EQUIFAX INC
Form 10-Q
July 25, 2013

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-Q

(Mark One)

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

For the quarterly period ended June 30, 2013

OR

¨ **TRANSITION REPORT PURSUANT TO SECTION 13 or 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the transition period from to .

Commission File Number: 001-06605

EQUIFAX INC.

(Exact name of registrant as specified in its charter)

Georgia	**58-0401110**
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)
1550 Peachtree Street, N.W., Atlanta, Georgia	**30309**
(Address of principal executive offices)	(Zip Code)

404-885-8000

(Registrant's telephone number, including area code)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes x No ¨

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

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

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

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

On July 12, 2013, there were 121,283,658 shares of the registrant’s common stock outstanding.

EQUIFAX INC.

QUARTERLY REPORT ON FORM 10-Q

QUARTER ENDED June 30, 2013

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FORWARD-LOOKING STATEMENTS

This report contains information that may constitute “forward-looking statements.” Generally, the words “believe,” “expect,” “intend,” “estimate,” “anticipate,” “project,” “will,” “may” and similar expressions identify forward-looking statements, which generally are not historical in nature. All statements that address operating performance, events or developments that we expect or anticipate will occur in the future, including statements relating to future operating results, are forward-looking statements. Management believes that these forward-looking statements are reasonable as and when made. However, forward-looking statements are subject to certain risks and uncertainties that could cause actual results to differ materially from our Company’s historical experience and our present expectations or projections. These risks and uncertainties include, but are not limited to, those described in Part II, “Item 1A. Risk Factors,” and elsewhere in this report and in our Annual Report on Form 10-K for the year ended December 31, 2012, and those described from time to time in our future reports filed with the Securities and Exchange Commission. As a result of such risks and uncertainties, we urge you not to place undue reliance on any such forward-looking statements. Forward-looking statements speak only as of the date when made. We undertake no obligation to publicly update or revise any forward-looking statements, whether as a result of new information, future events or otherwise, except as required by law.

PART I. FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS (UNAUDITED)

EQUIFAX INC.

CONSOLIDATED STATEMENTS OF INCOME

	Three Months Ended June 30,	
	2013	2012
(In millions, except per share amounts)	(Unaudited)	
Operating revenue	$ 586.9	$ 513.3
Operating expenses:		
Cost of services (exclusive of depreciation and amortization below)	198.2	187.2
Selling, general and administrative expenses	186.5	156.8
Depreciation and amortization	44.1	40.3
Total operating expenses	428.8	384.3
Operating income	158.1	129.0
Interest expense	(17.6)	(13.7)
Other income, net	3.5	2.2
Consolidated income from continuing operations before income taxes	144.0	117.5
Provision for income taxes	(51.7)	(41.0)
Consolidated income from continuing operations	92.3	76.5
Discontinued operations, net of tax	-	2.3
Consolidated net income	92.3	78.8
Less: Net income attributable to noncontrolling interests	(1.8)	(2.4)
Net income attributable to Equifax	$ 90.5	$ 76.4
Amounts attributable to Equifax:		
Net income from continuing operations attributable to Equifax	$ 90.5	$ 74.1
Discontinued operations, net of tax	-	2.3
Net income attributable to Equifax	$ 90.5	$ 76.4
Basic earnings per common share:		
Net income from continuing operations attributable to Equifax	$ 0.75	$ 0.61
Discontinued operations attributable to Equifax	-	0.02
Net income attributable to Equifax	$ 0.75	$ 0.63
Weighted-average shares used in computing basic earnings per share	121.0	120.3
Diluted earnings per common share:		
Net income from continuing operations attributable to Equifax	$ 0.73	$ 0.60
Discontinued operations attributable to Equifax	-	0.02

Net income attributable to Equifax	$ 0.73	$ 0.62
Weighted-average shares used in computing diluted earnings per share	123.6	122.8
Dividends per common share	$ 0.22	$ 0.18

See Notes to Consolidated Financial Statements.

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EQUIFAX INC.

CONSOLIDATED STATEMENTS OF INCOME

	Six Months Ended June 30,	
	2013	2012
(In millions, except per share amounts)	(Unaudited)	
Operating revenue	$1,153.4	$1,019.2
Operating expenses:		
Cost of services (exclusive of depreciation and amortization below)	393.3	374.6
Selling, general and administrative expenses	361.0	306.6
Depreciation and amortization	92.0	80.7
Total operating expenses	846.3	761.9
Operating income	307.1	257.3
Interest expense	(35.3)	(27.5)
Other income, net	3.6	3.5
Consolidated income from continuing operations before income taxes	275.4	233.3
Provision for income taxes	(98.9)	(83.5)
Consolidated income from continuing operations	176.5	149.8
Discontinued operations, net of tax	19.0	2.7
Consolidated net income	195.5	152.5
Less: Net income attributable to noncontrolling interests	(3.9)	(4.6)
Net income attributable to Equifax	$191.6	$147.9
Amounts attributable to Equifax:		
Net income from continuing operations attributable to Equifax	$172.6	$145.2
Discontinued operations, net of tax	19.0	2.7
Net income attributable to Equifax	$191.6	$147.9
Basic earnings per common share:		
Net income from continuing operations attributable to Equifax	$1.43	$1.21
Discontinued operations attributable to Equifax	0.16	0.02
Net income attributable to Equifax	$1.59	$1.23
Weighted-average shares used in computing basic earnings per share	120.7	120.1
Diluted earnings per common share:		
Net income from continuing operations attributable to Equifax	$1.40	$1.18
Discontinued operations attributable to Equifax	0.15	0.02
Net income attributable to Equifax	$1.55	$1.21
Weighted-average shares used in computing diluted earnings per share	123.4	122.6
Dividends per common share	$0.44	$0.36

See Notes to Consolidated Financial Statements.

EQUIFAX INC.

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

(Unaudited)

	Three Months Ended June 30, 2013			2012		
	Equifax Shareholders	Noncontrolling Interests	Total	Equifax Shareholders	Noncontrolling Interests	Total
	(In millions)					
Net income	$90.5	$ 1.8	$92.3	$76.4	$ 2.4	$78.8
Other comprehensive income:						
Foreign currency translation adjustment, net	(13.5)	2.5	(11.0)	(20.3)	(0.5)	(20.8)
Change in unrecognized prior service cost and actuarial losses related to our pension and other postretirement benefit plans, net	2.3	-	2.3	2.8	-	2.8
Change in cumulative loss from cash flow hedging transactions, net	-	-	-	0.1	-	0.1
Comprehensive income	$79.3	$ 4.3	$83.6	$59.0	$ 1.9	$60.9

	Six Months Ended June 30, 2013			2012		
	Equifax Shareholders	Noncontrolling Interests	Total	Equifax Shareholders	Noncontrolling Interests	Total
	(In millions)					
Net income	$191.6	$ 3.9	$195.5	$147.9	$ 4.6	$152.5
Other comprehensive income:						
Foreign currency translation adjustment	(23.1)	2.0	(21.1)	(5.4)	(0.3)	(5.7)
Change in unrecognized prior service cost and actuarial losses related to our pension and other postretirement benefit plans	5.3	-	5.3	6.2	-	6.2
Change in cumulative loss from cash flow hedging transactions	-	-	-	0.1	-	0.1
Comprehensive income	$173.8	$ 5.9	$179.7	$148.8	$ 4.3	$153.1

See Notes to Consolidated Financial Statements.

