

Western Union CO
Form 10-Q
November 06, 2012
Table of Contents

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

Form 10-Q

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

For the quarterly period ended September 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: 001-32903

THE WESTERN UNION COMPANY

(Exact name of registrant as specified in its charter)

DELAWARE

(State or Other Jurisdiction of
Incorporation or Organization)

20-4531180

(I.R.S. Employer
Identification No.)

12500 EAST BELFORD AVENUE

ENGLEWOOD, CO

(Address of Principal Executive Offices)

80112

(Zip Code)

Registrant's telephone number, including area code (866) 405-5012

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 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 (§ 232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes 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 the definitions of "large accelerated filer," "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer Accelerated filer Non-accelerated filer 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

As of October 31, 2012, 596,579,004 shares of our common stock were outstanding.

Table of ContentsTHE WESTERN UNION COMPANY
INDEX

	PAGE NUMBER
<u>PART I FINANCIAL INFORMATION</u>	
Item 1. <u>Financial Statements (Unaudited):</u>	<u>3</u>
<u>Condensed Consolidated Statements of Income for the three and nine months ended September 30, 2012 and 2011</u>	<u>3</u>
<u>Condensed Consolidated Statements of Comprehensive Income for the three and nine months ended September 30, 2012 and 2011</u>	<u>4</u>
<u>Condensed Consolidated Balance Sheets as of September 30, 2012 and December 31, 2011</u>	<u>5</u>
<u>Condensed Consolidated Statements of Cash Flows for the nine months ended September 30, 2012 and 2011</u>	<u>6</u>
<u>Notes to Condensed Consolidated Financial Statements</u>	<u>7</u>
Item 2. <u>Management's Discussion and Analysis of Financial Condition and Results of Operations</u>	<u>29</u>
Item 3. <u>Quantitative and Qualitative Disclosures About Market Risk</u>	<u>49</u>
Item 4. <u>Controls and Procedures</u>	<u>49</u>
<u>Report of Independent Registered Public Accounting Firm</u>	<u>50</u>
<u>PART II OTHER INFORMATION</u>	
Item 1. <u>Legal Proceedings</u>	<u>51</u>
Item 1A. <u>Risk Factors</u>	<u>51</u>
Item 2. <u>Unregistered Sales of Equity Securities and Use of Proceeds</u>	<u>54</u>
Item 3. <u>Defaults Upon Senior Securities</u>	<u>54</u>
Item 4. <u>Mine Safety Disclosures</u>	<u>54</u>
Item 5. <u>Other Information</u>	<u>54</u>
Item 6. <u>Exhibits</u>	<u>54</u>

Table of ContentsPART I
FINANCIAL INFORMATION

Item 1. Financial Statements

THE WESTERN UNION COMPANY
CONDENSED CONSOLIDATED STATEMENTS OF INCOME

(Unaudited)

(in millions, except per share amounts)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2012	2011	2012	2011
Revenues:				
Transaction fees	\$1,052.5	\$1,083.2	\$3,152.8	\$3,138.2
Foreign exchange revenues	338.5	294.2	995.7	829.5
Other revenues	30.6	33.4	91.6	92.4
Total revenues	1,421.6	1,410.8	4,240.1	4,060.1
Expenses:				
Cost of services	796.3	800.0	2,376.8	2,309.6
Selling, general and administrative	259.7	247.8	819.3	723.9
Total expenses	1,056.0	1,047.8	3,196.1	3,033.5
Operating income	365.6	363.0	1,044.0	1,026.6
Other income/(expense):				
Interest income	1.4	1.1	4.1	3.6
Interest expense	(44.6)	) (46.7)	) (134.1)	) (134.3)
Derivative gains/(losses), net	0.1	) (5.3)	) 1.0	) (4.7)
Other income, net	1.3	1.8	9.0	30.8
Total other expense, net	(41.8)	) (49.1)	) (120.0)	) (104.6)
Income before income taxes	323.8	313.9	924.0	922.0
Provision for income taxes	54.3	74.2	136.0	208.9
Net income	\$269.5	\$239.7	\$788.0	\$713.1
Earnings per share:				
Basic	\$0.45	\$0.38	\$1.29	\$1.12
Diluted	\$0.45	\$0.38	\$1.29	\$1.12
Weighted-average shares outstanding:				
Basic	601.5	624.9	610.5	634.3
Diluted	604.2	627.1	613.1	638.3
Cash dividends declared per common share	\$0.10	\$0.08	\$0.30	\$0.23

See Notes to Condensed Consolidated Financial Statements.

Table of Contents

THE WESTERN UNION COMPANY

CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

(Unaudited)

(in millions)

	Three Months Ended September 30,		Nine Months Ended September 30,		
	2012	2011	2012	2011	
Net income	\$269.5	\$239.7	\$788.0	\$713.1	
Other comprehensive income/(loss):					
Unrealized gains on investment securities:					
Unrealized gains	2.2	5.2	10.7	12.2	
Tax expense	(0.7	) (2.0	) (4.0	) (4.6)
Reclassification of gains into earnings	(1.4	) (4.1	) (5.1	) (5.2)
Tax expense	0.5	1.6	1.9	2.0	
Net unrealized gains on investment securities	0.6	0.7	3.5	4.4	
Unrealized gains/(losses) on hedging activities:					
Unrealized gains/(losses)	(16.7	) 41.4	(7.2	) (16.2)
Tax (expense)/benefit	3.1	(2.8	) 1.9	6.0)
Reclassification of (gains)/losses into earnings	(4.9	) 12.7	(8.9	) 33.9)
Tax expense/(benefit)	0.3	(2.2	) 0.3	(6.2)
Net unrealized gains/(losses) on hedging activities	(18.2	) 49.1	(13.9	) 17.5)
Foreign currency translation adjustments:					
Foreign currency translation adjustments	(2.2	) 12.8	(1.8	) 15.2)
Tax (expense)/benefit	0.7	(2.0	) 1.3	(2.6)
Net foreign currency translation adjustments	(1.5	) 10.8	(0.5	) 12.6)
Defined benefit pension plan:					
Reclassification of losses into earnings	2.6	2.0	7.9	6.1	
Tax benefit	(1.0	) (0.8	) (3.0	) (2.5)
Net defined benefit pension plan adjustments	1.6	1.2	4.9	3.6	
Total other comprehensive income/(loss)	(17.5	) 61.8	(6.0	) 38.1)
Comprehensive income	\$252.0	\$301.5	\$782.0	\$751.2	

See Notes to Condensed Consolidated Financial Statements.

