EQUIFAX INC
Form 10-Q
July 26, 2012

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-Q

(Mark One)

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

For the quarterly period ended June 30, 2012

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	(I.R.S. Employer
incorporation or organization)	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 13, 2012, there were 119,863,893 shares of the registrant's common stock outstanding.

EQUIFAX INC.

QUARTERLY REPORT ON FORM 10-Q

QUARTER ENDED JUNE 30, 2012

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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, 2011, 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,	
	2012	2011
(In millions, except per share amounts)	(Unaudited)	
Operating revenue	$ 535.8	$ 487.1
Operating expenses:		
Cost of services (exclusive of depreciation and amortization below)	203.6	188.7
Selling, general and administrative expenses	158.3	142.7
Depreciation and amortization	41.2	41.1
Total operating expenses	403.1	372.5
Operating income	132.7	114.6
Interest expense	(13.7)	(13.7)
Other income, net	2.2	(9.6)
Consolidated income before income taxes	121.2	91.3
Provision for income taxes	(42.4)	(54.2)
Consolidated net income	78.8	37.1
Less: Net income attributable to noncontrolling interests	(2.4)	(2.6)
Net income attributable to Equifax	$ 76.4	$ 34.5
Basic earnings per common share:	$ 0.64	$ 0.28
Weighted-average shares used in computing basic earnings per share	120.3	122.8
Diluted earnings per common share:	$ 0.62	$ 0.28
Weighted-average shares used in computing diluted earnings per share	122.8	124.6
Dividends per common share	$ 0.18	$ 0.16

See Notes to Consolidated Financial Statements.

EQUIFAX INC.

CONSOLIDATED STATEMENTS OF INCOME

	Six Months Ended June 30,	
	2012	2011
(In millions, except per share amounts)	(Unaudited)	
Operating revenue	$1,058.5	$959.7
Operating expenses:		
Cost of services (exclusive of depreciation and amortization below)	404.8	380.7
Selling, general and administrative expenses	309.4	271.5
Depreciation and amortization	82.6	83.8
Total operating expenses	796.8	736.0
Operating income	261.7	223.7
Interest expense	(27.5)	(27.5)
Other income, net	3.6	(9.3)
Consolidated income before income taxes	237.8	186.9
Provision for income taxes	(85.3)	(90.5)
Consolidated net income	152.5	96.4
Less: Net income attributable to noncontrolling interests	(4.6)	(4.6)
Net income attributable to Equifax	$147.9	$91.8
Basic earnings per common share:	$1.23	$0.75
Weighted-average shares used in computing basic earnings per share	120.1	122.8
Diluted earnings per common share:	$1.21	$0.74
Weighted-average shares used in computing diluted earnings per share	122.6	124.6
Dividends per common share	$0.36	$0.32

See Notes to Consolidated Financial Statements.

EQUIFAX INC.

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

(Unaudited)

	Three Months Ended June 30,					
	2012			2011		
	Equifax Shareholders	Noncontrolling Interests	Total	Equifax Shareholders	Noncontrolling Interests	Total
	(In millions)					
Net income	$76.4	$ 2.4	$78.8	$34.5	$ 2.6	$37.1
Other comprehensive income:						
Foreign currency translation adjustment, net	(20.3)	(0.5)	(20.8)	33.2	0.1	33.3
Change in unrecognized prior service cost and actuarial losses related to our pension and other postretirement benefit plans, net	2.8	-	2.8	2.2	-	2.2
Change in cumulative loss from cash flow hedging transactions, net	0.1	-	0.1	-	-	-
Comprehensive income	$59.0	$ 1.9	$60.9	$69.9	$ 2.7	$72.6

	Six Months Ended June 30,					
	2012			2011		
	Equifax Shareholders	Noncontrolling Interests	Total	Equifax Shareholders	Noncontrolling Interests	Total
	(In millions)					
Net income	$147.9	$ 4.6	$152.5	$91.8	$ 4.6	$96.4
Other comprehensive income:						
Foreign currency translation adjustment	(5.4)	(0.3)	(5.7)	44.1	0.3	44.4
Change in unrecognized prior service cost and actuarial losses related to our pension and other postretirement benefit plans	6.2	-	6.2	4.4	-	4.4
Change in cumulative loss from cash flow hedging transactions	0.1	-	0.1	0.1	-	0.1
Comprehensive income	$148.8	$ 4.3	$153.1	$140.4	$ 4.9	$145.3

See Notes to Consolidated Financial Statements.

