

RR DONNELLEY

2010 Annual Report

more

than you think



### **More Innovation**

Pictured above is one of the breakthrough ProteusJet® high speed digital color presses that RR Donnelley designed, developed and deployed. These proprietary units are at work producing books on demand, personalized direct mail, and billing statements that include individualized marketing messages.

### **More Value**

We use ProteusJet to produce full color monthly statements for a client whose customer list includes more than 25 million households. Our client sends us sophisticated data transmissions to convey the billing information that we translate into printed and online statements. Accompanying these transmissions are marketing files that we convert into digitally printed, full color inserts. These inserts, produced in a single pass with the statements themselves on our ProteusJet equipment, are placed into envelopes along with the statements.

ProteusJet allows RR Donnelley to transform what were preprinted insert stuffers – that could be produced by a variety of commercial printers – into a value-added, integrated solution that is produced on our assets. Our client enjoys more value, as the new on-demand inserts ...

- eliminate inventory management and obsolescence
- reduce the amount of lead time required for production
- enable messages to be completely individualized for recipients

RR Donnelley uses innovation to earn more new business.

Even people who have known RR Donnelley for years will say it occasionally.

*“I didn’t know that RR Donnelley does that.”*

For nearly 150 years, we have been developing surprising capabilities that offer our business customers more. More innovative ways to create integrated communications. More opportunities to enjoy the savings and convenience of single-source supply. More international resources to support global needs.

The range of our capabilities is reflected by the diverse mix of products and services we provide. For example, people are often surprised to learn that we...

- design the menu boards for a popular quick service restaurant chain
- create and post more than 10 billion images of billing statements online
- translate over 135 million words into as many as 87 languages a year
- design and support the packaging of some of the most sought-after new technology products in the world

... or that more than 130 of our production facilities worldwide have been triple certified to the three most prestigious forestry management registrations reflecting best practices for responsible paper use. These include the respected Forest Stewardship Council certification, whose logo you’ll see on this report.

That’s why even people who know RR Donnelley well can be surprised by how much more we do.



The symbol to the left is a quick response code, or QR code. If you have a smart phone or web-enabled mobile device with a camera, you may search for QR Code apps and download a free QR app to your handset. Using the app, point your device’s camera at a QR code to automatically launch a web page that is associated with the unique QR code. We invite you to use the codes throughout this report, each of which will take you to more information about RR Donnelley.

# growing in more areas

During 2010 RR Donnelley continued to expand across a number of dimensions. For example, the value of our geographic diversity was illustrated as our revenues in Asia grew by more than 26%. With multiple facilities in Asia, we are ideally positioned to take advantage of the region's vigorous domestic and export opportunities.

Our logistics operations also posted a double-digit revenue increase. RR Donnelley is well-known as a provider of print-related logistics services. During 2010 we were also recognized as a Top 100 provider of 3PL (or third party logistics) services. Our sophisticated logistics operations coordinate the distribution of products that range far beyond those that come off the end of a printing press.

Our expertise in digital communications also helped to drive strong growth in premedia and variable printing. *Premedia* refers to services that help our customers create and manage content. Our premedia services include digital photography; web page, print, and packaging design; digital asset management; and more. *Variable printing* uses sophisticated programming and digital output devices (including our own proprietary ProteusJet® presses) to produce individualized documents. These include billing statements, personalized direct mail, one-to-one catalog offers, and more.

Use a smart phone to activate the QR code in the middle of the facing page and discover how RR Donnelley is growing in more areas.



# behind the scenes in more places

You probably see products and services that we provide almost every single day, and many more are behind the scenes. For example, in retail stores you'll see signs of our work everywhere – merchandising banners, window posters, packaging designs, product and pricing labels, floor graphics, and even the receipts you collect at checkout. Less visible are the RR Donnelley produced catalogs, retail flyers, coupons, direct mail pieces, statement stuffers and online marketing promotions that help to draw your fellow shoppers into the store. Also behind the scenes are documents such as training and personnel materials, warehouse and shipping labels, and even the statements you receive when you use a store's credit card.

