



## First Data Reports Third Quarter 2016 Financial Results

- Q3 consolidated revenue of \$2.9 billion, up 1%; up 2% excluding currency impacts
- Q3 total segment revenue of \$1.8 billion, up 1%; up 3% excluding currency impacts
- Q3 net income of \$132 million, improved \$258 million; diluted EPS of \$0.14
- Q3 adjusted net income of \$312 million, up 82%, driven by improved operating results and lower interest expense; adjusted diluted EPS of \$0.34
- Q3 total segment EBITDA of \$739 million, up 5%; up 8% excluding currency impacts; total segment EBITDA margin expanded 150 basis points to 40.6%
- Q3 cash flow from operations of \$752 million; free cash flow of \$427 million
- Year to date, total borrowings reduced \$702 million and net debt reduced \$787 million

**NEW YORK, NOVEMBER 7, 2016** - First Data Corporation (NYSE: FDC), a global leader in commerce-enabling technology and solutions, today reported financial results for the third quarter ended September 30, 2016. Consolidated revenue for the third quarter was \$2.9 billion, up 1% versus the prior year period, or up 2% excluding currency impacts. Total segment revenue was \$1.8 billion for the quarter, up 1% versus the prior year period, or up 3% excluding currency impacts.

For the third quarter 2016, net income attributable to First Data was \$132 million (or \$0.14 per diluted share), which compares to a net loss of \$126 million in the prior year period. Adjusted net income, which modifies net income for items such as debt extinguishment charges, stock-based compensation, amortization of acquisition intangibles, restructuring costs and other items, was \$312 million (or \$0.34 per diluted share), up \$141 million versus the prior year period, driven by improved operating results and lower interest expense.

Total segment earnings before interest, taxes, depreciation, and amortization (total segment EBITDA) in the third quarter 2016 was \$739 million, up 5% versus the prior year period, or up

8% excluding currency impacts, driven by revenue growth and expense management. Total segment EBITDA margin improved 150 basis points to 40.6% in the quarter.

“We are pleased to report another quarter of solid cash generation and debt reduction, healthy margin expansion and good earnings growth,” said First Data Chairman and CEO Frank Bisignano. “During the quarter we saw tangible improvements in our North America merchant business, continued success with enterprise clients and strong growth in non-U.S. revenue,” Bisignano added.

## **Segment Results**

### ***Global Business Solutions (GBS)***

Third quarter 2016 GBS segment revenue was \$1.0 billion, up 1% versus the prior year period, or 3% on a constant currency basis. Within geographic regions, North America revenue of \$819 million was up 1% versus the prior year period as 7% transaction growth was offset by a decline in blended yield. EMEA revenue was \$137 million, up 2%, or up 8% on a constant currency basis, primarily driven by transaction growth, partly offset by lower blended yield. Latin America revenue was up 12%, or up 45% on a constant currency basis, driven by strong results in Brazil and Argentina. APAC revenue was down 2%, or down 6% on a constant currency basis, the decline attributable to the performance of the Australian ATM business.

Third quarter 2016 GBS segment expenses were \$590 million, down 2% versus the prior year period, or flat excluding currency impacts, benefiting from expense reduction actions.

Third quarter 2016 GBS segment EBITDA was \$455 million, up 6% versus the prior year period, or up 8% excluding currency impacts. Segment EBITDA margin improved 170 basis points to 43.5% in the quarter.

### ***Global Financial Solutions (GFS)***

Third quarter 2016 GFS segment revenue was \$397 million, up 2% versus the prior year period, or up 5% on a constant currency basis. Within geographic regions, North America revenue of \$236 million was up 2%, with growth in processing and print revenue partially offset by a decline in card personalization revenue. The second half of 2015 represented a particularly strong comparison for card personalization revenue, primarily due to the October 2015 EMV liability shift. North America GFS card accounts on file grew 4% year over year. EMEA revenue was \$113 million, down 1%, or up 8% on a constant currency basis, primarily driven by new business and internal growth. Latin America revenue was up 4%, or up 28% on

a constant currency basis, driven by growth in Argentina and Colombia. APAC revenue was up 11%, or up 9% on a constant currency basis.