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EQUIFAX INC.

CONSOLIDATED BALANCE SHEETS

(In millions, except par values)	June 30, 2012 (Unaudited)	December 31, 2011
ASSETS		
Current assets:		
Cash and cash equivalents	$ 183.1	$ 127.7
Trade accounts receivable, net of allowance for doubtful accounts of $6.0 and $5.9 at June 30, 2012 and December 31, 2011, respectively	293.9	284.4
Prepaid expenses	30.2	24.6
Other current assets	9.8	15.6
Total current assets	517.0	452.3
Property and equipment:		
Capitalized internal-use software and system costs	350.4	332.2
Data processing equipment and furniture	196.6	183.1
Land, buildings and improvements	174.7	178.4
Total property and equipment	721.7	693.7
Less accumulated depreciation and amortization	(433.0)	(400.8)
Total property and equipment, net	288.7	292.9
Goodwill	1,961.3	1,961.2
Indefinite-lived intangible assets	95.6	95.6
Purchased intangible assets, net	505.9	550.2
Other assets, net	152.6	156.4
Total assets	$ 3,521.1	$ 3,508.6
LIABILITIES AND EQUITY		
Current liabilities:		
Short-term debt and current maturities	$ 17.0	$ 47.2
Accounts payable	30.2	27.5
Accrued expenses	64.1	56.3
Accrued salaries and bonuses	61.2	79.2
Deferred revenue	54.3	55.8
Other current liabilities	67.0	96.8
Total current liabilities	293.8	362.8
Long-term debt	951.8	966.0
Deferred income tax liabilities, net	228.7	227.8
Long-term pension and other postretirement benefit liabilities	167.9	176.4
Other long-term liabilities	51.0	53.5
Total liabilities	1,693.2	1,786.5
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, 2012 and December 31, 2011; Outstanding shares - 119.8 and 119.6 at June 30, 2012 and December 31, 2011, respectively	236.6	236.6
Paid-in capital	1,125.7	1,118.0
Retained earnings	2,983.6	2,879.2
Accumulated other comprehensive loss	(390.9)	(391.8)
Treasury stock, at cost, 68.9 shares and 69.1 shares at June 30, 2012 and December 31, 2011, respectively	(2,143.8)	(2,133.7)
Stock held by employee benefits trusts, at cost, 0.6 shares at both June 30, 2012 and December 31, 2011	(5.9)	(5.9)
Total Equifax shareholders' equity	1,805.3	1,702.4
Noncontrolling interests	22.6	19.7
Total equity	1,827.9	1,722.1
Total liabilities and equity	$ 3,521.1	$ 3,508.6

See Notes to Consolidated Financial Statements.

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EQUIFAX INC.

CONSOLIDATED STATEMENTS OF CASH FLOWS

(In millions)	Six Months Ended June 30, 2012 (Unaudited)	2011
Operating activities:		
Consolidated net income	$152.5	$96.4
Adjustments to reconcile consolidated net income to net cash provided by operating activities:		
Loss on divestiture	-	27.8
Depreciation and amortization	82.4	83.5
Stock-based compensation expense	15.0	11.8
Excess tax benefits from stock-based compensation plans	(0.5)	(0.6)
Deferred income taxes	(0.8)	6.1
Changes in assets and liabilities, excluding effects of acquisitions:		
Accounts receivable, net	(9.8)	(15.2)
Prepaid expenses and other current assets	(1.5)	(8.8)
Other assets	0.9	8.1
Current liabilities, excluding debt	(36.9)	(51.3)
Other long-term liabilities, excluding debt	(0.9)	(10.8)
Cash provided by operating activities	200.4	147.0
Investing activities:		
Capital expenditures	(34.5)	(43.9)
Acquisitions, net of cash acquired	-	(30.7)
Cash received from divestitures	2.5	2.5
Investment in unconsolidated affiliates, net	(3.6)	(2.7)
Cash used in investing activities	(35.6)	(74.8)
Financing activities:		
Net short-term repayments	(31.6)	(3.4)
Payments on long-term debt	(15.1)	(16.7)
Treasury stock purchases	(51.1)	(31.3)
Dividends paid to Equifax shareholders	(43.1)	(39.2)
Dividends paid to noncontrolling interests	(1.4)	(3.6)
Proceeds from exercise of stock options	33.3	12.3
Excess tax benefits from stock-based compensation plans	0.5	0.6
Other	(0.4)	(2.6)
Cash used in financing activities	(108.9)	(83.9)
Effect of foreign currency exchange rates on cash and cash equivalents	(0.5)	1.0
Increase (decrease) in cash and cash equivalents	55.4	(10.7)
Cash and cash equivalents, beginning of period	127.7	119.4
Cash and cash equivalents, end of period	$183.1	$108.7

