock option activity	—	—	—	—	4.1	—	—	—	—	4.1	—
Pension and other postretirement benefit liability adjustments	—	—	—	—	—	—	—	—	(27.6)	(27.6)	—
Balance at December	—	$ —	55.5	$ 1.4	$ 985.6	(8.3)	$ (279.3)	$ 588.1	$ (60.4)	$ 1,235.4	$ 0.3

31, 2012											
Net earnings (loss)	—	—	—	—	—	—	—	32.5	—	32.5	(1.6)
Foreign currency translation adjustments	—	—	—	—	—	—	—	—	(22.6)	(22.6)	—
Cash dividends declared	—	—	—	—	—	—	—	(61.8)	—	(61.8)	—
Stock-based compensation charges	—	—	—	—	18.6	—	—	—	—	18.6	—
Sale of stock for options exercised	—	—	—	—	(8.3)	0.4	15.5	—	—	7.2	—
Issuance of restricted stock and deferred stock units	—	—	—	—	(15.0)	0.4	15.0	—	—	—	—
Tax benefit on equity award activity	—	—	—	—	2.2	—	—	—	—	2.2	—
Pension and other postretirement benefit liability adjustments	—	—	—	—	—	—	—	—	77.4	77.4	—
Balance at December 31, 2013	—	$—	55.5	$1.4	$983.1	(7.5)	$(248.8)	$558.8	$(5.6)	$1,288.9	$(1.3)

See accompanying Notes to Consolidated Financial Statements.

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QUAD/GRAPHICS, INC.
CONSOLIDATED STATEMENTS OF REDEEMABLE EQUITY, COMMON STOCK AND OTHER EQUITY AND NONCONTROLLING INTERESTS (continued)
(in millions)

	Redeemable Equity		Quad/Graphics Common Stock and Other Equity: Common Stock			Treasury Stock					
	Shares	Amount	Shares	Amount	Additional Paid-in Capital	Shares	Amount	Retained Earnings	Accumulated Other Comprehensive Income (Loss)	Quad/Graphics Common Stock and Other Equity	Noncontrolling Interests
Balance at December 31, 2013	—	$ —	55.5	$ 1.4	$ 983.1	(7.5)	$ (248.8)	$ 558.8	$ (5.6)	$ 1,288.9	$ (1.3)
Net earnings (loss)	—	—	—	—	—	—	—	18.6	—	18.6	(0.3)
Foreign currency translation adjustments	—	—	—	—	—	—	—	—	(45.4)	(45.4)	—
Cash dividends declared	—	—	—	—	—	—	—	(62.2)	—	(62.2)	—
Stock-based compensation charges	—	—	—	—	17.3	—	—	—	—	17.3	—
Sale of stock for options exercised	—	—	—	—	(3.6)	0.2	6.3	—	—	2.7	—
Issuance of restricted stock and deferred stock units	—	—	—	—	(24.6)	0.7	24.6	—	—	—	—
Tax benefit on equity award activity	—	—	—	—	0.8	—	—	—	—	0.8	—
Equity awards vested	—	—	—	—	(0.1)	—	0.1	—	—	—	—
Purchase of additional ownership of Morvillo	—	—	—	—	(1.6)	—	—	—	—	(1.6)	1.6
Shares withheld from employees for tax obligation on equity grants	—	—	—	—	—	—	(1.0)	—	—	(1.0)	—
Pension and other postretirement	—	—	—	—	—	—	—	—	(65.6)	(65.6)	—

benefit liability adjustments											
Balance at December 31, 2014	—	$ —	55.5	$ 1.4	$ 971.3	(6.6)	$ (218.8)	$ 515.2	$ (116.6)	$ 1,152.5	$ —

See accompanying Notes to Consolidated Financial Statements.

QUAD/GRAPHICS, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(In millions, except share and per share data and unless otherwise indicated)

Note 1. Basis of Presentation and Summary of Significant Accounting Policies

Nature of Operations—Quad/Graphics, Inc. and its subsidiaries (the "Company" or "Quad/Graphics") operates primarily in the commercial print portion of the printing industry as a printer of consumer magazines, catalogs, retail inserts, special interest publications, journals, direct mail, books, directories, in-store marketing, packaging, and other commercial and specialty printed products. The Company also provides media solutions and logistics services for its customers. The Company's products and services are sold primarily throughout North America, South America and Europe to catalogers, publishers and retailers. Additionally, the Company manufactures printing-related auxiliary equipment that is sold to original equipment manufacturers and printing companies throughout the world.

Principles of Consolidation and Basis of Presentation—The accompanying consolidated financial statements include the accounts of the Company and its wholly-owned and majority-owned controlled subsidiaries and have been prepared in accordance with accounting principles generally accepted in the United States of America ("GAAP"). The results of operations and accounts of businesses acquired are included in the consolidated financial statements from the dates of acquisition (see Note 2, "Acquisitions and Strategic Investments"). Investments in entities where the Company has both the ability to exert significant influence but not control and an ownership interest of 50% or less but more than 20% are accounted for using the equity method of accounting. Investments in entities where the Company does not exert significant influence or control and has an ownership interest of less than 20% are accounted for using the cost method of accounting. Intercompany transactions and balances have been eliminated in consolidation.

Discontinued Operations—The results of operations of the Company's Canadian operations have been reported as discontinued operations for all periods presented. As the sale of the Canadian operations was completed on March 1, 2012, the corresponding Canadian assets and liabilities are no longer included in the consolidated balance sheets at December 31, 2014 or 2013. In accordance with the authoritative literature, the Company has elected to not separately disclose the cash flows related to the Canadian discontinued operations. See Note 3, "Discontinued Operations," for information about the Company's sale of the Canadian operations.

Foreign Operations—Assets and liabilities denominated in foreign currencies are translated into U.S. dollars at the exchange rate existing at the respective balance sheet dates. Income and expense items are translated at the average rates during the respective periods. Translation adjustments resulting from fluctuations in exchange rates are recorded as a separate component of accumulated other comprehensive income (loss) on the consolidated statements of redeemable equity, common stock and other equity and noncontrolling interests while transaction gains and losses are recorded in selling, general and administrative expenses on the consolidated statements of operations. Foreign exchange transactions resulted in realized and unrealized gains/(losses) of $(5.9) million, $(5.7) million and $0.4 million for the years ended December 31, 2014, 2013 and 2012, respectively. The Company's international operations are conducted in Europe through Quad/Winkowski Sp. Z o.o. ("Quad/Winkowski"), as well as in the following Latin American countries: Argentina, Brazil, Chile, Colombia, Mexico and Peru. The Company owns 49% of the operations in Brazil and 50% of the operations in Chile, and accounts for those entities using the equity method of accounting (see Note 9, "Equity Method Investments in Unconsolidated Entities," for further discussion). There are no other significant unconsolidated entities.

Use of Estimates—The preparation of consolidated financial statements requires the use of management's estimates and assumptions that affect the reported assets and liabilities, disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenue and expenses during the reporting periods. Actual results could differ from these estimates. Estimates are used when accounting for items and matters including, but not limited to: allowances for doubtful accounts, inventory obsolescence, asset valuations and useful lives, goodwill, pension and postretirement benefits, self-insurance reserves, stock-based compensation, taxes, restructuring and other provisions and contingencies.

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Revenue Recognition—The Company recognizes its printing revenues upon transfer of title and the passage of risk of loss, which is generally upon shipment to the customer. Under agreements with certain customers, products may be stored by the Company for future delivery. In these situations, the Company may receive warehouse management fees for the services it provides. In certain of these cases, delivery and billing schedules are outlined in the customer agreement and product revenue is recognized when manufacturing is complete, title and risk of loss transfer to the customer, and there is a reasonable assurance as to collectability. Product returns are not significant because the majority of products are customized; however, the Company accrues for the estimated amount of customer allowances at the time of sale based on historical experience and known trends.

Revenue from services is recognized as services are performed. Revenues related to the Company's imaging operations, which include digital content management, photography, color services and page production, are recognized in accordance with the terms of the contract, typically upon completion of the performed service and acceptance by the customer. Revenues related to the Company's logistics operations, which includes the delivery of printed material, are recognized upon completion of services.

The Company also manufactures printing-related auxiliary equipment to ensure industry-leading technology for its own printing operations, as well as to sell to other businesses. Revenue is generally recognized for the equipment sales at time of shipment. Revenue from services related to the installation of equipment at customer sites are recognized upon completion of the installation. Payments can be received from customers during the manufacture of equipment and prior to shipment or in the case of the installation services prior to completion of the installation. In all cases when payments are received in advance of meeting the applicable revenue recognition criteria, deferred revenue is recorded until the criteria for revenue recognition are subsequently met.

Services account for greater than 10% of the Company's consolidated net sales; therefore, net sales and related costs of sales of products and services have been included as separate line items in the consolidated statements of operations.

Certain revenues earned by the Company require judgment to determine if revenue should be recorded gross as a principal or net of related costs as an agent. Billings for third-party shipping and handling costs, primarily in the Company's logistics operations, and out-of-pocket expenses are recorded gross in net sales and cost of sales in the consolidated statements of operations. Many of the Company's operations process materials, primarily paper, that may be supplied directly by customers or may be purchased by the Company and sold to customers. No revenue is recognized for customer-supplied paper. Revenues for Company-supplied paper are recognized on a gross basis.