RR Donnelley can be at work for virtually every kind of organization that needs to communicate ... and that's virtually every organization. We serve more than 60,000 customers worldwide, in retailing, financial services, healthcare, manufacturing, telecom, government, education, publishing, and more. Our customers' diversity combines with our geographic reach to enable RR Donnelley to take advantage of the fastest growing segments, economies, and opportunities to employ the latest solutions that emerge from our research and development pipeline.







Some kinds of our work may be hard to miss. For example, we're a leading producer of the labels affixed to the side window of every new vehicle in the U.S. You're sure to see the label, but you won't see the sophisticated production and distribution processes that brought the right label, to the right vehicle, at the right time.

Or, imagine you're shopping in a store or online and you stop to admire a beautiful image of the perfect garment. You probably won't be thinking about the painstaking care with which it was photographed ... but RR Donnelley's sophisticated digital photography studios across the U.S. are hard at work to create images that captivate audiences and move them to action.

In more ways, we're behind the scenes – helping our customers prepare, produce, deliver and process content.





# communicating in more ways

What's the best way to communicate?

For organizations, it depends. On the audience, the subject, the circumstances, the budget, and a host of other variables. So RR Donnelley offers a broad range of communications solutions that allow our customers to employ a variety of strategies. For example, if you've used your smart phone to activate the Quick Response Codes throughout this report, you've been taken to videos and other online content prepared by the multi-channel communications professionals at one of RR Donnelley's most recent acquisitions – Nimblefish. The solutions that they create enable our customers to seamlessly integrate print, Internet, social media, video, and other communication vehicles. All to help organizations speak to individuals, as individuals.

That's a recurring theme with the solutions that we develop. For example, after you've made several purchases from a cataloger, we can help create a special catalog just for you that highlights products and special offers that reflect your interests. Or imagine that there's a book you're after, but it is out of print. Thanks to our digital printing and inline binding capabilities, a publisher can have us make a copy just for you.

So what's the best way to communicate? In more ways. RR Donnelley makes it possible.



[www.rrd.com/moreways](http://www.rrd.com/moreways)

## 2010 Financial Summary

(in millions, except per share data)	2010	2009	2008	Change from 2009	
				\$	%
Net Sales	\$10,018.9	\$9,857.4	\$11,581.6	161.5	1.6%
Income (loss) from Continuing Operations	555.5	344.3	(40.5)	211.2	61.3%
Net Earnings (loss)	217.1	(21.4)	(185.4)	238.5	1,114.5%
Net Earnings (loss) per Diluted Share attributable to RR Donnelley common shareholders	1.06	(0.13)	(0.90)	1.19	915.4%
Cash Flow from Continuing Operations	752.5	1,425.8	1,018.8	(673.3)	-47.2%
Capital Expenditures	229.4	195.0	322.9	34.4	17.6%
Cash Flow from Continuing Operations less Capital Expenditures	523.1	1,230.8	695.9	(707.7)	-57.5%

### PREPARE

Color Services and Prepress  
Composition  
Content Conversion for the Web  
Creative Services  
Digital Asset Management  
Digital Workflow Solutions  
Direct Marketing Campaigns  
Facilities Management  
Packaging Design  
Photography  
Soft Proofing and Collaboration  
Translation Services

### PRODUCE

Books  
Catalogs  
Sheet-fed, Web and Offset Commercial Printing  
Financial Printing  
Digital Printing  
Direct Mail Printing, Imaging and Fulfillment  
Directories  
Document Organization and Storage  
Electronic and Printed Billing Statements  
Forms and Labels  
HTML Conversion  
Magazines  
Retail Inserts  
SEC EDGAR® Filings  
Signage and Banners  
TOPS® Office Products

### DELIVER

Co-mailing and Co-palletization  
Compliance Management  
Expedited Services  
Fulfillment  
International Mail  
Inventory Management  
Print Distribution  
Print Systems Integration  
Third Party Logistics Management  
Tracking and Measurement  
USPS Drop Shipping

### PROCESS

Business Communication Services  
Business Process Outsourcing  
Call Centers  
Database Services  
Document Outsourcing and Management  
Document Print and Mail Services  
e-Solutions  
Financial Analysis and Reporting  
Global Real Estate Services  
Litigation Support  
Market Research  
Print and Document Management  
Print and Media Solutions  
Supply Chain Management Solutions

Dear Fellow Shareholders:

2010 was a year that confirmed the value of sticking with our strategy, especially during the preceding years, as economies worldwide were in chaos and businesses and consumers were accelerating changes in how they communicated and preferred to be communicated with. It was also a year that saw RR Donnelley continue its transformation into a global provider of integrated communications solutions.

