

R H Donnelley

Corporate Snapshot

October 4, 2005

Activity

- Publisher of Yellow Pages directories
 - Publishes directories under the Sprint Yellow Pages brand in 18 states with total distribution of approximately 18 million serving approximately 160,000 local and national advertisers, with major markets including Las Vegas, Nevada, and Orlando and Ft. Myers, Florida
 - Publishes directories under the SBC Yellow Pages brand in Illinois and Northwest Indiana with total distribution of approximately 10 million serving approximately 100,000 local and national advertisers
- Offers online city guides and search websites in its major Sprint Yellow Pages markets under the Best Red Yellow Pages brand
- Sells local advertising in Illinois and Northwest Indiana onto SBC's www.SMARTpages.com

Organization

- Founded in 1886 as the Chicago Directory Co
- Company is publicly owned, traded on the New York Stock Exchange under the symbol "RHD"
- Goldman Sachs Capital Partners has a 25% stake in the company
- Company grew out of printing firm R.R. Donnelley & Sons, was bought by Dun & Bradstreet, and then spun off in 1998
- Facilities are located in Illinois, Kansas, North Carolina, Pennsylvania, and Tennessee
- Employs 2,000

Union Presence

- CWA and the International Brotherhood of Electrical Workers represent roughly half the work force at Dex. Both contracts expire next year.

Stock

- March 4, 2005, there were approximately 3,000 holders of record of the company's common stock
- Beneficial ownership (5% or greater) as of March 4, 2005:
 - Robert R Gheewalla (17.5%)
 - Terence M O'Toole (17.5%)
 - The Goldman Sachs Group Inc (17.5%)
 - Neuberger Berman Inc (8.6%)
 - Lord Abbett & Co LLC (8.5%),

- and all directors and executive officers as a group beneficially own 21.5% of the company's common stock

Financials

| | FY Consolidated 12/31/03 | FY Consolidated 12/31/04 | Interim Consolidated 3/31/05 |
|---------------------|-----------------------------|-----------------------------|---------------------------------|
| Current Assets | 284,591,000 | 623,309,000 | 608,872,000 |
| Current Liabilities | 299,613,000 | 623,797,000 | 665,935,000 |
| Net worth | (56,245,000) | 17,985,000 | (126,773,000) |
| Sales | 256,445,000 | 603,116,000 | 207,339,000 |

Source: Dun & Bradstreet

Miscellaneous Corporate Information

- Headquarters address
1001 Winstead Dr.
Cary, NC 27513
Telephone: 919-297-1600
Internet: www.rhdonnelley.com

Corporate Officers

- David C. Swanson - Chairman and Chief Executive Officer
- Peter J. McDonald- President and Chief Operating Officer
- Steven M. Blondy - Senior Vice President and Chief Financial Officer
- George F. Bednarz - Vice President, Corporate Planning and IT
- Michael R. Boyce - Vice President and Chief Marketing Officer
- Robert J. Bush - Vice President, General Counsel and Corporate Secretary
- William M. Hammack - Vice President. Strategy and Business Development
- Debra M. Ryan - Vice President, Human Resources
- Jenny L. Apker - Vice President and Treasurer
- Robert A. Gross - Vice President and Controller
- John L. Mieske - Vice President, Finance, Publishing and Operations
- James M. Gruskin - Assistant Vice President, Finance and Investor Relations

Directors

- David C. Swanson, Chairman and CEO, R.H. Donnelley Corporation
- Nancy E. Cooper, Senior Vice President and Chief Financial Officer, IMS Health Inc
- Scott N. Flanders, Former Chairman & CEO, Columbia House Company
- Robert R. Gheewalla, Managing Director, Goldman Sachs & Co.
- Robert Kamerschen, Retired, Chairman and Chief Executive Officer, ADVO, Inc.
- Terence M. O'Toole, Retired, Managing Director, Goldman Sachs & Co.
- Alan F. Schultz, Chairman & CEO, Valassis Communications, Inc.
- David M. Veit, Retired, Executive Director, Pearson Plc.
- Barry Lawson Williams, President, Williams Pacific Ventures, Inc.