Byproduct Recoveries—The Company records the sale of byproducts as net product sales in the consolidated statements of operations.

Financial Instruments—The Company uses derivative financial instruments for the purpose of hedging commodity and foreign exchange exposures that exist as part of ongoing business operations, including natural gas forward purchase contracts and foreign exchange contracts. As a policy, the Company does not engage in speculative or leveraged transactions, nor does the Company hold or issue financial instruments for trading purposes.

Derivative instruments are recorded on the consolidated balance sheets as either assets or liabilities measured at their fair value. If the derivative is designated as a fair value hedge, the changes in the fair value of the derivative and of the

hedged item attributable to the hedged risk are recognized in earnings. If the derivative is designated as a cash flow hedge, the effective portion of the changes in the fair value of the derivative are recorded as a component of accumulated other comprehensive income (loss) and recognized in the consolidated statements of operations when the hedged item affects earnings.

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The ineffective portions of the changes in the fair value of hedges are recognized in earnings. Cash flows from derivatives that are accounted for as cash flow or fair value hedges are included in the consolidated statements of cash flows in the same category as the item being hedged.

Fair Value Measurement—The Company applies fair value accounting for all assets and liabilities that are recognized or disclosed at fair value in its consolidated financial statements on a recurring basis. Fair value represents the amount that would be received from selling an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. When determining the fair value measurements for assets and liabilities that are required to be recorded at fair value, the Company considers the principal or most advantageous market and the market-based risk measurements or assumptions that market participants would use in pricing the asset or liability. See Note 16, "Financial Instruments and Fair Value Measurements," for further discussion.

Research and Development—Research and development costs related to the development of new products or the adaptation of existing products are expensed as incurred, included in cost of sales and totaled $11.3 million, $13.4 million and $13.2 million during the years ended December 31, 2014, 2013 and 2012, respectively.

Cash and Cash Equivalents—The Company considers all highly liquid investments with original maturities of three months or less to be cash equivalents.

Receivables—Receivables are stated net of allowances for doubtful accounts. No single customer comprised more than 5% of the Company's consolidated net sales in 2014, 2013 or 2012 or 5% of the Company's consolidated receivables as of December 31, 2014 or 2013. Specific customer provisions are made when a review of significant outstanding amounts, utilizing information about customer creditworthiness and current economic trends, indicates that collection is doubtful. In addition, provisions are made at differing rates, based upon the age of the receivable and the Company's historical collection experience. See Note 6, "Receivables," for further discussion on the transactions affecting the allowances for doubtful accounts.

Inventories—Inventories include material, labor, and plant overhead and are stated at the lower of cost or market. At December 31, 2014 and 2013, all inventories were valued using the first-in, first-out ("FIFO") method. See Note 7, "Inventories," for a breakdown of the components of the Company's inventories.

Property, Plant and Equipment—Property, plant and equipment are recorded at cost, and are depreciated over the estimated useful lives of the assets using the straight-line method for financial reporting purposes. See Note 8, "Property, Plant and Equipment," for a breakdown of the components of the Company's property, plant and equipment. Major improvements that extend the useful lives of existing assets are capitalized and charged to the asset accounts. Repairs and maintenance, which do not significantly improve or extend the useful lives of the respective assets, are expensed as incurred. Leasehold improvements are depreciated over the shorter of the lease term or the estimated useful life of the respective asset.

Asset Category	Range of Useful Lives
Buildings	10 to 40 Years
Machinery and equipment	5 to 15 Years
Other	3 to 10 Years

Other Intangible Assets—Identifiable intangible assets are recognized apart from goodwill and are amortized over their estimated useful lives.

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Impairment of Long-Lived and Other Intangible Assets—The Company evaluates long-lived assets and other intangible assets (of which the most significant are property, plant and equipment and customer relationship intangible assets) whenever events and circumstances have occurred that indicate the carrying value of an asset may not be recoverable. Determining whether impairment has occurred typically requires various estimates and assumptions, including determining which cash flows are directly related to the potentially impaired asset, the useful life over which cash flows will occur, their amount and the asset's residual value, if any. In turn, measurement of an impairment loss requires a determination of recoverability, which is generally estimated by the ability to recover the balance of the assets from expected future operating cash flows on an undiscounted basis. If impairment is determined to exist, any related impairment loss is calculated based on the difference in the fair value and carrying value of the asset.

Goodwill—Goodwill is reviewed annually for impairment as of October 31, or more frequently if events or changes in circumstances indicate that it is more likely than not that the fair value of a reporting unit is below its carrying value. In performing this analysis, the Company compares each reporting unit's fair value estimated based on comparable company market valuations and/or expected future discounted cash flows to be generated by the reporting unit to its carrying value. If the carrying value exceeds the reporting unit's fair value, the Company performs a fair value measurement calculation to determine the impairment loss, which would be charged to operations in the period identified. See Note 5, "Goodwill and Other Intangible Assets," for further discussion.

Income Taxes—The Company accounts for income taxes under the asset and liability method, which requires the recognition of deferred tax assets and liabilities for the expected future tax consequences of items reported in the financial statements. Under this method, deferred tax assets and liabilities are measured based on the differences between the financial statement and tax basis of assets and liabilities using enacted tax rates in effect for the year in which the differences are expected to reverse. The effect of a change in tax rates on deferred tax assets and liabilities is recognized in income in the period that includes the effective date of enactment.

The Company records net deferred tax assets to the extent the Company believes these assets will more likely than not be realized. This determination is based upon all available positive and negative evidence, including future reversals of existing taxable temporary differences, projected future taxable income, tax planning strategies, and recent financial operations. If the Company determines that a deferred income tax asset will not be fully realized in the future, then a valuation allowance is established or increased to reflect the amount at which the asset will more likely than not be realized, which would increase the Company's provision for income taxes. In a period after a valuation allowance has been established, if the Company determines the related deferred income tax assets will be realized in the future in excess of their net recorded amount, then an adjustment to reduce the related valuation allowance will be made, which would reduce the Company's provision for income taxes.

The Company is regularly audited by foreign and domestic tax authorities. These audits occasionally result in proposed assessments where the ultimate resolution might result in the Company owing additional taxes, including in some cases, penalties and interest. The Company recognizes a tax position in its consolidated financial statements when it is more likely than not that the position would be sustained upon examination by tax authorities. This recognized tax position is then measured at the largest amount of benefit that is greater than fifty-percent likely of being recognized upon ultimate settlement. The Company recognizes interest and penalties related to unrecognized tax benefits in income tax expense.

The determination of the Company's worldwide tax provision and related tax assets and liabilities requires the use of significant judgment, estimates, and the interpretation of complex tax laws. In the ordinary course of business, there are transactions and calculations where the final tax outcome is uncertain. While the Company believes it has the appropriate support for the positions taken, certain positions may be successfully challenged by taxing authorities. The Company applies the provisions of the authoritative guidance on accounting for uncertain tax positions to determine the appropriate amount of tax benefits to be recognized with respect to uncertain tax positions. The determination of the

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Company's worldwide tax provision includes the impact of any changes to the amount of tax benefits recognized with respect to uncertain tax positions. See Note 15, "Income Taxes," for further discussion.

Pension and Postretirement Plans—The Company assumed certain frozen underfunded defined benefit pension and postretirement benefit plans as part of the 2010 World Color Press Inc. ("World Color Press") acquisition. Pension plan costs are determined using actuarial methods and are funded through contributions. The Company records amounts relating to its pension and postretirement benefit plans based on calculations which include various actuarial assumptions including discount rates, mortality, assumed rates of return, compensation increases, turnover rates and health care cost trend rates. The Company reviews its actuarial assumptions on an annual basis and modifies the assumptions based on current rates and trends when it is appropriate to do so. The effects of modifications are recognized immediately on the consolidated balance sheets, but are generally amortized into operating income over future periods, with the deferred amount recorded in accumulated other comprehensive loss on the consolidated balance sheets. The Company believes that the assumptions utilized in recording its obligations under its plans are reasonable based on its experience, market conditions and input from its actuaries and investment advisors. For the purposes of calculating the expected return on plan assets, those assets are valued at fair value. When an event gives rise to both a curtailment and a settlement, the curtailment is accounted for prior to the settlement. The Company's measurement date to measure the defined benefit plan assets and the projected benefit obligation is December 31. In 2014, the Company announced the elimination of postretirement medical benefit coverage for all retirees (see Note 18, "Employee Retirement Plans," for further details on the plan termination and financial statement impacts).

In addition, as a result of the acquisition of World Color Press, the Company participated in multiemployer pension plans ("MEPPs"). Due to the significant underfunded status of the MEPPs, the Company has withdrawn from all significant MEPPs and replaced these union sponsored "promise to pay in the future" defined benefit plans with a Company sponsored "pay as you go" defined contribution plan, which is historically the form of retirement benefit provided to Quad/Graphics employees. As a result of the decision to withdraw, the Company recorded an estimated withdrawal liability for the MEPPs as part of the purchase price allocation process based on information received from the MEPPs trustees. The estimated withdrawal liability will be updated as new withdrawal liability projections are provided from each plan's trustees until the final withdrawal liability is determined and paid. The exact amount of its withdrawal liability could be higher or lower than the estimate depending on, among other things, the nature and timing of any triggering events and the funded status of the plans at that time. See Note 18, "Employee Retirement Plans," for further discussion.