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, 2012

(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, 2011	119.6	$236.6	$1,118.0	$2,879.2	$(391.8)	$(2,133.7)	$(5.9)	$19.7	$1,722.1
Net income	-	-	-	147.9	-	-	-	4.6	152.5
Other comprehensive income	-	-	-	-	0.9	-	-	(0.3)	0.6
Shares issued under stock and benefit plans, net of minimum tax withholdings	1.3	-	(11.5)	-	-	41.0	-	-	29.5
Treasury stock purchased under share repurchase program ($45.33 per share)*	(1.1)	-	-	-	-	(51.1)	-	-	(51.1)
Cash dividends ($0.36 per share)	-	-	-	(43.5)	-	-	-		(43.5)
Dividends paid to employee benefits trusts	-	-	0.4	-	-	-	-	-	0.4
Stock-based compensation expense	-	-	15.0	-	-	-	-	-	15.0
Tax effects of stock-based	-	-	3.8	-	-	-	-	-	3.8

compensation plans									
Dividends paid to noncontrolling interests	-	-	-	-	-	-	-	(1.4)	(1.4)
Balance, June 30, 2012	119.8	$236.6	$1,125.7	$2,983.6	$(390.9)	$(2,143.8)	$(5.9)	$ 22.6	$1,827.9

* At June 30, 2012, $261.0 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, 2012	December 31, 2011
	(In millions)	
Foreign currency translation	$(94.7)	$(89.3)
Unrecognized actuarial losses and prior service cost related to our pension and other postretirement benefit plans, net of accumulated tax of $168.9 and $172.1 at June 30, 2012 and December 31, 2011, respectively	(294.1)	(300.3)
Cash flow hedging transactions, net of accumulated tax of $1.4 at June 30, 2012 and December 31, 2011	(2.1)	(2.2)
Accumulated other comprehensive loss	$(390.9)	$(391.8)

See Notes to Consolidated Financial Statements.

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EQUIFAX INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

June 30, 2012

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, 2012, 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, 2011 (“2011 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,	
	2012	2011	2012	2011
	(In millions)			
Weighted-average shares outstanding (basic)	120.3	122.8	120.1	122.8
Effect of dilutive securities:				
Stock options and restricted stock units	2.5	1.8	2.5	1.8
Weighted-average shares outstanding (diluted)	122.8	124.6	122.6	124.6

For the three and six months ended June 30, 2012, the stock options that were anti-dilutive were not material. For the three and six months ended June 30, 2011, 1.3 million and 1.4 million stock options, respectively, were anti-dilutive and therefore excluded from this calculation.

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 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, 2012 and December 31, 2011, the fair value of our long-term debt, based on observable inputs, was $1.10 billion and $1.09 billion, respectively, compared to its carrying value of $0.97 billion.

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 $14.0 million and $14.8

million at June 30, 2012 and December 31, 2011, 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, 2012	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]	$14.0	$ -	$ 14.0	$ -
Notes, due 2014[1]	(289.0)	-	(289.0)	-
Deferred Compensation Plan[2]	(15.2)	-	(15.2)	-
Total	$(290.2)	$ -	$ (290.2)	$ -

(1) The fair value of our interest rate swaps, which are designated as fair value hedges, and 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 $11.4 million at June 30, 2012, representing our maximum exposure to loss. We are not the primary beneficiary and are not required to consolidate any of these VIEs.

