

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-K

☒ ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the fiscal year ended December 31, 2017
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 1-37728

Donnelley Financial Solutions, Inc.
(Exact name of registrant as specified in its charter)

Delaware
(State or other jurisdiction of
incorporation or organization)
35 West Wacker Drive, Chicago, Illinois
(Address of principal executive offices)

36-4829638
(I.R.S. Employer
Identification No.)
60601
(ZIP Code)

Registrant's telephone number, including area code--(844) 866-4337
Securities registered pursuant to Section 12(b) of the Act:

Title of each
Class
Common Stock (Par Value \$0.01)

Name of each exchange on which
registered
NYSE

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

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

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

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 ☒ 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 (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes ☒ No ☐

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

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

Large accelerated filer ☒ Accelerated filer ☐ Non-accelerated filer ☐ Smaller reporting company ☐
(Do not check if a smaller reporting company)

Emerging growth company ☐

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. ☐

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

The aggregate market value of the shares of common stock (based on the closing price of these shares on the NYSE) on June 30, 2017, the last business day of the registrant's most recently completed second fiscal quarter, held by nonaffiliates was \$773,142,550.

As of February 23, 2018, 33,844,902 shares of common stock were outstanding.

Documents Incorporated By Reference

Portions of the registrant's proxy statement related to its annual meeting of stockholders scheduled to be held on May 24, 2018 are incorporated by reference into Part III of this Form 10-K.

DONNELLEY FINANCIAL SOLUTIONS, INC.
ANNUAL REPORT ON FORM 10-K
FOR THE YEAR ENDED DECEMBER 31, 2017

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ITEM 1. BUSINESS

Company Overview

Donnelley Financial Solutions, Inc. ("Donnelley Financial," or the "Company") is a financial communications services company that supports global capital markets compliance and transaction needs for its corporate clients and their advisors (such as law firms and investment bankers) and global investment management compliance and analytics needs for mutual fund companies, variable annuity providers and broker/dealers. The Company provides content management, multi-channel content distribution, data management and analytics services, collaborative workflow and business reporting tools, and translations and other language services in support of its clients' communications requirements. The Company operates in two business segments:

- *United States.* The U.S. segment is comprised of three reporting units: capital markets, investment markets, and language solutions and other. The Company services capital market and investment market clients in the U.S. by delivering products and services to help create, manage and deliver financial communications to investors and regulators. The Company provides capital market and investment market clients with communication tools and services to allow them to comply with their ongoing regulatory filings. In addition, the U.S. segment provides clients with communications services to create, manage and deliver registration statements, prospectuses, proxies and other communications to regulators and investors. The U.S. segment also includes language solutions and commercial printing capabilities.
- *International.* The International segment includes operations in Asia, Europe, Canada and Latin America. The international business is primarily focused on working with international capital markets clients on capital markets offerings and regulatory compliance related activities within the United States. In addition, the International segment provides services to international investment market clients to allow them to comply with applicable U.S. Securities and Exchange Commission ("SEC") regulations, as well as language solutions to international clients.

The Company reports certain unallocated selling, general and administrative activities and associated expenses within "Corporate", including, in part, executive, legal, finance, marketing and certain facility costs. In addition, certain costs and earnings of employee benefit plans, such as pension income and share-based compensation, are included in Corporate and are not allocated to the reportable segments. Prior to the Separation (as defined below), many of these costs were based on allocations from R.R. Donnelley & Sons Company ("RRD"); however, beginning October 1, 2016, the Company incurs such costs directly.

For the Company's financial results and the presentation of certain other financial information by segment, see Note 17, *Segment Information*, to the Consolidated and Combined Financial Statements. For financial information by geographic area, including net sales and long-lived assets, see Note 18, *Geographic Area and Products and Services Information*, to the Consolidated and Combined Financial Statements.

Client Services

The Company's business is diversified across a range of products and services that enable it to work with companies and their advisors at different points throughout the business lifecycle, including private companies, public companies and companies that have filed for bankruptcy. The Company's clientele is primarily focused in three areas: capital markets, investment markets, and language solutions, and the Company also provides clients with Data and Analytics services and products. The Company services clients in each of these areas with distinct, proprietary solutions tailored to meet their varying regulatory, transactional and communications needs and are able to achieve operational leverage through the use of common technology and service platforms.

Global Capital Markets

The Company's global capital markets ("GCM") clients consist mainly of companies that are subject to the filing and reporting requirements of the Securities Act of 1933, as amended (the "Securities Act") and the U.S. Securities Exchange Act of 1934, as amended (the "Exchange Act"). In 2017, approximately 39% of GCM net sales were compliance in nature. The Company also supports public and private companies throughout the mergers and acquisitions transaction process and in public and private capital markets transactions with deal management solutions focused on aiding transactional efficiency from inception to completion. In 2017, approximately 49% of GCM net sales were transactional in nature and approximately 12% of GCM net sales were related to Venue data room services. The Company provides a comprehensive suite of products and services to help its GCM clients comply with disclosure obligations, create, manage and deliver accurate and timely financial communications and manage public and private transaction processes. The Company also provides GCM clients with data and analytics services focused on uncovering intelligence from financial disclosures and offering distribution of company data and public filings.

Many of the Company's GCM clients are companies required by the SEC to file reports pursuant to the Exchange Act, through the SEC's Electronic Data Gathering, Analysis, and Retrieval (EDGAR) system. The EDGAR system requires filers to prepare and submit filings using the SEC's specified file formats. The Company's EDGAR filing services assist its GCM clients in preparing Exchange Act filings that are compatible with the EDGAR system, and its employees have expertise and significant experience navigating this process with companies and their advisors. Specifically, many of the Company's GCM clients are required to file proxy statements pursuant to the Exchange Act, and the Company's Proxy Design service allows its clients to tailor these proxies by helping them to identify and match an appropriate style and format to their unique corporate culture and proxy-related objectives. The Company serves its GCM clients from local offices in most major cities in the U.S. and international jurisdictions in which the Company has operations. The Company believes that its local teams set the standard for reliable and efficient service and convenience.

As part of their regulatory filing requirements, the Company's GCM clients who submit Exchange Act reports are also required to submit tagged files in the SEC-mandated eXtensible Business Reporting Language (XBRL) format. The Company provides these clients with a suite of tagging, review and validation tools to assist them with the XBRL requirements, and the Company has teams of accounting and financing professionals that assist its GCM clients with the processes of tag selection, tag review, file creation, validation and distribution, if required for their Exchange Act filings with the SEC.

In addition to the EDGAR filing services it provides, in which it formats and manages the content of the filings on behalf of its clients, the Company also offers a cloud-based disclosure management system called ActiveDisclosure that allows its GCM clients to collaboratively create, review and distribute financial communication and regulatory compliance documents on their own systems and then file directly on the SEC's EDGAR system and File 16 for Section 16 filings, each of which, with assistance from the Company's experienced professionals as needed, may reduce the time of the financial close process for its clients.

The Company provides services for GCM clients throughout the course of public and private business transactions, including those transactions that are subject to the requirements of the Securities Act. The Company assists many of its clients with certain transaction-related EDGAR filing and print services (including registration statements, prospectuses, offering circulars, proxy statements and XBRL-tagged filings), as well as with the technical aspects of the regulatory filing process. The Company has conferencing facilities in most major cities in the U.S. and the international jurisdictions in which it has operations for in-person working groups to meet to strategize and prepare documents for the transactional deal stream. The Company's sites are outfitted to provide EDGAR filing capabilities, typesetting, meeting rooms and around-the-clock service.

In addition, for both public and private transactions, many of the Company's GCM clients use its line of Venue products and services to manage the transaction process and increase efficiency. The Company's Venue Virtual Data Room product is a cloud-based service that allows companies to securely organize, manage, distribute and track corporate governance, financing, legal and other documents in an online workspace accessible to internal and outside advisors alike. The Company's GCM clients use Venue Virtual Data Rooms for capital markets transactions, mergers and acquisition transactions and other transactions to facilitate their document management and due diligence processes.

Venue Deal Marketing is a service provided through Peloton Documents, a company in which the Company has made a strategic investment. The Peloton solution creates interactive transaction related documents that enable companies, investors and advisors to communicate a company's value and market and manage large, complex deals directly from their data room. Peloton's technology leverages video and other rich media content as the vehicle to illustrate the value of a business by enabling the user to tell a more dynamic company story to better gauge interest from potential buyers and investors. Users include some of the world's largest investment banks and private equity firms.

Venue Contract Analytics, part of the Venue Deal Solutions Suite, is a service provided through eBrevia, a company in which the Company has made a strategic investment. The eBrevia technology provides leading enterprise contract review and analysis solutions, leveraging machine learning to produce faster and more accurate results. eBrevia's software, which extracts and summarizes key legal provisions and other information, can be used in due diligence, contract management, lease abstraction, and document drafting.

SOXHUB, part of the ActiveDisclosure compliance solution, is a service provided through AuditBoard, a company in which the Company has made a strategic investment. AuditBoard is a SaaS technology company that provides a full suite of easy-to-use audit management and compliance solutions for SOX, operational audits, IT compliance, ERM and workflow management. With AuditBoard, enterprises can collaborate, manage, analyze and report on critical internal controls data in real time. Users span from industry-leading pre-IPO to Fortune 50 companies looking to streamline their accounting and audit functions.

Global Investment Markets

The Company provides products and services to clients operating in global investment markets ("GIM") within the United States and internationally, including United States based mutual funds, hedge and alternative investment funds, insurance companies and overseas investment structures for collective investments (similar to mutual funds in the United States). The Company also provides products to third party service providers and custodians who support investment managers, and it sells products and distribution services to the broker networks and financial advisors that distribute and sell investment products. The Company services the top variable annuity and variable life providers as well. The firms use the Company's software products to manage data and content for data driven regulatory reporting as well as the creation of financial reports, prospectuses, fact sheets and other marketing and disclosure documents. The Company also provides software products to manage the distribution of the data and content in support of marketing, sales, and enrollment processes for the purchase of investment products. The Company supports healthcare clients in content management and the creation of pre- and post-enrollment materials. The Company processes orders and distributes customized, digitized communication for its healthcare clients, their brokers and their plan sponsors.

In 2017, approximately 95% of GIM net sales, excluding postage and freight, were compliance in nature, while the remaining 5% of GIM net sales were transactional in nature. In addition, approximately 53% of the Company's 2017 GIM net sales, excluding postage and freight, were derived from clients in the mutual funds industry, while the remaining 47% of net sales were derived from clients in the healthcare and insurance industries. The Company's teams currently support clients in the United States, Canada, Ireland, the United Kingdom, France, Luxembourg, India and Australia.

The Company offers its GIM clients a comprehensive set of products and services, including the FundSuiteArc software platform. FundSuiteArc is a suite of online content management products, which enable the Company's GIM clients to store and manage information in a self-service, central repository so that compliance and regulatory documents can be easily edited, assembled, accessed, translated, rendered, and submitted to regulators.

In the United States, mutual funds, variable annuity products, and qualifying institutional hedge funds are required by the SEC to file registration forms and subsequent ongoing disclosures as well as XBRL-formatted filings pursuant to the 1940 Act, through the SEC's EDGAR system. Using its filing capabilities, the Company works with many of its GIM clients to prepare and submit these 1940 Act and XBRL filings using the SEC's specified file formats.

Changes in how investors consume information have led to new ways for investors to receive disclosure documents. GIM offers various technology and electronic delivery products and services to make the distribution of documents and content more efficient. Through an investment in, and an agreement with Mediant, the Company provides a suite of software to brokers and financial advisors which enable them to monitor and view shareholder communications. The Company also supports the distribution, tabulation, and solicitation of shareholders for corporate elections and mutual fund proxy events.

Language Solutions

The Company supports domestic and international businesses in a variety of industries by helping them adapt their business content into different languages for specific countries, markets and regions through a complete suite of language products and services. The Company's suite of services includes translation, editing, interpreting, proof-reading and multilingual typesetting, plus specialized content services such as transcreation (cultural adaptation of marketing materials), copywriting, linguistic validation by subject matter experts (specifically in the life sciences sector), transcription, voice-over, subtitling, and localization (website software adaptation for a specific market). The Company also provides application testing and quality assurance, which enable consistent performance of web, desktop and mobile applications, as well as cultural consulting services, helping corporations with their cross-cultural communications. The Company engages with independent contractors through a network of over 6,000 accredited, in-country linguists to support any language translation. Linguists are recruited through a rigorous testing process carried out by the Company's vendor management. Through previous professional experience, linguists specialize in one or more verticals and sub-verticals, which enable the Company's clients to communicate with confidence to their markets using linguists who are experts in the field.

The Company's language solutions services are supported by its innovative language technology, including a market leading proprietary Translation Management System (MultiTrans) with terminology management and translation memory features. This state-of-the-art system stores terminology preferences and reduces costs by using previously-translated content. In addition, the Company offers a website translation service which is a cloud-based platform that enables dynamic website translation. The Company also continually drives innovation with new technologies, such as voice recognition to gain efficiencies in audio-to-text solutions, and machine translation, combining this with existing services such as machine translation post-editing and a full suite of other add-on services.

The Company generally provides its suite of services and technology to clients through project-by-project or preferred vendor arrangements. Donnelley Language Solutions clients are serviced from one of the Company's global locations, in the Americas, the Asia Pacific region, or Europe, the Middle East and Africa. The Company provides its language solutions offerings to clients operating in a variety of industries, including the financial, corporate, life sciences and legal industries, among others. In 2017 the Company provided services to companies in 73 different countries.

Data and Analytics

The Company also helps professionals uncover intelligence from financial disclosures, offering distribution of company data and public filings for equities, mutual funds and other publicly traded assets through Application Program Interfaces, or APIs, online subscriptions and data licenses. The Company extracts critical company data in real time, verifies its accuracy, converts it to value-added formats like XML, JSON and XBRL, securely stores the information and then provides clients access to the data through various delivery methods.

The Company is able to leverage proprietary technology to create robust, timely and accurate data sets, distributing high quality, interactive financial data and services to the investment community. With deep experience and knowledge, the Company is advancing how financial data is consumed, delivered and analyzed, helping to transform data points into constructive, valuable information.

In addition to access to data sets, the Company provides subscription-based proprietary desktop and web tools for data analysis. EDGARPro enables investors, analysts, lawyers, auditors and corporate executives to access detailed company information, as-reported and standardized financial data, SEC filings, stock quotes and news. I-Metrix, a Microsoft Excel plugin, provides quick and accurate XBRL-tagged financial statement data via an easy-to-use web interface for data downloads, enabling simple or complex modeling with the goal of providing better, faster and smarter financial analysis and company research. The Company's additional offerings include solutions for E-Prospectus, Investor Relations websites and XBRL data set creation and validation for use outside of SEC filings.

Products and Services

The Company separately reports its net sales and related cost of sales for its products and services offerings. The Company's services offerings consist of all non-print offerings, including document composition, compliance related EDGAR filing services, transaction solutions, data and analytics, content storage services and language solutions. The Company's product offerings primarily consist of conventional and digital printed products and related distribution costs.

Spin-off Transaction

Donnelley Financial's Registration Statement on Form 10, as amended, was declared effective by the U.S. Securities and Exchange Commission (the "SEC") on September 20, 2016. On October 1, 2016, Donnelley Financial became an independent publicly traded company through the distribution by R.R. Donnelley & Sons Company ("RRD") of approximately 26.2 million shares, or 80.75%, of Donnelley Financial common stock to RRD shareholders (the "Separation"). Holders of RRD common stock received one share of Donnelley Financial common stock for every eight shares of RRD common stock held on September 23, 2016. As part of the Separation, RRD retained approximately 6.2 million shares of Donnelley Financial common stock, or a 19.25% interest in Donnelley Financial. Donnelley Financial's common stock began regular-way trading under the ticker symbol "DFIN" on the New York Stock Exchange on October 3, 2016. On October 1, 2016, RRD also completed the previously announced separation of LSC Communications, Inc. ("LSC"), its publishing and retail-centric print services and office products business. On March 28, 2017, RRD completed the sale of 6.2 million shares of LSC common stock (RRD's remaining ownership stake in LSC) in an underwritten public offering. As a result, beginning in the quarter ended June 30, 2017, LSC no longer qualified as a related party of the Company.

On March 24, 2017, pursuant to the Stockholder and Registration Rights Agreement, dated as of September 30, 2016, by and between the Company and RRD, the Company filed a Registration Statement on Form S-1 to register the offering and sale of shares of the Company's common stock retained by RRD. The Registration Statement on Form S-1, as amended, was declared effective by the SEC on June 13, 2017. On June 21, 2017, RRD completed the sale of approximately 6.1 million shares of the Company's common stock in an underwritten public offering. Upon the consummation of the offering, RRD retained approximately 0.1 million shares of the Company's common stock which were subsequently sold by RRD on August 4, 2017. In conjunction with the underwritten public offering, the underwriters exercised their option to purchase approximately 0.9 million of the Company's shares (the "Option Shares") from the Company. The Company received approximately \$18.8 million in net proceeds from the sale of the Option Shares, after deducting estimated underwriting discounts and commissions.

Competition

Technological and regulatory changes, including the electronic distribution of documents and data hosting of media content, continue to impact the market for our products and services. One of the Company's competitive strengths is that it offers a wide array of communications products, compliance services and technologies, a global platform, exceptional sales and service and regulatory domain expertise, which provide differentiated solutions for its clients.

The financial communications services industry, in general, is highly competitive and barriers to entry have decreased as a result of technology innovation. Despite some consolidation in recent years, the industry remains highly fragmented in the United States and even more so internationally with many in-country alternative providers. The Company expects competition to increase from existing competitors, as well as new and emerging market entrants. In addition, as the Company expands its product and service offerings, it may face competition from new and existing competitors. The Company competes primarily on product quality and functionality, service levels, subject matter regulatory expertise, security and compliance characteristics, price and reputation.

The impact of digital technologies has been felt in many print products, most acutely in the Company's mutual fund, variable annuity and public company compliance business offerings. While the Company maintains a high-touch, service oriented business technology changes have provided alternatives to the Company's clients that allow them to manage more of the financial disclosure process themselves. For years, the Company has invested in its own applications, ActiveDisclosure, FundSuiteArc and Venue to serve clients and increase retention and has invested to expand capabilities and address new market sectors. The future impact of technology on the business is difficult to predict and could result in additional expenditures to restructure impacted operations or develop new technologies. In addition, the Company has made targeted acquisitions and investments in its existing business to offer clients innovative services and solutions, including acquisitions of EDGAR Online and MultiCorpora and investments in AuditBoard (formerly known as Soxhub), Mediant, Peloton and eBrevia that support the Company's position as a technology service leader in the industry.

The Company's competitors for SEC filing services for public company compliance clients include full service financial communications providers, technology point solution providers focused on financial communications and general technology providers. The Company's competitors for SEC filing services for investment markets clients include full service traditional providers, small niche technology providers and local and regional print providers that bid against the Company for printing, mailing and fulfillment services. Language solutions competes with global and local language service providers and language/globalization software vendors.

Market Volatility/Cyclicality

The Company is subject to market volatility in the United States and world economy, as the success of the transactional offering is largely dependent on the global market for IPOs, secondary offerings, mergers and acquisitions, public and private debt offerings, leveraged buyouts, spinouts and other transactions. The International segment is particularly susceptible to capital market volatility as most of the International business is capital markets transaction focused. The Company mitigates some of that risk by offering services in higher demand during a down market, like document management tools for the bankruptcy/restructuring process, and also moving upstream from the filing process with products like Venue, the Company's data room solution. The Company also attempts to balance this volatility through supporting the quarterly/annual public company reporting process through its EDGAR filing services and ActiveDisclosure product, its investment markets regulatory and shareholder communications offering and continues to expand into adjacent growth businesses like language solutions and data and analytics, which have recurring revenues and are not as susceptible to market volatility and cycles. This quarterly/annual public company reporting process work also subjects the Company to filing seasonality shortly after the end of each fiscal quarter, with peak periods during the course of the year that have operational implications. Such operational implications include the need to increase staff during peak periods through a combined strategy of hiring additional full-time and temporary personnel, increasing the premium time of existing staff, and outsourcing production for a number of services. Additionally, clients and their financial advisors have begun to increasingly rely on web-based services which allow clients to autonomously file and distribute compliance documents with regulatory agencies, such as the SEC. While the Company believes that its ActiveDisclosure and FundSuiteArc solutions are competitive in this space, competitors are continuing to develop technologies that aim to improve clients' ability to autonomously produce and file documents to meet their regulatory obligations. The Company continues to remain focused on driving recurring revenue in order to mitigate market volatility.

Raw Materials

The primary raw materials used in the Company's printed products are paper and ink. The paper and ink supply is sourced from a small set of select suppliers in order to ensure consistent quality that meets the Company's performance expectations and provides for continuity of supply. The Company believes that the risk of incurring material losses as a result of a shortage in raw materials is unlikely and that the losses, if any, would not have a materially negative impact on the Company's business.

Distribution

The Company's products are distributed to end-users through the U.S or foreign postal services, through retail channels, electronically or by direct shipment to customer facilities.

Customers

For each of the years ended December 31, 2017, 2016 and 2015, no customer accounted for 10% or more of the Company's consolidated and combined net sales.

Technology

The Company invests resources in developing software to improve its services. The Company invests in its core composition systems and client facing solutions and has also adopted market-leading third party systems which have improved the efficiency of its sales and operations processes.

Environmental Compliance

It is the Company's policy to conduct its global operations in accordance with all applicable laws, regulations and other requirements. It is not possible to quantify with certainty the potential impact of actions regarding environmental matters, particularly remediation and other compliance efforts that the Company may undertake in the future. However, in the opinion of management, compliance with the present environmental protection laws, before taking into account estimated recoveries from third parties, will not have a material adverse effect on the Company's consolidated and combined annual results of operations, financial position or cash flows.

Employees

As of December 31, 2017, the Company had approximately 3,400 employees.

Available Information

The Company maintains a website at www.dfco.com where the Company's Annual Reports on Form 10-K, Quarterly Reports on Form 10-Q, Current Reports on Form 8-K and all amendments to those reports, as well as other SEC filings, are available without charge, as soon as reasonably practicable following the time they are filed with, or furnished to, the SEC. The Principles of Corporate Governance of the Company's Board of Directors, the charters of the Audit, Compensation, Corporate Responsibility & Governance Committees of the Board of Directors and the Company's Principles of Ethical Business Conduct are also available on the Investor Relations portion of the Company's website, and will be provided, free of charge, to any shareholder who requests a copy. References to the Company's website address do not constitute incorporation by reference of the information contained on the website, and the information contained on the website is not part of or incorporated by reference in this document.

Special Note Regarding Forward-Looking Statements

The Company has made forward-looking statements in this Annual Report on Form 10-K within the meaning of the "safe harbor" provisions of the Private Securities Litigation Reform Act of 1995 that are subject to risks and uncertainties. These statements are based on the beliefs and assumptions of the Company. Generally, forward-looking statements include information concerning possible or assumed future actions, events, or results of operations of the Company.

These statements may include words such as "anticipates," "estimates," "expects," "projects," "forecasts," "intends," "plans," "continues," "believes," "may," "will," "goals" and variations of such words and similar expressions are intended to identify our forward-looking statements.

Forward-looking statements are not guarantees of performance. These forward-looking statements are subject to a number of important factors, including those factors discussed in detail in "Item 1A: Risk Factors" and elsewhere in this Annual Report on Form 10-K, that could cause our actual results to differ materially from those indicated in any such forward-looking statements. These factors include, but are not limited to:

- the volatility of the global economy and financial markets, and its impact on transactional volume;
- failure to offer high quality customer support and services;

- the retention of existing, and continued attraction of additional clients and key employees;
- the growth of new technologies with which we may be able to adequately compete;
- our inability to maintain client referrals;
- vulnerability to adverse events as a result of becoming a stand-alone company following the Separation from RRD, including the inability to obtain as favorable of terms from third-party vendors;
- the competitive market for our products and industry fragmentation affecting our prices;
- the ability to gain client acceptance of our new products and technologies;
- delay in market acceptance of our products and services due to undetected errors or failures found in our products and services;
- failure to maintain the confidentiality, integrity and availability of our systems, software and solutions;
- failure to properly use and protect client and employee information and data;
- the effect of a material breach of security or other performance issues of any of our or our vendors' systems;
- factors that affect client demand, including changes in economic conditions, national or international regulations and clients' budgetary constraints;
- our ability to access debt and the capital markets due to adverse credit market conditions;
- the effect of increasing costs of providing healthcare and other benefits to our employees;
- the impact of the U.S. Tax Cuts and Jobs Act ("Tax Act");
- changes in the availability or costs of key materials (such as ink and paper) or in prices received for the sale of by-products;
- failure to protect our proprietary technology;
- failure to successfully integrate acquired businesses into our business;
- availability to maintain our brands and reputation;
- the retention of existing, and continued attraction of, key employees, including management;
- the effects of operating in international markets, including fluctuations in currency exchange rates;
- the effect of economic and political conditions on a regional, national or international basis;
- lack of market for our common stock;
- lack of history as an operating company and costs associated with being an independent company;
- failure to achieve certain intended benefits of the Separation; and
- failure of RRD or LSC to satisfy their respective obligations under transition services agreements or other agreements entered into in connection with the Separation.

Because forward-looking statements are subject to assumptions and uncertainties, actual results may differ materially from those expressed or implied by such forward-looking statements. Undue reliance should not be placed on such statements, which speak only as of the date of this document or the date of any document that may be incorporated by reference into this document.

Consequently, readers of the Annual Report on Form 10-K should consider these forward looking statements only as the Company's current plans, estimates and beliefs. The Company does not undertake and specifically declines any obligation to publicly release the results of any revisions to these forward-looking statements that may be made to reflect future events or circumstances after the date of such statements or to reflect the occurrence of anticipated or unanticipated events. The Company undertakes no obligation to update or revise any forward-looking statements in this Annual Report on Form 10-K to reflect any new events or any change in conditions or circumstances.

ITEM 1A. RISK FACTORS

The Company's consolidated and combined results of operations, financial position and cash flows can be adversely affected by various risks. These risks include the principal factors listed below and the other matters set forth in the Annual Report on Form 10-K. You should carefully consider all of these risks.

A significant part of our business is derived from the use of our products and services in connection with financial and strategic business transactions. Economic trends that affect the volume of these transactions may negatively impact the demand for our products and services.

A significant portion of our net sales depends on the purchase of our products and use of our services by parties involved in GCM compliance and transactions. As a result, our business is largely dependent on the global market for IPOs, secondary offerings, mergers and acquisitions, public and private debt offerings, leveraged buyouts, spinouts, bankruptcy and claims processing and other transactions. These transactions are often tied to economic conditions and dependent upon the performance of the overall economy, and the resulting volume of these types of transactions drives demand for our products and services. Downturns in the financial markets, global economy or in the economies of the geographies in which we do business and reduced equity valuations all create risks that could negatively impact our business. For example, in the past, economic volatility has led to a decline in the financial condition of a number of our clients and led to the postponement of their capital markets transactions. To the extent that there is continued volatility, we may face increasing volume pressure. Furthermore, our offerings for GIM clients can be affected by fluctuations in the inflow and outflow of money into investment management funds which determines the number of new funds that are opened, as well as, closed. As a result, we are not able to predict the impact any potential worsening of macroeconomic conditions could have on our results of operations. The level of activity in the financial communications services industry, including the financial transactions and related compliance needs our products and services are used to support, is sensitive to many factors beyond our control, including interest rates, regulatory policies, general economic conditions, our clients' competitive environments, business trends, terrorism and political change, such as the impacts from the 2016 United Kingdom referendum to withdraw from the European Union. In addition, a weak economy could hinder our ability to collect amounts owed by clients. Failure of our clients to pay the amounts owed to us, or to pay such amounts in a timely manner, may increase our exposure to credit risks and result in bad debt write-offs. Unfavorable conditions or changes in any of these factors could negatively impact our results of operations, financial position and cash flow.

The quality of our customer support and services offerings is important to our clients, and if we fail to offer high quality customer support and services, clients may not use our solutions and our net sales may decline.

A high level of customer support is critical for the successful marketing and sale of our solutions. If we are unable to provide a level of customer support and service to meet or exceed the expectations of our clients, we could experience a loss of clients and market share, a failure to attract new clients, including in new geographic regions and increased service and support costs and a diversion of resources. Any of these results could negatively impact our results of operations, financial position and cash flow.

A substantial part of our business depends on clients continuing their use of our products and services. Any decline in our client retention would harm our future operating results.

We do not have long term contracts with most of our GCM and GIM clients, and therefore rely on their continued use of our products and services, particularly for compliance related services. As a result, client retention, particularly during periods of declining transactional volume, is an important part of our strategic business plan. There can be no assurance that our clients will continue to use our products and services to meet their ongoing needs, particularly in the face of competitors' products and services offerings. Our client retention rates may decline due to a variety of factors, including:

- our inability to demonstrate to our clients the value of our solutions;
- the price, performance and functionality of our solutions;
- the availability, price, performance and functionality of competing products and services;
- our clients' ceasing to use or anticipating a declining need for our services in their operations;
- consolidation in our client base;
- the effects of economic downturns and global economic conditions; or
- reductions in our clients' spending levels.

If our retention rates are lower than anticipated or decline for any reason, our net sales may decrease and our profitability may be harmed, which could negatively impact our results of operations, financial position and cash flow.

Our business may be adversely affected by new technologies enabling clients to produce and file documents on their own.

The Company's business may be adversely affected as clients seek out opportunities to produce and file regulatory documentation on their own and begin to implement technologies that assist them in this process. For example, clients and their financial advisors have increasingly relied on web-based services which allow clients to autonomously file and distribute reports required pursuant to the Exchange Act, prospectuses and other materials as a replacement for using our EDGAR filing services. If technologies are further developed to provide our clients with the ability to autonomously produce and file documents to meet their regulatory obligations, and we do not develop products or provide services to compete with such new technologies, our business may be adversely affected by those clients who choose alternative solutions, including self-serving or filing themselves.

Our performance and growth depend on our ability to generate client referrals and to develop referenceable client relationships that will enhance our sales and marketing efforts.

We depend on users of our solutions to generate client referrals for our services. We depend in part on the financial institutions, law firms and other third parties who use our products and services to recommend our solutions to their client base, which allows us to reach a larger client base than we can reach through our direct sales and internal marketing efforts. For instance, a portion of our net sales from GCM clients is derived from referrals by investment banks, financial advisors and law firms that have utilized our services in connection with prior transactions. These referrals are an important source of new clients for our services.

A decline in the number of referrals we receive could require us to devote substantially more resources to the sales and marketing of our services, which would increase our costs, potentially lead to a decline in our net sales, slow our growth and negatively impact our results of operations, financial position and cash flow.

The spin-off from RRD could result in significant liability to Donnelley Financial.

The spin-off was intended to qualify for tax-free treatment to RRD and its stockholders under Sections 355 and 368(a)(1)(D) of the Internal Revenue Code of 1986, as amended (the Code). Completion of the spin-off was conditioned upon, among other things, the receipt of a private letter ruling from the Internal Revenue Service ("IRS") regarding certain issues relating to the tax-free treatment of the spin-off. Although the IRS private letter ruling is generally binding on the IRS, the continuing validity of such ruling is subject to the accuracy of factual representations and assumptions made in the ruling. Completion of the spin-off was also conditioned upon RRD's receipt of a tax opinion from Sullivan & Cromwell LLP regarding certain aspects of the spin-off not covered by the IRS private letter ruling. The opinion was based upon various factual representations and assumptions, as well as certain undertakings made by RRD, Donnelley Financial and LSC. If any of the factual representations or assumptions in the IRS private letter ruling or tax opinion are untrue or incomplete in any material respect, an undertaking is not complied with, or the facts upon which the IRS private letter ruling or tax opinion are based are materially different from the actual facts relating to the spin-off, the opinion or IRS private letter ruling may not be valid. Moreover, opinions of a tax advisor are not binding on the IRS. As a result, the conclusions expressed in the opinion of a tax advisor could be successfully challenged by the IRS.

If the Separation is determined to be taxable, RRD and its stockholders could incur significant tax liabilities, and under the tax matters agreement and the letter agreement, Donnelley Financial may be required to indemnify RRD for any liabilities incurred by RRD if the liabilities are caused by any action or inaction undertaken by Donnelley Financial following the spin-off. For additional detail, refer to Tax Disaffiliation Agreement (Exhibit 2.4 to this Annual Report on Form 10-K).

The tax rules applicable to the Separation may restrict us from engaging in certain corporate transactions or from raising equity capital beyond certain thresholds for a period of time after the separation.

To preserve the tax-free treatment of the Separation from RRD under the Tax Disaffiliation Agreement, for the two-year period following the Separation, we are subject to restrictions with respect to:

- taking any action that would result in our ceasing to be engaged in the active conduct of our business, with the result that we are not engaged in the active conduct of a trade or business within the meaning of certain provisions of the Code;
- redeeming or otherwise repurchasing any of our outstanding stock, other than through certain stock purchases of widely held stock on the open market;

- amending our Certificate of Incorporation (or other organizational documents) that would affect the relative voting rights of separate classes of our capital stock or would convert one class of our capital stock into another class of our capital stock;
- liquidating or partially liquidating;
- merging with any other corporation (other than in a transaction that does not affect the relative shareholding of our shareholders), selling or otherwise disposing of (other than in the ordinary course of business) our assets, or taking any other action or actions if such merger, sale, other disposition or other action or actions in the aggregate would have the effect that one or more persons acquire (or have the right to acquire), directly or indirectly, as part of a plan or series of related transactions, assets representing one-half or more of our asset value;
- taking any other action or actions that in the aggregate would have the effect that one or more persons acquire (or have the right to acquire), directly or indirectly, as part of a plan or series of related transactions, capital stock of ours possessing (i) at least 50% of the total combined voting power of all classes of stock or equity interests of ours entitled to vote, or (ii) at least 50% of the total value of shares of all classes of stock or of the total value of all equity interests of ours, other than an acquisition of our shares as part of the Separation solely by reason of holding RRD common stock (but not including such an acquisition if such RRD common stock, before such acquisition, was itself acquired as part of a plan (or series of related transactions) pursuant to which one or more persons acquire, directly or indirectly, shares of our stock meeting the voting and value threshold tests listed previously in this bullet); and
- taking any action that (or failing to take any action the omission of which) would be inconsistent with the Separation qualifying as, or that would preclude the Separation from qualifying as, a transaction that is generally tax-free to RRD and the holders of RRD common stock for U.S. federal income tax purposes.

These restrictions may limit our ability during such period to pursue strategic transactions of a certain magnitude that involve the issuance or acquisition of our stock or engage in new businesses or other transactions that might increase the value of our business. These restrictions may also limit our ability to raise significant amounts of cash through the issuance of stock, especially if our stock price were to suffer substantial declines, or through the sale of certain of our assets. For more information, refer to Tax Disaffiliation Agreement (Exhibit 2.4 to this Annual Report on Form 10-K).

Donnelley Financial's historical financial information is not necessarily representative of the results that it would have achieved as a separate, publicly traded company and may not be a reliable indicator of its future results, particularly in light of ongoing costs of operating as a public company.

The historical information about Donnelley Financial prior to October 1, 2016 included in this Annual Report on Form 10-K refers to Donnelley Financial's business as operated by and integrated with RRD. Donnelley Financial's historical financial information for such periods was derived from the consolidated financial statements and accounting records of RRD. Accordingly, such historical financial information does not necessarily reflect the combined statements of income, balance sheets and cash flows that Donnelley Financial would have achieved as a separate, publicly traded company during the periods presented or those that Donnelley Financial will achieve in the future primarily as a result of the following factors:

- Prior to the Separation, Donnelley Financial's business was operated by RRD as part of its broader corporate organization, rather than as an independent company. RRD or one of its affiliates performed various corporate functions for Donnelley Financial, such as tax, treasury, finance, audit, risk management, legal, information technology, human resources, stockholder relations, compliance, shared services, insurance, employee benefits and compensation. After the Separation, RRD continued to provide some of these functions to Donnelley Financial, as described in Transition Services Agreement (Exhibit 2.2 to this Annual Report on Form 10-K). While Donnelley Financial has now taken over many of these services internally, Donnelley Financial's historical financial results reflect allocations of corporate expenses from RRD for such functions. These allocations may not be indicative of the actual expenses Donnelley Financial would have incurred had it operated as an independent, publicly traded company in the periods presented. Donnelley Financial had made, and will continue to make, significant investments to replicate or outsource from other providers certain facilities, systems, infrastructure, and personnel to which Donnelley Financial no longer has access as a result of the Separation. These initiatives to develop Donnelley Financial's independent ability to operate without access to RRD's existing operational and administrative infrastructure have been, and will continue to be, costly to implement. Donnelley Financial may not be able to operate its business efficiently or at comparable costs, and its profitability may decline.

- Prior to the Separation, Donnelley Financial's business was integrated with the other businesses of RRD. Donnelley Financial was able to utilize RRD's size and purchasing power in procuring various goods and services and shared economies of scope and scale in costs, employees, vendor relationships and customer relationships. Although Donnelley Financial has entered into transition agreements with RRD, these arrangements may not fully capture the benefits Donnelley Financial enjoyed as a result of being integrated with RRD and may result in Donnelley Financial paying higher charges than in the past for these services. As a separate, independent company, Donnelley Financial may be unable to obtain goods and services at the prices and terms obtained prior to the Separation, which could decrease Donnelley Financial's overall profitability. This could have a material adverse effect on Donnelley Financial's consolidated and combined statements of income, balance sheets and cash flows for periods after the Separation.
- Generally, prior to the Separation, Donnelley Financial's working capital requirements and capital for its general corporate purposes, including acquisitions, R&D and capital expenditures, were satisfied as part of the corporate-wide cash management policies of RRD. Currently, following the Separation, the cost of capital for Donnelley Financial's business may be higher than RRD's cost of capital prior to the distribution.

Other significant changes may occur in Donnelley Financial's cost structure, management, financing and business operations as a result of operating as a company separate from RRD. For additional information about the past financial performance of Donnelley Financial's business and the basis of presentation of the historical consolidated and combined financial statements of Donnelley Financial's business, refer to the discussion in Note 1, *Overview and Basis of Presentation*, to the consolidated and combined Financial Statements of this Annual Report on Form 10-K.

We may be unable to achieve some or all of the benefits that we expect to achieve from the Separation.

We believe that the Separation from RRD has allowed, and will continue to allow, among other benefits, us to focus on our distinct strategic priorities; afford us direct access to the capital markets and facilitate our ability to capitalize on growth opportunities and effect future acquisitions utilizing our common stock; facilitate incentive compensation arrangements for our employees more directly tied to the performance of our business; and enable us to concentrate our financial resources solely on our own operations. However, we may be unable to achieve some or all of these benefits. For example, in order to prepare ourselves for the Separation, we undertook a series of strategic, structural and process realignment and restructuring actions within our operations. These actions may not provide the benefits we currently expect, and could lead to disruption of our operations, loss of, or inability to recruit, key personnel needed to operate and grow our businesses after the Separation, weakening of our internal standards, controls or procedures and impairment of key client relationships. If we fail to achieve some or all of the benefits that we expect to achieve as an independent company, or do not achieve them in the time we expect, our business and consolidated and combined statements of income, balance sheets and cash flows could be materially and adversely affected.

RRD or LSC may not satisfy their respective obligations under the Transition Services Agreements that were entered into as part of the Separation, or we may not have necessary systems and services in place when the transition services terms expire.

In connection with the separation, we entered into Transition Services Agreements with both RRD and LSC. Refer to Exhibits 2.2 and 2.3 to this Annual Report on Form 10-K, both titled Transition Services Agreement, related to the agreements with RRD and LSC, respectively. These Transition Services Agreements provide for the performance of services by each company for the benefit of the other for a period of time after the separation. We rely on RRD and LSC to satisfy their respective performance and payment obligations under these Transition Services Agreements. If RRD or LSC is unable to satisfy its respective obligations under these Transition Services Agreements, we could incur operational difficulties. The agreements relating to the separation provide for indemnification in certain circumstances. There can be no guarantee that RRD or LSC, as the case may be, will satisfy any obligations owed to us under such agreements, including any indemnification obligations.