- Edwina D. Woodbury, CEO and President, The Chapel Hill Press, Inc.

Executive Compensation

| Name and Principal Position | Year | Annual Compensation | | | Long-Term Compensation Awards Payouts | | | |
|-----------------------------|------|---------------------|-------------|---------------------------------|---------------------------------------|------------------------------------|-----------------------------------|------------------------------|
| | | Salary(1)(S) | Bonus(1)(S) | Other Annual Compensation(2)(S) | Restricted Stock Awards(1)(S) | Securities Underlying Options/SARs | Long-Term Incentive Payouts(3)(S) | All Other Compensation(4)(S) |
| David C. Swanson | 2004 | 575,000 | 631,050 | 130,510 | 270,450 | 430,262 | 221,051 | 31,210 |
| Chairman and Chief | 2003 | 528,125 | 1,569,813 | 173,120 | 672,777 | 0 | 471,159 | 17,381 |
| Executive Officer | 2002 | 421,422 | 368,144 | 22,384 | 0 | 565,275 | 220,143 | 28,573 |
| Peter J. McDonald(5) | 2004 | 396,942 | 278,360 | 110,660 | 83,508 | 204,350 | 0 | 0 |
| Senior Vice President, | 2003 | 375,000 | 672,075 | 11,375 | 201,623 | 0 | 0 | 0 |
| President Donnelley Media | 2002 | 103,857 | 67,471 | 64,052 | 0 | 260,000 | 0 | 0 |
| Steven M. Blondy(6) | 2004 | 321,750 | 244,156 | 97,291 | 73,247 | 128,800 | 86,730 | 13,281 |
| Senior Vice President | 2003 | 309,000 | 666,370 | 88,984 | 199,911 | 0 | 62,212 | 0 |
| Chief Financial Officer | 2002 | 250,000 | 216,080 | 65,792 | 0 | 235,000 | 0 | 0 |
| George F. Bednarz(7) | 2004 | 233,750 | 190,244 | 7,500 | 63,415 | 73,612 | 65,415 | 18,146 |
| Vice President, | 2003 | 230,000 | 258,289 | 0 | 77,763 | 0 | 172,665 | 12,498 |
| Information Technology & | 2002 | 198,125 | 110,898 | 0 | 0 | 94,000 | 88,534 | 11,818 |
| Corporate Planning | | | | | | | | |
| Robert J. Bush(8) | 2004 | 222,750 | 152,128 | 85,527 | 50,709 | 45,096 | 58,188 | 10,525 |
| Vice President, | 2003 | 208,500 | 248,638 | 12,358 | 82,879 | 0 | 41,738 | 6,807 |
| General Counsel & Secretary | 2002 | 178,250 | 122,673 | 630 | 0 | 86,000 | 0 | 6,141 |

Source: 2005 Proxy

News

Rival Buys Dex For \$9.5 Billion ; R.H. Donnelley Will Be 3rd-Largest Directory Company
 Jeff Smith, Rocky Mountain News

4 October 2005

Rocky Mountain News

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R.H. Donnelley on Monday snatched up larger directory publishing counterpart Dex Media for \$9.5 billion in a move that will result in Colorado losing a corporate headquarters.

By buying Arapahoe County- based Dex, which employs 2,600, Donnelley will become the third- largest print and Internet directory publisher in the U.S. behind SBC and Verizon. The combined company, to be based at Donnelley's headquarters in Cary, N.C., will have 4,400 employees in 28 states.

The Dex brand will continue in the 14-state Western region where Dex publishes telephone directories for Qwest Communications. But Dex will adopt the R.H. Donnelley name and brand corporatewide.

A Dex human resources executive told union officials Monday morning that he expects "some adjustments to employment levels over time" but that it was too early to discuss specifics.

Donnelley officials also said the decisions won't be made right away. The deal is expected to close in the first quarter of 2006.