Recent Accounting Pronouncements. *Testing Goodwill for Impairment.* In September 2011, the FASB issued Accounting Standards Update, *Intangibles – Goodwill and Other (Topic 350): Testing Goodwill for Impairment* (the revised standard). The revised standard is intended to reduce the cost and complexity of the annual goodwill impairment test by providing entities an option to perform a “qualitative” assessment to determine whether further impairment testing is necessary. If an entity believes, as a result of its qualitative assessment, that it is more-likely-than-not that the fair value of a reporting unit is less than its carrying amount, the quantitative impairment test is required. Otherwise, no further testing is required. The revised standard is effective for annual and interim goodwill impairment tests performed for fiscal years beginning after December 15, 2011. We will implement the new standard in our 2012 annual goodwill impairment testing. This guidance is not expected to have a material effect on our financial condition or results of operations.

Comprehensive Income. In the first quarter of 2012, we adopted Accounting Standards Update No. 2011-05, *Presentation of Comprehensive Income,* which changed our financial statement presentation but 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 2011 Form 10-K.

2. MERGER OF BRAZILIAN BUSINESS

On May 31, 2011, we completed the merger of our Brazilian business with Boa Vista Serviços S.A. ("BVS") in exchange for a 15% equity interest in BVS, which was accounted for as a sale and deconsolidated (the "Brazilian Transaction"). BVS, an unrelated third party whose results we do not consolidate, is the second largest consumer and commercial credit information company in Brazil. Our investment in BVS was valued at 130 million Brazilian Reais ($62.6 million and $82.3 million at June 30, 2012 and May 31, 2011, respectively) is recorded in Other assets, net on the Consolidated Balance Sheets and is accounted for using the cost method. The initial fair value was determined by a third-party using income and market approaches and has not changed materially as of June 30, 2012. In accounting for the transaction, we wrote off $33.2 million of goodwill and $27.0 million of cumulative foreign currency translation adjustments. In addition, as part of the agreement with BVS, we have retained certain contingent liabilities. A pre-tax loss of $10.3 million was recognized during the second quarter of 2011 related to the Brazilian Transaction and is included in other expense in the Consolidated Statements of Income. Tax expense of $17.5 million was also recorded in conjunction with the Brazilian Transaction.

Equifax has committed to make certain additional funding available to BVS. Until May 31, 2013, BVS will have the right to borrow up to $55 million from Equifax for general corporate purposes; any borrowings would be due and payable on May 31, 2015. Payments for principal and interest on any borrowings will be convertible, at Equifax's option, into additional shares of BVS nonvoting preferred stock. Preferred shares issued as a result of any borrowings will be convertible to common shares under specific conditions. There were no borrowings outstanding as of June 30, 2012.

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, 2012, 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, 2011	$638.4	$ 348.5	$ 935.0	$ 1.8	$ 37.5	$1,961.2
Adjustments to initial purchase price allocation	-	-	0.2	-	-	0.2
Foreign currency translation	-	1.1	-	-	-	1.1
Tax benefits of stock options exercised	-	-	(1.2)	-	-	(1.2)
Balance, June 30, 2012	$638.4	$ 349.6	$ 934.0	$ 1.8	$ 37.5	$1,961.3

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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, 2012.

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 2011 Form 10-K.

Purchased intangible assets at June 30, 2012 and December 31, 2011 consisted of the following:

	June 30, 2012			December 31, 2011		
	Gross	Accumulated Amortization	Net	Gross	Accumulated Amortization	Net
	(In millions)					
Definite-lived intangible assets:						
Purchased data files	$294.2	$ (228.1)	$66.1	$316.2	$ (240.5)	$75.7
Acquired software and technology	34.7	(10.9)	23.8	68.3	(41.1)	27.2
Customer relationships	517.2	(146.7)	370.5	518.2	(130.3)	387.9
Proprietary database	125.0	(105.7)	19.3	125.0	(95.5)	29.5
Non-compete agreements	9.0	(4.3)	4.7	9.0	(3.1)	5.9
Trade names and other intangible assets	40.7	(19.2)	21.5	40.7	(16.7)	24.0
Total definite-lived intangible assets	$1,020.8	$ (514.9)	$505.9	$1,077.4	$ (527.2)	$550.2

Amortization expense related to purchased intangible assets was $22.2 million and $22.5 million during the three months ended June 30, 2012 and 2011, respectively. Amortization expense related to purchased intangible assets was $44.6 million and $46.1 million during the six months ended June 30, 2012 and 2011, respectively.