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EQUIFAX INC.

CONSOLIDATED BALANCE SHEETS

(In millions, except par values)	June 30, 2013 (Unaudited)	December 31, 2012
ASSETS		
Current assets:		
Cash and cash equivalents	$ 104.9	$ 146.8
Trade accounts receivable, net of allowance for doubtful accounts of $6.7 and $6.3 at June 30, 2013 and December 31, 2012, respectively	318.5	317.0
Prepaid expenses	33.9	26.2
Other current assets	55.3	39.7
Total current assets	512.6	529.7
Property and equipment:		
Capitalized internal-use software and system costs	380.1	369.9
Data processing equipment and furniture	193.9	198.4
Land, buildings and improvements	179.8	177.0
Total property and equipment	753.8	745.3
Less accumulated depreciation and amortization	(474.5)	(461.6)
Total property and equipment, net	279.3	283.7
Goodwill	2,248.3	2,290.4
Indefinite-lived intangible assets	254.3	254.5
Purchased intangible assets, net	918.4	987.7
Other assets, net	160.7	165.1
Total assets	$ 4,373.6	$ 4,511.1
LIABILITIES AND EQUITY		
Current liabilities:		
Short-term debt and current maturities of long-term debt	$ 76.5	$ 283.3
Accounts payable	17.8	25.1
Accrued expenses	83.8	84.9
Accrued salaries and bonuses	61.9	104.7
Deferred revenue	57.1	57.9
Other current liabilities	78.7	90.6
Total current liabilities	375.8	646.5
Long-term debt	1,429.1	1,447.4
Deferred income tax liabilities, net	220.9	227.7
Long-term pension and other postretirement benefit liabilities	174.5	176.3
Other long-term liabilities	53.3	54.0
Total liabilities	2,253.6	2,551.9
Commitments and Contingencies (see Note 5)		
Equifax shareholders' equity:		

Preferred stock, $0.01 par value: Authorized shares - 10.0; Issued shares - none	-	-
Common stock, $1.25 par value: Authorized shares - 300.0; Issued shares - 189.3 at June 30, 2013 and December 31, 2012; Outstanding shares - 121.3 and 120.4 at June 30, 2013 and December 31, 2012, respectively	236.6	236.6
Paid-in capital	1,156.4	1,139.6
Retained earnings	3,202.8	3,064.6
Accumulated other comprehensive loss	(379.8)	(362.0)
Treasury stock, at cost, 67.4 shares and 68.3 shares at June 30, 2013 and December 31, 2012, respectively	(2,113.8)	(2,139.7)
Stock held by employee benefits trusts, at cost, 0.6 shares at both June 30, 2013 and December 31, 2012	**(5.9**)	(5.9)
Total Equifax shareholders' equity	2,096.3	1,933.2
Noncontrolling interests	23.7	26.0
Total equity	2,120.0	1,959.2
Total liabilities and equity	$ 4,373.6	$ 4,511.1

See Notes to Consolidated Financial Statements.

EQUIFAX INC.

CONSOLIDATED STATEMENTS OF CASH FLOWS

	Six Months Ended June 30,	
	2013	2012
(In millions)	(Unaudited)	
Operating activities:		
Consolidated net income	$ 195.5	$ 152.5
Adjustments to reconcile consolidated net income to net cash provided by operating activities:		
Gain on divestiture	(19.0)	-
Depreciation and amortization	92.3	82.4
Stock-based compensation expense	16.7	15.0
Excess tax benefits from stock-based compensation plans	(7.6)	(3.6)
Deferred income taxes	(7.5)	(0.8)
Changes in assets and liabilities, excluding effects of acquisitions:		
Accounts receivable, net	(14.5)	(9.8)
Prepaid expenses and other current assets	(3.9)	(9.9)
Other assets	4.6	0.9
Current liabilities, excluding debt	(57.2)	(28.5)
Other long-term liabilities, excluding debt	7.4	(0.9)
Cash provided by operating activities	206.8	197.3
Investing activities:		
Capital expenditures	(36.2)	(34.5)
Cash received from divestitures	47.5	2.5
Investment in unconsolidated affiliates, net	(6.4)	(3.6)
Cash provided by (used in) investing activities	4.9	(35.6)
Financing activities:		
Net short-term repayments	(206.6)	(31.6)
Payments on long-term debt	(15.0)	(15.1)
Treasury stock purchases	-	(51.1)
Dividends paid to Equifax shareholders	(53.2)	(43.1)
Dividends paid to noncontrolling interests	(3.9)	(1.4)
Proceeds from exercise of stock options	24.3	33.3
Excess tax benefits from stock-based compensation plans	7.6	3.6
Other	(0.6)	(0.4)
Cash used in financing activities	(247.4)	(105.8)
Effect of foreign currency exchange rates on cash and cash equivalents	(6.2)	(0.5)
Increase (decrease) in cash and cash equivalents	(41.9)	55.4
Cash and cash equivalents, beginning of period	146.8	127.7
Cash and cash equivalents, end of period	$ 104.9	$ 183.1

See Notes to Consolidated Financial Statements.

EQUIFAX INC.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY AND OTHER COMPREHENSIVE INCOME

For the Six Months Ended June 30, 2013

(Unaudited)

	Equifax Shareholders								
	Common Stock								
	Shares Outstanding	Amount	Paid-In Capital	Retained Earnings	Accumulated Other Comprehensive Loss	Treasury Stock	Stock Held By Employee Benefits Trusts	Noncontrolling Interests	Total Equity
	(In millions, except per share amounts)								
Balance, December 31, 2012	120.4	$236.6	$1,139.6	$3,064.6	$ (362.0)	$(2,139.7)	$ (5.9)	$ 26.0	$1,959.2
Net income	-	-	-	191.6	-	-	-	3.9	195.5
Other comprehensive income	-	-	-	-	(17.8)	-	-	(2.0)	(19.8)
Shares issued under stock and benefit plans, net of minimum tax withholdings	0.9	-	(7.9)	-	-	25.9	-	-	18.0
Cash dividends ($0.22 per share)	-	-	-	(53.4)	-	-	-		(53.4)
Dividends paid to employee benefits trusts	-	-	0.2	-	-	-	-	-	0.2
Stock-based compensation expense	-	-	16.7	-	-	-	-	-	16.7
Tax effects of stock-based compensation plans	-	-	7.8	-	-	-	-	-	7.8
Dividends paid to noncontrolling interests	-	-	-	-	-	-	-	(3.9)	(3.9)
Other	-	-	-	-	-	-	-	(0.3)	(0.3)

Balance, June 30, 2013	121.3	$236.6	$1,156.4	$3,202.8	$(379.8)	$(2,113.8)	$(5.9)	$23.7	$2,120.0

* At June 30, 2013, $227.1 million was authorized for future purchases of common stock under our share repurchase authorization.