Donnelley will pay \$4.2 billion and assume about \$5.3 billion of debt. Each Dex share will be exchanged for \$12.30 in cash and 0.24154 Donnelley shares.

Although Dex shareholders will own 53 percent of the new company, Donnelley will have seven of the 13 board seats and most of the top management positions. Dex Chief Executive George Burnett will become chairman of the board. He said he will focus on marketing and Internet strategy.

"I tell you I'm feeling pretty good (today)," Burnett said in a telephone interview. "It's an exciting day for Dex. It positions the company well for the future."

While many of Dex's top executives are expected to lose their jobs, the executive team has and will make out handsomely from stock option profits.

The leveraged buyout firms Carlyle Group and Welsh, Carson, Anderson & Stowe, which bought Dex for \$7.05 billion from Qwest, have fared even better, making hundreds of millions of dollars.

Qwest agreed to sell Dex in 2002 to pare its massive debt and avert a potential bankruptcy. Carlyle and Welsh, Carson took Dex public a year ago at \$19 a share.

John Kelsey, president of the Kelsey Group, a Princeton, N.J.-based industry research group, said financial considerations were a main reason driving the deal.

David Swanson, Donnelley's chief executive and CEO of the merged combination, said the new Donnelley will benefit from a larger print directory and Internet scale.

"Dex brings a proven marketing capability, a leading online operation and a track record for innovation that will allow us to accelerate our growth," Swanson said in a statement.

The two companies have little market overlap. Company executives estimated an annual cost savings of only \$50 million after year three, by eliminating redundant information technology systems and corporate and administrative functions.

Kelsey said the two companies make a good fit.

Dex, he said, has a strong online business with a good local search engine and relationships with companies such as Google, Yahoo! and Switchboard. Donnelley started its Internet endeavors in 2004.

Donnelley, on the other hand, has "probably the most efficient organizational structure in place," Kelsey said. That includes a chief operating officer, Peter McDonald, "who literally has yellow

blood in him," having run the biggest Yellow Pages business in the country before SBC bought Ameritech.

"Both sides are bringing something important to the table," Kelsey said.

Donna Jaegers, a telecommunications analyst at Janco Partners in Greenwood Village, said the deal certainly gives Donnelley more geographic diversity but also a business highly leveraged with debt.

Perhaps reflecting that concern, both Dex and Donnelley shares were off a bit in trading Monday.

"They're counting on the business as a cash cow," Jaegers said.

But there could be risk, she said, if national Internet search engines accelerate efforts to compete in local markets.

George Bednarz, Donnelley's vice president of corporate planning, said the company would undertake a deliberate process before deciding how to organize the new company and its work force.

"We don't have a preconceived notion," Bednarz said.

But Annie Hill, vice president of District 7 of the Communications Workers of America, said the deal raises many questions, including concerns that Donnelley hasn't presided over a union operation before.

The CWA and the International Brotherhood of Electrical Workers represent roughly half the work force at Dex, and both contracts expire next year.

"The contract does follow the employer, so we don't have to start over in negotiating," she said.

Insiders, Executives Seeing Green ; Dex Media Sale To Bring Windfall From Profit, Options

4 October 2005

Rocky Mountain News

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Yellow pages? Try green pages.

Dex Media insiders, from the executives to the original shareholders, will profit handsomely from the sale of the company to R.H. Donnelley.

Welsh, Carson, Anderson & Stowe and The Carlyle Group - the two buyout firms that acquired the Dex business from Qwest in 2002 - have turned an investment of \$1.62 billion into \$4.31 billion in just three years.

Meanwhile, the top six executives of Dex will make \$81 million from the stock options the company granted in 2002 and 2003. CEO George Burnett will make nearly \$29 million.

The Rocky Mountain News calculated these amounts from a review of Dex Media's filings with the Securities and Exchange Commission.

Cash-strapped Qwest sold its Dex phone-book business in 2002, raising \$7.05 billion in the process. But that's not what Welsh, Carson or Carlyle spent - they had to put in only \$1.6 billion. The deal was structured as a "leveraged buyout," where the new owners put in a fraction of the purchase price and finance the rest with debt. The debt is assigned to the company, not the buyers.

