FIRST DATA CORP
Form 10-Q
August 04, 2015

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

FORM 10-Q

ý QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the quarterly period ended June 30, 2015
OR
o TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the transition period from to
Commission file number 001-11073

FIRST DATA CORPORATION
(Exact name of registrant as specified in its charter)
www.firstdata.com

DELAWARE (State or other jurisdiction of incorporation or organization)	47-0731996 (I.R.S. Employer Identification No.)
225 LIBERTY STREET 29th FLOOR NEW YORK, NEW YORK (Address of principal executive offices)	10281 (Zip Code)

Registrant's telephone number, including area code (800) 735-3362

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 o No ý *

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

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 definitions of "large accelerated filer," "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act.

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

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

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

Class	Outstanding at July 31, 2015
Common Stock, $0.01 par value per share	1,000 shares

* The registrant has not been subject to the filing requirements of Section 13 or 15(d) of the Exchange Act since January 1, 2015; however, registrant filed all reports since that date that would have been required to be filed if it were subject to Section 13 or 15(d) of the Exchange Act.

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Unless otherwise indicated or the context otherwise requires, financial data in this Form 10-Q reflects the consolidated business and operations of First Data Corporation and its consolidated subsidiaries. Unless the context otherwise requires, all references herein to “First Data,” “FDC,” the “Company,” “we,” “our,” or “us” refer to First Data Corporation and consolidated subsidiaries.

Amounts in this Form 10-Q and the consolidated financial statements included in this Form 10-Q are presented in U.S. Dollars rounded to the nearest million, unless otherwise noted. The audited consolidated financial statements contained in the Form 10-K as filed on February 27, 2015 that are referenced throughout this Form 10-Q have been updated to reflect the Company's segment realignment in the second quarter of 2015 and are included in the Form 8-K as filed on August 4, 2015. References herein to the audited consolidated financial statements contained in such Form 10-K shall be deemed to be references to such audited financial statements as updated by such Form 8-K. The accounting policies set out in the audited consolidated financial statements have been consistently applied to all periods presented.

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FORWARD LOOKING STATEMENTS

Certain matters we discuss in this Quarterly Report on Form 10-Q and in other public statements may constitute forward-looking statements. You can identify forward-looking statements because they contain words such as “believes,” “expects,” “may,” “will,” “should,” “seeks,” “intends,” “plans,” “estimates,” or “anticipates” or similar expressions concern our strategy, plans, projections or intentions. Examples of forward-looking statements include, but are not limited to, all statements we make relating to revenue, earnings before net interest expense, income taxes, depreciation, and amortization (EBITDA), earnings, margins, growth rates and other financial results for future periods. By their nature, forward-looking statements speak only as of the date they are made; are not statements of historical fact or guarantees of future performance; and are subject to risks, uncertainties, assumptions or changes in circumstances that are difficult to predict or quantify. Actual results could differ materially and adversely from our forward-looking statements due to a variety of factors, including the following: (1) adverse impacts from global economic, political, and other conditions affecting trends in consumer, business, and government spending; (2) our ability to anticipate and respond to changing industry trends, including technological changes and increasing competition; (3) our ability to successfully renew existing client contracts on favorable terms and obtain new clients; (4) our ability to prevent a material breach of security of any of our systems; (5) our ability to implement and improve processing systems to provide new products, improve functionality, and increase efficiencies; (6) our merchant alliance program which involves several alliances not under our sole control and each of which acts independently of the others; (7) credit and fraud risks in our business units and merchant alliances, particularly in the context of eCommerce and mobile markets; (8) consolidation among financial institution clients or other client groups that impacts our client relationships; (9) our ability to improve our profitability and maintain flexibility in our capital resources through the implementation of cost savings initiatives; (10) our ability to successfully value and integrate acquired businesses, including those outside of the United States; (11) our high degree of leverage; (12) adverse impacts from currency exchange rates or currency controls imposed by any government or otherwise; (13) changes in the interest rate environment that increase interest on our borrowings; (14) the impact of new laws, regulations, credit card association rules, or other industry standards; and (15) new lawsuits, investigations, or proceedings, or changes to our potential exposure in connection with pending lawsuits, investigations or proceedings, or changes to our potential exposure in connection with pending lawsuits, investigations or proceedings, and various other factors set forth in Item 1A - Risk Factors in this Form 10-Q. Except as required by law, we do not intend to revise or update any forward-looking statement as a result of new information, future developments or otherwise.

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PART I. FINANCIAL INFORMATION
ITEM 1. FINANCIAL STATEMENTS
FIRST DATA CORPORATION
CONSOLIDATED STATEMENTS OF OPERATIONS
(Unaudited)

	Three months ended June 30,		Six months ended June 30,	
(in millions, except per share and share amounts)	2015	2014	2015	2014
Revenues:				
Transaction and processing service fees (a)	$1,667	$1,672	$3,233	$3,212
Product sales and other (a)	279	235	535	460
Total revenues (excluding reimbursable items)	1,946	1,907	3,768	3,672
Reimbursable debit network fees, postage, and other	926	930	1,799	1,805
Total revenues	2,872	2,837	5,567	5,477
Expenses:				
Cost of services (exclusive of items shown below)	655	665	1,369	1,300
Cost of products sold	85	81	161	160
Selling, general, and administrative	526	512	1,046	1,010
Depreciation and amortization	252	263	503	528
Other operating expenses:				
Restructuring, net	19	4	20	7
Total expenses (excluding reimbursable items)	1,537	1,525	3,099	3,005
Reimbursable debit network fees, postage, and other	926	930	1,799	1,805
Total expenses	2,463	2,455	4,898	4,810
Operating profit	409	382	669	667
Interest income	1	4	2	7
Interest expense	(406)	(463)	(813)	(930)
Other income (expense)	(24)	82	11	83
	(429)	(377)	(800)	(840)
Income (loss) before income taxes and equity earnings in affiliates	(20)	5	(131)	(173)
Income tax expense	10	40	13	77
Equity earnings in affiliates	63	58	114	108
Net income (loss)	33	23	(30)	(142)
Less: Net income attributable to noncontrolling interests and redeemable noncontrolling interest	59	57	108	93
Net loss attributable to First Data Corporation	$(26)	$(34)	$(138)	$(235)
Net loss per share, basic and diluted	$(26,000)	$(34,000)	$(138,000)	$(235,000)
Weighted-average shares used to compute basic and diluted net loss per share	1,000	1,000	1,000	1,000

(a) Includes processing fees, administrative service fees, and other fees charged to merchant alliances accounted for under the equity method of $48 million and $98 million for the three and six months ended June 30, 2015, respectively, and $46 million and $90 million for the comparable periods in 2014.