The strategic framework that we continue to pursue includes four elements that we implement as One RR Donnelley, across business reporting units and around the globe. These are:

1. *Driving continuous improvement.* Our employees work to drive out costs and enhance productivity, not just in response to economic conditions, but every single day. Ours is a large scale business in a very competitive environment. So we manage the pennies, nickels and dimes. We are especially proud that our employees continue to increase productivity without ever compromising safety. We continue to regard employee safety as the first and most important measure of operational excellence.
2. *Creating integrated solutions for our customers that draw on multiple product and service offerings.* We continue to expand upon our ability to move customers' projects and programs seamlessly across the breadth of the supply chain – all under one physical or virtual RR Donnelley roof. For example, we have developed a distinct competence in physical content distribution. Now we are working to be the best at *digital logistics* – the management and distribution of information into a variety of media.
3. *Maximizing the value of our geographic, product and service diversity.* No relationship is static, but when a customer changes its communication mix or pursues growth in a different part of the country or the world, RR Donnelley is there.
4. *Developing innovations.* Our new product and service development efforts – recently enhanced with the opening of an expanded Research & Development center – serve a single goal: to continue to distinguish RR Donnelley's offerings from commodities and place them into a value-added position that uniquely helps customers to achieve their goals.

Our more than 58,000 employees continued to embrace and execute this strategy during 2010, which enabled RR Donnelley to achieve a number of important outcomes. We ...

- emerged from the economic downturn with positive momentum and the financial strength and flexibility to respond to the best opportunities and adapt to a fast-changing business environment.
- widened our lead over our competition in terms of what we can do for our customers. Our ability to deliver superb value across the breadth of the supply chain is a complex offering that we believe would take years and billions of dollars for any competitor to duplicate.
- continued to add to our portfolio of resources, making RR Donnelley's offering even more comprehensive and attractive to our customers.

#### **Driving Revenue Growth**

We passed an important threshold during 2010: our revenue from services has become more than 10% of total revenue. This was driven in part by our Logistics operations, which experienced revenue increases of more than 20% as compared with 2009, and our Premedia reporting unit, where revenues were up almost



9% year-over-year. We expect that business services will continue to provide an important source of opportunities for revenue growth. Though we believe that we set the global standard for excellence in printing, *RR Donnelley is more than just ink on paper.*

Our global reach also continues to provide an important source of growth as we serve our customers' expanding international needs. During 2010 our Asia operations' revenues increased more than 26% as compared with the prior year.

Variable print revenues constitute another important growth area. Our variable printing operations, which use our proprietary and recently deployed ProteusJet digital printing presses, experienced revenue growth of 5.2%, against a substantial base of nearly \$1.15 billion in 2009.

### Expanding Capabilities

While we believe that we widened our strategic lead last year, we never take that lead for granted. We continue to add to our portfolio of resources, making RR Donnelley's offering even more comprehensive and attractive to our customers. For example, during 2010 we concluded three acquisitions that reflect the continuing expansion of our capabilities.

First, we completed our acquisition of Bowne & Company, which brought to RR Donnelley its reputation as a well-respected international provider of financial printing, virtual data room, and related services – for clients in the capital markets and compliance sectors. This acquisition not only added superb talent and capabilities in these areas, but did even more. The leading-edge capabilities developed to serve financial services clients can be applied to a much broader array of applications in a variety of vertical segments. For example, Bowne's portfolio included technologies that are targeted toward marketing applications, particularly those dealing with variable digital printing.

