Quad/Graphics, Inc.
Form 10-Q
November 04, 2015
Table of Contents

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549
FORM 10-Q

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

For the quarterly period ended September 30, 2015
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)

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 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 (Do not check if a smaller reporting company)	Smaller reporting company o

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Act). Yes ¨ No x
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 November 2, 2015
Class A Common Stock	35,407,352
Class B Common Stock	14,198,464
Class C Common Stock	—

Table of Contents

QUAD/GRAPHICS, INC.
FORM 10-Q INDEX
For the Quarter Ended September 30, 2015

Table of Contents

PART I — FINANCIAL INFORMATION

ITEM 1. Condensed Consolidated Financial Statements (Unaudited)

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

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2015	2014	2015	2014
Net sales				
Products	$998.6	$1,068.3	$2,878.3	$2,968.2
Services	157.4	168.1	464.7	470.0
Total net sales	1,156.0	1,236.4	3,343.0	3,438.2
Cost of sales				
Products	817.8	864.2	2,365.6	2,430.1
Services	112.6	113.2	336.9	332.8
Total cost of sales	930.4	977.4	2,702.5	2,762.9
Operating expenses				
Selling, general and administrative expenses	106.1	107.0	326.2	310.9
Depreciation and amortization	81.0	84.3	245.7	253.4
Restructuring, impairment and transaction-related charges	35.6	14.1	80.0	45.9
Goodwill impairment	775.0	—	798.3	—
Total operating expenses	1,928.1	1,182.8	4,152.7	3,373.1
Operating income (loss)	$(772.1)	$53.6	$(809.7)	$65.1
Interest expense	22.3	25.1	66.4	69.5
Loss on debt extinguishment	—	—	—	6.0
Earnings (loss) before income taxes and equity in loss of unconsolidated entities	(794.4)	28.5	(876.1)	(10.4)
Income tax expense (benefit)	(244.9)	3.1	(249.7)	(7.7)
Earnings (loss) before equity in loss of unconsolidated entities	(549.5)	25.4	(626.4)	(2.7)
Equity in loss of unconsolidated entities	(2.7)	(1.0)	(6.1)	(4.8)
Net earnings (loss)	$(552.2)	$24.4	$(632.5)	$(7.5)
Net loss attributable to noncontrolling interests	—	—	—	0.3
Net earnings (loss) attributable to Quad/Graphics common shareholders	$(552.2)	$24.4	$(632.5)	$(7.2)
Earnings (loss) per share attributable to Quad/Graphics common shareholders				
Basic	$(11.50)	$0.51	$(13.20)	$(0.16)
Diluted	$(11.50)	$0.50	$(13.20)	$(0.16)
Dividends declared per share	$0.30	$0.30	$0.90	$0.90
Weighted average number of common shares outstanding				

Basic	48.0	47.5	47.9	47.4
Diluted	48.0	48.6	47.9	47.4

See accompanying Notes to Condensed Consolidated Financial Statements (Unaudited).

Table of Contents

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

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2015	2014	2015	2014
Net earnings (loss)	$(552.2)	$24.4	$(632.5)	$(7.5)
Other comprehensive loss				
Translation adjustments	(6.7)	(23.0)	(29.8)	(22.8)
Pension and other postretirement benefit plan adjustments	—	(1.5)	—	(4.5)
Other comprehensive loss, before tax	(6.7)	(24.5)	(29.8)	(27.3)
Income tax benefit related to items of other comprehensive loss	—	0.6	—	1.7
Other comprehensive loss, net of tax	(6.7)	(23.9)	(29.8)	(25.6)
Total comprehensive income (loss)	(558.9)	0.5	(662.3)	(33.1)
Less: comprehensive loss attributable to noncontrolling interests	—	—	—	0.3
Comprehensive income (loss) attributable to Quad/Graphics common shareholders	$(558.9)	$0.5	$(662.3)	$(32.8)

See accompanying Notes to Condensed Consolidated Financial Statements (Unaudited).

Table of Contents

QUAD/GRAPHICS, INC.
CONDENSED CONSOLIDATED BALANCE SHEETS
(in millions)
(UNAUDITED)

	September 30, 2015	December 31, 2014
ASSETS		
Cash and cash equivalents	$14.2	$9.6
Receivables, less allowances for doubtful accounts of $57.6 million at September 30, 2015 and $57.8 million at December 31, 2014	636.9	766.2
Inventories	347.8	287.8
Prepaid expenses and other current assets	50.1	39.1
Deferred income taxes	44.2	48.4
Restricted cash	30.6	31.2
Total current assets	1,123.8	1,182.3
Property, plant and equipment—net	1,774.9	1,855.5
Goodwill	5.7	775.5
Other intangible assets—net	149.6	149.1
Equity method investments in unconsolidated entities	4.6	42.0
Other long-term assets	65.3	52.8
Total assets	$3,123.9	$4,057.2
LIABILITIES AND SHAREHOLDERS' EQUITY		
Accounts payable	$345.6	$406.9
Amounts owing in satisfaction of bankruptcy claims	1.4	1.4
Accrued liabilities	353.3	358.1
Short-term debt and current portion of long-term debt	94.3	92.0
Current portion of capital lease obligations	4.7	4.2
Total current liabilities	799.3	862.6
Long-term debt	1,410.5	1,299.7
Unsecured notes to be issued	7.4	9.0
Capital lease obligations	9.2	9.7
Deferred income taxes	141.5	384.4
Other long-term liabilities	305.2	339.3
Total liabilities	2,673.1	2,904.7
Commitments and contingencies (Note 8)		
Shareholders' equity (Note 17)		
Preferred stock	—	—
Common stock, Class A	1.0	1.0
Common stock, Class B	0.4	0.4
Common stock, Class C	—	—
Additional paid-in capital	952.7	971.3
Treasury stock, at cost	(193.8)	(218.8)
Retained earnings (accumulated deficit)	(163.1)	515.2
Accumulated other comprehensive loss	(146.4)	(116.6)

Total shareholders' equity	450.8	1,152.5
Total liabilities and shareholders' equity	$3,123.9	$4,057.2

See accompanying Notes to Condensed Consolidated Financial Statements (Unaudited).

Table of Contents

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

	Nine Months Ended September 30,	
	2015	2014
OPERATING ACTIVITIES		
Net loss	$(632.5)	$(7.5)
Adjustments to reconcile net loss to net cash provided by operating activities:		
Depreciation and amortization	245.7	253.4
Impairment charges	39.9	6.2
Goodwill impairment	798.3	—
Amortization of debt issuance costs and original issue discount	3.3	3.2
Loss on debt extinguishment	—	6.0
Stock-based compensation	4.0	13.2
Foreign exchange losses on sale of investment	6.0	—
Gain on sale or disposal of property, plant and equipment	(2.1)	—
Deferred income taxes	(256.3)	10.5
Equity in loss of unconsolidated entities	6.1	4.8
Changes in operating assets and liabilities—net of acquisitions	(33.2)	(215.0)
Net cash provided by operating activities	179.2	74.8
INVESTING ACTIVITIES		
Purchases of property, plant and equipment	(111.2)	(113.1)
Cost investment in unconsolidated entities	(1.2)	(4.1)
Proceeds from the sale of property, plant and equipment	4.8	0.8
Proceeds from the sale of investments	14.0	—
Transfers from restricted cash	0.6	14.6
Acquisition of businesses—net of cash acquired (Note 2)	(140.8)	(112.5)
Net cash used in investing activities	(233.8)	(214.3)
FINANCING ACTIVITIES		
Proceeds from issuance of long-term debt	—	1,047.0
Payments of long-term debt	(69.6)	(732.3)
Payments of capital lease obligations	(3.6)	(5.8)
Borrowings on revolving credit facilities	1,182.4	1,010.2
Payments on revolving credit facilities	(1,006.1)	(1,108.9)
Payments of debt issuance costs	—	(14.3)
Bankruptcy claim payments on unsecured notes to be issued	(0.1)	(7.9)
Sale of stock for options exercised	2.2	1.8
Shares withheld from employees for the tax obligation on equity grants	(1.6)	(1.0)
Tax benefit (expense) on equity award activity	1.8	(0.9)
Payment of cash dividends	(44.6)	(43.6)
Net cash provided by financing activities	60.8	144.3
Effect of exchange rates on cash and cash equivalents	(1.6)	0.9
Net increase in cash and cash equivalents	4.6	5.7
Cash and cash equivalents at beginning of period	9.6	13.1
Cash and cash equivalents at end of period	$14.2	$18.8

See accompanying Notes to Condensed Consolidated Financial Statements (Unaudited).

Table of Contents

QUAD/GRAPHICS, INC.
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)
FOR THE THREE AND NINE MONTHS ENDED SEPTEMBER 30, 2015
(In millions, except share and per share data and unless otherwise indicated)

Note 1. Basis of Presentation

The accompanying unaudited condensed consolidated financial statements for Quad/Graphics, Inc. and its subsidiaries (the "Company" or "Quad/Graphics") have been prepared by the Company pursuant to the rules and regulations for interim financial information of the United States Securities and Exchange Commission ("SEC"). Certain information and footnote disclosures normally included in financial statements prepared in accordance with accounting principles generally accepted in the United States of America ("GAAP") have been omitted pursuant to such SEC rules and regulations. The results of operations and accounts of businesses acquired are included in the condensed consolidated financial statements from the dates of acquisition (see Note 2, "Acquisitions and Strategic Investments"). The condensed consolidated financial statements include the retrospective adoption of new accounting guidance on debt issuance costs issued by the Financial Accounting Standards Board ("FASB") in April 2015, and accordingly, the condensed consolidated balance sheets have been restated to comply for all periods presented (see Note 21, "New Accounting Pronouncements," for further information). These unaudited condensed consolidated financial statements should be read in conjunction with the audited consolidated annual financial statements as of and for the year ended December 31, 2014, and notes thereto included in the Company's latest Annual Report on Form 10-K filed with the SEC on March 2, 2015.

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 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.

The financial information contained herein reflects all normal recurring adjustments, in the opinion of management, necessary for a fair presentation of the Company's results of operations for the three and nine months ended September 30, 2015 and 2014. All intercompany transactions have been eliminated in consolidation. These unaudited condensed consolidated financial statements include estimates and assumptions of management that affect the amounts reported in the condensed consolidated financial statements. Actual results could differ from these estimates.

Note 2. Acquisitions and Strategic Investments

2015 Specialty Finishing, Inc. Acquisition

The Company completed the acquisition of Specialty Finishing, Inc. ("Specialty") on August 25, 2015, for $61.8 million. Specialty is a full-service paperboard folding carton manufacturer and logistics provider located in Omaha, Nebraska. The purchase price of $61.8 million includes $0.1 million of acquired cash for a net purchase price of $61.7 million. Included in the preliminary purchase price allocation are $13.3 million of identifiable customer relationship intangible assets, which are amortized over their estimated useful lives of six years, and $5.7 million of goodwill. 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 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 net assets acquired, excluding acquired cash, were classified as Level 3 in the valuation hierarchy (see Note 12, "Financial Instruments and Fair Value Measurements," for the definition of Level 3 inputs). Specialty's operations are included in the United States Print and Related Services segment.