See Notes to unaudited consolidated financial statements.

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FIRST DATA CORPORATION
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (LOSS)
(Unaudited)

	Three months ended June 30,		Six months ended June 30,	
(in millions)	2015	2014	2015	2014
Net income (loss)	$33	$23	$(30)	$(142)
Other comprehensive income (loss), net of tax:				
Net change in unrealized (gains) losses on securities, net of reclassifications	(1)	(1)	5	—
Foreign currency translation adjustment	37	2	(136)	(16)
Pension liability adjustments	2	—	2	1
Total other comprehensive income (loss), net of tax	38	1	(129)	(15)
Comprehensive income (loss)	71	24	(159)	(157)
Less: Comprehensive income attributable to noncontrolling interests and redeemable noncontrolling interest	62	56	100	93
Comprehensive income (loss) attributable to First Data Corporation	$9	$(32)	$(259)	$(250)

See Notes to unaudited consolidated financial statements.

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FIRST DATA CORPORATION
CONSOLIDATED BALANCE SHEETS
(Unaudited)

(in millions, except common stock share amounts)	As of June 30, 2015	As of December 31, 2014
ASSETS		
Current assets:		
Cash and cash equivalents	$348	$358
Accounts receivable, net of allowance for doubtful accounts of $54 and $51	1,731	1,752
Settlement assets	8,031	7,555
Other current assets	410	289
Total current assets	10,520	9,954
Property and equipment, net of accumulated depreciation of $1,316 and $1,233	931	930
Goodwill	16,955	17,017
Customer relationships, net of accumulated amortization of $5,085 and $4,871	2,383	2,604
Other intangibles, net of accumulated amortization of $2,044 and $1,965	1,772	1,745
Investment in affiliates	1,098	1,101
Other long-term assets	907	918
Total assets	$34,566	$34,269
LIABILITIES AND EQUITY		
Current liabilities:		
Accounts payable	$283	$280
Short-term and current portion of long-term borrowings	307	161
Settlement obligations	8,031	7,557
Other current liabilities	1,499	1,533
Total current liabilities	10,120	9,531
Long-term borrowings	20,672	20,711
Long-term deferred tax liabilities	536	521
Other long-term liabilities	832	788
Total liabilities	32,160	31,551
Commitments and contingencies (See note 8)		
Redeemable noncontrolling interest	78	70
First Data Corporation shareholder's deficit:		
Common stock, $0.01 par value; 1,000 shares authorized and issued (2015 and 2014)	—	—
Additional paid-in capital	9,912	9,906
Accumulated loss	(9,571)	(9,429)
Accumulated other comprehensive loss	(1,050)	(929)
Total First Data Corporation shareholder's deficit	(709)	(452)
Noncontrolling interests	3,037	3,100
Total equity	2,328	2,648
Total liabilities and equity	$34,566	$34,269

See Notes to unaudited consolidated financial statements.

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FIRST DATA CORPORATION
CONSOLIDATED STATEMENTS OF CASH FLOWS
(Unaudited)

	Six months ended June 30,	
(in millions)	2015	2014
CASH FLOWS FROM OPERATING ACTIVITIES		
Net loss	$(30)	$(142)
Adjustments to reconcile to net cash provided by operating activities:		
Depreciation and amortization (including amortization netted against equity earnings in affiliates and revenues)	557	582
Charges (gains) related to other operating expenses and other income	9	(76)
Other non-cash and non-operating items, net	(37)	(38)
(Decrease) increase in cash, excluding the effects of acquisitions and dispositions, resulting from changes in:		
Accounts receivable, current and long-term	(30)	42
Other assets, current and long-term	(5)	29
Accounts payable and other liabilities, current and long-term	37	(24)
Income tax accounts	(48)	10
Net cash provided by operating activities	453	383
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from dispositions, net of expenses paid	3	259
Additions to property and equipment	(134)	(133)
Payments to secure customer service contracts, including outlays for conversion, and capitalized systems development costs	(150)	(111)
Acquisitions, net of cash acquired	(89)	—
Proceeds from sale of property and equipment	—	2
Purchase of investments	(17)	—
Net cash (used in) provided by investing activities	(387)	17
CASH FLOWS FROM FINANCING ACTIVITIES		
Short-term borrowings, net	157	12
Debt modification payments and related financing costs, net	—	(91)
Principal payments on long-term debt	(52)	(38)
Distributions and dividends paid to noncontrolling interests and redeemable noncontrolling interest	(163)	(136)
Capital transactions with parent, net	(12)	(19)
Net cash used in financing activities	(70)	(272)
Effect of exchange rate changes on cash and cash equivalents	(6)	(5)
Change in cash and cash equivalents	(10)	123
Cash and cash equivalents at beginning of period	358	425
Cash and cash equivalents at end of period	$348	$548
NON-CASH TRANSACTIONS:		
Capital leases, net of trade-ins	$29	$91

See Notes to unaudited consolidated financial statements.

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FIRST DATA CORPORATION
CONSOLIDATED STATEMENTS OF EQUITY
(Unaudited)

	First Data Corporation Shareholder					
(in millions, except common share amounts)	Common Shares	Accumulated Loss	Accumulated Other Comprehensive Loss	Paid-In Capital	Noncontrolling Interests	Total
Balance, December 31, 2014	1,000	$ (9,429)	$ (929)	$ 9,906	$ 3,100	$ 2,648
Dividends and distributions paid to noncontrolling interests	—	—	—	—	(145)	(145)
Net (loss) income (a)	—	(138)	—	—	90	(48)
Other comprehensive loss	—	—	(121)	—	(8)	(129)
Adjustment to redemption value of redeemable noncontrolling interest	—	—	—	(8)	—	(8)
Stock compensation expense and other	—	—	—	14	—	14
Cash dividends paid by First Data Corporation to Parent	—	(4)	—	—	—	(4)
Balance, June 30, 2015	1,000	$ (9,571)	$ (1,050)	$ 9,912	$ 3,037	$ 2,328

	First Data Corporation Shareholder					
(in millions, except common share amounts)	Common Shares	Accumulated Loss	Accumulated Other Comprehensive Loss	Paid-In Capital	Noncontrolling Interests	Total
Balance, December 31, 2013	1,000	$ (8,285)	$ (589)	$ 7,384	$ 3,183	$ 1,693
Dividends and distributions paid to noncontrolling interests	—	—	—	—	(118)	(118)
Net (loss) income (a)	—	(235)	—	—	76	(159)
Other comprehensive loss	—	—	(15)	—	—	(15)
Adjustment to noncontrolling interest and redemption value of redeemable noncontrolling interest	—	—	—	(3)	—	(3)
Stock compensation expense and other	—	—	—	30	—	30
Cash dividends paid by First Data Corporation to Parent	—	(15)	—	—	—	(15)
Balance, June 30, 2014	1,000	$ (8,535)	$ (604)	$ 7,411	$ 3,141	$ 1,413

(a) The total net loss presented in the unaudited consolidated statements of equity for the six months ended June 30, 2015 and 2014 is $18 million and $17 million, respectively, greater than the amount presented in the unaudited consolidated statements of operations due to the net income attributable to the redeemable noncontrolling interest not included in equity.