Integrating these resources will enable us to even more quickly enhance our ability to help customers use TransPromo communications. *TransPromo* refers to transactional documents, such as billing statements, into which promotional messages are incorporated. For TransPromo applications we use an offering called PIVOT<sup>SM</sup>. PIVOT creates and distributes messages for printed and electronic delivery, so that we can mail statements and make them available for online viewing. You may be surprised to learn that we host more than *10 billion* such images online in the United States alone. Bowne had developed a self-service capability that allowed its customers to interact directly with their statement designs, without requiring programming assistance. This will help *our customers* slash vital cycle time and tailor their messages even more precisely to *their customers'* buying patterns.

A second acquisition, Nimblefish, expanded our capabilities with a portfolio of *multi-channel* Customer Relationship Management (CRM) capabilities, which are already at work for leading retail, telecommunications, hospitality, and technology customers. Nimblefish's services, which you may experience yourself by activating any of the quick response codes throughout this report, will help us to expand our offering of solutions that incorporate variable videos, social media and other one-to-one communication vehicles. We believe that the Nimblefish offering will quickly move from our product and service incubator into a broad array of applications.

A third acquisition, 8touches, approaches marketing communications needs from another angle. It offers self-serve marketing templates to small and medium businesses. Through its website, 8touches allows marketers to go online and build flyers, mailings, and other materials that we digitally print, fulfill, and distribute. This self-serve model for accessing templates and using them to personalize, proof, and order marketing literature online and on-demand is extremely attractive. It permits organizations to quickly adapt their offers to competitors' promotions, to ensure brand compliance throughout their distribution channel, and to slash expensive inventory obsolescence.

## Message from the Chairman

### Dear Fellow Shareholders:


With a history that spans nearly 150 years, RR Donnelley continues to demonstrate the importance of values that lead to sustained performance. Your independent Board of Directors works to provide advice, counsel, and oversight that support a disciplined environment in which strategic initiatives are considered against both their short- and longer-term potential value.

We believe that your company's results during 2010 reflect this commitment to helping management achieve this balanced approach; an approach that proves to be especially critical during periods of the kind of economic uncertainty that we all have witnessed.

Another dimension important to ensuring continuity is sustainability. Your Board is also actively engaged in ensuring that sustainability plays an important role in how your company operates. Our oversight is animated by the understanding that the best sustainability practices result in more efficient utilization of resources.

We do not see sustainability at odds with economic performance, but rather complementary to it. Waste reduction, recycling, more careful utilization of fuel, and other sustainability initiatives deliver improved results – to both RR Donnelley and the communities in which its employees live and work. In addition to this Annual Report, I invite you to review RR Donnelley's Corporate Social Responsibility Report, which is always available on your company's website.

Sincerely,



Stephen M. Wolf  
Chairman of the Board of Directors  
April 2011



[www.rrd.com/moresustainable](http://www.rrd.com/moresustainable)

### Global Communications Management

Internal Research & Development and strategic acquisitions continue to expand our ability to provide global communications management solutions to our customers. In this context, *global* indicates not only that these customer relationships may draw on RR Donnelley's international resources, but also reflects the fact that they include a diverse mix of our products and services. This is reflected in the upward trend of customers who buy at least six or more categories of products and services from RR Donnelley. This number has grown 26% since 2007. During 2010, sales to these customers totaled nearly \$4 billion – and were up more than 6.5% versus 2009.

The outcomes we achieved during 2010 have positioned RR Donnelley exceptionally well to take advantage of the best opportunities and to confront the challenges that we will encounter during 2011.

We are grateful to our employees for their continuing commitment to excellence, to our customers for the opportunity to collaborate with them and to serve them, and to you, our shareholders for your confidence.

Sincerely,



Thomas J. Quinlan III  
President & Chief Executive Officer  
April 2011



## Current Members of the Board of Directors

### **THOMAS J. QUINLAN III**

48, President and Chief Executive Officer, RR Donnelley. Director since 2007. Background: Finance and operations. Directorships: None.