Accumulated Other Comprehensive Loss consists of the following components:

	June 30, 2013	December 31, 2012
	(In millions)	
Foreign currency translation	$(106.7)	$(83.6)
Unrecognized actuarial losses and prior service cost related to our pension and other postretirement benefit plans, net of accumulated tax of $155.2 and $159.3 at June 30, 2013 and December 31, 2012, respectively	(271.1)	(276.4)
Cash flow hedging transactions, net of accumulated tax of $1.3 at June 30, 2013 and December 31, 2012	(2.0)	(2.0)
Accumulated other comprehensive loss	$(379.8)	$(362.0)

See Notes to Consolidated Financial Statements.

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EQUIFAX INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

June 30, 2013

As used herein, the terms Equifax, the Company, we, our and us refer to Equifax Inc., a Georgia corporation, and its consolidated subsidiaries as a combined entity, except where it is clear that the terms mean only Equifax Inc.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Operations. We collect, organize and manage various types of financial, demographic, employment and marketing information. Our products and services enable businesses to make credit and service decisions, manage their portfolio risk, automate or outsource certain human resources, employment tax and payroll-related business processes, and develop marketing strategies concerning consumers and commercial enterprises. We serve customers across a wide range of industries, including the financial services, mortgage, retail, telecommunications, utilities, automotive, brokerage, healthcare and insurance industries, as well as government agencies. We also enable consumers to manage and protect their financial health through a portfolio of products offered directly to consumers. As of June 30, 2013, we operated in the following countries: Argentina, Canada, Chile, Costa Rica, Ecuador, El Salvador, Honduras, Paraguay, Peru, Portugal, Spain, the United Kingdom, or U.K., Uruguay, and the United States of America, or U.S. We also maintain support operations in the Republic of Ireland. We have an investment in a consumer and commercial credit information company in Brazil and offer credit services in Russia and India through joint ventures.

We develop, maintain and enhance secured proprietary information databases through the compilation of actual consumer data, including credit, employment, asset, liquidity, net worth and spending activity, and business data, including credit and business demographics, that we obtain from a variety of sources, such as credit granting institutions, public record information (including bankruptcies, liens and judgments), income and tax information primarily from large to mid-sized companies in the U.S., and marketing information. We process this information utilizing our proprietary information management systems.

Basis of Presentation. The accompanying unaudited Consolidated Financial Statements have been prepared in accordance with U.S. generally accepted accounting principles, or GAAP, the instructions to Form 10-Q and applicable sections of Regulation S-X. To understand our complete financial position and results, as defined by

GAAP, this Form 10-Q should be read in conjunction with the Consolidated Financial Statements and the notes thereto included in our annual report on Form 10-K for the year ended December 31, 2012 ("2012 Form 10-K").

Our unaudited Consolidated Financial Statements reflect all adjustments which are, in the opinion of management, necessary for a fair presentation of the periods presented and are of a normal recurring nature. Certain prior year amounts have been reclassified to conform to current period presentation.

Earnings Per Share. Our basic earnings per share, or EPS, is calculated as net income attributable to Equifax divided by the weighted-average number of common shares outstanding during the period. Diluted EPS is calculated to reflect the potential dilution that would occur if stock options or other contracts to issue common stock were exercised and resulted in additional common shares outstanding. The net income amounts used in both our basic and diluted EPS calculations are the same. A reconciliation of the weighted-average outstanding shares used in the two calculations is as follows:

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

	Three Months Ended June 30,		Six Months Ended June 30,	
	2013	2012	2013	2012
	(In millions)			
Weighted-average shares outstanding (basic)	121.0	120.3	120.7	120.1
Effect of dilutive securities:				
Stock options and restricted stock units	2.6	2.5	2.7	2.5
Weighted-average shares outstanding (diluted)	123.6	122.8	123.4	122.6

For the three and six months ended June 30, 2013, 0.1 million stock options were anti-dilutive and therefore excluded from this calculation. For the three and six months ended June 30, 2012, the stock options that were anti-dilutive were not material.

Financial Instruments. Our financial instruments consist primarily of cash and cash equivalents, accounts and notes receivable, accounts payable and short- and long-term debt. The carrying amounts of these items, other than long-term debt, approximate their fair market values due to the short-term nature of these instruments. The fair value of our fixed-rate debt is determined using Level 2 inputs such as quoted market prices for publicly traded instruments, and for non-publicly traded instruments through valuation techniques depending on the specific characteristics of the debt instrument. As of June 30, 2013 and December 31, 2012, the fair value of our long-term debt, based on observable inputs was $1.5 billion and $1.6 billion, respectively compared to its carrying value of $1.4 billion and $1.5 billion, respectively.

Derivatives and Hedging Activities. We use derivative financial instruments as a risk management tool to hedge the Company's exposure to changes in interest rates, not for speculative purposes. We have used interest rate swaps and interest rate lock agreements to manage interest rate risk associated with our fixed and floating-rate borrowings. Forward contracts on various foreign currencies have been used to manage the foreign currency exchange rate risk of certain firm commitments denominated in foreign currencies. We recognize all derivatives on the balance sheet at fair value. Derivative valuations reflect the value of the instrument including material amounts associated with counterparty risk.

Fair Value Hedges. In conjunction with our November 2009 sale of five-year Senior Notes, we entered into five-year interest rate swaps, designated as fair value hedges, which convert the debt's fixed interest rate to a variable rate. These swaps involve the receipt of fixed rate amounts for floating interest rate payments over the life of the swaps without exchange of the underlying principal amount. Changes in the fair value of the interest rate swaps offset changes in the fair value of the fixed-rate Senior Notes they hedge due to changes in the designated benchmark interest rate and are recorded in interest expense. The fair value of these interest rate swaps was an asset of $8.9 million and $12.2 million at June 30, 2013 and December 31, 2012, respectively, and was recorded in other long-term assets on our Consolidated Balance Sheets.

Fair Value Measurements. Fair value is determined based on the assumptions marketplace participants use in pricing the asset or liability. We use a three level fair value hierarchy to prioritize the inputs used in valuation techniques between observable inputs that reflect quoted prices in active markets, inputs other than quoted prices with observable market data and unobservable data (e.g., a company's own data).