4

Table of ContentsTHE WESTERN UNION COMPANY
CONDENSED CONSOLIDATED BALANCE SHEETS

(Unaudited)

(in millions, except per share amounts)

	September 30, 2012	December 31, 2011
Assets		
Cash and cash equivalents	\$1,433.0	\$1,370.9
Settlement assets	3,326.6	3,091.2
Property and equipment, net of accumulated depreciation of \$372.8 and \$429.7, respectively	196.7	198.1
Goodwill	3,185.7	3,198.9
Other intangible assets, net of accumulated amortization of \$495.9 and \$462.5, respectively	848.5	847.4
Other assets	364.6	363.4
Total assets	\$9,355.1	\$9,069.9
Liabilities and Stockholders' Equity		
Liabilities:		
Accounts payable and accrued liabilities	\$579.1	\$535.0
Settlement obligations	3,326.6	3,091.2
Income taxes payable	233.3	302.4
Deferred tax liability, net	377.8	389.7
Borrowings	3,433.0	3,583.2
Other liabilities	258.6	273.6
Total liabilities	8,208.4	8,175.1
Commitments and contingencies (Note 6)		
Stockholders' equity:		
Preferred stock, \$1.00 par value; 10 shares authorized; no shares issued	—	—
Common stock, \$0.01 par value; 2,000 shares authorized; 598.6 shares and 619.4 shares issued and outstanding as of September 30, 2012 and December 31, 2011, respectively	6.0	6.2
Capital surplus	324.9	247.1
Retained earnings	940.3	760.0
Accumulated other comprehensive loss	(124.5	) (118.5
Total stockholders' equity	1,146.7	894.8
Total liabilities and stockholders' equity	\$9,355.1	\$9,069.9

See Notes to Condensed Consolidated Financial Statements.

5

Table of Contents

THE WESTERN UNION COMPANY
 CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
 (Unaudited)
 (in millions)

	Nine Months Ended September 30,	
	2012	2011
Cash flows from operating activities		
Net income	\$788.0	\$713.1
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation	46.0	45.1
Amortization	138.1	92.1
Gain on revaluation of equity interest (Note 3)	—	(29.4)
Other non-cash items, net	37.8	22.0
Increase/(decrease) in cash, excluding the effects of acquisitions, resulting from changes in:		
Other assets	(30.4)	) 1.2
Accounts payable and accrued liabilities	(23.9)	) (9.8)
Income taxes payable (Note 12)	(69.1)	) 99.7
Other liabilities	(26.9)	) (51.2)
Net cash provided by operating activities	859.6	882.8
Cash flows from investing activities		
Capitalization of contract costs	(117.1)	) (76.3)
Capitalization of purchased and developed software	(21.7)	) (8.6)
Purchases of property and equipment	(44.3)	) (39.4)
Acquisition of businesses, net (Note 3)	19.3	) (136.9)
Net cash used in investing activities	(163.8)	) (261.2)
Cash flows from financing activities		
Proceeds from exercise of options	52.3	94.2
Cash dividends paid	(122.3)	) (95.0)
Common stock repurchased	(416.7)	) (803.9)
Net repayments of commercial paper	(147.0)) —
Net proceeds from issuance of borrowings	—	696.8
Net cash used in financing activities	(633.7)	) (107.9)
Net change in cash and cash equivalents	62.1	513.7
Cash and cash equivalents at beginning of period	1,370.9	2,157.4
Cash and cash equivalents at end of period	\$1,433.0	\$2,671.1
Supplemental cash flow information:		
Interest paid	\$110.8	\$115.0
Income taxes paid (Note 12)	\$225.1	\$112.4
Dividends declared but not paid	\$59.9	\$49.6

See Notes to Condensed Consolidated Financial Statements.

Table of Contents

THE WESTERN UNION COMPANY
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited)

1. Business and Basis of Presentation

Business

The Western Union Company (“Western Union” or the “Company”) is a leader in global money movement and payment services, providing people and businesses with fast, reliable and convenient ways to send money and make payments around the world. The Western Union® brand is globally recognized. The Company’s services are available through a network of agent locations in more than 200 countries and territories. Each location in the Company’s agent network is capable of providing one or more of the Company’s services.

The Western Union business consists of the following segments:

Consumer-to-Consumer - The Consumer-to-Consumer operating segment facilitates money transfers between two consumers, primarily through a network of third-party agents. The Company's multi-currency, real-time money transfer service is viewed by the Company as one interconnected global network where a money transfer can be sent from one location to another, around the world. This service is available for international cross-border transfers - that is, the transfer of funds from one country to another - and, in certain countries, intra-country transfers - that is, money transfers from one location to another in the same country. This segment also includes money transfer transactions that can be initiated through the Company's websites and account based money transfers.

Consumer-to-Business - The Consumer-to-Business operating segment facilitates bill payments from consumers to businesses and other organizations, including utilities, auto finance companies, mortgage servicers, financial service providers, government agencies and other businesses. This segment primarily consists of United States bill payments, Pago Fácil (bill payments in Argentina), and international bill payments. The significant majority of the segment's revenue was generated in the United States during all periods presented.

Business Solutions - The Business Solutions operating segment facilitates business-to-business payment solutions, primarily cross-border, cross-currency transactions, mainly for small and medium size enterprises and other organizations. The majority of the segment's business relates to exchanges of currency at the spot rate which enables customers to make cross-currency payments. In addition, in certain countries, the Company writes foreign currency forward and option contracts for customers to facilitate future payments. Travelex Global Business Payments (“TGBP”), which was acquired in November 2011 (see Note 3), is also included in this segment.