### **STEPHEN M. WOLF (2,3)**

69, Chairman of the Board of Directors, RR Donnelley; Managing Partner, Alpilles, LLC; Chairman, Trilantic Capital Partners. Director since 1995. Background: Airline industry. Directorships: Philip Morris International Inc.; Chrysler Group, LLC.

### **LEE A. CHADEN (1)**

69, Retired Executive Chairman, Hanesbrands Inc., former CEO, Sara Lee Branded Apparel, a division of Sara Lee Corporation. Director since 2008. Background: Consumer products. Directorships: Carlson, Inc.; Hanesbrands Inc.

### **JUDITH H. HAMILTON (2)**

66, Retired President and CEO, Classroom Connect Inc., division of Harcourt Inc./Reed Elsevier PLC. Director since 1995. Background: Information technology. Directorships: Novell, Inc.

### **SUSAN M. IVEY (1)**

52, Retired Chairman, President and Chief Executive Officer, Reynolds American Inc. Director since 2009. Background: Marketing. Directorships: Reynolds American Inc.

### **THOMAS S. JOHNSON (3)**

70, Retired Chairman and CEO, GreenPoint Financial Corp. Director since 1990. Background: Banking and financial services. Directorships: Allegheny Corporation; The Phoenix Companies, Inc.

### **JOHN C. POPE (1,4)**

62, Chairman, PFI Group, LLC, and Waste Management, Inc. Director since 1996. Background: Airline and railroad equipment industries. Directorships: Con-way, Inc.; Dollar Thrifty Automotive Group, Inc.; Kraft Foods, Inc.; Waste Management, Inc.

### **MICHAEL T. RIORDAN (1,3,4)**

60, Former Chairman, President and CEO, Paragon Trade Brands, Inc. Director since 1999. Background: Paper industry. Directorships: Clearwater Paper Corporation.

### **OLIVER R. SOCKWELL (2)**

67, Retired President and CEO, Construction Loan Insurance Corporation (Connie Lee) and subsidiary, Connie Lee Insurance Company. Director since 1997. Background: Financial services, insurance, education, government.

(1) Audit Committee

(2) Corporate Responsibility & Governance Committee

(3) Human Resources Committee

(4) Director service includes services as a director of Moore Wallace Incorporated, Moore Corporation Limited and Wallace Computer Services, Inc.

## Corporate Information

### CORPORATE HEADQUARTERS

RR Donnelley  
111 South Wacker Drive  
Chicago, Illinois 60606-4301  
312.326.8000  
www.rrdonnelley.com

### ANNUAL MEETING OF SHAREHOLDERS

Information about the RR Donnelley Annual Meeting of Shareholders is in our proxy which is also available online at [www.rrdonnelley.com](http://www.rrdonnelley.com)

### STOCK EXCHANGE LISTINGS

NASDAQ Stock Market, Chicago Stock Exchange. Symbol: RRD

### INVESTOR RELATIONS

Shareholders, securities analysts, portfolio managers and representatives of financial institutions seeking information about the company should contact Investor Relations at the company's address, by calling 800.742.4455 or e-mailing [investor.info@rrd.com](mailto:investor.info@rrd.com).

### ORDERING ADDITIONAL ANNUAL REPORTS

RR Donnelley's 2010 Annual Report may be obtained without charge by completing and submitting the form at our website, by writing to Investor Relations at the company's address or by calling 800.742.4455 during business hours.

### FORMS 10-K & 10-Q

A copy of our Annual Report on Form 10-K for fiscal 2010 is available at our website. Additional copies of our Annual Report on Form 10-K or interim financial reports filed with the SEC may be obtained by contacting our Investor Relations Department at 800.742.4455.

### CORPORATE SOCIAL RESPONSIBILITY

RR Donnelley recognizes that businesses impact customers, employees, shareholders, communities, and the environment. We work to go beyond legal obligations as we take steps to further improve the quality of life for employees and their families as well as for the local communities in which we live and work.