Further, if we do not have our own systems and services in place, or if we do not have agreements in place with other providers of these services when the term of a particular transition service terminates, we may not be able to operate our business effectively, which could negatively impact our consolidated and combined statements of income, balance sheets and cash flows. We are in the process of creating our own, or engaging third parties to provide, systems and services to replace many of the systems and services RRD and LSC have provided us since the Separation. We may not be successful in effectively or efficiently implementing the remaining systems and services or in transitioning data from RRD's or LSC's systems to our systems, which could disrupt our business and have a negative impact on our consolidated and combined statements of income, balance sheets and cash flows. These systems and services may also be more expensive or less efficient than the systems and services RRD and LSC have been providing during the transition period since the Separation.

We have incurred substantial indebtedness and the degree to which we are currently leveraged may materially and adversely affect our business and consolidated and combined statements of income, balance sheets and cash flows.

As of December 31, 2017, we had \$458.3 million of indebtedness outstanding. Our ability to make payments on and to refinance our indebtedness, as well as any future debt that we may incur, will depend on our ability to generate cash in the future from operations, financings or asset sales. Our ability to generate cash is subject to general economic, financial, competitive, legislative, regulatory and other factors that are beyond our control. We may not generate sufficient funds to service our debt and meet our business needs, such as funding working capital or the expansion of our operations. If we are not able to repay or refinance our debt as it becomes due, we may be forced to take disadvantageous actions, including facility closure, staff reductions, reducing financing in the future for working capital, capital expenditures and general corporate purposes, selling assets or dedicating an unsustainable level of our cash flow from operations to the payment of principal and interest on our indebtedness, and restricting future capital return to stockholders. In addition, our ability to withstand competitive pressures and to react to changes in the print and related services industry could be impaired. The lenders who hold our debt could also accelerate amounts due in the event that we default, which could potentially trigger a default or acceleration of the maturity of our other debt.

In addition, our leverage could put us at a competitive disadvantage compared to our competitors who may be less leveraged. These competitors could have greater financial flexibility to pursue strategic acquisitions and secure additional financing for their operations. Our leverage could also impede our ability to withstand downturns in our industry or the economy in general.

The agreements and instruments that govern our debt impose restrictions that may limit our operating and financial flexibility.

The Credit Agreement (as defined below) that governs our Credit Facilities (as defined below) and the indenture that governs the Notes (as defined below) contain a number of significant restrictions and covenants that limit our ability to:

- incur additional debt;
- pay dividends, make other distributions or repurchase or redeem our capital stock;
- prepay, redeem or repurchase certain debt;
- make loans and investments;
- sell, transfer or otherwise dispose of assets;
- incur or permit to exist certain liens; enter into certain types of transactions with affiliates;
- enter into agreements restricting our subsidiaries' ability to pay dividends; and
- consolidate, merge or sell all or substantially all of our assets.

These covenants can have the effect of limiting our flexibility in planning for or reacting to changes in our business and the markets in which we compete. In addition, the Credit Agreement that governs our Credit Facilities requires us to comply with certain financial maintenance covenants. Operating results below current levels or other adverse factors, including a significant increase in interest rates, could result in our being unable to comply with the financial covenants contained in our Term Loan Facility and indenture. If we violate covenants under our Credit Facilities and indenture and are unable to obtain a waiver from our lenders, our debt under our Credit Facilities and indenture would be in default and could be accelerated by our lenders. Because of cross-default provisions in the agreements and instruments governing our debt, a default under one agreement or instrument could result in a default under, and the acceleration of, our other debt.

If our debt is accelerated, we may not be able to repay our debt or borrow sufficient funds to refinance it. Even if we are able to obtain new financing, it may not be on commercially reasonable terms, on terms that are acceptable to us, or at all. If our debt is in default for any reason, our business and consolidated and combined statements of income, balance sheets and cash flows could be materially and adversely affected. In addition, complying with these covenants may also cause us to take actions that are not favorable to holders of the Notes and may make it more difficult for us to successfully execute our business strategy and compete against companies that are not subject to such restrictions.

Despite our substantial indebtedness, we may be able to incur significantly more debt.

Despite our substantial amount of indebtedness, we may be able to incur significant additional debt, including secured debt, in the future. Although the indenture governing our Notes and the Credit Agreement governing the Credit Facilities restrict the incurrence of additional debt, these restrictions are subject to a number of qualifications and exceptions. Also, these restrictions do not prevent us from incurring obligations that do not constitute indebtedness. In addition, as of December 31, 2017, we had \$300.0 million available for additional borrowing under our Revolving Facility (as defined in Note 12, *Debt*). The more indebtedness we incur, the further exposed we become to the risks associated with substantial leverage described above.

The highly competitive market for our products and services and industry fragmentation may continue to create adverse price pressures.

The financial communications services industry is highly competitive with relatively low barriers to entry, and the industry remains highly fragmented in North America and internationally. Management expects that competition will increase from existing competitors, as well as new and emerging entrants. Additionally, as we expand our product and service offerings, we may face competition from new and existing competitors. As a result, competition may lead to additional pricing pressure on our products and services, which could negatively impact our results of operations, financial position and cash flow.

A failure to adapt to technological changes to address the changing demands of clients may adversely impact our business, and if we fail to successfully develop, introduce or integrate new services or enhancements to our products and services platforms, systems or applications, Donnelley Financial's reputation, net sales and operating income may suffer.

Our ability to attract new clients and increase sales to existing clients will depend in large part on our ability to enhance and improve our existing products and services platforms, including our application solutions, and to introduce new functionality either by acquisition or internal development. Our operating results would suffer if our innovations are not responsive to the needs of our clients, are not appropriately timed with market opportunities or are not brought to market effectively. In addition, it is possible that our assumptions about the features that we believe will drive purchasing decisions for our potential clients or renewal decisions for our existing clients could be incorrect. In the past, we have experienced delays in the planned release dates of new products and services and upgrades to such products and services. There can be no assurance that new products or services, or upgrades to our products or services, will be released on schedule or that, when released, they will not contain defects as a result of poor planning, execution or other factors during the product development lifecycle. If any of these situations were to arise, we could suffer adverse publicity, damage to our reputation, loss of net sales, delay in market acceptance or claims by clients brought against us. Moreover, upgrades and enhancements to our platforms may require substantial investment and there can be no assurance that our investments will help us achieve or sustain a durable competitive advantage in our products and services offerings. If clients do not widely adopt our solutions or new innovations to our solutions, we may not be able to justify the investments we have made. If we are unable to develop, license or acquire new solutions or enhancements to existing services on a timely and cost-effective basis, or if our new or enhanced solutions do not achieve market acceptance, our business, results of operations and financial condition will be materially negatively impacted.

Undetected errors or failures found in our products and services may result in loss of or delay in market acceptance of our products and services that could seriously harm our business.

Our products and services may contain undetected errors or scalability limitations at any point in their lives, but particularly when first introduced or as new versions are released. We frequently release new versions of our products and different aspects of our platform are in various stages of development. Despite testing by us and by current and potential clients, errors may not be found in new products and services until after commencement of commercial availability or use, resulting in a loss of or a delay in market acceptance, damage to our reputation, client dissatisfaction and reductions in net sales and margins, any of which could negatively impact our business.

Changes in the rules and regulations to which clients or potential clients are subject may impact demand for our products and services.

Many of our clients are subject to rules and regulations requiring certain printed or electronic communications governing the form, content and delivery methods of such communications. Changes in these regulations may impact clients' business practices and could reduce demand for our products and services. Changes in such regulations could eliminate the need for certain types of communications altogether or such changes may impact the quantity or format of communications.

Our failure to maintain the confidentiality, integrity and availability of our systems, software and solutions could seriously damage our reputation and affect our ability to retain clients and attract new business.

Maintaining the confidentiality, integrity and availability of our systems, software and solutions is an issue of critical importance for us and for our clients and users who rely on our systems to prepare regulatory filings and store and exchange large volumes of information, much of which is proprietary, confidential and may constitute material nonpublic information for our clients. Inadvertent disclosure of the information maintained on our systems (or on the systems of the vendors on which we rely) due to human error, breach of our systems through hacking or cybercrime or a leak of confidential information due to employee misconduct, could seriously damage our reputation and could cause significant reputational harm for our clients. Techniques used to obtain unauthorized access to, or to sabotage, systems change frequently and generally are not recognized until launched against a target. Like all software solutions, our software may be vulnerable to these types of attacks. An attack of this type could disrupt the proper functioning of our software solutions, cause errors in the output of our clients' work, allow unauthorized access to sensitive, proprietary or confidential information of ours or our clients and other undesirable or destructive outcomes. Furthermore, our systems allow us to share information that may be confidential in nature to our clients across our offices worldwide. This design allows us to increase global reach for our clients and increase our responsiveness to client demands, but also increases the risk of a security breach or a leak of such information because it allows additional points of access to information by increasing the number of employees and facilities working on certain jobs. In addition, our systems leverage third party outsourcing arrangements, which expedites our responsiveness but exposes information to additional access points. If an actual or perceived information leak or breach of our security were to occur, our reputation could suffer, clients could stop using our products and services and we could face lawsuits and potential liability, any of which could cause our financial performance to be negatively impacted. Though we maintain professional liability insurance that includes coverage if a cybersecurity incident were to occur, there can be no assurance that insurance coverage will be available, responsive, or that available coverage will be sufficient to cover losses and claims related to any cybersecurity incidents we may experience.

A number of core processes, such as software development, sales and marketing, client service and financial transactions, rely on our IT, infrastructure and applications. Defects or malfunctions in our IT infrastructure and applications could cause our products and services offerings not to perform as our clients expect, which could harm our reputation and business. In addition, malicious software, sabotage and other cybersecurity breaches of the types described above could cause an outage of our infrastructure, which could lead to a substantial denial of service and ultimately downtimes, recovery costs and client claims, any of which could negatively impact our results of operations, financial position and cash flow.

Some of our systems and services are developed by third parties or supported by third party hardware and software and our business and reputation could suffer if these third party systems and services fail to perform properly or are no longer available to us.

Some of our systems and services are developed by third parties or rely on hardware purchased or leased and software licensed from third parties. These systems and services, or the hardware and software required to run our existing systems and services, may not continue to be available on commercially reasonable terms or at all. Any loss of the right to use any of this hardware or software could result in delays in the provisioning of our services, which could negatively affect our business until equivalent technology is either developed by us or, if available, is identified, obtained and integrated. In addition, it is possible that our hardware vendors or the licensors of third party software could increase the prices they charge, which could have an adverse impact on our business, operating results and financial condition. Further, changing hardware vendors or software licensors could detract from management's ability to focus on the ongoing operations of our business or could cause delays in the operations of our business.

Additionally, third party software underlying our services can contain undetected errors or bugs, or be susceptible to cybersecurity breaches described above. We may be forced to delay commercial release of our services until any discovered problems are corrected and, in some cases, may need to implement enhancements or modifications to correct errors that we do not detect until after deployment of our services.

Increasing regulatory focus on privacy issues and expanding laws could impact our software products and expose us to increased liability.

Privacy and data security laws apply to our various businesses in all jurisdictions in which we operate. In particular, clients use our software services, including Venue datarooms, to share personal data and information on a confidential basis, and such sharing may be subject to privacy and data security laws. Our global business operates in countries that have more stringent data protection laws than those in the United States. These data protection laws may be inconsistent across jurisdictions and are subject to evolving and differing interpretations. New laws, such as the General Data Protection Regulation (“GDPR”) expected to go into effect in May 2018 in Europe, and industry self-regulatory codes have been or are being enacted to protect personal data. Complying with these regulations has been, and will continue to be, costly, and there are or will be significant penalties for failure to comply with these regulations, including significant penalties for failing to comply with GDPR. Further, any perception of our practices, products or services as a violation of individual privacy rights may subject us to public criticism, class action lawsuits, reputational harm, or investigations or claims by regulators, industry groups or other third parties, all of which could disrupt our business and expose us to liability.

Transferring personal data and information across international borders is becoming increasingly complex. For example, Europe has stringent regulations regarding transfer of personal data and information. The mechanisms that we and many other companies rely upon for data transfers from Europe to the United States (e.g., Privacy Shield and Model Clauses) are being contested in the European court systems. We are closely monitoring developments related to requirements for transferring personal data and information. These requirements may result in an increase in the obligations required to provide our services in the EU or in sanctions and fines for non-compliance. Several other countries, including Australia and Japan, have also established specific legal requirements for cross-border transfers of personal information. These developments in Europe and elsewhere could harm our business, financial condition and results of operations.

Adverse credit market conditions may limit our ability to obtain future financing.

We may, from time to time, depend on access to credit markets. Uncertainty and volatility in global financial markets may cause financial markets institutions to fail or may cause lenders to hoard capital and reduce lending. As a result, we may not obtain financing on terms and conditions that are favorable to us, or at all.

Fluctuations in the costs and availability of paper, ink, energy and other raw materials may adversely impact us.

Increases in the costs of these inputs may increase our costs and we may not be able to pass these costs on to clients through higher prices. Moreover, rising raw materials’ costs, and any consequent impact on our pricing, could lead to a decrease in demand for our products and services.

If we are unable to protect our proprietary technology and other rights, the value of our business and our competitive position may be impaired.

If we are unable to protect our intellectual property, our competitors could use our intellectual property to market products and services similar to ours, which could decrease demand for our services. We rely on a combination of patents, trademarks, licensing and other proprietary rights laws, as well as third party nondisclosure agreements and other contractual provisions and technical measures, to protect our intellectual property rights. These protections may not be adequate to prevent our competitors from copying or reverse-engineering our technology and services to create similar offerings. Additionally, any of our pending or future patent applications may not be issued with the scope of protection we seek, if at all. The scope of patent protection, if any, we may obtain from our patent applications is difficult to predict and our patents may be found invalid, unenforceable or of insufficient scope to prevent competitors from offering similar services. Our competitors may independently develop technologies that are substantially equivalent or superior to our technology. To protect our proprietary information, we require employees, consultants, advisors, independent contractors and collaborators to enter into confidentiality agreements and maintain policies and procedures to limit access to our trade secrets and proprietary information. These agreements and the other actions we take may not provide meaningful protection for our proprietary information or know-how from unauthorized use, misappropriation or disclosure. Further, existing patent laws may not provide adequate or meaningful protection in the event competitors independently develop technology, products or services similar to ours. Even if the laws governing intellectual property rights provide protection, we may have insufficient resources to take the legal actions necessary to protect our interests. In addition, our intellectual property rights and interests may not be afforded the same protection under the laws of foreign countries as they are under the laws of the United States.

We have in the past acquired and intend in the future to acquire other businesses, and we may be unable to successfully integrate the operations of these businesses and may not achieve the cost savings and increased net sales anticipated as a result of these acquisitions.

Achieving the anticipated benefits of acquisitions will depend in part upon our ability to integrate these businesses in an efficient and effective manner. The integration of companies that have previously operated independently may result in significant challenges, and we may be unable to accomplish the integration smoothly or successfully. In particular, the coordination of geographically dispersed organizations with differences in corporate cultures and management philosophies may increase the difficulties of integration. The integration of acquired businesses may also require the dedication of significant management resources, which may temporarily distract management's attention from the day-to-day operations of the Company. In addition, the process of integrating operations may cause an interruption of, or loss of momentum in, the activities of one or more of the Company's businesses and the loss of key personnel from the Company or the acquired businesses. Further, employee uncertainty and lack of focus during the integration process may disrupt the businesses of the Company or the acquired businesses. The Company's strategy is, in part, predicated on the Company's ability to realize cost savings and to increase net sales through the acquisition of businesses that add to the breadth and depth of the Company's products and services. Achieving these cost savings and net sales increases is dependent upon a number of factors, many of which are beyond the Company's control. In particular, the Company may not be able to realize the benefits of more comprehensive product and service offerings, anticipated integration of sales forces, asset rationalization and systems integration.

Our business is dependent upon brand recognition and reputation, and the failure to maintain or enhance our brand or reputation would likely have an adverse effect on our business.

Our brand recognition and reputation are important aspects of our business. Maintaining and further enhancing our brands and reputation will be important to retaining and attracting clients for our products. We also believe that the importance of our brand recognition and reputation for products will continue to increase as competition in the market for our products and industry continues to increase. Our success in this area will be dependent on a wide range of factors, some of which are out of our control, including the efficacy of our marketing efforts, our ability to retain existing and obtain new clients and strategic partners, human error, the quality and perceived value of our products and services, actions of our competitors and positive or negative publicity. Damage to our reputation and loss of brand equity may reduce demand for our products and services and negatively impact our results of operations, financial position and cash flow.

We may be unable to hire and retain talented employees, including management.

Our success depends, in part, on our general ability to attract, develop, motivate and retain highly skilled employees. The loss of a significant number of our employees or the inability to attract, hire, develop, train and retain additional skilled personnel could have a serious negative effect on our business. We believe our ability to retain our client base and to attract new clients is directly related to our sales force and client service personnel, and if we cannot retain these key employees, our business could suffer. In addition, many members of our management have significant industry experience that is valuable to our competitors. We expect that our executive officers will have non-solicitation agreements contractually prohibiting them from soliciting our clients and employees within a specified period of time after they leave Donnelley Financial. If one or more members of our senior management team leave and cannot be replaced with a suitable candidate quickly, we could experience difficulty in managing our business properly, which could negatively impact our results of operations, financial position and cash flow.

The trend of increasing costs to provide health care and other benefits to our employees and retirees may continue.

We provide health care and other benefits to both employees and retirees. For many years, costs for health care have increased more rapidly than general inflation in the U.S. economy. If this trend in health care costs continues, our cost to provide such benefits could increase, adversely impacting our profitability. Changes to health care regulations in the U.S. and internationally may also increase our cost of providing such benefits.

Changes in market conditions, changes in discount rates, or lower returns on assets may increase required pension and other post-retirement benefits plan contributions in future periods.

The funded status of our pension and other post-retirement benefits plans is dependent upon many factors, including returns on invested assets and the level of certain interest rates. As experienced in prior years, declines in the market value of the securities held by the plans coupled with historically low interest rates have substantially reduced, and in the future could further reduce, the funded status of the plans. These reductions may increase the level of expected required pension and other post-retirement benefits plan contributions in future years. Various conditions may lead to changes in the discount rates used to value the year-end benefit obligations of the plans, which could partially mitigate, or worsen, the effects of lower asset returns. If adverse conditions were to continue for an extended period of time, our costs and required cash contributions associated with pension and other post-retirement benefits plans may substantially increase in future periods.

We are exposed to risks related to potential adverse changes in currency exchange rates.

We are exposed to market risks resulting from changes in the currency exchange rates of the currencies in the countries in which we do business. Although operating in local currencies may limit the impact of currency rate fluctuations on the operating results of our non-U.S. activities, fluctuations in such rates may affect the translation of these results into our financial statements. To the extent borrowings, sales, purchases, net sales and expenses or other transactions are not in the applicable local currency, we may enter into foreign currency spot and forward contracts to hedge the currency risk. Management cannot be sure, however, that our efforts at hedging will be successful, and such efforts could, in certain circumstances, lead to losses.

There are risks associated with operations outside the United States.

We have operations outside the United States. We work with capital markets clients around the world, and in 2017 our International segment accounted for 16% of our consolidated net sales. Our operations outside of the United States are primarily focused in Europe, Asia, Canada and Latin America. As a result, we are subject to the risks inherent in conducting business outside the United States, including:

- costs of customizing products and services for foreign countries;
- difficulties in managing and staffing international operations;
- increased infrastructure costs including legal, tax, accounting and information technology;
- reduced protection for intellectual property rights in some countries;
- potentially greater difficulties in collecting accounts receivable, including currency conversion and cash repatriation from foreign jurisdictions;
- increased licenses, tariffs and other trade barriers;
- potentially adverse tax consequences;
- increased burdens of complying with a wide variety of foreign laws, including employment-related laws, which may be more stringent than U.S. laws;
- unexpected changes in regulatory requirements;
- political and economic instability; and
- compliance with applicable anti-corruption and sanction laws and regulations.

We cannot be sure that our investments or operations in other countries will produce desired levels of net sales or that one or more of the factors listed above will not affect our global business.

Our reliance on strategic partnerships as part of our business strategy may adversely affect the development of our business in those areas.

Our business strategy includes pursuing and maintaining strategic partnerships in order to facilitate our entry into adjacent lines of business. This approach may expose us to risk of conflict with our strategic arrangement partners and the need to divert management resources to oversee these partnership arrangements. Further, as these arrangements require cooperation with third party partners, these strategic arrangements may not be able to make decisions as quickly as we would if we were operating on our own or may take actions that are different from what we would do on a standalone basis in light of the need to consider our partners' interests. As a result, we may be less able to respond timely to changes in market dynamics, which could have a material adverse effect on our business, financial condition and results of operations.

The ongoing effects of the Tax Act and the refinement of provisional estimates could make our results difficult to predict.

Our effective tax rate may fluctuate in the future as a result of the Tax Act, which was enacted on December 22, 2017. The Tax Act introduces significant changes to U.S. income tax law that will have a meaningful impact on our provision for income taxes. Accounting for the income tax effects of the Tax Act requires significant judgments and estimates in the interpretation and calculations of the provisions of the Tax Act.

Due to the timing of the enactment and the complexity involved in applying the provisions of the Tax Act, we made reasonable estimates of the effects and recorded provisional amounts in our financial statements for the year ended December 31, 2017. The U.S. Treasury Department, the IRS, and other standard-setting bodies may issue guidance on how the provisions of the Tax Act will be applied or otherwise administered that may be different from our interpretation. As we collect and prepare necessary data, and interpret the Tax Act and any additional guidance issued by the IRS or other standard-setting bodies, we may make adjustments to the provisional amounts that could materially affect our financial position and results of operations as well as our effective tax rate in the period in which the adjustments are made.

ITEM 1B. UNRESOLVED STAFF COMMENTS

The Company has no unresolved written comments from the SEC staff regarding its periodic or current reports under the Securities Exchange Act of 1934.

ITEM 2. PROPERTIES

The Company's corporate office is located in leased office space at 35 West Wacker Drive, Chicago, Illinois, 60601. As of December 31, 2017, the Company leased or owned 47 U.S. facilities, some of which had multiple buildings and warehouses, and these U.S. facilities encompassed approximately 1.4 million square feet. The Company leased 25 international facilities, some of which had multiple buildings and warehouses, encompassing approximately 0.1 million square feet in Europe, Asia, Canada and Latin America. Of the Company's U.S. and international facilities, approximately 0.4 million square feet of space was owned, while the remaining 1.1 million square feet of space was leased.

ITEM 3. LEGAL PROCEEDINGS

For a discussion of certain litigation involving the Company, see Note 9, *Commitments and Contingencies*, to the Consolidated and Combined Financial Statements.

ITEM 4. MINE SAFETY DISCLOSURES

Not applicable.

PART II

ITEM 5. MARKET FOR DONNELLEY FINANCIAL SOLUTIONS, INC.'S COMMON EQUITY, RELATED STOCKHOLDER MATTERS AND ISSUER PURCHASES OF EQUITY SECURITIES

Principal Market

Donnelley Financial's common stock began regular-way trading under the ticker symbol "DFIN" on the New York Stock Exchange ("NYSE") on October 3, 2016. Below are the high and low market price per share of the Company's common stock, as reported on the NYSE, during the year ended December 31, 2017 and the fourth quarter of 2016.

	2017		2016	
	Low	High	Low	High
First Quarter	19.17	26.38	—	—
Second Quarter	19.04	23.49	—	—
Third Quarter	20.01	23.63	—	—
Fourth Quarter	18.45	22.49	18.54	25.02

Stockholders

As of February 23, 2018, there were 4,837 stockholders of record of the Company's common stock.

Dividends

We have not paid any cash dividends and we currently do not anticipate paying any cash dividends in the foreseeable future.

Issuer Purchases Of Equity Securities

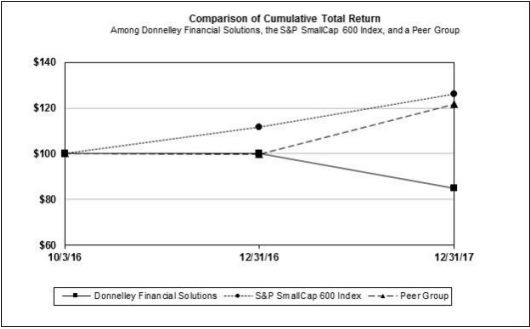
There were no repurchases of equity securities during the three months ended December 31, 2017.

Equity Compensation Plans

For information regarding equity compensation plans, see Item 12 of Part III of this Annual Report on Form 10-K

PEER PERFORMANCE TABLE

The following graph compares the cumulative total shareholder return on Donnelley Financial's common stock from October 3, 2016, when "regular way" trading in Donnelley Financial's common stock began on the NYSE, through December 31, 2017, with the comparable cumulative return of the Standard & Poor's ("S&P") SmallCap 600 Index and a selected peer group of companies. The comparison assumes all dividends have been reinvested and an initial investment of \$100 on October 3, 2016. The returns of each company in the peer group have been weighted to reflect their market capitalizations. The stock price performance on the following graph is not necessarily indicative of future stock price performance.



Company Name/Index	Base Period 10/3/2016	Quarter Ended		Year Ended	
		12/31/2016	12/31/2017	12/31/2016	12/31/2017
Donnelley Financial Solutions	100	100.04	84.85		
S&P SmallCap 600 Index	100	111.52	126.28		
Peer Group	100	99.84	121.78		

Below are the specific companies included in the peer group.

Peer Group Companies	
Action Corp	ePlus Inc
Advisory Board Company(a)	Euronet Worldwide Inc
ARC Document Solutions Inc	FactSet Research Systems Inc.
Bottomline Technologies Inc	Gartner Inc
Broadridge Financial Solutions Inc	Henry (Jack) & Associates Inc.
CoreLogic Inc	Perficient Inc
CSG Systems International Inc.	Resources Connection Inc
DST Systems Inc.	Verint Systems Inc
Dun & Bradstreet Corp	
(a) Advisory Board Company was included through November 17, 2017, when it was acquired by OptumInsight	

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

	Year Ended December 31,				
	2017	2016	2015	2014	2013
Consolidated and combined statements of operations data:					
Net sales	\$ 1,004.9	\$ 983.5	\$ 1,049.5	\$ 1,080.1	\$ 1,085.4
Net earnings	9.7	59.1	104.3	57.4	96.3
Net earnings per share ^(a)					
Basic net earnings per share	0.29	1.81	3.22	1.77	2.97
Diluted net earnings per share	0.29	1.80	3.22	1.77	2.97
Consolidated and combined balance sheet data:					
Total assets	893.5	978.9	817.6	994.2	880.5
Long-term debt	458.3	587.0	—	—	—
Note payable with an RRD affiliate	—	—	29.2	44.0	58.7

^(a) On October 1, 2016, RRD distributed approximately 26.2 million shares of Donnelley Financial common stock to RRD shareholders in connection with the spin-off of Donnelley Financial, with RRD retaining approximately 6.2 million shares of Donnelley Financial common stock. On June 21, 2017, RRD completed the sale of approximately 6.1 million shares of the Company's common stock in an underwritten public offering. Upon consummation of the offering, RRD retained approximately 0.1 million shares of the Company's common stock which were subsequently sold by RRD on August 4, 2017.

For periods prior to the Separation, basic and diluted earnings per share were calculated using the number of shares distributed and retained by RRD, totaling 32.4 million. The same number of shares was used to calculate basic and diluted earnings per share since there were no Donnelley Financial equity awards outstanding prior to the spin-off.

Reflects results of acquired businesses from the relevant acquisition dates.

Includes the following significant items:

	Pre-tax	After-tax
Year ended December 31, 2017		
Spin-off related transaction expenses	\$ 16.5	\$ 9.9
Restructuring, impairment and other charges - net	7.1	4.2
Share-based compensation expense	6.8	4.1
Acquisition-related expenses	0.2	0.1
Year ended December 31, 2016		
Restructuring, impairment and other charges - net	\$ 5.4	\$ 3.3
Spin-off related transaction expenses	4.9	3.0
Share-based compensation expense	2.5	1.5
Year ended December 31, 2015		
Restructuring, impairment and other charges - net	\$ 4.4	\$ 2.8
Share-based compensation expense	1.6	1.0

	Pre-tax	After-tax
Year ended December 31, 2014		
Pension settlement charges	\$ 95.7	\$ 58.4
Restructuring, impairment and other charges – net	4.8	3.1
Gain on the sale of a building	(6.1)	(3.7)
Gain from the sale of an equity investment	(3.0)	(1.8)
Share-based compensation expense	2.1	1.3
Year ended December 31, 2013		
Restructuring, impairment and other charges – net	\$ 13.0	\$ 8.0
Share-based compensation expense	2.1	1.3

ITEM 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The following discussion of Donnelley Financial's financial condition and results of operations should be read together with the consolidated and combined financial statements and notes to those statements included in Item 15 of Part IV, *Exhibits, Financial Statement Schedules*, of this Annual Report on Form 10-K.

Business

For a description of the Company's business, segments and product and service offerings, see Item 1, *Business*, of Part I of this Annual Report on Form 10-K.

The Company separately reports its net sales and related cost of sales for its products and services offerings. The Company's services offerings consist of all non-print offerings, including document composition, compliance related EDGAR filing services, transaction solutions, data and analytics, content storage services and language solutions. The Company's product offerings primarily consist of conventional and digital printed products and related distribution costs.

Spin-off Transaction

On October 1, 2016, Donnelley Financial became an independent publicly traded company through the distribution by RRD of approximately 26.2 million shares, or 80.75%, of Donnelley Financial common stock to RRD shareholders (the "Separation"). Holders of RRD common stock received one share of Donnelley Financial common stock for every eight shares of RRD common stock held on September 23, 2016. RRD retained approximately 6.2 million shares of Donnelley Financial common stock, or a 19.25% interest (as of the separation date) in Donnelley Financial, as part of the Separation.

Donnelley Financial's common stock began regular-way trading under the ticker symbol "DFIN" on the New York Stock Exchange on October 3, 2016. On October 1, 2016, RRD also completed the previously announced separation of LSC, its publishing and retail-centric print services and office products business. On March 28, 2017, RRD completed the sale of 6.2 million shares of LSC common stock (RRD's remaining ownership stake in LSC) in an underwritten public offering. As a result, beginning in the quarter ended June 30, 2017, LSC no longer qualified as a related party of the Company.

On March 24, 2017, pursuant to the Stockholder and Registration Rights Agreement, the Company filed a Registration Statement on Form S-1 to register the offering and sale of the Company's common stock retained by RRD. The Registration Statement on Form S-1, as amended, was declared effective by the SEC on June 13, 2017. On June 21, 2017, RRD completed the sale of approximately 6.1 million shares of the Company's common stock in an underwritten public offering. RRD retained approximately 0.1 million shares of the Company's common stock upon consummation of the offering which were subsequently sold by RRD on August 4, 2017. In conjunction with the underwritten public offering, the underwriters exercised their option to purchase approximately 0.9 million Option Shares from the Company. The Company received approximately \$18.8 million in net proceeds from the sale of the Option Shares, after deducting estimated underwriting discounts and commissions. The proceeds were used to reduce outstanding debt under the Revolving Facility (as defined in *Liquidity and Capital Resources*).

Beginning in the quarter ended September 30, 2017, RRD no longer qualified as a related party, therefore amounts disclosed related to RRD are presented through June 30, 2017 only.

Executive Overview

2017 Overview

Net sales increased by \$21.4 million, or 2.2%, in 2017 compared to 2016. There was a \$1.8 million, or 0.2%, decrease due to changes in foreign exchange rates. Net sales increased primarily due to higher volumes in mutual funds, capital markets compliance, virtual data room services, translations services and content management, partially offset by lower volumes in capital markets transactions and healthcare.

OUTLOOK

In 2018, the Company expects net sales to increase slightly primarily due to growth in software offerings. The Company's outlook assumes a stable capital markets environment and does not expect foreign exchange rates to have a significant impact on results.

In 2018, the Company will adopt Accounting Standards Update No. 2014-09 "Revenue from Contracts with Customers (Topic 606)" ("ASU 2014-09"). The Company evaluated the impacts of ASU 2014-09 and does not expect a material change in the timing of revenue recognition for the majority of the Company's revenue. Revenue recognition will be accelerated for certain arrangements with multiple performance obligations as revenue will be recognized upon the completion of each performance obligation rather than upon final delivery of the printed product. The Company also expects to accelerate the recognition of revenue for certain inventory which has been invoiced but not yet shipped at the customer's request. Additionally, certain revenues related to virtual data room services will be deferred as a result of the new standard. Refer to Note 20, *New Accounting Pronouncements*, to the consolidated and combined financial statements for further detail.

The Company initiated several restructuring actions in 2016 and 2017 to further reduce the Company's overall cost structure. These restructuring actions included the reorganization of certain functions. These actions, as well as planned actions for 2018, are expected to have a positive impact on operating earnings in 2018 and in future years.

Cash flows from operations in 2018 are expected to benefit from cost control actions, lower interest expense and a lower U.S. corporate income tax rate. The Company expects capital expenditures to be in the range of \$40.0 million to \$45.0 million in 2018, as compared to \$27.8 million in 2017.

The Company expects to continue to incur a significant amount of spin-off related transition expenses in 2018, including information technology and other expenses.

On December 22, 2017, the U.S. government enacted comprehensive tax legislation into Federal law referred to as the Tax Act. The Tax Act includes a number of provisions that are effective January 1, 2018, including the lowering of the U.S. corporate income tax rate from the maximum 35% to a flat 21% and eliminating the corporate alternative minimum tax (AMT). The Tax Act also includes provisions that may partially offset the benefit of such rate reduction, including repeal of Section 199 (the deduction for domestic production activities) and limitations on certain deductions, such as net interest expense and certain employee remuneration. The Tax Act changes the current U.S. worldwide system of taxation by establishing a territorial-style system for taxing foreign-source income of domestic multinational corporations. This allows U.S. companies to repatriate future foreign source earnings without additional U.S. taxes by providing a 100% exemption for the foreign source portion of dividends from certain foreign subsidiaries. In order to transition to the territorial tax system, the Act requires companies to pay a one-time mandatory tax ("the transition tax") on certain accumulated unremitted earnings of foreign subsidiaries, with an option to pay over eight years. The Company estimated its transition tax liability as of December 31, 2017 to be \$14.2 million (which includes \$0.6 million of state tax liabilities that could be due as a result of the Act) and will make an election to pay the transition tax liability in installments over eight years. Along with the change to a territorial tax system, the Tax Act creates the base erosion anti-abuse tax ("BEAT"), a new minimum tax, and a current tax on "global intangible low-taxed income" of foreign subsidiaries ("the GILTI tax"). The Company may be subject to the BEAT and GILTI tax in a given year, but currently does not expect that either should have a material impact to the Company's tax provision. The determination of whether the Company is subject to the BEAT or GILTI tax will be an annual analysis of several factors under the provisions, including the amount of foreign income generated by the Company's foreign subsidiaries.

Based on its preliminary analysis of the Tax Act, the Company estimates an effective income tax rate between 29.0% and 32.0% (before discrete items) for the 2018 fiscal year. As the Company continues to analyze the full effects of the Tax Act on its financial statements, the impact of the Tax Act may differ from this estimate due to, among other things, changes in interpretations and assumptions the Company has made, Department of the U.S. Treasury IRS guidance and regulations that may be issued and actions the Company may take as a result.

Significant Accounting Policies and Critical Estimates

The preparation of financial statements in conformity with GAAP requires the extensive use of management's estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting periods. Actual results could differ from these estimates. Estimates are used when accounting for items and matters including, but not limited to, allowance for uncollectible accounts receivable, pension, asset valuations and useful lives, income taxes, restructuring and other provisions and contingencies.

Revenue Recognition

The Company manages highly-customized data and materials, such as Exchange Act, Securities Act and Investment Company Act filings with the SEC on behalf of our customers, manages virtual and physical data rooms and performs XBRL and related services. Clients are provided with EDGAR filing services, XBRL compliance services and translation, editing, interpreting, proof-reading and multilingual typesetting services, among others. Our products include our ActiveDisclosure solution and our Venue Virtual Data Room product, among others. Revenue for services is recognized upon completion of the service performed or following final delivery of the related printed product. The Company recognizes revenue for the majority of its products upon the transfer of title or risk of ownership, which is generally upon shipment to the customer. Because substantially all of the Company's products are customized, product returns are not significant; however, the Company accrues for the estimated amount of customer credits at the time of sale. Refer to Note 2, *Significant Accounting Policies*, to the consolidated and combined financial statements for further discussion.

Certain revenues earned by the Company require significant judgment to determine if revenue should be recorded gross, as a principal, or net of related costs, as an agent. Billings for shipping and handling costs as well as certain postage costs and out-of-pocket expenses are recorded gross.

Refer to Note 20, *New Accounting Pronouncements*, to the consolidated and combined financial statements for further detail regarding the expected impact of the 2018 adoption of ASU 2014-09.

Goodwill and Other Long-Lived Assets

The Company's methodology for allocating the purchase price of acquisitions is based on established valuation techniques that reflect the consideration of several factors, including valuations performed by third-party appraisers when appropriate. Goodwill is measured as the excess of the cost of an acquired entity over the fair value assigned to identifiable assets acquired and liabilities assumed. Goodwill is either assigned to a specific reporting unit or allocated between reporting units based on the relative fair value of each reporting unit. Based on its current organization structure, the Company has identified four reporting units for which cash flows are determinable and to which goodwill may be allocated.

The Company performs its goodwill impairment tests annually as of October 31, or more frequently if an event occurs or circumstances change that would more likely than not reduce the fair value of a reporting unit below its carrying amount. The Company also performs an interim review for indicators of impairment each quarter to assess whether an interim impairment review is required for any reporting unit. As part of its interim reviews, management analyzes potential changes in the value of individual reporting units based on each reporting unit's operating results for the period compared to expected results as of the prior year's annual impairment test. In addition, management considers how other key assumptions, including discount rates and expected long-term growth rates, used in the last annual impairment test, could be impacted by changes in market conditions and economic events. Based on these interim assessments, management concluded that as of the interim periods, no events or changes in circumstances indicated that it was more likely than not that the fair value for any reporting unit had declined below its carrying amount.

As of October 31, 2017, all four reporting units had goodwill. Each of the reporting units were reviewed for impairment using either a qualitative or quantitative assessment.

Qualitative Assessment for Impairment

The Company performed a qualitative assessment for the International reporting unit to determine whether it was more likely than not that the fair value of the reporting unit was less than its carrying value. In performing this analysis, the Company considered various factors, including the effect of market or industry changes and the reporting unit's actual results compared to projected results. In addition, management considered how other key assumptions used in the October 31, 2016 annual goodwill impairment test could be impacted by changes in market conditions and economic events.

As part of the qualitative review of impairment, management analyzed the potential change in fair value of the International reporting unit based on its operating results for the ten months ended October 31, 2017 compared to expected results. As of October 31, 2016, the estimated fair value of the International reporting unit exceeded its carrying value by approximately 121.5%.

Based on its qualitative assessment, management concluded that as of October 31, 2017, it was more likely than not that the fair value of the International reporting unit was greater than its carrying value. The goodwill balance of the International reporting unit was \$18.2 million as of October 31, 2017.

Quantitative Assessment for Impairment

For the remaining three reporting units, the estimated fair value of each reporting unit was compared to its carrying amount, including goodwill. If the carrying amount of a reporting unit exceeded the estimated fair value, an impairment loss is generally recognized in an amount equal to that excess, limited to the total amount of goodwill allocated to that reporting unit. The results of the quantitative assessment of goodwill impairment as of October 31, 2017, indicated that the estimated fair values for the three reporting units exceeded their respective carrying amount. Therefore, no impairment losses were recognized.