Third quarter 2016 GFS segment expenses were \$239 million, down 3% versus the prior year period, or up 1% excluding currency impacts.

Third quarter 2016 GFS segment EBITDA was \$158 million, up 9% versus the prior year period, or up 13% excluding currency impacts. Segment EBITDA margin improved 270 basis points to 39.8% in the quarter.

### ***Network & Security Solutions (NSS)***

Third quarter 2016 NSS segment revenue was \$378 million, up 1% versus the prior year period. Revenue growth in the quarter was primarily driven by growth in security solutions and modest growth in EFT network, partially offset by a decline in stored value revenue.

Third quarter 2016 NSS segment expenses were \$212 million, flat versus the prior year period.

Third quarter 2016 NSS segment EBITDA was \$166 million, up 2% versus the prior year period. Segment EBITDA margin improved 60 basis points to 43.9% in the quarter.

### **Cash Flow**

In the third quarter 2016, cash flow from operations was \$752 million, versus \$234 million in the prior year period. The third quarter 2016 cash flow from operations includes a reclassification of \$123 million (see footnote (a) on Selected Consolidated Cash Flow Data table for additional detail). Free cash flow, which First Data defines as cash flow from operations, less capital expenditures and distributions to minority interests and other, was \$427 million in the current quarter, versus \$(8) million in the prior year period. The third quarter 2016 free cash flow excludes the impact of the aforementioned reclassification.

In the first nine months of 2016, cash flow from operations was \$1.7 billion, up \$973 million from \$687 million in the first nine months of 2015. The first nine months of 2016 cash flow from operations includes a reclassification of \$123 million (see footnote (a) on Selected Consolidated Cash Flow Data table for additional detail). In the first nine months of 2016, free cash flow was \$946 million, up \$948 million from \$(2) million in the first nine months of 2015. The increase in year-to-date free cash flow was primarily driven by a \$571 million reduction in cash interest payments and \$153 million growth in total segment EBITDA. The first nine months of 2016 free cash flow excludes the impact of the aforementioned reclassification.

## **Capital Structure**

Total borrowings at September 30, 2016 were reduced to \$18.9 billion, from \$19.1 billion at June 30, 2016 and \$19.6 billion at year end 2015. Net debt at September 30, 2016 was reduced to \$18.5 billion, from \$19.0 billion at June 30, 2016 and \$19.3 billion at year end 2015.

On October 14, 2016, First Data refinanced approximately \$4.5 billion of term loans due in 2021, which reduced the interest rate on these loans by 100 basis points from LIBOR plus 400 basis points to LIBOR plus 300 basis points, resulting in annualized cash interest savings of approximately \$45 million.

First Data estimates 2016 full year cash interest expense of approximately \$1.0 billion.

## **Divestiture**

On September 30, 2016, First Data sold its non-core Australian ATM business. The total sale price for the divested assets was AUD\$55 million (approximately \$42 million), and the net proceeds after closing adjustments were received in early October. The sale resulted in a book loss of \$31 million, reported in Other income (expense) in the quarter. First Data is committed to retaining its presence in the Australian market via its core offerings.

## **Non-GAAP Measures**

To supplement the company's consolidated financial statements presented in accordance with generally accepted accounting principles, or GAAP, the company uses non-GAAP measures of certain financial performance. These non-GAAP measures include total segment revenue, total segment expense, total segment EBITDA, total segment EBITDA margin, adjusted net income, adjusted net income per diluted share, free cash flow and net debt. The company has included non-GAAP measures because management believes that they help to facilitate comparisons of the company's operating results between periods. The company believes the non-GAAP measures provide useful information to both management and users of our financial statements by excluding certain expenses, gains and losses that may not be indicative of its core operating results and business outlook. In disclosing year-over-year comparisons, the company has chosen to present non-GAAP measures because it believes that these measures provide users of our financial statements a consistent basis for reviewing the company's performance across different periods.