All businesses that have not been classified in the above segments are reported as “Other” and include the Company's money order, prepaid services, mobile money transfer, and other businesses and services, in addition to costs for the investigation and closing of acquisitions.

The Company's previously reported segments were Consumer-to-Consumer, Global Business Payments, and Other. The changes in the Company's segment structure primarily relate to the separation of the Global Business Payments segment into two new reportable segments, Consumer-to-Business and Business Solutions. All prior segment information has been reclassified to reflect these new segments.

There are legal or regulatory limitations on transferring certain assets of the Company outside of the countries where these assets are located, or which constitute undistributed earnings of affiliates of the Company accounted for under the equity method of accounting. However, there are generally no limitations on the use of these assets within those countries. Additionally, the Company must meet minimum capital requirements in some countries in order to maintain operating licenses. As of September 30, 2012, the amount of net assets subject to these limitations totaled approximately \$295 million.

Various aspects of the Company's services and businesses are subject to United States federal, state and local regulation, as well as regulation by foreign jurisdictions, including certain banking and other financial services regulations.

7

Table of Contents

THE WESTERN UNION COMPANY

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(Unaudited)

Basis of Presentation

The accompanying condensed consolidated financial statements are unaudited and were prepared in accordance with the instructions for Form 10-Q and Article 10 of Regulation S-X. In compliance with those instructions, certain information and footnote disclosures normally included in annual consolidated financial statements prepared in accordance with generally accepted accounting principles in the United States of America ("GAAP") have been condensed or omitted.

The unaudited condensed consolidated financial statements in this quarterly report are presented on a consolidated basis and include the accounts of the Company and its majority-owned subsidiaries. Results of operations and cash flows for the interim periods are not necessarily indicative of the results that may be expected for the entire year. All significant intercompany transactions and accounts have been eliminated.

In the opinion of management, these condensed consolidated financial statements include all the normal recurring adjustments necessary to fairly present the Company's condensed consolidated results of operations, financial position and cash flows as of September 30, 2012 and for all periods presented. These condensed consolidated financial statements should be read in conjunction with the Company's consolidated financial statements within the Company's Annual Report on Form 10-K for the year ended December 31, 2011.

Consistent with industry practice, the accompanying Condensed Consolidated Balance Sheets are unclassified due to the short-term nature of the Company's settlement obligations contrasted with the Company's ability to invest cash awaiting settlement in long-term investment securities.

Use of Estimates

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results could differ from these estimates.

2. Earnings Per Share and Dividends**Earnings Per Share**

The calculation of basic earnings per share is computed by dividing net income available to common stockholders by the weighted-average number of shares of common stock outstanding for the period. Unvested shares of restricted stock are excluded from basic shares outstanding. Diluted earnings per share reflects the potential dilution that could occur if outstanding stock options at the presented dates are exercised and shares of restricted stock have vested, using the treasury stock method. The treasury stock method assumes proceeds from the exercise price of stock options, the unamortized compensation expense and assumed tax benefits of options and restricted stock are available to acquire shares at an average market price throughout the period, and therefore, reduce the dilutive effect.

For the three months ended September 30, 2012 and 2011, there were 22.9 million and 26.4 million, respectively, of outstanding options to purchase shares of Western Union stock excluded from the diluted earnings per share calculation, as their effect was anti-dilutive. For the nine months ended September 30, 2012 and 2011, there were 22.5 million and 14.1 million, respectively, of outstanding options to purchase shares of Western Union stock excluded from the diluted earnings per share calculation as their effect was anti-dilutive.

The following table provides the calculation of diluted weighted-average shares outstanding (in millions):

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2012	2011	2012	2011
Basic weighted-average shares outstanding	601.5	624.9	610.5	634.3
Common stock equivalents	2.7	2.2	2.6	4.0
Diluted weighted-average shares outstanding	604.2	627.1	613.1	638.3

Table of Contents

THE WESTERN UNION COMPANY

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(Unaudited)

Cash Dividends Paid

The Company's Board of Directors declared quarterly cash dividends of \$0.10 per common share in each of the first three quarters of 2012, representing \$182.2 million in total dividends. Of this amount, \$59.9 million was paid on October 8, 2012, \$60.7 million was paid on June 29, 2012 and \$61.6 million was paid on March 30, 2012. The Company's Board of Directors declared quarterly cash dividends of \$0.08 per common share in the second and third quarters of 2011 and \$0.07 per common share in the first quarter of 2011, representing \$144.6 million in total dividends. Of this amount, \$49.6 million was paid on October 7, 2011, \$50.3 million was paid on June 30, 2011 and \$44.7 million was paid on March 31, 2011.

On October 30, 2012, the Company's Board of Directors declared a quarterly cash dividend of \$0.125 per common share payable on December 31, 2012.

3. Acquisitions

On November 7, 2011, the Company acquired the business-to-business payment business known as Travelex Global Business Payments from Travelex Holdings Limited for cash consideration of £596 million (\$956.5 million), net of a final working capital adjustment which resulted in a return of £15 million (\$24.1 million) of purchase consideration in the third quarter of 2012. In connection with the July 5, 2011 purchase agreement, on May 4, 2012, the Company also acquired the French assets of TGBP for cash consideration of £3 million (\$4.8 million) after receiving regulatory approval. The final purchase price allocation for TGBP is subject to further analysis of tax balances and other items. With the acquisition of TGBP and the Company's existing Business Solutions business, the Company has the ability to leverage TGBP's business-to-business payments market expertise, distribution, products and capabilities with Western Union's brand, existing Business Solutions operations, global infrastructure and relationships, and financial strength. The results of operations for TGBP have been included in the Company's consolidated financial statements from the date of acquisition.