See Notes to unaudited consolidated financial statements.

FIRST DATA CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited)
Note 1: Basis of Presentation and Summary of Significant Accounting Policies

Business Description

First Data Corporation (FDC or the Company) is a global provider of electronic commerce and payment solutions for merchants, financial institutions, and card issuers. The services the Company provides include merchant transaction processing and acquiring; credit, retail, and debit card issuing and processing; prepaid services; and check verification, settlement and guarantee services.

Basis of Presentation

The accompanying unaudited consolidated financial statements of the Company should be read in conjunction with the Company’s Annual Report on Form 10-K for the year ended December 31, 2014 and the Company's revised audited consolidated financial statements as filed on Form 8-K on August 4, 2015, which reflects the Company's realigned operating segments.

The accompanying consolidated financial statements are unaudited; however, in the opinion of management, they include all normal recurring adjustments necessary for a fair presentation of the consolidated financial position of the Company as of June 30, 2015 and the consolidated results of its operations and comprehensive income (loss) for the three and six months ended June 30, 2015 and 2014 and the consolidated cash flows and changes in equity for the six months ended June 30, 2015 and 2014. Results of operations reported for interim periods are not necessarily indicative of results for the entire year due in part to the seasonality of certain business units.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States requires management to make estimates and assumptions that affect the amounts reported in the unaudited consolidated financial statements and accompanying notes. Actual results could differ from those estimates.

Presentation

Depreciation and amortization presented as a separate line item on the Company’s unaudited consolidated statements of operations does not include amortization of initial payments for new contracts which is recorded as a contra-revenue within “Transaction and processing service fees.” Also not included is amortization related to equity method investments which is netted within the “Equity earnings in affiliates” line. The following table presents the amounts associated with such amortization:

	Three months ended June 30,		Six months ended June 30,	
(in millions)	2015	2014	2015	2014
Amortization of initial payments for new contracts	$13	$11	$24	$22
Amortization related to equity method investments	15	16	30	32

Reclassification

Certain reclassifications have been made to the unaudited consolidated financial statements of prior periods to conform to the current period presentation. The reclassifications had no impact on net loss, equity, or cash flows as previously reported.

Revenue Recognition

The majority of the Company’s revenues are comprised of: 1) transaction-based fees, which typically constitute a percentage of dollar volume processed; 2) fees per transaction processed; 3) fees per account on file, both active and inactive, during the period; or 4) some combination thereof.

In multiple-element transactions, revenue is allocated to the separate units of accounting provided each element has stand-alone value to the customer. Stand-alone value is based on the relative selling price of any undelivered items for which delivery is probable and substantially within the Company’s control.

In the case of contracts that the Company owns and manages, revenue is comprised of fees charged to the client, net of interchange fees and assessments charged by the credit card associations, and is recognized at the time the client accepts a point of sale transaction. The fees charged to the client are a percentage of the credit card and signature based debit card transaction’s dollar value, a fixed amount or a combination of the two. Personal identification number based debit (PIN-debit) network fees are recognized in “Reimbursable debit network fees, postage, and other” revenues and expenses in the unaudited consolidated statements of operations. STAR Network access fees charged to clients are assessed on a per transaction basis. Interchange fees and assessments charged by credit card associations to the Company’s consolidated subsidiaries and network fees related to PIN-debit transactions charged by debit networks are as follows:

	Three months ended June 30,		Six months ended June 30,	
(in millions)	2015	2014	2015	2014
Interchange fees and assessments	$5,526	$5,152	$10,491	$9,873
Debit network fees	760	773	1,470	1,492

The Company records deferred revenue when it receives payments or invoices in advance of the delivery of products or the performance of services. The deferred revenue is recognized into earnings when underlying performance obligations are achieved. As of June 30, 2015 and December 31, 2014, current deferred revenue included within "Other current liabilities" in the Company's unaudited consolidated balance sheets was $101 million and $84 million, respectively. As of June 30, 2015 and December 31, 2014, noncurrent deferred revenue included within "Other long-term liabilities" in the Company's unaudited consolidated balance sheets was $129 million and $118 million, respectively.

Net Loss Per Share

Basic net loss per share is calculated by dividing net loss attributable to First Data Corporation by the weighted-average shares outstanding during the period, without consideration for any potential dilutive shares. Dilutive loss per share is the same as basic loss per share for all periods presented because there are no dilutive or potentially dilutive securities.

New Accounting Guidance

In May 2014, the Financial Accounting Standards Board (FASB) issued guidance that requires companies to recognize revenue to depict the transfer of goods or services to customers in amounts that reflect the consideration to which the company expects to be entitled in an exchange for those goods or services. It also requires enhanced disclosures about revenue, provides guidance for transactions that were not previously addressed comprehensively, and improves guidance for multiple-element arrangements. The guidance applies to any entity that either enters into contracts with customers to transfer goods or services or enters into contracts for the transfer of nonfinancial assets unless those contracts are within the scope of other standards. The guidance is effective for public companies for annual periods beginning after December 15, 2017 as well as interim periods within those annual periods using either the full retrospective approach or modified retrospective approach. The FASB also permitted early adoption of the standard, but not before December 15, 2016. The Company is currently evaluating the impacts of the new guidance on its consolidated financial statements.

In April 2015, the FASB issued guidance that requires companies to present debt issuance costs related to a recognized debt liability on the balance sheet as a direct deduction from the debt liability, similar to the presentation of debt discounts. Debt issuance costs will continue to be amortized to interest expense using the effective interest method. The guidance is effective for public companies for annual periods beginning after December 15, 2015 as well as interim periods within those annual periods using the retrospective approach. The adoption of this standard is not expected to have a material impact on the Company's consolidated financial statements.