These non-GAAP measures are not in accordance with, or an alternative to, measures prepared in accordance with GAAP and may be different from non-GAAP measures used by other companies. In addition, these non-GAAP measures are not based on any comprehensive set of accounting rules or principles. Non-GAAP measures have limitations in that they do not reflect all of the amounts associated with the company's results of operations as determined in accordance with GAAP. These measures should only be used to evaluate the company's results of operations in conjunction with the corresponding GAAP measures.

Reconciliation to the most directly comparable GAAP measure of all non-GAAP measures can be found in the tables included in this press release.

The company excludes certain items and other adjustments from total segment revenue, total segment expense, total segment EBITDA, total segment EBITDA margin, adjusted net income and adjusted net income per diluted share. See reconciliations for a complete list of items excluded from non-GAAP measures.

Adjusted net income is a non-GAAP financial measure used by management that provides an alternative view of performance. Adjusted net income excludes amortization of acquisition-related intangibles, stock-based compensation, restructuring costs and other items affecting comparability and, therefore, are not reflective of continuing operating performance. Management believes that the presentation of adjusted net income provides users of our financial statements greater transparency into ongoing results of operations allowing them to better compare our results from period to period.

The company uses free cash flow, a non-GAAP measure. Free cash flow is defined as cash flow used in/provided by operating activities less capital expenditures, distributions to minority interest, and other. The company considers free cash flow to be a liquidity measure that provides useful information to management and users of our financial statements about the amount of cash generated by the business which can then be used to, among other things, reduce debt outstanding.

The company also uses net debt, a non-GAAP measure. Net debt is defined as total long-term borrowings plus short-term and current portion of long-term borrowings, at par value, excluding lines of credit used for settlement purposes, less cash and cash equivalents. The company believes that net debt provides additional insight on its level and management of leverage.

Certain revenue measures in this release are presented excluding the estimated impact of foreign currency changes (constant currency). To present this information, monthly results in the current period for entities reporting in currencies other than United States dollars are

translated into United States dollars at the average exchange rates in effect during the corresponding month of the prior fiscal year, rather than the actual average exchange rates in effect during the current fiscal year. Once translated, each month in the period is added together to calculate the constant currency current period results. The company believes that revenue growth is a key indication of how First Data is progressing from period to period and the non-GAAP constant currency financial measure is useful to investors, lenders and other creditors because such information enables them to measure the impact of currency fluctuations on the company's revenue from period to period.

### **Investor Conference Call**

The company will host a conference call and webcast on Monday, November 7, 2016, at 8 a.m. ET to review the third quarter 2016 financial results.

To listen to the call, dial +1 (844) 826-3033 (U.S.) or +1 (412) 317-5172 (outside the U.S.) at least 10 minutes prior to the start of the call. The call will be webcast on the “Investor Relations” section of the First Data website at [investor.firstdata.com](http://investor.firstdata.com) where an accompanying slide presentation will also be available.

A replay of the call will be available through December 7, 2016, at +1 (877) 344-7529 (U.S.) or +1 (412) 317-0088 (outside the U.S.); passcode 10094184 and via webcast at [investor.firstdata.com](http://investor.firstdata.com).

Please note: Other than the replay, First Data has not authorized, and disclaims responsibility for any recording, replay or distribution of any transcription of this call.

### **About First Data**

First Data (NYSE: FDC) is a global leader in commerce-enabling technology and solutions, serving approximately six million business locations and 4,000 financial institutions in 118 countries around the world. The company's 24,000 owner-associates are dedicated to helping companies, from start-ups to the world's largest corporations, conduct commerce every day by securing and processing more than 2,500 transactions per second and \$1.9 trillion per year.