On October 31, 2011 and April 20, 2011, the Company acquired the remaining 70% interests in European-based Finint S.r.l. ("Finint") and Angelo Costa S.r.l. ("Costa"), respectively, two of the Company's largest agents providing services in a number of European countries. The Company previously held a 30% equity interest in each of these agents. The Company expects these acquisitions will help accelerate the introduction of additional Western Union products and services and will leverage its existing European infrastructure to build new opportunities across the European Union. The acquisitions do not impact the Company's money transfer revenue, because the Company was already recording all of the revenue arising from money transfers originating at Finint's and Costa's subagents. As of the acquisition dates, the Company no longer incurs commission costs for transactions related to Finint and Costa; rather the Company now pays commissions to Finint and Costa subagents, resulting in lower overall commission expense. The Company's operating expenses include costs attributable to Finint's and Costa's operations subsequent to the acquisition dates.

The Company acquired the remaining 70% interest in Finint for cash consideration of €99.6 million (\$139.4 million). The Company revalued its previous 30% equity interest to fair value of approximately \$47.7 million on the acquisition date, resulting in total value of \$187.1 million.

The Company acquired the remaining 70% interest in Costa for cash consideration of €95 million (\$135.7 million). The final consideration is subject to the resolution of a working capital adjustment. The Company revalued its previous

30% equity interest to fair value of approximately \$46.2 million on the acquisition date, resulting in total value of \$181.9 million. In conjunction with the revaluation, the Company recognized a gain of \$29.4 million, recorded in “Other income, net” in the Condensed Consolidated Statements of Income, for the amount by which the fair value of the 30% equity interest exceeded its previous carrying value.

Table of Contents

THE WESTERN UNION COMPANY

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(Unaudited)

All assets and liabilities have been recorded at fair value, excluding deferred tax liabilities. The following table summarizes the final allocations of consideration for Finint and Costa and the preliminary allocation of consideration for TGBP (in millions):

	Travelex Global Business Payments (b)	Finint S.r.l.	Angelo Costa S.r.l.
Assets:			
Cash and cash equivalents	\$25.3	\$—	\$—
Settlement assets	171.6	52.2	46.3
Property and equipment	5.1	0.5	3.0
Goodwill	715.0	153.6	174.2
Other intangible assets	314.2	64.8	51.4
Other assets	44.9	2.0	1.5
Total assets	\$1,276.1	\$273.1	\$276.4
Liabilities:			
Accounts payable and accrued liabilities	\$45.2	\$6.1	\$10.8
Settlement obligations	171.6	57.5	55.7
Income taxes payable	1.1	3.1	10.3
Deferred tax liability, net	75.1	15.8	15.5
Other liabilities	21.8	3.5	2.2
Total liabilities	314.8	86.0	94.5
Total consideration (a)	\$961.3	\$187.1	\$181.9

(a) Total consideration includes cash consideration transferred and the revaluation of the Company's previous equity interest, if any, to fair value on the acquisition date.

(b) Amounts include the impact of the acquisition of the French assets of TGBP on May 4, 2012.

The valuation of assets acquired was derived using primarily unobservable Level 3 inputs, which require significant management judgment and estimation, and resulted in identifiable intangible assets as follows (in millions):

	Travelex Global Business Payments (a)	Finint S.r.l.	Angelo Costa S.r.l.
Customer and other contractual relationships	\$264.5	\$—	\$—
Network of subagents	—	53.9	44.6
Other	49.7	10.9	6.8
Total identifiable intangible assets	\$314.2	\$64.8	\$51.4

(a) Amounts include the impact of the acquisition of the French assets of TGBP on May 4, 2012.

Customer and other contractual relationships and network of subagents identifiable intangible assets were valued using an income approach and are being amortized over 9 to 15 years. Other intangibles were valued using both income and cost approaches and are being amortized over one to five years. For the remaining assets and liabilities

excluding goodwill and deferred tax liabilities, fair value approximated carrying value.

Table of Contents

THE WESTERN UNION COMPANY

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(Unaudited)

The goodwill recognized for TGBP of \$715.0 million is attributable to expected synergies, the projected long-term business growth in current and new markets and an assembled workforce and relates entirely to the Business Solutions segment. The goodwill recognized for Finint and Costa of \$153.6 million and \$174.2 million, respectively, is attributable to growth opportunities that will arise from the Company directly managing its agent relationships, expected synergies, projected long-term business growth and an assembled workforce and relates entirely to the Consumer-to-Consumer segment. Based on the preliminary allocation of purchase price, goodwill expected to be deductible for income tax purposes for TGBP is approximately \$403.2 million. Goodwill expected to be deductible for income tax purposes for Finint and Costa is approximately \$97.0 million and \$104.9 million, respectively.

4. Restructuring and Related Expenses

On May 25, 2010 and as subsequently revised, the Company's Board of Directors approved a restructuring plan (the "Restructuring Plan") designed to reduce the Company's overall headcount and migrate positions from various facilities, primarily within North America and Europe, to regional operating centers. As of September 30, 2011, the Company had incurred all of the expenses related to the Restructuring Plan.

The following table summarizes the activity for the restructuring accruals as of September 30, 2012 (in millions):

	Severance, Outplacement and Related Benefits	Other (a)	Total
Balance, December 31, 2011	\$13.7	\$0.2	\$13.9
Cash payments	(10.3	) (0.2	) (10.5
Balance, September 30, 2012	\$3.4	\$—	\$3.4

Other expenses related to the relocation of various operations to new and existing Company facilities including (a) expenses for hiring, training, relocation, travel and professional fees. All such expenses were recorded when incurred.

Restructuring and related expenses are reflected in the Condensed Consolidated Statements of Income as follows (in millions):

	Three Months Ended September 30, 2011	Nine Months Ended September 30, 2011
Cost of services	\$3.2	\$10.6
Selling, general and administrative	10.7	36.2
Total restructuring and related expenses, pre-tax	\$13.9	\$46.8
Total restructuring and related expenses, net of tax	\$9.7	\$32.0

There were no restructuring and related expenses incurred during the three and nine months ended September 30, 2012.

Table of Contents

THE WESTERN UNION COMPANY

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(Unaudited)

The following table summarizes the restructuring and related expenses incurred by reportable segment (in millions). These expenses have not been allocated to the Company's segments disclosed in Note 14. While these items are identifiable to the Company's segments, these expenses have been excluded from the measurement of segment operating profit provided to the chief operating decision maker ("CODM") for purposes of assessing segment performance and decision making with respect to resource allocation.