FIRST DATA CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited)

Note 2: Supplemental Financial Information
Supplemental Unaudited Consolidated Statements of Operations Information

The following table details the components of “Other income (expense)” on the unaudited consolidated statements of operations:

(in millions)	Three months ended June 30, 2015	Three months ended June 30, 2014	Six months ended June 30, 2015	Six months ended June 30, 2014
Investment gains	$—	$89	$—	$89
Derivative financial instruments losses	(14)	(7)	(16)	(4)
Divestitures, net gains	2	1	3	1
Non-operating foreign currency gains and (losses)	(12)	(1)	24	(3)
Other income (expense)	$(24)	$82	$11	$83

Note 3: Restructuring

The Company recorded restructuring charges during the three and six months ended June 30, 2015 and 2014, in connection with management’s alignment of the business with strategic objectives, cost savings initiatives, the departure of certain executive officers, and refinements of estimates.

A summary of net pretax benefits (charges), incurred by segment, for each period is as follows:

	Pretax Benefit (Charge)				
(in millions)	Global Business Solutions	Global Financial Solutions	Network & Security Solutions	Corporate	Totals
Three months ended June 30, 2015					
Restructuring charges	$(5)	$(4)	$—	$(10)	$(19)
Restructuring accrual reversals	—	—	—	—	—
Total pretax charge, net of reversals	$(5)	$(4)	$—	$(10)	$(19)
Six months ended June 30, 2015					
Restructuring charges	$(5)	$(4)	$—	$(11)	$(20)
Restructuring accrual reversals	—	—	—	—	—
Total pretax charge, net of reversals	$(5)	$(4)	$—	$(11)	$(20)
Three months ended June 30, 2014					
Restructuring charges	$(1)	$—	$—	$(6)	$(7)
Restructuring accrual reversals	1	1	—	1	3
Total pretax charge, net of reversals	$—	$1	$—	$(5)	$(4)
Six months ended June 30, 2014					
Restructuring charges	$(1)	$—	$(1)	$(8)	$(10)
Restructuring accrual reversals	1	1	—	1	3
Total pretax charge, net of reversals	$—	$1	$(1)	$(7)	$(7)

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FIRST DATA CORPORATION
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(Unaudited)

The following table summarizes the Company’s utilization of restructuring accruals for the period presented:

(in millions)	Employee Severance	Other
Remaining accrual as of January 1, 2015	$12	$1
Expense provision	16	4
Cash payments and other	(6)	(4)
Changes in estimates	(1)	—
Remaining accrual as of June 30, 2015	$21	$1

On May 4, 2015, the Company announced a strategic expense management initiative to optimize its annualized expense base by mid-2016. Anticipated restructuring costs will be approximately $75 million, mainly cash, and will be recognized beginning in the second quarter of 2015. The net charge is expected to include costs for severance, retention and transition, asset impairments, professional services fees, and gains/losses on the sale of facilities. The vast majority of the net charge will be related to personnel (severance, retention and transition).

Note 4: Acquisitions

On June 9, 2015, the Company acquired Transaction Wireless, Inc. (TWI) a provider of digital stored value products that offer gift card programs, loyalty incentives, and integrated marketing solutions for retailers, partners, and consumers. The purchase price was approximately $62 million in cash and $3 million in equity. The acquisition is reported as part of the Network & Security Solutions segment.

In addition to TWI, the Company also completed an acquisition to be used as a Clover add-on application as well as an acquisition of a wholesale independent sales organization, both of which are reported in the Company's Global Business Solutions segment.

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FIRST DATA CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited)

Note 5: Borrowings

(in millions)	As of June 30, 2015	As of December 31, 2014
Short-term borrowings:		
Foreign lines of credit and other arrangements	$27	$68
Senior secured revolving credit facility	204	10
Total short-term borrowings	231	78
Current portion of long-term borrowings:		
4.95% Unsecured notes due 2015	—	10
Capital lease obligations	76	73
Total current portion of long-term borrowings	76	83
Total Short-term and current portion of long-term borrowings	307	161
Long-term borrowings:		
Senior secured term loan facility due March 2017, net of unamortized discount of $8 and $10	1,451	1,451
Senior secured term loan facility due March 2018, net of unamortized discount of $38 and $45	4,909	4,932
Senior secured term loan facility due September 2018, net of unamortized discount of $24 and $27	984	981
Senior secured term loan facility due March 2021, net of unamortized discount of $10 and $11	1,166	1,180
7.375% Senior secured first lien notes due 2019, net of unamortized discount of $17 and $19	1,578	1,576
8.875% Senior secured first lien notes due 2020, net of unamortized discount of $9 and $10	501	500
6.75% Senior secured first lien notes due 2020, net of unamortized discount of $12 and $14	1,385	1,383
8.25% Senior secured second lien notes due 2021, net of unamortized discount of $10 and $11	1,990	1,989
8.75% Senior secured second lien notes due 2022, net of unamortized discount of $5 and $6	995	994
12.625% Senior unsecured notes due 2021, net of unamortized discount of $15 and $16	2,985	2,984
10.625% Senior unsecured notes due 2021, net of unamortized discount of $14 and $16	516	514
11.25% Senior unsecured notes due 2021, net of unamortized discount of $14 and $15	496	495
11.75% Senior unsecured subordinated notes due 2021, net of unamortized discount of $10 and $11	1,599	1,598
Capital lease obligations	117	134
Total long-term borrowings	20,672	20,711
Total borrowings	$20,979	$20,872

Foreign Lines of Credit and Other Arrangements

As of June 30, 2015 and December 31, 2014, the Company had approximately $302 million and $349 million, respectively, available under short-term lines of credit and other arrangements with foreign banks and alliance partners primarily to fund settlement activity. As of June 30, 2015, the Company had a $150 million committed line of credit for one of the Company's U.S. alliances. The remainder of these arrangements are primarily associated with international operations and are in various functional currencies, the most significant of which are the Australian dollar, the Polish zloty, and the euro. Of the amounts outstanding as of June 30, 2015 and December 31, 2014, $25 million and $67 million, respectively, were uncommitted.

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FIRST DATA CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited)

Senior Secured Revolving Credit Facility

On June 2, 2015, the Company terminated and replaced its previous $1.0 billion senior secured revolving credit facility maturing September 24, 2016 with a new $1.25 billion senior secured revolving credit facility maturing on June 2, 2020 subject to timely reduction of the Company's term loans. The Company had $204 million and $10 million outstanding against these facilities as of June 30, 2015 and December 31, 2014, respectively. Up to $250 million of the new senior secured revolving credit facility is available for letters of credit, of which $41 million and $43 million of letters of credit were issued under these facilities as of June 30, 2015 and December 31, 2014, respectively. As of June 30, 2015, $1.0 billion remained available.