Stock-Based Compensation—The Company recognizes stock-based compensation expense over the vesting period for all stock-based awards made to employees and directors based on the fair value of the instrument at the time of grant. See Note 20, "Equity Incentive Programs," for further discussion.

Accumulated Other Comprehensive Income (Loss)—Accumulated other comprehensive income (loss) consists of unrecognized actuarial gains and losses and prior service costs for pension and postretirement plans and foreign currency translation adjustments and is presented in the consolidated statements of redeemable equity, common stock and other equity and noncontrolling interests. See Note 22, "Accumulated Other Comprehensive Income (Loss)," for further discussion.

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Supplemental Cash Flow Information—Certain supplemental cash flow information related to the Company consists of the following at December 31, 2014, 2013 and 2012:

	2014	2013	2012
Interest paid, net of amounts capitalized	$80.8	$74.2	$75.5
Income taxes paid (refunded)	3.5	22.9	(34.5)
Non-cash investing and financing activities:			
Capital lease additions (see Note 14)	2.9	—	—
Leased equipment purchased through term loan (see Note 13)	—	12.8	—
Acquisitions of businesses (see Note 2):			
Fair value of assets acquired, net of cash	$171.1	$389.9	$8.7
Liabilities assumed	(66.6)	(74.1)	(2.1)
Goodwill	5.1	8.0	—
Deposit paid in 2012 related to Vertis acquisition	—	(25.9)	—
Deferred payment for Proteus and Transpak acquisition (see Note 2)	5.0	(6.0)	—
Deferred payment for UniGraphic acquisition (see Note 2)	(2.1)	—	—
Acquisition of businesses—net of cash acquired	$112.5	$291.9	$6.6

Note 2. Acquisitions and Strategic Investments

2014 Brown Printing Company Acquisition

The Company completed the acquisition of Brown Printing Company ("Brown Printing") on May 30, 2014, for $100.0 million. Brown Printing provides magazine and catalog printing, distribution services and integrated media solutions to magazine publishers and catalog marketers in the United States. The purchase of Brown Printing was accounted for using the acquisition method of accounting under GAAP. The Company recorded the preliminary allocation of the purchase price to the acquired tangible and identifiable intangible assets and liabilities assumed based on their estimated fair values as of the acquisition date. The Company used cash on hand and borrowings under its revolving credit facility to finance the acquisition.

Brown Printing's operations are included in the United States Print and Related Services segment. Disclosure of the financial results of Brown Printing since the acquisition date is not practicable as it is not being operated as a standalone business, and has been combined with the Company's existing operations.

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The Company recorded a preliminary allocation of the purchase price to tangible and identifiable intangible assets acquired and liabilities assumed, including certain contingent liabilities, based on their fair values as of the May 30, 2014 acquisition date. The preliminary purchase price allocation is as follows:

	Preliminary Purchase Price Allocation
Cash and cash equivalents	$3.6
Accounts receivable	46.1
Other current assets	20.0
Property, plant and equipment	70.8
Identifiable intangible assets	4.7
Other long-term assets	7.5
Accounts payable and accrued liabilities	(36.0)
Other long-term liabilities	(16.7)
Preliminary purchase price	$100.0

The preliminary purchase price allocation and unaudited pro forma condensed combined financial information is based on valuations performed to determine the fair value of the net assets as of the acquisition date. The final purchase price, as well as the purchase price allocation, is subject to the final determination of acquired working capital and completion of the final valuation of the net assets acquired. The valuation of the net assets acquired of $100.0 million was classified as Level 3 in the valuation hierarchy (see Note 16, "Financial Instruments and Fair Value Measurements," for the definition of Level 3 inputs). Identifiable customer relationship intangible assets are amortized over their estimated useful lives of six years.

2014 Anselmo L. Morvillo S.A. Investment

The Company invested an additional $6.5 million in Anselmo L. Morvillo S.A. ("Morvillo") in Argentina, which increased its ownership share in Morvillo from 85% to 100% during the year ended December 31, 2014. The Company historically consolidated the results of Morvillo into the Company's consolidated financial statements and presented the 15% portion of Morvillo's results not owned by the Company as noncontrolling interest. The Company will no longer present noncontrolling interest going forward as Morvillo's results are fully consolidated into the Company's consolidated financial statements.

2014 UniGraphic, Inc. Acquisition

The Company completed the acquisition of UniGraphic, Inc. ("UniGraphic"), a commercial and specialty printing company based in the Boston metro area, on February 5, 2014. UniGraphic offers commercial and specialty printing, in-store marketing, digital and fulfillment solutions for a wide variety of industries including arts and entertainment, education, financial, food, healthcare, mass media, pharmaceutical and retail. The net purchase price of $11.2 million for UniGraphic includes $9.1 million of net cash paid during the year ended December 31, 2014, and an estimated $2.1 million of future cash payments related to the acquisition. Identifiable customer relationship intangible assets of $7.2 million have been recorded through the preliminary purchase price allocation and will be amortized over their estimated useful lives of six years. The preliminary purchase price allocation is based on valuations performed to

determine the fair value of the net assets as of the acquisition date. The final purchase price, as well as the purchase price allocation, is subject to the final determination of acquired working capital and completion of the final valuation of the net assets acquired. UniGraphic's operations are included in the United States Print and Related Services segment.

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2013 Proteus Packaging and Transpak Corporation Acquisitions

The Company completed the acquisition of Wisconsin-based Proteus Packaging ("Proteus") as well as its sister company Transpak Corporation ("Transpak"), on December 18, 2013, for $48.7 million. Payments of $43.1 million were made on December 18, 2013, upon the completion of the acquisition. During 2014, $5.0 million was paid, leaving $0.6 million of estimated future cash payments related to the acquisition.

Proteus is a designer and manufacturer of high-end paperboard packaging, offering packaging solutions for a wide variety of industries, including automotive, biotechnology, food, personal care, pharmaceuticals, software and electronics. Transpak is a full-service industrial packaging company, offering crating, packaging, warehousing, distribution and logistics services to destinations worldwide.

This acquisition was accounted for using the acquisition method of accounting under GAAP. The Company recorded the allocation of the purchase price to the acquired tangible and identifiable intangible assets and liabilities assumed based on their fair values as of the December 18, 2013 acquisition date. Goodwill resulting from this acquisition, which is deductible for tax purposes, has been recorded within the United States Print and Related Services segment based on the amount by which the purchase price exceeds the fair value of the net assets acquired. The final purchase price allocation is as follows:

	Purchase Price Allocation
Accounts receivable	$4.4
Other current assets	5.6
Property, plant and equipment	16.5
Identifiable intangible assets	14.7
Accounts payable and accrued liabilities	(3.9)
Other long-term liabilities	(1.7)
Goodwill	13.1
Purchase price	$48.7

The purchase price allocation is based on valuations performed to determine the fair value of the net assets as of the acquisition date. The valuation of the net assets acquired of $48.7 million was classified as Level 3 in the valuation hierarchy (see Note 16, "Financial Instruments and Fair Value Measurements," for the definition of Level 3 inputs). Identifiable customer relationship intangible assets are amortized on a straight-line basis over their estimated useful lives of six years. Proteus' and Transpak's operations are included in the United States Print and Related Services segment.

2013 Novia CareClinics, LLC Acquisition

The Company completed the acquisition of Novia CareClinics, LLC ("Novia"), an Indianapolis, Indiana healthcare solutions company, on November 7, 2013 for $13.3 million. Novia develops and manages onsite and shared primary care clinics for small to medium sized companies and the public sector, such as school districts and city and county governments. Identifiable customer relationships of $13.5 million have been recorded through the final purchase price

allocation. Identifiable customer relationship intangible assets are amortized over their estimated useful lives of six years. The final purchase price allocation was based on valuations performed to determine the fair value of the net assets as of the acquisition date. The valuations of the net assets acquired of $13.3 million was classified as Level 3 in the valuation hierarchy (see Note 16, "Financial Instruments and Fair Value Measurements," for the definition of Level 3 inputs). Novia's operations are included in the United States Print and Related Services segment.

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2013 Vertis Holdings, Inc. Acquisition

The Company completed the acquisition of substantially all of the assets of Vertis Holdings, Inc. ("Vertis") on January 16, 2013 for $265.4 million, pursuant to the terms of the Asset Purchase Agreement ("Asset Agreement"). Vertis was a leading provider of retail inserts, direct marketing and in-store marketing solutions. The acquisition of Vertis enhanced the Company's position as a leader in the production of retail inserts, direct marketing and in-store marketing solutions that the Company can provide to its clients and enhanced its integrated offerings. The purchase of Vertis was accounted for using the acquisition method of accounting under GAAP. The Company did not acquire certain assets and assume certain liabilities of Vertis and its subsidiaries in this asset acquisition, including, among other liabilities, their underfunded pension and postretirement obligations. The Company used cash on hand and borrowings under its revolving credit facility to finance the acquisition.

In October 2012, the Company made a $25.9 million deposit to be held in escrow, in accordance with the terms of the Asset Agreement. As of December 31, 2012, the deposit was classified in prepaid expenses and other current assets in the consolidated balance sheets. This deposit was applied to the purchase price upon the January 16, 2013 consummation of the acquisition.