	Consumer-to-Consumer	Consumer-to-Business	Business Solutions	Other	Total
First quarter 2011	\$ 19.1	\$ 3.5	\$—	\$1.4	\$24.0
Second quarter 2011	6.8	0.9	0.9	0.3	8.9
Third quarter 2011	7.8	1.8	4.1	0.2	13.9
Total restructuring and related expenses	\$ 33.7	\$ 6.2	\$5.0	\$1.9	\$46.8

Table of Contents

THE WESTERN UNION COMPANY

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(Unaudited)

5. Fair Value Measurements

Fair value, as defined by the relevant accounting standards, represents the exchange price that would be received for an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants on the measurement date. For additional information on how the Company measures fair value, refer to the Company's Annual Report on Form 10-K for the year ended December 31, 2011.

The following tables reflect assets and liabilities that were measured at fair value on a recurring basis (in millions):

September 30, 2012	Fair Value Measurement Using			Assets/ Liabilities at Fair Value
	Level 1	Level 2	Level 3	
Assets:				
State and municipal debt securities	\$—	\$968.3	\$—	\$968.3
State and municipal variable rate demand notes	—	870.7	—	870.7
Corporate debt and other	—	17.1	—	17.1
Derivatives	—	130.4	—	130.4
Total assets	\$—	\$1,986.5	\$—	\$1,986.5
Liabilities:				
Commercial paper	—	150.0	—	150.0
Notes and other borrowings	—	3,694.9	—	3,694.9
Total borrowings	—	3,844.9	—	3,844.9
Derivatives	—	112.5	—	112.5
Total liabilities	\$—	\$3,957.4	\$—	\$3,957.4
December 31, 2011	Fair Value Measurement Using			Assets/ Liabilities at Fair Value
	Level 1	Level 2	Level 3	
Assets:				
State and municipal debt securities	\$—	\$866.5	\$—	\$866.5
State and municipal variable rate demand notes	—	376.9	—	376.9
Corporate debt and other	0.1	88.5	—	88.6
Derivatives	—	124.8	—	124.8
Total assets	\$0.1	\$1,456.7	\$—	\$1,456.8
Liabilities:				
Commercial paper	\$—	\$297.0	\$—	\$297.0
Notes and other borrowings	—	3,563.5	—	3,563.5
Total borrowings	—	3,860.5	—	3,860.5
Derivatives	—	86.6	—	86.6
Total liabilities	\$—	\$3,947.1	\$—	\$3,947.1

No non-recurring fair value adjustments were recorded during the three and nine months ended September 30, 2012 and 2011, respectively, except those associated with acquisitions, as disclosed in Note 3.

Table of Contents

THE WESTERN UNION COMPANY

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(Unaudited)

Other Fair Value Measurements

The carrying amounts for many of the Company's financial instruments, including cash and cash equivalents, settlement cash and cash equivalents, settlement receivables and settlement obligations, and commercial paper approximate fair value due to their short maturities. The aggregate fair value of the Company's borrowings, excluding commercial paper, was based on quotes from multiple banks and excluded the impact of related interest rate swaps. All the assets and liabilities in the above tables were carried at fair value in the Company's Condensed Consolidated Balance Sheets, with the exception of borrowings, which had a carrying value of \$3,433.0 million and \$3,583.2 million as of September 30, 2012 and December 31, 2011, respectively (see Note 11).

6. Commitments and Contingencies

Letters of Credit and Bank Guarantees

The Company had approximately \$100 million in outstanding letters of credit and bank guarantees as of September 30, 2012 with expiration dates through 2015, the majority of which contain a one-year renewal option. The letters of credit and bank guarantees are primarily held in connection with lease arrangements and certain agent agreements. The Company expects to renew the letters of credit and bank guarantees prior to expiration in most circumstances.

Litigation and Related Contingencies

The Company and one of its subsidiaries are defendants in two purported class action lawsuits: James P. Tennille v. The Western Union Company and Robert P. Smet v. The Western Union Company, both of which are pending in the United States District Court for the District of Colorado. The original complaints asserted claims for violation of various consumer protection laws, unjust enrichment, conversion and declaratory relief, based on allegations that the Company waits too long to inform consumers if their money transfers are not redeemed by the recipients and that the Company uses the unredeemed funds to generate income until the funds are escheated to state governments. The Tennille complaint was served on the Company on April 27, 2009. The Smet complaint was served on the Company on April 6, 2010. On September 21, 2009, the Court granted the Company's motion to dismiss the Tennille complaint and gave the plaintiff leave to file an amended complaint. On October 21, 2009, Tennille filed an amended complaint. The Company moved to dismiss the Tennille amended complaint and the Smet complaint. On November 8, 2010, the Court denied the motion to dismiss as to the plaintiffs' unjust enrichment and conversion claims. On February 4, 2011, the Court dismissed plaintiffs' consumer protection claims. On March 11, 2011, the plaintiffs filed an amended complaint that adds a claim for breach of fiduciary duty, various elements to its declaratory relief claim and Western Union Financial Services, Inc. as a defendant. On April 25, 2011, the Company and Western Union Financial Services, Inc. filed a motion to dismiss the breach of fiduciary duty and declaratory relief claims. Western Union Financial Services, Inc. also moved to compel arbitration of the plaintiffs' claims and to stay the action pending arbitration. On November 21, 2011, the Court denied the motion to compel arbitration and the stay request. Both companies appealed the decision. On January 24, 2012, the United States Court of Appeals for the Tenth Circuit granted the companies' request to stay the District Court proceedings pending their appeal. The plaintiffs have not sought and the Court has not granted class certification. A preliminary agreement in principle has been reached with the plaintiffs and is subject to the negotiation and execution of a definitive settlement agreement between the parties and the Court's approval. The preliminary agreement would result in a substantial amount of the settlement proceeds to be paid from the Company's existing related unclaimed property liabilities. If a settlement agreement is not completed or approved, the Company and Western Union Financial Services, Inc. intend to vigorously defend themselves against both lawsuits.