Fair Value Measurement

As of June 30, 2015, the fair value of the Company's long-term borrowings was $21.9 billion. The estimated fair value of the Company's long-term borrowings was primarily based on market trading prices and is considered to be a Level 2 measurement.
Note 6: Segment Information

During the quarter, the Company realigned its operating segments into three reportable segments: Global Business Solutions, Global Financial Solutions, and Network & Security Solutions. Following the realignment, the Company retroactively adjusted all segment related disclosures included within the notes to the unaudited consolidated financial statements. For a detailed discussion of the Company’s principles and detailed discussions regarding its operating segments refer to Note 13 “Segment Information” in the Company’s consolidated financial statements in “Item 8. Financial Statements and Supplementary Data” in the Company’s Annual Report on Form 10-K for the year ended December 31, 2014.

The presentation of the unaudited consolidated statements of operations for the three and six months ended June 30, 2014 have been revised to classify $24 million and $35 million, respectively, of independent sales organization commissions expenses as Selling, general, and administrative expense. Previously, these costs were included in "Cost of services" and "Cost of products sold" in the Company's unaudited consolidated statements of operations. The impact of these revisions was not considered to be material to previously issued consolidated financial statements and had no effect on net loss, equity, or cash flows in any previously issued consolidated financial statements.

The following tables present the Company’s operating segment results for the periods presented:

	Three months ended June 30, 2015				
(in millions)	Global Business Solutions	Global Financial Solutions	Network & Security Solutions	Corporate	Totals
Revenues:					
Transaction and processing service fees	$843	$314	$321	$—	$1,478
Product sales and other	203	39	35	—	277
Equity earnings in affiliates	10	—	—	—	10
Total segment revenues	$1,056	$353	$356	$—	$1,765
Depreciation and amortization	$122	$98	$22	$4	$246
Segment EBITDA (a)	454	124	156	(32)	702
Other operating expenses and other income (expense) excluding divestitures	12	(4)	—	(53)	(45)

(a) Earnings before net interest expense, income taxes, depreciation, and amortization (EBITDA).

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	Three months ended June 30, 2014				
(in millions)	Global Business Solutions	Global Financial Solutions	Network & Security Solutions	Corporate	Totals
Revenues:					
Transaction and processing service fees	$855	$324	$317	$—	$1,496
Product sales and other	177	41	20	—	238
Equity earnings in affiliates	8	—	—	—	8
Total segment revenues	$1,040	$365	$337	$—	$1,742
Depreciation and amortization	$126	$98	$22	$11	$257
Segment EBITDA	451	126	153	(49)	681
Other operating expenses and other income (expense) excluding divestitures	(13)	—	88	2	77

	Six months ended June 30, 2015				
(in millions)	Global Business Solutions	Global Financial Solutions	Network & Security Solutions	Corporate	Totals
Revenues:					
Transaction and processing service fees	$1,612	$633	$626	$—	$2,871
Product sales and other	390	77	66	—	533
Equity earnings in affiliates	16	—	—	—	16
Total segment revenues	$2,018	$710	$692	$—	$3,420
Depreciation and amortization	$241	$195	$43	$12	$491
Segment EBITDA	814	243	286	(78)	1,265
Other operating expenses and other income (expense) excluding divestitures	21	(7)	—	(26)	(12)

	Six months ended June 30, 2014				
(in millions)	Global Business Solutions	Global Financial Solutions	Network & Security Solutions	Corporate	Totals
Revenues:					
Transaction and processing service fees	$1,622	$643	$625	$—	$2,890
Product sales and other	347	77	42	—	466
Equity earnings in affiliates	15	—	—	—	15
Total segment revenues	$1,984	$720	$667	$—	$3,371
Depreciation and amortization	$257	$199	$47	$16	$519
Segment EBITDA	837	246	297	(85)	1,295
Other operating expenses and other income (expense) excluding divestitures	(39)	1	88	25	75

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A reconciliation of reportable segment amounts to the Company's consolidated balances is as follows:

	Three months ended June 30,		Six months ended June 30,	
(in millions)	2015	2014	2015	2014
Total segment revenues	$1,765	$1,742	$3,420	$3,371
Adjustments to reconcile to total revenues:				
Adjustments for non-wholly-owned entities (a)	20	15	40	16
Independent sales organizations (ISO) commission expense	161	150	308	285
Reimbursable debit network fees, postage and other	926	930	1,799	1,805
Total revenues	$2,872	$2,837	$5,567	$5,477
Segment EBITDA:				
Global Business Solutions	$454	$451	$814	$837
Global Financial Solutions	124	126	243	246
Network & Security Solutions	156	153	286	297
Total reported segments	734	730	1,343	1,380
Corporate	(32)	(49)	(78)	(85)
Adjusted EBITDA	702	681	1,265	1,295
Adjustments to reconcile to Net loss attributable to First Data Corporation:				
Adjustments for non-wholly-owned entities (a)	6	8	13	10
Depreciation and amortization	(252)	(263)	(503)	(528)
Interest expense	(406)	(463)	(813)	(930)
Interest income	1	4	2	7
Other items (b)	(45)	58	(50)	52
Income tax expense	(10)	(40)	(13)	(77)
Stock-based compensation	(16)	(5)	(23)	(34)
Costs of alliance conversions	(2)	(6)	(5)	(13)
Kohlberg Kravis Roberts & Co. (KKR) related items	(5)	(8)	(11)	(14)
Debt issuance costs	1	—	—	(3)
Net loss attributable to First Data Corporation	$(26)	$(34)	$(138)	$(235)

(a) Net adjustment to reflect the Company's proportionate share of alliance revenue and EBITDA and amortization related to equity method investments not included in segment EBITDA.

(b) Includes adjustments to exclude the official check and money order businesses due to the Company's wind down of these businesses, restructuring, litigation and regulatory settlements, and "Other income (expense)" as presented in the unaudited consolidated statements of operations, which includes divestitures, impairments, derivative gains and (losses), and non-operating foreign currency gains and (losses).