Before Dex ever went public, it paid the two firms \$1 billion in dividends. They got \$606 million from the sale of common shares in the July 2004 IPO.

The Donnelley sale will give the two firms \$2.1 billion in cash and stock, bringing the total take to \$4.3 billion. That's a 166 percent return in three years.

The Dex executives have a similar quick payoff. While three of the six executives named in the company's proxy spent time with Qwest's directory division, three others were new to Dex from November 2002 on.

Dex gave its top squad a modest number of options when it was a private company - roughly 15,000 to 55,000 per year, depending on position. But when the company planned its IPO, it did a 10-for-1 stock split. That gave the executives hundreds of thousands of options with an exercise price of \$4.64.

All of the executives used a chunk of their options before the IPO, then kept the shares. The remainder of the options now can be used immediately thanks to the "change in control" from the Donnelley sale.

Donnelley's offer for Dex, at Monday's closing prices, equaled \$27.22 per Dex share. The News calculated the executives' option profits by comparing the Donnelley offer with the exercise price for the options used in 2004, as well as the exercise price for the options still unused today.

In addition to Burnett's \$29 million, Executive Vice Presidents Robert Neumeister Jr. and Marilyn Neal stand to make \$17.4 million apiece, while Senior Vice Presidents Margaret Le Beau, Linda Martin and Kristine Shaw will get \$5.8 million apiece.

INFOBOX

Green pages

* Welsh, Carson, Anderson & Stowe and The Carlyle Group, the two buyout firms that acquired the Dex business from Qwest in 2002, have made a large profit in just three years.

Cash in: \$1.62 billion

The two companies put in the money in 2002 toward the purchase of the directory businesses and used debt, owed by Dex, to finance the rest of the purchase price.

Cash out: \$4.31 billion

* From dividends when Dex was a private company \$1 billion

* Management fee \$20 million

* From July 2004 IPO cashing out of their preferred stock \$126 million

* From sale of shares in the IPO \$606 million

* From sale of stock in February 2005 \$404 million

* From cash dividends in 2005 \$30 million

* Cash and Donnelley stock from the sale of Dex \$2.12 billion

Source: Kelsey Group

Workers Wonder If Dex's Internet Push Is Too Much ; Online Focus Comes At Print Products' Expense, Some Say

Jeff Smith, Rocky Mountain News

4 October 2005

Rocky Mountain News

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R.H. Donnelley CEO David Swanson cited Dex Media's "leading online operation" as one of the benefits to merging the two companies.

But some Dex employees complain the focus on Internet product sales lately has come at the expense of the relationships with print directory customers.

Salespeople were told to focus almost entirely on Internet product sales last month. The so-called Internet challenge included in some instances a threat to transfer customer accounts to other salespeople if quotas weren't met.

It also prevented employees from booking their print orders in the computer system for most of September - an essential step to starting the ad creation and proofing process. One salesperson said the Denver Yellow Pages was behind schedule as a result, and he feared a production bottleneck might affect the quality of this year's directory.

Employees were reluctant to talk on the record about the Internet challenge, but two top union officials confirmed the essential details late last week.

"From an employer's view, they don't feel the Internet product is being offered enough, so there's been this emphasis on the Internet and refusing to allow (employees) to sell print ads," said Reed Roberts, the Dex bargaining agent for District 7 of the Communications Workers of America.

Peter Pusateri, business manager for the International Brotherhood of Electrical Workers Local 1269 in San Francisco, also said Dex had been diverting salespeople from working the streets.

The IBEW and CWA each represent about half of the Dex salespeople.

George Burnett, chief executive of Dex Media, said Monday that employees are asked to focus on different products at different times.

"The idea that there is an inevitable trade-off is not a proposition I subscribe to," Burnett said.

The Internet push comes at a time print directory companies are feeling increasing pressure from online phone publishers. But at least one employee wondered if Dex was trying to boost Internet sales at the end of the quarter to make that aspect of the company's business more attractive to Donnelley.