On February 11, 2010, the Company signed an agreement and settlement, which resolved all outstanding legal issues and claims with the State of Arizona and required the Company to fund a multi-state not-for-profit organization promoting safety and security along the United States and Mexico border, in which California, Texas and New Mexico are participating with Arizona. The accrual included amounts for reimbursement to the State of Arizona for its costs associated with this matter. In addition, as part of the agreement and settlement, the Company has made and expects to make certain investments in its compliance programs along the United States and Mexico border and a monitor has been engaged for those programs. The costs of the investments in the Company's programs and for the monitor are expected to be \$23.0 million over the period from signing to 2013, pursuant to the terms of the agreement and settlement; however, actual costs incurred for these programs will likely exceed this amount. If the Company is unable to satisfy the material obligations under the agreement and settlement, the State of Arizona could declare the Company in breach and could initiate civil or criminal actions which could have a material adverse effect on our business, financial condition or results of operations.

Table of Contents

THE WESTERN UNION COMPANY

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(Unaudited)

In the normal course of business, the Company is subject to claims and litigation. Management of the Company believes such matters involving a reasonably possible chance of loss will not, individually or in the aggregate, result in a material adverse effect on the Company's financial condition, results of operations and cash flows. The Company accrues for loss contingencies as they become probable and estimable.

On January 26, 2006, the First Data Corporation ("First Data") Board of Directors announced its intention to pursue the distribution of all of its money transfer and consumer payments business and its interest in a Western Union money transfer agent, as well as its related assets, including real estate, through a tax-free distribution to First Data shareholders (the "Spin-off"). The Spin-off resulted in the formation of the Company and these assets and businesses no longer being part of First Data. Pursuant to the separation and distribution agreement with First Data in connection with the Spin-off, First Data and the Company are each liable for, and agreed to perform, all liabilities with respect to their respective businesses. In addition, the separation and distribution agreement also provides for cross-indemnities principally designed to place financial responsibility for the obligations and liabilities of the Company's business with the Company and financial responsibility for the obligations and liabilities of First Data's retained businesses with First Data. The Company also entered into a tax allocation agreement that sets forth the rights and obligations of First Data and the Company with respect to taxes imposed on their respective businesses both prior to and after the Spin-off as well as potential tax obligations for which the Company may be liable in conjunction with the Spin-off (see Note 12).

7. Related Party Transactions

The Company has ownership interests in certain of its agents accounted for under the equity method of accounting. The Company pays these agents, as it does its other agents, commissions for money transfer and other services provided on the Company's behalf. Commission expense recognized for these agents for the three months ended September 30, 2012 and 2011 totaled \$16.5 million and \$31.3 million, respectively, and \$49.3 million and \$110.3 million for the nine months ended September 30, 2012 and 2011, respectively. Commission expense recognized for Finint prior to October 31, 2011 and Costa prior to April 20, 2011, the date of the acquisitions (see Note 3), was considered a related party transaction.

The Company has a director who is also a director for a company that previously held significant investments in two of the Company's existing agents. As of September 30, 2012, this company holds a significant investment in one agent. These agents had been agents of the Company prior to the director being appointed to the board. The Company recognized commission expense of \$5.0 million and \$15.1 million for the three months ended September 30, 2012 and 2011, respectively, and \$23.8 million and \$43.5 million for the nine months ended September 30, 2012 and 2011, respectively, related to these agents during the period the agents were affiliated with the Company's director.

Table of Contents

THE WESTERN UNION COMPANY

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(Unaudited)

8. Settlement Assets and Obligations

Settlement assets represent funds received or to be received from agents for unsettled money transfers, money orders and consumer payments. The Company records corresponding settlement obligations relating to amounts payable under money transfers, money orders and consumer payment service arrangements. Settlement assets and obligations also include amounts receivable from and payable to businesses for the value of customer cross-currency payment transactions related to the Business Solutions segment.

Settlement assets and obligations consisted of the following (in millions):

	September 30, 2012	December 31, 2011
Settlement assets:		
Cash and cash equivalents	\$362.3	\$712.5
Receivables from selling agents and Business Solutions customers	1,108.2	1,046.7
Investment securities	1,856.1	1,332.0
	\$3,326.6	\$3,091.2
Settlement obligations:		
Money transfer, money order and payment service payables	\$2,394.9	\$2,242.3
Payables to agents	931.7	848.9
	\$3,326.6	\$3,091.2

Investment securities consist primarily of highly-rated state and municipal debt securities, including variable rate demand notes. Variable rate demand note securities can be put (sold at par) typically on a daily basis with settlement periods ranging from the same day to one week but have varying maturities through 2051. Generally, these securities are used by the Company for short-term liquidity needs and are held for short periods of time, typically less than 30 days. The Company is required to hold specific highly-rated, investment grade securities and such investments are restricted to satisfy outstanding settlement obligations in accordance with applicable state and foreign country requirements. The substantial majority of the Company's investment securities are classified as available-for-sale and recorded at fair value. Investment securities are exposed to market risk due to changes in interest rates and credit risk. Western Union regularly monitors credit risk and attempts to mitigate its exposure by investing in highly-rated securities and through investment diversification. As of September 30, 2012, the majority of the Company's investment securities had credit ratings of "AA-" or better from a major credit rating agency.

Unrealized gains and losses on available-for-sale securities are excluded from earnings and presented as a component of accumulated other comprehensive income or loss, net of related deferred taxes. Gains and losses on investments are calculated using the specific-identification method and are recognized during the period in which the investment is sold or when an investment experiences an other-than-temporary decline in value. Proceeds from the sale and maturity of available-for-sale securities during the nine months ended September 30, 2012 and 2011 were \$12.3 billion and \$10.5 billion, respectively.