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

The following table presents items measured at fair value on a recurring basis:

		Fair Value Measurements at Reporting Date Using:		
Description	Fair Value of Assets (Liabilities) at June 30, 2013	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
	(In millions)			
Fair Value Interest Rate Swaps[1]	$ 8.9	$ -	$ 8.9	$ -
Notes, due 2014[1]	(283.9)	-	(283.9)	-
Deferred Compensation Plan[2]	(19.9)	-	(19.9)	-
Total	$ (294.9)	$ -	$ (294.9)	$ -

(1) The fair value of our interest rate swaps, which are designated as fair value hedges, and our notes, due in 2014, are based on the present value of expected future cash flows using zero coupon rates and are classified within Level 2 of the fair value hierarchy.

(2) We maintain deferred compensation plans that allow for certain management employees to defer the receipt of compensation (such as salary, incentive compensation and commissions) until a later date based on the terms of the plan. The liability representing benefits accrued for plan participants is valued at the quoted market prices of the participants' investment elections.

Variable Interest Entities. We hold interests in certain entities, including credit data and information solutions ventures, that are considered variable interest entities, or VIEs. These variable interests relate to ownership interests that require financial support for these entities. Our investments related to these VIEs totaled $17.4 million at June 30, 2013, representing our maximum exposure to loss. We are not the primary beneficiary and are not required to consolidate any of these VIEs.

Other Assets. Other assets on our Consolidated Balance Sheets primarily represents our investment in unconsolidated affiliates, interest rate swaps, assets related to life insurance policies covering certain officers of the Company, employee benefit trust assets and data purchases, net of related amortization. Our investment in Boa Vista Servicos ("BVS"), which represents a 15% equity interest in BVS, was valued at 130 million Brazilian Reais ($58.7 million and $63.6 million at June 30, 2013 and December 31, 2012, respectively) and is accounted for using the cost method. The estimated fair value of the investment approximates carrying value at June 30, 2013.

Recent Accounting Pronouncements. *Testing Indefinite-Lived Intangible Assets for Impairment.* In July 2012, the FASB issued Accounting Standards Update No. 2012-02, "Intangibles - Goodwill and Other (Topic 350): Testing Indefinite-Lived Intangible Assets for Impairment," which allows a company the option to first assess qualitative factors to determine whether it is necessary to perform a quantitative impairment test. Under that option, a company would no longer be required to calculate the fair value of an indefinite-lived intangible asset unless the company determines, based on that qualitative assessment, that it is more likely than not that the fair value of the indefinite-lived intangible asset is less than its carrying amount. This guidance is effective for annual and interim indefinite-lived intangible asset impairment tests performed for fiscal years beginning after September 15, 2012. Early adoption was permitted. We will implement the new standard in our 2013 annual impairment testing. This guidance is not expected to have a material effect on our financial condition or results of operations.

Other Comprehensive Income. In February 2013, the FASB issued Accounting Standards Update No. 2013-02, "Reporting of Amounts Reclassified Out of Other Comprehensive Income," which requires public companies to present information about reclassification adjustments from accumulated other comprehensive income in their annual and interim financial statements in a single note or on the face of the financial statements. This standard is effective prospectively for annual and interim reporting periods beginning after December 15, 2012. We adopted this standard in the first quarter of 2013 and it did not have an effect on our financial condition or results of operations.

For additional information about recent accounting pronouncements adopted or pending adoption, see Note 1 of the Notes to Consolidated Financial Statements in our 2012 Form 10-K.

2. DISCONTINUED OPERATIONS

During the first quarter of 2013, we divested of two non-strategic business lines, Equifax Settlement Services, which was part of our Mortgage business within the USCIS operating segment, and Talent Management Services, which was part of our Employer Services business within our Workforce Solutions operating segment, for a total of $47.5 million. $3.5 million of the proceeds of the sale of Talent Management Services was placed in escrow and is due 18 months after the transaction date. The historical results of these operations are classified as discontinued operations in the Consolidated Statements of Income. Revenue for these business lines for the three and six months ended June 30, 2013, was $0 and $9.3 million, respectively, and $22.6 million and $39.4 million for the three and six months ended June 30, 2012, respectively. Pretax income was $0 and $1.5 million for the three and six months ended June 30, 2013, respectively, and $3.7 million and $4.5 million for the three and six months ended June 30, 2012, respectively. We recorded a gain on the disposals in the first quarter of 2013 of $18.4 million, including an income tax benefit of $18.1 million, of which $14.3 million was current tax benefits. The tax benefit is primarily a result of our tax basis in Talent Management Services. The gain was classified as discontinued operations in the Consolidated Statements of Income.

3. GOODWILL AND INTANGIBLE ASSETS

Goodwill. Goodwill represents the cost in excess of the fair value of the net assets acquired in a business combination. Goodwill is tested for impairment at the reporting unit level on an annual basis and on an interim basis if an event occurs or circumstances change that would reduce the fair value of a reporting unit below its carrying value. We perform our annual goodwill impairment tests as of September 30.

Changes in the amount of goodwill for the six months ended June 30, 2013, are as follows:

	U.S. Consumer Information Solutions	International	Workforce Solutions	North America Personal Solutions	North America Commercial Solutions	Total
	(In millions)					
Balance, December 31, 2012	$947.7	$ 369.3	$ 934.0	$ 1.8	$ 37.6	$2,290.4
Adjustments to initial purchase price allocation	(0.4)	-	-	-	-	(0.4)
Foreign currency translation	-	(11.1)	-	-	(0.3)	(11.4)
Tax benefits of stock options exercised	-	-	(0.1)	-	-	(0.1)
Businesses sold	(2.7)	(1.4)	(26.1)	-	-	(30.2)
Balance, June 30, 2013	$944.6	$ 356.8	$ 907.8	$ 1.8	$ 37.3	$2,248.3

3. GOODWILL AND INTANGIBLE ASSETS (Continued)

Indefinite-Lived Intangible Assets. Indefinite-lived intangible assets consist of contractual/territorial rights representing the estimated acquisition date fair value of rights to operate in certain territories acquired through the purchase of independent credit reporting agencies in the U.S. and Canada. Our contractual/territorial rights are perpetual in nature and, therefore, the useful lives are considered indefinite. Indefinite-lived intangible assets are not amortized. We are required to test indefinite-lived intangible assets for impairment annually and whenever events or circumstances indicate that there may be an impairment of the asset value. We perform our annual indefinite-lived intangible asset impairment test as of September 30. Our contractual/territorial rights carrying amounts did not change materially during the six months ended June 30, 2013.