The analysis performed included estimating the fair value of each reporting unit using both the income and market approaches. The income approach requires management to estimate a number of factors for each reporting unit, including projected future operating results, economic projections, anticipated future cash flows, discount rates and the allocation of shared or corporate items. The market approach estimates fair value using comparable marketplace fair value data from within a comparable industry grouping. The Company weighted both the income and market approach equally to estimate the concluded fair value of each reporting unit.

The determination of fair value in the quantitative assessment requires the Company to make significant estimates and assumptions. These estimates and assumptions primarily include, but are not limited to: the selection of appropriate peer group companies; control premiums appropriate for acquisitions in the industries in which the Company competes; the discount rate; terminal growth rates; and forecasts of revenue, operating income, depreciation and amortization, restructuring charges and capital expenditures.

As a result of the 2017 annual goodwill impairment test, the Company did not recognize any goodwill impairment losses as the estimated fair values of all reporting units exceeded their respective carrying amounts.

Goodwill Impairment Assumptions

Although the Company believes its estimates of fair value are reasonable, actual financial results could differ from those estimates due to the inherent uncertainty involved in making such estimates. Changes in assumptions concerning future financial results or other underlying assumptions could have a significant impact on either the fair value of the reporting units, the amount of the goodwill impairment charge, or both. Future declines in the overall market value of the Company's equity and debt securities may also result in a conclusion that the fair value of one or more reporting units has declined below its carrying amount.

One measure of the sensitivity of the amount of goodwill impairment charges to key assumptions is the amount by which each reporting unit "passed" (fair value exceeds carrying amount) or "failed" (the carrying amount exceeds fair value) the quantitative assessment. The three reporting units that were quantitatively assessed had fair values that exceeded the carrying amounts by between 34.3% and 106.6% of their respective estimated fair values. Relatively small changes in the Company's key assumptions would not have resulted in any reporting units being impaired.

Generally, changes in estimates of expected future cash flows would have a similar effect on the estimated fair value of the reporting unit. That is, a 1.0% decrease in estimated annual future cash flows would decrease the estimated fair value of the reporting unit by approximately 1.0%. The estimated long-term net sales growth rate can have a significant impact on the estimated future cash flows, and therefore, the fair value of each reporting unit. A 1.0% decrease in the long-term net sales growth rate would have resulted in no reporting units recognizing an impairment loss. Of the other key assumptions that impact the estimated fair values, most reporting units have the greatest sensitivity to changes in the estimated discount rate. The estimated discount rate for the reporting units with operations primarily located in the U.S. ranged from 9.0% to 9.5% as of October 31, 2017. A 1.0% increase in estimated discount rates would have resulted in no reporting units recognizing an impairment loss. The Company believes that its estimates of future cash flows and discount rates are reasonable, but future changes in the underlying assumptions could differ due to the inherent uncertainty in making such estimates. Additionally, further price deterioration or lower volume could have a significant impact on the fair values of the reporting units.

Other Long-Lived Assets

The Company evaluates the recoverability of other long-lived assets, including property, plant and equipment, and certain identifiable intangible assets, whenever events or changes in circumstances indicate that the carrying value of an asset or asset group may not be recoverable. The Company performs impairment tests of indefinite-lived intangible assets on an annual basis or more frequently in certain circumstances. Factors which could trigger an impairment review include significant underperformance relative to historical or projected future operating results, significant changes in the manner of use of the assets or the strategy for the overall business, a significant decrease in the market value of the assets or significant negative industry or economic trends. When the Company determines that the carrying value of long-lived assets may not be recoverable based upon the existence of one or more of the indicators, the assets are assessed for impairment based on the estimated future undiscounted cash flows expected to result from the use of the asset and its eventual disposition. If the carrying value of an asset exceeds its estimated future undiscounted cash flows, an impairment loss is recorded for the excess of the asset's carrying value over its fair value. There was no impairment charge related to intangible assets for the year ended December 31, 2017. The Company recognized non-cash impairment charges of \$0.2 million related to leasehold improvements associated with facility closures for the year ended December 31, 2017.

Pension and Other Postretirement Benefits Plans

Our Participation in RRD's Pension and Postretirement Benefits Plans

RRD provided pension and other postretirement healthcare benefits to certain current and former employees of Donnelley Financial. Donnelley Financial's consolidated and combined statements of operations include expense allocations for these benefits. These allocations were funded through intercompany transactions with RRD which are reflected within net parent company investment in Donnelley Financial.

Donnelley Financial's Pension and Other Postretirement Benefit Plans

On October 1, 2016, Donnelley Financial recorded net pension plan liabilities of \$68.3 million (consisting of a total benefit plan liability of \$317.0 million, net of plan assets having fair market value of \$248.7 million), as a result of the transfer of certain pension plan liabilities and assets from RRD to the Company upon the legal split of those plans. The pension plan asset allocation from RRD was finalized on June 30, 2017, which resulted in a \$0.7 million decrease to the fair value of plan assets transferred to the Company from RRD. The Company also recorded a net other postretirement benefit liability of \$1.5 million, as a result of the transfer of an other postretirement benefit plan from RRD to the Company.

The Company's primary defined benefit plan is frozen. No new employees are permitted to enter the Company's frozen plan and participants will earn no additional benefits. Benefits are generally based upon years of service and compensation. These defined benefit retirement income plans are funded in conformity with the applicable government regulations. The Company funds at least the minimum amount required for all funded plans using actuarial cost methods and assumptions acceptable under government regulations.

The annual income and expense amounts relating to the pension plan are based on calculations which include various actuarial assumptions including, mortality expectations, discount rates and expected long-term rates of return. The Company reviews its actuarial assumptions on an annual basis as of December 31 (or more frequently if a significant event requiring remeasurement occurs) and modifies the assumptions based on current rates and trends when it is appropriate to do so. The effects of modifications are recognized immediately on the consolidated balance sheets, but are amortized into operating earnings over future periods, with the deferred amount recorded in accumulated other comprehensive income (loss). The Company believes that the assumptions utilized in recording its obligations under its plans are reasonable based on its experience, market conditions and input from its actuaries and investment advisors. The weighted-average discount rate for pension benefits at December 31, 2017 was 3.7%.

A one-percentage point change in the discount rates at December 31, 2017 would have the following effects on the accumulated benefit obligation and projected benefit obligation:

Pension Plans

	1.0% Increase	(in millions)	1.0% Decrease
Accumulated benefit obligation	\$	(33.3)	\$ 40.8
Projected benefit obligation		(33.3)	40.8

The Company's defined benefit plan has a risk management approach for its pension plan assets. The overall investment objective of this approach is to further reduce the risk of significant decreases in the plan's funded status by allocating a larger portion of the plan's assets to investments expected to hedge the impact of interest rate risks on the plan's obligation.

The expected long-term rate of return for the plan assets is based upon many factors including expected asset allocations, historical asset returns, current and expected future market conditions and risk. In addition, the Company considered the impact of the current interest rate environment on the expected long-term rate of return for certain asset classes, particularly fixed income. The target asset allocation percentage for the pension plan was approximately 60.0% for return seeking investments and approximately 40.0% for fixed income investments. The expected long-term rate of return on plan assets assumption used to calculate net pension plan expense in 2017 was 7.0% for the Company's pension plans. The expected long-term rate of return on plan assets assumption that will be used to calculate net pension plan expense in 2018 is 6.8%.

A 0.25% change in the expected long-term rate of return on plan assets at December 31, 2017 would have the following effects on 2017 and 2018 pension plan (income)/expense:

	2017	(in millions)	2018
0.25% increase	\$	(0.6)	\$ (0.6)
0.25% decrease		0.6	0.6

Accounting for Income Taxes

In the Company's consolidated and combined financial statements, income tax expense and deferred tax balances have been calculated on a separate income tax return basis although, with respect to certain entities, the Company's operations prior to the Separation have historically been included in the tax returns filed by the respective RRD entities of which the Company's business was a part. As a standalone entity post-Separation, the Company files tax returns on its own behalf and its deferred taxes and effective tax rate may differ from those in historical periods.

Significant judgment is required in determining the provision for income taxes and related accruals, deferred tax assets and liabilities and any valuation allowance recorded against deferred tax assets. In the ordinary course of business, there are transactions and calculations where the ultimate tax outcome is uncertain. Additionally, the Company's tax returns are subject to audit by various U.S. and foreign tax authorities. The Company recognizes a tax position in its financial statements when it is more likely than not (*i.e.*, a likelihood of more than fifty percent) that the position would be sustained upon examination by tax authorities. This recognized tax position is then measured at the largest amount of benefit that is greater than fifty percent likely of being realized upon ultimate settlement. Although management believes that its estimates are reasonable, the final outcome of uncertain tax positions may be materially different from that which is reflected in the Company's historical financial statements.

The Company has recorded deferred tax assets related to future deductible items, including domestic and foreign tax loss and credit carryforwards. The Company evaluates these deferred tax assets by tax jurisdiction. The utilization of these tax assets is limited by the amount of taxable income expected to be generated within the allowable carryforward period and other factors. Accordingly, management has provided a valuation allowance to reduce certain of these deferred tax assets when management has concluded that, based on the weight of available evidence, it is more likely than not that the deferred tax assets will not be fully realized. If actual results differ from these estimates, or the estimates are adjusted in future periods, adjustments to the valuation allowance might need to be recorded. As of December 31, 2017 and 2016, valuation allowances of \$1.5 million and \$1.2 million, respectively, were recorded in the Company's consolidated balance sheets.

On December 22, 2017, the SEC staff issued Staff Accounting Bulletin No. 118 ("SAB 118"), which provides guidance on accounting for the tax effects of the Tax Act. SAB 118 provides a measurement period of one year from the Tax Act enactment date for companies to complete their accounting of the tax effects of the Tax Act. As stated by SAB 118, companies must reflect the income tax effects of those aspects of the Act for which the accounting is complete. To the extent that a company's accounting for certain income tax effects of the Tax Act is incomplete but it is able to determine a reasonable estimate, it must record a provisional estimate in the financial statements. If a company cannot determine a provisional estimate to be included in the financial statements, it should continue to apply its accounting on the basis of the provisions of the tax laws that were in effect immediately before the enactment of the Tax Act.

As a result of the reduction in the U.S. corporate income tax rate from 35% to 21% pursuant to the Tax Act, the Company has revalued its U.S. net deferred tax assets at December 31, 2017. The Company has estimated a reduction in the value of its net deferred tax asset of approximately \$8.2 million, which has been recorded as additional deferred income tax expense in the Company's consolidated statement of operations for the year ended December 31, 2017. Due to the transition to a territorial tax system under the Tax Act, the Company will be deemed to repatriate its foreign subsidiaries' untaxed accumulated earnings and pay a mandatory U.S. federal tax of 15.3% on the portion of the earnings that are in cash and cash equivalents and 8% on the portion of earnings that are in non-cash and non-cash equivalent assets. The Company has estimated the U.S. federal and state tax liability to be approximately \$14.2 million (includes \$0.6 million of state tax liabilities that could be due as a result of the Act) which has been recorded as income tax expense in the consolidated statement of operations for the year ended December 31, 2017.

The Company's revaluation of its net deferred tax asset as well as the calculation of the mandatory deemed repatriation tax are subject to further refinement as additional information on the specifics of the Tax Act becomes available and as further analysis is completed by the Company. As such and in accordance with SAB 118, the deferred and current income tax expense associated with the revaluation of the Company's net deferred tax asset and the mandatory tax in the Company's consolidated statement of operations as of December 31, 2017 are provisional estimates at this time. Pursuant to SAB 118, the Company will complete the accounting for these items within the twelve month measurement period.

Refer to Note 11, *Income Taxes*, to the consolidated and combined financial statements for further detail on the accounting for income taxes and SAB 118.

Commitments and Contingencies

The Company is subject to lawsuits, investigations and other claims related to environmental, employment, commercial and other matters, as well as preference claims related to amounts received from customers and others prior to their seeking bankruptcy protection. Periodically, the Company reviews the status of each significant matter and assesses potential financial exposure. If the potential loss from any claim or legal proceeding is considered probable and the related liability is estimable, the Company accrues a liability for the estimated loss. Because of uncertainties related to these matters, accruals are based on the best information available at the time. As additional information becomes available, the Company reassesses the related potential liability and may revise its estimates.

With respect to claims made under the Company's third-party insurance for workers' compensation, automobile and general liability, the Company is responsible for the payment of claims below and above insured limits, and consulting actuaries are utilized to assist the Company in estimating the obligation associated with any such incurred losses, which are recorded in accrued and other non-current liabilities. Historical loss development factors for both the Company and the industry are utilized to project the future development of such incurred losses, and these amounts are adjusted based upon actual claims experience and settlements. If actual experience of claims development is significantly different from these estimates, an adjustment in future periods may be required. Expected recoveries of such losses are recorded in other current and other non-current assets.

Restructuring

The Company records restructuring charges when liabilities are incurred as part of a plan approved by management with the appropriate level of authority for the elimination of duplicative functions, the closure of facilities, or the exit of a line of business, generally in order to reduce the Company's overall cost structure. Total restructuring charges were \$6.7 million for the year ended December 31, 2017. The restructuring liabilities might change in future periods based on several factors that could differ from original estimates and assumptions. These include, but are not limited to: contract settlements on terms different than originally expected; ability to sublease properties based on market conditions at rates or on timelines different than originally estimated; or changes to original plans as a result of acquisitions or other factors. Such changes might result in reversals of or additions to restructuring charges that could affect amounts reported in the consolidated and combined statements of operations of future periods.

Accounts Receivable

The Company maintains an allowance for doubtful accounts receivable to account for estimated losses resulting from the inability of its customers to make required payments for products and services. Specific customer provisions are made when a review of significant outstanding amounts, utilizing information about customer creditworthiness and current economic trends, indicates that collection is doubtful. In addition, provisions are made at differing rates, based upon the age of the receivable and the Company's past collection experience. The allowance for doubtful accounts receivable was \$7.3 million at December 31, 2017 and \$6.4 million at December 31, 2016. The Company also maintains a reserve for potential credit memos and disputed items. The credit memo and disputed items reserve is based on historical credit memos relative to billings as well as specific customer reserves and was \$7.4 million at December 31, 2017 and \$9.3 million at December 31, 2016. The Company's estimates of the recoverability of accounts receivable could change, and additional changes to the allowance could be necessary in the future, if any major customer's creditworthiness deteriorates or actual defaults are higher than the Company's historical experience.

Share-Based Compensation

Prior to the Separation, RRD maintained an incentive share-based compensation program for the benefit of its officers, directors, and certain employees including certain Donnelley Financial employees. In periods prior to the Separation, share-based compensation expense was allocated to the Company based on the awards and terms previously granted to the Company's employees as well as an allocation of compensation expense related to RRD's corporate and shared functional employees.

Subsequent to the Separation, the amount of expense recognized for share-based awards is determined by the Company's estimates of several factors, including future forfeitures of awards and expected volatility of the Company's stock. The total compensation expense related to all share-based compensation plans was \$6.8 million for the year ended December 31, 2017. See Note 14, *Share-based Compensation*, to the Consolidated and Combined Financial Statements for further discussion.

Off-Balance Sheet Arrangements

Other than non-cancelable operating lease commitments, the Company does not have off-balance sheet arrangements, financings or special purpose entities.

Financial Review

In the financial review that follows, the Company discusses its consolidated and combined results of operations, cash flows and certain other information. In periods prior to the Separation, the combined financial statements were prepared on a stand-alone basis and were derived from RRD's consolidated financial statements and accounting records. There are limitations inherent in the preparation of all carve out financial statements due to the fact that the Company's business was previously part of a larger organization. This discussion should be read in conjunction with the Company's consolidated and combined financial statements and the related notes.

Results of Operations for the Year Ended December 31, 2017 as Compared to the Year Ended December 31, 2016

The following table shows the results of operations for the years ended December 31, 2017 and 2016:

	2017	2016	\$ Change	% Change
		(in millions, except percentages)		
Services net sales	\$ 632.1	\$ 598.6	\$ 33.5	5.6%
Products net sales	372.8	384.9	(12.1)	(3.1%)
Net sales	1,004.9	983.5	21.4	2.2%
Services cost of sales (exclusive of depreciation and amortization)	328.7	297.1	31.6	10.6%
Services cost of sales with RRD affiliates (exclusive of depreciation and amortization)*	19.5	37.8	(18.3)	(48.4%)
Products cost of sales (exclusive of depreciation and amortization)	240.9	226.2	14.7	6.5%
Products cost of sales with RRD affiliates (exclusive of depreciation and amortization)*	32.3	57.9	(25.6)	(44.2%)
Cost of sales	621.4	619.0	2.4	0.4%
Selling, general and administrative expenses (exclusive of depreciation and amortization)	232.9	209.8	23.1	11.0%
Restructuring, impairment and other charges-net	7.1	5.4	1.7	31.5%
Depreciation and amortization	44.5	43.3	1.2	2.8%
Income from operations	\$ 99.0	\$ 106.0	\$ (7.0)	(6.6%)

* Beginning in the quarter ended June 30, 2017, LSC no longer qualified as a related party, therefore the 2017 amounts disclosed related to LSC are presented through March 31, 2017 only. Beginning in the quarter ended September 30, 2017, RRD no longer qualified as a related party, therefore the amounts disclosed related to RRD are presented through June 30, 2017 only.

Consolidated and Combined

Net sales of services for the year ended December 31, 2017 increased \$33.5 million, or 5.6%, to \$632.1 million, versus the year ended December 31, 2016 including a \$1.0 million, or 0.2%, decrease due to changes in foreign exchange rates. Net sales of services increased due to higher volumes in virtual data room services, mutual fund print-related services, translations services and content management, partially offset by lower capital markets compliance volumes.

Net sales of products for the year ended December 31, 2017 decreased \$12.1 million, or 3.1%, to \$372.8 million versus the year ended December 31, 2016, including a \$0.8 million, or 0.2%, decrease due to changes in foreign exchange rates. Net sales of products decreased due to lower capital markets transactions volumes, healthcare volumes and price pressures in investment markets, partially offset by higher capital markets compliance and mutual fund print volumes.

Services cost of sales increased \$13.3 million, or 4.0%, for the year ended December 31, 2017, versus the year ended December 31, 2016. Services cost of sales increased due to higher mutual fund print-related services and content management volumes, an increase in the allocation of information technology expenses from selling, general and administrative expenses to cost of sales and an increase in incentive compensation expense, partially offset by cost control initiatives. As a percentage of net sales, services cost of sales decreased 0.8% due to favorable mix and cost control initiatives.

Products cost of sales decreased \$10.9 million, or 3.8%, for the year ended December 31, 2017, versus the year ended December 31, 2016. Products cost of sales decreased due to lower capital markets transaction and healthcare volumes and cost control initiatives. As a percentage of net sales, products cost of sales decreased 0.5% primarily due to a favorable mix of product sales and cost control initiatives.

Selling, general and administrative expenses for the year ended December 31, 2017 increased \$23.1 million, or 11.0%, to \$232.9 million, as compared to the year ended December 31, 2016, primarily due to an increase in expenses incurred to operate as an independent public company, including selling expenses, employee compensation costs and spin-off related transaction expenses, partially offset by an increase in the allocation of information technology expenses from selling, general and administrative expenses to cost of sales. As a percentage of net sales, selling, general, and administrative expenses increased from 21.3% for the year ended December 31, 2016 to 23.2% for year ended December 31, 2017 primarily due to increased costs of operating as an independent public company, including spin-off related transaction expenses.

For the year ended December 31, 2017, the Company recorded net restructuring, impairment and other charges of \$7.1 million compared to \$5.4 million for the year ended December 31, 2016. For the year ended December 31, 2017, these charges included \$6.4 million of employee termination costs for 192 employees, substantially all of whom were terminated as of December 31, 2017. These charges primarily related to the reorganization of certain operations and certain administrative functions. During the year ended December 31, 2017, the Company also incurred \$0.3 million of lease termination and other restructuring costs, \$0.2 million of net impairment charges primarily related to leasehold improvements associated with facility closures and \$0.2 million for other charges associated with the Company's decision to withdraw in 2013 from certain multi-employer pension plans serving facilities that continued to operate. For the year ended December 31, 2016, these charges included \$3.7 million of employee termination costs for 84 employees, all of whom were terminated as of December 31, 2016. These charges were primarily the result of the reorganization of certain administrative functions. The Company also incurred lease termination and other restructuring charges of \$1.5 million and other charges of \$0.2 million associated with the Company's decision to withdraw in 2013 from certain multi-employer pension plans during the year ended December 31, 2016.

Depreciation and amortization for the year ended December 31, 2017 increased \$1.2 million, or 2.8%, to \$44.5 compared to the year ended December 31, 2016. Depreciation and amortization included \$15.0 million and \$14.4 million of amortization of other intangible assets related to customer relationships, trade names and non-compete agreements for the years ended December 31, 2017 and 2016, respectively.

Income from operations for the year ended December 31, 2017 decreased \$7.0 million, or 6.6%, to \$99.0 million versus the year ended December 31, 2016, due to lower volumes in capital markets transactions and healthcare print and an increase in expenses incurred to operate as an independent public company, including selling expenses, employee compensation costs and spin-off related transaction expenses, partially offset by cost control initiatives and higher volumes in capital markets compliance, virtual data room services, mutual funds print-related services and content management.

	2017	2016	\$ Change	% Change
		(in millions, except percentages)		
Interest expense-net	\$ 42.9	\$ 11.7	\$ 31.2	266.7%

Net interest expense increased by \$31.2 million for the year ended December 31, 2017 versus the year ended December 31, 2016, due to the issuance of debt in connection with the Separation. Refer to "Liquidity and Capital Resources" for further discussion.

	2017	2016	\$ Change	% Change
		(in millions, except percentages)		
Earnings before income taxes	\$ 56.2	\$ 94.3	\$ (38.1)	(40.4%)
Income tax expense	46.5	35.2	11.3	32.1%
Effective income tax rate	82.7%	37.3%		

The effective income tax rate was 82.7% for the year ended December 31, 2017 compared to 37.3% for the year ended December 31, 2016. The 2017 effective income tax rate is higher as compared to the 2016 effective income tax rate primarily due to impacts of the recent changes to U.S. tax legislation as a result of the enactment of the Tax Act, including the transition tax imposed on the Company's accumulated foreign earnings and the remeasurement of the Company's U.S. net deferred tax asset. The 2017 effective income tax rate was also impacted by non-deductible expenses incurred by the Company in 2017 which were previously incurred by RRD on behalf of the Company during pre-Separation periods, as well as a one-time favorable change in a valuation allowance in 2016 not present in 2017.

Information by Segment

The following tables summarize net sales, income (loss) from operations and certain items impacting comparability within each of the operating segments and Corporate.

U.S.

	Year Ended December 31,	
	2017	2016
	(in millions, except percentages)	
Net sales	\$ 847.9	\$ 845.2
Income from operations	127.6	118.4
Operating margin	15.0%	14.0%
Restructuring, impairment and other charges-net	3.9	4.7
Spin-off related transaction expenses	10.0	0.3

Reporting unit	Net Sales for the Year Ended December 31,			
	2017	2016	\$ Change	% Change
	(in millions, except percentages)			
Capital Markets	\$ 455.4	\$ 466.1	\$ (10.7)	(2.3%)
Investment Markets	345.4	336.1	9.3	2.8%
Language Solutions and other	47.1	43.0	4.1	9.5%
Total U.S.	\$ 847.9	\$ 845.2	\$ 2.7	0.3%

Net sales for the U.S. segment for the year ended December 31, 2017 were \$847.9 million, an increase of \$2.7 million, or 0.3%, compared to the year ended December 31, 2016. Net sales increased due to higher volumes in capital markets compliance, mutual fund print-related services, virtual data room services, mutual fund print volumes and content management, partially offset by lower capital markets transactions and healthcare volumes. An analysis of net sales by reporting unit follows:

- Capital Markets: Sales decreased due to lower transactions volumes, partially offset by increased compliance volumes and virtual data room services.
- Investment Markets: Sales increased due to higher volumes in mutual fund print-related services, mutual fund print and content management, partially offset by lower healthcare volumes and price pressures.
- Language Solutions and other: Sales increased primarily due to higher volumes in commercial print.

U.S. segment income from operations for the year ended December 31, 2017 increased \$9.2 million, or 7.8%, as compared to the year ended December 31, 2016, due to cost control initiatives and higher volumes in capital markets compliance, mutual fund print-related services, virtual data room services, mutual fund print volumes and content management, partially offset by lower capital markets transactions and healthcare volumes and an increase in selling expenses, spin-off related transaction expenses and incentive compensation expense.

Operating margins increased from 14.0% for the year ended December 31, 2016 to 15.0% for the year ended December 31, 2017 due to cost control initiatives. The increase in operating margins was partially offset by spin-off related transaction expenses which impacted margins by 1.2 percentage points and an increase in selling expenses and incentive compensation expense.

International

	Year Ended December 31,	
	2017	2016
	(in millions, except percentages)	
Net sales	\$ 157.0	\$ 138.3
Income from operations	7.2	9.6
Operating margin	4.6%	6.9%
Restructuring, impairment and other charges-net	2.2	0.6

Net sales for the International segment for the year ended December 31, 2017 were \$157.0 million, an increase of \$18.7 million, or 13.5%, compared to the year ended December 31, 2016 including a \$1.8 million, or 1.3%, decrease due to changes in foreign exchange rates. Net sales increased due to higher volumes in mutual funds, capital markets transactions, virtual data room and translation services.

International segment income from operations for the year ended December 31, 2017 decreased \$2.4 million, or 25.0%, compared to the year ended December 31, 2016, due to an increase in allocated expenses, including information technology expenses and an increase in incentive compensation expense and restructuring, impairment and other charges, partially offset higher volumes in mutual funds, capital markets transactions, virtual data room and translation services and cost control initiatives.

Operating margins decreased from 6.9% for the year ended December 31, 2016 to 4.6% for the year ended December 31, 2017 of which 1.0 percentage points were due to higher restructuring, impairment and other charges. Operating margins were also impacted by an increase in allocated expenses, including information technology expenses and incentive compensation expense, partially offset by cost control initiatives.

Corporate

The following table summarizes unallocated operating expenses and certain items impacting comparability within the activities presented as Corporate:

	Year Ended December 31,	
	2017	2016
	(in millions)	
Operating expenses	\$ 35.8	\$ 22.0
Share-based compensation expense	6.8	2.5
Spin-off related transaction expenses	6.5	4.6
Restructuring, impairment and other charges-net	1.0	0.1
Acquisition-related expenses	0.2	—

Corporate operating expenses for the year ended December 31, 2017 increased \$13.8 million versus the year ended December 31, 2016 due to higher employee compensation costs incurred to operate as an independent public company and an increase in share-based compensation expense and spin-off related transaction expenses.

Results of Operations for the Year Ended December 31, 2016 as Compared to the Year Ended December 31, 2015

The following table shows the results of operations for the year ended December 31, 2016 and 2015:

	2016	2015	\$ Change	% Change
	(in millions, except percentages)			
Services net sales	\$ 598.6	\$ 628.6	\$ (30.0)	(4.8%)
Products net sales	384.9	420.9	(36.0)	(8.6%)
Net sales	983.5	1,049.5	(66.0)	(6.3%)
Services cost of sales (exclusive of depreciation and amortization)	297.1	291.9	5.2	1.8%
Services cost of sales with RRD affiliates (exclusive of depreciation and amortization)	37.8	40.4	(2.6)	(6.4%)
Products cost of sales (exclusive of depreciation and amortization)	226.2	230.9	(4.7)	(2.0%)
Products cost of sales with RRD affiliates (exclusive of depreciation and amortization)	57.9	68.3	(10.4)	(15.2%)
Cost of sales	619.0	631.5	(12.5)	(2.0%)
Selling, general and administrative expenses (exclusive of depreciation and amortization)	209.8	199.2	10.6	5.3%
Restructuring, impairment and other charges-net	5.4	4.4	1.0	22.7%
Depreciation and amortization	43.3	41.7	1.6	3.8%
Income from operations	\$ 106.0	\$ 172.7	\$ (66.7)	(38.6%)

Consolidated and Combined

Net sales of services for the year ended December 31, 2016 decreased \$30.0 million, or 4.8%, to \$598.6 million, versus the year ended December 31, 2015 including a \$3.1 million, or 0.5%, decrease due to changes in foreign exchange rates. Additionally, net sales of services decreased due to lower capital markets transactions and compliance volume, partially offset by increased volume in virtual data room services, translation services and mutual fund content management services.

Net sales of products for the year ended December 31, 2016 decreased \$36.0 million, or 8.6%, to \$384.9 million versus the year ended December 31, 2015, including a \$2.3 million, or 0.5%, decrease due to changes in foreign exchange rates. Additionally, net sales of products decreased due to lower volume in capital markets transactions, compliance, commercial print and mutual funds print and price pressures in investment markets.

Services cost of sales increased \$2.6 million, or 0.8%, for the year ended December 31, 2016, versus the year ended December 31, 2015. Services cost of sales increased primarily due to an increase in the allocation of information technology expenses from selling, general and administrative expenses to cost of sales, partially offset by lower capital markets transactions and compliance volume and cost control initiatives. As a percentage of net sales, services cost of sales increased 3.0% primarily due to unfavorable mix and wage and other inflation, partially offset by cost control initiatives.

Products cost of sales decreased \$15.1 million, or 5.0%, for the year ended December 31, 2016, versus the year ended December 31, 2015. Products cost of sales decreased primarily due to lower print volumes and cost control initiatives, partially offset by wage and other inflationary increases. As a percentage of net sales, products cost of sales increased 2.7% primarily due to unfavorable mix, price pressures and wage and other inflation.

Selling, general and administrative expenses for the year ended December 31, 2016 increased \$10.6 million, or 5.3%, to \$209.8 million, as compared to the year ended December 31, 2015, primarily due to an increase in expenses incurred to operate as an independent public company, including selling expenses and spin-off related transaction expenses, partially offset by an increase in the allocation of information technology expenses from selling, general and administrative expenses to cost of sales. As a percentage of net sales, selling, general, and administrative expenses increased from 19.0% for the year ended December 31, 2015 to 21.3% for year ended December 31, 2016 due to lower volume and spin-off related transaction expenses.

For the year ended December 31, 2016, the Company recorded net restructuring, impairment and other charges of \$5.4 million compared to \$4.4 million for the year ended December 31, 2015. For the year ended December 31, 2016, these charges included \$3.7 million of employee termination costs for 84 employees, substantially all of whom were terminated as of December 31, 2016. These charges primarily related to the reorganization of certain administrative functions. During the year ended December 31, 2016, the Company also incurred \$1.5 million of lease termination and other restructuring costs and \$0.2 million for other charges associated with the Company's decision to withdraw in 2013 from certain multi-employer pension plans serving facilities that continued to operate. For the year ended December 31, 2015, these charges included \$2.3 million of employee termination costs for 64 employees, all of whom were terminated as of December 31, 2017. These charges were primarily the result of the reorganization of certain administrative functions. The Company also incurred lease termination and other restructuring charges of \$1.9 million and other charges of \$0.2 million associated with the Company's decision to withdraw in 2013 from certain multi-employer pension plans during the year ended December 31, 2015.

Depreciation and amortization for the year ended December 31, 2016 increased \$1.6 million, or 3.8%, to \$43.3 compared to the year ended December 31, 2015. Depreciation and amortization included \$14.4 million and \$15.4 million of amortization of other intangible assets related to customer relationships, trade names and non-compete agreements for the years ended December 31, 2016 and 2015, respectively.

Income from operations for the year ended December 31, 2016 decreased \$66.7 million, or 38.6%, to \$106.0 million versus the year ended December 31, 2015, due to a decrease in capital markets transactions, lower compliance and mutual funds print volume and spin-off related transaction expenses, partially offset by an increase in virtual data room, translation and mutual fund content management services and cost control initiatives.

	2016	2015	\$ Change	% Change
		(in millions, except percentages)		
Interest expense-net	\$ 11.7	\$ 1.1	\$ 10.6	963.6%

Net interest expense increased by \$10.6 million for the year ended December 31, 2016 versus the year ended December 31, 2015, primarily due to the issuance of debt in connection with the Separation. Refer to "Liquidity and Capital Resources" for further discussion.

	2016		2015		\$ Change	% Change
			(in millions, except percentages)			
Earnings before income taxes	\$	94.3	\$	171.7	\$ (77.4)	(45.1%)
Income tax expense		35.2		67.4	(32.2)	(47.8%)
Effective income tax rate		37.3%		39.3%		

The effective income tax rate was 37.3% for the year ended December 31, 2016 compared to 39.3% for the year ended December 31, 2015. The decrease in the effective tax rate from 2015 to 2016 is primarily the result of the reversal of certain international valuation allowances, partially offset by additional tax reserves recorded during 2016.

Information by Segment

The following tables summarize net sales, income (loss) from operations and certain items impacting comparability within each of the operating segments and Corporate.

U.S.

	Year Ended December 31,	
	2016	2015
	(in millions, except percentages)	
Net sales	\$ 845.2	\$ 900.8
Income from operations	118.4	160.3
Operating margin	14.0%	17.8%
Restructuring, impairment and other charges-net	4.7	3.5
Spin-off related transaction expenses	0.3	—

	Net Sales for the			
	Year Ended December 31			
Reporting unit	2016	2015	\$ Change	% Change
		(in millions, except percentages)		
Capital Markets	\$ 466.1	\$ 517.4	\$ (51.3)	(9.9%)
Investment Markets	336.1	339.3	(3.2)	(0.9%)
Language Solutions and other	43.0	44.1	(1.1)	(2.5%)
Total U.S.	\$ 845.2	\$ 900.8	\$ (55.6)	(6.2%)

Net sales for the U.S. segment for the year ended December 31, 2016 were \$845.2 million, a decrease of \$55.6 million, or 6.2%, compared to the year ended December 31, 2015. Net sales decreased primarily due to lower capital markets transactions and compliance volume, lower commercial and mutual funds print volume and price pressures in investment markets, partially offset by an increase in virtual data room, translation and mutual fund content management services. An analysis of net sales for the U.S. segment by reporting unit follows:

- Capital Markets: Sales decreased due to lower transactional and compliance volumes, partially offset by an increase in virtual data room services.
- Investment Markets: Sales decreased slightly due to lower mutual funds print volume and price pressures, partially offset by an increase in content management services.
- Language Solutions and other: Sales decreased due to lower commercial print volume, mostly offset by higher translations services volume.

U.S. segment income from operations for the year ended December 31, 2016 decreased \$41.9 million, or 26.1%, as compared to the year ended December 31, 2015, primarily due to decreases in capital markets volumes, price pressures in investment markets and wage and other inflation, partially offset by an increase in virtual data room, translation and mutual fund content management services and cost control initiatives.

Operating margins decreased from 17.8% for the year ended December 31, 2015 to 14.0% for the year ended December 31, 2016 due to unfavorable mix driven by lower capital markets transactions, partially offset by cost control initiatives.

International

	Year Ended December 31,	
	2016	2015
	(in millions, except percentages)	
Net sales	\$ 138.3	\$ 148.7
Income from operations	9.6	15.3
Operating margin	6.9%	10.3%
Restructuring, impairment and other charges-net	0.6	0.9

Net sales for the International segment for the year ended December 31, 2016 were \$138.3 million, a decrease of \$10.4 million, or 7.0%, compared to the year ended December 31, 2015 including a \$5.4 million, or 3.6%, decrease due to changes in foreign exchange rates. Additionally, net sales decreased primarily due to lower capital markets transactions and compliance volumes, partially offset by an increase in translations and virtual data room services.

International segment income from operations for the year ended December 31, 2016 decreased \$5.7 million, or 37.3%, compared to the year ended December 31, 2015, primarily due to the decline in capital markets transactions and compliance volumes and wage and other inflation increases, partially offset by cost control initiatives and lower incentive compensation expense.

Operating margins decreased from 10.3% for the year ended December 31, 2015 to 6.9% for the year ended December 31, 2016 due to lower capital markets transactions, partially offset by cost control initiatives and lower incentive compensation expense.

Corporate

The following table summarizes unallocated operating expenses and certain items impacting comparability within the activities presented as Corporate:

	Year Ended December 31,	
	2016	2015
	(in millions)	
Operating expenses	\$ 22.0	\$ 2.9
Spin-off related transaction expenses	4.6	—
Share-based compensation expense	2.5	1.6
Restructuring, impairment and other charges-net	0.1	—

Corporate operating expenses for the year ended December 31, 2016 increased \$19.1 million versus the year ended December 31, 2015 due to higher employee compensation costs incurred to operate as an independent public company, spin-off related transaction expenses, and an increase in bad debt and share-based compensation expense.

Non-GAAP Measures

The Company believes that certain Non-GAAP measures, such as Non-GAAP adjusted EBITDA, provide useful information about the Company's operating results and enhance the overall ability to assess the Company's financial performance. The Company uses these measures, together with other measures of performance under GAAP, to compare the relative performance of operations in planning, budgeting and reviewing the performance of its business. Non-GAAP adjusted EBITDA allows investors to make a more meaningful comparison between the Company's core business operating results over different periods of time. The Company believes that Non-GAAP adjusted EBITDA, when viewed with the Company's results under GAAP and the accompanying reconciliations, provides useful information about the Company's business without regard to potential distortions. By eliminating potential differences in results of operations between periods caused by factors such as depreciation and amortization methods, historic cost and age of assets, financing and capital structures, taxation positions or regimes, restructuring, impairment and other charges, acquisition-related expenses and gain or loss on certain equity investments and asset sales, the Company believes that Non-GAAP adjusted EBITDA can provide a useful additional basis for comparing the current performance of the underlying operations being evaluated.

Non-GAAP adjusted EBITDA is not presented in accordance with GAAP and has important limitations as an analytical tool. These measures should not be considered as a substitute for analysis of the Company's results as reported under GAAP. In addition, these measures are defined differently by different companies in our industry and, accordingly, such measures may not be comparable to similarly-titled measures of other companies.

In addition to the factors listed above, the following items are excluded from Non-GAAP adjusted EBITDA:

- **Share-based compensation expense.** Although share-based compensation is a key incentive offered to certain of the Company's employees, business performance is evaluated excluding share-based compensation expenses. Depending upon the size, timing and the terms of grants, non-cash compensation expense may vary but will recur in future periods. Prior periods have been revised to reflect this adjustment.
- **Spin-off related transaction expenses.** The Company has incurred expenses related to the Separation to operate as a standalone publicly traded company. These expenses include third-party consulting fees, employee retention payments, legal fees and other costs related to the Separation. Management does not believe that these expenses are reflective of ongoing operating results. This adjustment does not include expenses incurred prior to the Separation.

A reconciliation of GAAP net earnings to Non-GAAP adjusted EBITDA for the years ended December 31, 2017, 2016 and 2015 for these adjustments is presented in the following table:

	Year ended December 31,			
	2017	2016	2015	
	(in millions)			
Net earnings	\$ 9.7	\$ 59.1	\$	104.3
Restructuring, impairment and other charges—net	7.1	5.4		4.4
Share-based compensation expense	6.8	2.5		1.6
Spin-off related transaction expenses	16.5	4.9		—
Acquisition-related expenses	0.2			—
Depreciation and amortization	44.5	43.3		41.7
Interest expense—net	42.9	11.7		1.1
Investment and other income—net	(0.1)	—		(0.1)
Income tax expense	46.5	35.2		67.4
Non-GAAP adjusted EBITDA	\$ 174.1	\$ 162.1	\$	220.4

2017 Restructuring, impairment and other charges—net. The year ended December 31, 2017 included \$6.4 million for employee termination costs, \$0.3 million of net lease termination and other restructuring costs, \$0.2 million of net impairment charges related to leasehold improvements associated with facility closures and \$0.2 million for other charges associated with the Company's decision to withdraw in 2013 from certain multi-employer pension plans serving facilities that continued to operate.

2016 Restructuring, impairment and other charges—net. The year ended December 31, 2016 included \$3.7 million for employee termination costs, \$1.5 million of lease termination and other restructuring costs and \$0.2 million for other charges associated with the Company's decision to withdraw in 2013 from certain multi-employer pension plans serving facilities that continued to operate.