Table of Contents

THE WESTERN UNION COMPANY

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(Unaudited)

The components of investment securities are as follows (in millions):

	Amortized Cost	Fair Value	Gross Unrealized Gains	Gross Unrealized Losses	Net Unrealized Gains/ (Losses)
September 30, 2012					
State and municipal debt securities (a)	\$954.7	\$968.3	\$13.9	\$(0.3)	) \$13.6
State and municipal variable rate demand notes	870.7	870.7	—	—	—
Corporate debt and other	17.2	17.1	—	(0.1)	) (0.1)
	\$1,842.6	\$1,856.1	\$13.9	\$(0.4)	) \$13.5
December 31, 2011					
State and municipal debt securities (a)	\$858.5	\$866.5	\$10.4	\$(2.4)	) \$8.0
State and municipal variable rate demand notes	376.9	376.9	—	—	—
Corporate debt and other	88.7	88.6	0.6	(0.7)	) (0.1)
	\$1,324.1	\$1,332.0	\$11.0	\$(3.1)	) \$7.9

(a) The majority of these securities are fixed-rate instruments.

The following summarizes the contractual maturities of investment securities as of September 30, 2012 (in millions):

	Fair Value
Due within 1 year	\$189.0
Due after 1 year through 5 years	760.6
Due after 5 years through 10 years	79.8
Due after 10 years	826.7
	\$1,856.1

Actual maturities may differ from contractual maturities because issuers may have the right to call or prepay the obligations or the Company may have the right to put the obligation prior to its contractual maturity, as with variable rate demand notes. Variable rate demand notes, having a fair value of \$21.0 million, \$25.2 million, \$7.4 million and \$817.1 million, are included in the “Due within 1 year,” “Due after 1 year through 5 years,” “Due after 5 years through 10 years” and “Due after 10 years” categories, respectively, in the table above.

Table of Contents

THE WESTERN UNION COMPANY

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(Unaudited)

9. Employee Benefit Plan

The Company has a frozen defined benefit pension plan (the “Plan”) for which it had a recorded unfunded pension obligation of \$87.7 million and \$112.7 million as of September 30, 2012 and December 31, 2011, respectively, included in “Other liabilities” in the Condensed Consolidated Balance Sheets. The Company is required to fund \$20 million to the Plan in 2012. Through September 2012, the Company has made contributions of approximately \$20 million to the Plan, including a discretionary contribution of approximately \$5 million.

The following table provides the components of net periodic benefit cost for the Plan (in millions):

	Three Months Ended		Nine Months Ended	
	September 30,		September 30,	
	2012	2011	2012	2011
Interest cost	\$3.7	\$4.5	\$11.0	\$13.5
Expected return on plan assets	(5.2	) (5.3	) (15.6	) (16.0
Amortization of actuarial loss	2.6	2.0	7.9	6.1
Net periodic benefit cost	\$1.1	\$1.2	\$3.3	\$3.6

10. Derivatives

The Company is exposed to foreign currency exchange risk resulting from fluctuations in exchange rates, primarily the euro, and to a lesser degree the Canadian dollar, British pound, Australian dollar, and other currencies, related to forecasted money transfer revenues and on money transfer settlement assets and obligations. The Company is also exposed to risk from derivative contracts written to its customers arising from its cross-currency business-to-business payments operations. Additionally, the Company is exposed to interest rate risk related to changes in market rates both prior to and subsequent to the issuance of debt. The Company uses derivatives to (a) minimize its exposures related to changes in foreign currency exchange rates and interest rates and (b) facilitate cross-currency business-to-business payments by writing derivatives to customers.

The Company executes derivatives with established financial institutions, with the substantial majority of these financial institutions having credit ratings of “A-” or better from a major credit rating agency. The Company also writes Business Solutions derivatives mostly with small and medium size enterprises. The primary credit risk inherent in derivative agreements represents the possibility that a loss may occur from the nonperformance of a counterparty to the agreements. The Company performs a review of the credit risk of these counterparties at the inception of the contract and on an ongoing basis. The Company also monitors the concentration of its contracts with any individual counterparty. The Company anticipates that the counterparties will be able to fully satisfy their obligations under the agreements, but takes action (including termination of contracts) when doubt arises about the counterparties' ability to perform. The Company's hedged foreign currency exposures are in liquid currencies; consequently, there is minimal risk that appropriate derivatives to maintain the hedging program would not be available in the future.

Table of Contents

THE WESTERN UNION COMPANY

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(Unaudited)

Foreign Currency — Consumer-to-Consumer

The Company's policy is to use longer-term foreign currency forward contracts, with maturities of up to 36 months at inception and a targeted weighted-average maturity of approximately one year, to mitigate some of the risk that changes in foreign currency exchange rates compared to the United States dollar could have on forecasted revenues denominated in other currencies related to its business. As of September 30, 2012, the Company's longer-term foreign currency forward contracts had maturities of a maximum of 24 months with a weighted-average maturity of approximately one year. These contracts are accounted for as cash flow hedges of forecasted revenue, with effectiveness assessed based on changes in the spot rate of the affected currencies during the period of designation. Accordingly, all changes in the fair value of the hedges not considered effective or portions of the hedge that are excluded from the measure of effectiveness are recognized immediately in "Derivative gains/(losses), net" within the Company's Condensed Consolidated Statements of Income.

The Company also uses short duration foreign currency forward contracts, generally with maturities from a few days up to one month, to offset foreign exchange rate fluctuations on settlement assets and obligations between initiation and settlement. In addition, forward contracts, typically with maturities of less than one year, are utilized to offset foreign exchange rate fluctuations on certain foreign currency denominated cash positions. None of these contracts are designated as accounting hedges.

The aggregate equivalent United States dollar notional amounts of foreign currency forward contracts as of September 30, 2012 were as follows (in millions):

Contracts not designated as hedges:

Euro	\$175.4
British pound	48.8
Canadian dollar	43.4
Other	157.2

Contracts designated as hedges:

Euro	\$502.4
Canadian dollar	123.4
British pound	97.2
Australian dollar	48.9
Other	80.9

Foreign Currency — Business Solutions

The Company writes derivatives, primarily foreign currency forward contracts and option contracts, mostly with small and medium size enterprises and derives a currency spread from this activity as part of its Business Solutions operations. The Company aggregates its business-to-business payments foreign currency exposures arising from customer contracts, including the derivative contracts described above, and hedges the resulting net currency risks by entering into offsetting contracts with established financial institution counterparties (economic hedge contracts). The derivatives written are part of the broader portfolio of foreign currency positions arising from its cross-currency business-to-business payments operations, which primarily include spot exchanges of currency in addition to forwards and options. Foreign exchange revenues from the total portfolio of positions were \$85.9 million and \$32.5 million for the three months ended September 30, 2012 and 2011, respectively, and \$248.5 million and \$89.4 million for the nine months ended September 30, 2012 and 2011, respectively. None of the derivative contracts used in Business Solutions operations are designated as accounting hedges. The duration of these derivative contracts is generally nine months or less.