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**First Data Corporation**  
**Consolidated Statements of Operations**  
(Unaudited)  
(in millions, except shares and per share data)

	Three months ended September 30,				Nine months ended September 30,			
	2016	2015	% Change	Constant Currency % Change	2016	2015	% Change	Constant Currency % Change
Revenues:								
Transaction and processing service fees (a)	\$ 1,693	\$ 1,673	1 %	3 %	\$ 4,953	\$ 4,906	1 %	2 %
Product sales and other (a)	307	309	(1)%	3 %	893	844	6 %	10 %
Total revenues (excluding reimbursable items)	2,000	1,982	1 %	3 %	5,846	5,750	2 %	4 %
Reimbursable PIN debit fees, postage, and other	936	938	— %	— %	2,795	2,737	2 %	2 %
Total revenues	2,936	2,920	1 %	2 %	8,641	8,487	2 %	3 %
Expenses:								
Cost of services (exclusive of items shown below)	711	686	4 %	5 %	2,140	2,055	4 %	6 %
Cost of products sold	87	96	(9)%	(8)%	251	257	(2)%	— %
Selling, general, and administrative	499	521	(4)%	(3)%	1,563	1,567	— %	1 %
Depreciation and amortization	237	257	(8)%	(7)%	713	760	(6)%	(5)%
Other operating expenses	12	20	(40)%	(36)%	57	40	43 %	45 %
Total expenses (excluding reimbursable items)	1,546	1,580	(2)%	(1)%	4,724	4,679	1 %	3 %
Reimbursable PIN debit fees, postage, and other	936	938	— %	— %	2,795	2,737	2 %	2 %
Total expenses	2,482	2,518	(1)%	(1)%	7,519	7,416	1 %	2 %
Operating profit	454	402	13 %		1,122	1,071	5 %	
Interest expense, net	(263)	(388)	(32)%		(810)	(1,199)	(32)%	
Loss on debt extinguishment	(3)	(108)	(97)%		(58)	(108)	(46)%	
Other income (expense)	(30)	(10)	200 %		14	1	1,300 %	
Income (loss) before income taxes and equity earnings in affiliates	158	(104)	NM		268	(235)	NM	
Income tax expense	24	32	(25)%		57	45	27 %	
Equity earnings in affiliates	66	61	8 %		198	175	13 %	
Net income (loss)	200	(75)	NM		409	(105)	NM	
Less: Net income attributable to noncontrolling interests and redeemable noncontrolling interest	68	51	33 %		181	159	14 %	
Net income (loss) attributable to First Data Corporation	\$ 132	\$ (126)	NM		\$ 228	\$ (264)	NM	
Net income (loss) per share:								
Basic	\$ 0.15	\$ (126,000)			\$ 0.25	\$ (264,000)		
Diluted	\$ 0.14	\$ (126,000)			\$ 0.25	\$ (264,000)		
Weighted-average common shares outstanding:								
Basic	904,738,175	1,000			900,128,754	1,000		
Diluted	922,818,229	1,000			918,301,729	1,000		

NM represents not meaningful



**First Data Corporation**  
**Consolidated Statements of Operations**  
**(Unaudited)**  
**(in millions, except shares and per share data)**

- (a) Includes processing fees, administrative service fees, and other fees charged to merchant alliances accounted for under the equity method of \$52 million and \$150 million for the three and nine months ended September 30, 2016, respectively, and \$55 million and \$153 million for the comparable periods in 2015.

**First Data Corporation**  
**Selected Consolidated Balance Sheet and Cash Flow Data**  
(Unaudited)  
(in millions)

**SELECTED CONSOLIDATED BALANCE SHEET DATA**

	<b>As of</b>	<b>As of</b>
	<b>September 30, 2016</b>	<b>December 31, 2015</b>
Cash and cash equivalents (a)	\$ 475	\$ 429
Settlement assets	8,705	8,150
<b>Total assets</b>	<b>34,444</b>	<b>34,362</b>
Short-term and current portion of long-term borrowings	377	856
Settlement obligations	8,705	8,150
Long-term borrowings	18,514	18,737
<b>Total liabilities</b>	<b>30,398</b>	<b>30,625</b>
Redeemable noncontrolling interest	73	77
Total First Data Corporation stockholders' equity	1,038	668
Noncontrolling interests	2,935	2,992
<b>Total equity</b>	<b>3,973</b>	<b>3,660</b>