2015 Restructuring, impairment and other charges—net. The year ended December 31, 2015 included \$2.3 million for employee termination costs related to the reorganization of certain administrative functions; \$1.9 million of lease termination and other restructuring costs and \$0.2 million for other charges associated with the Company's decision to withdraw in 2013 from certain multi-employer pension plans serving facilities that continued to operate.

Share-based compensation expense. Included pre-tax charges of \$6.8 million, \$2.5 million and \$1.6 million for the years ended December 31, 2017, 2016 and 2015, respectively.

Spin-off related transaction expenses. Included pre-tax charges of \$16.5 million and \$4.9 million related to third-party consulting fees, legal fees and other costs related to the Separation for the year ended December 31, 2017 and 2016, respectively.

Acquisition-related expenses. Included pre-tax charges of \$0.2 million primarily related to legal expenses for the year ended December 31, 2017 associated with contemplated acquisitions.

Liquidity and Capital Resources

Prior to the Separation, RRD provided financing, cash management and other treasury services to Donnelley Financial. The Company's cash balances were swept by RRD and the Company received funding from RRD for operating and investing needs. Cash transferred to and from RRD was recorded as intercompany payables and receivables which are reflected in the net parent company investment in the consolidated and combined financial statements. Subsequent to the Separation, the Company no longer participates in cash management and funding arrangements with RRD.

The Company believes it has sufficient liquidity to support its ongoing operations and to invest in future growth to create value for its shareholders. Cash on hand, operating cash flows and the Company's \$300.0 million senior secured revolving credit facility (the "Revolving Facility") are the primary sources of liquidity and are expected to be used for, among other things, payment of interest and principal on the Company's debt obligations, capital expenditures necessary to support productivity improvement and growth, acquisitions and completion of restructuring programs.

The following describes the Company's cash flows for the years ended December 31, 2017 and 2016.

Cash Flows Provided By Operating Activities

Operating cash inflows are largely attributable to sales of the Company's services and products. Operating cash outflows are largely attributable to recurring expenditures for labor, rent, raw materials and other operating activities. For periods prior to the Separation, allocations of operating expenses from RRD are also reflected as operating cash inflows or outflows, including those for pension costs and current income taxes payable.

2017 compared to 2016

Net cash provided by operating activities was \$91.4 million for the year ended December 31, 2017 compared to \$106.0 million for the year ended December 31, 2016. The decrease in net cash provided by operating activities reflected higher payments related to interest and taxes and the timing of payments for suppliers and employee-related liabilities, offset by the timing of customer payments.

2016 compared to 2015

Net cash provided by operating activities was \$106.0 million for the year ended December 31, 2016 compared to \$120.9 million for the year ended December 31, 2015. The decrease in net cash provided by operating activities reflected lower profitability, a decrease in pension plan income allocations, which were treated as cash in periods prior to the Separation, and timing of payments for employee-related liabilities and suppliers, partially offset by timing of cash collections.

Cash Flows Used For Investing Activities

2017 compared to 2016

Net cash used in investing activities was \$31.0 million for the year ended December 31, 2017 compared to \$29.3 million for the year ended December 31, 2016. Capital expenditures were \$27.8 million during the year ended December 31, 2017, an increase of \$1.6 million as compared to the same period of 2016.

2016 compared to 2015

Net cash used in investing activities was \$29.3 million for the year ended December 31, 2016 compared to \$37.1 million for the year ended December 31, 2015. Capital expenditures were \$26.2 million during the year ended December 31, 2016, a decrease of \$0.9 million as compared to the same period of 2015. Net cash used in investing activities for the year ended December 31, 2016 also included \$3.5 million used for the purchase of investments compared to \$10.0 million used to purchase an equity investment for the year ended December 31, 2015.

Cash Flows Used For Financing Activities

2017 compared to 2016

Net cash used in financing activities for the year ended December 31, 2017 was \$45.7 million compared to \$60.0 million for the year ended December 31, 2016. The decrease in net cash used in financing activities reflected \$133.0 million in payments on long-term debt, partially offset by a \$68.0 million Separation-related payment from RRD and \$18.8 million of proceeds from the issuance of common stock. Net cash used in financing activities for the year ended December 31, 2016 reflected \$340.1 million in net transfers to RRD and its affiliates in connection with the Separation and \$50.0 million in payments on long-term debt, offset by \$348.2 million of proceeds from the issuance of long-term debt.

2016 compared to 2015

Net cash used in financing activities for the year ended December 31, 2016 was \$60.0 million compared to \$94.8 million for the year ended December 31, 2015. The decrease in net cash used in financing activities reflected \$348.2 million of proceeds from the issuance of long-term debt, offset by \$50.0 million in payments on long-term debt and a \$284.1 million increase in net transfers to RRD and its affiliates in connection with the Separation.

Contractual Cash Obligations and Other Commitments and Contingencies

The following table quantifies the Company's future contractual obligations as of December 31, 2017:

	Payments Due In						
	Total	2018	2019	2020	2021	2022	Thereafter
				(in millions)			
Debt (a)	\$ 470.0	\$ —	\$ —	\$ 2.5	\$ 10.0	\$ 10.0	\$ 447.5
Interest due on debt	209.8	32.5	32.5	32.5	32.2	31.8	48.3
Operating leases (b)	119.3	31.7	24.3	16.2	11.9	9.8	25.4
Outsourced services (c)	34.1	27.6	2.9	1.6	1.4	0.6	—
Deferred compensation	31.5	6.7	6.5	1.6	1.8	2.8	12.1
Incentive compensation	17.8	17.8	—	—	—	—	—
Multi-employer pension plan withdrawal obligations	6.1	0.4	0.4	0.4	0.4	0.4	4.1
Pension and other postretirement benefits plan contributions (d)	3.8	2.4	1.4	—	—	—	—
Other (e)	10.8	9.0	0.9	0.9	—	—	—
Total as of December 31, 2017	\$ 903.2	\$ 128.1	\$ 68.9	\$ 55.7	\$ 57.7	\$ 55.4	\$ 537.4

(a) Excludes unamortized debt issuance costs of \$10.3 million and a discount of \$1.4 million which do not represent contractual commitments with a fixed amount or maturity date.

(b) Operating leases include obligations to landlords.

(c) Includes information technology, professional, maintenance and other outsourced services.

(d) Includes estimated pension and other postretirement benefits plan contributions for 2018 and 2019 and does not include the obligations for subsequent periods, as the Company is unable to reasonably estimate the ultimate amounts.

(e) Other includes purchases of property, plant and equipment of \$5.3 million, commercial agreement obligations of \$2.7 million, employee restructuring-related severance payments of \$1.3 million and miscellaneous other obligations.

As a result of the Tax Act, the Company recorded a one-time transition tax expense of \$14.2 million during the fourth quarter of 2017. The Company will make an election to pay the transition tax liability in installments over eight years. Consequently, \$13.1 million of this liability has been recorded as noncurrent taxes payable in the Company's consolidated balance sheet at December 31, 2017.

Liquidity

The Company maintains cash pooling structures that enable participating international locations to draw on the pools' cash resources to meet local liquidity needs. Foreign cash balances may be loaned from certain cash pools to U.S. operating entities on a temporary basis in order to reduce the Company's short-term borrowing costs or for other purposes.

Cash and cash equivalents were \$52.0 million as of December 31, 2017, an increase of \$15.8 million as compared to December 31, 2016.

Cash and cash equivalents of \$52.0 million at December 31, 2017 included \$36.2 million in the U.S. and \$15.8 million at international locations. The Company has not recognized deferred tax liabilities related to taxes on foreign earnings as foreign earnings are considered to be indefinitely reinvested. Certain cash balances of foreign subsidiaries may be subject to U.S. or local country taxes if repatriated to the U.S. In addition, repatriation of some foreign cash balances is further restricted by local laws. Management regularly evaluates whether foreign earnings are expected to be indefinitely reinvested. This evaluation requires judgment about the future operating and liquidity needs of the Company and its foreign subsidiaries. Changes in economic and business conditions, foreign or U.S. tax laws, or the Company's financial situation could result in changes to these judgments and the need to record additional tax liabilities.

On October 2, 2017, the Company repriced the Term Loan Credit Facility. As a result, the interest rate was reduced by 100 basis points to LIBOR plus 3.0% and the LIBOR floor was reduced by 25 basis points to 0.75%. Additionally, under the amended Credit Agreement, principal payments are due on a quarterly basis. Other terms, including the outstanding principal, maturity date, and debt covenants such as the minimum interest coverage ratio and the maximum leverage ratio are consistent with the original Credit Agreement.

On June 21, 2017, RRD completed the sale of approximately 6.1 million shares of the Company's common stock in an underwritten public offering. RRD retained approximately 0.1 million shares of the Company's common stock upon consummation of the offering which were subsequently sold by RRD on August 4, 2017. In conjunction with the underwritten public offering, the underwriters exercised their option to purchase approximately 0.9 million Option Shares. The Company received approximately \$18.8 million in net proceeds from the sale of the Option Shares, after deducting estimated underwriting discounts and commissions. The proceeds were used to reduce outstanding debt under the Revolving Facility.

Pursuant to the Separation and Distribution Agreement, the Company received a cash payment of \$68.0 million from RRD on April 3, 2017. The proceeds were used to reduce outstanding debt under the Term Loan Credit Facility.

The Company's debt maturity schedule as of December 31, 2017 is shown in the table below:

	Debt Maturity Schedule						
	Total	2018	2019	2020	2021	2022	Thereafter
Notes (a)	\$ 300.0	\$ —	\$ —	\$ —	\$ —	\$ —	\$ 300.0
Borrowings under the Term Loan Credit Facility (b)	170.0	—	—	2.5	10.0	10.0	147.5
Total	\$ 470.0	\$ —	\$ —	\$ 2.5	\$ 10.0	\$ 10.0	\$ 447.5

- (a) Excludes unamortized debt issuance costs of \$5.7 million which do not represent contractual commitments with a fixed amount or maturity date.
(b) Excludes unamortized debt issuance costs of \$4.6 million and a discount of \$1.4 million which do not represent contractual commitments with a fixed amount or maturity date.

The Credit Agreement contains a number of covenants, including, but not limited to, a minimum Interest Coverage Ratio and the Consolidated Leverage Ratio, as defined in and calculated pursuant to the Credit Agreement, that, in part, restrict the Company's ability to incur additional indebtedness, create liens, engage in mergers and consolidations, make restricted payments and dispose of certain assets. The Credit Agreement generally allows annual dividend payments of up to \$15.0 million in aggregate, though additional dividends may be allowed subject to certain conditions. Each of these covenants is subject to important exceptions and qualifications.

The indenture governing the Notes contains certain covenants applicable to the Company and its restricted subsidiaries, including limitations on: (1) liens; (2) indebtedness; (3) mergers, consolidations and acquisitions; (4) sales, transfers and other dispositions of assets; (5) loans and other investments; (6) dividends and other distributions, stock repurchases and redemptions and other restricted payments; (7) restrictions affecting subsidiaries; (8) transactions with affiliates; and (9) designations of unrestricted subsidiaries. Each of these covenants is subject to important exceptions and qualifications.

As of December 31, 2017, there were no borrowings under the Revolving Facility. Based on the Company's results of operations for the year ended December 31, 2017 and existing debt, the Company would have had the ability to utilize \$300.0 million of the \$300.0 million Revolving Facility and not have been in violation of the terms of the agreement. The current availability under the Revolving Facility and net available liquidity as of December 31, 2017 is shown in the table below:

Availability	December 31, 2017	
	(in millions)	
Revolving Facility	\$	300.0
Availability reduction from covenants		—
	\$	300.0
Usage		
Borrowings under the Revolving Facility		—
Impact on availability related to outstanding letters of credit		—
	\$	—
Current availability at December 31, 2017	\$	300.0
Cash		52.0
Net Available Liquidity	\$	352.0

The Company was in compliance with its debt covenants as of December 31, 2017, and expects to remain in compliance based on management's estimates of operating and financial results for 2018 and the foreseeable future. However, declines in market and economic conditions or demand for certain of the Company's products and services could impact the Company's ability to remain in compliance with its debt covenants in future periods. As of December 31, 2017, the Company met all the conditions required to borrow under the Credit Agreement and management expects the Company to continue to meet the applicable borrowing conditions.

The failure of a financial institution supporting the Revolving Facility would reduce the size of the Company's committed facility unless a replacement institution was added. As of December 31, 2017, the Revolving Facility is supported by seventeen U.S. and international financial institutions.

As of December 31, 2017, the Company had \$4.5 million in outstanding letters of credit and bank guarantees, of which none reduced to the availability under the Revolving Facility.

Debt Issuances

On September 30, 2016, the Company entered into the Credit Agreement, which provided for the Term Loan Credit Facility and the Revolving Facility. The Term Loan Facility will mature on September 30, 2023 and the Revolving Credit Facility will mature on September 30, 2021.

On September 30, 2016, the Company issued \$300.0 million of 8.250% Senior Notes (the "Notes") due October 15, 2024. Interest on the Notes is due semi-annually on April 15 and October 15, commencing on April 15, 2017.

The Notes were issued pursuant to an indenture where certain wholly-owned domestic subsidiaries of the Company guarantee the Notes (the "Guarantors"). In connection with the offering of the Notes, the Company entered into a registration rights agreement, dated as of September 30, 2016 (the "Registration Rights Agreement"), pursuant to which the Company agreed to file a registration statement with the SEC with respect to an offer to exchange the Notes for registered notes. On March 10, 2017, the Company filed a Registration Statement on Form S-4 (as amended, the "Exchange Offer Registration Statement") to offer to exchange the Notes for registered notes which have terms identical in all material respects to the Notes except that the registered notes are not subject to transfer restrictions or registration rights. The Exchange Offer Registration Statement was declared effective by the SEC on March 22, 2017. An exchange offer for the Notes was launched on March 22, 2017 and settled on April 25, 2017, resulting in the exchange of \$299.9 million aggregate principal amount of outstanding Notes for registered notes.

Risk Management

The Company is exposed to interest rate risk on its variable debt. At December 31, 2017, the Company's exposure to rate fluctuations on variable-interest borrowings was \$170.0 million.

The Company assesses market risk based on changes in interest rates utilizing a sensitivity analysis that measures the potential loss in earnings, fair values and cash flows based on a hypothetical 10% change in interest rates. Using this sensitivity analysis, such changes would not have a material effect on interest income or expense and cash flows. A hypothetical 10% change in yield would change the fair values of fixed-rate debt at December 31, 2017 by approximately \$11.3 million, or 3.8%.

The Company is exposed to the impact of foreign currency fluctuations in certain countries in which it operates. The exposure to foreign currency movements is limited in many countries because the operating revenues and expenses of its various subsidiaries and business units are substantially in the local currency of the country in which they operate. To the extent that borrowings, sales, purchases, revenues, expenses or other transactions are not in the local currency of the subsidiary, the Company is exposed to currency risk and may enter into foreign exchange spot and forward contracts to hedge the currency risk. The Company does not use derivative financial instruments for trading or speculative purposes.

OTHER INFORMATION

Litigation and Contingent Liabilities

For a discussion of certain litigation involving the Company, see Note 9, *Commitments and Contingencies*, to the Consolidated and Combined Financial Statements.

New Accounting Pronouncements and Pending Accounting Standards

Recently issued accounting standards and their estimated effect on the Company's consolidated financial statements are described in Note 20, *New Accounting Pronouncements*, to the Consolidated and Combined Financial Statements.

ITEM 7A. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

Market Risk

The Company is exposed to potential fluctuations in earnings, cash flows, and the fair value of certain assets and liabilities due to changes in interest rates and foreign currency exchange rates. The Company manages exposure to these market risks through regular operating and financial activities and, when deemed appropriate, through the use of derivative financial instruments for risk management purposes. As a result, the Company does not anticipate any material losses from these risks. The Company was not a party to any derivative financial instrument at December 31, 2017 or 2016.

The Company discusses risk management in various places throughout this document, including discussions concerning liquidity and capital resources.

Foreign Exchange Risk

While the substantial majority of the Company's business is conducted within the U.S., approximately 16% of the Company's consolidated net sales in 2017 were earned outside of the U.S. The Company has operations internationally that are denominated in foreign currencies, primarily the British Pound and Canadian dollar, exposing the Company to foreign currency exchange risk which may adversely impact financial results. The exposure to foreign currency movements is limited in many countries because the operating revenues and expenses of the Company's various subsidiaries and business units are substantially in the local currency of the country in which they operate. To the extent that borrowings, sales, purchases, revenues, expenses or other transactions are not in the local currency of the subsidiary, the Company is exposed to currency risk and may enter into foreign exchange spot and forward contracts to hedge the currency risk. The Company does not use derivative financial instruments for trading or speculative purposes.

For the year ended December 31, 2017, a hypothetical 10% strengthening of the U.S. dollar relative to multiple currencies would have resulted in a decrease in earnings before income taxes of \$0.7 million. A hypothetical 10% strengthening of the U.S. dollar relative to multiple currencies at December 31, 2017 would have resulted in a decrease in total assets of approximately \$9.2 million.

Interest Rate Risk

The Company is exposed to interest rate risk on its variable debt. At December 31, 2017, the Company's exposure to rate fluctuations on variable-interest borrowings was \$170.0 million.

The Company assesses market risk based on changes in interest rates utilizing a sensitivity analysis that measures the potential loss in earnings, fair values and cash flows based on a hypothetical 10% change in interest rates. Using this sensitivity analysis, such changes would not have a material effect on interest income or expense and cash flows. A hypothetical 10% change in yield would change the fair values of fixed-rate debt at December 31, 2017 by approximately \$11.3 million, or 3.8%.

Credit Risk

The Company is exposed to credit risk on accounts receivable balances. This risk is mitigated due to the Company's large, diverse customer base, dispersed over various geographic regions and industrial sectors. No single customer comprised more than 10% of the Company's combined net sales in the years ended December 31, 2017, 2016 or 2015. The Company maintains provisions for potential credit losses and such losses to date have normally been within the Company's expectations. The Company evaluates the solvency of its customers on an ongoing basis to determine if additional allowances for doubtful accounts receivable need to be recorded. Significant economic disruptions or a slowdown in the economy could result in significant additional charges.

Commodities

The primary raw materials used by the Company are paper and ink. To reduce price risk caused by market fluctuations, the Company has incorporated price adjustment clauses in certain sales contracts. Management believes a hypothetical 10% change in the price of paper and other raw materials would not have a significant effect on the Company's combined annual results of operations or cash flows as these costs are generally passed through to its customers. However, such an increase could have an impact on our customers' demand for printed products, and we are not able to quantify the impact of such potential change in demand on our combined annual results of operations or cash flows.

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

The financial information required by Item 8 is contained in Item 15 of Part IV of this Annual Report on Form 10-K.

ITEM 9. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE

None.

ITEM 9A. CONTROLS AND PROCEDURES

(a) Disclosure controls and procedures.

Management, together with the Chief Executive Officer and Chief Financial Officer, evaluated the effectiveness of the Company's disclosure controls and procedures (as defined in Rules 13a-15(b) and Rule 15d-15(e) of the Securities Exchange Act of 1934) as of December 31, 2017. Based on that evaluation the Chief Executive Officer and Chief Financial Officer concluded that the Company's disclosure controls and procedures were effective as of December 31, 2017.

(b) Changes in internal control over financial reporting.

Changes in Internal Control Over Financial Reporting. There were no changes in the Company's internal control over financial reporting (as defined in Rule 13a-15(f) and 15d-15(f) under the Exchange Act) during the quarter ended December 31, 2017 that have materially affected or are reasonably likely to materially affect, our internal control over financial reporting.

Management's Annual Report on Internal Control Over Financial Reporting. Our management is responsible for establishing and maintaining adequate internal control over financial reporting, as such term is defined in Exchange Act Rules 13a-15(f) and 15d-15(f). Under the supervision and with the participation of our management, including our Chief Executive Officer and Chief Financial Officer, we conducted an evaluation of the effectiveness of our internal control over financial reporting as of December 31, 2017 based on the guidelines established in *Internal Control - Integrated Framework (2013)* issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). Based on the results of our evaluation, our management has concluded that our internal control over financial reporting was effective as of December 31, 2017.

Deloitte & Touche LLP, an independent registered public accounting firm, who audited the consolidated and combined financial statements of the Company included in this Annual Report on Form 10-K, has also audited the effectiveness of the Company's internal control over financial reporting as stated in its report appearing below.

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the stockholders and the Board of Directors of Donnelley Financial Solutions, Inc

Opinion on Internal Control over Financial Reporting

We have audited the internal control over financial reporting of Donnelley Financial Solutions, Inc and subsidiaries (the "Company") as of December 31, 2017, based on criteria established in *Internal Control — Integrated Framework (2013)* issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). In our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as of December 31, 2017, based on criteria established in *Internal Control — Integrated Framework (2013)* issued by COSO.

We have also audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) (PCAOB), the consolidated and combined financial statements as of and for the year ended December 31, 2017, of the Company and our report dated February 28, 2018, expressed an unqualified opinion on those financial statements and included an explanatory paragraph relating to the allocation of certain assets, liabilities, expenses and income that have historically been held at R.R. Donnelley & Sons Company corporate level, but which are specifically identifiable or attributable to Donnelley Financial Solutions, Inc.

Basis for Opinion

The Company's management is responsible for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting, included in the accompanying *Management's Annual Report on Internal Control Over Financial Reporting*. Our responsibility is to express an opinion on the Company's internal control over financial reporting based on our audit. We are a public accounting firm registered with the PCAOB and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

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

Definition and Limitations of Internal Control over Financial Reporting

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

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

/s/ DELOITTE & TOUCHE LLP

Chicago, IL
February 28, 2018

ITEM 9B.

OTHER INFORMATION

On February 15, 2018, the Board of Directors adopted an amended Non-Employee Director Compensation Plan (the "Plan"), effective as of February 15, 2018, which supersedes the form of the Plan filed on the Company's current report on Form 8-K dated September 30, 2016 and filed on October 3, 2016. On February 14, 2018, the Compensation Committee of the Board of Directors approved a form of Performance Share Unit Award Agreement to be used for grants of such awards to the Company's executive officers and employees.

The foregoing description is a summary and qualified in its entirety by reference to the full text of the Plan and the Form of Performance Share Unit Award Agreement, which are attached hereto as Exhibits 10.5 and 10.22 and incorporated herein by reference.

PART III

ITEM 10. DIRECTORS AND EXECUTIVE OFFICERS OF DONNELLEY FINANCIAL SOLUTIONS, INC. AND CORPORATE GOVERNANCE

Information regarding directors and executive officers of the Company is incorporated herein by reference to the descriptions under “Proposal 1: Election of Directors,” “The Board’s Committees and their Functions” and “Section 16(a) Beneficial Ownership Reporting Compliance” of the Company’s Proxy Statement for the Annual Meeting of Shareholders scheduled to be held May 24, 2018 (the “2018 Proxy Statement”).

The Company has adopted a policy statement entitled *Code of Ethics* that applies to its chief executive officer and senior financial officers. In the event that an amendment to, or a waiver from, a provision of the *Code of Ethics* is made or granted, the Company intends to post such information on its web site, www.dfsc.com. A copy of the Company’s *Code of Ethics* has been filed as Exhibit 14.1 to the Company’s Annual Report on Form 10-K for the fiscal year ended December 31, 2017.

EXECUTIVE OFFICERS OF DONNELLEY FINANCIAL SOLUTIONS, INC.

Name, Age and Position with the Company	Officer Since	Business Experience
Daniel N. Leib 51, Chief Executive Officer	2016	Served as RRD’s Executive Vice President and Chief Financial Officer from May 2011 to October 2016. Prior to this, served as RRD’s Group Chief Financial Officer and Senior Vice President, Mergers and Acquisitions since August 2009 and Treasurer from June 2008 to February 2010. Prior to this, served as RRD’s Senior Vice President, Treasurer, Mergers and Acquisitions and Investor Relations since July 2007. Prior to this, from May 2004 to 2007, served in various capacities in financial management, corporate strategy and investor relations.
Thomas F. Juhase 57, Chief Operating Officer	2016	Served as RRD’s President, Financial, Global Outsourcing and Document Solutions from 2010 to October 2016. He served as RRD’s President, Financial and Global Outsourcing from 2007 to 2010, as President, Global Capital Market, Financial Print Solutions from 2004 to 2007. From 1991 to 2004, Mr. Juhase served in various capacities with RRD in sales and operations in the U.S. and internationally.
David A. Gardella 48, Chief Financial Officer	2016	Served as RRD’s Senior Vice President, Investor Relations & Mergers and Acquisitions from 2011 to October 2016. He served as RRD’s Vice President, Investor Relations from 2009 to 2011 and as Vice President, Corporate Finance from 2008 to 2009. From 1992 to 2004 and then from 2005 to 2008, Mr. Gardella served in various capacities in financial management and financial planning & analysis.
Jennifer B. Reiners 51, General Counsel	2016	Served as RRD’s Senior Vice President, Deputy General Counsel from 2008 to October 2016 and as Vice President, Deputy General Counsel from 2005 to 2008. Prior to this, served in various capacities in the legal department from 1997 to 2008.
Kami S. Turner 43, Controller and Chief Accounting Officer	2016	Served as RRD’s Assistant Controller from December 2012 to October 2016. Prior to this, served as Vice President, External Reporting in 2012 and from 2009 to 2011 served in various capacities in finance at RRD.

ITEM 11. EXECUTIVE COMPENSATION

Information regarding executive and director compensation is incorporated by reference to the material under the captions “Compensation Discussion and Analysis,” “Human Resources Committee Report,” “Executive Compensation,” “Potential Payments Upon Termination or Change in Control,” and “Director Compensation” of the 2018 Proxy Statement.

ITEM 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT AND RELATED STOCKHOLDER MATTERS

Information regarding security ownership of certain beneficial owners and management is incorporated herein by reference to the material under the heading "Stock Ownership" of the 2018 Proxy Statement.

Equity Compensation Plan Information

Information as of December 31, 2017 concerning compensation plans under which Donnelley Financial's equity securities are authorized for issuance was as follows:

Equity Compensation Plan Information			
Plan Category	Number of Securities to Be Issued upon Exercise of Outstanding Options, Warrants and Rights (in thousands) (1)	Weighted-Average Exercise Price of Outstanding Options, Warrants and Rights (2)	Number of Securities Remaining Available for Future Issuance under Equity Compensation Plans (Excluding Securities Reflected in Column (1)) (3) (in thousands)
Equity compensation plans approved by security holders (a)	1,094.2	\$ 22.13	1,960.3
(a)	Includes 635,557 shares issuable upon the vesting of restricted stock units, however, excludes 285,569 of restricted stock awards as these awards are already issued under the Donnelley Financial Solutions Performance Incentive Plan as common stock.		
(b)	Restricted stock units and restricted stock awards were excluded when determining the weighted-average exercise price of outstanding options, warrants and rights.		
(c)	All of these shares are available for issuance under the Donnelley Financial Solutions Performance Incentive Plan. The Donnelley Financial Solutions Performance Incentive Plan allows grants in the form of cash or bonus awards, stock options, stock appreciation rights, restricted stock, stock units or combinations thereof. The maximum number of shares of common stock that may be granted with respect to bonus awards, including performance awards or fixed awards in the form of restricted stock or other form, is 3,500,000 in the aggregate, of which 1,960,311 remain available for issuance.		

ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS AND DIRECTOR INDEPENDENCE

Information regarding certain relationships and related transactions and director independence is incorporated herein by reference to the material under the heading "Certain Transactions," "The Board's Committees and Their Functions" and "Corporate Governance—Independence of Directors" of the 2018 Proxy Statement.

ITEM 14. PRINCIPAL ACCOUNTING FEES AND SERVICES

Information regarding principal accounting fees and services is incorporated herein by reference to the material under the heading "The Company's Independent Registered Public Accounting Firm" of the 2018 Proxy Statement.

ITEM 15. EXHIBITS, FINANCIAL STATEMENT SCHEDULES

- (a) 1. Financial Statements
- The financial statements listed in the accompanying index (page F-1) to the financial statements are filed as part of this Annual Report on Form 10-K.
- (b) Exhibits
- The exhibits listed on the accompanying index (pages E-1 through E-3) are filed as part of this Annual Report on Form 10-K.
- (c) Financial Statement Schedules omitted
- Certain schedules have been omitted because the required information is included in the consolidated financial statements and notes thereto or because they are not applicable or not required.

ITEM 16. FORM 10-K SUMMARY

Not applicable.

ITEM 15(a). INDEX TO FINANCIAL STATEMENTS

Consolidated and Combined Statements of Operations for each of the three years in the period ended December 31, 2017	F-2
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Donnelley Financial Solutions, Inc. and Subsidiaries ("Donnelley Financial")
Consolidated and Combined Statements of Operations
(in millions, except per share data)

	Year Ended December 31,					
	2017		2016		2015	
Services net sales	\$	632.1	\$	598.6	\$	628.6
Products net sales		372.8		384.9		420.9
Total net sales		1,004.9		983.5		1,049.5
Services cost of sales (exclusive of depreciation and amortization)		328.7		297.1		291.9
Services cost of sales with R.R. Donnelley affiliates (exclusive of depreciation and amortization)*		19.5		37.8		40.4
Products cost of sales (exclusive of depreciation and amortization)		240.9		226.2		230.9
Products cost of sales with R.R. Donnelley affiliates (exclusive of depreciation and amortization)*		32.3		57.9		68.3
Total cost of sales		621.4		619.0		631.5
Selling, general and administrative expenses (exclusive of depreciation and amortization)		232.9		209.8		199.2
Restructuring, impairment and other charges-net		7.1		5.4		4.4
Depreciation and amortization		44.5		43.3		41.7
Income from operations		99.0		106.0		172.7
Interest expense-net		42.9		11.7		1.1
Investment and other income-net		(0.1)		—		(0.1)
Earnings before income taxes		56.2		94.3		171.7
Income tax expense		46.5		35.2		67.4
Net earnings	\$	9.7	\$	59.1	\$	104.3
Net earnings per share (Note 13):						
Basic net earnings per share	\$	0.29	\$	1.81	\$	3.22
Diluted net earnings per share	\$	0.29	\$	1.80	\$	3.22
Weighted average number to common shares outstanding						
Basic		33.1		32.6		32.4
Diluted		33.3		32.8		32.4

* Beginning in the quarter ended June 30, 2017, LSC Communications, Inc. ("LSC") no longer qualified as a related party, therefore the 2017 amounts disclosed related to LSC are presented through March 31, 2017 only. Beginning in the quarter ended September 30, 2017, R.R. Donnelley & Sons Company ("RRD") no longer qualified as a related party, therefore the 2017 amounts disclosed related to RRD are presented through June 30, 2017 only.

See Notes to the Consolidated and Combined Financial Statements

Donnelley Financial Solutions, Inc. and Subsidiaries ("Donnelley Financial")
Consolidated and Combined Statements of Comprehensive Income
(in millions)

	Year Ended December 31,					
	2017		2016		2015	
Net earnings	\$	9.7	\$	59.1	\$	104.3
Other comprehensive income (loss), net of tax:						
Translation adjustments		4.4		(0.1)		(7.5)
Adjustment for net periodic pension and other postretirement benefits plan cost		(0.7)		7.1		27.5
Other comprehensive income, net of tax		<u>3.7</u>		<u>7.0</u>		<u>20.0</u>
Comprehensive income	\$	<u>13.4</u>	\$	<u>66.1</u>	\$	<u>124.3</u>

See Notes to the Consolidated and Combined Financial Statements

Donnelley Financial Solutions, Inc. and Subsidiaries ("Donnelley Financial")
Consolidated Balance Sheets
(in millions, except per share data)

	December 31,	
	2017	2016
ASSETS		
Cash and cash equivalents	\$ 52.0	\$ 36.2
Receivables, less allowances for doubtful accounts of \$7.3 in 2017 (2016 - \$6.4)	165.2	156.2
Receivable from R.R. Donnelley*	—	96.0
Inventories	23.3	24.1
Prepaid expenses and other current assets	29.6	17.1
Total current assets	270.1	329.6
Property, plant and equipment-net	34.7	35.5
Goodwill	447.4	446.4
Other intangible assets-net	39.9	54.3
Software-net	41.1	41.6
Deferred income taxes	22.2	37.0
Other noncurrent assets	38.1	34.5
Total assets	\$ 893.5	\$ 978.9
LIABILITIES		
Accounts payable	\$ 67.8	\$ 85.3
Accrued liabilities	119.2	100.7
Total current liabilities	187.0	186.0
Long-term debt (Note 12)	458.3	587.0
Deferred compensation liabilities	22.8	24.4
Pension and other postretirement benefits plan liabilities	52.5	56.4
Other noncurrent liabilities	23.5	14.0
Total liabilities	744.1	867.8
Commitments and Contingencies (Note 9)		
EQUITY		
Preferred stock, \$0.01 par value		
Authorized: 1.0 shares; Issued: None	—	—
Common stock, \$0.01 par value		
Authorized: 65.0 shares;		
Issued: 33.8 shares in 2017 (2016 - 32.6 shares)	0.3	0.3
Treasury stock, at cost: less than 0.1 shares in 2017	(0.9)	—
Additional paid-in-capital	205.7	179.9
Retained earnings (deficit)	8.9	(0.8)
Accumulated other comprehensive loss	(64.6)	(68.3)
Total equity	149.4	111.1
Total liabilities and equity	\$ 893.5	\$ 978.9

* Beginning in the quarter ended September 30, 2017, RRD no longer qualified as a related party.

See Notes to the Consolidated and Combined Financial Statements

Donnelley Financial Solutions, Inc. and Subsidiaries ("Donnelley Financial")
Consolidated and Combined Statements of Cash Flows
(in millions)

	Year Ended December 31,		
	2017	2016	2015
OPERATING ACTIVITIES			
Net earnings	\$ 9.7	\$ 59.1	\$ 104.3
Adjustments to reconcile net earnings to net cash provided by operating activities:			
Depreciation and amortization	44.5	43.3	41.7
Provision for doubtful accounts receivable	3.9	3.1	0.5
Share-based compensation	6.8	2.5	1.6
Deferred income taxes	12.4	(5.9)	10.2
Changes in uncertain tax positions	(0.2)	0.9	0.3
Gain on investments and other assets - net	0.2	0.1	—
Net pension and other postretirement benefits plan income	(3.3)	(1.0)	—
Other	2.8	1.0	0.2
Changes in operating assets and liabilities - net of acquisitions:			
Accounts receivable - net	18.0	(43.1)	(10.2)
Inventories	0.8	(1.9)	0.2
Prepaid expenses and other current assets	(3.5)	(7.4)	0.9
Accounts payable	(18.3)	42.3	5.1
Income taxes payable and receivable	5.4	(3.6)	(0.7)
Accrued liabilities and other	14.4	17.7	(33.2)
Pension and other postretirement benefits plan contributions	(2.2)	(1.1)	—
Net cash provided by operating activities	91.4	106.0	120.9
INVESTING ACTIVITIES			
Capital expenditures	(27.8)	(26.2)	(27.1)
Purchases of investments	(3.4)	(3.5)	(10.0)
Other investing activities	0.2	0.4	—
Net cash used in investing activities	(31.0)	(29.3)	(37.1)
FINANCING ACTIVITIES			
Revolving facility borrowings	298.5	—	—
Payments on revolving facility borrowings	(298.5)	—	—
Payments on long-term debt	(133.0)	(50.0)	—
Debt issuance costs	(2.1)	(9.3)	—
Separation-related payment from R.R. Donnelley	68.0	—	—
Proceeds from issuance of common stock	18.8	—	—
Proceeds from issuance of long-term debt	3.1	348.2	—
Net change in short-term debt	—	(8.8)	(24.0)
Payments on note payable with an R.R. Donnelley affiliate	—	—	(14.8)
Net transfers to Parent and affiliates	—	(340.1)	(56.0)
Treasury stock repurchases	(0.9)	—	—
Other financing activities	0.4	—	—
Net cash used in financing activities	(45.7)	(60.0)	(94.8)
Effect of exchange rate on cash and cash equivalents	1.1	4.4	(2.5)
Net increase (decrease) in cash and cash equivalents	15.8	21.1	(13.5)
Cash and cash equivalents at beginning of year	36.2	15.1	28.6
Cash and cash equivalents at end of period	\$ 52.0	\$ 36.2	\$ 15.1
Supplemental non-cash disclosures:			
Debt exchange with R.R. Donnelley, including \$5.5 million of debt issuance costs	\$ —	\$ 300	\$ —
Settlement of intercompany note payable	—	29.6	—
Accrued debt issuance costs	—	1.5	—

See Notes to the Consolidated and Combined Financial Statements

Donnelley Financial Solutions, Inc. and Subsidiaries ("Donnelley Financial")
Consolidated and Combined Statements of Equity
(in millions)

	Common Stock		Treasury Stock		Additional Paid-in- Capital	Net Parent Company Investment	Retained Earnings (Accumulated Deficit)	Accumulated Other Comprehensive Loss	Total Equity
	Shares	Amount	Shares	Amount					
Balance at January 1, 2015	—	\$ —	—	\$ —	\$ —	\$ 1,025.2	\$ —	\$ (673.7)	\$ 351.5
Net earnings	—	—	—	—	—	104.3	—	—	104.3
Net transfers to R.R. Donnelley	—	—	—	—	—	(53.2)	—	—	(53.2)
Net transfer of pension plan to R.R. Donnelley	—	—	—	—	—	(436.8)	—	637.7	200.9
Other comprehensive income	—	—	—	—	—	—	—	20.0	20.0
Balance at December 31, 2015	—	\$ —	—	\$ —	\$ —	\$ 639.5	\$ —	\$ (16.0)	\$ 623.5
Net earnings	—	—	—	—	—	59.9	(0.8)	—	59.1
Net transfers to R.R. Donnelley	—	—	—	—	—	(598.8)	—	—	(598.8)
Separation-related adjustments	—	—	—	—	—	78.0	—	(59.3)	18.7
Reclassification of net parent company investment in connection with the Separation	—	—	—	—	178.6	(178.6)	—	—	—
Issuance of common stock upon separation	32.4	0.3	—	—	—	—	—	—	0.3
Share-based compensation	—	—	—	—	1.3	—	—	—	1.3
Issuance of share-based awards, net of withholdings and other	0.2	—	—	—	—	—	—	—	—
Other comprehensive income	—	—	—	—	—	—	—	7.0	7.0
Balance at December 31, 2016	32.6	\$ 0.3	—	\$ —	\$ 179.9	\$ —	\$ (0.8)	\$ (68.3)	\$ 111.1
Net earnings	—	—	—	—	—	—	9.7	—	9.7
Other comprehensive income	—	—	—	—	—	—	—	3.7	3.7
Separation-related adjustments	—	—	—	—	—	—	—	—	—
Issuance of additional common shares	0.9	—	—	—	18.8	—	—	—	18.8
Share-based compensation	—	—	—	—	6.8	—	—	—	6.8
Issuance of share-based awards, net of withholdings and other	0.3	—	—	(0.9)	—	—	—	—	(0.9)
Balance at December 31, 2017	33.8	\$ 0.3	—	\$ (0.9)	\$ 205.7	\$ —	\$ 8.9	\$ (64.6)	\$ 149.4

See Notes to the Consolidated and Combined Financial Statements

Note 1. Overview and Basis of Presentation

Description of Business

Donnelley Financial Solutions, Inc. (the “Company” or “Donnelley Financial”) is a financial communications services company that supports global capital markets compliance and transaction needs for its corporate clients and their advisors (such as law firms and investment bankers) and global investment markets compliance and analytics needs for mutual fund companies, variable annuity providers and broker/dealers. With proprietary technology such as data storage and workflow collaboration tools, deep subject matter expertise and a global footprint, Donnelley Financial produces, manages, stores, distributes, and translates documents and electronic communications in order to deliver timely financial communications to investors and documents in a manner that complies with regulatory commissions.