Donna Jaegers, a telecommunications analyst at Janco Partners in Greenwood Village, said it's not unusual for executives to dress up a company before a sale by "doing short-term, business-oriented things."

But directory publishing expert John Kelsey of the Kelsey Group said he thinks the initiative was more likely a deliberate effort to get salespeople to focus more on the Internet-related products.

Kelsey said print ads constitute a salesperson's "bread and butter," so the biggest challenge is getting salespeople to sell smaller Internet ads. "Of course, they're going to gripe," he said.

Earlier this year, salespeople complained about having to work Saturdays to meet Internet quotas.

Union officials were cautious about reading too much into the latest Internet initiative.

"I don't know if there's any particular conspiracy there," Pusateri said.

Concurred Roberts: "It's someone trying to prove to someone who's in charge more than anything else. This isn't the same company it's been for decades, not by any stretch of the imagination."

On Monday, an employee said, salespeople were told they could again start entering their print directory orders.

RH Donnelley CEO Sees Little Geographic Overlap With Dex

By Roger Cheng

3 October 2005

Dow Jones News Service

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NEW YORK (Dow Jones)--R.H. Donnelley Corp. (RHD) Chief Executive David Swanson believes a combination with Dex Media Inc. (DEX) can drive further penetration and usage, which in turn will drive revenue growth.

"No two incumbent publishers are a better fit" when it comes to similar cultures and goals, Swanson said during a Monday conference call to discuss the merger. Swanson, who will be chief executive of the combined company, added that the companies had few geographic overlap with each other.

R.H. Donnelley earlier said that it would acquire Dex Media for \$4.2 billion in cash and stock, valuing Dex at \$27.58 a share based on Friday closing prices. The company would also assume \$5.3 billion in outstanding debt from Dex. The deal is expected to close in the first quarter of 2006.

The merger would create the third-largest phone directory business, behind Verizon Communications (VZ) and SBC Communications Inc. (SBC). Swanson believes the combined company would be the most profitable in the industry.

The combined company will allow its larger size to negotiate more attractive deals with its vendors and suppliers, Swanson said. The wider reach will also command potentially higher advertising rates, he said.

With Dex, R.H. Donnelley will also be able to expand its Internet reach, Swanson said.

Dex Chief Executive and President George Burnett said the company has been bundling both print and Internet products, and sees an opportunity to do the same at R.H. Donnelley.

Burnett, who will serve as chairman, said the "increased distribution drives increased usage, which drives increase revenue."

R.H. Donnelley Gets Executed Settlement Pact From IRS

3 August 2005

Dow Jones Corporate Filings Alert

(c) 2005 Dow Jones & Company, Inc.

WASHINGTON (Dow Jones)--R.H. Donnelley Corp. (RHD) said Wednesday it received an executed settlement agreement from the Internal Revenue Service related to royalty expense deductions taken by its predecessor.

R.H. Donnelley isn't obligated to pay any of the amount arising out of the settlement agreement, the telephone directory publisher said in a Securities and Exchange Commission filing.

R.H. Donnelley said its predecessor, Dun & Bradstreet Corp., took the deductions in 1995 and 1996. R.H. Donnelley said that under the terms of its separation from Dun & Bradstreet in 1998, it isn't responsible for the liabilities covered in the IRS settlement.

Dun & Bradstreet and Moody's Corp., which separated from Dun & Bradstreet in 2000, have agreed to indemnify R.H. Donnelley against liabilities associated with certain tax matters, R.H. Donnelley said.

However, if Dun & Bradstreet and Moody's Corp. can't bear all or a part of the liabilities in the settlement, R.H. Donnelley would be liable to the extent that the two couldn't satisfy their indemnity obligations, according to the filing.

Under the settlement, the aggregate tax liability will be \$56 million for 1995 and \$86 million for 1996, R.H. Donnelley said.