**SELECTED CONSOLIDATED CASH FLOW DATA**

	<b>Three months ended September 30,</b>		<b>Nine months ended September 30,</b>	
	<b>2016</b>	<b>2015</b>	<b>2016</b>	<b>2015</b>
<b>Source/(Use) of cash</b>				
Net cash provided by operating activities (a)	\$ 752	\$ 234	\$ 1,660	\$ 687
Net cash used in investing activities	(128)	(167)	(338)	(554)
Net cash used in financing activities	(435)	(39)	(1,258)	(109)
<b>Supplemental cash flow data</b>				
Cash interest payments on long-term debt (b)	\$ 279	\$ 584	\$ 759	\$ 1,330

(a) The three and nine months ended September 30, 2016 includes a \$123 million reclassification related to settlement activities to conform certain international joint ventures to our global policies, which increased "Cash and cash equivalents" and decreased "Accounts receivable" in our consolidated balance sheet.

(b) For purposes of this schedule, cash interest payments on long-term debt excludes interest on capital leases and interest on foreign lines of credit.

**First Data Corporation**  
**Summary Segment Data**  
(Unaudited)  
(in millions)

	Three months ended September 30,				Nine months ended September 30,			
	2016	2015	% Change	Constant Currency % Change	2016	2015	% Change	Constant Currency % Change
Consolidated Revenues	\$ 2,936	\$ 2,920	1 %	2 %	\$ 8,641	\$ 8,487	2 %	3 %
Adjustments:								
Non wholly owned entities (a)	(25)	(18)	39 %		(59)	(58)	2 %	
Independent Sales Organization (ISO) commission expense (b)	(155)	(167)	(7)%		(476)	(475)	— %	
Reimbursable PIN debit fees, postage, and other	(936)	(938)	— %		(2,795)	(2,737)	2 %	
<b>Total Segment Revenues</b>	<b>\$ 1,820</b>	<b>\$ 1,797</b>	<b>1 %</b>	<b>3 %</b>	<b>\$ 5,311</b>	<b>\$ 5,217</b>	<b>2 %</b>	<b>4 %</b>
Segment Revenues:								
Global Business Solutions	\$ 1,045	\$ 1,032	1 %	3 %	\$ 3,037	\$ 3,050	— %	2 %
Global Financial Solutions	397	391	2 %	5 %	1,178	1,101	7 %	10 %
Network & Security Solutions	378	374	1 %	1 %	1,096	1,066	3 %	3 %

	Three months ended September 30,				Nine months ended September 30,			
	2016	2015	% Change	Constant Currency % Change	2016	2015	% Change	Constant Currency % Change
Consolidated Expenses	\$ 2,482	\$ 2,518	(1)%	(1)%	\$ 7,519	\$ 7,416	1 %	2 %
Adjustments:								
Non wholly owned entities (a)	(16)	(22)	(27)%		(52)	(55)	(5)%	
Independent Sales Organization (ISO) commission expense (b)	(155)	(167)	(7)%		(476)	(475)	— %	
Reimbursable PIN debit fees, postage and other	(936)	(938)	— %		(2,795)	(2,737)	2 %	
Depreciation and amortization	(237)	(257)	(8)%		(713)	(760)	(6)%	
Stock-based compensation	(43)	(8)	438 %		(214)	(31)	590 %	
Other (c)	(14)	(32)	(56)%		(79)	(109)	(28)%	
<b>Total Segment Expenses</b>	<b>\$ 1,081</b>	<b>\$ 1,094</b>	<b>(1)%</b>	<b>— %</b>	<b>\$ 3,190</b>	<b>\$ 3,249</b>	<b>(2)%</b>	<b>— %</b>
Segment Expenses:								
Global Business Solutions	\$ 590	\$ 601	(2)%	— %	\$ 1,758	\$ 1,805	(3)%	(1)%
Global Financial Solutions	239	246	(3)%	1 %	705	713	(1)%	2 %
Network & Security Solutions	212	212	— %	— %	613	618	(1)%	(1)%
Corporate	40	35	14 %	14 %	114	113	1 %	1 %