Donnelley Financial’s Registration Statement on Form 10, as amended, was declared effective by the U.S. Securities and Exchange Commission (the “SEC”) on September 20, 2016. On October 1, 2016, Donnelley Financial became an independent publicly traded company through the distribution by R.R. Donnelley & Sons Company (“RRD”) of approximately 26.2 million shares, or 80.75%, of Donnelley Financial common stock to RRD shareholders (the “Separation”). Holders of RRD common stock received one share of Donnelley Financial common stock for every eight shares of RRD common stock held on September 23, 2016. As part of the Separation, RRD retained approximately 6.2 million shares of Donnelley Financial common stock, or a 19.25% interest in Donnelley Financial. Donnelley Financial’s common stock began regular-way trading under the ticker symbol “DFIN” on the New York Stock Exchange on October 3, 2016. On October 1, 2016, RRD also completed the previously announced separation of LSC Communications, Inc. (“LSC”), its publishing and retail-centric print services and office products business. On March 28, 2017, RRD completed the sale of 6.2 million shares of LSC common stock (RRD’s remaining ownership stake in LSC) in an underwritten public offering. As a result, beginning in the quarter ended June 30, 2017, LSC no longer qualified as a related party of the Company.

On March 24, 2017, pursuant to the Stockholder and Registration Rights Agreement, dated as of September 30, 2016, by and between the Company and RRD, the Company filed a Registration Statement on Form S-1 to register the offering and sale of shares of the Company’s common stock retained by RRD. The Registration Statement on Form S-1, as amended, was declared effective by the SEC on June 13, 2017. On June 21, 2017, RRD completed the sale of approximately 6.1 million shares of the Company’s common stock in an underwritten public offering. Upon the consummation of the offering, RRD retained approximately 0.1 million shares of the Company’s common stock which were subsequently sold by RRD on August 4, 2017. In conjunction with the underwritten public offering, the underwriters exercised their option to purchase approximately 0.9 million of the Company’s shares (the “Option Shares”). The Company received approximately \$18.8 million in net proceeds from the sale of the Option Shares, after deducting estimated underwriting discounts and commissions. The proceeds were used to reduce outstanding debt under the Revolving Facility (as defined in Note 12, *Debt*). Beginning in the quarter ended September 30, 2017, RRD no longer qualified as a related party, therefore amounts disclosed related to RRD are presented through June 30, 2017 only.

On September 14, 2016, the Company and LSC entered into a Separation and Distribution Agreement with RRD to effect the distribution of the Company’s and LSC’s common stock to RRD’s common stockholders (the “Separation and Distribution Agreement”). This agreement governs the Company’s relationship with RRD and LSC with respect to pre-Separation matters and provides for the allocation of employee benefit, litigation and other liabilities and obligations attributable to periods prior to the Separation. The Separation and Distribution Agreement also includes an agreement that the Company, RRD and LSC will provide each other with appropriate indemnities with respect to liabilities arising out of the businesses being distributed and retained by RRD in the Separation. The Separation and Distribution Agreement also addresses employee compensation and benefit matters.

In connection with the Separation, the Company entered into transition services agreements separately with RRD and LSC, under which, in exchange for the fees specified in the arrangements, RRD and LSC agree to provide certain services to the Company and the Company agrees to provide certain services to RRD, respectively, for up to 24 months following the Separation. These services include, but are not limited to, information technology, accounts receivable, accounts payable, payroll and other financial and administrative services and functions. These agreements facilitate the separation by allowing the Company to operate independently prior to establishing stand-alone back office systems across its organization.

At the time of the Separation, the Company entered into a number of commercial and other arrangements with RRD and its subsidiaries. These include, among other things, arrangements for the provision of services, including global outsourcing and logistics services, printing and binding, digital printing, composition, premedia and access to technology. The terms of the arrangements with RRD do not exceed 36 months. Subsequent to the Separation, RRD and LSC are clients of the Company and expect to utilize financial communication software and services that the Company makes available to all of its clients.

Notes to the Consolidated and Combined Financial Statements
(in millions, except per share data, unless otherwise indicated)

Basis of Presentation

The accompanying consolidated and combined financial statements reflect the consolidated financial position and consolidated results of operations of the Company as an independent, publicly traded company for the periods after the Separation and the combined results of operations for the periods prior to the Separation. Prior to the Separation, the combined financial statements were prepared on a stand-alone basis and were derived from RRD's consolidated financial statements and accounting records. The consolidated and combined financial statements have been prepared in accordance with accounting principles generally accepted in the United States ("GAAP") and in accordance with the rules and regulations of the SEC.

For periods prior to the Separation, the consolidated and combined financial statements include the allocation of certain assets and liabilities that were historically held at the RRD corporate level but which were specifically identifiable or attributable to the Company. Cash and cash equivalents held by RRD were not allocated to Donnelley Financial unless they were held in a legal entity that was transferred to Donnelley Financial. All intercompany transactions and accounts within Donnelley Financial have been eliminated. All intracompany transactions between RRD and Donnelley Financial are considered to be effectively settled in the consolidated and combined financial statements at the time the transaction is recorded. The total net effect of the settlement of these intracompany transactions is reflected in the consolidated and combined statements of cash flows as a financing activity and in the consolidated and combined statements of equity as net parent company investment. Net parent company investment is primarily impacted by contributions from RRD which are the result of treasury activities and net funding provided by or distributed to RRD.

Prior to the Separation, the consolidated and combined financial statements include certain expenses of RRD which were allocated to Donnelley Financial for certain functions, including general corporate expenses related to information technology, finance, legal, human resources, internal audit, treasury, tax, investor relations and executive oversight. These expenses were allocated to the Company on the basis of direct usage, when available, with the remainder allocated on the pro rata basis of revenue, employee headcount, or other measures. We consider the expense methodology and results to be reasonable for all periods presented. However these allocations may not be indicative of the actual expenses that would have been incurred as an independent public company or the costs that may be incurred in the future.

For periods prior to the Separation, the income tax amounts in the consolidated and combined financial statements were calculated based on a separate income tax return methodology and presented as if the Company's operations were separate taxpayers in the respective jurisdictions.

RRD maintained various benefit and share-based compensation plans at a corporate level. Donnelley Financial employees participated in those programs and a portion of the cost of those plans is included in Donnelley Financial's consolidated and combined financial statements for periods prior to the Separation. On October 1, 2016, Donnelley Financial recorded net pension plan liabilities of \$68.3 million (consisting of a total benefit plan liability of \$317.0 million, net of plan assets having fair market value of \$248.7 million), as a result of the transfer of certain pension plan liabilities and assets from RRD to the Company upon the legal split of those plans. The pension plan asset allocation from RRD was finalized on June 30, 2017, which resulted in a \$0.7 million decrease to the fair value of plan assets transferred to the Company from RRD. The Company also recorded a net other postretirement benefit liability of \$1.5 million, as a result of the transfer of an other postretirement benefit plan from RRD to the Company. Refer to Note 10, *Retirement Plans*, for further details regarding the Company's pension and other postretirement benefit plans.

Donnelley Financial generates a portion of net revenue from sales to RRD's subsidiaries. Included in the consolidated and combined financial statements are net revenues from sales to RRD and affiliates of \$8.3 million for the six months ended June 30, 2017 and \$19.4 million and \$7.8 million for the years ended December 31, 2016 and 2015, respectively. Donnelley Financial utilizes RRD for freight and logistics, production of certain printed products and outsourced business services functions. Included in the consolidated and combined financial statements are cost of sales to RRD and affiliates of \$51.8 million for the six months ended June 30, 2017 and \$95.7 million and \$108.7 million for the years ended December 31, 2016 and 2015, respectively. See Note 19, *Related Parties*, for a further description of related party transactions.

Note 2. Significant Accounting Policies

Use of Estimates —The preparation of consolidated and combined financial statements, in conformity with GAAP, requires the extensive use of management's estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting periods. Actual results could differ from these estimates. Estimates are used when accounting for items and matters including, but not limited to, allowance for uncollectible accounts receivable, inventory obsolescence, asset valuations and useful lives, employee benefits, taxes, restructuring and other provisions and contingencies.

Notes to the Consolidated and Combined Financial Statements
(in millions, except per share data, unless otherwise indicated)

Foreign Operations—Assets and liabilities denominated in foreign currencies are translated into U.S. dollars at the exchange rates existing at the respective balance sheet dates. Income and expense items are translated at the average rates during the respective periods. Translation adjustments resulting from fluctuations in exchange rates are recorded as a separate component of other comprehensive income (loss) while transaction gains and losses are recorded in net earnings. Deferred taxes are not provided on cumulative foreign currency translation adjustments when the Company expects foreign earnings to be indefinitely reinvested.

Fair Value Measurements—Certain assets and liabilities are required to be recorded at fair value on a recurring basis. 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. The Company records the fair value of its pension plan assets on a recurring basis. See Note 10, *Retirement Plans*, for the fair value of the Company's pension plan assets as of December 31, 2017.

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. Assets measured at fair value on a nonrecurring basis include long-lived assets held and used, long-lived assets held for sale, goodwill and other intangible assets. The fair value of cash and cash equivalents, accounts receivable, short-term debt and accounts payable approximate their carrying values. The three-tier value hierarchy, which prioritizes valuation methodologies based on the reliability of the inputs, is:

Level 1—Valuations based on quoted prices for identical assets and liabilities in active markets.

Level 2—Valuations based on observable inputs other than quoted prices included in Level 1, such as quoted prices for similar assets and liabilities in active markets, quoted prices for identical or similar assets and liabilities in markets that are not active, or other inputs that are observable or can be corroborated by observable market data.

Level 3—Valuations based on unobservable inputs reflecting the Company's own assumptions, consistent with reasonably available assumptions made by other market participants.

Revenue Recognition—The Company files highly-customized materials, such as regulatory S-filings and IPOs with the SEC on behalf of its customers, and performs XBRL and related services. Revenue is recognized for these services upon completion of the service performed or following final delivery of the related printed product. The Company also provides virtual data room services and other content management services, for which revenue is recognized as the service is performed. The Company recognizes revenue for the majority of its products upon the transfer of title and risk of ownership, which is generally upon shipment to the customer. Because substantially all of the Company's products are customized, product returns are not significant; however, the Company accrues for the estimated amount of customer credits at the time of sale.

The Company records deferred revenue in situations where amounts are invoiced but the revenue recognition criteria outlined above are not met. Such revenue is recognized when all criteria are subsequently met.

Certain revenues earned by the Company require judgment to determine if revenue should be recorded gross, as a principal, or net of related costs, as an agent. Billings for shipping and handling costs as well as certain postage costs, and out-of-pocket expenses are recorded gross. The Company's printing operations process paper that may be supplied directly by customers or may be purchased by the Company and sold to customers. No revenue is recognized for customer-supplied paper, but revenues for Company-supplied paper are recognized on a gross basis.

Refer to Note 20, *New Accounting Pronouncements*, for a discussion of the expected impact of the 2018 adoption of Accounting Standards Update No. 2014-09 "Revenue from Contracts with Customers (Topic 606)" ("ASU 2014-09").

Cash and cash equivalents—The Company considers all highly liquid investments with original maturities of three months or less to be cash equivalents. Short-term securities consist of investment grade instruments of governments, financial institutions and corporations.

Receivables—Receivables are stated net of allowances for doubtful accounts and primarily include trade receivables, notes receivable and miscellaneous receivables from suppliers. No single customer comprised more than 10% of the Company's net sales in 2017, 2016 or 2015. Specific customer provisions are made when a review of significant outstanding amounts, utilizing information about customer creditworthiness and current economic trends, indicates that collection is doubtful. In addition, provisions are made at differing rates, based upon the age of the receivable and the Company's historical collection experience. See Note 5, *Accounts Receivable*, for details of activity affecting the allowance for doubtful accounts receivable.

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Inventories —Inventories include material, labor and factory overhead and are stated at the lower of cost or market and net of excess and obsolescence reserves for raw materials and finished goods. Provisions for excess and obsolete inventories are made at differing rates, utilizing historical data and current economic trends, based upon the age and type of the inventory. Specific excess and obsolescence provisions are also made when a review of specific balances indicates that the inventories will not be utilized in production or sold. Inventory is valued using the First-In, First-Out (FIFO) method.

Long-Lived Assets —The Company assesses potential impairments to its long-lived assets if events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Indefinite-lived intangible assets are reviewed annually for impairment or more frequently if events or changes in circumstances indicate that the carrying value may not be recoverable. An impaired asset is written down to its estimated fair value based upon the most recent information available. Estimated fair market value is generally measured by discounting estimated future cash flows. Long-lived assets, other than goodwill, are recorded at the lower of the carrying value or the fair market value less the estimated cost to sell.

Property, plant and equipment —Property, plant and equipment are recorded at cost and depreciated on a straight-line basis over their estimated useful lives. Useful lives range from 15 to 40 years for buildings, the lesser of 7 years or the lease term for leasehold improvements and from 3 to 15 years for machinery and equipment. Maintenance and repair costs are charged to expense as incurred. Major overhauls that extend the useful lives of existing assets are capitalized. When properties are retired or disposed, the costs and accumulated depreciation are eliminated and the resulting profit or loss is recognized in the results of operations.

Goodwill —Goodwill is either assigned to a specific reporting unit or allocated between reporting units based on the relative fair value of each reporting unit. The Company's goodwill balances were reallocated from RRD's historical reporting units based on the relative fair values of the businesses.

Goodwill is reviewed for impairment annually 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 amount.

For certain reporting units, the Company may perform a qualitative, rather than quantitative, assessment to determine whether it is more likely than not that the fair value of a reporting unit is less than its carrying amount. In performing this qualitative analysis, the Company considers various factors, including the excess of prior year estimates of fair value compared to carrying value, the effect of market or industry changes and the reporting units' actual results compared to projected results. Based on this qualitative analysis, if management determines that it is more likely than not that the fair value of the reporting unit is greater than its carrying value, no further impairment testing is performed.

For the remaining reporting units, the Company compares each reporting unit's fair value, estimated based on comparable company market valuations and expected future discounted cash flows to be generated by the reporting unit, to its carrying amount. If the carrying amount exceeds the reporting unit's fair value, the Company will recognize an impairment loss for the amount by which the carrying amount exceeds the fair value.

The Company also performs an interim review for indicators of impairment at each quarter-end to assess whether an interim impairment review is required for any reporting unit. In the Company's annual review at October 31, 2017, and its interim review for indicators of impairment as of December 31, 2017, management concluded that there were no indicators that the fair value of any of the reporting units with goodwill was more likely than not below its carrying amount.

Amortization — Certain costs to acquire and develop internal-use computer software are capitalized and amortized over their estimated useful life using the straight-line method, up to a maximum of three years. Amortization expense related to internally-developed software, excluding amortization expense related to other intangible assets, was \$22.5 million, \$20.5 million and \$17.2 million for the years ended December 31, 2017, 2016 and 2015, respectively. Other intangible assets are recognized separately from goodwill and are amortized over their estimated useful lives. See Note 4, *Goodwill and Other Intangible Assets*, for further discussion of other intangible assets and the related amortization expense.

Share-Based Compensation — In periods prior to the Separation, RRD maintained an incentive share-based compensation program for the benefit of its officers, directors, and certain employees, including certain Donnelley Financial employees. For those periods share-based compensation expense has been allocated to the Company based on the awards and terms previously granted to the Company's employees as well as an allocation of compensation expense to RRD's corporate and shared functional employees.

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Subsequent to the Separation, the Company recognizes share-based compensation expense based on estimated fair values for all share-based awards made to employees and directors, including restricted stock and restricted stock units. The Company recognizes compensation expense for restricted stock units expected to vest on a straight-line basis over the requisite service period of the award, based on the grant date fair value. The Company recognizes compensation expense for performance based restricted stock awards utilizing a graded vesting schedule. See Note 14, *Share-Based Compensation*, for further discussion.

Pension and Other Postretirement Benefit Plans — Prior to the Separation, RRD provided pension and other postretirement healthcare benefits to certain current and former employees of Donnelley Financial. Donnelley Financial's consolidated and combined statements of operations include expense allocations for these benefits. These allocations were funded through intercompany transactions with RRD which are reflected within net parent company investment in Donnelley Financial.

On October 1, 2016, Donnelley Financial recorded net pension plan liabilities of \$68.3 million (consisting of a total benefit plan liability of \$317.0 million, net of plan assets having fair market value of \$248.7 million), as a result of the transfer of certain pension plan liabilities and assets from RRD to the Company upon the legal split of those plans. The pension plan asset allocation from RRD was finalized on June 30, 2017, which resulted in a \$0.7 million decrease to the fair value of plan assets transferred to the Company from RRD. The Company also recorded a net other postretirement benefit liability of \$1.5 million, as a result of the transfer of an other postretirement benefit plan from RRD to the Company.

Donnelley Financial engages outside actuaries to assist in the determination of the obligations and costs under these plans. The annual income and expense amounts relating to the pension plan are based on calculations which include various actuarial assumptions including, mortality expectations, discount rates and expected long-term rates of return. The Company reviews its actuarial assumptions on an annual basis and makes modifications to the assumptions based on current rates and trends when it is deemed appropriate to do so. The effects of modifications on the value of plan obligations and assets is recognized immediately within other comprehensive income (loss) and amortized into operating earnings over future periods. The Company believes that the assumptions utilized in recording its obligations under its plans are reasonable based on its experience, market conditions and input from its actuaries and investment advisors. Refer to Note 10, *Retirement Plans*, for further discussion.

Taxes on Income - In the Company's combined financial statements prior to Separation, income tax expense and deferred tax balances were calculated on a separate income tax return basis although the Company's operations have historically been included in the tax returns filed by the respective RRD entities of which the Company's business was a part. As a standalone entity, the Company will file tax returns on its own behalf and its deferred taxes and effective tax rate may differ from those in historical periods.

Deferred taxes are provided using an asset and liability method whereby deferred tax assets are recognized for deductible temporary differences and operating loss carryforwards and deferred tax liabilities are recognized for taxable temporary differences. Temporary differences are the differences between the reported amounts of assets and liabilities and their tax basis. Deferred tax assets are reduced by a valuation allowance when, in the opinion of management, it is more likely than not that some portion or all of the deferred tax assets will not be realized. Deferred tax assets and liabilities are adjusted for the effects of changes in tax laws and rates on the date of enactment.

The Company maintains an income taxes payable or receivable account in each jurisdiction and, with the exception of certain entities outside the U.S. that transferred to the Company at Separation, the Company is deemed to settle current tax balances with the RRD tax paying entities in the respective jurisdictions. The Company classifies interest expense and any related penalties related to income tax uncertainties as a component of income tax expense.

The Company is regularly audited by foreign and domestic tax authorities. These audits occasionally result in proposed assessments where the ultimate resolution might result in the Company owing additional taxes, including in some cases, penalties and interest. The Company recognizes a tax position in its financial statements when it is more likely than not (*i.e.*, a likelihood of more than fifty percent) that the position would be sustained upon examination by tax authorities. This recognized tax position is then measured at the largest amount of benefit that is greater than fifty percent likely of being realized upon ultimate settlement. Although management believes that its estimates are reasonable, the final outcome of uncertain tax positions may be materially different from that which is reflected in the Company's financial statements. The Company adjusts such reserves upon changes in circumstances that would cause a change to the estimate of the ultimate liability, upon effective settlement or upon the expiration of the statute of limitations, in the period in which such event occurs. See Note 11, *Income Taxes*, for further discussion.

Notes to the Consolidated and Combined Financial Statements
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Note 3. Restructuring, Impairment and Other Charges

Restructuring, Impairment and Other Charges recognized in Results of Operations

2017	Employee Terminations	Other Restructuring Charges	Total Restructuring Charges	Impairment	Other Charges	Total
U.S.	\$ 3.3	\$ 0.2	\$ 3.5	\$ 0.2	\$ 0.2	\$ 3.9
International	2.1	0.1	2.2	—	—	2.2
Corporate	1.0	—	1.0	—	—	1.0
Total	\$ 6.4	\$ 0.3	\$ 6.7	\$ 0.2	\$ 0.2	\$ 7.1

Restructuring Charges

For the year ended December 31, 2017, the Company recorded net restructuring charges of \$6.4 million for employee termination costs for 192 employees, substantially all of whom were terminated as of December 31, 2017. These charges primarily related to the reorganization of certain operations and certain administrative functions. During the year ended December 31, 2017, the Company also incurred \$0.3 million of net lease termination and other restructuring costs, \$0.2 million of net impairment charges related to leasehold improvements associated with facility closures and \$0.2 million for other charges associated with the Company's decision to withdraw in 2013 from certain-multi-employer pension plans serving facilities that continued to operate.

2016	Employee Terminations	Other Restructuring Charges	Total Restructuring Charges	Other Charges	Total
U.S.	\$ 3.0	\$ 1.5	\$ 4.5	\$ 0.2	\$ 4.7
International	0.6	—	0.6	—	0.6
Corporate	0.1	—	0.1	—	0.1
Total	\$ 3.7	\$ 1.5	\$ 5.2	\$ 0.2	\$ 5.4

Restructuring Charges

For the year ended December 31, 2016, the Company recorded net restructuring charges of \$3.7 million for employee termination costs for 84 employees, all of whom were terminated as of December 31, 2017. These charges primarily related to the reorganization of certain administrative functions. Additionally, the Company incurred lease termination and other restructuring charges of \$1.5 million for the year ended December 31, 2016.

2015	Employee Terminations	Other Restructuring Charges	Total Restructuring Charges	Other Charges	Total
U.S.	\$ 1.4	\$ 1.9	\$ 3.3	\$ 0.2	\$ 3.5
International	0.9	—	0.9	—	0.9
Total	\$ 2.3	\$ 1.9	\$ 4.2	\$ 0.2	\$ 4.4

Restructuring and Impairment Charges

For the year ended December 31, 2015, the Company recorded net restructuring charges of \$2.3 million for employee termination costs for 64 employees, all of whom were terminated as of December 31, 2017. These charges primarily related to the reorganization of certain administrative functions. Additionally, the Company incurred lease termination and other restructuring charges of \$1.9 million for the year ended December 31, 2015.

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Restructuring Reserve

The restructuring reserve as of December 31, 2017 and 2016, and changes during the year ended December 31, 2017, were as follows:

	December 31, 2016	Restructuring Charges	Reversals	Foreign Exchange and Other	Cash Paid	December 31, 2017
Employee terminations	\$ 1.6	\$ 6.5	\$ (0.1)	\$ —	\$ (6.7)	\$ 1.3
Lease terminations and other	3.8	3.7	(3.4)	0.3	(2.3)	2.1
Total	\$ 5.4	\$ 10.2	\$ (3.5)	\$ 0.3	\$ (9.0)	\$ 3.4

The current portion of restructuring reserves of \$2.7 million at December 31, 2017 was included in accrued liabilities, while the long-term portion of \$0.7 million, primarily related to lease termination costs, was included in other noncurrent liabilities at December 31, 2017.

The Company anticipates that payments associated with the employee terminations reflected in the above table will be substantially completed by June 30, 2018.

The restructuring liabilities classified as "lease terminations and other" consisted of lease terminations, other facility closing costs and contract termination costs. Payments on certain of the lease obligations are scheduled to continue until 2021. Market conditions and the Company's ability to sublease these properties could affect the ultimate charges related to the lease obligations. Any potential recoveries or additional charges could affect amounts reported in the Company's financial statements. "Reversals" primarily relate to the reversal of previously recognized lease termination costs associated with a facility that the Company began using during the third quarter of 2017.

The restructuring reserve as of December 31, 2016 and 2015, and changes during the year ended December 31, 2016, were as follows:

	December 31, 2015	Restructuring Charges	Reversals	Foreign Exchange and Other	Cash Paid	December 31, 2016
Employee terminations	\$ 0.9	\$ 3.7	\$ (0.1)	\$ —	\$ (2.9)	\$ 1.6
Lease terminations and other	4.9	1.5	—	—	(2.6)	3.8
Total	\$ 5.8	\$ 5.2	\$ (0.1)	\$ —	\$ (5.5)	\$ 5.4

The current portion of restructuring reserves of \$3.7 million at December 31, 2016 was included in accrued liabilities, while the long-term portion of \$1.7 million, primarily related to lease termination costs, was included in other noncurrent liabilities at December 31, 2016.

Note 4. Goodwill and Other Intangible Assets

The changes in the carrying amount of goodwill by segment for the years ended December 31, 2017 and 2016 were as follows:

	U.S.	International	Total
Net book value as of January 1, 2016	\$ 429.2	\$ 17.6	\$ 446.8
Foreign exchange and other adjustments	—	(0.4)	(0.4)
Net book value as of December 31, 2016	429.2	17.2	446.4
Foreign exchange and other adjustments	—	1.0	1.0
Net book value as of December 31, 2017	\$ 429.2	\$ 18.2	\$ 447.4

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The components of other intangible assets at December 31, 2017 and 2016 were as follows:

	December 31, 2017			December 31, 2016		
	Gross Carrying Amount	Accumulated Amortization	Net Book Value	Gross Carrying Amount	Accumulated Amortization	Net Book Value
Customer relationships	\$ 140.6	\$ (100.7)	\$ 39.9	\$ 138.8	\$ (85.3)	\$ 53.5
Trade names	2.9	(2.9)	—	6.3	(5.5)	0.8
Trademarks, licenses and agreements	—	—	—	3.2	(3.2)	—
Total other intangible assets	<u>\$ 143.5</u>	<u>\$ (103.6)</u>	<u>\$ 39.9</u>	<u>\$ 148.3</u>	<u>\$ (94.0)</u>	<u>\$ 54.3</u>

Amortization expense for other intangible assets was \$15.0 million, \$14.4 million and \$15.4 million for the years ended December 31, 2017, 2016 and 2015, respectively.

The following table outlines the estimated annual amortization expense related to other intangible assets as of December 31, 2017:

For the year ending December 31,	Amount
2018	\$ 13.8
2019	13.8
2020	12.3
2021	—
2022	—
2023 and thereafter	—
Total	<u>\$ 39.9</u>

Note 5. Accounts Receivable

Transactions affecting the allowances for doubtful accounts receivable during the years ended December 31, 2017, 2016 and 2015 were as follows:

	2017	2016	2015
Balance, beginning of year	\$ 6.4	\$ 4.6	\$ 3.9
Provisions charged to expense	3.9	3.1	0.5
Write-offs and other	(3.0)	(1.3)	0.2
Balance, end of year	<u>\$ 7.3</u>	<u>\$ 6.4</u>	<u>\$ 4.6</u>

Note 6. Inventories

The components of the Company's inventories, net of excess and obsolescence reserves for raw materials and finished goods, at December 31, 2017 and 2016 were as follows:

	2017	2016
Raw materials and manufacturing supplies	\$ 3.3	\$ 7.6
Work in process	13.7	10.8
Finished goods	6.3	5.7
Total	<u>\$ 23.3</u>	<u>\$ 24.1</u>

Notes to the Consolidated and Combined Financial Statements
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Note 7. Property, Plant and Equipment

The components of the Company's property, plant and equipment at December 31, 2017 and 2016 were as follows:

	2017		2016
Land	\$ 10.0	\$	10.0
Buildings	36.1		44.4
Machinery and equipment	104.0		109.2
	<u>150.1</u>		<u>163.6</u>
Less: Accumulated depreciation	(115.4)		(128.1)
Total	\$ 34.7	\$	35.5

During the years ended December 31, 2017, 2016 and 2015, depreciation expense was \$7.0 million, \$8.4 million and \$9.1 million, respectively.

Note 8. Accrued Liabilities

The components of the Company's accrued liabilities at December 31, 2017 and 2016 were as follows:

	2017		2016
Employee-related liabilities	\$ 68.9	\$	54.0
Customer-related liabilities	22.9		19.3
Accrued interest payable	6.4		6.2
Restructuring liabilities	2.7		3.7
Other	18.3		17.5
Total accrued liabilities	\$ 119.2	\$	100.7

Employee-related liabilities consist primarily of sales commission, incentive compensation, employee benefit accruals and payroll. Customer-related liabilities consist primarily of deferred revenue and progress billings and volume discount accruals. Other accrued liabilities include miscellaneous operating accruals and income and other tax liabilities.

Note 9. Commitments and Contingencies

As of December 31, 2017, the Company had commitments of approximately \$5.3 million for the purchase of property, plant and equipment related to incomplete projects. In addition, as of December 31, 2017, the Company had commitments of approximately \$34.1 million for outsourced services, professional, maintenance and other services. The Company also has contractual commitments of \$1.3 million for severance payments related to employee restructuring activities.

Future minimum rental commitments under operating leases are as follows:

Year Ended December 31	Amount
2018	\$ 26.6
2019	20.1
2020	13.4
2021	10.1
2022	8.4
2023 and thereafter	21.8
	<u>\$ 100.4</u>

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The Company has operating lease commitments, including those for vacated facilities, totaling \$100.4 million extending through various periods to 2026. Lease terms for some locations provide for rent escalations and renewal options, with some leases requiring payment for taxes, insurance and maintenance. Escalation terms and renewal options vary by market and lease. Future rental commitments for leases have not been reduced by minimum non-cancelable sublease rentals aggregating approximately \$31.9 million. The Company remains secondarily liable under these leases in the event that the sub-lessee defaults under the sublease terms. The Company does not believe that material payments will be required as a result of the secondary liability provisions of the primary lease agreements.

Rent expense for facilities in use and equipment was \$27.4 million, \$23.8 million and \$22.2 million for the years ended December 31, 2017, 2016 and 2015, respectively. Rent expense for vacated facilities was recognized as restructuring, impairment and other charges. See Note 3, *Restructuring, Impairment and Other Charges*, for further details.

Litigation

From time to time, the Company's customers and others file voluntary petitions for reorganization under United States bankruptcy laws. In such cases, certain pre-petition payments received by the Company from these parties could be considered preference items and subject to return. In addition, the Company may be party to certain litigation arising in the ordinary course of business. Management believes that the final resolution of these preference items and litigation will not have a material effect on the Company's consolidated results of operations, financial position or cash flows.

Note 10. Retirement Plans

Donnelley Financial's Participation in RRD's Pension and Postretirement Benefit Plans

RRD provided pension and other postretirement healthcare benefits to certain current and former employees of Donnelley Financial. Donnelley Financial's consolidated and combined statements of operations include expense allocations for these benefits. These allocations were funded through intercompany transactions with RRD which are reflected within net parent company investment in Donnelley Financial. Total RRD pension and postretirement benefit plan net income allocated to Donnelley Financial, related to pension cost and postretirement benefits was \$4.2 million and \$3.7 million in the years ended December 31, 2016 and 2015, respectively. Included in these amounts is an allocation for other postretirement benefit plans for \$1.0 million and \$1.9 million in the years ended December 31, 2016 and 2015, respectively. These allocations are reflected in the Company's selling, general and administrative expenses.

Donnelley Financial's Pension and Postretirement Benefit Plans

On October 1, 2016, Donnelley Financial recorded net pension plan liabilities of \$68.3 million (consisting of a total benefit plan liability of \$317.0 million, net of plan assets having fair market value of \$248.7 million), as a result of the transfer of certain pension plan liabilities and assets from RRD to the Company upon the legal split of those plans. The pension plan asset allocation from RRD was finalized on June 30, 2017, which resulted in a \$0.7 million decrease to the fair value of plan assets transferred to the Company from RRD. The Company also recorded a net other postretirement benefit liability of \$1.5 million, as a result of the transfer of an other postretirement benefit plan from RRD to the Company.

The Company's primary defined benefit plan is frozen. No new employees are permitted to enter the Company's frozen plan and participants will earn no additional benefits. Benefits are generally based upon years of service and compensation. These defined benefit retirement income plans are funded in conformity with the applicable government regulations. The Company funds at least the minimum amount required for all funded plans using actuarial cost methods and assumptions acceptable under government regulations.

The annual income and expense amounts relating to the pension plan are based on calculations which include various actuarial assumptions including, mortality expectations, discount rates and expected long-term rates of return. The Company reviews its actuarial assumptions on an annual basis as of December 31 (or more frequently if a significant event requiring remeasurement occurs) and modifies the assumptions based on current rates and trends when it is appropriate to do so. The effects of modifications are recognized immediately on the consolidated balance sheets, but are amortized into operating earnings over future periods, with the deferred amount recorded in accumulated other comprehensive loss. Total pension income was \$3.3 million, \$1.0 million and \$27.0 million in 2017, 2016 and 2015, respectively, of which \$25.2 million was allocated in 2015 to RRD and RRD related parties.

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During the year ended December 31, 2014, the Company adopted the Society of Actuaries RP-2014 mortality tables which were used in the calculation of the Company's U.S. pension obligations. The new mortality tables increased the expected life of plan participants, extending the length of time that payments may be required and increasing the plans' total expected benefit payments. During the years ended December 31, 2016, and December 31, 2017, the Company adopted updates to the Society of Actuaries RP-2014 mortality tables. The 2016 and 2017 mortality table updates both resulted in a partial reversal of the 2014 increases in the expected life of plan participants and benefit obligations.

The Company made cash contributions of \$2.1 million and \$0.1 million to its pension and other postretirement benefit plans, respectively, during the year ended December 31, 2017. The Company expects to make cash contributions of approximately \$2.3 million and \$0.1 million to its pension and other postretirement benefit plans, respectively, in 2018.

The pension plan obligations are calculated using generally accepted actuarial methods and are measured as of December 31. Actuarial gains and losses for frozen plans are amortized using the corridor method over the average remaining expected life of active plan participants.

The components of the estimated net pension plan income for Donnelley Financial's pension plans for the years ended December 31, 2017, 2016 and 2015 were as follows:

	Pension Benefits		
	2017	2016	2015
Interest cost	\$ 10.6	\$ 2.4	\$ 147.3
Expected return on plan assets	(16.0)	(4.1)	(210.7)
Amortization of actuarial loss	2.1	0.7	36.4
Net periodic benefit income	\$ (3.3)	\$ (1.0)	\$ (27.0)
Income allocated to RRD affiliates	—	—	25.2
Net periodic benefit income, net of allocation	\$ (3.3)	\$ (1.0)	\$ (1.8)
Weighted average assumption used to calculate net periodic benefit expense:			
Discount rate	4.2%	3.7%	4.2%
Expected return on plan assets	7.0%	7.3%	7.5%

Reconciliation of funded status

	Pension Benefits		Other Postretirement Benefits	
	2017	2016	2017	2016
Benefit obligation at beginning of year	\$ 293.3	\$ 3.2	\$ 1.2	\$ —
Interest cost	10.6	2.4	—	—
Actuarial loss (gain)	22.9	(24.7)	—	(0.3)
Plan transfer	—	317.0	—	1.5
Foreign currency translation	—	—	0.1	—
Benefits paid	(16.9)	(4.6)	(0.1)	—
Benefit obligation at end of year	\$ 309.9	\$ 293.3	\$ 1.2	\$ 1.2
Fair value of plan assets at beginning of year	\$ 235.8	\$ —	\$ —	\$ —
Actual return on assets	36.1	(9.6)	—	—
Employer contributions	2.1	1.3	0.1	—
Plan transfer	(0.7)	248.7	—	—
Benefits paid	(16.9)	(4.6)	(0.1)	—
Fair value of plan assets at end of year	\$ 256.4	\$ 235.8	\$ —	\$ —
Funded status at end of year	\$ (53.5)	\$ (57.5)	\$ (1.2)	\$ (1.2)

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The accumulated benefit obligation for all defined benefit pension and other postretirement benefit plans was \$311.1 million and \$294.5 million at December 31, 2017 and 2016, respectively.

	Pension Benefits		Other Postretirement Benefits	
	2017	2016	2017	2016
Accrued benefit cost (included in accrued liabilities)	\$ (2.2)	\$ (2.2)	\$ —	\$ (0.1)
Pension and other postretirement benefits plan liabilities	(51.3)	(55.3)	(1.2)	(1.1)
Net liabilities recognized in the Consolidated Balance Sheets	<u>\$ (53.5)</u>	<u>\$ (57.5)</u>	<u>\$ (1.2)</u>	<u>\$ (1.2)</u>

The amounts included in accumulated other comprehensive loss in the Consolidated Balance Sheets excluding tax effects, that have not been recognized as components of net periodic cost at December 31, 2017 and 2016 were as follows:

	Pension Benefits		Other Postretirement Benefits	
	2017	2016	2017	2016
Accumulated other comprehensive (loss) income				
Net actuarial (loss) gain	\$ (87.6)	\$ (87.0)	\$ 0.1	\$ 0.2
Total	<u>\$ (87.6)</u>	<u>\$ (87.0)</u>	<u>\$ 0.1</u>	<u>\$ 0.2</u>

The pre-tax amounts recognized in other comprehensive income (loss) in 2017 as components of net periodic costs were as follows:

	Pension Benefits
Amortization of:	
Net actuarial loss	\$ 2.1
Amounts arising during the period:	
Net actuarial loss	(2.7)
Total	<u>\$ (0.6)</u>

Actuarial gains and losses in excess of 10.0% of the greater of the projected benefit obligation or the market-related value of plan assets were recognized as a component of net periodic benefit costs over the average remaining service period of a plan's active employees. As a result of the plan freezes, the actuarial gains and losses are recognized as a component of net periodic benefit costs over the average remaining life of a plan's active employees. The amounts in accumulated other comprehensive loss that are expected to be recognized as components of net periodic benefit costs in 2018 are shown below:

	Pension Benefits
Amortization of:	
Net actuarial loss	\$ 2.5
Total	<u>\$ 2.5</u>

The weighted average assumptions used to determine the benefit obligation at the measurement date were as follows:

	Pension Benefits		Other Postretirement Benefits	
	2017	2016	2017	2016
Discount rate	3.7%	4.2%	3.3%	3.6%

Notes to the Consolidated and Combined Financial Statements
(in millions, except per share data, unless otherwise indicated)

The following table provides a summary of under-funded or unfunded pension benefit plans with projected benefit obligations in excess of plan assets as of December 31, 2017 and 2016:

	Pension Benefits	
	2017	2016
Projected benefit obligation	\$ 309.9	\$ 293.3
Fair value of plan assets	256.4	235.8

As discussed above, the Company's defined benefit plan is frozen and no new employees are permitted to enter the plan. Participants do not earn additional service benefits. Consequently the projected benefit obligation and accumulated benefit obligation are the same amounts.

Benefit payments are expected to be paid as follows:

	Pension Benefits	Other Postretirement Benefits
2018	\$ 16.8	\$ 0.1
2019	16.7	0.1
2020	17.0	0.1
2021	18.2	0.1
2022	18.9	0.1
2023-2027	92.8	0.4

Plan Assets

The Company's U.S. pension plans are frozen and the Company has a risk management approach for its U.S. pension plan assets. The overall investment objective of this approach is to reduce the risk of significant decreases in the plan's funded status by allocating a larger portion of the plan's assets to investments expected to hedge the impact of interest rate risks on the plan's obligation. The expected long-term rate of return for plan assets is based upon many factors including asset allocations, historical asset returns, current and expected future market conditions, risk and active management premiums. The target asset allocation percentage as of December 31, 2017, for the primary U.S. pension plan was approximately 60.0% for return seeking investments and approximately 40.0% for fixed income investments.

The Company segregated its plan assets by the following major categories and levels for determining their fair value as of 2017:

Cash and cash equivalents— Carrying value approximates fair value. As such, these assets were classified as Level 1. The Company also invests in certain short-term investments which are valued using the amortized cost method. As such, these assets were classified as Level 2.

Equity— The values of individual equity securities were based on quoted prices in active markets. As such, these assets are classified as Level 1.

Fixed income— Fixed income securities are typically priced based on a valuation model rather than a last trade basis and are not exchange-traded. These valuation models involve utilizing dealer quotes, analyzing market information, estimating prepayment speeds and evaluating underlying collateral. Accordingly, the Company classified these fixed income securities as Level 2. Fixed income securities also include investments in various asset-backed securities that are part of a government sponsored program. The prices of these asset-backed securities were obtained by independent third parties using multi-dimensional, collateral specific prepayments tables. Inputs include monthly payment information and collateral performance. As the values of these assets was determined based on models incorporating observable inputs, these assets were classified as Level 2.