To facilitate the intended sale, Vertis, along with its subsidiaries, filed voluntary petitions for relief under Chapter 11 of the United States Bankruptcy Code and, at the same time, filed documents seeking the U.S. Bankruptcy Court's approval of the proposed Asset Agreement to the Company. Completion of the acquisition was subject to such U.S. Bankruptcy Court approval as well as customary conditions and regulatory approvals, including the expiration or termination of the applicable waiting period under the Hart-Scott-Rodino Antitrust Improvements Act of 1976.

The Asset Agreement with the Company comprised the initial stalking horse bid in the U.S. Bankruptcy Court-supervised auction process under Section 363 of the United States Bankruptcy Code. Vertis and its advisors evaluated any competing bids that were submitted in order to ensure it received the highest and best offer for its assets. On November 26, 2012 Vertis filed a notice with the U.S. Bankruptcy Court naming Quad/Graphics as the successful bidder. On December 6, 2012, the U.S. Bankruptcy Court approved the sale agreement with Vertis. The acquisition was completed on January 16, 2013.

Vertis' operations are included in the United States Print and Related Services segment. Disclosure of the financial results of Vertis since the acquisition date is not practicable as it is not being operated as a standalone business, and has been combined with the Company's existing operations.

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The Company recorded the allocation of the purchase price to tangible and identifiable assets acquired and liabilities assumed, including certain contingent liabilities, based on their fair values as of the January 16, 2013 acquisition date. The final purchase price allocation is as follows:

	Purchase Price Allocation
Cash and cash equivalents	$4.1
Accounts receivable	133.4
Other current assets	40.5
Property, plant and equipment	127.8
Identifiable intangible assets	25.6
Current liabilities	(54.0)
Other long-term liabilities	(12.0)
Purchase price	$265.4

The purchase price allocation and unaudited pro forma condensed consolidated financial information is based on valuations performed to determine the fair value of the net assets as of the acquisition date. The valuation of the net assets acquired of $265.4 million was classified as Level 3 in the valuation hierarchy (see Note 16, "Financial Instruments and Fair Value Measurements," for the definition of Level 3 inputs). Identifiable customer relationship intangible assets are amortized on a straight-line basis over their estimated useful lives of six years.

2012 Manipal Technologies Limited Strategic Partnership

The Company entered into a strategic partnership with India-based Manipal Technologies Limited ("ManipalTech") on March 28, 2012, whereby Quad/Graphics paid $18.1 million for a minority equity ownership interest in ManipalTech. ManipalTech is one of India's largest providers of printing services and supports clients' marketing, branding and communication needs through print services and technology solutions. The Company's investment in ManipalTech is accounted for as a cost method investment and is recorded within other long-term assets in the consolidated balance sheets.

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Unaudited Pro Forma Condensed Combined Financial Information

The following unaudited pro forma condensed combined financial information presents the Company's results as if the Company had acquired Brown Printing on January 1, 2013 and Vertis on January 1, 2012. The unaudited pro forma information has been prepared with the following considerations:

(1) The unaudited pro forma condensed combined financial information has been prepared using the acquisition method of accounting under existing GAAP. The Company is the acquirer for accounting purposes.

(2) The unaudited pro forma condensed combined financial information does not reflect any operating cost synergy savings that the combined companies may achieve as a result of the acquisition, the costs necessary to achieve these operating synergy savings or additional charges necessary as a result of the integration.

	Year Ended December 31,		
	2014 (pro forma)	2013 (pro forma)	2012 (pro forma)
Pro forma net sales	$5,007.6	$5,233.2	$5,166.7
Pro forma net earnings from continuing operations attributable to common shareholders	17.8	40.9	59.0
Pro forma diluted earnings per share from continuing operations attributable to common shareholders	0.36	0.83	1.18

Note 3. Discontinued Operations

On July 12, 2011, the Company and Transcontinental Inc. ("Transcontinental") entered into a definitive agreement whereby Quad/Graphics acquired 100% of Transcontinental's Mexican operations in exchange for the Company's Canadian operations. The Company completed the acquisition of Transcontinental's Mexican operations on September 8, 2011, and completed the sale of the Company's Canadian operations on March 1, 2012.

The Company's determination of the Mexican acquired operations' fair value was $63.6 million. Of the $63.6 million purchase price, $6.1 million was paid in cash ($1.2 million was paid in 2011 and $4.9 million was paid in 2012). The remaining purchase price of $57.5 million was satisfied by the exchange transaction of the Company's Canadian business.

In connection with the acquisition of Transcontinental's Mexican operations, the definitive agreement required the Company to deposit 50.0 million Canadian dollars with Transcontinental until the Canadian operations sale was completed. The Company elected to hedge the foreign currency exchange rate exposure related to the 50.0 million Canadian dollar deposit by entering into short-term foreign currency forward exchange contracts. The Company hedged this foreign currency exposure until the March 1, 2012, sale of Canadian net assets and refund of the 50.0 million Canadian dollar deposit occurred. During the year ended December 31, 2012, $1.6 million of realized mark-to-market losses on the derivative contracts were offset by $1.6 million of transaction gains on translation of the foreign currency denominated deposit within selling, general and administrative expenses. The fair value

determination of the foreign currency forward exchange contracts was categorized as Level 2 in the fair value hierarchy (see Note 16, "Financial Instruments and Fair Value Measurements," for the definition of Level 2 inputs).

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Transcontinental assumed pension and post-retirement obligations pertaining to approximately 1,500 Canadian employees, located among the seven facilities sold to Transcontinental. The gain on disposal of discontinued operations, net of tax, was finalized in 2012, and determined as follows:

	As of December 31, 2012
Fair value of the acquired Transcontinental Mexican operations	$63.6
Cash paid to Transcontinental	(6.1)
Net proceeds	57.5
Net assets of discontinued operations	(27.2)
Cumulative translation adjustment of discontinued operations	3.7
Gain on disposal of discontinued operations, net of tax[1]	$34.0

(1) For tax purposes the disposal of discontinued operations resulted in a long-term capital loss, for which a deferred tax asset was recorded. An offsetting valuation allowance against the deferred tax asset was recorded to reflect the expected value at which the asset will be recovered.

As the sale of the Canadian operations was completed on March 1, 2012, there were no results of operations of the Canadian operations for the years ended December 31, 2014 and 2013. The following table summarizes the results of operations of the Canadian operations, which are included in the loss from discontinued operations in the consolidated statements of operations for the year ended December 31, 2012:

	Year Ended December 31, 2012
Total net sales	$32.2
Loss from discontinued operations before income taxes	(3.2)
Income tax expense	—
Loss from discontinued operations, net of tax	$(3.2)

Prior to the March 1, 2012 closing, the Company continued to execute restructuring events related to plant closures, workforce reductions and other restructuring initiatives, as well as transaction costs related to the sale of the Canadian operations. Due to these initiatives, the Company has recognized $1.7 million in restructuring, impairment and transaction-related costs for the year ended December 31, 2012 within discontinued operations in the consolidated statements of operations.

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Note 4. Restructuring, Impairment and Transaction-Related Charges

The Company recorded restructuring, impairment and transaction-related charges for the years ended December 31, 2014, 2013 and 2012 as follows:

	2014	2013	2012
Employee termination charges	$30.6	$15.7	$27.2
Impairment charges	14.4	21.8	23.0
Transaction-related charges	2.6	4.0	4.1
Integration costs	11.2	25.2	44.6
Other restructuring charges	8.5	28.6	19.4
Total	$67.3	$95.3	$118.3

The costs related to these activities have been recorded on the consolidated statements of operations as restructuring, impairment and transaction-related charges. See Note 23, "Segment Information," for restructuring, impairment and transaction-related charges by segment.

Restructuring Charges

The Company began a restructuring program in 2010 related to eliminating excess manufacturing capacity and properly aligning its cost structure. Since 2010, the Company has announced a total of 25 plant closures and has reduced headcount by approximately 8,300.

During the year ended December 31, 2014, the Company announced the closures of the Atlanta, Georgia; Dickson, Tennessee; Marengo, Iowa; Pomona, California; St. Cloud, Minnesota; and Woodstock, Illinois plants. As a result of these and other restructuring programs, the Company recorded the following charges for the year ended December 31, 2014:

- Employee termination charges of $30.6 million were recorded by the Company during the year ended December 31, 2014. The Company reduced its workforce through facility consolidations and involuntary separation programs.

- Integration costs of $11.2 million were recorded by the Company during the year ended December 31, 2014. Integration costs were primarily related to preparing existing facilities to meet new production requirements resulting from work transferring from closed plants, as well as other costs related to the integration of the acquired companies.

- Other restructuring charges of $8.5 million were recorded by the Company during the year ended December 31, 2014, which consisted of: (1) $7.7 million of vacant facility carrying costs, (2) $2.4 million of legal fees, (3) $1.8 million of equipment and infrastructure removal costs from closed plants and (4) $1.5 million of lease exit charges. Other restructuring charges are presented net of a $4.9 million gain from the termination of the postretirement medical benefit plan (see Note 18, "Employee Retirement Plans," for further details on the postretirement medical benefit plan termination).

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During the year ended December 31, 2013, the Company announced the closures of the Bristol, Pennsylvania; Dubuque, Iowa; Pittsburg, California; and Vancouver, British Columbia, Canada plants. As a result of these and other restructuring programs, the Company recorded the following charges for the year ended December 31, 2013:

- Employee termination charges of $15.7 million were recorded by the Company during the year ended December 31, 2013. The Company reduced its workforce through facility consolidations and involuntary separation programs.