Table of Contents

QUAD/GRAPHICS, INC.
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)
FOR THE THREE AND NINE MONTHS ENDED SEPTEMBER 30, 2015
(In millions, except share and per share data and unless otherwise indicated)

2015 Copac Global Packaging, Inc. Acquisition

The Company completed the acquisition of Copac Global Packaging, Inc. ("Copac") on April 14, 2015, for $59.4 million. Copac is a leading international provider of innovative packaging and supply chain solutions, including turnkey packaging design, production and fulfillment services across a range of end markets. Copac manufactures products such as folding cartons, labels, inserts, tags and specialty envelopes, and has production facilities in Spartanburg, South Carolina and Santo Domingo, Dominican Republic, as well as strategically sourcing product manufacturing over multiple end markets in Central America and Asia, giving it a global footprint. The purchase price of $59.4 million includes $0.9 million of acquired cash for a net purchase price of $58.5 million. Included in the preliminary purchase price allocation are $30.4 million of identifiable customer relationship intangible assets, which are amortized over their estimated useful lives of six years, and $23.7 million of goodwill. 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 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 net assets acquired, excluding acquired cash, were classified as Level 3 in the valuation hierarchy (see Note 12, "Financial Instruments and Fair Value Measurements," for the definition of Level 3 inputs). Copac's operations are included in the United States Print and Related Services segment.

2015 Marin's International Acquisition

The Company completed the acquisition of Marin's International, S.A. ("Marin's") on February 3, 2015, for $29.1 million. Marin's, headquartered in Paris, France, is a worldwide leader in the point-of-sale display industry and specializes in the research and design of display solutions. Marin's products are produced by a global network of licensees, as well as one wide-format digital print, kitting and fulfillment facility in Paris. Marin's uses its own European–based sales force and the global licensees to sell its patented product portfolio. The purchase price of $29.1 million includes $10.1 million of acquired cash for a net purchase price of $19.0 million. Identifiable intangible assets of $18.3 million have been recorded through the preliminary purchase price allocation and have estimated useful lives ranging from five to 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. The net assets acquired, excluding acquired cash, were classified as Level 3 in the valuation hierarchy (see Note 12, "Financial Instruments and Fair Value Measurements," for the definition of Level 3 inputs). Marin's operations are included in the International segment.

2014 Brown Printing Company Acquisition

The Company completed the acquisition of Brown Printing Company ("Brown Printing") on May 30, 2014, for $101.1 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 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.

Table of Contents

QUAD/GRAPHICS, INC.
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)
FOR THE THREE AND NINE MONTHS ENDED SEPTEMBER 30, 2015
(In millions, except share and per share data and unless otherwise indicated)

The Company recorded the 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. Included in the purchase price are identifiable customer relationship intangible assets, which are amortized over their estimated useful lives of six years. The final purchase price allocation is as follows:

	Purchase Price Allocation
Cash and cash equivalents	$3.6
Accounts receivable	46.1
Other current assets	18.8
Property, plant and equipment	72.1
Identifiable intangible assets	4.7
Other long-term assets	7.5
Accounts payable and accrued liabilities	(35.1)
Other long-term liabilities	(16.6)
Purchase price	$101.1

The allocation of the purchase price 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 valuation of the $97.5 million net assets acquired, excluding acquired cash, was classified as Level 3 in the valuation hierarchy (see Note 12, "Financial Instruments and Fair Value Measurements," for the definition of Level 3 inputs).

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 condensed 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 condensed 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 purchase price of $11.2 million for UniGraphic is net of cash acquired. Identifiable customer relationship intangible assets of $6.9 million have been recorded through the final purchase price allocation, and will be amortized over 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 net assets acquired, excluding acquired cash, were classified as Level 3 in the valuation hierarchy (see Note 12, "Financial Instruments and Fair Value Measurements," for the definition of Level 3 inputs). UniGraphic's operations are included in the United States Print and Related Services segment.

Table of Contents

QUAD/GRAPHICS, INC.
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)
FOR THE THREE AND NINE MONTHS ENDED SEPTEMBER 30, 2015
(In millions, except share and per share data and unless otherwise indicated)

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. 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.

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2015 (actual)	2014 (actual)	2015 (actual)	2014 (pro forma)
Net sales	$1,156.0	$1,236.4	$3,343.0	$3,583.4
Net earnings (loss) attributable to common shareholders	(552.2)	24.4	(632.5)	(8.0)
Diluted net earnings (loss) per share attributable to common shareholders	(11.50)	0.50	(13.20)	(0.18)

Note 3. Restructuring, Impairment and Transaction-Related Charges

The Company recorded restructuring, impairment and transaction-related charges for the three and nine months ended September 30, 2015 and 2014 as follows:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2015	2014	2015	2014
Employee termination charges	$9.0	$2.4	$21.5	$21.1
Impairment charges	15.8	3.1	39.9	6.2
Transaction-related charges (income)	0.9	0.4	(7.3)	1.7
Integration costs	0.6	4.1	4.4	8.7
Other restructuring charges	9.3	4.1	21.5	8.2
Total	$35.6	$14.1	$80.0	$45.9

The costs related to these activities have been recorded in the condensed consolidated statements of operations as restructuring, impairment and transaction-related charges. See Note 19, "Segment Information," for restructuring, impairment and transaction-related charges by segment.

Table of Contents

QUAD/GRAPHICS, INC.
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)
FOR THE THREE AND NINE MONTHS ENDED SEPTEMBER 30, 2015
(In millions, except share and per share data and unless otherwise indicated)

Restructuring Charges

The Company began a restructuring program in 2010 related to eliminating excess manufacturing capacity and properly aligning its cost structure. The Company has announced a total of 29 plant closures and has reduced headcount by approximately 9,500 employees since 2010.

The Company announced the closures of the Enfield, Connecticut; Loveland, Colorado; Pilar, Argentina; and Queretaro, Mexico plants during the nine months ended September 30, 2015. The Company recorded the following charges as a result of plant closures and other restructuring programs for the three and nine months ended September 30, 2015 and 2014:

- Employee termination charges of $9.0 million and $21.5 million during the three and nine months ended September 30, 2015, respectively, and $2.4 million and $21.1 million during the three and nine months ended September 30, 2014, respectively. The Company reduced its workforce through facility consolidations and involuntary separation programs.

- Integration costs of $0.6 million and $4.4 million during the three and nine months ended September 30, 2015, respectively, and $4.1 million and $8.7 million during the three and nine months ended September 30, 2014, respectively. 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 $9.3 million and $21.5 million during the three and nine months ended September 30, 2015, respectively, which consisted of: (1) $2.6 million and $9.3 million, respectively, of vacant facility carrying costs; (2) $0.3 million and $1.6 million, respectively, of equipment and infrastructure removal costs from closed plants; and (3) $0.4 million and $4.6 million, respectively, of lease exit charges primarily related to the closure of the Atlanta, Georgia facility. The Company also recorded a $6.0 million non-cash expense to recognize accumulated foreign exchange losses on the sale of the Chile equity method investment (see Note 7, "Equity Method Investments in Unconsolidated Entities," for additional details). Other restructuring charges of $4.1 million and $8.2 million during the three and nine months ended September 30, 2014, respectively, which consisted of: (1) $2.7 million and $5.2 million, respectively, of vacant facility carrying costs; (2) $1.1 million and $1.5 million, respectively, of equipment and infrastructure removal costs from closed plants; and (3) $0.3 million and $1.5 million, respectively, of lease exit charges.

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.

Impairment Charges

The Company recognized impairment charges of $15.8 million and $39.9 million during the three and nine months ended September 30, 2015, respectively, consisting of: (1) $16.7 million of impairment charges recorded in the second quarter of 2015 to reduce the book value of the Company's equity method investment in Chile to fair value (see Note 7, "Equity Method Investments in Unconsolidated Entities," for additional details related to the impairment of the Company's equity method investment in Chile); (2) $15.8 million and $21.0 million during the three and nine months ended September 30, 2015, respectively, of impairment charges primarily for machinery and equipment no longer being utilized in production as a result of facility consolidations including Atlanta, Georgia; Dickson, Tennessee and Queretaro, Mexico, as well as other capacity reduction restructuring initiatives; and (3) $2.2 million of impairment charges recorded in the first quarter of 2015 as a result of the restructuring proceedings in Argentina for the Company's Argentina subsidiaries, World Color Argentina, S. A. and Morvillo (the "Argentina Subsidiaries") for land, building, machinery and equipment and other intangible assets.

Table of Contents

QUAD/GRAPHICS, INC.
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)
FOR THE THREE AND NINE MONTHS ENDED SEPTEMBER 30, 2015
(In millions, except share and per share data and unless otherwise indicated)

The Company recognized impairment charges of $3.1 million and $6.2 million during the three and nine months ended September 30, 2014, respectively, consisting of: (1) $2.4 million and $5.0 million, respectively, of impairment charges for machinery and equipment no longer being utilized in production as a result of facility consolidations including Pomona, California, as well as other capacity reduction restructuring initiatives and (2) $0.7 million and $1.2 million, respectively, of land and building impairment charges as a result of facility consolidations in Bristol, Pennsylvania and Poland.

The fair values of the impaired assets were determined by the Company to be Level 3 under the fair value hierarchy (see Note 12, "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.

The non-cash goodwill impairment charges included in the line item entitled goodwill impairment on the Company's condensed consolidated statements of operations are discussed in Note 4, "Goodwill and Other Intangible Assets."

Transaction-Related Charges (Income)

The Company incurs transaction-related charges (income) primarily consisting of professional service fees related to business acquisition and divestiture activities. The Company recognized transaction-related charges (income) of $0.9 million and $(7.3) million during the three and nine months ended September 30, 2015, respectively, which, in the nine month period, includes a $10.0 million non-recurring gain as a result of Courier Corporation's ("Courier") termination of the agreement pursuant to which Quad/Graphics was to acquire Courier, partially offset by $2.7 million of professional service fees including fees for the terminated acquisition of Courier and the acquisitions of Marin's, Copac and Specialty. The Company recognized transaction-related charges of $0.4 million and $1.7 million during the three and nine months ended September 30, 2014, respectively, which primarily included professional service fees for the acquisitions of Brown Printing and Unigraphic. The transaction-related charges were expensed as incurred in accordance with the applicable accounting guidance on business combinations.

Reserves for Restructuring, Impairment and Transaction-Related Charges

Activity impacting the Company's reserves for restructuring, impairment and transaction-related charges for the nine months ended September 30, 2015, was as follows:

	Employee Termination Charges	Impairment Charges	Transaction-Related Charges (Income)	Integration Costs	Other Restructuring Charges	Total
Balance at December 31, 2014	$10.0	$—	$ 0.5	$1.8	$13.6	$25.9
Expense (income)	21.5	39.9	(7.3)	4.4	21.5	80.0
Cash receipts (payments)	(18.3)	—	7.2	(4.9)	(16.9)	(32.9)
Non-cash adjustments	—	(39.9)	—	—	(5.9)	(45.8)
Balance at September 30, 2015	$13.2	$—	$ 0.4	$1.3	$12.3	$27.2

The Company's restructuring, impairment and transaction-related reserves at September 30, 2015, included a short-term and a long-term component. The short-term portion included $21.6 million in accrued liabilities and $1.4 million in accounts payable in the condensed consolidated balance sheets as the Company expects these reserves to be paid within the next twelve months. The long-term portion of $4.2 million is included in other long-term liabilities (see Note 13, "Other Long-Term Liabilities") in the condensed consolidated balance sheets.