The Company invests in certain equity funds that are valued at calculated net asset value per share ("NAV"), but are not quoted on active markets. The Company believes that the NAV is representative of fair value at the reporting date, as there are no significant restrictions on redemption of these investments or other reasons to indicate that the investment would be redeemed at an amount different than the NAV.

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For Level 2 plan assets, management reviews significant investments on a quarterly basis including investigation of unusual fluctuations in price or returns and obtaining an understanding of the pricing methodology to assess the reliability of third-party pricing estimates.

The valuation methodologies described above may generate a fair value calculation that may not be indicative of net realizable value or future fair values. While the Company believes the valuation methodologies used are appropriate, the use of different methodologies or assumptions in calculating fair value could result in different amounts.

The fair values of the Company's pension plan assets at December 31, 2017 and 2016, by asset category were as follows:

Asset Category	December 31, 2017		
	Total	Level 1	Level 2
Cash and cash equivalents	\$ 7.0	\$ 3.2	\$ 3.8
Equity	63.5	63.5	—
Fixed income	87.1	—	87.1
Equity funds measured at NAV	98.8	—	—
Total	<u>\$ 256.4</u>	<u>\$ 66.7</u>	<u>\$ 90.9</u>

Asset Category	December 31, 2016		
	Total	Level 1	Level 2
Cash and cash equivalents	\$ 6.4	\$ 4.1	\$ 2.3
Equity	67.6	67.6	—
Fixed income	93.9	—	93.9
Equity funds measured at NAV	67.9	—	—
Total	<u>\$ 235.8</u>	<u>\$ 71.7</u>	<u>\$ 96.2</u>

Employer 401(k) Savings Plan — For the benefit of most of its U.S. employees, the Company maintains a defined contribution retirement savings plan (401(k)) that is intended to be qualified under Section 401(a) of the Internal Revenue Code. Under this plan, employees may contribute a percentage of eligible compensation on both a before-tax and after-tax basis. The Company provided a 401(k) discretionary match to participants in 2017, payable to participants' accounts in the first quarter of 2018. The total expense attributable to the match was \$3.4 million for the year ended December 31, 2017. The Company did not provide a 401(k) discretionary match to participants in 2016 or 2015.

Multi-Employer Pension Plans — The Company no longer participates in any active defined benefit multi-employer pension plans. During each of the years ended December 31, 2017, 2016 and 2015, the Company incurred additional charges of \$0.2 million related to its complete withdrawal from one multi-employer pension plan in 2013. These charges were recorded as restructuring, impairment and other charges and represent the Company's best estimate of the expected settlement of these withdrawal liabilities. See Note 3, *Restructuring, Impairment and Other Charges*, to the consolidated and combined financial statements for further details of charges related to complete multi-employer pension plan withdrawal liabilities recognized in the consolidated and combined statements of operations.

Note 11. Income Taxes

For periods prior to the Separation, income tax expense and deferred tax balances were calculated on a separate tax return basis although the Company's operations in certain circumstances, particularly the U.S. and Canada, have historically been included in the tax returns filed by the respective RRD entities of which the Company's business was a part. Beginning October 1, 2016, as a stand-alone entity, the Company files tax returns on its own behalf and its deferred taxes and effective tax rate may differ from those in the historical periods.

The Company maintains an income taxes payable or receivable account in each jurisdiction and with the exception of certain entities outside the U.S. that transferred to the Company at Separation, the Company is deemed to settle current tax balances for the period prior to the Separation with the RRD tax-paying entities in the respective jurisdictions. These settlements are reflected as changes in net parent company investment in the consolidated and combined balance sheets.

Notes to the Consolidated and Combined Financial Statements
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Income taxes have been based on the following components of earnings from operations before income taxes for the years ended December 31, 2017, 2016 and 2015:

	2017	2016	2015
U.S.	\$ 49.1	\$ 84.9	\$ 156.1
Foreign	7.1	9.4	15.6
Total	\$ 56.2	\$ 94.3	\$ 171.7

The components of income tax expense (benefit) from operations for the years ended December 31, 2017, 2016 and 2015 were as follows:

	2017	2016	2015
Current:			
U.S. Federal	\$ 12.5	\$ 28.6	\$ 41.3
U.S. State and Local	5.1	9.0	12.1
Foreign	3.4	3.5	3.8
Current income tax expense	21.0	41.1	57.2
Non-Current:			
U.S. Federal	12.5	—	—
U.S. State and Local	0.6	—	—
Non-current income tax expense	13.1	—	—
Deferred:			
U.S. Federal	13.3	(3.1)	8.1
U.S. State and Local	(0.1)	(0.4)	2.2
Foreign	(0.8)	(2.4)	(0.1)
Deferred income tax expense (benefit)	12.4	(5.9)	10.2
Total	\$ 46.5	\$ 35.2	\$ 67.4

The following table outlines the reconciliation of differences between the U.S. Federal statutory tax rate and the Company's worldwide effective income tax rate:

	2017	2016	2015
Federal statutory tax rate	35.0%	35.0%	35.0%
Federal and state transition tax on foreign earnings	25.3	—	—
Tax Act revaluation of U.S. net deferred tax assets	14.8	—	—
State and local income taxes, net of U.S. federal income tax benefit	5.7	5.9	5.4
Non-deductible expenses	3.6	—	—
Changes in valuation allowances	0.5	(1.9)	—
Adjustment of uncertain tax positions and interest	(0.4)	0.6	0.1
Domestic manufacturing deduction	(0.7)	(1.3)	(0.9)
Foreign tax rate differential	(1.3)	(0.7)	(1.0)
Other	0.2	(0.3)	0.7
Effective income tax rate	82.7%	37.3%	39.3%

The 2017 effective income tax rate is higher as compared to the 2016 effective income tax rate mainly due to impacts of the recent changes to U.S. tax legislation as a result of the enactment of the Tax Cuts and Jobs Act (H.R. 1) ("the Tax Act") on December 22, 2017. The 2017 effective income tax rate was also impacted by non-deductible expenses incurred by the Company in 2017 which were previously incurred by RRD on behalf of the Company during pre-Separation periods, as well as a one-time favorable change in valuation allowances in 2016 not present in 2017.

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On December 22, 2017, the SEC staff issued Staff Accounting Bulletin No. 118 ("SAB 118"), which provides guidance on accounting for the tax effects of the Tax Act. SAB 118 provides a measurement period of one year from the Tax Act enactment date for companies to complete their accounting. In accordance with SAB 118, a company must reflect the income tax effects of those aspects of the Act for which the accounting is complete. To the extent that a company's accounting for certain income tax effects of the Tax Act is incomplete but it is able to determine a reasonable estimate, it must record a provisional estimate in the financial statements. If a company cannot determine a provisional estimate to be included in the financial statements, it should continue to apply its accounting on the basis of the provisions of the tax laws that were in effect immediately before the enactment of the Tax Act.

As a result of the reduction in the U.S. corporate income tax rate from 35% to 21% effective January 1, 2018, the Company has revalued its U.S. deferred tax assets and liabilities as of December 31, 2017. The Company has recorded a reduction in the value of its net U.S. deferred tax asset of approximately \$8.2 million, which has been recorded as additional deferred income tax expense in the Company's consolidated statement of operations for the year ended December 31, 2017 and represents an income tax rate increase of 14.8%. Due to the transition to a territorial tax system under the Tax Act, the Company will be deemed to repatriate its foreign subsidiaries' untaxed accumulated earnings and pay a mandatory U.S. federal tax ("the transition tax") of 15.5% on the portion of the earnings that are in cash and cash equivalents and 8% on the portion of earnings that are in non-cash and non-cash equivalent assets. The Company has estimated this tax liability (federal and state) to be approximately \$14.2 million which has been recorded as income tax expense in the consolidated statement of operations for the year ended December 31, 2017 and represents an income tax rate increase of 25.3%. In accordance with SAB 118, the impact of the revaluation of deferred tax assets (\$8.2 million) and the transition tax (\$14.2 million) are recorded in the Company's financial statements for the year ended December 31, 2017 as provisional amounts as the Company was able to reasonably estimate the impact of these items. As the Company continues to analyze the full effects of the Tax Act on its financial statements, the impact of the Tax Act may differ from these provisional estimates due to, among other things, changes in interpretations and assumptions the Company has made, Department of the U.S. Treasury Internal Revenue Service ("IRS") guidance and regulations that may be issued and actions the Company may take as a result. Pursuant to SAB 118, the Company will complete the accounting for these items within the twelve month measurement period.

As available under the Tax Act, the Company will make an election to pay the transition tax liability in installments over eight years. Consequently, \$13.1 million of this liability has been recorded as noncurrent taxes payable and \$1.1 million as current taxes payable in the Company's consolidated balance sheet as of December 31, 2017.

Along with the change to a territorial tax system, the Tax Act creates the global intangible low-taxed income ("GILTI") provision. The GILTI provision imposes a tax on foreign income in excess of a deemed return on tangible assets of foreign subsidiary corporations. The Company may be subject to the GILTI tax in a given year, but currently does not expect that it should have a material impact to the Company's tax provision. The determination of whether the Company is subject to the GILTI provision will be an annual analysis of several factors under the provision, including the amount of foreign income generated by the Company's foreign subsidiaries and whether the Company has income subject to the GILTI tax, which may change from year to year. In January 2018, the Financial Accounting Standards Board ("FASB") released guidance on the accounting for GILTI tax, which allows an accounting policy election for companies to either account for deferred taxes related to GILTI inclusions or to treat any taxes on GILTI inclusions as period costs. The Company has not yet adopted its accounting policy with respect to GILTI tax; however, will do so within the twelve month measurement period pursuant to SAB 118.

Deferred income taxes

The significant deferred tax assets and liabilities at December 31, 2017 and 2016 were as follows:

	2017	2016
Deferred tax assets:		
Pension and other postretirement benefit plans liabilities	\$ 15.9	\$ 24.1
Accrued liabilities	11.9	18.5
Net operating losses and other tax carryforwards	10.1	14.4
Allowance for doubtful accounts	2.5	3.3
Share-based compensation	2.9	2.2
Other	1.2	2.4
Total deferred tax assets	44.5	64.9
Valuation allowances	(1.5)	(1.2)
Total deferred tax assets	\$ 43.0	\$ 63.7
Deferred tax liabilities:		
Other intangible assets	\$ (12.8)	\$ (21.0)
Accelerated depreciation	(6.8)	(3.1)
Other	(1.6)	(2.6)
Total deferred tax liabilities	(21.2)	(26.7)
Net deferred tax assets	\$ 21.8	\$ 37.0

The amounts above are included in the Consolidated Balance Sheets as either a net asset or liability on a jurisdiction by jurisdiction basis.

Transactions affecting the valuation allowances on deferred tax assets during the years ended December 31, 2017, 2016 and 2015 were as follows:

	2017	2016	2015
Balance, beginning of year	\$ 1.2	\$ 4.9	\$ 5.3
Current year expense (benefit)-net	0.3	(1.5)	—
Write-offs	—	(2.3)	—
Foreign exchange and other	—	0.1	(0.4)
Balance, end of year	\$ 1.5	\$ 1.2	\$ 4.9

As of December 31, 2017, the Company had domestic and foreign net operating loss deferred tax assets of approximately \$10.1 million (\$14.4 million at December 31, 2016), of which \$3.5 million expires between 2018 and 2027. Limitations on the utilization of these deferred tax assets may apply. The Company has provided valuation allowances to reduce the carrying value of certain deferred tax assets, as management has concluded that, based on the weight of available evidence, it is more likely than not that the deferred tax assets will not be fully realized.

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Earnings generated by a foreign subsidiary are presumed to ultimately be transferred to the parent company. Therefore, the establishment of deferred taxes may be required with respect to the excess of the investment value for financial reporting over the tax basis of investments in those foreign subsidiaries (also referred to as book-over-tax outside basis differences). A company may overcome this presumption and forgo recording a deferred tax liability in its financial statements if it can assert that management has the intent and ability to indefinitely reinvest the earnings of its foreign subsidiaries. Prior to the year ended December 31, 2017, the Company has not provided deferred U.S., foreign or local income taxes on the book-over-tax outside basis differences of its foreign subsidiaries because such excess has been considered to be indefinitely reinvested in the local country businesses. As a result of the transition tax that the Company will incur pursuant to the Tax Act, the Company now has the ability to repatriate to the U.S. parent the foreign cash associated with the foreign earnings subject to the transition tax, as these earnings have already been subject to U.S. federal taxes. The Company is currently analyzing its global working capital and cash requirements in order to determine the amount of excess cash at its foreign subsidiaries that can be repatriated to the U.S. with minimal additional taxes, but has not yet determined whether the Company plans to change its assertion of indefinite reinvestment on all foreign earnings and other outside basis differences. As the Company has not completed its analysis in accordance with SAB 118, the Company has not recorded any deferred taxes attributable to the book-over-tax outside basis differences in its foreign subsidiaries. The Company will record the tax effects of any change in the Company's assertion in the period that it completes its analysis; however, the Company does not anticipate incurring material foreign and/or local country taxes upon repatriation of foreign subsidiary earnings.

Cash payments for income taxes for U.S. states and foreign jurisdictions were \$30.5 million, \$5.2 million and \$1.9 million in 2017, 2016 and 2015, respectively. In certain jurisdictions, such as the United States and Canada, the Company is deemed to settle tax balances as of October 1, 2016 with RRD within net parent investment. Total amounts settled with RRD were \$2.6 million, \$37.2 million and \$55.1 million for 2017, 2016 and 2015, respectively. Cash refunds for income taxes were \$1.0 million, \$0.7 million and \$0.1 million in 2017, 2016 and 2015, respectively.

Uncertain tax positions

Changes in the Company's unrecognized tax benefits at December 31, 2017, 2016 and 2015 were as follows:

	2017	2016	2015
Balance at beginning of year	\$ 1.9	\$ 1.0	\$ 0.7
Additions for tax positions of the current year	—	—	0.3
Additions for tax positions of prior years	—	0.9	—
Settlements during the year	(1.4)	—	—
Releases	(0.2)	—	—
Balance at end of year	<u>\$ 0.3</u>	<u>\$ 1.9</u>	<u>\$ 1.0</u>

As of December 31, 2017, 2016 and 2015, the Company had \$0.3 million, \$1.9 million and \$1.0 million, respectively, of unrecognized tax benefits. Unrecognized tax benefits of \$0.1 million as of December 31, 2017, if recognized, would have decreased income taxes and the corresponding effective income tax rate and increased net earnings. This potential impact on net earnings reflects the reduction of these unrecognized tax benefits, net of certain deferred tax assets and the federal tax benefit of state income tax items.

As of December 31, 2017, no portion of the total amount of unrecognized tax benefits is expected to decrease within twelve months due to the resolution of audits or expirations of statutes of limitations related to U.S. federal, state or international tax positions.

The Company classifies interest expense and any penalties related to income tax uncertainties as a component of income tax expense. The total interest expense(benefit), net of tax benefits, related to tax uncertainties recognized in the Consolidated and Combined Statements of Operations was (\$0.2) million, \$0.3 million and \$0.2 million for the years ended December 31, 2017, 2016 and 2015, respectively. There were no benefits from the reversal of accrued penalties for the years ended December 31, 2017, 2016 and 2015. There were no accrued interest liabilities related to income tax uncertainties at December 31, 2017. Accrued interest liabilities of \$0.3 million related to income tax uncertainties were reported as a component of other noncurrent liabilities in the Consolidated Balance Sheets at December 31, 2016. There were no accrued penalties related to income tax uncertainties for the years ended December 31, 2017 and 2016.

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The Company has tax years from 2009 that remain open and subject to examination by certain U.S. state taxing authorities and/or certain foreign tax jurisdictions. During 2017, the Company filed its initial U.S. federal income tax return as a separate company for the stub period October 1, 2016 through December 31, 2016. Other than this stub period, there are no prior years subject to IRS examination.

Note 12. Debt

On September 30, 2016, in connection with the Separation, the Company entered into a Credit Agreement (the "Credit Agreement") by and among the Company, the lenders party thereto from time to time and JPMorgan Chase Bank, N.A., as administrative agent. The Credit Agreement provides for (i) a new senior secured term loan B facility in an aggregate principal amount of \$350.0 million (the "Term Loan Credit Facility") and (ii) a new first lien senior secured revolving credit facility in an aggregate principal amount of \$300.0 million (the "Revolving Facility", and, together with the Term Loan Credit Facility, the "Credit Facilities"). The Credit Agreement contains a number of covenants, including a minimum Interest Coverage Ratio and a maximum Leverage Ratio, as defined in and calculated pursuant to the Credit Agreement, that, in part, restrict the Company's ability to incur additional indebtedness, create liens, engage in mergers and consolidations, make restricted payments and dispose of certain assets. The Credit Agreement generally allows annual dividend payments of up to \$15.0 million in the aggregate. As of December 31, 2017, there were no outstanding borrowings under the Revolving Facility.

Borrowings under the Term Loan Credit Facility were used to provide \$340.2 million of cash to RRD, pursuant to the Separation Agreement, as of September 30, 2016. The remainder of the net proceeds was used for general corporate purposes.

Pursuant to the Separation and Distribution Agreement, the Company received a cash payment of \$68.0 million from RRD on April 3, 2017. The proceeds were used to reduce outstanding debt under the Term Loan Credit Facility.

On June 21, 2017, RRD completed the sale of approximately 6.1 million shares of the Company's common stock in an underwritten public offering. Upon the consummation of the offering, RRD retained approximately 0.1 million shares of the Company's common stock of the offering which were subsequently sold by RRD on August 4, 2017. In conjunction with the underwritten public offering, the underwriters exercised their option to purchase approximately 0.9 million Option Shares. The Company received approximately \$18.8 million in net proceeds from the sale of the Option Shares, after deducting estimated underwriting discounts and commissions. The proceeds were used to reduce outstanding debt under the Revolving Facility.

On October 2, 2017, the Company repriced the Term Loan Credit Facility. As a result, the interest rate was reduced by 100 basis points to LIBOR plus 3.0% and the LIBOR floor was reduced by 25 basis points to 0.75%. Additionally, under the amended Credit Agreement, principal payments are due on a quarterly basis. Other terms, including the outstanding principal, maturity date, and debt covenants such as the minimum Interest Coverage Ratio and the maximum Leverage Ratio are consistent with the original Credit Agreement.

On September 30, 2016, also in connection with the Separation, the Company issued \$300.0 million of 8.25% senior unsecured notes due October 15, 2024 (the "Notes"). Interest on the Notes is payable semi-annually on April 15 and October 15, commencing on April 15, 2017. The issuance of the Notes was part of a debt exchange that resulted in the settlement of certain of RRD's bonds. The Notes were issued pursuant to an indenture where certain wholly-owned domestic subsidiaries of the Company guarantee the Notes (the "Guarantors"). The Notes are jointly and severally guaranteed, on an unsecured basis, by the Guarantors, which are comprised of each of the Company's existing and future direct and indirect wholly-owned U.S. subsidiaries that guarantee the Company's obligations under the Credit Facilities. The Notes are not guaranteed by the Company's foreign subsidiaries or unrestricted subsidiaries. The Notes and the related guarantees will be the Company and the Guarantors', respective, senior unsecured obligations and will rank equally in right of payment to all present and future senior debt, including the obligations under the Company's Credit Facilities, senior in right of payment to all present and future subordinated debt, and effectively subordinated in right of payment to any of the Company and the Guarantors' secured debt, to the extent of the value of the assets securing such debt. The indenture governing the Notes contains certain covenants applicable to the Company and its restricted subsidiaries, including limitations on: (1) liens; (2) indebtedness; (3) mergers, consolidations and acquisitions; (4) sales, transfers and other dispositions of assets; (5) loans and other investments; (6) dividends and other distributions, stock repurchases and redemptions and other restricted payments; (7) restrictions affecting subsidiaries; (8) transactions with affiliates; and (9) designations of unrestricted subsidiaries. Each of these covenants is subject to important exceptions and qualifications.

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In connection with the offering of the Notes, the Company entered into a registration rights agreement, dated as of September 30, 2016 (the "Registration Rights Agreement"), pursuant to which the Company agreed to file a registration statement with the SEC with respect to an offer to exchange the Notes for registered notes. In certain circumstances, the Company may be required to file a shelf registration statement with the SEC registering the resale of the Notes by the holders thereof, in lieu of an exchange offer to such holders. On March 10, 2017, the Company filed a Registration Statement on Form S-4 (as amended, the "Exchange Offer Registration Statement") to offer to exchange the Notes for registered notes which have terms identical in all material respects to the Notes except that the registered notes are not subject to transfer restrictions or registration rights. The Exchange Offer Registration Statement was declared effective by the SEC on March 22, 2017. An exchange offer for the Notes was launched on March 22, 2017 and settled on April 25, 2017, resulting in the exchange of \$299.9 million aggregate principal amount of outstanding Notes for registered notes.

The Company's debt as of December 31, 2017 and 2016 consisted of the following:

	December 31, 2017	December 31, 2016
8.25% senior notes due October 15, 2024	\$ 300.0	\$ 300.0
Term Loan Credit Facility	168.6	298.3
Borrowings under the Revolving Facility	—	—
Unamortized debt issuance costs	(10.3)	(11.3)
Total debt	458.3	587.0
Less: current portion	—	—
Long-term debt	\$ 458.3	\$ 587.0

The fair value of the senior notes, which was determined using the market approach based upon interest rates available to the Company for borrowings with similar terms and maturities, were determined to be Level 2 under the fair value hierarchy. The fair value of the Company's senior notes was \$321.5 million and \$307.1 million at December 31, 2017 and 2016, respectively.

The weighted average interest rate on borrowings under the Revolving Facility was 4.4% at December 31, 2017.

As of December 31, 2017, the Company had \$4.5 million in outstanding letters of credit and bank guarantees, of which none reduced to the availability under the Revolving Facility.

At December 31, 2017, the future maturities of debt were as follows:

	Amount
2018	\$ —
2019	—
2020	2.5
2021	10.0
2022	10.0
2022 and thereafter	447.5
Total(a)	\$ 470.0

(a) Excludes unamortized debt issuance costs of \$10.3 million and a discount of \$1.4 million which do not represent contractual commitments with a fixed amount or maturity date.

The following table summarizes interest expense included in the Consolidated and Combined Statements of Operations:

	2017	2016	2015
Interest incurred	\$ 43.5	\$ 12.2	\$ 1.1
Less: interest capitalized as property, plant and equipment	(0.6)	(0.5)	—
Interest expense, net	\$ 42.9	\$ 11.7	\$ 1.1

Interest paid was \$40.0 million, \$4.8 million and \$1.1 million in 2017, 2016 and 2015, respectively.

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Note 13. Earnings per Share

Basic earnings per share is calculated by dividing net earnings by the weighted average number of common shares outstanding for the period. In computing diluted earnings per share, basic earnings per share is adjusted for the assumed issuance of all potentially dilutive share-based awards, including restricted stock units and restricted stock.

On October 1, 2016, RRD distributed approximately 26.2 million shares of Donnelley Financial common stock to RRD shareholders in connection with the spin-off of Donnelley Financial, with RRD retaining approximately 6.2 million shares of Donnelley Financial common stock. Holders of RRD common stock received one share of Donnelley Financial for every eight shares of RRD common stock held on September 23, 2016. Basic and diluted earnings per common share and the average number of common shares outstanding were retrospectively restated for the number of Donnelley Financial shares outstanding immediately following this transaction. For periods prior to the Separation, basic and diluted earnings per share were calculated using the number of shares distributed and retained by RRD, totaling 32.4 million. The same number of shares was used to calculate basic and diluted earnings per share since there were no Donnelley Financial equity awards outstanding prior to the spin-off.

On June 21, 2017, RRD completed the sale of approximately 6.1 million shares of the Company's common stock in an underwritten public offering. Upon consummation of the offering, RRD retained approximately 0.1 million shares of the Company's common stock which were subsequently sold by RRD on August 4, 2017. Refer to Note 1, *Overview and Basis of Presentation*, for further details.

As a result of the Company adopting Accounting Standards Update 2016-09 "Compensation – Stock Compensation (Topic 718): Improvements to Employee Share-Based Payment Accounting" ("ASU 2016-09") beginning in the first quarter of 2017, excess tax benefits and tax deficiencies are excluded from the calculation of assumed proceeds when using the treasury stock method in calculating diluted earnings per share.

The reconciliation of the numerator and denominator of the basic and diluted earnings per share calculation and the anti-dilutive share-based awards for the years ended December 31, 2017, 2016 and 2015, were as follows.

	2017	2016	2015
Net earnings per share:			
Basic	\$ 0.29	\$ 1.81	\$ 3.22
Diluted	\$ 0.29	\$ 1.80	\$ 3.22
Numerator:			
Net earnings	\$ 9.7	\$ 59.1	\$ 104.3
Denominator:			
Weighted average number of common shares outstanding	33.1	32.6	32.4
Dilutive awards	0.2	0.2	—
Diluted weighted average number of common shares outstanding	33.3	32.8	32.4
Weighted average number of anti-dilutive share-based awards:			
Restricted stock units	0.2	0.2	—
Stock options	0.3	0.2	—
Total	0.5	0.4	—

Note 14. Share-Based Compensation

Donnelley Financial's Stock and Incentive Programs for Employees and Directors

The Company's share-based compensation plan under which it may grant future awards, the 2016 Donnelley Financial Solutions, Inc. Performance Incentive Plan ("2016 PIP"), was approved by the Board of Directors to provide incentives to key employees of the Company. Awards under the 2016 PIP may include, cash or stock bonuses, stock options, stock appreciation rights, restricted stock or restricted stock units. In addition, non-employee members of the Board of Directors may receive awards under the 2016 PIP. There were 3.5 million shares of common stock reserved and authorized for issuance under the 2016 PIP. At December 31, 2017, there were 2.0 million shares of common stock authorized and available for grant under the 2016 PIP.

Impact of the Separation from RRD

Prior to the Separation, RRD maintained an incentive stock program for the benefit of its officers, directors and certain employees, including certain Donnelley Financial employees. RRD's share-based compensation programs in which Donnelley Financial employees participated included RSUs.

In connection with the Separation, as of October 1, 2016, employee stock options and restricted stock units ("RSUs") were adjusted and converted into new equity awards of Donnelley Financial, RRD and/or LSC using a 10-day volume weighted average share price of Donnelley Financial, RRD and LSC, as described in the Separation and Distribution Agreement. Converted awards retained the same vesting schedule and expiration date of the original awards. In addition, performance-based awards granted under RRD were converted into RSUs of Donnelley Financial, RRD and/or LSC (with satisfaction of performance conditions determined through the Separation Date) and remain subject to time-based vesting for the remainder of the applicable performance period. All equity awards converted upon Separation were authorized for issuance under the 2016 PIP. In periods following the Separation, the Company records share-based compensation expense for its employees' equity awards that were converted into Donnelley Financial, RRD and/or LSC equity awards.

The rights granted to the recipient of RRD RSU awards generally accrue ratably over the restriction or vesting period, which is generally four years. RRD also granted RSU awards which cliff vest three years from the grant date. RSU awards are subject to forfeiture upon termination of employment prior to vesting, subject in some cases to early vesting upon specified events, including death or permanent disability of the grantee, termination of the grantee's employment under certain circumstances or a change in control of RRD. The Company records compensation expense of RSU awards based on the fair market value of the awards at the date of grant ratably over the period during which the restrictions lapse. Dividends are not paid on RSUs.

Share-based compensation expense

For all share-based awards granted to employees and directors following the Separation, including stock options, RSUs, performance based restricted stock and performance share units ("PSUs"), the Company recognizes compensation expense based on estimated grant date fair values based on certain assumptions as of the grant date. The Company estimates 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. The Company recognizes compensation costs for RSUs expected to vest, on a straight-line basis over the requisite service period of the award, which is generally the vesting term of three years. Compensation expense for performance based restricted stock awards granted in 2016, which vest on a graded basis, is recognized utilizing a graded vesting schedule. Compensation expense for performance based restricted stock awards and PSUs granted in 2017, which cliff vest, is recognized on a straight-line basis over the performance period of the award. Compensation expense for stock options is recognized on a straight-line basis over the requisite service period of the award, which is generally the vesting term of four years.

The stock options, RSUs, performance based restricted stock and PSUs granted during 2017 are subject to forfeiture upon termination of employment prior to vesting, subject in some cases to early vesting upon specified events, including death or permanent disability of the grantee or a change in control of the Company. In addition, upon a change in control of the Company, PSUs will be measured for attainment of the performance metrics as of the end of the Company's fiscal quarter ending immediately prior to the fiscal quarter in which the change in control took place and the performance based restricted stock will be measured at 100% attainment of the target performance metrics. Both awards will remain subject to time based vesting until the end of the vesting period, provided that the award will vest in full if, within three months prior to or two years after the date of the change in control of the Company, the grantee's employment is terminated without cause by the Company or for good reason by the grantee.

In periods prior to the Separation, share-based compensation expense includes expense attributable to the Company based on the award terms previously granted to the Company's employees and an allocation of compensation expense for RRD's corporate and shared functional employees. As those share-based compensation plans are RRD's plans, the amounts have been recognized through net parent company investment on the combined balance sheets.

Total compensation expense related to all share-based compensation plans was \$6.8 million, \$2.5 million and \$1.6 million for years ended December 31, 2017, 2016 and 2015, respectively. The income tax benefit related to share-based compensation expense was \$3.0 million, \$1.0 million and \$0.6 million for the years ended December 31, 2017, 2016 and 2015, respectively. As of December 31, 2017, \$10.4 million of total unrecognized compensation expense related to share-based compensation plans is expected to be recognized over a weighted-average period of 2.1 years.

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During the first quarter of 2017, the Company adopted ASU 2016-09, which identifies areas of simplification for several aspects of accounting for share-based payment transactions. The adoption of ASU 2016-09 represents a change in accounting principle. The Company has adopted all applicable aspects of this guidance on a prospective basis.

ASU 2016-09 requires all excess tax benefits and tax deficiencies to be recognized as discrete items within income tax expense or benefit in the income statement in the reporting period in which they occur. As a result of this change, excess tax benefits and tax deficiencies are now excluded from the calculation of assumed proceeds when using the treasury stock method in calculating diluted earnings per share. ASU 2016-09 also requires excess tax benefits to be presented as an operating activity on the statement of cash flows rather than as a financing activity.

ASU 2016-09 allows an employer with a statutory income tax withholding obligation to withhold shares with a fair value up to the amount of tax owed using the maximum statutory tax rate in the employee's applicable jurisdiction(s). ASU 2016-09 requires companies to apply this guidance to outstanding liability awards at the date of adoption using a modified retrospective transition method, with a cumulative-effect adjustment to retained earnings. The Company does not have any outstanding share-based awards classified as liabilities. As such, no adjustment was required. ASU 2016-09 requires cash paid by an employer to taxing authorities when directly withholding shares for tax withholding purposes to be classified as a financing activity on the statement of cash flows. The change in classification is to be applied retrospectively. However, an adjustment to prior periods is not required because the Company did not have such tax withholding obligations during the prior periods.

ASU 2016-09 requires a company to make an accounting policy election to account for forfeitures of share-based payments by either estimating the number of awards expected to vest or recognizing forfeitures when they occur. In accordance with ASU 2016-09, the Company has made an accounting policy election to estimate forfeitures and recognize compensation expense based on the number of awards expected to vest.

Stock Options

The Company granted 177,600 options, with a weighted-average grant date fair market value of \$7.77, during the year ended December 31, 2017. There were no options granted during the years ended December 31, 2016 and 2015. The fair market value of each stock option award was estimated using the Black-Scholes-Merton option pricing model and the Company used the following methods to determine its underlying assumptions:

- Expected volatility was estimated based on a weighted-average of historical volatilities for certain of the Company's competitors
- The risk-free interest rate was based on the U.S Treasury yield curve in effect on the date of grant
- The expected term of options granted was based on the simplified method of using the mid-point between the vesting term and the original contractual term
- The expected dividend yield was based on the Company's current dividend rate

The weighted-average assumptions used to determine the weighted-average fair market value of the stock options granted during the year ended December 31, 2017 were as follows:

	2017
Expected volatility	30.71%
Risk-free interest rate	2.17%
Expected life (years)	6.25
Expected dividend yield	0.00%

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Stock option awards outstanding as of December 31, 2016 and December 31, 2017, and changes during the twelve months ended December 31, 2017, were as follows:

	Shares Under Option (thousands)	Weighted Average Exercise Price	Weighted Average Remaining Contractual Term (years)	Aggregate Intrinsic Value (millions)
Outstanding at December 31, 2016	299	\$ 21.48	3.5	\$ 1.4
Granted	178	22.37	9.2	
Exercised	(16)	12.67		
Cancelled/forfeited/expired	(2)	22.30		
Outstanding at December 31, 2017	459	22.13	5.1	0.8
Vested and expected to vest at December 31, 2017	448	22.13	5.0	0.8
Exercisable at December 31, 2017	104	\$ 11.95	1.2	0.8

The aggregate intrinsic value in the table above represents the total pre-tax intrinsic value (the difference between the Company's closing stock price on December 31, 2017 and December 31, 2016, respectively, and the exercise price, multiplied by the number of in-the-money options) that would have been received by the option holders had all option holders exercised their in-the-money options on December 31, 2017 and December 31, 2016. This amount will change in future periods based on the fair market value of the Company's stock and the number of options outstanding. Total intrinsic value of options exercised for the year ended December 31, 2017 was \$0.1 million and was de minimis for the year ended December 31, 2016. There were no excess tax benefits on stock option exercises for the years ended December 31, 2017 and 2016.

Compensation expense related to stock options was \$0.3 million for the year ended December 31, 2017. As of December 31, 2017, \$1.1 million of total unrecognized compensation expense related to stock options is expected to be recognized over a weighted average period of 3.2 years. Compensation expense related to stock options for the years ended December 31, 2016 and 2015 was de minimis.

Restricted Stock Units

Nonvested restricted stock unit awards as of December 31, 2016 and December 31, 2017, and changes during the twelve months ended December 31, 2017, were as follows:

	Shares (thousands)	Weighted Average Grant Date Fair Value
Nonvested at December 31, 2016	436	\$ 25.28
Granted	276	22.41
Vested	(108)	
Forfeited	(6)	22.35
Nonvested at December 31, 2017	598	\$ 23.48

Compensation expense related to RSUs was \$4.1 million, \$1.9 million and \$0.8 million for the years ended December 31, 2017, 2016 and 2015 respectively. As of December 31, 2017, there was \$5.4 million of unrecognized share-based compensation expense related to 0.6 million restricted stock unit awards, with a weighted-average grant date fair value of \$23.48, that are expected to vest over a weighted-average period of 1.9 years. The fair value of these awards was determined based on the Company's stock price on the grant date, as the Company currently does not anticipate paying any cash dividends in the foreseeable future.

Restricted Stock

Nonvested restricted stock awards as of December 31, 2016 and December 31, 2017, and changes during the twelve months ended December 31, 2017, were as follows:

	Shares (thousands)	Weighted Average Grant Date Fair Value
Nonvested at December 31, 2016	156	\$ 24.75
Granted	129	22.35
Nonvested at December 31, 2017	285	\$ 23.66

During the year ended December 31, 2017, the Company granted 129,400 shares of restricted stock to certain executives, payable upon the achievement of certain performance metrics. The fair value of these awards was determined based on the Company's stock price on the grant date. The performance period for the restricted stock awarded is January 1, 2017 through December 31, 2019. The total potential payout for awards granted during the year ended December 31, 2017 range from zero to 129,400 shares, should certain performance targets be achieved. The maximum potential payout of 156,169 shares was achieved as of December 31, 2017 for the restricted stock awards granted during the year ended December 31, 2016.

Compensation expense for the restricted stock awards is currently being recognized based on 100% attainment of the targeted performance metrics for the restricted stock awards granted in 2017 and is being recognized based on 100% actual achievement of the performance metrics for the restricted stock awards granted in 2016. Compensation expense for restricted stock awards was \$2.2 million and \$0.3 million for the years ended December 31, 2017 and 2016, respectively. As of December 31, 2017, there was \$3.3 million of unrecognized compensation expense related to restricted stock awards, which is expected to be recognized over a weighted average period of 1.9 years.

Performance Share Units

During the year ended December 31, 2017, 37,100 performance share units were granted to certain executive officers and senior management, payable upon the achievement of certain established performance targets. The performance period for the shares awarded is January 1, 2017 through December 31, 2019. Distributions under these awards are payable at the end of the performance period in common stock or cash, at the Company's discretion. The total potential payout for awards granted during the year ended December 31, 2017 range from zero to 55,650 shares, should certain performance targets be achieved. The fair value of these awards was determined based on the Company's stock price on the grant date.

Compensation expense for the PSUs granted in 2017 is currently being recognized based on 100% attainment of the targeted performance metrics or 37,100 shares. Compensation expense related to PSUs was \$0.2 million for the year ended December 31, 2017. As of December 31, 2017, there was \$0.6 million of unrecognized compensation expense related to PSUs, which is expected to be recognized over a weighted average period of 2.2 years.

Note 15. Preferred Stock

The Company has one million shares of \$0.01 par value preferred stock authorized for issuance. The Board of Directors may divide the preferred stock into one or more series and fix the redemption, dividend, voting, conversion, sinking fund, liquidation and other rights. The Company has no present plans to issue any preferred stock.

Notes to the Consolidated and Combined Financial Statements
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Note 16. Comprehensive Income

The components of other comprehensive income and income tax expense allocated to each component for the years ended December 31, 2017, 2016 and 2015 were as follows:

	2017			2016			2015		
	Before Tax Amount	Income Tax Expense	Net of Tax Amount	Before Tax Amount	Income Tax Expense	Net of Tax Amount	Before Tax Amount	Income Tax Expense	Net of Tax Amount
Translation adjustments	\$ 4.4	\$ —	\$ 4.4	\$ (0.1)	\$ —	\$ (0.1)	\$ (7.5)	\$ —	\$ (7.5)
Adjustment for net periodic pension plan and other postretirement benefits plan cost	(0.6)	(0.1)	(0.7)	11.9	4.8	7.1	45.9	18.4	27.5
Other comprehensive income	\$ 3.8	\$ (0.1)	\$ 3.7	\$ 11.8	\$ 4.8	\$ 7.0	\$ 38.4	\$ 18.4	\$ 20.0

The following table summarizes changes in accumulated other comprehensive loss by component for the years ended December 31, 2017, 2016 and 2015:

	Pension and Other Postretirement Benefits Plan Cost	Translation Adjustments	Total
Balance at January 1, 2015	\$ (665.2)	\$ (8.5)	\$ (673.7)
Other comprehensive income (loss) before reclassifications	5.7	(7.5)	(1.8)
Amounts reclassified from accumulated other comprehensive loss	21.8	—	21.8
Transfer of pension plan to parent company, net	637.7	—	637.7
Net change in accumulated other comprehensive loss	665.2	(7.5)	657.7
Balance at December 31, 2015	\$ —	\$ (16.0)	\$ (16.0)
Other comprehensive income (loss) before reclassifications	6.7	(0.1)	6.6
Amounts reclassified from accumulated other comprehensive loss	0.4	—	0.4
Transfer of pension plan to parent company, net	(59.3)	—	(59.3)
Net change in accumulated other comprehensive loss	(52.2)	(0.1)	(52.3)
Balance at December 31, 2016	\$ (52.2)	\$ (16.1)	\$ (68.3)
Other comprehensive (loss) income before reclassifications	(2.1)	4.4	2.3
Amounts reclassified from accumulated other comprehensive loss	1.4	—	1.4
Net change in accumulated other comprehensive loss	(0.7)	4.4	3.7
Balance at December 31, 2017	\$ (52.9)	\$ (11.7)	\$ (64.6)

Reclassifications from accumulated other comprehensive loss for the years ended December 31, 2017, 2016 and 2015 were as follows:

	2017	2016	2015	Classification in the Consolidated and Combined Statements of Operations
Amortization of pension and other postretirement benefits plan cost:				
Net actuarial income	\$ 2.1	\$ 0.7	\$ 36.4	(a)
Reclassifications before tax	2.1	0.7	36.4	
Income tax expense	0.7	0.3	14.6	
Reclassifications, net of tax	\$ 1.4	\$ 0.4	\$ 21.8	

- (a) These accumulated other comprehensive (loss) income components are included in the calculation of net periodic pension and other postretirement benefits plan (income) expense, a component of which was allocated to Donnelley Financial in periods prior to the Separation, and recognized in cost of sales and selling, general and administrative expenses in the consolidated and combined statements of operations (see Note 10, *Retirement Plans*).