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A reconciliation of reportable segment depreciation and amortization amounts to the Company’s consolidated balances in the unaudited consolidated statements of cash flows and unaudited consolidated statements of operations is as follows:

	Three months ended June 30,		Six months ended June 30,	
(in millions)	2015	2014	2015	2014
Segment depreciation and amortization	$246	$257	$491	$519
Adjustments for non-wholly owned entities	21	22	42	41
Amortization of initial payments for new contracts (a)	13	11	24	22
Total consolidated depreciation and amortization per unaudited consolidated statements of cash flows	280	290	557	582
Amortization of equity method investments (b)	(15)	(16)	(30)	(32)
Amortization of initial payments for new contracts (a)	(13)	(11)	(24)	(22)
Total consolidated depreciation and amortization per unaudited consolidated statements of operations	$252	$263	$503	$528

(a) Included in "Transaction and processing service fees" as contra-revenue in the Company's unaudited consolidated statements of operations.
(b) Included in "Equity earnings in affiliates" in the Company's unaudited consolidated statements of operations.

Note 7: Redeemable Noncontrolling Interest

One of the Company's noncontrolling interests is redeemable at the option of the holder and is presented outside of equity and carried at its estimated redemption value.

The following table presents a summary of the redeemable noncontrolling interest activity during the periods presented:

(in millions)	2015	2014
Balance as of January 1,	$70	$69
Distributions	(18)	(18)
Share of income	18	17
Adjustment to redemption value of redeemable noncontrolling interest	8	2
Balance as of June 30,	$78	$70

Note 8: Commitments and Contingencies

The Company is involved in various legal proceedings. Accruals have been made with respect to these matters, where appropriate, which are reflected in the Company’s unaudited consolidated financial statements. The Company may enter into discussions regarding settlement of these matters, and may enter into settlement agreements, if it believes settlement is in the best interest of the Company. The matters discussed below, if decided adversely to or settled by the Company, individually or in the aggregate, may result in liability material to the Company’s financial condition and/or results of operations.

Legal

There are asserted claims against the Company where an unfavorable outcome is considered to be reasonably possible. These claims can generally be categorized in the following areas: (1) patent infringement which results from claims that the Company is using technology that has been patented by another party; (2) merchant customer matters often associated with alleged processing errors or disclosure issues and claims that one of the subsidiaries of the Company has violated a federal or state requirement regarding credit reporting or collection in connection with its check verification guarantee, and collection activities; and (3) other matters which may include issues such as employment. The Company's estimates of the possible ranges of losses in excess of any amounts accrued are $0 to $50 million for patent infringement, $0 to $15 million for merchant customer matters, and $0 to $40 million for other matters, resulting in a total estimated range of possible losses of $0 to $105 million for all of the matters described above.

The estimated range of reasonably possible losses is based on information currently available and involves elements of judgment and significant uncertainties. As additional information becomes available and the resolution of the uncertainties becomes more apparent, it is possible that actual losses may exceed even the high end of the estimated range.

Other

In the normal course of business, the Company is subject to claims and litigation, including indemnification obligations to purchasers of former subsidiaries. Management of the Company believes that such matters will not have a material adverse effect on the Company's results of operations, liquidity or financial condition.

Contingent Consideration

Over the past three years, the Company completed acquisitions in which contingent consideration was recorded. The transactions called for cash consideration as well as contingent payments for achievement of certain milestones. As part of the purchase price, the Company recorded a $29 million liability for the contingent consideration, of which $1 million was paid during the six months ended June 30, 2015 and $28 million remained accrued as of June 30, 2015. This fair value measurement represents a Level 3 measurement as it is based on significant inputs not observable in the market. Significant judgment is employed in determining the appropriateness of these assumptions as of the acquisition date. The primary assumption is the estimated number of merchant locations that will be using the software or technology in the next three years.

Note 9: Stock Compensation Plans

The Company's parent, First Data Holdings, Inc. (FDH), has a stock incentive plan for employees of the Company and its affiliates (stock plan). Stock compensation expense associated with this stock plan is recorded by the Company. Stock compensation expense for certain awards is only recognized upon liquidity or an employment termination event which triggers vesting. For the remaining awards that vest based solely on service conditions, expense is recognized over the requisite service period.

Total stock-based compensation expense recognized in "Selling, general, and administrative" expense in the unaudited consolidated statements of operations was as follows for the periods presented:

	Three months ended June 30,		Six months ended June 30,	
(in millions)	2015	2014	2015	2014
Total stock-based compensation expense (pretax)	$16	$5	$23	$34

During the six months ended June 30, 2015 and 2014, $9 million and $23 million, respectively, of stock-based compensation expense was recognized as a result of the departure of certain executive officers.

Beginning in 2014, substantially all of the Company's employees are granted restricted stock awards on an annual basis and during the six months ended June 30, 2015, 41 million restricted stock awards were granted. The restrictions on a majority of these awards will lapse upon the later of three years or following an initial public offering or upon certain employment termination events. For the remainder of these awards, the restrictions will lapse following an initial public offering or upon certain employment termination events.

As of June 30, 2015, there was $158 million and $345 million of total unrecognized compensation expense related to non-vested stock options and restricted stock, respectively.

For additional information on the Company's Stock Compensation Plans refer to Note 11 "Stock Compensation Plans" in the Company's consolidated financial statements in "Item 8. Financial Statements and Supplementary Data" in the Company's Annual Report on Form 10-K for the year ended December 31, 2014.

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Note 10: Derivative Financial Instruments

The Company enters into the following types of derivatives:

Interest rate contracts:

- Interest rate swaps: The Company uses interest rate swaps to mitigate its exposure to interest rate fluctuations on interest payments related to variable rate debt. The Company uses these contracts in non-qualifying hedging relationships.

- Fixed to floating interest rate swaps: The Company uses fixed to floating interest rate swaps to maintain a desired ratio of fixed rate and floating rate debt. The Company uses these contracts in non-qualifying hedging relationships.

Foreign exchange contracts: The Company uses cross-currency swaps to protect the net investment in certain foreign subsidiaries and/or affiliates with respect to changes in foreign currency exchange rates. The Company uses these contracts in both qualifying and non-qualifying hedging relationships.