- Integration costs of $25.2 million were recorded by the Company during the year ended December 31, 2013. Integration costs were primarily related to preparing existing facilities to meet new production requirements resulting from work transferring from closed plants, as well as other costs related to the integration of the acquired companies.

- Other restructuring charges of $28.6 million were recorded by the Company during the year ended December 31, 2013, which consisted of: (1) $14.4 million of vacant facility carrying costs, (2) $6.2 million of equipment and infrastructure removal costs from closed plants and (3) $10.1 million of lease exit charges. Other restructuring charges are presented net of a $2.1 million pension plan settlement gain.

During the year ended December 31, 2012, the Company announced the closures of Jonesboro, Arkansas; Limerick, Ireland, and two plants in Mexico City, Mexico. As a result of these and other restructuring programs, the Company recorded the following charges for the year ended December 31, 2012:

- Employee termination charges of $27.2 million were recorded by the Company during the year ended December 31, 2012. The Company reduced its workforce through facility consolidations and involuntary separation programs.

- Integration costs of $44.6 million were recorded by the Company during the year ended December 31, 2012. Integration costs were primarily related to preparing existing facilities to meet new production requirements resulting from work transferring from closed plants, as well as other costs related to the integration of the acquired companies.

- Other restructuring charges of $19.4 million were recorded by the Company during the year ended December 31, 2012, which consisted of: (1) $19.3 million of vacant facility carrying costs, (2) $7.3 million of equipment and infrastructure removal costs from closed plants and (3) $8.0 million of lease exit charges. Other restructuring charges are presented net of a $12.8 million curtailment gain resulting from an amendment to the postretirement medical benefit plan and a $2.4 million gain on the collection of a note receivable related to a settlement of a disputed pre-acquisition World Color Press note receivable during the year ended December 31, 2012.

The restructuring charges recorded are based on plans that have been committed to by management and are, in part, based upon management's best estimates of future events. Changes to the estimates may require future restructuring charges and adjustments to the restructuring liabilities. The Company expects to incur additional restructuring charges related to these and other initiatives.

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Impairment Charges

The Company recognized impairment charges of $14.4 million during the year ended December 31, 2014, consisting of (1) $8.0 million of impairment charges for machinery and equipment no longer being utilized in production as a result of facility consolidations including Atlanta, Georgia; Dickson, Tennessee; Mexico City, Mexico; Pomona, California; and St. Cloud, Minnesota, as well as other capacity reduction restructuring initiatives and (2) $6.4 million of land and building impairment charges primarily related to the Bristol, Pennsylvania and Dickson, Tennessee plant closures.

The Company recognized impairment charges of $21.8 million during the year ended December 31, 2013, consisting of (1) $11.7 million of impairment charges for machinery and equipment no longer being utilized in production as a result of facility consolidations including Dubuque, Iowa; Jonesboro, Arkansas; Pittsburg, California and Vancouver, British Columbia, Canada, as well as other capacity reduction restructuring initiatives and (2) $10.1 million of land and building impairment charges primarily related to the Corinth, Mississippi; Marengo, Iowa and Mexico City, Mexico plant closures.

The Company recognized impairment charges of $23.0 million during the year ended December 31, 2012, consisting of (1) $13.1 million of land and building impairment charges primarily related to the Limerick, Ireland; Mt. Morris, Illinois; Pila, Poland; Richmond, Virginia and Stillwater, Oklahoma plant closures and (2) $9.9 million of impairment charges for machinery and equipment no longer being utilized in production as a result of facility consolidations including Jonesboro, Arkansas; Mexico City, Mexico; Pila, Poland and Stillwater, Oklahoma, as well as other capacity reduction restructuring initiatives.

The fair values of the impaired assets were determined by the Company to be Level 3 under the fair value hierarchy (see Note 16, "Financial Instruments and Fair Value Measurements," for the definition of Level 3 inputs) and were estimated based on broker quotes and internal expertise related to current marketplace conditions. These assets were adjusted to their estimated fair values at the time of impairment.

Transaction-Related Charges

The Company incurs transaction-related charges primarily consisting of professional service fees related to business acquisition and divestiture activities. The Company recognized transaction-related charges of $2.6 million during the year ended December 31, 2014, which primarily includes professional service fees for the acquisitions of Brown Printing and UniGraphic. The Company recognized transaction-related charges of $4.0 million during the year ended December 31, 2013, which primarily includes professional service fees for the acquisitions of Vertis, Proteus and Transpak. The Company recognized transaction-related charges of $4.1 million during the year ended December 31, 2012, which primarily includes professional service fees for the acquisition of Vertis and the business exchange transaction with Transcontinental. The transaction-related charges were expensed as incurred in accordance with the applicable accounting guidance on business combinations.

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Reserves for Restructuring, Impairment and Transaction-Related Charges

Activity impacting the Company's reserves for restructuring, impairment and transaction-related charges for the years ended December 31, 2014 and 2013 was as follows:

	Employee Termination Charges	Impairment Charges	Transaction-Related Charges	Integration Costs	Other Restructuring Charges	Total
Balance at January 1, 2013	$6.1	$—	$ 0.9	$3.5	$22.8	$33.3
Expense from continuing operations	15.7	21.8	4.0	25.2	28.6	95.3
Cash payments	(17.0)	—	(4.7)	(25.0)	(33.2)	(79.9)
Non-cash adjustments	—	(21.8)	—	—	1.1	(20.7)
Balance at December 31, 2013	$4.8	$—	$ 0.2	$3.7	$19.3	$28.0
Expense from continuing operations	30.6	14.4	2.6	11.2	8.5	67.3
Cash payments	(25.1)	—	(2.3)	(11.6)	(19.9)	(58.9)
Non-cash adjustments	(0.3)	(14.4)	—	(1.5)	5.7	(10.5)
Balance at December 31, 2014	$10.0	$—	$ 0.5	$1.8	$13.6	$25.9

The Company's restructuring, impairment and transaction-related reserves at December 31, 2014 included a short-term and a long-term component. The short-term portion is comprised of $16.9 million included in accrued liabilities (see Note 10, "Accrued Liabilities") and $2.2 million included in accounts payable in the consolidated balance sheets as the Company expects these reserves to be paid within the next twelve months. The long-term portion of $6.8 million is included in other long-term liabilities (see Note 17, "Other Long-Term Liabilities") in the consolidated balance sheets, of which $6.1 million is classified in restructuring reserves and $0.7 million is classified in MEPPs withdrawal liability.

Note 5. Goodwill and Other Intangible Assets

Goodwill is tested annually for impairment as of October 31 or more frequently if events or changes in circumstances indicate that it is more likely than not that the fair value of a reporting unit is below its carrying value. In the fourth quarter of 2014, the Company's financial reporting structure was changed to align with the launch of the Company's five primary strategic goals that support its objectives to transform the Company and drive performance through innovation discussed in the "Strategy" section of Part I, Item 1. "Business," of this Annual Report on Form 10-K. As a result, the Company re-evaluated the reporting units within the United States Print and Related Services operating segment and concluded that there are three reporting units as compared to one reporting unit in the prior year. The carrying value of goodwill in the Company's United States reporting unit was allocated based on the relative fair value of the Company's Core Print and Related Services, Specialty Print and Related Services and Other United States Products and Services businesses. Therefore, the Company completed its annual goodwill impairment assessment of the Core Print and Related Services, Specialty Print and Related Services, Other United States Products and Services,

Latin America and European reporting units, which included comparing the carrying amount of net assets, including goodwill, of each reporting unit to its respective fair value as of October 31, 2014, the annual assessment date. The European reporting unit does not have goodwill associated with it. Impairment tests prior to that change were performed based on goodwill balances and cash flows under the previous reporting unit structure.

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Fair value was determined using an equal weighting of both the income and market approaches, except for the Other United States Products and Services reporting unit for which only an income approach was used. This fair value determination was categorized as Level 3 in the fair value hierarchy (see Note 16, "Financial Instruments and Fair Value Measurements," for the definition of Level 3 inputs). Under the income approach, the Company determined fair value based on estimated future cash flows discounted by an estimated weighted-average cost of capital, which reflects the overall level of inherent risk and the rate of return an outside investor would expect to earn. Under the market approach, the Company derived the fair value of the reporting units based on market multiples of comparable publicly-traded companies. Management concluded that no impairment existed as of October 31, 2014, because the estimated fair value of each of the Company's Core Print and Related Services, Specialty Print and Related Services, Other United States Products and Services, and Latin America reporting units exceeded the respective carrying amounts. The fair value of these reporting units exceed their respective carrying values by greater than ten percent. No additional indications of impairment have been identified between October 31, 2014, and December 31, 2014.

Goodwill at December 31, 2014 and 2013 did not include any accumulated impairment losses. No goodwill impairment was recorded during the years ended December 31, 2014, 2013 or 2012.