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4. DEBT

Debt outstanding at June 30, 2012 and December 31, 2011 was as follows:

	June 30, 2012	December 31, 2011
	(In millions)	
Commercial paper	$-	$ 30.0
Notes, 7.34%, due in installments through May 2014	30.0	45.0
Notes, 4.45%, due December 2014	275.0	275.0
Notes, 6.30%, due July 2017	272.5	272.5
Debentures, 6.90%, due July 2028	125.0	125.0
Notes, 7.00%, due July 2037	250.0	250.0
Capitalized lease obligation	2.9	1.1
Other	0.5	0.6
Total debt	955.9	999.2
Less short-term debt and current maturities	(17.0)	(47.2)
Less unamortized discounts	(1.8)	(1.8)
Plus fair value adjustments	14.7	15.8
Total long-term debt, net	$951.8	$ 966.0

Senior Credit Facility. We are party to a $500.0 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 $750.0 million should we so choose. 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 February 2015. 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, 2012, there were no outstanding borrowings under this facility and $498.6 million was available for borrowing.

Commercial Paper Program. Our $500.0 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, 2012, there were no commercial paper notes outstanding.

For additional information about our debt agreements, see Note 6 of the Notes to Consolidated Financial Statements in our 2011 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 2012 and 2018. The estimated aggregate minimum contractual obligation remaining under these agreements is approximately $70 million as of December 31, 2011, with no future year's minimum contractual obligation expected to exceed approximately $30 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.

Agreement with Computer Sciences Corporation. We have an agreement with Computer Sciences Corporation, or CSC, and certain of its affiliates, collectively CSC, under which CSC-owned credit reporting agencies utilize our computerized credit database services. CSC retains ownership of its credit files and the revenues generated by its credit reporting activities. We receive a processing fee for maintaining the database and for each report supplied. The current term of the agreement will expire on July 31, 2018 and renews, unless terminated by CSC, for successive ten-year periods. The agreement provides us with an option to purchase CSC's credit reporting business if, on or prior to August 1, 2013, (a) CSC gives us written notice of their intention to terminate the agreement at the end of the current term, or (b) there is a change in control of CSC while the agreement is in effect. Under the agreement CSC also has an option, exercisable at any time prior to August 1, 2013, to sell its credit reporting business to us. The option exercise price will be determined by a third-party appraisal process and would be due in cash within 180 days after the exercise of the option. We estimate that if the option were exercised at December 31, 2011, the price range would have been approximately $650 million to $750 million. This estimate is based solely on our internal analysis of the value of the business, current market conditions and other factors, all of which are subject to constant change. Therefore, the actual option exercise price could be materially higher or lower than the estimated amount.

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, 2012, 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, 2012.

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.

5. COMMITMENTS AND CONTINGENCIES (Continued)

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, 2012 or December 31, 2011.

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 2011 Form 10-K. For additional information about commitments related to the Brazilian Transaction, see Note 2 of the Notes to Consolidated Financial Statements in this 10-Q.

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, 2004, 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 $5.1 million.

Effective Tax Rate. Our effective income tax rate was 35.0% for the three months ended June 30, 2012, down from 59.4% for the same period in 2011 due primarily to the impact of recording $17.5 million of tax expense associated with the Brazilian Transaction in 2011. The impact of the Brazilian Transaction increased our effective rate 23.2% for the quarter in 2011. The effective income tax rate on the Brazilian Transaction was higher than the statutory rate primarily due to the recognition of tax impacts related to foreign currency changes for which we had not previously recorded tax expense because we have historically been permanently invested in Brazil with respect to foreign currency fluctuations. The remainder of the rate decrease is due to the impact of lower foreign income taxes and the reversal of certain contingent tax liabilities. The effective income tax rate was 35.9% for the six months ended June 30, 2012, down from 48.4% for the same period in 2011 with the decrease primarily due to the Brazilian Transaction. The impact of the Brazilian Transaction increased our effective rate 11.4% for the six months ended June 30, 2011. The six month effective income tax rate also decreased due to the impact of lower foreign income taxes and the reversal of certain contingent tax liabilities.

7. 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 2011 Form 10-K.