QUAD/GRAPHICS, INC.
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)
FOR THE THREE AND NINE MONTHS ENDED SEPTEMBER 30, 2015
(In millions, except share and per share data and unless otherwise indicated)

Note 4. Goodwill and Other Intangible Assets

Goodwill represents the excess of the purchase price over the fair value of identifiable net assets acquired in a business combination. Goodwill is assigned to specific reporting units and 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.

United States Print and Related Services Segment

Due to the decline in the Company's stock price in the third quarter of 2015, an interim goodwill impairment test of the three reporting units in the United States Print and Related Services segment was performed as of July 31, 2015. These reporting units include the Core Print and Related Services reporting unit, the Specialty Print and Related Services reporting unit and the Other United States Products and Services reporting unit with goodwill of $640.8 million, $115.6 million and $18.6 million, respectively, as of July 31, 2015. In determining the fair value of each reporting unit, the Company used 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. After completing a step one evaluation, the estimated fair value of each of the three reporting units in the United States Print and Related Services segment was determined to be lower than the carrying value of each respective reporting unit. As such, each of the three reporting units failed step one of the goodwill impairment test.

Step two of the goodwill impairment test requires the Company to perform a hypothetical purchase price allocation for each reporting unit to determine the implied fair value of goodwill and compare the implied fair value of goodwill to the carrying amount of goodwill. The estimate of fair value is complex and requires significant judgment. Accounting guidance provides that a company should recognize an estimated impairment charge to the extent it determines that it is probable that an impairment loss has occurred, and such impairment can be reasonably estimated. Based on the best estimate as of September 30, 2015, the Company recorded a pre-tax non-cash goodwill impairment charge of $775.0 million ($532.6 million after tax). A third-party valuation firm has been engaged to assist in the step two valuation process. The Company will adjust the amount of the impairment charge, as necessary, based upon finalizing the valuation during the fourth quarter of 2015.

International Segment

On March 25, 2015, due to deteriorating economic conditions, including inflation and currency devaluation, combined with uncertain political conditions, declining print volumes and labor challenges, the Company's Argentina Subsidiaries (included within the Latin America reporting unit) commenced bankruptcy restructuring proceedings with a goal of consolidating operations. As a result, the Company conducted an interim goodwill impairment assessment of the Latin America reporting unit, which included comparing the carrying amount of net assets, including goodwill, to its respective fair value as of March 31, 2015, the date of the interim assessment.

Fair value was determined using an equal weighting of both the income and market approaches. 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. The Company performed an additional fair value measurement calculation to determine whether a Latin America reporting unit impairment charge should be recorded because the fair value of the reporting unit was below its carrying amount. As part of this calculation, the Company also estimated the fair values of significant tangible and intangible long-lived assets in the Latin America reporting unit. This fair value determination was categorized as Level 3 in the fair value hierarchy (see Note 12, "Financial Instruments and Fair Value Measurements," for the definition of Level 3 inputs). The Company recorded a $23.3 million non-cash goodwill impairment charge as a result of the March 31, 2015, interim goodwill impairment assessment for the Latin America reporting unit within the International segment.

Table of Contents

QUAD/GRAPHICS, INC.
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)
FOR THE THREE AND NINE MONTHS ENDED SEPTEMBER 30, 2015
(In millions, except share and per share data and unless otherwise indicated)

The goodwill impairment charges in both segments resulted from a reduction in estimated fair value of each reporting unit based on lower expectations for future revenue, profitability and cash flows as compared to expectations in the last annual goodwill impairment assessment performed as of October 31, 2014.

Goodwill at September 30, 2015, included $798.3 million of accumulated impairment losses, of which $775.0 million relates to the United States Print and Related Services segment and $23.3 million relates to the International segment. Goodwill at December 31, 2014, did not include any accumulated impairment losses. Non-cash goodwill impairment charges of $775.0 million and $798.3 million were recorded during the three and nine months ended September 30, 2015, respectively. No goodwill impairment was recorded for the three and nine months ended September 30, 2014. Activity impacting goodwill for the nine months ended September 30, 2015, was as follows:

	United States Print and Related Services	International	Total
Balance at December 31, 2014	$751.3	$24.2	$775.5
Copac acquisition (see Note 2)	23.7	—	23.7
Specialty acquisition (see Note 2)	5.7	—	5.7
Impairment	(775.0)	(23.3)	(798.3)
Translation adjustments	—	(0.9)	(0.9)
Balance at September 30, 2015	$5.7	$—	$5.7

The components of other intangible assets at September 30, 2015, and December 31, 2014, were as follows:

		September 30, 2015			December 31, 2014		
	Weighted Average Amortization Period (years)	Gross Carrying Amount	Accumulated Amortization	Net Book Value	Gross Carrying Amount	Accumulated Amortization	Net Book Value
Trademarks, patents, licenses and agreements	5	$20.5	$ (4.9)	$15.6	$5.1	$ (3.8)	$1.3
Customer relationships	6	488.3	(355.0)	133.3	445.1	(298.5)	146.6
Capitalized software	5	6.5	(6.2)	0.3	6.7	(6.3)	0.4
Acquired technology	5	6.3	(5.9)	0.4	6.7	(5.9)	0.8
Total		$521.6	$ (372.0)	$149.6	$463.6	$ (314.5)	$149.1

The gross carrying amount and accumulated amortization within other intangible assets—net in the condensed consolidated balance sheets at September 30, 2015, and December 31, 2014, differs from the value originally recorded at acquisition due to the effects of currency fluctuations between the purchase date and September 30, 2015, and December 31, 2014.

Intangible assets are evaluated for potential impairment whenever events or circumstances indicate that the carrying value may not be recoverable. No impairment was identified related to other intangible assets as of September 30, 2015.

14

QUAD/GRAPHICS, INC.
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)
FOR THE THREE AND NINE MONTHS ENDED SEPTEMBER 30, 2015
(In millions, except share and per share data and unless otherwise indicated)

Amortization expense for other intangible assets was $20.8 million and $60.4 million for the three and nine months ended September 30, 2015, respectively, and $19.9 million and $58.0 million for the three and nine months ended September 30, 2014, respectively. The following table outlines the estimated future amortization expense related to intangible assets as of September 30, 2015:

	Amortization Expense
Remainder of 2015	$21.7
2016	54.4
2017	22.4
2018	21.9
2019	17.8
2020 and thereafter	11.4
Total	$149.6

Note 5. Inventories

The components of inventories at September 30, 2015, and December 31, 2014, were as follows:

	September 30, 2015	December 31, 2014
Raw materials and manufacturing supplies	$189.0	$185.4
Work in process	69.4	53.9
Finished goods	89.4	48.5
Total	$347.8	$287.8

Note 6. Property, Plant and Equipment

The components of property, plant and equipment at September 30, 2015, and December 31, 2014, were as follows:

	September 30, 2015	December 31, 2014
Land	$140.9	$143.4
Buildings	973.6	959.6
Machinery and equipment	3,647.9	3,600.7
Other[(1)]	227.9	229.4
Construction in progress	33.4	40.1
Property, plant and equipment—gross	$5,023.7	$4,973.2
Less: accumulated depreciation	(3,248.8)	(3,117.7)
Property, plant and equipment—net	$1,774.9	$1,855.5

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

QUAD/GRAPHICS, INC.
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)
FOR THE THREE AND NINE MONTHS ENDED SEPTEMBER 30, 2015
(In millions, except share and per share data and unless otherwise indicated)

The Company recorded impairment charges of $9.8 million and $17.1 million for the three and nine months ended September 30, 2015, respectively, and $3.1 million and $6.2 million for the three and nine months ended September 30, 2014, respectively, to reduce the carrying amounts of certain property, plant and equipment no longer utilized in production to fair value (see Note 3, "Restructuring, Impairment and Transaction-Related Charges," for further discussion on impairment charges).

The Company recognized depreciation expense of $60.2 million and $185.3 million for the three and nine months ended September 30, 2015, respectively, and $64.4 million and $195.4 million for the three and nine months ended September 30, 2014, respectively.

Assets Held for Sale

Certain closed facilities are considered held for sale. The net book value of the assets held for sale was $5.6 million and $1.8 million as of September 30, 2015, and December 31, 2014, respectively. These assets are carried at the lesser of original cost or 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 12, "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 condensed consolidated balance sheets.

Note 7. Equity Method Investments in Unconsolidated Entities

The Company has a 49% ownership interest in Plural Industria Gráfica Ltda. ("Plural"), a commercial printer based in São Paulo, Brazil. The Company had a 50% ownership interest in Quad/Graphics Chile S.A. ("Chile"), a commercial printer based in Santiago, Chile, until the Company sold its ownership interest in Chile on July 31, 2015. The Company's ownership interest in Plural and Chile was accounted for using the equity method of accounting for all periods presented. The Company's equity loss of Plural's and Chile's operations was recorded in equity in loss of unconsolidated entities in the Company's condensed consolidated statements of operations, and was included within the International segment.

The Company reviews its equity method investments regularly for indicators of other than temporary impairment. During the second quarter of 2015, the Company recorded a $16.7 million impairment charge to reduce the book value of the 50% ownership interest in Chile to fair value based on the intent to sell the investment. The impairment is recorded in restructuring, impairment and transaction-related charges on the condensed consolidated statement of operations, and is included within the International segment. The fair value measurement of the investment, which was classified as Level 3 in the fair value hierarchy (see Note 12, "Financial Instruments and Fair Value Measurements," for the definition of Level 3 inputs), was determined using internal expertise of current marketplace conditions.

On July 31, 2015, the Company sold its 50% ownership interest in Chile for $10.5 million. The Company recorded a $6.0 million non-cash expense to recognize accumulated foreign exchange losses on the sale of the Chile equity method investment during the three and nine months ended September 30, 2015, which is recorded within restructuring, impairment and transaction-related charges on the condensed consolidated statements of operations.

The combined condensed statements of operations of unconsolidated entities for the three and nine months ended September 30, 2015 and 2014, were as follows. Results from the Chile equity method investment are included in the following table through the July 31, 2015 sale date.

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2015	2014	2015	2014
Net sales	$20.9	$46.1	$88.8	$142.4
Operating loss	(4.7)	(1.4)	(10.9)	(7.0)
Net loss	(5.5)	(1.8)	(12.4)	(9.4)

16

QUAD/GRAPHICS, INC.
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)
FOR THE THREE AND NINE MONTHS ENDED SEPTEMBER 30, 2015
(In millions, except share and per share data and unless otherwise indicated)

Note 8. Commitments and Contingencies

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 may ultimately result from such lawsuits are not expected by management to have a material impact on the condensed 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 environmental 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 on the Company's competitive or condensed consolidated financial position.

Note 9. World Color Press Inc. 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 Inc. acquisition agreement.