RR Donnelley seals big deals

1 June 2005

American Printer

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RR Donnelley & Sons Co. (Chicago) has been awarded a contract to produce all of directory publisher R.H. Donnelley's (Cary, NC) current telephone directories. This contract extends a more than 15-year relationship between the two companies, with a total distribution of 28 million products serving approximately 260,000 local and national advertisers in 19 states. The work will be produced across RR Donnelley's entire U.S. directory manufacturing platform, to minimize distribution costs and accelerate time to market.

The company also has been awarded a contract extension to produce substantially all of Lebharr-Friedman Inc.'s (New York) business-to-business and consumer magazine retail and foodservice titles to half a million subscribers. This agreement extends an almost 20-year relationship. The

term value of the multi-year contract renewal, which includes file processing, print production and distribution, is approximately \$25 million.

Penton Media, Inc., (Cleveland, OH) has renewed RR Donnelley's contract to print approximately 50 business magazines. This multi-year contract's value is expected to exceed \$60 million. RR Donnelley will produce Penton's work in several of its magazine plants that specialize in short-run publications, and its Logistics Services Distribution Optimization Team will focus on minimizing distribution costs

R.H. Donnelley Announces Board Changes

12 May 2005

Business Wire

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CARY, N.C. - (BUSINESS WIRE) - May 12, 2005 - R.H. Donnelley Corporation (NYSE:RHD), a leading Yellow Pages publisher and directional media company, today announced the following changes to its Board.

Scott N. Flanders and Alan F. Schultz elected to Board of Directors

R.H. Donnelley's Board of Directors elected Scott N. Flanders and Alan F. Schultz as members of the RHD Board, serving two-year terms that expire at the 2007 Annual Meeting of Stockholders. Flanders will be a member of the Audit and Finance Committee and Schultz will be a member of the Compensation and Benefits Committee.

Flanders has served as Chairman and Chief Executive Officer of Columbia House Company since September 1999. Columbia House is the top club-based direct marketer of music, videos and video games in the United States. Previously, in 1998, he co-founded Telestreet.com, an e-commerce company, which merged with Buy.com in 2000. Prior to that, Flanders served for 14 years as President of Macmillan Publishing, the world's largest computer and reference publisher.

Flanders also sits on the Board at Freedom Communications, a leading diversified media company in the United States. He received his JD at Indiana University and BA at the University of Colorado. He is a Certified Public Accountant.

Schultz has served as Chairman, President and Chief Executive Officer of Valassis Communications, Inc., since December 1998. Valassis, a recognized leader in the promotional media industry, has been named by Fortune Magazine as one of the "100 Best Companies to Work for in America" for the last eight years. Schultz has held a variety of senior leadership positions since joining the company in 1984. Previously, Schultz worked with Deloitte and Touche. Schultz currently serves on the Board of Directors for both the Ad Council and the American Advertising Federation. He is a Certified Public Accountant, having graduated with distinction from the University of Michigan where he received his BBA.

"We are delighted that Scott and Alan have joined our Board," said David C. Swanson, Chairman and Chief Executive Officer of RHD. "With Scott's experience and in-depth knowledge of business, accounting, e-commerce and publishing, and Alan's expertise with sales, marketing, operations and finance, we believe their thought leadership will be a strong addition to the Board of this great Company."

"I am honored to serve as a Director of this leading Yellow Pages and directional media company," said Flanders. "RHD is a dynamic company led by a strong management team with an outstanding reputation for successful business execution. I'm pleased at the opportunity to help build and expand on their proven track record."

"R.H. Donnelley has great leadership, forward-looking vision and a compelling strategic roadmap that should serve the company well in an exciting and evolving industry," said Schultz. "I look forward to playing a role in our future successes."

Kenneth G. Campbell Retires from R.H. Donnelley Board of Directors

Kenneth G. Campbell has retired as a Director of RHD's Board effective May 10, 2005, having served the Company since November 1999.

"We want to express our deep appreciation to Ken for his service to our Board," said David C. Swanson, Chairman & CEO of RHD. "Ken's internet business insights, as well as his service to our Compensation and Benefits and Corporate Governance Committees, were very helpful in helping us form our forward-looking strategic plans over the past few years."