The Company held the following derivative instruments as of the dates indicated:

		As of June 30, 2015			As of December 31, 2014		
(in millions)	Notional Currency	Notional Value	Assets (a) (b)	Liabilities (a) (c)	Notional Value	Assets (a) (b)	Liabilities (a) (c)
Derivatives designated as hedges of net investments in foreign operations:							
Foreign exchange contracts	AUD	260	$54	$—	260	$41	$—
Foreign exchange contracts	EUR	200	45	—	200	27	—
Foreign exchange contracts	GBP	250	15	—	250	18	—
Foreign exchange contracts	CAD	110	16	—	110	9	—
			130	—		95	—
Derivatives not designated as hedging instruments:							
Interest rate contracts	USD	5,000	—	(95)	5,750	47	(105)
Foreign exchange contracts	EUR	—	—	—	22	1	—
			—	(95)		48	(105)
			$130	$(95)		$143	$(105)

(a) Of the balances included in the table above, in aggregate, $130 million of assets and $87 million of liabilities, net $43 million, as of June 30, 2015 and $142 million of assets and $96 million of liabilities, net $46 million, as of December 31, 2014 are subject to master netting agreements to the extent that the swaps are with the same counterparty. The terms of those agreements require that the Company net settle the outstanding positions at the option of the counterparty upon certain events of default.
(b) Derivative assets are included in “Other current assets” and “Other long-term assets” in the unaudited consolidated balance sheets.
(c) Derivative liabilities are included in “Other current liabilities” and “Other long-term liabilities” in the unaudited consolidated balance sheets.

The maximum length of time over which the Company is hedging its exposure to the variability in future cash flows for forecasted transactions excluding those forecasted transactions related to the payment of variable interest on existing financial instruments is through January 2018.

Fair Value Measurement

The carrying amounts for the Company's derivative financial instruments are the estimated fair value of the financial instruments. The Company’s derivatives are not exchange listed and therefore the fair value is estimated under an income approach using Bloomberg analytics models that are based on readily observable market inputs. These models reflect the contractual terms of the derivatives, such as notional value and expiration date, as well as market-based observables including interest and foreign currency exchange rates, yield curves, and the credit quality of the counterparties. The models also incorporate the Company’s creditworthiness in order to appropriately reflect non-performance risk. Inputs to the derivative pricing models are generally observable and do not contain a high level of subjectivity and, accordingly, the Company’s derivatives are classified within Level

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2 of the fair value hierarchy. While the Company believes its estimates result in a reasonable reflection of the fair value of these instruments, the estimated values may not be representative of actual values that could have been realized or that will be realized in the near future.

Effect of Derivative Instruments on the Unaudited Consolidated Statements of Operations

Derivative gains and (losses) were as follows for the periods indicated:

	Three months ended June 30,			
	2015		2014	
(in millions, pretax)	Interest Rate Contracts	Foreign Exchange Contracts	Interest Rate Contracts	Foreign Exchange Contracts
Derivatives in net investment hedging relationships:				
Gain (loss) recognized in other comprehensive income (loss) (effective portion)	$—	$(35)	$—	$(18)
Derivatives not designated as hedging instruments:				
Gain (loss) recognized in Other income (expense) in the unaudited consolidated statements of operations	(13)	(1)	(7)	—

	Six months ended June 30,			
	2015		2014	
(in millions, pretax)	Interest Rate Contracts	Foreign Exchange Contracts	Interest Rate Contracts	Foreign Exchange Contracts
Derivatives in net investment hedging relationships:				
Gain (loss) recognized in other comprehensive income (loss) (effective portion)	$—	$32	$—	$(25)
Derivatives not designated as hedging instruments:				
Gain (loss) recognized in Other income (expense) in the unaudited consolidated statements of operations	(18)	2	(4)	—

Accumulated Derivative Gains and Losses

The following table summarizes activity in other comprehensive income for the periods indicated related to derivative instruments classified as cash flow hedges and a net investment hedge held by the Company:

(in millions, after tax)	Three months ended June 30,		Six months ended June 30,	
	2015	2014	2015	2014
Accumulated gain (loss) included in other comprehensive income (loss) at beginning of the period	$79	$(17)	$37	$(12)
Less: Reclassifications into earnings from other comprehensive income (loss), net of tax	—	—	—	—
	(22)	(12)	20	(17)

Increase (decrease) in fair value of derivatives that qualify for hedge accounting (a)				
Accumulated gain included in other comprehensive income (loss) at end of the period	$57	$(29)	$57	$(29)

(a) Gains and (losses) are included in “Unrealized gains on hedging activities” and in “Foreign currency translation adjustment” in the unaudited consolidated statements of comprehensive income (loss).

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Note 11: Income Taxes

	Three months ended June 30,		Six months ended June 30,	
(in millions)	2015	2014	2015	2014
Income tax expense	$10	$40	$13	$77
Effective income tax rate	23 %	63 %	(77)%	(118)%

The effective tax rates for the three and six months ended June 30, 2015 were different from the statutory rate primarily as a result of the Company's inability to recognize tax benefits attributable to its domestic losses while at the same time recording tax expense on its foreign earnings. The Company's tax expense in all quarters was also impacted by the Company not recording tax expense on noncontrolling interests from pass through entities.

The Company's liability for unrecognized tax benefits was approximately $242 million as of June 30, 2015. The Company anticipates it is reasonably possible that the liability for unrecognized tax benefits may decrease by $0 to $124 million over the next twelve months beginning June 30, 2015 as a result of the possible closure of federal tax audits, potential settlements with certain states and foreign countries and the lapse of the statute of limitations in various state and foreign jurisdictions.

Note 12: Investment in Affiliates

Segment results include the Company's proportionate share of income from affiliates, which consist of unconsolidated investments accounted for under the equity method of accounting. The most significant of these affiliates are related to the Company's merchant bank alliance programs.

As of June 30, 2015, the Company has an unconsolidated significant subsidiary that is not required to be consolidated, but represents more than 20% of the Company's pretax loss. This affiliate became significant during the second quarter of 2014 and its summarized financial information is presented below for the periods indicated:

	Three months ended June 30,		Six months ended June 30,	
(in millions)	2015	2014	2015	2014
Net operating revenues	$229	$205	$440	$397
Operating expenses	95	87	184	169
Operating income	$134	$118	$256	$228
Net income	$134	$118	$256	$229
FDC equity earnings	43	37	81	72

Note 13: Supplemental Guarantor Condensed Consolidating Financial Statements

As described in Note 6 "Borrowings" in the Company's consolidated financial statements in "Item 8. Financial Statements and Supplementary Data" in the Company's Annual Report on Form 10-K for the year ended December 31, 2014, the Company's 12.625% senior notes, 11.25% senior notes, 10.625% senior notes, and 11.75% senior subordinated notes are guaranteed by most of the existing and future, direct and indirect, wholly owned, domestic subsidiaries of the Company (Guarantors). The Guarantors guarantee the senior secured revolving credit facility, senior secured term loan facility, the 8.875% senior secured notes, the 7.375% senior secured notes, and the 6.75% senior secured notes, which rank senior in right of payment to all existing and future unsecured and second lien indebtedness of the Company's guarantor subsidiaries to the extent of the value of the collateral. The Guarantors guarantee the 8.25% and 8.75% senior second lien notes which rank senior in right of payment to all existing and future unsecured indebtedness of the Company's guarantor subsidiaries to the extent of the value of the collateral. The 12.625% senior note, 10.625% senior note, and 11.25% senior note guarantees are unsecured and rank equally in right of payment with all existing and future senior indebtedness of the guarantor subsidiaries but senior in right of payment to all existing and future subordinated indebtedness of the Company's guarantor subsidiaries. The 11.75% senior subordinated note guarantees are unsecured and ranks equally in right of payment with all existing and future senior subordinated indebtedness of the guarantor subsidiaries.