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 of such recorded claims have yet to be paid as of September 30, 2015, and December 31, 2014, and this obligation is classified as amounts owing in satisfaction of bankruptcy claims in the condensed 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 amount 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 Inc. 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.

Table of Contents

QUAD/GRAPHICS, INC.
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)
FOR THE THREE AND NINE MONTHS ENDED SEPTEMBER 30, 2015
(In millions, except share and per share data and unless otherwise indicated)

In the nine months ended September 30, 2015, $0.1 million of the restricted cash was paid to Class 3 Claim creditors. There were $0.5 million in refunds of restricted cash received during the nine months ended September 30, 2015. At September 30, 2015, a $28.5 million maximum potential payout to the Class 3 Claim creditors remains and is classified as restricted cash in the condensed consolidated balance sheet. Based on the Company's analysis of the outstanding claims, the Company has a liability of $7.4 million at September 30, 2015, classified as unsecured notes to be issued in the condensed consolidated balance sheets. Activity impacting restricted cash and unsecured notes to be issued for the nine months ended September 30, 2015, was as follows:

	Restricted Cash	Unsecured Notes to be Issued
Balance at December 31, 2014	$29.1	$9.0
Class 3 claim payments	(0.1)	(0.1)
Restricted cash refunded	(0.5)	—
Non-cash adjustments	—	(1.5)
Balance at September 30, 2015	$28.5	$7.4

The components of restricted cash at September 30, 2015, and December 31, 2014, were as follows:

	September 30, 2015	December 31, 2014
Defeasance of unsecured notes to be issued	$28.5	$29.1
Other	2.1	2.1
Total	$30.6	$31.2

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 condensed 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 Inc. in 2010, but the ultimate timing for completion of the bankruptcy process depends on the resolution of the remaining claims.

Table of Contents

QUAD/GRAPHICS, INC.
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)
FOR THE THREE AND NINE MONTHS ENDED SEPTEMBER 30, 2015
(In millions, except share and per share data and unless otherwise indicated)

Note 10. Debt

The components of long-term debt as of September 30, 2015, and December 31, 2014, were as follows:

	September 30, 2015	December 31, 2014
Master note and security agreement	$271.5	$316.6
Term loan A—$450.0 million due April 2019	419.1	438.8
Term loan B—$300.0 million due April 2021	293.8	295.8
Revolving credit facility—$850.0 million due April 2019	220.2	43.9
Senior unsecured notes—$300.0 million due May 2022	300.0	300.0
International revolving credit facility—$13.2 million	—	0.2
Equipment term loans	14.4	13.3
Other	2.9	3.1
Debt issuance costs	(17.1)	(20.0)
Total debt	$1,504.8	$1,391.7
Less: short-term debt and current portion of long-term debt	(94.3)	(92.0)
Long-term debt	$1,410.5	$1,299.7

Fair Value of Debt

Based upon the interest rates available to the Company for borrowings with similar terms and maturities, the fair value of total debt was approximately $1.5 billion and $1.3 billion at September 30, 2015, and December 31, 2014, respectively. The fair value determination of total debt was categorized as Level 2 in the fair value hierarchy (see Note 12, "Financial Instruments and Fair Value Measurements," for the definition of Level 2 inputs).

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 a reduction of long-term debt in the condensed consolidated balance sheets as discussed in Note 21, "New Accounting Pronouncements," and $3.3 million was expensed and is classified as loss on debt extinguishment in the condensed consolidated statements of operations for the nine months ended September 30, 2014.

Table of Contents

QUAD/GRAPHICS, INC.
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)
FOR THE THREE AND NINE MONTHS ENDED SEPTEMBER 30, 2015
(In millions, except share and per share data and unless otherwise indicated)

The loss on debt extinguishment recorded in the condensed consolidated statements of operations for the nine months ended September 30, 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 that were previously capitalized	$2.1
Debt issuance costs from April 28, 2014 $1.9 billion debt financing arrangement	3.3
Original issue discount:	
Loss on debt extinguishment from original issue discount on the July 26, 2011 $1.5 billion debt financing arrangement	0.6
Total	$6.0

Amortization expense for debt issuance costs and original issue discount was $1.1 million and $3.3 million for the three and nine months ended September 30, 2015, respectively, and $1.1 million and $3.2 million for the three and nine months ended September 30, 2014, 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 September 30, 2015:

- 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 September 30, 2015, the Company's total leverage ratio was 3.05 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 September 30, 2015, the Company's senior secured leverage ratio was 2.46 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 September 30, 2015, the Company's minimum interest coverage ratio was 5.86 to 1.00).

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.

QUAD/GRAPHICS, INC.
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)
FOR THE THREE AND NINE MONTHS ENDED SEPTEMBER 30, 2015
(In millions, except share and per share data and unless otherwise indicated)

In addition to those covenants, the Company's $1.6 billion senior secured credit facility (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. As the Company's total leverage ratio as of September 30, 2015 was 3.05 to 1.00, the limitations described above are currently applicable.

- 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 $300.0 million aggregate principal amount of its unsecured 7.0% senior notes due May 1, 2022 (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.

Note 11. Income Taxes

The Company records income tax expense on an interim basis. The estimated annual effective income tax rate is adjusted quarterly, and items discrete to a specific quarter are reflected in tax expense for that interim period. The effective income tax rate for the interim period can differ from the statutory tax rate, as it reflects changes in valuation allowances due to expected current year earnings or loss and other discrete items, such as changes in the liability for unrecognized tax benefits related to establishment and settlement of income tax exposures.

The Company recorded $775.0 million and $798.3 million of non-cash goodwill impairment charges during the three and nine months ended September 30, 2015, respectively, of which $716.4 million and $739.7 million, respectively, is nondeductible for income tax purposes. The total tax benefit related to the goodwill impairment was $242.4 million, composed of: (1) a $22.0 million tax benefit on the $58.6 million of deductible goodwill and (2) a $220.4 million deferred tax benefit associated with the reduction of a deferred tax liability related to the investments in United States subsidiaries due to the effects of the goodwill impairment in the United States Print and Related Services segment. The deferred tax liability related to the investments in United States subsidiaries was originally established when the former World Color Press Inc. entities emerged from bankruptcy in 2009. During the three and nine months ended September 30, 2015, the Company's effective tax rate was less than the statutory tax rate primarily due to the impact of these items and losses in foreign jurisdictions where the Company does not receive a tax benefit.

The Company's liability for unrecognized tax benefits as of September 30, 2015, was $30.7 million. There was a $0.4 million change in the liability since December 31, 2014, primarily due to the resolution of income tax audits. The Company anticipates a decrease to its liability for unrecognized tax benefits of $1.8 million within the next twelve months due to resolution of income tax audits or statute expirations.

21

QUAD/GRAPHICS, INC.
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)
FOR THE THREE AND NINE MONTHS ENDED SEPTEMBER 30, 2015
(In millions, except share and per share data and unless otherwise indicated)

Note 12. Financial Instruments and Fair Value Measurements

Certain assets and liabilities are required to be recorded at fair value on a recurring basis, while other assets and liabilities are recorded at fair value on a nonrecurring basis, generally as a result of acquisitions or impairment charges. Fair value is determined based on the exchange price that would be received for an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants. GAAP also classifies the inputs used to measure fair value into the following hierarchy:

Level 1: Quoted prices in active markets for identical assets or liabilities.

Level 2: Quoted prices in active markets for similar assets or liabilities, quoted prices for identical or similar assets or liabilities in markets that are not active, or inputs other than quoted prices that are observable for the asset or liability.

Level 3: Unobservable inputs for the asset or liability. There are no Level 3 recurring measurements of assets or liabilities as of September 30, 2015.

The Company records the fair value of its forward contracts and pension plan assets on a recurring basis. The fair value of cash and cash equivalents, receivables, inventories, restricted cash, accounts payable, accrued liabilities and amounts owing in satisfaction of bankruptcy claims approximate their carrying values as of September 30, 2015, and December 31, 2014. See Note 10, "Debt," for further discussion on the fair value of the Company's debt.

In addition to assets and liabilities that are recorded at fair value on a recurring basis, the Company is required to record certain assets and liabilities at fair value on a nonrecurring basis, generally as a result of acquisitions or the remeasurement of assets resulting in impairment charges. See Note 2, "Acquisitions and Strategic Investments," for further discussion on acquisitions. See Note 3, "Restructuring, Impairment and Transaction-Related Charges," Note 4, "Goodwill and Other Intangible Assets," and Note 7, "Equity Method Investments in Unconsolidated Entities," for further discussion on impairment charges recorded as a result of the remeasurement of certain long-lived assets.

The Company has operations in countries that have transactions outside their functional currencies and periodically enters into foreign exchange contracts. These contracts are used to hedge the net exposures of changes in foreign currency exchange rates and are designated as either cash flow hedges or fair value hedges. Gains or losses on net foreign currency hedges are intended to offset losses or gains on the underlying net exposures in an effort to reduce the earnings volatility resulting from fluctuating foreign currency exchange rates. There were no open foreign currency exchange contracts as of September 30, 2015.

The Company periodically enters into natural gas forward purchase contracts to hedge against increases in commodity costs. The Company's commodity contracts qualified for the exception related to normal purchases and sales during the three and nine months ended September 30, 2015 and 2014, as the Company takes delivery in the normal course of business.

22

Table of Contents

QUAD/GRAPHICS, INC.
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)
FOR THE THREE AND NINE MONTHS ENDED SEPTEMBER 30, 2015
(In millions, except share and per share data and unless otherwise indicated)

Note 13. Other Long-Term Liabilities

The components of other long-term liabilities as of September 30, 2015, and December 31, 2014, were as follows:

	September 30, 2015	December 31, 2014
Single employer pension and postretirement obligations	$142.9	$161.5
Multiemployer pension plans—withdrawal liability	33.6	39.1
Tax-related liabilities	18.8	17.4
Employee-related liabilities	64.4	67.6
Restructuring reserve	4.2	6.1
Other	41.3	47.6
Total	$305.2	$339.3

Note 14. Employee Retirement Plans

Pension and Other Postretirement Benefit Plans

The Company sponsors various funded and unfunded pension plans for a portion of its full-time employees in the United States. Benefits are generally based upon years of service and compensation. These plans are funded in conformity with the applicable government regulations. The Company funds at least the minimum amount required for all qualified plans using actuarial cost methods and assumptions acceptable under government regulations. In 2014, the Company eliminated the postretirement medical benefit coverage for all retirees.