Activity impacting the Company's goodwill for the years ended December 31, 2014 and 2013 was as follows:

	United States Print and Related Services	International		Total	
Balance at January 1, 2013	$738.2	$30.4		$768.6	
Proteus and Transpak acquisitions (see Note 2)	8.0	—		8.0	
Sale of business (see Note 9)	—	(0.5	)	(0.5	)
Translation adjustment	—	(3.0	)	(3.0	)
Balance at December 31, 2013	$746.2	$26.9		$773.1	
Proteus and Transpak acquisitions (see Note 2)	5.1	—		5.1	
Translation adjustment	—	(2.7	)	(2.7	)
Balance at December 31, 2014	$751.3	$24.2		$775.5	

The components of other intangible assets at December 31, 2014 and 2013 were as follows:

	December 31, 2014					December 31, 2013				
	Weighted Average Amortization Period (Years)	Gross Carrying Amount	Accumulated Amortization		Net Book Value	Weighted Average Amortization Period (Years)	Gross Carrying Amount	Accumulated Amortization		Net Book Value
Finite-lived intangible assets:										
Trademarks, patents, licenses and agreements	5	$5.1	$ (3.8	)	$1.3	5	$6.5	$ (5.2	)	$1.3
	6	445.1	(298.5	)	146.6	6	444.9	(226.4	)	218.5

Customer relationships											
Capitalized software	5	6.7	(6.3	)	0.4	5	4.3	(3.6	)	0.7
Acquired technology	5	6.7	(5.9	)	0.8	5	7.3	(6.0	)	1.3
Total finite-lived intangible assets		$463.6	$ (314.5	)	$149.1		$463.0	$ (241.2	)	$221.8

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The gross carrying amount and accumulated amortization within other intangible assets—net in the consolidated balance sheets at December 31, 2014 and 2013, differs from the value originally recorded at purchase due to the effects of currency fluctuations between the purchase date and December 31, 2014 and 2013.

Amortization expense for other intangible assets was $75.9 million, $70.3 million and $66.3 million for the years ended December 31, 2014, 2013 and 2012, respectively. The following table outlines the estimated future amortization expense related to intangible assets as of December 31, 2014:

	Amortization Expense
2015	$75.0
2016	44.1
2017	11.6
2018	11.0
2019	6.9
2020	0.5
Total	$149.1

Note 6. Receivables

Transactions affecting the allowances for doubtful accounts during the years ended December 31, 2014, 2013 and 2012 were as follows:

	2014	2013	2012
Balance at beginning of year	$58.9	$70.8	$73.7
Acquisitions	—	—	0.2
Provisions	5.5	10.4	3.2
Write-offs	(9.9)	(15.4)	(6.8)
Divestitures	—	(6.4)	—
Translation and other	3.3	(0.5)	0.5
Balance at end of year	$57.8	$58.9	$70.8

Note 7. Inventories

The components of the Company's inventories at December 31, 2014 and 2013 were as follows:

	2014	2013
Raw materials and manufacturing supplies	$185.4	$174.9
Work in process	53.9	46.6
Finished goods	48.5	51.0
Total	$287.8	$272.5

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Note 8. Property, Plant and Equipment

The components of the Company's property, plant and equipment at December 31, 2014 and 2013 were as follows:

	2014	2013
Land	$143.4	$145.8
Buildings	959.6	937.8
Machinery and equipment	3,600.7	3,509.9
Other[1]	229.4	213.1
Construction in progress	40.1	32.6
Property, plant and equipment—gross	$4,973.2	$4,839.2
Less: accumulated depreciation	(3,117.7)	(2,913.7)
Property, plant and equipment—net	$1,855.5	$1,925.5

(1) Other consists of computer equipment, vehicles, furniture and fixtures, leasehold improvements and communication related equipment.

Property, plant and equipment increased $70.8 million during the year ended December 31, 2014, related to the Brown Printing acquisition (see Note 2, "Acquisitions and Strategic Investments" for further discussion on the acquisition of Brown Printing).

The Company recorded impairment charges of $14.4 million, $21.8 million and $23.0 million during the years ended December 31, 2014, 2013 and 2012, respectively, to reduce the carrying amounts of certain land, buildings and machinery and equipment no longer utilized in production to fair value (see Note 4, "Restructuring, Impairment and Transaction-Related Charges" for further discussion on impairment charges).

The Company recognized depreciation expense of $260.5 million, $270.2 million and $272.3 million for the years ended December 31, 2014, 2013 and 2012, respectively.

Assets Held for Sale

Certain closed facilities are considered held for sale. The net book value of the assets held for sale was $1.8 million and $5.6 million as of December 31, 2014 and 2013, respectively. These assets were valued at their fair value, less the estimated costs to sell. The fair values were determined by the Company to be Level 3 under the fair value hierarchy (see Note 16, "Financial Instruments and Fair Value Measurements," for the definition of Level 3 inputs) and were estimated based on broker quotes and internal expertise related to current marketplace conditions. Assets held for sale are included in prepaid expenses and other current assets in the consolidated balance sheets.

Note 9. Equity Method Investments in Unconsolidated Entities

The Company has a 49% ownership interest in Plural Editora e Gráfica ("Plural"), a commercial printer based in São Paulo, Brazil, and a 50% ownership interest in Quad/Graphics Chile S.A. ("Chile"), a commercial printer based in Santiago, Chile. The Company's ownership interest in Plural and Chile is accounted for using the equity method of

accounting for all periods presented.

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On January 1, 2013, the Company sold 100% of its ownership interest in two wholly-owned Brazilian entities (Quad/Graphics Nordeste Industria Gráfica LTDA. and Quad/Graphics São Paulo Industria Gráfica S.A.) to Plural for a purchase price of $5.5 million (recorded in receivables in the Company's consolidated balance sheet as of December 31, 2013). Quad/Graphics retained ownership of the land and building, which are leased to Plural. During the year ended December 31, 2013, the Company recorded a $2.8 million gain on the sale within selling, general and administrative expenses in the Company's consolidated statements of operations. As a result of the sale to Plural, the Company no longer controls these entities (the Company now owns 49% of these entities through its ownership interest in Plural), and thus the assets and liabilities of the entities sold have been deconsolidated in accordance with GAAP. Since the sale to Plural, the Company's ownership interest in the results of operations of these entities are included in equity in earnings (loss) of unconsolidated entities in the consolidated statements of operations.

The Company's equity earnings of Plural's and Chile's operations are recorded in the line item entitled equity in earnings (loss) of unconsolidated entities in the Company's consolidated statements of operations, and is included within the International segment.

The combined condensed balance sheets for Plural and Chile at December 31, 2014 and 2013 are presented below:

	2014	2013
Current assets	$77.9	$94.9
Long-term assets	71.1	92.9
Total assets	$149.0	$187.8
Current liabilities	$64.4	$75.0
Long-term liabilities	10.9	18.1
Total liabilities	$75.3	$93.1

The combined condensed statements of operations for Plural and Chile for the years ended December 31, 2014, 2013 and 2012 are presented below:

	2014	2013	2012
Net sales	$195.8	$221.2	$200.8
Operating income (loss)	(3.6)	(0.7)	9.0
Net earnings (loss)	(5.2)	(3.9)	4.2

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Note 10. Accrued Liabilities

The components of the Company's accrued liabilities at December 31, 2014 and 2013 were as follows:

	2014	2013
Employee-related liabilities	$191.3	$174.1
Restructuring liabilities	16.9	15.1
Tax liabilities	40.1	46.3
Interest and rent liabilities	13.5	14.0
Other	96.3	101.2
Total	$358.1	$350.7

Employee-related liabilities consist primarily of payroll, bonus and profit sharing, vacation, health, workers' compensation and pension obligations.

Note 11. Commitments and Contingencies

Commitments

The Company had firm commitments of $41.1 million to purchase press and finishing equipment.

Litigation

The Company is named as a defendant in various lawsuits in which claims are asserted against the Company in the normal course of business. The liabilities, if any, which ultimately result from such lawsuits are not expected by management to have a material impact on the consolidated financial statements of the Company.

Environmental Reserves

The Company is subject to various laws, regulations and government policies relating to health and safety, to the generation, storage, transportation, and disposal of hazardous substances, and to environment protection in general. The Company provides for expenses associated with environmental remediation obligations when such amounts are probable and can be reasonably estimated. Such reserves are adjusted as new information develops or as circumstances change. The environmental reserves are not discounted. The Company believes it is in compliance with such laws, regulations and government policies in all material respects. Furthermore, the Company does not anticipate that maintaining compliance with such environmental statutes will have a material impact upon the Company's competitive or consolidated financial position.

Note 12. World Color Press Insolvency Proceedings

The Company continues to manage the bankruptcy claim settlement process for the Quebecor World Inc. ("QWI") bankruptcy proceedings in the United States and Canada (QWI changed its name to "World Color Press Inc." upon emerging from bankruptcy on July 21, 2009). To the extent claims are allowed, the holders of such claims are entitled

to receive recovery, with the nature of such recovery dependent upon the type and classification of such claims. In this regard, with respect to certain types of claims, the holders thereof are entitled to receive cash and/or unsecured notes, while the holders of certain other types of claims are entitled to receive a combination of Quad/Graphics common stock and cash, in accordance with the terms of the World Color Press acquisition agreement.

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With respect to claims asserted by the holders thereof as being entitled to a priority cash recovery, the Company has estimated that approximately $1.4 million and $2.5 million of such recorded claims have yet to be paid as of December 31, 2014, and December 31, 2013, respectively, and this obligation is classified as amounts owing in satisfaction of bankruptcy claims in the consolidated balance sheets.