All of the above guarantees are full, unconditional, and joint and several and each of the Guarantors is 100% owned, directly or indirectly, by the Company. None of the other subsidiaries of the Company, either direct or indirect, guarantee the notes (Non-Guarantors). The Guarantors are subject to release under certain circumstances as described below.

The credit agreement governing the guarantees of the senior secured revolving credit facility and senior secured term loan facility provide for a Guarantor to be automatically and unconditionally released and discharged from its guarantee obligations in certain circumstances, including under the following circumstances:

- the Guarantor ceases to be a "restricted subsidiary" for purpose of the agreement because the Company no longer directly or indirectly owns 50% of the equity or, if a corporation, stock having voting power to elect a majority of the board of directors of the Guarantor; or
- the Guarantor is designated as an "unrestricted subsidiary" for purposes of the agreement covenants; or
- the Guarantor is no longer wholly owned by the Company subject to the value of all Guarantors released under this provision does not exceed (x) 10% of the Company's Covenant EBITDA plus (y) the amount of investments permitted under the agreement in respect of non-guarantors.

The indentures governing all of the other guarantees described above provide for a Guarantor to be automatically and unconditionally released and discharged from its guarantee obligations in certain circumstances, including upon the earliest to occur of:

- the sale, exchange or transfer of the subsidiary's capital stock or all or substantially all of its assets;
- designation of the Guarantor as an "unrestricted subsidiary" for purposes of the indenture covenants;
- release or discharge of the Guarantor's guarantee of certain other indebtedness; or
- legal defeasance or covenant defeasance of the indenture obligations when provision has been made for them to be fully satisfied.

The following tables present the results of operations, comprehensive income, financial position and cash flows of the Company (FDC Parent Company), the Guarantor subsidiaries, the Non-Guarantor subsidiaries and consolidation adjustments for the period presented to arrive at the information for the Company on a consolidated basis.

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CONSOLIDATED STATEMENTS OF OPERATIONS

	Three months ended June 30, 2015				
(in millions)	FDC Parent Company	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Consolidation Adjustments	Consolidated
Revenues:					
Transaction and processing service fees	$—	$980	$ 764	$(77)	$1,667
Product sales and other	—	176	118	(15)	279
Reimbursable debit network fees, postage, and other	—	627	299	—	926
Total revenues	—	1,783	1,181	(92)	2,872
Expenses:					
Cost of services (exclusive of items shown below)	—	372	360	(77)	655
Cost of products sold	—	60	40	(15)	85
Selling, general, and administrative	27	290	209	—	526
Reimbursable debit network fees, postage, and other	—	627	299	—	926
Depreciation and amortization	5	151	96	—	252
Other operating expenses:					
Restructuring, net	7	2	10	—	19
Total expenses	39	1,502	1,014	(92)	2,463
Operating (loss) profit	(39)	281	167	—	409
Interest income	—	—	1	—	1
Interest expense	(403)	(3)	—	—	(406)
Interest income (expense) from intercompany notes	77	(79)	2	—	—
Other income (expense)	(30)	3	3	—	(24)
Equity earnings from consolidated subsidiaries	135	85	—	(220)	—
	(221)	6	6	(220)	(429)
Income (loss) before income taxes and equity earnings in affiliates	(260)	287	173	(220)	(20)
Income tax (benefit) expense	(234)	197	47	—	10
Equity earnings in affiliates	—	55	8	—	63
Net income (loss)	(26)	145	134	(220)	33
Less: Net income attributable to noncontrolling interests and redeemable noncontrolling interest	—	—	18	41	59
Net (loss) income attributable to First Data Corporation	$(26)	$145	$ 116	$(261)	$(26)
Comprehensive income (loss)	$8	$144	$ 194	$(275)	$71
Less: Comprehensive income (loss) attributable to noncontrolling interests and redeemable noncontrolling interest	—	—	21	41	62
Comprehensive income (loss) attributable to First Data Corporation	$8	$144	$ 173	$(316)	$9

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	Six months ended June 30, 2015				
(in millions)	FDC Parent Company	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Consolidation Adjustments	Consolidated
Revenues:					
Transaction and processing service fees	$—	$1,894	$ 1,489	$(150)	$3,233
Product sales and other	—	341	223	(29)	535
Reimbursable debit network fees, postage, and other	—	1,228	571	—	1,799
Total revenues	—	3,463	2,283	(179)	5,567
Expenses:					
Cost of services (exclusive of items shown below)	—	777	742	(150)	1,369
Cost of products sold	—	113	77	(29)	161
Selling, general, and administrative	59	577	410	—	1,046
Reimbursable debit network fees, postage, and other	—	1,228	571	—	1,799
Depreciation and amortization	9	301	193	—	503
Other operating expenses:					
Restructuring, net	6	4	10	—	20
Total expenses	74	3,000	2,003	(179)	4,898
Operating (loss) profit	(74)	463	280	—	669
Interest income	—	—	2	—	2
Interest expense	(805)	(6)	(2)	—	(813)
Interest income (expense) from intercompany notes	158	(156)	(2)	—	—
Other income (expense)	39	3	(31)	—	11
Equity earnings from consolidated subsidiaries	307	123	—	(430)	—
	(301)	(36)	(33)	(430)	(800)
(Loss) income before income taxes and equity earnings in affiliates	(375)	427	247	(430)	(131)
Income tax (benefit) expense	(237)	200	50	—	13
Equity earnings in affiliates	—	103	11	—	114
Net (loss) income	(138)	330	208	(430)	(30)
Less: Net income attributable to noncontrolling interests and redeemable noncontrolling interest	—	—	34	74	108
Net (loss) income attributable to First Data Corporation	$(138)	$330	$ 174	$(504)	$(138)
Comprehensive (loss) income	$(259)	$302	$ 38	$(240)	$(159)
Less: Comprehensive income attributable to noncontrolling interests and redeemable noncontrolling interest	—	—			