Please visit the RR Donnelley Corporate Social Responsibility report at [www.rrdonnelley.com](http://www.rrdonnelley.com) to learn about our company's efforts relating to:

- Sustainability
- Diversity and Inclusion
- Environmental, Health and Safety
- Ethics and Compliance
- External Affairs/Community Relations
- Wellness Programs

### STOCK TRANSFER AGENT AND REGISTRAR

Computershare Trust Company, N.A.  
P.O. Box 43069  
Providence, RI 02940-3069  
Telephone:

Inside the United States:  
800.446.2617

Outside the United States:  
781.575.2723

TDD/TTY for hearing impaired:  
800.952.9245. Operators are available 9:00 a.m. to 5:00 p.m., Eastern Time, Monday-Friday. An interactive automated system is available around the clock every day. Internet:  
[www.computershare.com](http://www.computershare.com)

### REINVESTMENT AND DIRECT DEPOSIT OF DIVIDENDS

RR Donnelley shareholders have the opportunity to increase their holdings through a Dividend Reinvestment Plan, which permits either dividend reinvestment, voluntary cash investments or both, without incurring brokerage commissions or other administrative costs. Also, RR Donnelley shareholders may elect to have their dividends directly deposited electronically in a checking or savings account. Shareholders may request additional information about the Dividend Reinvestment Plan and direct deposit of dividends by writing or calling the Stock Transfer Agent.

### INFORMATION CONTACTS

Computershare Trust Company, N.A. Automated Telephone Response Center may be reached 24 hours a day at 800.446.2617. Operators are available from 9:00 a.m. to 5:00 p.m., Eastern Time, Monday-Friday, and will perform the following functions over the telephone when a shareholder identifies his or her account by providing a taxpayer identification number, registration of the securities and the address of record:

- information regarding stock transfer requirements
- address changes
- replacement of dividend checks
- duplicate 1099 forms and W-9 tax certification forms
- transcripts of shareholder accounts
- duplicate reinvestment statements
- requests for dividend reinvestment brochures and authorization cards
- information regarding the direct deposit of dividends

Requests for information on topics not covered here should be sent in writing, with reference to the company, to the address noted above for the Stock Transfer Agent and Registrar.

### SAFE HARBOR STATEMENT

This document includes forward-looking statements. We have based these forward-looking statements on our current expectations and projections about future results. When we use words such as "anticipates," "believes," "expects," "estimates," "intends," "plans" and similar expressions, we do so to identify forward-looking statements. Our actual results may differ materially from those anticipated in these forward-looking statements, which involve assumptions, risks and uncertainties.

As of December 31, 2010, the Company had approximately 58,700 employees.

As of February 11, 2011, there were approximately 8,613 stockholders of record of our common stock.

## GLOBAL PRODUCTS AND SERVICES

books  
business communication services  
business process outsourcing  
catalogs  
commercial print  
direct mail  
directories  
distribution, logistics, print fulfillment and kitting  
document outsourcing and management  
e-business solutions  
financial printing and communications  
forms, labels and office products  
global print and packaging supply chain services  
magazines  
premedia technologies  
proprietary digital print technologies  
real estate services  
retail inserts  
RFID and barcoding  
supply chain management solutions  
translation services

## RR DONNELLEY

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The Forest Stewardship Council™ (FSC®) is an international non-profit organization that has developed principles that define and promote responsible management of the world's forests. RR Donnelley supports responsible forest management with more than 130 FSC chain-of-custody certified facilities worldwide.

RR Donnelley's Corporate Social Responsibility Report describes our sustainability initiatives and practices in detail. For more information about the RR Donnelley Corporate Social Responsibility report, please visit our website at <http://www.rrdonnelley.com>



**Printed with  
inks containing  
soy and/or  
vegetable oils**

### PRODUCTION NOTES

The videos and other content linked to the QR codes used in this annual report were developed by RR Donnelley's Nimblefish multi-channel communications professionals.

The annual report printed by RR Donnelley on a 40", 8-color Heidelberg Speedmaster CD 102 with in-line UV coating. The report uses Hybrid UV 4-color process inks, 3 PMS inks, overall gloss UV coating and a strike-through spot dull varnish throughout the report and on the embossed front cover.

Printed on coated paper stock containing 20% post-consumer waste.