**First Data Corporation**  
**Summary Segment Data**  
(Unaudited)  
(in millions)

	Three months ended September 30,				Nine months ended September 30,			
	2016	2015	% Change	Constant Currency % Change	2016	2015	% Change	Constant Currency % Change
Net income (loss) attributable to First Data Corporation	\$ 132	\$ (126)	NM		\$ 228	\$ (264)	NM	
Adjustments:								
Non wholly owned entities (a)	(7)	(6)	17 %		(24)	(19)	26 %	
Depreciation and amortization	237	257	(8)%		713	760	(6)%	
Interest expense, net	263	388	(32)%		810	1,199	(32)%	
Loss on debt extinguishment	3	108	(97)%		58	108	(46)%	
Other items (d)	44	42	5 %		65	108	(40)%	
Income tax expense	24	32	(25)%		57	45	27 %	
Stock-based compensation	43	8	438 %		214	31	590 %	
Total Segment EBITDA	<u>\$ 739</u>	<u>\$ 703</u>	5 %	8 %	<u>\$ 2,121</u>	<u>\$ 1,968</u>	8 %	10 %
Segment EBITDA:								
Global Business Solutions	\$ 455	\$ 431	6 %	8 %	\$ 1,279	\$ 1,245	3 %	5 %
Global Financial Solutions	158	145	9 %	13 %	473	388	22 %	26 %
Network & Security Solutions	166	162	2 %	2 %	483	448	8 %	8 %
Corporate	(40)	(35)	14 %	14 %	(114)	(113)	1 %	1 %

NM represents not meaningful

- (a) Net adjustment to reflect our proportionate share of the results of our investments in businesses accounted for under the equity method and consolidated subsidiaries with noncontrolling ownership interests. Segment revenue for our significant affiliates is reflected based on our proportionate share of the results of our investments in businesses accounted for under the equity method and consolidated subsidiaries with noncontrolling ownership interests. For other affiliates, we include equity earnings in affiliates, excluding amortization expense, in segment revenue. In addition, our segment measures reflect revenue-based commission payments to Independent Sales Organizations (ISOs).
- (b) Retail Independent Sales Organization commissions are presented within Selling, general, and administrative expense in the unaudited consolidated statements of operations but are netted in segment revenues for segment reporting.
- (c) Includes restructuring, certain retention bonuses, non-normal course litigation and regulatory settlements, asset impairments, and debt issuance costs.
- (d) Items noted within (c) above and "Other income (expense)" as presented in the unaudited consolidated statements of operations, which includes divestitures, derivative gains (losses), non-operating foreign currency gains (losses), the gain on Visa Europe share sale, and Kohlberg Kravis Roberts & Co. (KKR) related items. KKR related items represent KKR annual sponsorship fees for management, consulting, financial and other advisory services. Upon completing the IPO in October 2015, the company is no longer obligated to pay KKR annual sponsorship fees.

**First Data Corporation**  
**Reconciliation of Non-GAAP Financial Measures**  
**(Unaudited)**  
**(in millions, except shares and per share data)**

**ADJUSTED NET INCOME RECONCILIATION**

	Three months ended September 30,			Nine months ended September 30,		
	2016	2015	% Change	2016	2015	% Change
Net income (loss) attributable to First Data Corporation	\$ 132	\$ (126)	NM	\$ 228	\$ (264)	NM
Adjustments:						
Stock-based compensation	43	8	438 %	214	31	590 %
Loss on debt extinguishment (a)	3	108	(97)%	58	108	(46)%
Mark-to-market adjustment for derivatives and euro-denominated debt (b)	—	13	(100)%	5	(20)	NM
Amortization of acquisition intangibles and deferred financing costs (c)	104	140	(26)%	318	434	(27)%
Loss on Australian ATM divestiture	31	—	NM	31	—	NM
Gain on Visa Europe share sale	—	—	NM	(29)	—	NM
Restructuring, impairment, litigation, and other (d)	10	24	(58)%	61	91	(33)%
Income tax on above items (e)	(11)	4	NM	(31)	(30)	3 %
Adjusted net income	<u>\$ 312</u>	<u>\$ 171</u>	<u>82 %</u>	<u>\$ 855</u>	<u>\$ 350</u>	<u>144 %</u>
Adjusted net income per share:						
Basic	\$ 0.34	\$ 171,000		\$ 0.95	\$ 350,000	
Diluted	\$ 0.34	\$ 171,000		\$ 0.93	\$ 350,000	
Weighted-average common shares used to compute adjusted net income per share:						
Basic	904,738,175	1,000		900,128,754	1,000	
Diluted	922,818,229	1,000		918,301,729	1,000	