The following table provides the components of net periodic benefit cost for the three and six months ended June 30, 2012 and 2011:

	Pension Benefits		Other Benefits	
	Three Months Ended June 30,			
	2012	2011	2012	2011
	(In millions)			
Service cost	$1.6	$1.6	$0.1	$0.2
Interest cost	8.3	8.6	0.3	0.4
Expected return on plan assets	(11.6)	(11.7)	(0.4)	(0.4)
Amortization of prior service cost	0.2	0.2	(0.1)	(0.1)
Recognized actuarial loss	4.0	3.0	0.3	0.3
Total net periodic benefit cost	$2.5	$1.7	$0.2	$0.4

	Pension Benefits		Other Benefits	
	Six Months Ended June 30,			
	2012	2011	2012	2011
	(In millions)			
Service cost	$3.2	$3.2	$0.2	$0.3
Interest cost	16.6	17.2	0.6	0.8
Expected return on plan assets	(23.2)	(23.3)	(0.8)	(0.8)
Amortization of prior service cost	0.4	0.4	(0.2)	(0.1)
Recognized actuarial loss	8.0	6.0	0.6	0.6
Total net periodic benefit cost	$5.0	$3.5	$0.4	$0.8

8. 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 2011 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, appraisal, title and closing services; 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 and talent 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.

8. SEGMENT INFORMATION (Continued)

Operating revenue and operating income by operating segment during the three and six months ended June 30, 2012 and 2011 are as follows:

(In millions)	Three Months Ended June 30,		Six Months Ended June 30,	
	2012	2011	2012	2011
Operating revenue:				
U.S. Consumer Information Solutions	$230.1	$194.0	$447.8	$375.0
International	119.5	130.8	240.5	258.0
Workforce Solutions	115.2	96.3	228.9	195.7
North America Personal Solutions	50.7	45.2	100.2	89.6
North America Commercial Solutions	20.3	20.8	41.1	41.4
Total operating revenue	$535.8	$487.1	$1,058.5	$959.7

(In millions)	Three Months Ended June 30,		Six Months Ended June 30,	
	2012	2011	2012	2011
Operating income:				
U.S. Consumer Information Solutions	$88.1	$70.8	$167.5	$132.5
International	35.0	34.2	73.5	64.0
Workforce Solutions	26.9	20.8	53.1	42.5
North America Personal Solutions	15.1	12.5	29.1	25.2
North America Commercial Solutions	2.8	4.4	6.3	9.5
General Corporate Expense	(35.2)	(28.1)	(67.8)	(50.0)
Total operating income	$132.7	$114.6	$261.7	$223.7

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 individual consumers and among businesses across a wide range of industries and international geographies.

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, mortgage settlement services, 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, complementary payroll-based transaction services, and the management of assessments of new hires.

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, 2012 and 2011 were as follows:

Key Performance Indicators

	Three Months Ended June 30,		Six Months Ended June 30,	
	2012	2011	2012	2011
	(Dollars in millions, except per share data)			
Operating revenue	$535.8	$487.1	$1,058.5	$959.7
Operating revenue change	10 %	6 %	10 %	6 %
Operating income	$132.7	$114.6	$261.7	$223.7
Operating margin	24.8 %	23.5 %	24.7 %	23.3 %
Net income attributable to Equifax	$76.4	$34.5	$147.9	$91.8
Diluted earnings per share attributable to Equifax	$0.62	$0.28	$1.21	$0.74
Cash provided by operating activities	$152.1	$123.9	$200.4	$147.0
Capital expenditures	$14.3	$17.7	$34.5	$43.9