Purchased Intangible Assets. Purchased intangible assets represent the estimated acquisition date fair value of acquired intangible assets used in our business. Purchased data files represent the estimated acquisition date fair value of consumer credit files acquired primarily through the purchase of independent credit reporting agencies in the U.S. and Canada. We expense the cost of modifying and updating credit files in the period such costs are incurred. We amortize purchased data files, which primarily consist of acquired consumer credit files, on a straight-line basis. Primarily all of our other purchased intangible assets are also amortized on a straight-line basis. For additional information about the useful lives related to our purchased intangible assets, see Note 1 of the Notes to Consolidated Financial Statements in our 2012 Form 10-K.

Purchased intangible assets at June 30, 2013 and December 31, 2012 consisted of the following:

	June 30, 2013			December 31, 2012		
	Gross	Accumulated Amortization	Net	Gross	Accumulated Amortization	Net
Definite-lived intangible assets:	(In millions)					
Purchased data files	$752.9	$ (212.7)	$540.2	$795.6	$ (229.2)	$566.4
Acquired software and technology	34.2	(16.5)	17.7	34.4	(13.5)	20.9
Customer relationships	498.1	(168.8)	329.3	522.1	(164.5)	357.6
Proprietary database	125.0	(122.6)	2.4	125.0	(115.9)	9.1
Non-compete agreements	19.2	(7.5)	11.7	19.4	(5.5)	13.9
Trade names and other intangible assets	39.6	(22.5)	17.1	41.5	(21.7)	19.8
Total definite-lived intangible assets	$1,469.0	$ (550.6)	$918.4	$1,538.0	$ (550.3)	$987.7

Amortization expense from continuing operations related to purchased intangible assets was $26.3 million and $21.5 million during the three months ended June 30, 2013 and 2012, respectively. Amortization expense from continuing operations related to purchased intangible assets was $56.6 million and $43.3 million during the six months ended June 30, 2013 and 2012, respectively.

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4. DEBT

Debt outstanding at June 30, 2013 and December 31, 2012 was as follows:

	June 30, 2013	December 31, 2012
	(In millions)	
Commercial paper	$60.0	$ 265.0
Notes, 7.34%, due in installments through May 2014	15.0	30.0
Notes, 4.45%, due December 2014	275.0	275.0
Notes, 6.30%, due July 2017	272.5	272.5
Notes, 3.30%, due Dec 2022	500.0	500.0
Debentures, 6.90%, due July 2028	125.0	125.0
Notes, 7.00%, due July 2037	250.0	250.0
Capitalized lease obligation	-	2.2
Other	1.2	0.7
Total debt	1,498.7	1,720.4
Less short-term debt and current maturities	(76.5)	(283.3)
Less unamortized discounts	(2.2)	(2.3)
Plus fair value adjustments	9.1	12.6
Total long-term debt, net	$1,429.1	$ 1,447.4

Senior Credit Facility. We are party to a $750.0 million unsecured revolving credit facility, which we refer to as the Senior Credit Facility, with a group of financial institutions. The Senior Credit Facility also has an accordion feature that allows us to request an increase in the total commitment to $1.0 billion. Borrowings may be used for general corporate purposes, including working capital, capital expenditures, acquisitions and share repurchase programs. The Senior Credit Facility is scheduled to expire in December 2017. Availability of the Senior Credit Facility for borrowings is reduced by the outstanding face amount of any letters of credit issued under the facility and, pursuant to our existing Board of Directors authorization, by the outstanding principal amount of our commercial paper notes. As of June 30, 2013, there were no outstanding borrowings under this facility and $688.6 million was available for borrowing.

Commercial Paper Program. Our $750.0 million commercial paper program has been established through the private placement of commercial paper notes from time-to-time. Maturities of commercial paper can range from overnight to 397 days. The commercial paper program is supported by our Senior Credit Facility and, pursuant to our existing Board of Directors authorization, the total amount of commercial paper which may be issued is reduced by the amount of any outstanding borrowings under our Senior Credit Facility. At June 30, 2013, there was $60.0 million in commercial paper notes outstanding.

For additional information about our debt agreements, see Note 6 of the Notes to Consolidated Financial Statements in our 2012 Form 10-K.

5. COMMITMENTS AND CONTINGENCIES

Data Processing, Outsourcing Services and Other Agreements. We have separate agreements with IBM, TCS and others to outsource portions of our computer data processing operations, applications development, maintenance and related functions and to provide certain other administrative and operational services. The agreements expire between 2013 and 2018. The estimated aggregate minimum contractual obligation remaining under these agreements is approximately $70 million as of December 31, 2012, with no future year's minimum contractual obligation expected to exceed approximately $40 million. Annual payment obligations in regard to these agreements vary due to factors such as the volume of data processed; changes in our servicing needs as a result of new product offerings, acquisitions or divestitures; the introduction of significant new technologies; foreign currency; or the general rate of inflation. In certain circumstances (e.g., a change in control or for our convenience), we may terminate these data processing and outsourcing agreements, and, in doing so, certain of these agreements require us to pay a significant penalty.

Guarantees and General Indemnifications. We may issue standby letters of credit, performance bonds or other guarantees in the normal course of business. The aggregate notional amount of all performance bonds and standby letters of credit was not material at June 30, 2013, and all have a remaining maturity of one year or less. The maximum potential future payments we could be required to make under the guarantees is not material at June 30, 2013.

We have agreed to standard indemnification clauses in many of our lease agreements for office space, covering such things as tort, environmental and other liabilities that arise out of or relate to our use or occupancy of the leased premises. Certain of our credit agreements include provisions which require us to make payments to preserve an expected economic return to the lenders if that economic return is diminished due to certain changes in law or regulations. In conjunction with certain transactions, such as sales or purchases of operating assets or services in the ordinary course of business, or the disposition of certain assets or businesses, we sometimes provide routine indemnifications, the terms of which range in duration and sometimes are not limited. Additionally, the Company has entered into indemnification agreements with its directors and executive officers to indemnify such individuals to the fullest extent permitted by applicable law against liabilities that arise by reason of their status as directors or officers. The Company maintains directors and officers liability insurance coverage to reduce its exposure to such obligations.

We cannot reasonably estimate our potential future payments under the indemnities and related provisions described above because we cannot predict when and under what circumstances these provisions may be triggered. We had no accruals related to indemnifications on our Consolidated Balance Sheets at June 30, 2013 or December 31, 2012.

5. COMMITMENTS AND CONTINGENCIES (Continued)

Contingencies. We are involved in legal proceedings, claims and litigation arising in the ordinary course of business. We periodically assess our exposure related to these matters based on the information which is available. We have recorded accruals in our Consolidated Financial Statements for those matters in which it is probable that we have incurred a loss and the amount of the loss, or range of loss, can be reasonably estimated.

For other legal proceedings, claims and litigation, we have recorded loss contingencies that are immaterial, or we cannot reasonably estimate the potential loss because of uncertainties about the outcome of the matter and the amount of the loss or range of loss. Although the final outcome of these other matters cannot be predicted with certainty, any possible adverse outcome arising from these matters is not expected to have a material impact on our Consolidated Financial Statements, either individually or in the aggregate. However, our evaluation of the likely impact of these matters may change in the future.