The components of the net pension income and net postretirement benefits income for the three and nine months ended September 30, 2015 and 2014 were as follows:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2015	2014	2015	2014
Pension income				
Interest cost	$(6.7)	$(7.3)	$(20.1)	$(21.9)
Expected return on plan assets	8.7	8.6	26.1	25.8
Net pension income	$2.0	$1.3	$6.0	$3.9
Postretirement benefits income				
Interest cost	$—	$—	$—	$(0.1)
Amortization of prior service credit	—	1.5	—	4.4
Amortization of actuarial gain	—	—	—	0.1
Net postretirement benefits income	$—	$1.5	$—	$4.4

23

Table of Contents

QUAD/GRAPHICS, INC.
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)
FOR THE THREE AND NINE MONTHS ENDED SEPTEMBER 30, 2015
(In millions, except share and per share data and unless otherwise indicated)

The Company made the following contributions and benefit payments to its defined benefit pension plans during the nine months ended September 30, 2015:

	Nine Months Ended September 30, 2015
Contributions on qualified pension plans	$11.9
Benefit payments on non-qualified pension plans	0.6
Total	$12.5

Multiemployer Pension Plans ("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. The two MEPPs, the Graphic Communications International Union – Employer Retirement Fund ("GCIU") and the Graphic Communications Conference of the International Brotherhood of Teamsters National Pension Fund ("GCC"), are significantly underfunded, and will require the Company to pay a withdrawal liability to fund its pro rata share of the underfunding as of the plan year the full withdrawal was completed. As a result of the decision to withdraw, the Company accrued a $98.6 million estimated withdrawal liability based on information provided by each plan's trustee, as part of the purchase price allocation for World Color Press Inc.

The Company has received notices of withdrawal and demand for payment letters for both the GCIU and GCC plans, which, in total are in excess of the $98.6 million in original reserves established by the Company for the withdrawals. The Company is in the process of determining the final withdrawal payment, and is currently in litigation with the MEPPs' trustees to determine the amount and duration of the payments. The withdrawal liability reserved by the Company is within the range of the Company's estimated potential outcomes. The Company made payments totaling $9.3 million and $10.8 million for the nine months ended September 30, 2015 and 2014, respectively, as requested by the MEPPs and as required by the Employee Retirement Income Security Act, although such payments do not waive the Company's rights to object to the withdrawal liabilities submitted by the GCIU and GCC plan administrators.

The Company has reserved $49.7 million as its estimate of the total MEPPs withdrawal liability as of September 30, 2015, of which $33.6 million is recorded in other long-term liabilities, $10.6 million is recorded in accrued liabilities and $5.5 million is recorded as a World Color Press Inc. bankruptcy liability in unsecured notes to be issued in the condensed consolidated balance sheets. This estimate may increase or decrease depending on the final agreement with the MEPPs' trustees.

Note 15. Earnings (Loss) Per Share Attributable to Quad/Graphics Common Shareholders

Basic earnings (loss) per share attributable to Quad/Graphics common shareholders is computed as net earnings (loss) attributable to Quad/Graphics common shareholders less the allocation of participating securities, divided by the basic weighted average common shares outstanding of 48.0 million and 47.9 million shares for the three and nine months ended September 30, 2015, respectively, and 47.5 million and 47.4 million shares for the three and nine months ended September 30, 2014, respectively. The calculation of diluted earnings per share includes the effect of any dilutive equity incentive instruments. The Company uses the treasury stock method to calculate the effect of outstanding dilutive equity incentive instruments, which requires the Company to compute total proceeds as the sum of (1) the amount the employee must pay upon exercise of the award; (2) the amount of unearned stock-based compensation costs attributed to future services; and (3) the amount of tax benefits, if any, that would be credited to additional paid-in capital assuming exercise of the award. Equity incentive instruments for which the total employee proceeds from exercise exceed the average fair value of the same equity incentive instrument over the period have an anti-dilutive effect on earnings per share during periods with net earnings, and accordingly, the Company excludes them from the calculation. Due to the net loss attributable to Quad/Graphics common shareholders incurred during the three and nine months ended September 30, 2015, and during the nine months ended September 30, 2014, the assumed exercise of all equity incentive instruments was anti-dilutive and, therefore, not included in the diluted loss per share attributable to Quad/Graphics

Table of Contents

QUAD/GRAPHICS, INC.
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)
FOR THE THREE AND NINE MONTHS ENDED SEPTEMBER 30, 2015
(In millions, except share and per share data and unless otherwise indicated)

common shareholders calculation for those periods. Anti-dilutive equity instruments of 2.0 million of class A common shares were excluded from the computation of diluted net earnings per share for the three months ended September 30, 2014.

Unvested share-based payment awards that contain non-forfeitable rights to dividends or dividend equivalents, whether paid or unpaid, are required to be treated as participating securities and included in the computation of earnings (loss) per share pursuant to the two-class method. The Company had no unvested participating securities as of September 30, 2015, as the stock options granted on November 18, 2011, became fully vested on November 18, 2014. The Company's participating securities as of September 30, 2014, were composed of unvested stock options granted on November 18, 2011. The Company's participating securities had no impact on basic and diluted earnings (loss) per share attributable to Quad/Graphics common shareholders for the three months ended September 30, 2014, and increased basic and diluted loss per share attributed to Quad/Graphics common shareholders by $0.01 for the nine months ended September 30, 2014.

Reconciliations of the numerator and the denominator of the basic and diluted per share computations for the Company's common stock, for the three and nine months ended September 30, 2015 and 2014, are summarized as follows:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2015	2014	2015	2014
Numerator				
Net earnings (loss) attributable to Quad/Graphics common shareholders	$(552.2)	$24.4	$(632.5)	$(7.2)
Adjustments to net earnings (loss) attributable to Quad/Graphics common shareholders				
Allocation to participating securities	—	(0.2)	—	(0.4)
Net earnings (loss) attributable to Quad/Graphics common shareholders – adjusted	$(552.2)	$24.2	$(632.5)	$(7.6)
Denominator				
Basic weighted average number of common shares outstanding for all classes of common shares	48.0	47.5	47.9	47.4
Plus: effect of dilutive equity incentive instruments	—	1.1	—	—
Diluted weighted average number of common shares outstanding for all classes of common shares	48.0	48.6	47.9	47.4
Earnings (loss) per share attributable to Quad/Graphics common shareholders				
Basic	$(11.50)	$0.51	$(13.20)	$(0.16)

Diluted	$(11.50)	$0.50	$(13.20)	$(0.16)
Cash dividends paid per common share for all classes of common shares	$0.30	$0.30	$0.90	$0.90

25

QUAD/GRAPHICS, INC.
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)
FOR THE THREE AND NINE MONTHS ENDED SEPTEMBER 30, 2015
(In millions, except share and per share data and unless otherwise indicated)

Note 16. Equity Incentive Programs

The shareholders of the Company approved the Quad/Graphics, Inc. 2010 Omnibus Incentive Plan ("Omnibus Plan") for two complimentary purposes: (1) to attract and retain outstanding individuals to serve as directors, officers and employees and (2) to increase shareholder value. The Omnibus plan provides for an aggregate 7,871,652 shares of class A common stock reserved for issuance under the Omnibus Plan. Awards under the Omnibus Plan may consist of incentive awards, stock options, stock appreciation rights, performance shares, performance share units, shares of class A common stock, restricted stock, restricted stock units, deferred stock units or other stock-based awards as determined by the Company's board of directors. Each stock option granted has an exercise price of no less than 100% of the fair market value of the class A common stock on the date of grant. As of September 30, 2015, there are 1,156,883 shares available for issuance under the Omnibus Plan.

The Company recognizes compensation expense, based on estimated grant date fair values, for all share-based awards issued to employees and non-employee directors, including stock options, performance shares, performance share units, restricted stock, restricted stock units and deferred stock units. The Company recognizes these compensation costs for only those awards expected to vest, on a straight-line basis over the requisite three to four year service period of the awards, except deferred stock units, which are fully vested and expensed on the grant date. The Company estimated the number of awards expected to vest based, in part, on historical forfeiture rates and also based on management's expectations of employee turnover within the specific employee groups receiving each type of award. Forfeitures are estimated at the time of grant and revised, if necessary, in subsequent periods, if actual forfeitures differ from those estimates.

Equity Incentive Compensation Expense

The total compensation expense (income) recognized related to all equity incentive programs was income of $(1.9) million and expense of $4.0 million for the three and nine months ended September 30, 2015, respectively, and expense of $4.6 million and $13.2 million for the three and nine months ended September 30, 2014, respectively, and was recorded in selling, general and administrative expenses in the condensed consolidated statements of operations. Total future compensation expense related to all equity incentive programs granted as of September 30, 2015, is approximately $19.4 million. Estimated future compensation expense is $3.1 million for 2015, $10.0 million for 2016, $5.5 million for 2017 and $0.8 million for 2018.

Net tax benefit (expense) on equity award activity, shown as tax benefit (expense) on equity award activity in the financing section of the condensed consolidated statements of cash flows, was a benefit of $1.8 million and an expense of $0.9 million during the nine months ended September 30, 2015 and 2014, respectively.

Table of Contents

QUAD/GRAPHICS, INC.
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)
FOR THE THREE AND NINE MONTHS ENDED SEPTEMBER 30, 2015
(In millions, except share and per share data and unless otherwise indicated)

Stock Options

Options vest over four years, with no vesting in the first year, and one-third vesting upon the second, third and fourth anniversary dates. As defined in the individual grant agreements, acceleration of vesting may occur under a change in control, death, disability or normal retirement of the grantee. Options expire no later than the tenth anniversary of the grant date, 24 months after termination for death, 36 months after termination for normal retirement or disability and 90 days after termination of employment for any other reason. Options are not credited with dividend declarations, except for the November 18, 2011 grants. Stock options are only to be granted to employees.

There were no stock options granted during the three and nine months ended September 30, 2015 and 2014. Compensation expense recognized related to stock options was $0.1 million and $0.2 million for the three and nine months ended September 30, 2015, respectively and $2.0 million and $6.0 million for the three and nine months ended September 30, 2014, respectively. There is no future compensation expense for stock options granted as of September 30, 2015.

The following table is a summary of the stock option activity for the nine months ended September 30, 2015:

	Shares Under Option	Weighted Average Exercise Price	Weighted Average Remaining Contractual Term (years)	Aggregate Intrinsic Value (millions)
Outstanding at December 31, 2014	3,477,980	$21.05	4.7	$15.6
Granted	—	—		
Exercised	(155,912)	14.03		
Cancelled/forfeited/expired	(10,054)	25.79		
Outstanding at September 30, 2015	3,312,014	$21.37	3.9	$—
Exercisable at September 30, 2015	3,191,312	$21.64	3.8	$—

The intrinsic value of options exercisable and options outstanding at September 30, 2015, and December 31, 2014, is based on the fair value of the stock price. All outstanding options are either vested or expected to vest at September 30, 2015.

The following table is a summary of the stock option exercises and vesting activity for the three and nine months ended September 30, 2015 and 2014:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2015	2014	2015	2014
Total intrinsic value of stock options exercised	$—	$0.2	$1.3	$1.0
Cash received from stock option exercises	—	0.5	2.2	1.8

Total grant date fair value of stock options vested	—	—	1.8	1.9

Table of Contents

QUAD/GRAPHICS, INC.
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)
FOR THE THREE AND NINE MONTHS ENDED SEPTEMBER 30, 2015
(In millions, except share and per share data and unless otherwise indicated)

Performance Share and Performance Share Units

Performance share ("PS") and performance share unit ("PSU") awards consist of shares or the rights to shares of the Company's class A common stock which are awarded to employees of the Company. These shares are payable upon the determination that the Company achieved certain established performance targets and can range from 0% to 200% of the targeted payout based on the actual results. Shares awarded in 2013 have a performance period of three years ending December 31, 2015. As set forth in the individual grant agreements, acceleration of vesting may occur under a change in control, death, disability or normal retirement of the grantee. Grantees receiving PS or PSU grants receive full credit for dividends during the vesting period. All such dividends will be paid to the grantee within 45 days of full vesting. Upon vesting, PSUs will be settled either through cash payment equal to the fair market value of the PSUs on the vesting date or through issuance of Company class A common stock. There are no voting rights with these instruments until vesting occurs and a share of stock is issued.