NM represents not meaningful

- (a) Represents costs associated with debt refinancing on extinguished debt.
- (b) Represents mark-to-market activity related to our undesignated hedges, ineffectiveness of our designated hedges, and mark-to-market activity on our euro-denominated debt held in the United States. The euro-denominated debt was designated as a non-derivative hedge of net investment in foreign operations during the first quarter of 2016 with the gain (loss) reflected within accumulated other comprehensive income during 2016.
- (c) Represents amortization of intangibles established in connection with the 2007 Merger and acquisitions we have made since 2007, excluding the percentage of our consolidated amortization of acquisition intangibles related to non wholly owned consolidated alliances equal to the portion of such alliances owned by our alliance partners. This line also includes amortization related to deferred financing costs.
- (d) Represents restructuring, impairments, non-normal course litigation and regulatory settlements, investments gains (losses), fees paid on debt modifications, and divestitures, as applicable to the periods presented. Excludes the divestiture in our Australian ATM business, which is broken out separately within "Loss on Australian ATM divestiture" above.
- (e) The tax effect of the adjustments between our GAAP and adjusted results takes into account the tax treatment and related tax rate(s) that apply to each adjustment in the applicable tax jurisdiction(s). Generally, this results in a tax impact at the U.S. effective tax rate for certain adjustments, including the majority of amortization of intangible assets, deferred financing costs, stock compensation, and loss on debt extinguishment; whereas the tax impact of other adjustments, including restructuring expense, depends on whether the amounts are deductible in the respective tax jurisdictions and the applicable effective tax rate(s) in those jurisdictions. Income tax (expense) benefit also includes the impact of significant discrete tax items impacting Net income (loss) attributable to First Data Corporation.

**First Data Corporation**  
**Reconciliation of Non-GAAP Financial Measures**  
(Unaudited)  
(in millions, except shares and per share data)

**FREE CASH FLOW RECONCILIATION**

	Three months ended September 30,			Nine months ended September 30,		
	2016	2015	Change	2016	2015	Change
Net cash provided by operating activities (a)	\$ 752	\$ 234	\$ 518	\$ 1,660	\$ 687	\$ 973
Capital expenditures	(119)	(173)	54	(351)	(457)	106
Distribution to minority interest and other (a)	(206)	(69)	(137)	(363)	(232)	(131)
Free cash flow	\$ 427	\$ (8)	435	\$ 946	\$ (2)	948

(a) The three and nine months ended September 30, 2016 includes a \$123 million reclassification related to settlement activities to conform certain international joint ventures to our global policies, which increased "Cash and cash equivalents" and decreased "Accounts receivable" in our consolidated balance sheet. Free cash flow excludes the impact of reclassification.

**NET DEBT RECONCILIATION**

	As of September 30, 2016	As of December 31, 2015
	Total long-term borrowings	\$ 18,514
Total short-term and current portion of long-term borrowings	377	856
Total borrowings	18,891	19,593
Unamortized discount and unamortized deferred financing costs	173	184
Total borrowings at par	19,064	19,777
Less: Settlement lines of credit and other arrangements	(71)	(43)
Gross debt	18,993	19,734
Less: Cash and cash equivalents (a)	(475)	(429)
Net debt	\$ 18,518	\$ 19,305

(a) As of September 30, 2016, "Cash and cash equivalents" reflects a reclassification of \$123 million related to settlement activities to conform certain international joint ventures to our global policies, which increased "Cash and cash equivalents" and decreased "Accounts receivable" in our consolidated balance sheet.