For additional information about these and other commitments and contingencies, see Note 7 of the Notes to Consolidated Financial Statements in our 2012 Form 10-K.

6. INCOME TAXES

We are subject to U.S. federal, state and international income taxes. We are generally no longer subject to federal, state, or international income tax examinations by tax authorities for years ending prior to December 31, 2007, with few exceptions. Due to the potential for resolution of state and foreign examinations, and the expiration of various statutes of limitations, it is reasonably possible that our gross unrecognized tax benefit balance may change within the next twelve months by a range of $0 to $7.6 million.

Effective Tax Rate. Our effective income tax rate was 35.9% for the three months ended June 30, 2013, up from 34.9% for the same period in 2012 due primarily to increased state income taxes and other permanent items. The effective income tax rate was relatively flat for the six months ended June 30, 2013 as compared to the prior year period.

7. ACCUMULATED OTHER COMPREHENSIVE INCOME

Changes in accumulated other comprehensive income by component, after tax, for the six months ended June 30, 2013, are as follows:

	Foreign currency	Pension and other postretirement benefit plans	Cash flow hedging transactions	Total
	(In millions)			
Balance, December 31, 2012	$(83.6)	$ (276.4)	$ (2.0)	$(362.0)
Other comprehensive income before reclassifications	(23.1)	(2.7)	-	(25.8)
Amounts reclassified from accumulated other comprehensive income	-	8.0	-	8.0
Net current-period other comprehensive income	(23.1)	5.3	-	(17.8)
Balance, June 30, 2013	$(106.7)	$ (271.1)	$ (2.0)	$(379.8)

Reclassifications out of accumulated other comprehensive income for the six months ended June 30, 2013, are as follows:

Details about accumulated other comprehensive income components	Amount reclassified from accumulated other **comprehensive income** (1) (in millions)	Affected line item in the statement where net income is presented
Amortization of pension and other postretirement plan items:		
Prior service cost	$ (0.4)	(2)
Recognized actuarial loss	(12.4)	(2)
	(12.8)	Total before tax
	4.8	Tax benefit
	$ (8.0)	Net of tax

(1) Amounts in parentheses indicate expense recognized in the Consolidated Statements of Income.

(2) These accumulated other comprehensive income components are included in the computation of net periodic pension cost (See Note 8 Benefit Plans for additional details).

Changes in accumulated other comprehensive income related to noncontrolling interests were not material as of June 30, 2013.

8. BENEFIT PLANS

We sponsor defined benefit pension plans and defined contribution plans. For additional information about our benefit plans, see Note 11 of the Notes to Consolidated Financial Statements in our 2012 Form 10-K.

The following table provides the components of net periodic benefit cost, included in selling, general and administrative expenses in the Consolidated Statements of Income, for the three and six months ended June 30, 2013 and 2012:

	Pension Benefits		Other Benefits	
	Three Months Ended June 30,			
	2013	2012	2013	2012
	(In millions)			
Service cost	$1.3	$1.6	$0.2	$0.1
Interest cost	7.2	8.3	0.4	0.3
Expected return on plan assets	(9.8)	(11.6)	(0.4)	(0.4)
Amortization of prior service cost	0.3	0.2	(0.1)	(0.1)
Recognized actuarial loss	4.4	4.0	3.3	0.3
Total net periodic benefit cost	$3.4	$2.5	$3.4	$0.2

	Pension Benefits		Other Benefits	
	Six Months Ended June 30,			
	2013	2012	2013	2012
	(In millions)			
Service cost	$2.6	$3.2	$0.3	$0.2
Interest cost	14.4	16.6	0.7	0.6
Expected return on plan assets	(19.6)	(23.2)	(0.8)	(0.8)
Amortization of prior service cost	0.6	0.4	(0.2)	(0.2)
Recognized actuarial loss	8.8	8.0	3.6	0.6
Total net periodic benefit cost	$6.8	$5.0	$3.6	$0.4

9. SEGMENT INFORMATION

Reportable Segments. We manage our business and report our financial results through the following five reportable segments, which are the same as our operating segments:

- U.S. Consumer Information Solutions
- International
- Workforce Solutions
- North America Personal Solutions
- North America Commercial Solutions

The accounting policies of the reportable segments are the same as those described in our summary of significant accounting policies in Note 1 of the Notes to Consolidated Financial Statements in our 2012 Form 10-K. We evaluate the performance of these reportable segments based on their operating revenues, operating income and operating margins, excluding unusual or infrequent items, if any. Inter-segment sales and transfers are not material for all periods presented. The measurement criteria for segment profit or loss and segment assets are substantially the same for each reportable segment. All transactions between segments are accounted for at cost, and no timing differences occur between segments.

A summary of segment products and services is as follows:

U.S. Consumer Information Solutions. This segment includes consumer information services (such as credit information and credit scoring, credit modeling services, locate services, fraud detection and prevention services, identity verification services and other consulting services); mortgage loan origination information; consumer financial marketing services; and identity management.

International. This segment includes information services products, which includes consumer and commercial services (such as credit and financial information, credit scoring and credit modeling services), credit and other marketing products and services, and products and services sold directly to consumers similar to those sold by North

America Personal Solutions.

Workforce Solutions. This segment includes employment, income and social security number verification services as well as complementary payroll-based transaction services and employment tax management services.

North America Personal Solutions. This segment includes credit information, credit monitoring and identity theft protection products sold directly to consumers via the internet.

North America Commercial Solutions. This segment includes commercial products and services such as business credit and demographic information, credit scores and portfolio analytics (decisioning tools), which are derived from our databases of business credit and financial information.

9. SEGMENT INFORMATION (Continued)

Operating revenue and operating income by operating segment during the three and six months ended June 30, 2013 and 2012 are as follows:

	Three Months Ended		Six Months Ended	
(In millions)	June 30,		June 30,	
Operating revenue:	2013	2012	2013	2012
U.S. Consumer Information Solutions	$ 259.7	$ 217.6	$ 504.8	$ 427.9
International	129.8	119.5	253.5	240.5
Workforce Solutions	123.2	109.7	246.9	218.6
North America Personal Solutions	51.5	46.2	102.6	91.1
North America Commercial Solutions	22.7	20.3	45.6	41.1
Total operating revenue	$ 586.9	$ 513.3	$ 1,153.4	$ 1,019.2

	Three Months Ended		Six Months Ended	
(In millions)	June 30,		June 30,	
Operating income:	2013	2012	2013	2012
U.S. Consumer Information Solutions	$ 104.3	$ 87.4	$ 196.2	$ 168.8
International	37.2	35.0	71.9	73.5
Workforce Solutions	38.3	26.6	75.7	52.8
North America Personal Solutions	14.2	12.4	28.7	23.7
North America Commercial Solutions	3.8	2.8	8.7	6.3
General Corporate Expense	(39.7)	(35.2)	(74.1)	(67.8)
Total operating income	$ 158.1	$ 129.0	$ 307.1	$ 257.3

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

As used herein, the terms Equifax, the Company, we, our and us refer to Equifax Inc., a Georgia corporation, and its consolidated subsidiaries as a combined entity, except where it is clear that the terms mean only Equifax Inc.