The following table is a summary of PS and PSU award activity for the nine months ended September 30, 2015:

	Performance Shares			Performance Share Units		
	Shares	Weighted-Average Grant Date Fair Value Per Share	Weighted-Average Remaining Contractual Term (years)	Units	Weighted-Average Grant Date Fair Value Per Share	Weighted-Average Remaining Contractual Term (years)
Nonvested at December 31, 2014	343,568	$20.39	1.2	16,208	$20.50	1.2
Granted	—	—		—	—	
Vested	—	—		—	—	
Forfeited	(8,279)	20.39		(9,934)	20.39	
Nonvested at September 30, 2015	335,289	$20.39	0.4	6,274	$20.67	0.4

There were no PS or PSU awards granted during the three and nine months ended September 30, 2015 and 2014. During the performance period, the target number of shares will be earned or forfeited, and additional shares, up to the maximum number of shares, may be granted at the end of the performance period. PS and PSU awards will vest on March 1, 2016, provided the holder of the share is continuously employed by the Company until the vesting date. As of September 30, 2015, the Company does not expect the performance targets will be achieved; therefore, the Company does not expect a payout of the non-vested PS and PSU awards.

Compensation expense for awards granted is recognized based on our best estimate of the anticipated payout, net of estimated forfeitures. Compensation expense (income) recognized related to PS and PSUs was income of $(4.8) million and $(4.6) million for the three and nine months ended September 30, 2015, respectively and expense of $0.6 million and $1.6 million for the three and nine months ended September 30, 2014, respectively. There is no expected future compensation expense for PS and PSUs granted as of September 30, 2015.

Table of Contents

QUAD/GRAPHICS, INC.
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)
FOR THE THREE AND NINE MONTHS ENDED SEPTEMBER 30, 2015
(In millions, except share and per share data and unless otherwise indicated)

Restricted Stock and Restricted Stock Units

Restricted stock ("RS") and restricted stock unit ("RSU") awards consist of shares or the rights to shares of the Company's class A common stock which are awarded to employees of the Company. The awards are restricted such that they are subject to substantial risk of forfeiture and to restrictions on their sale or other transfer by the employee. RSU awards are typically granted to eligible employees outside of the United States. As defined in the individual grant agreements, acceleration of vesting may occur under a change in control, death, disability or normal retirement of the grantee. Grantees receiving RS grants are able to exercise full voting rights and receive full credit for dividends during the vesting period. All such dividends will be paid to the RS grantee within 45 days of full vesting. Grantees receiving RSUs granted prior to January 1, 2012, are not entitled to vote and do not earn dividends. Grantees receiving RSUs on or after January 1, 2012, are not entitled to vote but do earn dividends. Upon vesting, RSUs will be settled either through cash payment equal to the fair market value of the RSUs on the vesting date or through issuance of Company class A common stock.

The following table is a summary of RS and RSU award activity for the nine months ended September 30, 2015:

	Restricted Stock			Restricted Stock Units		
	Shares	Weighted-Average Grant Date Fair Value Per Share	Weighted-Average Remaining Contractual Term (years)	Units	Weighted-Average Grant Date Fair Value Per Share	Weighted-Average Remaining Contractual Term (years)
Nonvested at December 31, 2014	1,311,544	$20.80	1.5	63,046	$20.21	1.2
Granted	603,377	22.87		70,445	23.11	
Vested	(259,743)	14.34		(12,608)	14.34	
Forfeited	(44,853)	22.85		(23,137)	21.41	
Nonvested at September 30, 2015	1,610,325	$22.56	1.6	97,746	$22.78	2.0

During the three months ended September 30, 2015, RS awards of 14,921 shares were granted at a weighted-average grant date fair value of $13.84. There were no RSU awards granted during the three months ended September 30, 2015. During the nine months ended September 30, 2015, RS awards of 603,377 shares and RSU awards of 70,445 units were granted at a weighted-average grant date fair value of $22.87 and $23.11, respectively. There were no RS or RSU awards granted during the three months ended September 30, 2014. During the nine months ended September 30, 2014, RS awards of 706,490 shares and RSU awards of 17,767 units were granted at a weighted-average grant date fair value of $23.44 and $23.45, respectively. In general, RS and RSU awards will vest on the third anniversary of the grant date, provided the holder of the share is continuously employed by the Company until the vesting date.

Compensation expense recognized for RS and RSUs was $2.8 million and $7.6 million for the three and nine months ended September 30, 2015, respectively, and $2.0 million and $5.0 million for the three and nine months ended September 30, 2014, respectively. Total future compensation expense for all RS and RSUs granted as of September 30, 2015, is approximately $19.4 million. Estimated future compensation expense is $3.1 million for 2015, $10.0 million for 2016, $5.5 million for 2017 and $0.8 million for 2018.

QUAD/GRAPHICS, INC.
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)
FOR THE THREE AND NINE MONTHS ENDED SEPTEMBER 30, 2015
(In millions, except share and per share data and unless otherwise indicated)

Deferred Stock Units

Deferred stock units ("DSU") are awards of rights to shares of the Company's class A common stock and are awarded to non-employee directors of the Company. The following table is a summary of DSU award activity for the nine months ended September 30, 2015:

	Deferred Stock Units	
	Units	Weighted-Average Grant Date Fair Value Per Share
Outstanding at December 31, 2014	110,804	$ 20.40
Granted	34,139	23.11
Dividend equivalents granted	6,969	17.40
Settled	—	—
Forfeited	—	—
Outstanding at September 30, 2015	151,912	$ 20.87

There were no DSU awards granted during the three months ended September 30, 2015. DSU awards of 34,139 units were granted at a weighted-average grant date fair value of $23.11 during the nine months ended September 30, 2015. There were no DSU awards granted during the three months ended September 30, 2014. During the nine months ended September 30, 2014, DSU awards of 26,316 units were granted at a weighted-average grant date fair value of $23.45. The DSU awards are fully vested on the grant date. Each DSU award entitles the grantee to receive one share of class A common stock upon the earlier of the separation date of the grantee or the second anniversary of the grant date, but could be subject to acceleration for a change in control, death or disability as defined in the individual DSU grant agreement. Grantees of DSU awards may not exercise voting rights, but are credited with dividend equivalents and those dividend equivalents will be converted into additional DSU awards based on the closing price of the class A common stock. Dividend equivalents of 3,239 units and 6,969 units were granted during the three and nine months ended September 30, 2015, respectively. Dividend equivalents of 1,465 units and 3,916 units were granted during the three and nine months ended September 30, 2014, respectively.

There was no compensation expense recorded for DSUs during the three months ended September 30, 2015, and $0.8 million of compensation expense was recorded for DSUs during the nine months ended September 30, 2015. There was no compensation expense recorded for DSUs during the three months ended September 30, 2014, and $0.6 million of compensation expense was recorded for DSUs during the nine months ended September 30, 2014. As these awards were fully vested on the grant date, all compensation expense was recognized at the date of grant.

Other information

Authorized unissued shares or treasury shares may be used for issuance under the Company's equity incentive programs. The Company intends to use treasury shares of its class A common stock to meet the stock requirements of its awards in the future.

Table of Contents

QUAD/GRAPHICS, INC.
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)
FOR THE THREE AND NINE MONTHS ENDED SEPTEMBER 30, 2015
(In millions, except share and per share data and unless otherwise indicated)

Note 17. Shareholders' Equity

The Company has three classes of common stock as follows (share data in millions):

	Authorized Shares	Issued Common Stock		Total Issued Shares
		Outstanding	Treasury	
Class A stock ($0.025 par value)	80.0			
September 30, 2015		35.4	4.6	40.0
December 31, 2014		34.7	5.3	40.0
Class B stock ($0.025 par value)	80.0			
September 30, 2015		14.2	0.8	15.0
December 31, 2014		14.2	0.8	15.0
Class C stock ($0.025 par value)	20.0			
September 30, 2015		—	0.5	0.5
December 31, 2014		—	0.5	0.5

In accordance with the Articles of Incorporation, each class A common share has one vote per share and each class B and class C common share has ten votes per share on all matters voted upon by the Company's shareholders. Liquidation rights are the same for all three classes of common stock.

The Company also has 0.5 million shares of $0.01 par value preferred stock authorized, of which none were issued at September 30, 2015, and December 31, 2014. The Company has no present plans to issue any preferred stock.

In accordance with the Articles of Incorporation, dividends are paid equally for all three classes of common shares. The following table details the dividend activity related to the then outstanding shares for the nine months ended September 30, 2015 and 2014:

	Declaration Date	Record Date	Payment Date	Dividend Amount per Share
2015				
Q3 Dividend	August 4, 2015	September 7, 2015	September 18, 2015	$0.30
Q2 Dividend	May 5, 2015	June 8, 2015	June 19, 2015	0.30
Q1 Dividend	February 23, 2015	March 9, 2015	March 20, 2015	0.30
2014				
Q3 Dividend	August 5, 2014	September 8, 2014	September 19, 2014	$0.30
Q2 Dividend	May 19, 2014	June 9, 2014	June 20, 2014	0.30
Q1 Dividend	February 26, 2014	March 12, 2014	March 21, 2014	0.30

Table of Contents

QUAD/GRAPHICS, INC.
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)
FOR THE THREE AND NINE MONTHS ENDED SEPTEMBER 30, 2015
(In millions, except share and per share data and unless otherwise indicated)

Activity impacting shareholders' equity for the nine months ended September 30, 2015, was as follows:

	Shareholders' Equity
Balance at December 31, 2014	$1,152.5
Net loss	(632.5)
Translation adjustment	(29.8)
Cash dividends declared	(45.8)
Stock-based compensation	4.0
Sale of stock for options exercised	2.2
Shares withheld from employees for the tax obligation on equity grants	(1.6)
Tax benefit on equity award activity	1.8
Balance at September 30, 2015	$450.8

Note 18. Accumulated Other Comprehensive Loss

The changes in accumulated other comprehensive loss by component, net of tax, for the nine months ended September 30, 2015, were as follows:

	Translation Adjustments	Pension and Other Postretirement Benefit Plan Adjustments	Total
Balance at December 31, 2014	$(88.7)	$(27.9)	$(116.6)
Other comprehensive loss before reclassifications	(37.5)	—	(37.5)
Amounts reclassified from accumulated other comprehensive loss to net earnings (loss)	7.7	—	7.7
Net other comprehensive loss	(29.8)	—	(29.8)
Balance at September 30, 2015	$(118.5)	$(27.9)	$(146.4)

The changes in accumulated other comprehensive loss by component, net of tax, for the nine months ended September 30, 2014, were as follows:

	Translation Adjustments	Pension and Other Postretirement Benefit Plan Adjustments	Total
Balance at December 31, 2013	$(43.3)	$37.7	$(5.6)
Other comprehensive loss before reclassifications	(22.8)	—	(22.8)
Amounts reclassified from accumulated other comprehensive loss to net earnings (loss)	—	(2.8)	(2.8)
Net other comprehensive loss	(22.8)	(2.8)	(25.6)

Balance at September 30, 2014	$(66.1)	$34.9	$(31.2)

Table of Contents

QUAD/GRAPHICS, INC.
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)
FOR THE THREE AND NINE MONTHS ENDED SEPTEMBER 30, 2015
(In millions, except share and per share data and unless otherwise indicated)

The details about the reclassifications from accumulated other comprehensive loss to net earnings (loss) for the three and nine months ended September 30, 2015 and 2014, were as follows:

Details about Accumulated Other Comprehensive Loss Components	Three Months Ended September 30,		Nine Months Ended September 30,		Condensed Consolidated Statements of Operations Presentation
	2015	2014	2015	2014	
Revaluation loss on sale of equity method investment (see Note 7)	$7.7	$—	$7.7	$—	Restructuring, impairment and transaction-related charges
Amortization of pension and other postretirement benefit plan adjustments	$—	$(1.5)	$—	$(4.5)	Selling, general and administrative expenses
Income tax expense	—	0.6	—	1.7	Income tax expense (benefit)
Amortization of pension and other postretirement benefit plan adjustments, net of tax	$—	$(0.9)	$—	$(2.8)	
Total reclassifications for the period, net of tax	$7.7	$(0.9)	$7.7	$(2.8)	

Note 19. Segment Information

The Company 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 messages 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.