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Note 17. Segment Information

The Company's segments are summarized below:

United States

The U.S. segment serves capital market and investment market clients in the U.S. by delivering products and services to help create, manage, and deliver, accurate and timely financial communications to investors and regulators. The Company also provides virtual data rooms to facilitate the deal management requirements of capital markets and mergers and acquisitions transactions, and provides data and analytics services that help professionals uncover intelligence from disclosures contained within public filings made with the SEC. The U.S. segment also includes language solutions capabilities, through which the Company can translate documents and create content in up to 190 different languages for its clients, and commercial print.

International

The International segment includes the Company's operations in Asia, Europe, Canada and Latin America. The international business is primarily focused on working with international capital markets clients on capital markets offerings and regulatory compliance related activities into or within the United States. In addition, the international segment provides language translation services and shareholder communication services to investment market clients.

Corporate

Corporate consists of unallocated selling, general and administrative activities and associated expenses including, in part, executive, legal, finance, communications and certain facility costs. In addition, certain costs and earnings of employee benefit plans, such as pension and other postretirement benefit plan income and allocated costs for share-based compensation, are included in Corporate and not allocated to the operating segments.

Information by Segment

The Company has disclosed income (loss) from operations as the primary measure of segment earnings (loss). This is the measure of profitability used by the Company's chief operating decision-maker and is most consistent with the presentation of profitability reported within the consolidated and combined financial statements.

	Total Sales	Intersegment Sales	Net Sales	Income (Loss) from Operations	Assets of Operations	Depreciation and Amortization	Capital Expenditures
Year ended December 31, 2017							
U.S.	\$ 856.6	\$ (8.7)	\$ 847.9	\$ 127.6	\$ 664.7	\$ 38.2	\$ 24.7
International	160.8	(3.8)	157.0	7.2	90.4	6.3	1.4
Total operating segments	1,017.4	(12.5)	1,004.9	134.8	755.1	44.5	26.1
Corporate	—	—	—	(35.8)	138.4	—	1.7
Total operations	\$ 1,017.4	\$ (12.5)	\$ 1,004.9	\$ 99.0	\$ 893.5	\$ 44.5	\$ 27.8
	Total Sales	Intersegment Sales	Net Sales	Income (Loss) from Operations	Assets of Operations	Depreciation and Amortization	Capital Expenditures
Year ended December 31, 2016							
U.S.	\$ 852.6	\$ (7.4)	\$ 845.2	\$ 118.4	\$ 672.2	\$ 34.5	\$ 20.5
International	142.9	(4.6)	138.3	9.6	93.7	4.6	2.6
Total operating segments	995.5	(12.0)	983.5	128.0	765.9	39.1	23.1
Corporate	—	—	—	(22.0)	213.0	4.2	3.1
Total operations	\$ 995.5	\$ (12.0)	\$ 983.5	\$ 106.0	\$ 978.9	\$ 43.3	\$ 26.2

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	Total Sales	Intersegment Sales	Net Sales	Income (Loss) from Operations	Assets of Operations	Depreciation and Amortization	Capital Expenditures
<i>Year ended December 31, 2015</i>							
U.S.	\$ 912.0	\$ (11.2)	\$ 900.8	\$ 160.3	\$ 664.0	\$ 37.0	\$ 25.9
International	151.1	(2.4)	148.7	15.3	86.8	4.4	1.2
Total operating segments	1,063.1	(13.6)	1,049.5	175.6	750.8	41.4	27.1
Corporate	—	—	—	(2.9)	66.8	0.3	—
Total operations	\$ 1,063.1	\$ (13.6)	\$ 1,049.5	\$ 172.7	\$ 817.6	\$ 41.7	\$ 27.1

Corporate assets primarily consisted of the following items at December 31, 2017 and 2016:

	2017	2016
Cash and cash equivalents	\$ 43.0	\$ 25.5
Software, net	40.6	41.0
Deferred income tax assets, net of valuation allowances	18.7	34.2
Receivable from R.R. Donnelley*	—	76.0

* Beginning in the quarter ended September 30, 2017, RRD no longer qualified as a related party.

Restructuring, impairment and other charges by segment for 2017, 2016, and 2015 are described in Note 3, *Restructuring, Impairment and Other Charges*.

Note 18. Geographic Area and Products and Services Information

The table below presents net sales and long-lived assets by geographic region for the years ended December 31, 2017, 2016 and 2015.

	U.S.	Europe	Asia	Canada	Other	Consolidated
2017						
Net sales	\$ 847.9	\$ 70.6	\$ 47.2	\$ 36.0	\$ 3.2	\$ 1,004.9
Long-lived assets ^(a)	107.2	4.5	1.6	0.6	—	113.9
2016						
Net sales	\$ 845.2	\$ 62.4	\$ 39.2	\$ 32.1	\$ 4.6	\$ 983.5
Long-lived assets ^(a)	107.4	3.1	0.6	0.5	—	111.6
2015						
Net sales	\$ 900.8	\$ 70.0	\$ 49.3	\$ 23.7	\$ 5.7	\$ 1,049.5
Long-lived assets ^(a)	96.0	2.7	0.6	0.8	—	100.1

(a) Includes net property, plant and equipment, net software and other noncurrent assets.

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The following table summarizes net sales for services and products for the years ended December 31, 2017, 2016 and 2015.

	2017 Net Sales	2016 Net Sales	2015 Net Sales
Capital Markets	\$ 396.7	\$ 387.6	\$ 431.0
Investment Markets	162.5	143.2	139.1
Language Solutions and other	72.9	67.8	58.5
Total services	632.1	598.6	628.6
Investment Markets	\$ 197.9	\$ 199.1	\$ 204.0
Capital Markets	154.9	168.5	193.9
Language Solutions and other	20.0	17.3	23.0
Total products	372.8	384.9	420.9
Total net sales	\$ 1,004.9	\$ 983.5	\$ 1,049.5

Note 19. Related Parties

On March 28, 2017, RRD completed the sale of 6.2 million shares of LSC common stock (RRD's remaining ownership stake in LSC) in an underwritten public offering. As a result, beginning in the quarter ended June 30, 2017, LSC no longer qualified as a related party of the Company and the amounts disclosed related to LSC are presented through March 31, 2017 only.

On June 21, 2017, RRD completed the sale of approximately 6.1 million shares of the Company's common stock. RRD retained approximately 0.1 million shares of the Company's common stock which RRD sold on August 4, 2017. Beginning in the quarter ended September 30, 2017, RRD no longer qualified as a related party and the amounts disclosed related to RRD are presented through June 30, 2017 only.

Transition Services Agreements

In connection with the Separation, the Company entered into transition services agreements separately with RRD and LSC, under which, in exchange for the fees specified in the arrangements, RRD and LSC agree to provide certain services to the Company and the Company agrees to provide certain services to RRD, respectively, for up to 24 months following the Separation. These services include, but are not limited to, information technology, accounts receivable, accounts payable, payroll and other financial and administrative services and functions. These agreements facilitate the separation by allowing the Company to operate independently prior to establishing stand-alone back office systems across its organization.

Commercial Arrangements

The Company entered into a number of commercial and other arrangements with RRD and its subsidiaries. These include, among other things, arrangements for the provision of services, including global outsourcing and logistics services, printing and binding, digital printing, composition and access to technology. The terms of the arrangements with RRD do not exceed 36 months. Subsequent to the Separation, RRD and LSC are clients of the Company and expect to utilize financial communication software and services that the Company provides to all of its clients.

Stockholder and Registration Rights Agreement

The Company and RRD entered into a Stockholder and Registration Rights Agreement with respect to the Company's common stock retained by RRD pursuant to which the Company agrees that, upon the request of RRD, the Company will use its reasonable best efforts to effect the registration under applicable federal and state securities laws of the shares of the Company's common stock retained by RRD after the Separation. In addition, RRD granted the Company a proxy to vote the shares of the Company's common stock that RRD retained immediately after the Separation in proportion to the votes cast by the Company's other stockholders. This proxy, however, will be automatically revoked as to a particular share upon any sale or transfer of such share from RRD to a person other than RRD, and neither the voting agreement nor the proxy will limit or prohibit any such sale or transfer.

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On March 24, 2017, pursuant to the Stockholder and Registration Rights Agreement, the Company filed a Registration Statement on Form S-1 to register the offering and sale of the Company's common stock retained by RRD. The Registration Statement on Form S-1, as amended, was declared effective by the SEC on June 13, 2017. On June 21, 2017, RRD completed the sale of approximately 6.1 million shares of the Company's common stock in an underwritten public offering. Upon consummation of the offering, RRD retained approximately 0.1 million shares of the Company's common stock which were subsequently sold by RRD on August 4, 2017.

Sublease Agreement

In connection with the Separation, the Company assumed an operating lease through 2024 for the Company's headquarters. There is a related non-cancelable sublease rental to RRD for the same period. The Company remains secondarily liable under this lease in the event that the sub-lessee defaults under the sublease terms. The Company does not believe that material payments will be required as a result of the secondary liability provisions of the primary lease agreement.

Related Party Receivables/Payables

Pursuant to the Separation and Distribution Agreement, the Company received a cash payment of \$68.0 million from RRD on April 3, 2017. The proceeds were used to reduce outstanding debt under the Term Loan Credit Facility. The Company has other amounts due to or from RRD in the normal course of business. The Company had \$96.0 million of receivables from RRD and \$27.1 million of payables to RRD included in the consolidated balance sheet at December 31, 2016.

Allocations from RRD

Prior to the Separation RRD provided Donnelley Financial with certain services, which include, but are not limited to information technology, finance, legal, human resources, internal audit, treasury, tax, investor relations and executive oversight. The financial information in these consolidated and combined financial statements does not necessarily include all the expenses that would have been incurred had Donnelley Financial been a separate, standalone entity for all periods presented. Prior to the Separation RRD charged Donnelley Financial for these services based on direct usage when possible. When specific identification was not practicable, the pro rata basis of revenue or employee headcount, or some other measure was used. These allocations were reflected as follows in the unaudited consolidated and combined financial statements:

	2016		2015	
Costs of goods sold allocation	\$	28.0	\$	38.5
Selling, general and administrative allocation		129.4		168.3
Depreciation and amortization		15.2		21.4
Total allocations from RRD	\$	<u>172.6</u>	\$	<u>228.2</u>

The Company considers the expense methodology and results to be reasonable for all periods presented. However, these allocations may not be indicative of the actual expenses that the Company would have incurred as an independent public company or the costs it may incur in the future.

Related Party Revenues

Donnelley Financial generates a portion of net revenue from sales to RRD's subsidiaries. Net revenues from sales to RRD and affiliates of \$8.3 million for the six months ended June 30, 2017 and \$19.4 million and \$7.8 million for the years ended December 31, 2016 and 2015, respectively, were included in the consolidated and combined statement of operations.

Related Party Purchases

Donnelley Financial utilizes RRD for freight and logistics and services as well as certain production of printed products. Cost of sales of \$32.3 million for the six months ended June 30, 2017 and \$57.9 million and \$68.3 million for the years ended December 31, 2016 and 2015, respectively, were included in the consolidated and combined statement of operations for these purchases.

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Donnelley Financial also utilizes RRD's business process outsourcing business for certain composition, XBRL and other functions. Cost of sales of \$19.5 million for the six months ended June 30, 2017 and \$37.8 million and \$40.4 million for the years ended December 31, 2016 and 2015, respectively, were included in the consolidated and combined statement of operations for these purchases.

Share-Based Compensation Prior to Separation

Prior to the Separation, certain Donnelley Financial employees participated in RRD's share-based compensation plans, the costs of which have been allocated to Donnelley Financial and recorded in selling, general and administrative expenses in the consolidated and combined statement of operations. Share-based compensation costs allocated to the Company were \$1.2 million for the nine months ended September 30, 2016 and \$1.6 million for the year ended December 31, 2015.

Retirement Plans Prior to Separation

Prior to the Separation, Donnelley Financial employees participated in pension and other postretirement plans sponsored by RRD. These costs are reflected in the Company's cost of sales and selling, general and administrative expenses in the consolidated and combined statements of operations.

On October 1, 2016, Donnelley Financial recorded net pension plan liabilities of \$68.3 million (consisting of a total benefit plan liability of \$317.0 million, net of plan assets having fair market value of \$248.7 million), as a result of the transfer of certain pension plan liabilities and assets from RRD to the Company upon the legal split of those plans. The pension plan asset allocation from RRD was finalized on June 30, 2017, which resulted in a \$0.7 million decrease to the fair value of plan assets transferred to the Company from RRD. Refer to Note 10, *Retirement Plans*, for further details regarding the Company's pension and other postretirement benefit plans.

Centralized Cash Management Prior to Separation

RRD used a centralized approach to cash management and financing of operations. Prior to the Separation, the majority of the Company's foreign subsidiaries were party to RRD's international cash pooling arrangements to maximize the availability of cash for general operating and investing purposes. As part of RRD's centralized cash management process, cash balances were swept regularly from the Company's accounts.

Debt

RRD's third party debt and related interest expense have not been allocated to the Company for any of the periods presented as the Company was not the legal obligor of the debt and the borrowings were not directly related to the Company's business.

Note 20. New Accounting Pronouncements

Recently Adopted Accounting Pronouncements

In January 2017, the FASB issued Accounting Standards Update No. 2017-04 "Intangibles—Goodwill and Other (Topic 350): Simplifying the Test for Goodwill Impairment" ("ASU 2017-04"), which simplifies the accounting for goodwill impairment. ASU 2017-04 requires entities to record an impairment charge based on the excess of a reporting unit's carrying amount over its fair value (Step 1 under the current impairment test). The standard eliminates Step 2 from the current goodwill impairment test, which included determining the implied fair value of goodwill and comparing it with the carrying amount of that goodwill. ASU 2017-04 must be applied prospectively and is effective in the first quarter of 2020. Early adoption is permitted. The Company early adopted the standard in the first quarter of 2017.

Recently Issued Accounting Pronouncements

In February 2018, the FASB issued Accounting Standards Update No. 2018-02 "Income Statement—Reporting Comprehensive Income (Topic 220): Reclassification of Certain Income Tax Effects from Accumulated Other Comprehensive Income" ("ASU 2018-02"), which provides entities the option to reclassify tax effects stranded in accumulated other comprehensive income as a result of the Tax Act to retained earnings. ASU 2018-02 may be applied either in the period of adoption or retrospectively to each period in which the effect of the Tax Act is recognized. ASU 2018-02 is effective in the first quarter of 2019. Early adoption is permitted. The Company is evaluating the impact of ASU 2018-02.

Notes to the Consolidated and Combined Financial Statements
(in millions, except per share data, unless otherwise indicated)

In March 2017, the FASB issued Accounting Standards Update No. 2017-07 “Compensation—Retirement Benefits (Topic 715): Improving the Presentation of Net Periodic Pension Cost and Net Periodic Postretirement Benefit Cost” (“ASU 2017-07”), which requires an employer to report the service cost component of net periodic benefit cost in the same line item(s) as other employee compensation costs arising from services rendered during the period. The other components of net periodic benefit cost will be presented in the income statement separately from the line item(s) that includes the service cost and outside of any subtotal of operating income. ASU 2017-07 must be applied retrospectively and is effective in the first quarter of 2018. Early adoption is permitted; however the Company plans to adopt the standard in the first quarter of 2018. Refer to Note 10, *Retirement Plans*, for disclosure of pension income for the years ended December 31, 2017 and 2016 which will be reclassified to other income upon adoption of the standard.

In February 2016, the FASB issued Accounting Standards Update No. 2016-02 “Leases (Topic 842)” (“ASU 2016-02”), which requires lessees to put most leases on the balance sheet but recognize expense on the income statement in a manner similar to current accounting. For lessors, ASU 2016-02 also modifies the classification criteria and the accounting for sales-type and direct financing leases. The standard requires a modified retrospective approach for leases that exist or are entered into after the beginning of the earliest comparative period in the financial statements and is effective in the first quarter of 2019. Early adoption of ASU 2016-02 is permitted; however the Company plans to adopt the standard in the first quarter of 2019. The Company is evaluating the impact of ASU 2016-02.

In May 2014, the FASB issued ASU 2014-09, which outlines a single comprehensive model for entities to use in accounting for revenue using a five-step process that supersedes virtually all existing revenue guidance. ASU 2014-09 also requires additional quantitative and qualitative disclosures. In August 2015, the FASB issued Accounting Standards Update No. 2015-14 “Revenue from Contracts with Customers (Topic 606): Deferral of the Effective Date” (“ASU 2015-14”), which defers the effective date of ASU 2014-09 to January 1, 2018. Early adoption of ASU 2014-09 is permitted; however, the Company will adopt the standard in the first quarter of 2018. The standard allows the option of either a full retrospective adoption, meaning the standard is applied to all periods presented, or a modified retrospective adoption, meaning the standard is applied only to the most current period. The Company will apply the modified retrospective approach when adopting the standard in 2018.

The Company evaluated the impacts of ASU 2014-09 and does not expect a material change in the timing of revenue recognition for the majority of the Company’s revenue. However, under ASU 2014-09, revenue recognition will be accelerated for certain arrangements with multiple performance obligations as revenue will be recognized upon the completion of each performance obligation rather than upon final delivery of the printed product. For example, for an arrangement which includes the completion of a regulatory filing and the printing and distribution of the related document, some revenue and costs will be recognized upon the completion of the regulatory filing, with the remaining revenue and costs recognized upon the completion of the printing and distribution of the product. The Company also expects to accelerate the recognition of revenue for certain inventory which has been invoiced but not yet shipped at the customer’s request. Additionally, certain revenues related to virtual data room services will be deferred as a result of the new standard. The net impact of these changes will result in an opening transition adjustment to retained earnings upon the adoption of ASU 2014-09 for the amounts that would have been recognized in 2017 under the new standard.

The Company will provide expanded footnote disclosure related to revenue recognition consistent with the requirements of ASU 2014-09 in its Quarterly Report on Form 10-Q for the period ending March 31, 2018. The Company has also implemented the necessary processes and internal controls to support the new revenue recognition standard and fulfill its external reporting requirements.

Note 21. Guarantor Financial Information

As described in Note 12, *Debt*, on September 30, 2016, the Company issued the Notes. The Guarantors of the Notes, Donnelley Financial, LLC and DFS International Holding, Inc., entered into an agreement pursuant to which each agreed to guarantee the Company's obligations under the Notes. All guarantees are full and unconditional and joint and several. The Guarantors are 100% directly owned subsidiaries of the Company.

The guarantee of the Notes by a subsidiary guarantor will be automatically released under certain situations, including upon the sale or disposition of such subsidiary guarantor to a person that is not Donnelley Financial or a subsidiary guarantor of the notes, the liquidation or dissolution of such subsidiary guarantor, and if such subsidiary guarantor is released from its guarantee obligations under the Company's Credit Facilities.

The following tables set forth condensed consolidating statements of income for the years ended December 31, 2017, 2016, and 2015, condensed consolidating statements of financial position as of December 31, 2017 and December 31, 2016, and condensed consolidating statements of cash flows for the years ended December 31, 2017, 2016, and 2015. The principal consolidating adjustments are to eliminate the investment in subsidiaries and intercompany balances and transactions. For purposes of the tables below, the Company is referred to as "Parent" and the Guarantors are referred to as "Guarantor Subsidiaries."

Notes to the Consolidated and Combined Financial Statements
(in millions, except per share data, unless otherwise indicated)

Condensed Consolidating Statements of Operations
Year Ended December 31, 2017

	Parent	Guarantor Subsidiaries	Non-guarantor Subsidiaries	Eliminations	Consolidated
Services net sales	\$ —	\$ 518.5	\$ 121.7	\$ (8.1)	\$ 632.1
Products net sales	—	338.1	39.1	(4.4)	372.8
Total net sales	—	856.6	160.8	(12.5)	1,004.9
Services cost of sales (exclusive of depreciation and amortization)	—	257.3	78.8	(7.4)	328.7
Services cost of sales with R.R. Donnelley affiliates (exclusive of depreciation and amortization)*	—	18.4	1.1	—	19.5
Products cost of sales (exclusive of depreciation and amortization)	—	221.5	24.5	(5.1)	240.9
Products cost of sales with R.R. Donnelley affiliates (exclusive of depreciation and amortization)*	—	30.1	2.2	—	32.3
Total cost of sales	—	527.3	106.6	(12.5)	621.4
Selling, general and administrative expenses (exclusive of depreciation and amortization)	—	194.1	38.8	—	232.9
Restructuring, impairment and other charges-net	—	4.9	2.2	—	7.1
Depreciation and amortization	—	38.2	6.3	—	44.5
Income from operations	—	92.1	6.9	—	99.0
Interest expense (income)-net	43.1	(0.1)	(0.1)	—	42.9
Investment and other income-net	—	—	(0.1)	—	(0.1)
Earnings (loss) before income taxes and equity in net income of subsidiaries	(43.1)	92.2	7.1	—	56.2
Income tax (benefit) expense	(16.7)	60.6	2.6	—	46.5
Earnings (loss) before equity in net income of subsidiaries	(26.4)	31.6	4.5	—	9.7
Equity in net income of subsidiaries	36.1	4.5	—	(40.6)	0.0
Net earnings	\$ 9.7	\$ 36.1	\$ 4.5	\$ (40.6)	\$ 9.7
Comprehensive income	\$ 13.4	\$ 39.8	\$ 8.9	\$ (48.7)	\$ 13.4

* Beginning in the quarter ended June 30, 2017, LSC no longer qualified as a related party, therefore the 2017 amounts disclosed related to LSC are presented through March 31, 2017 only. Beginning in the quarter ended September 30, 2017, RRD no longer qualified as a related party, therefore the amounts disclosed related to RRD are presented through June 30, 2017 only.

Notes to the Consolidated and Combined Financial Statements
(in millions, except per share data, unless otherwise indicated)

Condensed Consolidating Statements of Operations
Year Ended December 31, 2016

	Parent	Guarantor Subsidiaries	Non-guarantor Subsidiaries	Eliminations	Consolidated
Services net sales	\$ —	\$ 502.2	\$ 104.1	\$ (7.7)	\$ 598.6
Products net sales	—	350.4	38.8	(4.3)	384.9
Total net sales	—	852.6	142.9	(12.0)	983.5
Services cost of sales (exclusive of depreciation and amortization)	—	236.0	68.2	(7.1)	297.1
Services cost of sales with R.R. Donnelley affiliates (exclusive of depreciation and amortization)	—	35.6	2.2	—	37.8
Products cost of sales (exclusive of depreciation and amortization)	—	207.0	24.1	(4.9)	226.2
Products cost of sales with R.R. Donnelley affiliates (exclusive of depreciation and amortization)	—	57.3	0.6	—	57.9
Total cost of sales	—	535.9	95.1	(12.0)	619.0
Selling, general and administrative expenses (exclusive of depreciation and amortization)	—	176.8	33.0	—	209.8
Restructuring, impairment and other charges-net	—	4.8	0.6	—	5.4
Depreciation and amortization	—	38.6	4.7	—	43.3
Income from operations	—	96.5	9.5	—	106.0
Interest expense-net	11.7	—	—	—	11.7
Earnings (loss) before income taxes and equity in net income of subsidiaries	(11.7)	96.5	9.5	—	94.3
Income tax (benefit) expense	(4.3)	38.5	1.0	—	35.2
Earnings (loss) before equity in net income of subsidiaries	(7.4)	58.0	8.5	—	59.1
Equity in net income of subsidiaries	66.5	8.5	—	(75.0)	—
Net earnings (loss)	\$ 59.1	\$ 66.5	\$ 8.5	\$ (75.0)	\$ 59.1
Comprehensive income (loss)	\$ 66.1	\$ 73.5	\$ 8.6	\$ (82.1)	\$ 66.1

Notes to the Consolidated and Combined Financial Statements
(in millions, except per share data, unless otherwise indicated)

Condensed Consolidating Statements of Operations
Year Ended December 31, 2015

	Parent	Guarantor Subsidiaries	Non-guarantor Subsidiaries	Eliminations	Consolidated
Services net sales	\$ —	\$ 530.2	\$ 106.6	\$ (8.2)	\$ 628.6
Products net sales	—	381.8	44.5	(5.4)	420.9
Total net sales	—	912.0	151.1	(13.6)	1,049.5
Services cost of sales (exclusive of depreciation and amortization)	—	230.7	68.4	(7.2)	291.9
Services cost of sales with R.R. Donnelley affiliates (exclusive of depreciation and amortization)	—	38.1	2.3	—	40.4
Products cost of sales (exclusive of depreciation and amortization)	—	208.8	28.5	(6.4)	230.9
Products cost of sales with R.R. Donnelley affiliates (exclusive of depreciation and amortization)	—	68.2	0.1	—	68.3
Total cost of sales	—	545.8	99.3	(13.6)	631.5
Selling, general and administrative expenses (exclusive of depreciation and amortization)	—	168.1	31.1	—	199.2
Restructuring, impairment and other charges-net	—	3.5	0.9	—	4.4
Depreciation and amortization	—	37.3	4.4	—	41.7
Income from operations	—	157.3	15.4	0.0	172.7
Interest expense-net	—	1.1	—	—	1.1
Investment and other income-net	—	—	(0.1)	—	(0.1)
Earnings before income taxes and equity in net income of subsidiaries	—	156.2	15.5	0.0	171.7
Income tax expense	—	63.8	3.6	—	67.4
Earnings before equity in net income of subsidiaries	—	92.4	11.9	0.0	104.3
Equity in net income of subsidiaries	104.3	11.9	—	(116.2)	—
Net earnings (loss)	\$ 104.3	\$ 104.3	\$ 11.9	\$ (116.2)	\$ 104.3
Comprehensive income (loss)	\$ 124.3	\$ 124.3	\$ 4.4	\$ (128.7)	\$ 124.3

Notes to the Consolidated and Combined Financial Statements
(in millions, except per share data, unless otherwise indicated)

Condensed Consolidating Balance Sheet
December 31, 2017

	Parent	Guarantor Subsidiaries	Non-guarantor Subsidiaries	Eliminations	Consolidated
ASSETS					
Cash and cash equivalents	\$ 8.3	\$ 27.9	\$ 15.8	\$ —	\$ 52.0
Receivables, less allowances	—	131.3	33.9	—	165.2
Intercompany receivables	—	146.4	—	(146.4)	—
Intercompany short-term note receivable-net	—	—	30.0	(30.0)	—
Inventories	—	21.3	2.0	—	23.3
Prepaid expenses and other current assets	37.1	14.8	2.8	(25.1)	29.6
Total current assets	45.4	341.7	84.5	(201.5)	270.1
Property, plant and equipment-net	—	31.2	3.5	—	34.7
Goodwill	—	429.2	18.2	—	447.4
Other intangible assets-net	—	32.4	7.5	—	39.9
Software-net	—	40.6	0.5	—	41.1
Deferred income taxes	—	40.5	3.4	(21.7)	22.2
Other noncurrent assets	3.4	30.0	4.7	—	38.1
Investments in consolidated subsidiaries	728.4	85.2	—	(813.6)	—
Total assets	\$ 777.2	\$ 1,030.8	\$ 122.3	\$ (1,036.8)	\$ 893.5
LIABILITIES AND STOCKHOLDERS' EQUITY					
Accounts payable	\$ —	\$ 57.9	\$ 9.9	\$ —	\$ 67.8
Intercompany payable	139.5	—	6.9	(146.4)	—
Intercompany short-term note payable-net	30.0	—	—	(30.0)	—
Accrued liabilities	—	127.6	16.7	(25.1)	119.2
Total current liabilities	169.5	185.5	33.5	(201.5)	187.0
Long-term debt	458.3	—	—	—	458.3
Deferred compensation liabilities	—	22.8	—	—	22.8
Pension and other postretirement benefits plan liabilities	—	51.3	1.2	—	52.5
Other noncurrent liabilities	—	42.8	2.4	(21.7)	23.5
Total liabilities	627.8	302.4	37.1	(223.2)	744.1
Total equity	149.4	728.4	85.2	(813.6)	149.4
Total liabilities and equity	\$ 777.2	\$ 1,030.8	\$ 122.3	\$ (1,036.8)	\$ 893.5

Notes to the Consolidated and Combined Financial Statements
(in millions, except per share data, unless otherwise indicated)

Condensed Consolidating Balance Sheet
December 31, 2016

	Parent	Guarantor Subsidiaries	Non-guarantor Subsidiaries	Eliminations	Consolidated
ASSETS					
Cash and cash equivalents	\$ —	\$ 21.8	\$ 16.8	\$ (2.4)	\$ 36.2
Receivables, less allowances	—	119.9	36.3	—	156.2
Receivable from R.R. Donnelley	68.0	28.0	—	—	96.0
Intercompany receivables	—	63.0	—	(63.0)	—
Intercompany short-term note receivable	—	—	15.3	(15.3)	—
Inventories	—	22.7	1.4	—	24.1
Prepaid expenses and other current assets	4.3	8.1	4.7	—	17.1
Total current assets	72.3	263.5	74.5	(80.7)	329.6
Property, plant and equipment-net	—	32.4	3.1	—	35.5
Goodwill	—	429.2	17.2	—	446.4
Other intangible assets-net	—	44.0	10.3	—	54.3
Software-net	—	41.0	0.6	—	41.6
Deferred income taxes	—	34.2	2.8	—	37.0
Other noncurrent assets	4.4	27.7	2.4	—	34.5
Investments in consolidated subsidiaries	692.2	65.1	—	(757.3)	—
Total assets	\$ 768.9	\$ 937.1	\$ 110.9	\$ (838.0)	\$ 978.9
LIABILITIES AND EQUITY					
Accounts payable	\$ 3.4	\$ 72.8	\$ 11.5	\$ (2.4)	\$ 85.3
Intercompany payable	43.9	—	18.6	(62.5)	—
Intercompany short-term note payable	15.3	—	—	(15.3)	—
Accrued liabilities	8.2	81.4	11.6	(0.5)	100.7
Total current liabilities	70.8	154.2	41.7	(80.7)	186.0
Long-term debt	—	587.0	—	—	587.0
Deferred compensation liabilities	—	24.4	—	—	24.4
Pension and other postretirement benefits plan liabilities	—	55.3	1.1	—	56.4
Other noncurrent liabilities	—	11.0	3.0	—	14.0
Total liabilities	657.8	244.9	45.8	(80.7)	867.8
Total equity	111.1	692.2	65.1	(757.3)	111.1
Total liabilities and equity	\$ 768.9	\$ 937.1	\$ 110.9	\$ (838.0)	\$ 978.9

Notes to the Consolidated and Combined Financial Statements
(in millions, except per share data, unless otherwise indicated)

Condensed Consolidating Statements of Cash Flows
Year Ended December 31, 2017

	Parent	Guarantor Subsidiaries	Non-guarantor Subsidiaries	Eliminations	Consolidated
OPERATING ACTIVITIES					
Net cash provided by operating activities	\$ 39.3	\$ 35.7	\$ 14.0	\$ 2.4	\$ 91.4
INVESTING ACTIVITIES					
Capital expenditures	—	(26.4)	(1.4)	—	(27.8)
Purchase of investment	—	(3.4)	—	—	(3.4)
Intercompany note receivable, net	—	—	(14.7)	14.7	—
Other investing activities	—	0.2	—	—	0.2
Net cash used in investing activities	—	(29.6)	(16.1)	14.7	(31.0)
FINANCING ACTIVITIES					
Revolving facility borrowings	298.5	—	—	—	298.5
Payments on revolving facility borrowings	(298.5)	—	—	—	(298.5)
Payments on long term debt	(133.0)	—	—	—	(133.0)
Debt issuance costs	(2.1)	—	—	—	(2.1)
Separation-related payment from R.R. Donnelley	68.0	—	—	—	68.0
Proceeds from the issuance of common stock	18.8	—	—	—	18.8
Proceeds from issuance of long-term debt	3.1	—	—	—	3.1
Treasury stock repurchases	(0.9)	—	—	—	(0.9)
Intercompany note payable, net	14.7	—	—	(14.7)	—
Other financing activities	0.4	—	—	—	0.4
Net cash used in financing activities	(31.0)	—	—	(14.7)	(45.7)
Effect of exchange rate on cash and cash equivalents	—	—	1.1	—	1.1
Net increase (decrease) in cash and cash equivalents	8.3	6.1	(1.0)	2.4	15.8
Cash and cash equivalents at beginning of year	—	21.8	16.8	(2.4)	36.2
Cash and cash equivalents at end of period	\$ 8.3	\$ 27.9	\$ 15.8	\$ —	\$ 52.0

Notes to the Consolidated and Combined Financial Statements
(in millions, except per share data, unless otherwise indicated)

Condensed Consolidating Statements of Cash Flows
Year Ended December 31, 2016

	Parent	Guarantor Subsidiaries	Non-guarantor Subsidiaries	Eliminations	Consolidated
OPERATING ACTIVITIES					
Net cash (used in) provided by operating activities	\$ (1.2)	\$ 103.2	\$ 6.4	\$ (2.4)	\$ 106.0
INVESTING ACTIVITIES					
Capital expenditures	—	(23.6)	(2.6)	—	(26.2)
Purchases of investments	—	(3.5)	—	—	(3.5)
Other investing activities	—	—	0.4	—	0.4
Net cash used in investing activities	—	(27.1)	(2.2)	—	(29.3)
FINANCING ACTIVITIES					
Proceeds from issuance of long-term debt	348.2	—	—	—	348.2
Payments on long-term debt	(50.0)	—	—	—	(50.0)
Net change in short-term debt	—	—	(8.8)	—	(8.8)
Debt issuance costs	(9.3)	—	—	—	(9.3)
Net transfers to Parent and affiliates	(287.7)	(54.4)	2.0	—	(340.1)
Net cash provided by (used in) financing activities	1.2	(54.4)	(6.8)	—	(60.0)
Effect of exchange rate on cash and cash equivalents	—	—	4.4	—	4.4
Net increase (decrease) in cash and cash equivalents	—	21.7	1.8	(2.4)	21.1
Cash and cash equivalents at beginning of year	—	0.1	15.0	—	15.1
Cash and cash equivalents at end of period	\$ —	\$ 21.8	\$ 16.8	\$ (2.4)	\$ 36.2
Supplemental non-cash disclosure:					
Debt exchange with R.R. Donnelley, including \$5.5 million of debt issuance costs	\$ 300.0	\$ —	\$ —	\$ —	\$ 300.0
Settlement of intercompany note payable	—	29.6	—	—	29.6
Accrued debt issuance costs	1.5	—	—	—	1.5

Notes to the Consolidated and Combined Financial Statements
(in millions, except per share data, unless otherwise indicated)

Condensed Consolidating Statements of Cash Flows
Year Ended December 31, 2015

	Parent	Guarantor Subsidiaries	Non-guarantor Subsidiaries	Eliminations	Consolidated
OPERATING ACTIVITIES					
Net cash provided by operating activities	\$ —	\$ 106.7	\$ 14.2	\$ —	\$ 120.9
INVESTING ACTIVITIES					
Capital expenditures	—	(25.9)	(1.2)	—	(27.1)
Purchases of investments	—	(10.0)	—	—	(10.0)
Net cash used in investing activities	—	(35.9)	(1.2)	—	(37.1)
FINANCING ACTIVITIES					
Net change in short-term debt	—	—	(24.0)	—	(24.0)
Payments on note payable with an RRD affiliate	—	(14.6)	(0.2)	—	(14.8)
Net transfers to Parent and affiliates	—	(56.2)	0.2	—	(56.0)
Net cash used in financing activities	—	(70.8)	(24.0)	—	(94.8)
Effect of exchange rate on cash and cash equivalents	—	—	(2.5)	—	(2.5)
Net decrease in cash and cash equivalents	—	—	(13.5)	—	(13.5)
Cash and cash equivalents at beginning of year	—	0.1	28.5	—	28.6
Cash and cash equivalents at end of period	\$ —	\$ 0.1	\$ 15.0	\$ —	\$ 15.1

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the stockholders and the Board of Directors of Donnelley Financial Solutions, Inc.

Opinion on the Financial Statements

We have audited the accompanying consolidated balance sheets of Donnelley Financial Solutions, Inc. and subsidiaries (the "Company") as of December 31, 2017 and 2016, the related consolidated and combined statements of operations, comprehensive income, equity and cash flows for each of the three years in the period ended December 31, 2017, and the related notes (collectively referred to as the "financial statements"). In our opinion, the financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2017 and 2016, and the results of its operations and its cash flows for each of the three years in the period ended December 31, 2017, in conformity with accounting principles generally accepted in the United States of America.

We have also audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) (PCAOB), the Company's internal control over financial reporting as of December 31, 2017, based on criteria established in *Internal Control — Integrated Framework (2013)* issued by the Committee of Sponsoring Organizations of the Treadway Commission and our report dated February 28, 2018, expressed an unqualified opinion on the Company's internal control over financial reporting.

Basis of Presentation of the Consolidated and Combined Financial Statements

As described in Note 1, prior to October 1, 2016, the accompanying consolidated and combined financial statements have been derived from the consolidated financial statements and accounting records of R.R. Donnelley & Sons Company. The consolidated and combined financial statements include the allocation of certain assets, liabilities, expenses and income that have historically been held at the R.R. Donnelley & Sons Company corporate level but which are specifically identifiable or attributable to the Company. The consolidated and combined financial statements also include expense allocations for certain corporate functions historically provided by R.R. Donnelley & Sons Company. These costs and allocations may not be reflective of the actual expense which would have been incurred had the Company operated as a separate unaffiliated entity apart from R.R. Donnelley & Sons Company.

Basis for Opinion

These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on the Company's financial statements based on our audits. We are a public accounting firm registered with the PCAOB and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement, whether due to error or fraud. Our audits included performing procedures to assess the risks of material misstatement of the financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that our audits provide a reasonable basis for our opinion.

/s/ DELOITTE & TOUCHE LLP

Chicago, Illinois
February 28, 2018

We have served as the Company's auditor since 2015.

UNAUDITED INTERIM FINANCIAL INFORMATION
(In millions, except per-share data)

	Year Ended December 31,				
	First Quarter	Second Quarter	Third Quarter	Fourth Quarter	Full Year
2017					
Net sales	\$ 267.3	\$ 290.2	\$ 222.6	\$ 224.8	\$ 1,004.9
Income from operations	27.2	42.9	18.0	10.9	99.0
Net earnings (loss)	9.3	18.8	5.3	(23.7)	9.7
Net earnings (loss) per share:					
Basic net earnings (loss) per share	0.29	0.57	0.16	(0.71)	0.29
Diluted net earnings (loss) per share	0.28	0.57	0.16	(0.71)	0.29
Weighted average number to common shares outstanding					
Basic	32.6	32.7	33.6	33.6	33.1
Diluted	32.8	32.9	33.8	33.6	33.3
2016					
Net sales	\$ 240.1	\$ 298.0	\$ 224.4	\$ 221.0	\$ 983.5
Income from operations	22.5	59.0	18.0	6.5	106.0
Net earnings (loss)	13.4	36.3	10.2	(0.8)	59.1
Net earnings (loss) per share:					
Basic net earnings (loss) per share	0.41	1.12	0.31	(0.02)	1.81
Diluted net earnings (loss) per share	0.41	1.12	0.31	(0.02)	1.80
Weighted average number to common shares outstanding(a)					
Basic	32.4	32.4	32.4	32.6	32.6
Diluted	32.4	32.4	32.4	32.6	32.8

(a) On October 1, 2016, RRD distributed approximately 26.2 million shares of Donnelley Financial common stock to RRD shareholders in connection with the spin-off of Donnelley Financial, with RRD retaining approximately 6.2 million shares of Donnelley Financial common stock. On June 21, 2017, RRD completed the sale of approximately 6.1 million shares of the Company's common stock in an underwritten public offering. Upon consummation of the offering, RRD retained approximately 0.1 million shares of the Company's common stock which were subsequently sold by RRD on August 4, 2017.