All references to earnings per share data in Management's Discussion and Analysis, or MD&A, are to diluted earnings per share, or EPS, unless otherwise noted. Diluted EPS is calculated to reflect the potential dilution that would occur if stock options or other contracts to issue common stock were exercised and resulted in additional common shares outstanding.

BUSINESS OVERVIEW

We are a leading global provider of information solutions, employment and income verifications and human resources business process outsourcing services. We leverage some of the largest sources of consumer and commercial data, along with advanced analytics and proprietary technology, to create customized insights which enable our business customers to grow faster, more efficiently and more profitably, and to inform and empower consumers.

Businesses rely on us for consumer and business credit intelligence, credit portfolio management, fraud detection, decisioning technology, marketing tools, and human resources-related services. We also offer a portfolio of products that enable individual consumers to manage their financial affairs and protect their identity. Our revenue stream is diversified among businesses across a wide range of industries and international geographies and individual consumers.

Segment and Geographic Information

Segments. The U.S. Consumer Information Solutions, or USCIS, segment, the largest of our five segments, consists of three product and service lines: Online Consumer Information Solutions, or OCIS; Mortgage Solutions; and Consumer Financial Marketing Services. OCIS and Mortgage Solutions revenue is principally transaction-based and is derived from our sales of products such as consumer credit reporting and scoring, identity management, fraud detection and modeling services. USCIS also markets certain decisioning software services which facilitate and automate a variety of consumer credit-oriented decisions. Consumer Financial Marketing Services revenue is principally project- and subscription-based and is derived from our sales of batch credit and consumer wealth information such as those that assist clients in acquiring new customers, cross-selling to existing customers and managing portfolio risk.

The International segment consists of Canada Consumer, Europe and Latin America. Canada Consumer's products and services are similar to our USCIS offerings, while Europe and Latin America are made up of varying mixes of product lines that are in our USCIS, North America Commercial Solutions and North America Personal Solutions reportable segments.

The Workforce Solutions segment consists of the Verification Services and Employer Services business lines. Verification Services revenue is transaction-based and is derived primarily from employment and income verification. Employer Services revenues are derived from our provision of certain human resources business process outsourcing services that include both transaction- and subscription-based product offerings. These services include unemployment claims management, employment-based tax credit services, and complementary payroll-based transaction services.

North America Personal Solutions revenue is primarily subscription-based supplemented by some transaction-based services, and is derived from the sale of credit monitoring, debt management and identity theft protection products, which we deliver to consumers electronically via the internet.

North America Commercial Solutions revenue is principally transaction-based, with the remainder project-based, and is derived from the sale of business information, credit scores and portfolio analytics that enable customers to utilize our reports to make financing, marketing and purchasing decisions related to businesses.

Geographic Information. We currently operate in the following countries: Argentina, Canada, Chile, Costa Rica, Ecuador, El Salvador, Honduras, Paraguay, Peru, Portugal, the Republic of Ireland, Spain, the U.K., Uruguay, and the U.S. Our operations in the Republic of Ireland focus on data handling and customer support activities. We have an investment in a consumer and commercial credit information company in Brazil and offer consumer credit services in India and Russia through joint ventures.

Key Performance Indicators. Management focuses on a variety of key indicators to monitor operating and financial performance. These performance indicators include operating revenue, change in operating revenue, operating income, operating margin, net income attributable to Equifax, diluted earnings per share, cash provided by operating activities and capital expenditures. The key performance indicators for the three and six months ended June 30, 2013 and 2012 were as follows:

	Key Performance Indicators			
	Three Months Ended June 30,		Six Months Ended June 30,	
	2013	2012	2013	2012
	(Dollars in millions, except per share data)			
Operating revenue	$586.9	$513.3	$1,153.4	$1,019.2
Operating revenue change	14 %	9 %	13 %	10 %
Operating income	$158.1	$129.0	$307.1	$257.3
Operating margin	26.9 %	25.1 %	26.6 %	25.2 %
Net income from continuing operations attributable to Equifax	$90.5	$74.1	$172.6	$145.2
Net income attributable to Equifax	$90.5	$76.4	$191.6	$147.9
Diluted earnings per share from continuing operations attributable to Equifax	$0.73	$0.60	$1.40	$1.18
Diluted earnings per share attributable to Equifax	$0.73	$0.62	$1.55	$1.21
Cash provided by operating activities	$140.5	$149.0	$206.8	$197.3
Capital expenditures	$17.5	$14.3	$36.2	$34.5

Business Environment and Company Outlook

Demand for our services tends to be correlated to general levels of economic activity, to consumer credit activity, to a lesser extent small commercial credit and marketing activity, and to our own initiatives to expand our products and markets served. During the first half of 2013, in the United States, we experienced modest growth in overall economic activity and in general consumer credit, strong year-over-year growth in consumer mortgage activity, and continuing benefits from our internal product and market initiatives. While we expect modest growth in overall economic activity and general consumer credit to continue through the current year, beginning late in the second quarter, mortgage market activity began to decline due to increased interest rates, and we expect mortgage market volumes to decline year-over-year in the second half, consistent with our outlook as we entered the year. Internationally, the environment continues to be challenging as various countries address their particular political, fiscal and economic issues. Offsetting these challenges, we continue to expect that our ongoing investments in new product innovation, business execution, enterprise growth initiatives, technology infrastructure, strategic acquisitions, and continuous process improvement will enable us, in a modestly growing economy, to deliver long-term average organic revenue growth ranging between 6% and 8% with additional growth of 1% to 2% derived from strategic acquisitions. We also expect to grow earnings per share at a somewhat faster rate than revenue as a result of both operating and financial leverage. We continue to expect total revenue growth, including the impact of our acquisition of CSC Credit Services, in 2013 to be between 10% and 12%.