International

The International segment consists of the Company's printing operations in Europe and Latin America, including operations in England, France, Germany, Poland, Argentina, Brazil, 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 entirely in the United States Print and Related Services segment. Unrestricted subsidiaries as defined in the Company's senior unsecured notes indenture represent less than 2.0% of total consolidated assets as of September 30, 2015, and less than 2.0% of total consolidated net sales for the three and nine months ended September 30, 2015.

Table of Contents

QUAD/GRAPHICS, INC.
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)
FOR THE THREE AND NINE MONTHS ENDED SEPTEMBER 30, 2015
(In millions, except share and per share data and unless otherwise indicated)

Corporate

Corporate consists of unallocated general and administrative activities and associated expenses including, in part, executive, legal, finance and certain expenses and income from frozen employee retirement plans, such as pension and other postretirement benefit plans.

The following is a summary of segment information for the three and nine months ended September 30, 2015 and 2014:

	Net Sales		Operating Income (Loss)	Restructuring, Impairment and Transaction-Related Charges	Goodwill Impairment
	Products	Services			
Three months ended September 30, 2015					
United States Print and Related Services	$905.8	$153.0	$(742.9)	$8.8	$775.0
International	92.8	4.4	(10.3)	14.0	—
Total operating segments	998.6	157.4	(753.2)	22.8	775.0
Corporate	—	—	(18.9)	12.8	—
Total	$998.6	$157.4	$(772.1)	$35.6	$775.0
Three months ended September 30, 2014					
United States Print and Related Services	$966.5	$163.6	$69.4	$9.6	$—
International	101.8	4.5	(2.3)	1.7	—
Total operating segments	1,068.3	168.1	67.1	11.3	—
Corporate	—	—	(13.5)	2.8	—
Total	$1,068.3	$168.1	$53.6	$14.1	$—
Nine months ended September 30, 2015					
United States Print and Related Services	$2,603.3	$450.5	$(712.6)	$31.5	$775.0
International	275.0	14.2	(65.7)	41.4	23.3
Total operating segments	2,878.3	464.7	(778.3)	72.9	798.3
Corporate	—	—	(31.4)	7.1	—
Total	$2,878.3	$464.7	$(809.7)	$80.0	$798.3
Nine months ended September 30, 2014					
United States Print and Related Services	$2,649.4	$455.2	$106.8	$34.9	$—
International	318.8	14.8	(3.1)	2.4	—
Total operating segments	2,968.2	470.0	103.7	37.3	—
Corporate	—	—	(38.6)	8.6	—
Total	$2,968.2	$470.0	$65.1	$45.9	$—

Restructuring, impairment and transaction-related charges for the three and nine months ended September 30, 2015 and 2014, are further described in Note 3, "Restructuring, Impairment and Transaction-Related Charges," and are included in the operating income (loss) results by segment above. Goodwill impairment for the three and nine months ended September 30, 2015, is further described in Note 4, "Goodwill and Other Intangible Assets," and is included in the operating income (loss) results by segment above.

Table of Contents

QUAD/GRAPHICS, INC.
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)
FOR THE THREE AND NINE MONTHS ENDED SEPTEMBER 30, 2015
(In millions, except share and per share data and unless otherwise indicated)

A reconciliation of operating income (loss) to earnings (loss) before income taxes and equity in loss of unconsolidated entities as reported in the condensed consolidated statements of operations for the three and nine months ended September 30, 2015 and 2014, was as follows:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2015	2014	2015	2014
Operating income (loss)	$(772.1)	$53.6	$(809.7)	$65.1
Less: interest expense	22.3	25.1	66.4	69.5
Less: loss on debt extinguishment	—	—	—	6.0
Earnings (loss) before income taxes and equity in loss of unconsolidated entities	$(794.4)	$28.5	$(876.1)	$(10.4)

Total assets by segment at September 30, 2015, and December 31, 2014, were as follows:

	September 30, 2015	December 31, 2014
United States Print and Related Services	$2,718.0	$3,538.7
International	345.1	447.3
Total operating segments	3,063.1	3,986.0
Corporate	60.8	71.2
Total	$3,123.9	$4,057.2

Note 20. Separate Financial Information of Subsidiary Guarantors of Indebtedness

On April 28, 2014, Quad/Graphics completed an offering of the Senior Unsecured Notes. 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:

- the designation of any of the Guarantor Subsidiaries as an unrestricted subsidiary;
- 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
- the sale or disposition, including the sale of substantially all the assets, of any of the Guarantor Subsidiaries.

The following condensed consolidating financial information reflects the summarized financial information of Quad/Graphics, the Guarantor Subsidiaries on a combined basis and the Company's non-guarantor subsidiaries on a combined basis. During the nine months ended September 30, 2015, a non-guarantor subsidiary of the Company became a Guarantor subsidiary. Accordingly, the supplemental financial information for all periods presented below have been recast to reflect subsidiaries per the Senior Unsecured Notes agreement that were Guarantor Subsidiaries as of September 30, 2015.

Table of Contents

QUAD/GRAPHICS, INC.
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)
FOR THE THREE AND NINE MONTHS ENDED SEPTEMBER 30, 2015
(In millions, except share and per share data and unless otherwise indicated)

Condensed Consolidating Statement of Operations
For the Three Months Ended September 30, 2015

	Quad/Graphics, Inc.	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Eliminations	Total
Net sales	$ 445.2	$ 709.6	$ 112.5	$ (111.3)	$ 1,156.0
Cost of sales	348.5	603.9	89.3	(111.3)	930.4
Selling, general and administrative expenses	63.1	33.0	10.0	—	106.1
Depreciation and amortization	44.6	27.7	8.7	—	81.0
Restructuring, impairment and transaction-related charges	30.9	(9.3)	14.0	—	35.6
Goodwill impairment	—	751.3	23.7	—	775.0
Total operating expenses	487.1	1,406.6	145.7	(111.3)	1,928.1
Operating income (loss)	$ (41.9)	$ (697.0)	$ (33.2)	$ —	$ (772.1)
Interest expense (income)	21.5	(0.5)	1.3	—	22.3
Earnings (loss) before income taxes and equity in earnings (loss) of consolidated and unconsolidated entities	(63.4)	(696.5)	(34.5)	—	(794.4)
Income tax expense (benefit)	(26.9)	(219.2)	1.2	—	(244.9)
Earnings (loss) before equity in earnings (loss) of consolidated and unconsolidated entities	(36.5)	(477.3)	(35.7)	—	(549.5)
Equity in earnings (loss) of consolidated entities	(515.7)	(23.4)	—	539.1	—
Equity in earnings (loss) of unconsolidated entities	—	—	(2.7)	—	(2.7)
Net earnings (loss) attributable to Quad/Graphics common shareholders	$ (552.2)	$ (500.7)	$ (38.4)	$ 539.1	$ (552.2)

Condensed Consolidating Statement of Comprehensive Income (Loss)
For the Three Months Ended September 30, 2015

	Quad/Graphics, Inc.	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Eliminations	Total
Net earnings (loss)	$ (552.2)	$ (500.7)	$ (38.4)	$ 539.1	$ (552.2)
Other comprehensive income (loss), net of tax	(6.7)	(0.2)	(7.1)	7.3	(6.7)
Comprehensive income (loss) attributable to Quad/Graphics common shareholders	$ (558.9)	$ (500.9)	$ (45.5)	$ 546.4	$ (558.9)

Table of Contents

QUAD/GRAPHICS, INC.
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)
FOR THE THREE AND NINE MONTHS ENDED SEPTEMBER 30, 2015
(In millions, except share and per share data and unless otherwise indicated)

Condensed Consolidating Statement of Operations
For the Three Months Ended September 30, 2014

	Quad/Graphics, Inc.	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Eliminations	Total
Net sales	$ 479.0	$765.3	$ 106.3	$(114.2)	$1,236.4
Cost of sales	360.9	639.0	91.7	(114.2)	977.4
Selling, general and administrative expenses	47.2	50.2	9.6	—	107.0
Depreciation and amortization	32.9	44.2	7.2	—	84.3
Restructuring, impairment and transaction-related charges	1.5	10.6	2.0	—	14.1
Total operating expenses	442.5	744.0	110.5	(114.2)	1,182.8
Operating income (loss)	$ 36.5	$21.3	$ (4.2)	$—	$53.6
Interest expense (income)	23.3	(0.3)	2.1	—	25.1
Loss on debt extinguishment	—	—	—	—	—
Earnings (loss) before income taxes and equity in earnings (loss) of consolidated and unconsolidated entities	13.2	21.6	(6.3)	—	28.5
Income tax expense (benefit)	10.2	(7.5)	0.4	—	3.1
Earnings (loss) before equity in earnings (loss) of consolidated and unconsolidated entities	3.0	29.1	(6.7)	—	25.4
Equity in earnings (loss) of consolidated entities	21.4	(0.6)	—	(20.8)	—
Equity in earnings (loss) of unconsolidated entities	—	—	(1.0)	—	(1.0)
Net earnings (loss) attributable to Quad/Graphics common shareholders	$ 24.4	$28.5	$ (7.7)	$(20.8)	$24.4

Condensed Consolidating Statement of Comprehensive Income (Loss)
For the Three Months Ended September 30, 2014

	Quad/Graphics, Inc.	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Eliminations	Total
Net earnings (loss)	$ 24.4	$28.5	$ (7.7)	$(20.8)	$24.4
Other comprehensive income (loss), net of tax	(23.9)	(23.6)	(22.1)	45.7	(23.9)
Comprehensive income (loss) attributable to Quad/Graphics common shareholders	$ 0.5	$4.9	$ (29.8)	$24.9	$0.5