For periods prior to the Separation, basic and diluted earnings per share were calculated using the number of shares distributed and retained by RRD, totaling 32.4 million. The same number of shares was used to calculate basic and diluted earnings per share since there were no Donnelley Financial equity awards outstanding prior to the spin-off.

Includes the following significant items:

	Pre-tax					After-tax				
	First Quarter	Second Quarter	Third Quarter	Fourth Quarter	Full Year	First Quarter	Second Quarter	Third Quarter	Fourth Quarter	Full Year
Year ended December 31, 2017										
Spin-off related transaction expenses	\$ 2.7	\$ 4.5	\$ 2.6	\$ 6.7	\$ 16.5	\$ 1.6	\$ 2.7	\$ 1.2	\$ 4.4	\$ 9.9
Restructuring, impairment and other charges - net	3.8	3.2	(0.6)	0.7	7.1	2.3	2.0	(0.4)	0.3	4.2
Share-based compensation expense	1.1	2.4	1.7	1.6	6.8	0.7	1.4	0.8	1.2	4.1
Acquisition-related expenses	—	—	—	0.2	0.2	—	—	—	0.1	0.1
Year ended December 31, 2016										
Restructuring, impairment and other charges - net	\$ 0.6	\$ 1.3	\$ 1.7	\$ 1.8	\$ 5.4	\$ 0.4	\$ 0.8	\$ 1.0	\$ 1.1	\$ 3.3
Spin-off related transaction expenses	—	—	—	4.9	4.9	—	—	—	3.0	3.0
Share-based compensation expense	0.3	0.7	0.2	1.3	2.5	0.2	0.4	0.1	0.8	1.5

INDEX TO EXHIBITS

2.1	<u>Separation and Distribution Agreement, dated as of September 14, 2016, by and among R. R. Donnelley & Sons Company, LSC Communications, Inc. and Donnelley Financial Solutions, Inc. (the "Separation Agreement") (incorporated by reference to Exhibit 2.1 to the Company's Current Report on Form 8-K, dated September 30, 2016, filed on October 3, 2016)</u>
2.2	<u>Transition Services Agreement, dated as of September 14, 2016, between Donnelley Financial Solutions, Inc. and R. R. Donnelley & Sons Company (incorporated by reference to Exhibit 2.2 to the Company's Current Report on Form 8-K dated September 30, 2016, filed on October 3, 2016)</u>
2.3	<u>Transition Services Agreement, dated as of September 14, 2016, between LSC Communications, Inc. and Donnelley Financial Solutions, Inc. (incorporated by reference to Exhibit 2.3 to the Company's Current Report on Form 8-K dated September 30, 2016, filed on October 3, 2016)</u>
2.4	<u>Tax Disaffiliation Agreement, dated as of September 14, 2016, between Donnelley Financial Solutions, Inc. and R. R. Donnelley & Sons Company (incorporated by reference to Exhibit 2.4 to the Company's Current Report on Form 8-K dated September 30, 2016, filed on October 3, 2016)</u>
2.5	<u>Patent Assignment and License Agreement, dated as of September 27, 2016, between Donnelley Financial, LLC and R. R. Donnelley & Sons Company (incorporated by reference to Exhibit 2.5 to the Company's Current Report on Form 8-K dated September 30, 2016, filed on October 3, 2016)</u>
2.6	<u>Trademark Assignment and License Agreement, dated as of September 27, 2016, between Donnelley Financial, LLC and R. R. Donnelley & Sons Company (incorporated by reference to Exhibit 2.6 to the Company's Current Report on Form 8-K dated September 30, 2016, filed on October 3, 2016)</u>
2.7	<u>Data Assignment and License Agreement, dated as of September 27, 2016, between Donnelley Financial, LLC and R. R. Donnelley & Sons Company (incorporated by reference to Exhibit 2.7 to the Company's Current Report on Form 8-K dated September 30, 2016, filed on October 3, 2016)</u>
2.8	<u>Software, Copyright and Trade Secret Assignment and License Agreement, dated as of September 27, 2016, between Donnelley Financial, LLC and R. R. Donnelley & Sons Company (incorporated by reference to Exhibit 2.8 to the Company's Current Report on Form 8-K dated September 30, 2016, filed on October 3, 2016)</u>
3.1	<u>Amended and Restated Certificate of Incorporation of Donnelley Financial Solutions, Inc. (incorporated by reference to Exhibit 3.1 to the Company's Current Report on Form 8-K dated September 30, 2016, filed on October 3, 2016)</u>
3.2	<u>Amended and Restated By-laws of Donnelley Financial Solutions, Inc. (incorporated by reference to Exhibit 3.2 to the Company's Current Report on Form 8-K dated September 30, 2016, filed on October 3, 2016)</u>
4.1	<u>Stockholder and Registration Rights Agreement, dated as of September 14, 2016, between Donnelley Financial Solutions, Inc. and R. R. Donnelley & Sons Company (incorporated by reference to Exhibit 4.1 to the Company's Current Report on Form 8-K dated September 30, 2016, filed on October 3, 2016)</u>
4.2	<u>Indenture, dated as of September 30, 2016, among Donnelley Financial Solutions, Inc., the subsidiary guarantors party thereto and Wells Fargo Bank, National Association, as Trustee (incorporated by reference to Exhibit 4.2 to the Company's Current Report on Form 8-K dated September 30, 2016, filed on October 3, 2016)</u>
4.3	<u>Registration Rights Agreement, dated as of September 30, 2016, by and among Donnelley Financial Solutions, Inc., the subsidiary guarantors party thereto and J.P. Morgan Securities LLC, Merrill Lynch, Pierce, Fenner & Smith Incorporated, Citigroup Global Markets Inc. and MUFG Securities Americas Inc., as Representatives (incorporated by reference to Exhibit 4.3 to the Company's Current Report on Form 8-K dated September 30, 2016, filed on October 3, 2016)</u>
10.1	<u>Credit Agreement, dated as of September 30, 2016, among Donnelley Financial Solutions, Inc., as Borrower, the lenders party thereto, and JPMorgan Chase Bank, N.A., as Administrative Agent (incorporated by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K dated September 30, 2016, filed on October 3, 2016)*</u>
10.2	<u>Amendment No. 1 to Credit Agreement, dated as of October 2, 2017, among Donnelley Financial Solutions, Inc., as Borrower, the lenders party thereto, and JPMorgan Chase Bank, N.A., as Administrative Agent (incorporated by reference to Exhibit 10.2 to the Company's Quarterly Report on Form 10-Q dated September 30, 2017, filed on November 2, 2017)</u>
10.3	<u>2016 Donnelley Financial Solutions, Inc. Performance Incentive Plan (incorporated by reference to Exhibit 10.2 to the Company's Current Report on Form 8-K dated September 30, 2016, filed on October 3, 2016)*</u>

10.4 [Amended and Restated Donnelley Financial Solutions, Inc. 2016 Performance Incentive Plan \(incorporated by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K dated May 18, 2017, filed on May 23, 2017\)*](#)

10.5 [Donnelley Financial Solutions, Inc. Non-Employee Director Compensation Plan \(filed herewith\)*](#)

10.6 [Policy on Retirement Benefits, Phantom Stock Grants and Stock Options for Directors \(incorporated by reference to Exhibit 10.1 to R.R. Donnelley & Sons Company Quarterly Report on Form 10-Q for the quarter ended June 30, 2008, filed on August 6, 2008\)*](#)

10.7 [Donnelley Financial Solutions, Inc. Nonqualified Deferred Compensation Plan, dated as of September 22, 2016 \(incorporated by reference to Exhibit 10.4 to the Company's Current Report on Form 8-K dated September 30, 2016, filed on October 3, 2016\)*](#)

10.8 [Donnelley Financial Unfunded Supplemental Pension Plan effective October 1, 2016 \(incorporated by reference to Exhibit 10.6 to the Company's Annual Report on Form 10-K dated December 31, 2016, filed on February 28, 2017\)*](#)

10.9 [Donnelley Financial Solutions, Inc. Executive Severance Plan \(incorporated by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K dated May 30, 2017, filed on June 5, 2017\)*](#)

10.10 [Amended and Restated Employment Agreement, dated as of July 13, 2017, between the Company and Daniel N. Leib \(incorporated by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K dated July 13, 2017, filed on July 14, 2017\)*](#)

10.11 [Assignment of Employment Agreement and Acceptance of Assignment, dated as of September 29, 2016, between Donnelley Financial Solutions, Inc., R. R. Donnelley & Sons Company and Thomas F. Juhase \(incorporated by reference to Exhibit 10.6 to the Company's Current Report on Form 8-K dated September 30, 2016, filed on October 3, 2016\)*](#)

10.12 [Waiver of Severance Benefits, dated as of June 1, 2017, by and between Thomas F. Juhase and the Company \(incorporated by reference to Exhibit 10.2 to the Company's Current Report on Form 8-K dated May 30, 2017, filed on June 5, 2017\)*](#)

10.13 [Assignment of Employment Agreement and Acceptance of Assignment, dated as of September 29, 2016, between Donnelley Financial Solutions, Inc., R. R. Donnelley & Sons Company and David A. Gardella \(incorporated by reference to Exhibit 10.7 to the Company's Current Report on Form 8-K dated September 30, 2016, filed on October 3, 2016\)*](#)

10.14 [Waiver of Severance Benefits, dated as of June 1, 2017, by and between David A. Gardella and the Company \(incorporated by reference to Exhibit 10.3 to the Company's Current Report on Form 8-K dated May 30, 2017, filed on June 5, 2017\)*](#)

10.15 [Assignment of Severance Agreement and Acceptance of Assignment, dated as of September 29, 2016, between Donnelley Financial Solutions, Inc., R. R. Donnelley & Sons Company and Jennifer B. Reiners \(incorporated by reference to Exhibit 10.8 to the Company's Current Report on Form 8-K dated September 30, 2016, filed on October 3, 2016\)*](#)

10.16 [Waiver of Severance Benefits, dated as of June 1, 2017, by and between Jennifer B. Reiners and the Company \(incorporated by reference to Exhibit 10.4 to the Company's Current Report on Form 8-K dated May 30, 2017, filed on June 5, 2017\)*](#)

10.17 [Written Description of the 2016 Annual Incentive Plan of the Company with respect to the period from October 1, 2016 to December 31, 2016 \(incorporated by reference to Exhibit 10.12 to the Company's Annual Report on Form 10-K dated December 31, 2016, filed on February 28, 2017\)*](#)

10.18 [2017 Annual Incentive Plan \(incorporated by reference to Exhibit 10.13 to the Company's Annual Report on Form 10-K dated December 31, 2016, filed on February 28, 2017\)*](#)

10.19 [Form of Founders Award \(Restricted Stock\) Agreement \(incorporated by reference to Exhibit 10.15 to the Company's Annual Report on Form 10-K dated December 31, 2016, filed on February 28, 2017\)*](#)

10.20 [Form of Performance Restricted Stock Award Agreement \(for 2017\) \(incorporated by reference to Exhibit 10.16 to the Company's Quarterly Report on Form 10-Q dated March 31, 2017, filed on May 4, 2017\)*](#)

10.21 [Form of Amendment to Performance Restricted Stock Award Agreement \(for 2017\) \(incorporated by reference to Exhibit 10.5 to the Company's Current Report on Form 8-K dated May 30, 2017, filed on June 5, 2017\)*](#)

10.22 [Form of Performance Share Unit Award Agreement \(filed herewith\)*](#)

10.23	Form of Performance Share Unit Award Agreement (for 2017) (incorporated by reference to Exhibit 10.17 to the Company's Quarterly Report on Form 10-Q dated March 31, 2017, filed on May 4, 2017)*
10.24	Form of Restricted Stock Unit Award Agreement (incorporated by reference to Exhibit 10.18 to the Company's Quarterly Report on Form 10-Q dated March 31, 2017, filed on May 4, 2017)*
10.25	Form of Stock Option Award Agreement (incorporated by reference to Exhibit 10.19 to the Company's Quarterly Report on Form 10-Q dated March 31, 2017, filed on May 4, 2017)*
10.26	Form of Performance Share Unit Award Agreement (for 2015) converted from R. R. Donnelley & Sons Company to the Company pursuant to the Separation Agreement (incorporated by reference to Exhibit 10.19 to the R. R. Donnelley & Sons Company Quarterly Report on Form 10-Q for the quarter ended March 31, 2015, filed on May 7, 2015)*
10.27	Form of Restricted Stock Unit Award Agreement for certain executive officers (for 2015 and 2016) converted from R. R. Donnelley & Sons Company to the Company pursuant to the Separation Agreement (incorporated by reference to Exhibit 10.12 to the R. R. Donnelley & Sons Company Quarterly Report on Form 10-Q for the quarter ended March 31, 2015, filed on May 7, 2015)*
10.28	Form of Cash Award Agreement (for 2014) converted from R. R. Donnelley & Sons Company to the Company pursuant to the Separation Agreement (incorporated by reference to Exhibit 10.21 to the Company's Annual Report on Form 10-K dated December 31, 2016, filed on February 28, 2017)*
10.29	Form of Cash Award Agreement (for 2015) converted from R. R. Donnelley & Sons Company to the Company pursuant to the Separation Agreement (incorporated by reference to Exhibit 10.22 to the Company's Annual Report on Form 10-K dated December 31, 2016, filed on February 28, 2017)*
10.30	Form of Cash Award Agreement (for 2016) converted from R. R. Donnelley & Sons Company to the Company pursuant to the Separation Agreement (incorporated by reference to Exhibit 10.23 to the Company's Annual Report on Form 10-K dated December 31, 2016, filed on February 28, 2017)*
10.31	Form of Amendment to Cash Retention Awards (for 2014) converted from R. R. Donnelley & Sons Company to the Company pursuant to the Separation Agreement (incorporated by reference to Exhibit 10.1 to the R. R. Donnelley & Sons Company Current Report on Form 8-K dated March 2, 2016, filed on March 2, 2016)*
10.32	Agreement regarding title and retention bonus for Thomas Jahase dated March 21, 2016 converted from R. R. Donnelley & Sons Company to the Company pursuant to the Separation Agreement (incorporated by reference to Exhibit 10.25 to the Company's Annual Report on Form 10-K dated December 31, 2016, filed on February 28, 2017)*
10.33	Form of Director Restricted Stock Unit Award (incorporated by reference to Exhibit 10.26 to the Company's Annual Report on Form 10-K dated December 31, 2016, filed on February 28, 2017)*
10.34	Form of Restricted Stock Unit Award Agreement for directors converted from R. R. Donnelley & Sons Company to the Company pursuant to the Separation Agreement (incorporated by reference to Exhibit 10.21 to the R. R. Donnelley & Sons Company Annual Report on Form 10-K for the fiscal year ended December 31, 2004, filed on March 14, 2005)*
10.35	Form of Restricted Stock Unit Award Agreement for directors converted from R. R. Donnelley & Sons Company to the Company pursuant to the Separation Agreement (incorporated by reference to Exhibit 10.25 to the R. R. Donnelley & Sons Company Annual Report on Form 10-K for the fiscal year ended December 31, 2007, filed on February 27, 2008)*
10.36	Form of Restricted Stock Unit Award Agreement for directors converted from R. R. Donnelley & Sons Company to the Company pursuant to the Separation Agreement (incorporated by reference to Exhibit 10.23 to the R. R. Donnelley & Sons Company Annual Report on Form 10-K for the fiscal year ended December 31, 2008, filed on February 25, 2009)*
10.37	Form of Amendment to Director Restricted Stock Unit Awards converted from R. R. Donnelley & Sons Company to the Company pursuant to the Separation Agreement (incorporated by reference to Exhibit 10.22 to the R. R. Donnelley & Sons Company Annual Report on Form 10-K for the fiscal year ended December 31, 2008, filed on February 25, 2009)*
10.38	Form of Amendment to Director Restricted Stock Unit Awards dated May 21, 2009 converted from R. R. Donnelley & Sons Company to the Company pursuant to the Separation Agreement (incorporated by reference to Exhibit 10.23 to the R. R. Donnelley & Sons Company Quarterly Report on Form 10-Q for the quarter ended June 30, 2009, filed on August 5, 2009)*
10.39	Form of Director Indemnification Agreement (incorporated by reference to Exhibit 10.10 to the Company's Quarterly Report on Form 10-Q dated September 30, 2016, filed on November 9, 2016)

12.1	Statement of Computation of Ratio of Earnings to Fixed Charges (filed herewith)
14.1	Code of Ethics for the Chief Executive Officer and Senior Financial Officers (incorporated by reference to Exhibit 14.1 to the Company's Annual Report on Form 10-K dated December 31, 2016, filed on February 28, 2017)
21.1	Subsidiaries of the Registrant (filed herewith)
23.1	Consent of Deloitte & Touche LLP (filed herewith)
24.1	Power of Attorney (filed herewith)
31.1	Certification by Daniel N. Leib, President and Chief Executive Officer, required by Rule 13a-14(a) and Rule 15d-14(a) of the Securities Exchange Act of 1934 (filed herewith)
31.2	Certification by David A. Gardella, Executive Vice President and Chief Financial Officer, required by Rule 13a-14(a) and Rule 15d-14(a) of the Securities Exchange Act of 1934 (filed herewith)
32.1	Certification by Daniel N. Leib, President and Chief Executive Officer, required by Rule 13a-14(b) or Rule 15d-14(b) of the Securities Exchange Act of 1934 and Section 1350 of Chapter 63 of Title 18 of the United States Code (filed herewith)
32.2	Certification by David A. Gardella, Executive Vice President and Chief Financial Officer, required by Rule 13a-14(b) or Rule 15d-14(b) of the Securities Exchange Act of 1934 and Section 1350 of Chapter 63 of Title 18 of the United States Code (filed herewith)
101.INS	XBRL Instance Document
101.SCH	XBRL Taxonomy Extension Schema Document
101.CAL	XBRL Taxonomy Extension Calculation Linkbase Document
101.DEF	XBRL Taxonomy Extension Definition Linkbase Document
101.LAB	XBRL Taxonomy Extension Label Linkbase Document
101.PRE	XBRL Taxonomy Extension Presentation Linkbase Document

* Management contract or compensatory plan or arrangement.

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized, on the 28th day of February 2018.

DONNELLEY FINANCIAL SOLUTIONS, INC.

By: / S / DAVID A. GARDELLA
David A. Gardella
 Executive Vice President and Chief Financial Officer
(Principal Financial Officer)

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the registrant and in the capacities indicated, on the 28th day of February 2018.

Signature and Title
/ S / DANIEL N. LEIB
Daniel N. Leib
 President and Chief Executive Officer, Director
(Principal Executive Officer)

/ S / DAVID A. GARDELLA
David A. Gardella
 Executive Vice President and Chief Financial Officer
(Principal Financial Officer)

/ S / KAMI S. TURNER
Kami S. Turner
 Senior Vice President and Chief Accounting Officer
(Principal Accounting Officer)

/ S / RICHARD L. CRANDALL *
Richard L. Crandall
 Chairman of the Board, Director

/ S / LUIS A. AGUILAR *
Luis A. Aguilar
 Director

Signature and Title
/ S / NANCY E. CALDWELL *
Nancy E. Caldwell
 Director

/ S / CHARLES D. DRUCKER *
Charles D. Drucker
 Director

/ S / GARY G. GREENFIELD *
Gary G. Greenfield
 Director

/ S / LOIS M. MARTIN *
Lois M. Martin
 Director

/ S / OLIVER R. SOCKWELL *
Oliver R. Sockwell
 Director

By: / S / JENNIFER B. REINERS
Jennifer B. Reiners
As Attorney-in-Fact

* By Jennifer B. Reiners as Attorney-in-Fact pursuant to Powers of Attorney executed by the directors listed above, which Powers of Attorney have been filed with the Securities and Exchange Commission

Donnelley Financial Solutions, Inc.
Non-Employee Director Compensation Plan

Each director shall receive (A) an annual cash retainer (a “Cash Retainer”) and (B) an annual equity retainer (an “Equity Retainer”) to be paid in the form of a grant of Restricted Stock Units (“RSUs”) each on the date of the Company’s Annual Meeting of Stockholders, as described further below and pursuant to the Company’s Performance Incentive Plan in effect on such date (the “Plan”).

1) Cash Retainer.

- a) Each director shall be entitled to a Cash Retainer equal to \$80,000.
- b) Any director in a leadership role shall be entitled to an additional Cash Retainer in the applicable amount described in the table below:

Chairman of the Board	\$50,000
Chairman of the Audit Committee	\$20,000
Chairman of the Compensation Committee	\$20,000
Chairman of the Corporate Responsibility & Governance Committee	\$15,000
- c) Any director serving on more than one committee shall be entitled to an additional Cash Retainer of \$5,000 for each additional committee.

2) Equity Retainer.

- a) Each director shall be entitled to an Equity Retainer equal to \$120,000.
- b) The Chairman of the Board shall be entitled to an additional Equity Retainer equal to \$50,000.
- c) The number of shares granted shall be calculated pursuant to the terms of the Plan and shall be rounded down to the nearest share.
- d) RSUs will vest and be payable on the first anniversary of the grant date, but will be payable in full on the earlier of (i) the date the director ceases to be a Director of the Company and (ii) a Change in Control (as defined in the Plan).
- e) Dividend equivalents on the RSUs issued hereunder are deferred, credited with interest quarterly at the same rate as five-year U.S. government bonds and paid out in cash at the same time the corresponding portion of the award becomes payable.
- f) The Company shall make payment of the RSUs in Company common stock.

3) General.

- a) If any director joins the Board on a date other than the date of the Company’s Annual Meeting, then a pro-rata portion of each of the applicable Cash Retainer and Equity Retainer from the date joined to the next Annual Meeting date shall be granted; provided, however, that any director of R.R. Donnelley & Sons Company (“RRD”) who joins the Board in connection with the spin-off of the Company from RRD shall not be entitled to such pro-rata portion of the Cash Retainer or Equity Retainer.

Each director is expected to comply with the terms of any stock ownership guidelines for non-employee directors that are established by the Company, as in effect from time to time.

DONNELLEY FINANCIAL SOLUTIONS, INC.
PERFORMANCE UNIT AWARD (2016 PIP)(adopted on February 15, 2018)

This Performance Unit Award ("Award") is granted as of XXXX (the "Grant Date"), by Donnelley Financial Solutions, Inc. (the "Company") to XXXX ("Grantee").

1. Grant of Award. This Award is granted as an incentive for Grantee to remain an employee of the Company and share in the future success of the Company. The Company hereby credits to Grantee XXXX stock units (the "Performance Units") (which number shall represent target achievement of the Performance Condition (as defined below)), subject to the restrictions and on the terms and conditions set forth herein. This Award is made pursuant to the provisions of the Donnelley Financial Solutions 2016 Performance Incentive Plan ("2016 PIP"). Capitalized terms not defined herein shall have the meanings specified in the 2016 PIP. Grantee shall indicate acceptance of this Award by signing and returning a copy hereof.

2. Determination of Achievement; Distribution of Award.

(a) The number of shares of common stock, par value \$0.01 per share, of the Company (the "Common Stock") payable in respect of the Performance Units will be determined according to the attainment of the performance condition or conditions as established by the Committee and set forth on Exhibit A hereto (each, a "Performance Condition") for the applicable performance period (the "Performance Period") as established by the Committee and set forth on Exhibit A. The Committee shall determine and certify the attainment of each Performance Condition after the applicable Performance Period.

(b) Distribution with respect to this Award shall be made to Grantee as soon as practicable following the determination of the achievement of the Performance Condition as described in (a) above, but no later than 60 days thereafter. Distribution of this Award may be made in Common Stock, cash (based upon the fair market value of the Common Stock on the date of distribution) or any combination thereof as determined by the Committee.

3. Dividends; Voting.

(a) No dividends or dividend equivalents will accrue with respect to the Performance Units.

(b) Grantee shall have no right to vote shares of common stock represented by the Performance Units unless and until distribution with respect to this Award is made in Common Stock pursuant to paragraph 2(b) above.

4. Treatment upon Separation or Termination.

(a) Notwithstanding any other agreement with Grantee to the contrary, if Grantee's employment terminates by reason of death or Disability (as defined in the applicable Company long-term disability policy as in effect at the time of Grantee's disability), a pro rata portion of any unvested Performance Units shall vest and become payable, based on the attainment of each Performance Condition at target performance level with respect to each open Performance Period.

(b) Subject to paragraph 5 below and the terms and conditions of any employment agreement between Grantee and the Company, if Grantee's employment terminates for any reason other than as set forth above, any unvested Performance Units shall be forfeited.

5. Treatment upon Change in Control. Notwithstanding any other agreement with Grantee to the contrary, upon the date of a Change in Control, each Performance Condition shall be deemed met at the target performance level with respect to each open Performance Period. Such Performance Units will continue to remain subject to time-based vesting until the end of the Performance Period; *provided, however*, that if on or within three months prior to or two years after the date of such Change in Control, Grantee's employment is terminated by the Company or any successor entity thereto without Cause (as defined below), or Grantee resigns his or her employment with Good Reason (as defined below), all of the Performance Units earned pursuant to this paragraph 5 shall immediately vest and become payable as of the date of such termination of employment. Unless otherwise defined in Grantee's employment agreement or other arrangement with the Company, "Cause" and "Good Reason" shall have the meanings ascribed to them below.

"Cause" means (i) Grantee's willful and continued failure to perform substantially his or her duties with the Company (other than any such failure resulting from Grantee's incapacity due to physical or mental illness or any such failure subsequent to Grantee's being delivered a notice of termination without Cause) after a written demand for substantial performance is delivered to Grantee by the Group President, the Chief Executive Officer, or the Board that identifies the manner in which Grantee has not performed his or her duties, (ii) Grantee's willful engaging in conduct which is demonstrably and materially injurious (monetarily or otherwise) to the business, reputation, character or community standing of the Company, (iii) conviction of or the pleading of nolo contendere with regard to a felony or any crime involving fraud, dishonesty or moral turpitude, or (iv) a refusal or failure to attempt in good faith to follow the written direction of the Group President, the Chief Executive Officer, or the Board (provided that such written direction is consistent with Grantee's duty and station) promptly upon receipt of such written direction. For the purposes of this definition, no act or failure to act by Grantee shall be considered "willful" unless done or omitted to be done by Grantee in bad faith and without reasonable belief that Grantee's action or omission was in the best interests of the Company. Any act, or failure to act, based upon authority given pursuant to a resolution duly

adopted by the Board or based upon the advice of the Company's principal outside counsel shall be conclusively presumed to be done, or omitted to be done, by Grantee in good faith and in the best interests of the Company. Notwithstanding the foregoing, the Company shall provide Grantee with a reasonable amount of time, after a notice and demand for substantial performance is delivered to Grantee, to cure any such failure to perform, and if such failure is so cured within a reasonable time (which shall be no less than thirty (30) days) thereafter, such failure shall not be deemed to have occurred.

"Good Reason" means, without Grantee's express written consent, the occurrence of any of the following events: (i) a change in Grantee's duties or responsibilities (including reporting responsibilities) that taken as a whole represents a material and adverse diminution of Grantee's duties, responsibilities or status with the Company (other than a temporary change that results from or relates to Grantee's incapacitation due to physical or mental illness), (ii) a reduction by the Company in Grantee's rate of annual base salary or annual target bonus opportunity (including any material and adverse change in the formula for such annual bonus target) as the same may be increased from time to time, (iii) any requirement of the Company that Grantee's office be more than seventy-five (75) miles from Grantee's then-primary work location, or (iv) any material breach by the Company of any employment agreement between Grantee and the Company. Notwithstanding the foregoing, a Good Reason event shall not be deemed to have occurred if the Company cures such action, failure or breach within thirty (30) days after receipt of notice thereof given by Grantee. Grantee's right to terminate employment for Good Reason shall not be affected by Grantee's incapacities due to mental or physical illness and Grantee's continued employment shall not constitute consent to, or a waiver of rights with respect to, any event or condition constituting Good Reason; provided, however, that Grantee must provide notice of termination of employment within ninety (90) days following Grantee's knowledge of an event constituting Good Reason or such event shall not constitute Good Reason under this Agreement.

6. Withholding Taxes.

(a) As a condition precedent to the issuance to Grantee of any shares of Common Stock pursuant to this Award, Grantee shall, upon request by the Company, pay to the Company such amount of cash as the Company may be required, under all applicable federal, state, local or other laws or regulations, to withhold and pay over as income or other withholding taxes (the "Required Tax Payments") with respect to the Award. If Grantee shall fail to advance the Required Tax Payments after request by the Company, the Company may, in its discretion, deduct any Required Tax Payments from any amount then or thereafter payable by the Company to Grantee.

(b) Grantee may elect to satisfy his obligation to advance the Required Tax Payments by any of the following means: (1) a cash payment to the Company, (2) delivery to the Company of previously owned whole shares of Stock for which Grantee has good title, free and clear of all liens and encumbrances, having a fair market value, determined as of the date the obligation to withhold or pay taxes first arises in connection with the Award (the "Tax Date"), equal to the Required Tax Payments, or (3) directing the Company to withhold a number of shares of Common Stock otherwise issuable to Grantee pursuant to this Award having a fair market value, determined as of the Tax Date, equal to the Required Tax Payments or any combination of (1)-(3). Any fraction of a share of Common Stock that would be required to satisfy such an obligation shall be disregarded and the remaining amount due shall be paid in cash by Grantee. No certificate representing a share of Common Stock shall be delivered until the Required Tax Payments have been satisfied in full. For purposes of this Award, the fair market value of a share of Common Stock on a specified date shall be determined by reference to the closing stock price in trading of the Common Stock on such date, or, if no such trading in the Common Stock occurred on such date, then on the next preceding date when such trading occurred.

7. Miscellaneous

- (a) The Company shall pay all original issue or transfer taxes with respect to the issuance or delivery of shares of Common Stock pursuant hereto and all other fees and expenses necessarily incurred by the Company in connection therewith, and will use reasonable efforts to comply with all laws and regulations which, in the opinion of counsel for the Company, shall be applicable thereto.
- (b) Nothing in this Award shall confer upon Grantee any right to continue in the employ of the Company or any other company that is controlled, directly or indirectly, by the Company or to interfere in any way with the right of the Company to terminate Grantee's employment at any time.
- (c) No interest shall accrue at any time on this Award or the Performance Units.
- (d) This Award shall be governed in accordance with the laws of the state of Delaware.
- (e) This Award shall be binding upon and inure to the benefit of any successor or successors to the Company.
- (f) Neither this Award nor the Performance Units nor any rights hereunder or thereunder may be transferred or assigned by Grantee other than by will or the laws of descent and distribution or pursuant to beneficiary designation procedures approved by the Company or other procedures approved by the Company. Any other transfer or attempted assignment, pledge or hypothecation, whether or not by operation of law, shall be void.

(g) The Committee, as from time to time constituted, shall have the right to determine any questions that arise in connection with this Agreement or the Performance Units. This Agreement and the Performance Units are subject to the provisions of the 2016 PIP and shall be interpreted in accordance therewith.

(h) If there is any inconsistency between the terms and conditions of this Award and the terms and conditions of the Grantee's Employment Agreement, the terms and conditions of the Grantee's Employment Agreement shall control.

IN WITNESS WHEREOF, the Company has caused this Award to be duly executed by its duly authorized officer.

DONNELLEY FINANCIAL SOLUTIONS, INC.

By:

Name: Diane Bielawski
Title: Chief Human Resources Officer

All of the terms of this Award are accepted as of this ____ day of _____, 20XX.

Grantee: _____

Donnelley Financial Solutions, Inc. and Subsidiaries
COMPUTATION OF RATIO OF EARNINGS TO FIXED CHARGES
(in millions, except ratios)

	Years ended December 31,				
	2017	2016	2015	2014	2013
Earnings available for fixed charges:					
Earnings from continuing operations before income taxes	\$ 56.2	\$ 94.3	\$ 171.7	\$ 92.4	\$ 158.9
Less: Equity (loss) income of minority-owned companies included in earnings from continuing operations before income taxes	—	—	(0.1)	—	(0.2)
Add: Fixed charges before capitalized interest	52.0	17.5	6.5	7.0	7.8
Add: Amortization of capitalized interest	0.3	0.6	—	—	—
Total earnings available for fixed charges	\$ 108.5	\$ 112.4	\$ 178.3	\$ 99.4	\$ 166.9
Fixed charges:					
Interest expense	\$ 42.9	\$ 11.7	\$ 1.1	\$ 1.5	\$ 2.2
Interest portion of rental expense	9.1	5.8	5.4	5.5	5.6
Total fixed charges before capitalized interest	52.0	17.5	6.5	7.0	7.8
Capitalized interest	0.6	0.5	—	—	—
Total fixed charges	\$ 52.6	\$ 18.0	\$ 6.5	\$ 7.0	\$ 7.8
Ratio of earnings to fixed charges	<u>2.06</u>	<u>6.24</u>	<u>27.43</u>	<u>14.20</u>	<u>21.40</u>

Entity Name	Entity Type	Domestic Jurisdiction
Al Ghurair Donnelley LLC [Less than 50% owned]	Corporation	United Arab Emirates
Bowne International Ltd. [UK]	Limited Liability Company	England and Wales
Bowne International, L.L.C.	Limited Liability Company	Delaware
DPS International Holdings, Inc.	Corporation	Delaware
Donnelley Financial Data Solutions Deutschland GmbH	Limited Liability Company	Frankfurt/Main
Donnelley Financial Solutions Australia Pty Limited	Limited Liability Company	Victoria
Donnelley Financial Solutions Belgium BVBA	Private Limited Liability Company	Belgium
Donnelley Financial Solutions Canada Corporation	Corporation	Nova Scotia
Donnelley Financial Solutions Canada Holdings ULC	Unlimited Company	Nova Scotia
Donnelley Financial Solutions do Brasil Ltda.	Limited Liability Company	Brazil
Donnelley Financial Solutions France Sarl	Limited Liability Company	France
Donnelley Financial Solutions Group UK Limited	Public Limited Company	England and Wales
Donnelley Financial Solutions Holdings UK Limited	Limited Liability Company	England
Donnelley Financial Solutions Hong Kong Limited	Limited Liability Company	Hong Kong
Donnelley Financial Solutions Ireland Limited	Limited Liability Company	Ireland
Donnelley Financial Solutions Japan Inc.	Corporation	Tokyo
Donnelley Financial Solutions Luxembourg SARL	Limited Liability Company	Luxembourg
Donnelley Financial Solutions Netherlands B.V.	Limited Liability Company	Netherlands
Donnelley Financial Solutions Poland sp. z o.o.	Limited Liability Company	Poland
Donnelley Financial Solutions Russia LLC	Limited Liability Company	Republic of Tatarstan
Donnelley Financial Solutions Singapore Pte. Ltd.	Limited Liability Company	Singapore
Donnelley Financial Solutions Spain S.L.	Limited Liability Company	Spain
Donnelley Financial Solutions UK Limited	Limited Liability Company	England and Wales
Donnelley Financial Solutions, Inc.	Corporation	Delaware
Donnelley Financial, LLC	Limited Liability Company	Delaware
Donnelley Translation Services (Shanghai) Co., Ltd.	Limited Liability Company	China
LATFIN Holdings, LLC	Limited Liability Company	Delaware
Roman Financial Press (Holdings) Limited	Limited Liability Company	British Virgin Islands
RR Donnelley International de Mexico, S.A. de C.V.	Corporation	Mexico

CONSENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

We consent to the incorporation by reference in Registration Statement No. 333-213915 on Form S-8 of our reports dated February 28, 2018 relating to the consolidated and combined financial statements of Donnelley Financial Solutions, Inc. and subsidiaries, and the effectiveness of Donnelley Financial Solutions, Inc.'s internal control over financial reporting, appearing in this Annual Report on Form 10-K of Donnelley Financial Solutions, Inc. for the year ended December 31, 2017.

/s/ DELOITTE & TOUCHE LLP

Chicago, Illinois
February 28, 2018

POWER OF ATTORNEY

KNOW ALL BY THESE PRESENTS, that each person whose signature appears below constitutes and appoints David A. Gardella, Jennifer B. Reiners and Kami S. Turner, or any of them, his or her true and lawful attorney-in-fact and agent, with full power of substitution and resubstitution, in any and all capacities, to sign the Annual Report on Form 10-K of Donnelley Financial Solutions, Inc. for its fiscal year ended December 31, 2017 and any and all amendments thereto, and to file the same with all exhibits thereto, and other documents in connection therewith, with the Securities and Exchange Commission, granting unto said attorney-in-fact and agent full power and authority to do and perform each and every act and thing requisite and necessary to be done in and about the premises, as fully to all intents and purposes as he or she might or could do in person, hereby ratifying and confirming all that said attorney-in-fact and agent, or her substitute, may lawfully do or cause to be done by virtue hereof. This Power of Attorney shall be effective from the date on which it is signed until June 30, 2018.

Dated: February 15, 2018

/s/ Luis A. Aguilar
Luis A. Aguilar

/s/ Nanci E. Caldwell
Nanci E. Caldwell

/s/ Richard L. Crandall
Richard L. Crandall

/s/ Charles D. Drucker
Charles D. Drucker

/s/ Gary G. Greenfield
Gary G. Greenfield

/s/ Lois M. Martin
Lois M. Martin

/s/ Oliver R. Sockwell
Oliver R. Sockwell

**Certification Pursuant to Rule 13a-14(a) and Rule 15d-14(a)
of the Securities Exchange Act of 1934**

I, Daniel N. Leib, certify that:

1. I have reviewed this Annual Report on Form 10-K of Donnelley Financial Solutions, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - (a) designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - (b) designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - (c) evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - (d) disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - (a) all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - (b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: February 28, 2018

/s/ DANIEL N. LEIB
Daniel N. Leib
President and Chief Executive Officer

**Certification Pursuant to Rule 13a-14(a) and Rule 15d-14(a)
of the Securities Exchange Act of 1934**

I, David A. Gardella, certify that:

1. I have reviewed this Annual Report on Form 10-K of Donnelley Financial Solutions, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - (a) designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - (b) designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - (c) evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - (d) disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - (a) all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - (b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: February 28, 2018

_____/s/ DAVID A. GARDELLA
David A. Gardella
Executive Vice President and Chief Financial Officer

CERTIFICATION OF CHIEF EXECUTIVE OFFICER
CERTIFICATION PURSUANT TO RULE 13a-14(b) OR RULE 15d-14(b)
AND SECTION 1350 OF CHAPTER 63 OF TITLE 18
OF THE UNITED STATES CODE (18 U.S.C. 1350),
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the Annual Report of Donnelley Financial Solutions, Inc. (the "Company") on Form 10-K for the period ending December 31, 2017 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Daniel N. Leib, President and Chief Executive Officer of the Company, certify, pursuant to 18 U.S.C. § 1350, as adopted pursuant to § 906 of the Sarbanes-Oxley Act of 2002, that to the best of my knowledge:

- (1) The Report fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
- (2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

February 28, 2018

/s/ DANIEL N. LEIB
Daniel N. Leib
President and Chief Executive Officer

CERTIFICATION OF CHIEF FINANCIAL OFFICER
CERTIFICATION PURSUANT TO RULE 13a-14(b) OR RULE 15d-14(b)
AND SECTION 1350 OF CHAPTER 63 OF TITLE 18
OF THE UNITED STATES CODE (18 U.S.C. 1350),
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the Annual Report of Donnelley Financial Solutions, Inc. (the "Company") on Form 10-K for the period ending December 31, 2017 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, David A. Gardella, Executive Vice President and Chief Financial Officer of the Company, certify, pursuant to 18 U.S.C. § 1350, as adopted pursuant to § 906 of the Sarbanes-Oxley Act of 2002, that to the best of my knowledge:

- (1) The Report fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
- (2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

February 28, 2018

/s/ DAVID A. GARDELLA
David A. Gardella
Executive Vice President and Chief Financial Officer