RESULTS OF OPERATIONS—THREE AND SIX MONTHS JUNE 30, 2013 AND 2012

Consolidated Financial Results

Operating Revenue

	Three Months Ended June 30,				Six Months Ended June 30,			
			Change				Change	
Consolidated Operating Revenue	2013	2012	$	%	2013	2012	$	%
	(Dollars in millions)				(Dollars in millions)			
U.S. Consumer Information Solutions	$259.7	$217.6	$42.1	19%	$504.8	$427.9	$76.9	18%
International	129.8	119.5	10.3	9 %	253.5	240.5	13.0	5 %
Workforce Solutions	123.2	109.7	13.5	12%	246.9	218.6	28.3	13%
North America Personal Solutions	51.5	46.2	5.3	12%	102.6	91.1	11.5	13%
North America Commercial Solutions	22.7	20.3	2.4	12%	45.6	41.1	4.5	11%
Consolidated operating revenue	$586.9	$513.3	$73.6	14%	$1,153.4	$1,019.2	$134.2	13%

Revenue increased by 14% and 13% in the second quarter and first six months of 2013, respectively, compared to the same periods in 2012. The growth was driven by the acquisition of CSC Credit Services in the fourth quarter of 2012 ("CSC Credit Services Acquisition"), the impact of strategic growth initiatives across our businesses, and the impact of increased mortgage refinancing activity in the U.S., which we expect to decline in the second half of 2013 as compared to the prior year. This expected decline will reduce reported growth rates in our USCIS and Workforce Solutions business units. The effect of foreign exchange rates reduced revenue by $4.0 million in the second quarter and $6.4 million during the first six months of 2013 compared to the year-ago period.

Operating Expenses

	Three Months Ended June 30,				Six Months Ended June 30,			
			Change				Change	
Consolidated Operating Expenses	2013	2012	$	%	2013	2012	$	%
	(Dollars in millions)				(Dollars in millions)			
Consolidated cost of services	$198.2	$187.2	$11.0	6 %	$393.3	$374.6	$18.7	5 %
Consolidated selling, general and administrative expenses	186.5	156.8	29.7	19%	361.0	306.6	54.4	18%
Consolidated depreciation and amortization expense	44.1	40.3	3.8	10%	92.0	80.7	11.3	14%

Consolidated operating expenses	$428.8	$384.3	$44.5	12%	$846.3	$761.9	$84.4	11%

The increase in cost of services, when compared to the second quarter and first six months of 2012, was due primarily to increased salary and benefit costs of $7.0 million and $11.0 million in the second quarter and first six months of 2013 as well as smaller increases across other categories. The CSC Credit Services Acquisition did not have a material impact on cost of services as this business had already been processed on our systems under our previous affiliate arrangement. The effect of changes in foreign exchange rates reduced cost of services by $0.9 million and $1.3 million in the three and six months ended June 30, 2013, respectively.

Selling, general and administrative expense increased $29.7 million in the second quarter and $54.4 million in the first six months of 2013 compared to the year ago periods. The increase in the second quarter and first six months of 2013 was due primarily to increased salary, employee benefit, advertising, litigation, and regulatory compliance expenses of $17.7 million and $31.2 million, respectively. Both periods were also impacted by the CSC Credit Services Acquisition which contributed approximately an incremental $6 million and $14 million of selling, general and administrative expense in the second quarter and first six months of 2013, respectively, some of which are transitional expenses as we integrate the business. The impact of changes in foreign currency exchange rates decreased our selling, general and administrative expenses by $0.9 million and $1.2 million in the three and six months ended June 30, 2013, respectively.

Depreciation and amortization expense for the second quarter and first six months of 2013 increased $3.8 million and $11.3 million, respectively, as compared to the same periods in 2012, driven by $9.0 in the second quarter and $18.0 million in the first six months of 2013 resulting from the CSC Credit Services Acquisition primarily related to amortization of purchased intangibles. The CSC Credit Services Acquisition amortization is partially offset by certain purchased intangible assets related to the TALX acquisition in 2007 that became fully amortized during the second quarter of 2013.

Operating Income and Operating Margin

	Three Months Ended June 30,				Six Months Ended June 30,			
			Change				Change	
Consolidated Operating Income	2013	2012	$	%	2013	2012	$	%
	(Dollars in millions)				(Dollars in millions)			
Consolidated operating revenue	$586.9	$513.3	$73.6	14 %	$1,153.4	$1,019.2	$134.2	13 %
Consolidated operating expenses	(428.8)	(384.3)	(44.5)	12 %	(846.3)	(761.9)	(84.4)	11 %
Consolidated operating income	$158.1	$129.0	$29.1	23 %	$307.1	$257.3	$49.8	19 %
Consolidated operating margin	26.9 %	25.1 %		1.8 %**pts**	26.6 %	25.2 %		1.4 %pts

In the second quarter of 2013, operating income from continuing operations increased faster than revenue due to margin improvements in our Workforce Solutions, North America Personal Solutions and North America Commercial Solutions businesses, reflecting rapid revenue growth and the ability to leverage our existing cost base.

Other Expense, Net

	Three Months Ended June 30,				Six Months Ended June 30,			
			Change				Change	
Consolidated Other Expense, Net	2013	2012	$	%	2013	2012	$	%
	(Dollars in millions)				(Dollars in millions)			
Consolidated interest expense	$17.6	$13.7	$3.9	28%	$35.3	$27.5	$7.8	28%
Consolidated other income	(3.5)	(2.2)	(1.3)	59%	(3.6)	(3.5)	(0.1)	3 %
Consolidated other expense, net	$14.1	$11.5	$2.6	22%	$31.7	$24.0	$7.7	32%
Average cost of debt	4.5 %	5.6 %			4.4 %	5.6 %		
Total consolidated debt, net, at quarter end	$1,505.6	$968.8	$536.8	55%	$1,505.6	$968.8	$536.8	55%

Interest expense increased for the second quarter and the first six months of 2013, when compared to the same periods in 2012, due primarily to the issuance of $500 million of 3.30% ten-year senior notes in December 2012. Our consolidated debt balance increased as of June 30, 2013, as a result of the issuance of the 3.30% senior notes and additional borrowings in the form of commercial paper to fund the CSC Credit Services Acquisition. The decrease in the average cost of debt for the second quarter and first six months of 2013 is due to the issuance of the $500 million senior notes at a low interest rate and additional low rate commercial paper outstanding on average which caused the average cost of debt to decrease as compared to the prior year period.

Other income for the three and six month periods ending June 30, 2013, did not change materially as compared to the prior year periods.

Income Taxes

	Three Months Ended June 30,				Six Months Ended June 30,			
			Change				Change	
Consolidated Provision for Income Taxes	2013	2012	$	%	2013	2012	$	%
	(Dollars in millions)				(Dollars in millions)			
Consolidated provision for income taxes	$51.7	$41.0	$10.7	26%	$98.9	$83.5	$15.4	19%
Effective income tax rate	35.9%	34.9%			35.9%	35.8%		

Our effective income tax rate was 35.9% for the three months ended June 30, 2013, up from 34.9% for the same period in 2012 due primarily to increased state income taxes and other permanent items. The effective income tax rate was relatively flat for the six months ended June 30, 2013 as compared to the prior year period.

Net Income

Three Months Ended June 30,	Six Months Ended June 30,