Table of Contents

QUAD/GRAPHICS, INC.
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)
FOR THE THREE AND NINE MONTHS ENDED SEPTEMBER 30, 2015
(In millions, except share and per share data and unless otherwise indicated)

Condensed Consolidating Statement of Operations
For the Nine Months Ended September 30, 2015

	Quad/Graphics, Inc.	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Eliminations	Total
Net sales	$ 1,312.9	$ 2,024.5	$ 316.5	$ (310.9)	$ 3,343.0
Cost of sales	1,011.8	1,739.4	262.2	(310.9)	2,702.5
Selling, general and administrative expenses	186.0	112.2	28.0	—	326.2
Depreciation and amortization	134.3	87.2	24.2	—	245.7
Restructuring, impairment and transaction-related charges	24.6	14.3	41.1	—	80.0
Goodwill impairment	—	751.3	47.0	—	798.3
Total operating expenses	1,356.7	2,704.4	402.5	(310.9)	4,152.7
Operating income (loss)	$ (43.8)	$ (679.9)	$ (86.0)	$ —	$ (809.7)
Interest expense (income)	63.7	(1.2)	3.9	—	66.4
Earnings (loss) before income taxes and equity in earnings (loss) of consolidated and unconsolidated entities	(107.5)	(678.7)	(89.9)	—	(876.1)
Income tax expense (benefit)	(34.5)	(218.8)	3.6	—	(249.7)
Earnings (loss) before equity in earnings (loss) of consolidated and unconsolidated entities	(73.0)	(459.9)	(93.5)	—	(626.4)
Equity in earnings (loss) of consolidated entities	(559.5)	(25.6)	—	585.1	—
Equity in earnings (loss) of unconsolidated entities	—	—	(6.1)	—	(6.1)
Net earnings (loss) attributable to Quad/Graphics common shareholders	$ (632.5)	$ (485.5)	$ (99.6)	$ 585.1	$ (632.5)

Condensed Consolidating Statement of Comprehensive Income (Loss)
For the Nine Months Ended September 30, 2015

	Quad/Graphics, Inc.	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Eliminations	Total
Net earnings (loss)	$ (632.5)	$ (485.5)	$ (99.6)	$ 585.1	$ (632.5)
Other comprehensive income (loss), net of tax	(29.8)	(0.3)	(31.1)	31.4	(29.8)
Comprehensive income (loss) attributable to Quad/Graphics common shareholders	$ (662.3)	$ (485.8)	$ (130.7)	$ 616.5	$ (662.3)

Table of Contents

QUAD/GRAPHICS, INC.
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)
FOR THE THREE AND NINE MONTHS ENDED SEPTEMBER 30, 2015
(In millions, except share and per share data and unless otherwise indicated)

Condensed Consolidating Statement of Operations
For the Nine Months Ended September 30, 2014

	Quad/Graphics, Inc.	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Eliminations	Total
Net sales	$ 1,343.6	$ 2,063.8	$ 333.6	$ (302.8)	$ 3,438.2
Cost of sales	1,035.0	1,742.1	288.6	(302.8)	2,762.9
Selling, general and administrative expenses	142.3	147.5	21.1	—	310.9
Depreciation and amortization	98.0	133.8	21.6	—	253.4
Restructuring, impairment and transaction-related charges	7.5	35.1	3.3	—	45.9
Total operating expenses	1,282.8	2,058.5	334.6	(302.8)	3,373.1
Operating income (loss)	$ 60.8	$ 5.3	$ (1.0)	$ —	$ 65.1
Interest expense (income)	64.1	(0.8)	6.2	—	69.5
Loss on debt extinguishment	6.0	—	—	—	6.0
Earnings (loss) before income taxes and equity in earnings (loss) of consolidated and unconsolidated entities	(9.3)	6.1	(7.2)	—	(10.4)
Income tax expense (benefit)	8.8	(19.0)	2.5	—	(7.7)
Earnings (loss) before equity in earnings (loss) of consolidated and unconsolidated entities	(18.1)	25.1	(9.7)	—	(2.7)
Equity in earnings (loss) of consolidated entities	10.9	2.7	—	(13.6)	—
Equity in earnings (loss) of unconsolidated entities	—	—	(4.8)	—	(4.8)
Net earnings (loss)	$ (7.2)	$ 27.8	$ (14.5)	$ (13.6)	$ (7.5)
Net (earnings) loss attributable to noncontrolling interests	—	—	0.3	—	0.3
Net earnings (loss) attributable to Quad/Graphics common shareholders	$ (7.2)	$ 27.8	$ (14.2)	$ (13.6)	$ (7.2)

Condensed Consolidating Statement of Comprehensive Income (Loss)
For the Nine Months Ended September 30, 2014

	Quad/Graphics, Inc.	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Eliminations	Total
Net earnings (loss)	$ (7.2)	$ 27.8	$ (14.5)	$ (13.6)	$ (7.5)
Other comprehensive income (loss), net of tax	(25.6)	(25.3)	(23.5)	48.8	(25.6)

Total comprehensive income (loss)	(32.8)	2.5	(38.0)	35.2	(33.1)
Less: comprehensive (income) loss attributable to noncontrolling interest	—	—	0.3	—	0.3
Comprehensive income (loss) attributable to Quad/Graphics common shareholders	$ (32.8)	$ 2.5	$ (37.7)	$ 35.2	$ (32.8)

Table of Contents

QUAD/GRAPHICS, INC.
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)
FOR THE THREE AND NINE MONTHS ENDED SEPTEMBER 30, 2015
(In millions, except share and per share data and unless otherwise indicated)

Condensed Consolidating Balance Sheet
As of September 30, 2015

	Quad/Graphics, Inc.	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Eliminations	Total
ASSETS					
Cash and cash equivalents	$ 2.3	$ 3.7	$ 8.2	$—	$ 14.2
Receivables, less allowances for doubtful accounts	486.2	60.9	89.8	—	636.9
Intercompany receivables	—	1,013.3	—	(1,013.3)	—
Inventories	129.9	165.9	52.0	—	347.8
Other current assets	53.5	60.6	10.8	—	124.9
Total current assets	671.9	1,304.4	160.8	(1,013.3)	1,123.8
Property, plant and equipment—net	880.0	721.9	173.0	—	1,774.9
Investment in consolidated entities	1,815.6	60.7	—	(1,876.3)	—
Goodwill and intangible assets—net	59.3	47.9	48.1	—	155.3
Intercompany loan receivable	131.4	0.1	—	(131.5)	—
Other long-term assets	30.0	5.3	34.6	—	69.9
Total assets	$ 3,588.2	$ 2,140.3	$ 416.5	$ (3,021.1)	$ 3,123.9
LIABILITIES AND SHAREHOLDERS' EQUITY					
Accounts payable	$ 210.6	$ 60.6	$ 74.4	$—	$ 345.6
Intercompany accounts payable	1,005.6	—	7.7	(1,013.3)	—
Current portion of long-term debt and capital lease obligations	94.8	3.4	0.8	—	99.0
Other current liabilities	221.5	96.3	36.9	—	354.7
Total current liabilities	1,532.5	160.3	119.8	(1,013.3)	799.3
Long-term debt and capital lease obligations	1,411.2	6.1	2.4	—	1,419.7
Intercompany loan payable	—	38.6	92.9	(131.5)	—
Other long-term liabilities	193.7	233.9	26.5	—	454.1
Total liabilities	3,137.4	438.9	241.6	(1,144.8)	2,673.1
Total shareholders' equity	450.8	1,701.4	174.9	(1,876.3)	450.8
Total liabilities and shareholders' equity	$ 3,588.2	$ 2,140.3	$ 416.5	$ (3,021.1)	$ 3,123.9

Table of Contents

QUAD/GRAPHICS, INC.
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)
FOR THE THREE AND NINE MONTHS ENDED SEPTEMBER 30, 2015
(In millions, except share and per share data and unless otherwise indicated)

Condensed Consolidating Balance Sheet
As of December 31, 2014

	Quad/Graphics, Inc.	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Eliminations	Total
ASSETS					
Cash and cash equivalents	$ 1.9	$ 5.6	$ 2.1	$ —	$ 9.6
Receivables, less allowances for doubtful accounts	577.5	65.6	123.1	—	766.2
Intercompany receivables	—	847.9	—	(847.9)	—
Inventories	111.9	133.4	42.5	—	287.8
Other current assets	56.8	51.2	10.7	—	118.7
Total current assets	748.1	1,103.7	178.4	(847.9)	1,182.3
Property, plant and equipment—net	959.5	701.9	194.1	—	1,855.5
Investment in consolidated entities	1,939.9	40.3	—	(1,980.2)	—
Goodwill and intangible assets—net	0.6	892.2	31.8	—	924.6
Intercompany loan receivable	418.5	—	—	(418.5)	—
Other long-term assets	28.1	6.1	60.6	—	94.8
Total assets	$ 4,094.7	$ 2,744.2	$ 464.9	$ (3,246.6)	$ 4,057.2
LIABILITIES AND SHAREHOLDERS' EQUITY					
Accounts payable	$ 251.1	$ 82.8	$ 73.0	$ —	$ 406.9
Intercompany accounts payable	830.2	—	17.7	(847.9)	—
Current portion of long-term debt and capital lease obligations	90.7	3.7	1.8	—	96.2
Other current liabilities	205.1	116.5	37.9	—	359.5
Total current liabilities	1,377.1	203.0	130.4	(847.9)	862.6
Long-term debt and capital lease obligations	1,298.4	9.4	1.6	—	1,309.4
Intercompany loan payable	—	335.9	82.6	(418.5)	—
Other long-term liabilities	266.7	458.1	7.9	—	732.7
Total liabilities	2,942.2	1,006.4	222.5	(1,266.4)	2,904.7
Total shareholders' equity	1,152.5	1,737.8	242.4	(1,980.2)	1,152.5
Total liabilities and shareholders' equity	$ 4,094.7	$ 2,744.2	$ 464.9	$ (3,246.6)	$ 4,057.2

Table of Contents

QUAD/GRAPHICS, INC.
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)
FOR THE THREE AND NINE MONTHS ENDED SEPTEMBER 30, 2015
(In millions, except share and per share data and unless otherwise indicated)

Condensed Consolidating Statement of Cash Flows
For the Nine Months Ended September 30, 2015

	Quad/Graphics, Inc.	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Eliminations	Total
OPERATING ACTIVITIES					
Net cash from operating activities	$ 46.4	$ 111.9	$ 20.9	$—	$ 179.2
INVESTING ACTIVITIES					
Purchases of property, plant and equipment	(45.3)	(56.3)	(9.6)	—	(111.2)
Acquisition related investing activities—net of cash acquired	—	(63.3)	(77.5)	—	(140.8)
Intercompany investing activities	(133.0)	(163.8)	(0.4)	297.2	—
Other investing activities	1.2	6.3	10.7	—	18.2
Net cash from investing activities	(177.1)	(277.1)	(76.8)	297.2	(233.8)
FINANCING ACTIVITIES					
Payments of long-term debt and capital lease obligations	(70.7)	(2.5)	—	—	(73.2)
Borrowings on revolving credit facilities	1,141.6	—	40.8	—	1,182.4
Payments on revolving credit facilities	(965.3)	—	(40.8)	—	