Business Environment and Company Strategy

Consumer and small business lending activity is one of the key drivers of demand for our services. Lending activity has continued to grow at a moderate rate in most loan categories and markets we serve around the world, but lenders continue to demonstrate caution in loan decisions due to continuing concerns about consumer and small business credit quality and, in the U.S., about home values. Mortgage lending activity, which is an important lending category for our company, is cyclical, based on fluctuations in both home sales and refinancing activity. Mortgage activity associated with home sales remains weak, in part due to depressed home values which have yet to improve, while mortgage refinancing activity increased significantly beginning in the fourth quarter of 2011 and continued into the first half of 2012 due to very low interest rates. While mortgage refinancing activity continues to be strong, we do expect that it will begin to decline later in 2012 as the population of qualifying consumers diminishes. Furthermore, we have yet to see any indication of any near-term recovery in mortgage originations from home sales activity. These market and economic trends affect both our USCIS and Workforce Solutions segments. In addition, new financial regulations are increasing the compliance requirements for many of our customers and will likely introduce new challenges as well as opportunities in the marketing of our product and service offerings to our customers. Real time decision-making for many of our customers has become more complex and reliant on quality data assets with broad market coverage. Our proprietary technology is efficient and sufficiently flexible to adapt to a broad array of decisioning applications. By linking data assets, we are able to develop high value solutions that improve the effectiveness of our customers' decision-making activities. In an effort to respond to these market conditions, we have focused on the following activities:

- Further diversification of our revenues by pursuing and investing in key strategic initiatives including new product innovation, differentiated decisioning solutions and analytics, leveraging and broadening our diverse data assets and enhancing our technology platforms.
- Intensifying our sales force focus on key customer accounts and broadening our product offerings to address the needs of our medium-to-smaller customers.
- Acquiring new data assets and technologies both domestically and internationally.

- Investing in broadening and enriching our analytical resources to enhance the quality and value of our decisioning solutions.
- Expanding and investing in attractive international markets, including Russia, India and Brazil.
- Continuing our focus on managing expenses through the use of LEAN and other process improvement initiatives.

For the remainder of 2012, we expect a continuation of modest economic growth in most of our served markets. The environment will continue to be challenging as various countries deal with their particular political, budgetary, and economic issues. However, we continue to expect that our ongoing investments in new product innovation, technology infrastructure, strategic acquisitions, enterprise growth initiatives, 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. The diversity of our data assets, the strength of our analytical capabilities, and our proprietary decisioning technology has enabled us to consistently deliver high value solutions that our clients integrate into their business operations. As our clients' business environment becomes more difficult and competitive, these high value solutions will increasingly enable them to operate their businesses more efficiently and effectively.

RESULTS OF OPERATIONS—THREE AND SIX MONTHS JUNE 30, 2012 AND 2011

Consolidated Financial Results

Operating Revenue

Consolidated Operating Revenue	Three Months Ended June 30, 2012	Three Months Ended June 30, 2011	**Change** $	**Change** %	Six Months Ended June 30, 2012	Six Months Ended June 30, 2011	**Change** $	**Change** %
	(Dollars in millions)				(Dollars in millions)			
U.S. Consumer Information Solutions	$230.1	$194.0	$36.1	19%	$447.8	$375.0	$72.8	19%
International	119.5	130.8	(11.3)	-9 %	240.5	258.0	(17.5)	-7 %
Workforce Solutions	115.2	96.3	18.9	20%	228.9	195.7	33.2	17%
North America Personal Solutions	50.7	45.2	5.5	12%	100.2	89.6	10.6	12%
North America Commercial Solutions	20.3	20.8	(0.5)	-2 %	41.1	41.4	(0.3)	-1 %
Consolidated operating revenue	$535.8	$487.1	$48.7	10%	$1,058.5	$959.7	$98.8	10%

Revenue increased by 10% in the second quarter and first six months of 2012 compared to the same periods in 2011. The deconsolidation of our Brazilian business, which resulted from the merger of our business into a larger entity during the second quarter of 2011, negatively impacted revenue growth by $16.1 million for the second quarter of 2012 and $35.4 million for the first six months of 2012, compared to the prior year, while all other revenue increased by 14% in the second quarter of 2012 and 15% in the first six months compared to the same period in 2011, driven by strong execution of key strategic initiatives and the impact of increased mortgage refinancing activity in the U.S. The effect of foreign exchange rates, in locations other than Brazil, reduced revenue by $6.0 million in the second quarter and $9.0 million in the first six months of 2012 compared to the year ago periods.

Operating Expenses

Consolidated Operating Expenses	Three Months Ended June 30, 2012	Three Months Ended June 30, 2011	**Change** $	**Change** %	Six Months Ended June 30, 2012	Six Months Ended June 30, 2011	Change $	Change %
	(Dollars in millions)				(Dollars in millions)			
Consolidated cost of services	$203.6	$188.7	$14.9	8%	$404.8	$380.7	$24.1	