With respect to unsecured claims held by creditors of the operating subsidiary debtors of Quebecor World (USA) Inc. (the "Class 3 Claims"), each allowed Class 3 Claim will be entitled to receive an unsecured note in an equaling 50% of such creditor's allowed Class 3 Claim, provided, however, that the aggregate principal amount of all such unsecured notes cannot exceed $75.0 million. Each allowed Class 3 Claim will also receive accrued interest and a 5% prepayment redemption premium thereon (the total aggregate maximum principal, interest and prepayment redemption premium for all Class 3 Claims is $89.2 million). In connection with the World Color Press acquisition, the Company was required to deposit the maximum potential payout to the Class 3 Claim creditors of $89.2 million with a trustee, and that amount will remain with the trustee until either (1) it is paid to a creditor for an allowed Class 3 Claim or (2) excess amounts not required for Class 3 Claim payments will revert to the Company.

In the year ended December 31, 2014, $8.0 million was paid to Class 3 Claim creditors. The Company also received a refund of $18.9 million of restricted cash for the year ended December 31, 2014, as the restriction was released for amounts no longer required to be held in deposit for Class 3 Claims. At December 31, 2014, $29.1 million of the maximum potential payout to the Class 3 Claim creditors remains and is classified as restricted cash in the consolidated balance sheets. Based on the Company's analysis of the outstanding claims, the Company has a liability of $9.0 million at December 31, 2014, classified as unsecured notes to be issued in the consolidated balance sheets. Activity impacting the Company's restricted cash and unsecured notes to be issued for the year ended December 31, 2014 and 2013 was as follows:

	Restricted Cash	Unsecured Notes to be Issued
Balance at January 1, 2013	$60.5	$23.8
Class 3 claim payments during 2013	(4.5)	(4.5)
Non-cash adjustments	—	(1.3)
Balance at December 31, 2013	$56.0	$18.0
Class 3 claim payments during 2014	(8.0)	(8.0)
Restricted cash refunded to Quad/Graphics	(18.9)	—
Non-cash adjustments	—	(1.0)
Balance at December 31, 2014	$29.1	$9.0

The components of the Company's restricted cash at December 31, 2014 and December 31, 2013, were as follows:

	December 31, 2014	December 31, 2013
Defeasance of unsecured notes to be issued	$29.1	$56.0
Other	2.1	—
Total restricted cash	$31.2	$56.0
Less: short-term restricted cash	31.2	4.5

Long-term restricted cash	$—	$51.5

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While the liabilities recorded for any bankruptcy matters are based on management's current assessment of the amount likely to be paid, it is not possible to identify the final amount of priority cash claims or the amount of Class 3 Claims that will ultimately be allowed by the U.S. Bankruptcy Court. Therefore, payments for amounts owing in satisfaction of bankruptcy claims could be materially higher than the amounts accrued on the consolidated balance sheets, which would require additional cash payments to be made and expense to be recorded for the amount exceeding the Company's estimate. Amounts payable related to the unsecured notes could exceed current estimates, which would require additional expense to be recorded. The Company has resolved the majority of claims since acquiring World Color Press in 2010, but the ultimate timing for completion of the bankruptcy process depends on the resolution of the remaining claims.

Note 13. Debt

Long-term debt consisted of the following as of December 31, 2014 and 2013:

	Weighted Average Interest Rate	2014	2013
Master note and security agreement(1)	7.55 %	$316.6	$490.2
Term loan A—$450.0 million due April 2019(2)	2.32 %	438.8	—
Term loan A—$450.0 million due July 2017(3)		—	416.3
Term loan B—$300.0 million due April 2021(2)	4.25 %	295.8	—
Term loan B—$200.0 million due July 2018(3)		—	194.8
Revolving credit facility—$850.0 million due April 2019(2)	2.30 %	43.9	—
Revolving credit facility—$850.0 million due July 2017(3)		—	209.8
Senior unsecured notes—$300.0 million due May 2022(2)	7.00 %	300.0	—
International term loan—$68.9 million(4)		—	58.2
International revolving credit facility—$14.3 million(4)	2.65 %	0.2	2.3
Equipment term loans(5)	4.75 %	13.3	16.4
Other	20.41 %	3.1	5.3
Total debt		$1,411.7	$1,393.3
Less: short-term debt and current portion of long-term debt		(92.0)	(127.6)
Long-term debt		$1,319.7	$1,265.7

(1) These senior notes have a weighted-average interest rate of 7.55%, which is fixed to maturity, with interest payable semiannually. Principal payments commenced September 1997 and extend through April 2031 in various tranches. The notes are collateralized by certain United States land, buildings and press and finishing equipment under the terms of the master note and security agreement.

The Company redeemed $108.8 million of its senior notes under the master note and security agreement for $109.6 million on October 10, 2014, resulting in a $0.8 million loss plus applicable transaction fees of $0.2 million for a total of $1.0 million included in loss on debt extinguishment in the consolidated statements of operations. The Company used its revolving credit facility to effect the redemption. This redemption was primarily completed to reduce interest expense based on the then current London Interbank Offered Rate ("LIBOR") rates.

The Company and certain of its subsidiaries entered into a fourth amendment to the master note and security agreement on November 24, 2014. The amendment, among other things, amended the financial covenants by removing the consolidated net worth requirement (removed for all periods after December 31, 2014) and the fixed charge coverage ratio, as well as adding a minimum interest coverage ratio, a maximum total leverage ratio and a maximum senior secured leverage ratio. These

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amendments align the financial covenants in the master note and security agreement more closely with the financial covenants in the Senior Secured Credit Facility discussed in further detail in (2).

(2) The Company completed its $1.9 billion debt financing arrangements on April 28, 2014, which included refinancing, extending and expanding its existing revolving credit facility, Term Loan A and Term Loan B with a $1.6 billion senior secured credit facility (the "Senior Secured Credit Facility") and the issuance of $300.0 million aggregate principal amount of its unsecured 7.0% senior notes due May 1, 2022 (the "Senior Unsecured Notes"). The Senior Secured Credit Facility and the Senior Unsecured Notes were entered into to extend and stagger the Company's debt maturity profile, further diversify its capital structure and provide more borrowing capacity to better position the Company to execute on its strategic goals. The proceeds from the Senior Secured Credit Facility and Senior Unsecured Notes were used to: (a) repay the Company's previous revolving credit facility, Term Loan A, Term Loan B and the international term loan, (b) fund the acquisition of Brown Printing and (c) for general corporate purposes.

The Senior Secured Credit Facility consists of three different loan facilities. The first facility is a revolving credit facility in the amount of $850.0 million with a term of five years maturing on April 27, 2019. The second facility is a Term Loan A in the aggregate amount of $450.0 million with a term of five years maturing on April 27, 2019, subject to certain required amortization. The third facility is a Term Loan B in the amount of $300.0 million with a term of seven years maturing on April 27, 2021, subject to certain required amortization. At December 31, 2014, the Company had borrowings of $43.9 million on the revolving credit facility, as well as $52.0 million of issued letters of credit, leaving $754.1 million available for future borrowings.

Borrowings under the revolving credit facility and Term Loan A loans made under the Senior Secured Credit Facility will initially bear interest at 2.00% in excess of reserve adjusted LIBOR, or 1.00% in excess of an alternate base rate, and Term Loan B loans will bear interest at 3.25% in excess of reserve adjusted LIBOR, with a LIBOR floor of 1.00%, or 2.25% in excess of an alternative base rate at the Company's option. The Senior Secured Credit Facility is secured by substantially all of the unencumbered assets of the Company. The Senior Secured Credit Facility also requires the Company to provide additional collateral to the lenders in certain limited circumstances.

The Company entered into an amendment to the Senior Secured Credit Facility on December 18, 2014, which eliminated the "net debt" concept from the calculation of the total leverage ratio and the senior secured leverage ratio and provides for the elimination of the consolidated net worth covenant (removed for all periods after December 31, 2014).

The Company received $294.8 million in net proceeds from the sale of the Senior Unsecured Notes, after deducting the initial purchasers' discounts and commissions. The Senior Unsecured Notes bear interest at 7.0% and interest is payable semi-annually. The Senior Unsecured Notes are due May 1, 2022. Each of the Company's existing and future domestic subsidiaries that is a borrower or guarantees indebtedness under the Company's Senior Secured Credit Facility or that guarantees certain of the Company's other indebtedness or indebtedness of the Company's restricted subsidiaries (other than intercompany indebtedness) fully and unconditionally guarantee or, in the case of future subsidiaries, will guarantee, on a joint and several basis, the Senior Unsecured Notes (the "Guarantor Subsidiaries"). All of the current Guarantor Subsidiaries are 100% owned by the Company. Guarantor Subsidiaries will be automatically released from these guarantees upon the occurrence of certain events, including (a) the designation of

any of the Guarantor Subsidiaries as an unrestricted subsidiary; (b) the release or discharge of any guarantee or indebtedness that resulted in the creation of the guarantee of the Senior Unsecured Notes by any of the Guarantor Subsidiaries; or (c) the sale or disposition, including the sale of substantially all the assets, of any of the Guarantor Subsidiaries.

(3) The Company's former $1.5 billion debt financing agreement (which included the revolving credit facility in the amount of $850.0 million, the Term Loan A in the aggregate amount of $450.0 million, and the Term Loan B in the amount of $200.0 million) was replaced with the Senior Secured Credit Facility discussed in further detail in (2).