**First Data Corporation**  
**Operating Data**  
(Unaudited)  
(in millions)

	Three months ended September 30,			Nine months ended September 30,		
	2016	2015	% Change	2016	2015	% Change
<b>GBS:</b>						
North America merchant transactions (a)	11,881	11,125	7%	34,368	32,130	7%
International merchant transactions (b)	2,087	1,741	20%	5,801	4,985	16%
<b>GFS:</b>						
North America card accounts on file (c)				844	809	4%
International card accounts on file (d)				147	139	6%
<b>NSS:</b>						
Network transactions (EFT and Stored Value) (e)	5,040	4,684	8%	14,715	13,851	6%

- (a) North American merchant transactions include acquired Visa and MasterCard credit and signature debit, American Express and Discover, PIN-debit, electronic benefits transactions, processed-only and gateway customer transactions at the POS. North American merchant transactions reflect 100% of alliance transactions.
- (b) International transactions include Visa, MasterCard, and other payment network merchant acquiring transactions for clients outside the U.S. and Canada. Transactions include credit, signature debit, PIN-debit POS, POS gateway, and ATM transactions.
- (c) North America card accounts on file reflect the total number of bankcard credit and retail credit accounts as of the end of the periods presented.
- (d) International card accounts on file reflect the total number of bankcard and retail accounts outside the United States and Canada as of the end of the periods presented.
- (e) Network transactions include the debit issuer processing transactions, *STAR Network* issuer transactions, and closed loop and open loop POS transactions.

**Notice to Investors, Prospective Investors and the Investment Community; Cautionary Information Regarding Forward-Looking Statements**

Certain matters we discuss in our public statements may constitute forward-looking statements. You can identify forward-looking statements because they contain words such as “believes,” “expects,” “may,” “will,” “should,” “seeks,” “intends,” “plans,” “estimates,” or “anticipates” or similar expressions which concern our strategy, plans, projections or intentions. Examples of forward-looking statements include, but are not limited to, all statements we make relating to revenue, earnings before net interest expense, income taxes, depreciation, and amortization (EBITDA), earnings, margins, growth rates, and other financial results for future periods. By their nature, forward-looking statements speak only as of the date they are made; are not statements of historical fact or guarantees of future performance; and are subject to risks, uncertainties, assumptions or changes in circumstances that are difficult to predict or quantify. Actual results could differ materially and adversely from our forward-looking statements due to a variety of factors, including the following: (1) adverse impacts from global economic, political, and other conditions affecting trends in consumer, business, and government spending; (2) our ability to anticipate and respond to changing industry trends, including technological changes and increasing competition; (3) our ability to successfully renew existing client contracts on favorable terms and obtain new clients; (4) our ability to prevent a material breach of security of any of our systems; (5) our ability to implement and improve processing systems to provide new products, improve functionality, and increase efficiencies; (6) our merchant alliance program which involves several alliances not under our sole control and each of which acts independently of the others; (7) credit and fraud risks in our business units and merchant alliances, particularly in the context of eCommerce and mobile markets; (8) consolidation among financial institution clients or other client groups that impacts our client relationships; (9) our ability to improve our profitability and maintain flexibility in our capital resources through the implementation of cost savings initiatives; (10) our ability to successfully value and integrate acquired businesses, including those outside of the United States; (11) our high degree of leverage; (12) adverse impacts from currency exchange rates or currency controls imposed by any government or otherwise; (13) changes in the interest rate environment that increase interest on our borrowings or the interest rate at which we can refinance our borrowings; (14) the impact of new laws, regulations, credit card association rules, or other industry standards; and (15) new lawsuits, investigations, or proceedings, or changes to our potential exposure in connection with pending lawsuits, investigations or proceedings, and various other factors set forth in our Annual Report on Form 10-K for the period ended December 31, 2015, including but not limited to, Item 1 - Business, Item 1A - Risk Factors, and Item 7 - Management’s Discussion and Analysis of Financial Condition and Results of Operations and Item 1A- Risk Factors in the quarterly report on Form 10-Q for the period ended June 30, 2016. Except as required by law, we do not intend to revise or update any forward-looking statement as a result of new information, future developments or otherwise.