(4) Debt related to the Company's international operations was refinanced on December 16, 2008 by entering into a secured credit agreement ("Facilities Agreement"). The Facilities Agreement includes a Euro denominated term loan and a multicurrency revolving credit facility. The Euro denominated term loan was repaid as part of the $1.9 billion debt financing arrangements discussed in further detail in (2). The multicurrency revolving credit facility used for financing working capital and general business needs, was renewed in 2014 and will expire on September 30, 2015. At December 31, 2014, the Company's international operations had borrowings of $0.2 million under the multicurrency revolving credit facility, leaving $14.1 million available for future borrowing. The terms of the Facilities Agreement include certain financial covenants, a guarantee of the Facilities Agreement by the Company and a security agreement that includes collateralizing substantially all of the Quad/

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Winkowski assets. The facilities bear interest at the aggregate of the Warsaw Interbank Offered Rate ("WIBOR") or the Euro Interbank Offered Rate ("EURIBOR") and margin.

(5) The Company refinanced certain equipment leases during 2013 with $17.1 million in equipment term loans secured by the formerly leased equipment. The equipment term loans bear interest at a fixed rate of 4.75%, require quarterly payments and have five year terms expiring during 2018. The purchase of these assets resulted in $12.8 million of non-cash investing and financing activities, which represents the $17.1 million in equipment term loans net of $4.3 million of eliminated capital lease obligations (see Note 1, "Basis of Presentation and Summary of Significant Accounting Policies" for the required supplemental cash flow information).

Fair Value of Debt

Based upon the interest rates available to the Company for borrowings with similar terms and maturities, the fair value of the Company's total debt was approximately $1.3 billion and $1.4 billion at December 31, 2014 and 2013, respectively. The fair value determination of the Company's total debt was categorized as Level 2 in the fair value hierarchy (see Note 16, "Financial Instruments and Fair Value Measurements," for the definition of Level 2 inputs). As of December 31, 2014, approximately $3.0 billion of the Company's assets were pledged as security under various loans and other agreements.

Debt Issuance Costs and Original Issue Discount

The Company incurred $14.3 million in debt issuance costs in conjunction with the $1.9 billion debt financing arrangement completed on April 28, 2014. In accordance with the accounting guidance for the treatment of debt issuance costs in a debt extinguishment, of the $14.3 million in new debt issuance costs, $11.0 million was capitalized and is classified as other long-term assets in the consolidated balance sheets and $3.3 million was expensed and is classified as loss on debt extinguishment in the consolidated statements of operations. In addition, a new original issue discount of $3.0 million related to Term Loan B of the Senior Secured Credit Facility was classified as a reduction of long-term debt in the consolidated balance sheets.

The Company incurred $1.0 million in debt issuance costs in conjunction with the redemption of $108.8 million of its senior notes under the master note and security agreement on October 10, 2014. In accordance with the accounting guidance for the treatment of debt issuance costs in a debt extinguishment, the $1.0 million was expensed and is classified as loss on debt extinguishment in the consolidated statements of operations.

The Company incurred $1.2 million in debt issuance costs in conjunction with the amendment to the master note and security agreement on November 24, 2014. In accordance with the accounting guidance for the treatment of debt issuance costs in a debt extinguishment, of the $1.2 million in new debt issuance costs, $1.0 million was capitalized and is classified as other long-term assets in the consolidated balance sheets and $0.2 million was expensed and is classified as loss on debt extinguishment in the consolidated statements of operations.

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The loss on debt extinguishment recorded in the consolidated statements of operations for the year ended December 31, 2014, was comprised of the following:

	Loss on Debt Extinguishment
Debt issuance costs:	
Loss on debt extinguishment from July 26, 2011 $1.5 billion debt financing arrangement fees that were previously capitalized	$2.1
Debt issuance costs from April 28, 2014 $1.9 billion debt financing arrangement	3.3
Loss on debt extinguishment from October 10, 2014 partial redemption of senior notes under master note and security agreement	1.0
Loss on debt extinguishment from November 24, 2014 amendment to master note and security agreement	0.2
Original issue discount:	
Original issue discount from July 26, 2011 $1.5 billion debt financing arrangement	0.6
Total	$7.2

Activity impacting the Company's capitalized debt issuance costs for the years ended December 31, 2014 and 2013, was as follows:

	Capitalized Debt Issuance Costs	
Balance at January 1, 2013	$17.9	
Amortization	(4.0	)
Balance at December 31, 2013	$13.9	
Capitalized debt issuance costs from April 28, 2014 $1.9 billion debt financing arrangement	11.0	
Loss on debt extinguishment from July 26, 2011 $1.5 billion debt financing arrangement fees that were previously capitalized	(2.1	)
Capitalized debt issuance costs from November 24, 2014 amendment to master note and security agreement	1.0	
Amortization of debt issuance costs	(3.8	)
Balance at December 31, 2014	$20.0	

Activity impacting the Company's original issue discount for the years ended December 31, 2014 and 2013, was as follows:

	Original Issue Discount	
Balance at January 1, 2013	$0.8	
Amortization	(0.1	)
Balance at December 31, 2013	$0.7	
Original issue discount from April 28, 2014 $1.9 billion debt financing arrangement	3.0	
Loss on debt extinguishment from July 26, 2011 $1.5 billion debt financing arrangement	(0.6	)
Amortization of original issue discount	(0.4	)

Balance at December 31, 2014	$2.7

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Amortization expense for debt issuance costs was $3.8 million, $4.0 million and $4.4 million for the years ended December 31, 2014, 2013 and 2012, respectively. Amortization expense for original issue discount was $0.4 million, $0.1 million and $0.1 million for the three years ended December 31, 2014, 2013 and 2012, respectively. The debt issuance costs and original issue discount are being amortized on a straight-line basis over the five, seven and eight year lives of the related debt instruments.

Covenants and Compliance

The Company's various lending arrangements include certain financial covenants (all financial terms, numbers and ratios are as defined in the Company's debt agreements). Among these covenants, the Company was required to maintain the following as of December 31, 2014:

- Total Leverage Ratio. On a rolling twelve-month basis, the total leverage ratio, defined as total consolidated debt to consolidated EBITDA, shall not exceed 3.75 to 1.00 (for the twelve months ended December 31, 2014, the Company's total leverage ratio was 2.57 to 1.00).

- Senior Secured Leverage Ratio. On a rolling twelve-month basis, the senior secured leverage ratio, defined as senior secured debt to consolidated EBITDA, shall not exceed 3.50 to 1.00 (for the twelve months ended December 31, 2014, the Company's senior secured leverage ratio was 2.04 to 1.00).

- Minimum Interest Coverage Ratio. On a rolling twelve-month basis, the minimum interest coverage ratio, defined as consolidated EBITDA to consolidated cash interest expense, shall not be less than 3.50 to 1.00 (for the twelve months ended December 31, 2014, the Company's minimum interest coverage ratio was 5.89 to 1.00).

- Consolidated Net Worth. As of December 31, 2014, the Company's consolidated net worth must be at least $802.4 million (as of December 31, 2014, the Company's consolidated net worth under the most restrictive covenant per the various debt agreements was $1.08 billion). This covenant will be removed for all periods after December 31, 2014, due to the recent debt agreement amendments.

In addition to those covenants, the Senior Secured Credit Facility also includes certain limitations on acquisitions, indebtedness, liens, dividends and repurchases of capital stock, including:

- If the Company's total leverage ratio is greater than 3.00 to 1.00 (as defined in the Senior Secured Credit Facility), the Company is prohibited from making greater than $120.0 million of annual dividend payments, capital stock repurchases and certain other payments. If the total leverage ratio is less than 3.00 to 1.00, there are no such restrictions.

- If the Company's senior secured leverage ratio is greater than 3.00 to 1.00 or the Company's total leverage ratio is greater than 3.50 to 1.00 (these ratios as defined in the Senior Secured Credit Facility), the Company is prohibited from voluntarily prepaying any of the Senior Unsecured Notes and from voluntarily prepaying any other unsecured or subordinated indebtedness, with certain exceptions (including any mandatory prepayments on the Senior Unsecured Notes or any other unsecured or subordinated debt). If the senior secured leverage ratio is less than 3.00 to 1.00 and the total leverage ratio is less than 3.50 to 1.00, there are no such restrictions.

The indenture underlying the Senior Unsecured Notes contains various covenants, including, but not limited to, covenants that, subject to certain exceptions, limit the Company's and its restricted subsidiaries' ability to: incur and/or guarantee additional debt; pay dividends, repurchase stock or make certain other restricted payments; enter into agreements limiting dividends and certain other restricted payments; prepay, redeem or repurchase subordinated debt;

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grant liens on assets; enter into sale and leaseback transactions; merge, consolidate, transfer or dispose of substantially all of the Company's consolidated assets; sell, transfer or otherwise dispose of property and assets; and engage in transactions with affiliates.

Estimated Principal Payments

Approximate annual principal amounts due on long-term debt are as follows during the years ending December 31:

2015	$92.0
2016	94.6
2017	82.1
2018	89.4
2019	364.6
2020	34.4
2021 – 2025	634.8
2026 – 2030	18.8
2031	1.0
Total	$1,411.7

Note 14. Lease Obligations

The Company entered into various master lease agreements for press and finishing equipment. These leases provide the Company with options to purchase the related equipment at the termination value, as defined, and at various early buyout dates during the term of the lease. These leases are accounted for as capital leases on the consolidated balance sheets.

Assets recorded under capital leases are as follows as of December 31, 2014 and 2013:

	2014	2013
Leased press and finishing equipment—gross	$37.1	$70.8
Less: accumulated depreciation	(26.2)	(62.0)
Leased presses and finishing equipment—net	$10.9	$8.8

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