Table of Contents

THE WESTERN UNION COMPANY

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(Unaudited)

The aggregate equivalent United States dollar notional amounts of foreign currency derivative customer contracts held by the Company in its Business Solutions operations as of September 30, 2012 were approximately \$4.0 billion. The significant majority of customer contracts are written in major currencies such as the Canadian dollar, euro, Australian dollar, and British pound.

Interest Rate Hedging — Corporate

The Company utilizes interest rate swaps to effectively change the interest rate payments on a portion of its notes from fixed-rate payments to short-term LIBOR-based variable rate payments in order to manage its overall exposure to interest rates. The Company designates these derivatives as fair value hedges utilizing the short-cut method, which permits an assumption of no ineffectiveness if certain criteria are met. The change in fair value of the interest rate swaps is offset by a change in the carrying value of the debt being hedged within the Company's "Borrowings" in the Condensed Consolidated Balance Sheets and "Interest expense" in the Condensed Consolidated Statements of Income has been adjusted to include the effects of interest accrued on the swaps.

The Company, at times, utilizes derivatives to hedge the forecasted issuance of fixed-rate debt. These derivatives are designated as cash flow hedges of the variability in the fixed-rate coupon of the debt expected to be issued. The effective portion of the change in fair value of the derivatives is recorded in "Accumulated other comprehensive loss" in the Condensed Consolidated Balance Sheets.

The Company held interest rate swaps in an aggregate notional amount of \$500.0 million, related to notes due in 2014, as of both September 30, 2012 and December 31, 2011.

Balance Sheet

The following table summarizes the fair value of derivatives reported in the Condensed Consolidated Balance Sheets as of September 30, 2012 and December 31, 2011 (in millions):

	Derivative Assets		Derivative Liabilities			
	Fair Value		Fair Value			
	Balance Sheet Location	September 30, 2012	December 31, 2011	Balance Sheet Location	September 30, 2012	December 31, 2011
Derivatives — hedges:						
Interest rate fair value hedges — Corporate	Other assets	\$4.9	\$4.4	Other liabilities	\$—	\$—
Foreign currency cash flow hedges — Consumer-to-Consumer	Other assets	21.7	37.0	Other liabilities	14.7	6.6
Total		\$26.6	\$41.4		\$14.7	\$6.6
Derivatives — undesignated:						
Foreign currency — Business Solutions	Other assets	\$102.6	\$79.8	Other liabilities	\$96.8	\$67.6
Foreign currency — Consumer-to-Consumer	Other assets	1.2	3.6	Other liabilities	1.0	12.4
Total		\$103.8	\$83.4		\$97.8	\$80.0
Total derivatives		\$130.4	\$124.8		\$112.5	\$86.6

Table of Contents

THE WESTERN UNION COMPANY

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(Unaudited)

Income Statement

The following tables summarize the location and amount of gains and losses of derivatives in the Condensed Consolidated Statements of Income segregated by designated, qualifying hedging instruments and those that are not, for the three and nine months ended September 30, 2012 and 2011 (in millions):

Fair Value Hedges

The following table presents the location and amount of gains/(losses) from fair value hedges for the three months ended September 30, 2012 and 2011 (in millions):

Derivatives	Gain/(Loss) Recognized in Income on Derivatives				Hedged Item	Gain/(Loss) Recognized in Income on Related Hedged Item (a)			
	Income Statement Location		Amount			Income Statement Location		Amount	
	September 30, 2012	September 30, 2011	September 30, 2012	September 30, 2011		September 30, 2012	September 30, 2011	September 30, 2012	September 30, 2011
Interest rate contracts	Interest expense		\$1.1	\$3.4	Fixed-rate debt	Interest expense		\$0.7	\$3.0
Total gain			\$1.1	\$3.4				\$0.7	\$3.0

The following table presents the location and amount of gains/(losses) from fair value hedges for the nine months ended September 30, 2012 and 2011 (in millions):

Derivatives	Gain/(Loss) Recognized in Income on Derivatives				Hedged Item	Gain/(Loss) Recognized in Income on Related Hedged Item (a)			
	Income Statement Location		Amount			Income Statement Location		Amount	
	September 30, 2012	September 30, 2011	September 30, 2012	September 30, 2011		September 30, 2012	September 30, 2011	September 30, 2012	September 30, 2011
Interest rate contracts	Interest expense		\$3.5	\$11.6	Fixed-rate debt	Interest expense		\$2.2	\$8.7
Total gain			\$3.5	\$11.6				\$2.2	\$8.7

Cash Flow Hedges

The following table presents the location and amount of gains/(losses) from cash flow hedges for the three months ended September 30, 2012 and 2011 (in millions):

Derivatives	Gain/(Loss) Recognized in OCI on Derivatives (Effective Portion)				Gain/(Loss) Reclassified from Accumulated OCI into Income (Effective Portion)				Gain/(Loss) Recognized in Income on Derivatives (Ineffective Portion and Amount Excluded from Effectiveness Testing) (b)			
	Amount		Income Statement Location		Amount		Income Statement Location		Amount		Income Statement Location	
	September 30, 2012	September 30, 2011	September 30, 2012	September 30, 2011	September 30, 2012	September 30, 2011	September 30, 2012	September 30, 2011	September 30, 2012	September 30, 2011	September 30, 2012	September 30, 2011
Foreign currency contracts	\$(16.7)	\$ 60.6	Revenue	\$5.8	\$(11.8)	Derivative gains/(losses), net	\$0.5	\$(8.0)				
Interest rate contracts (c)	—	(19.2)	Interest expense	(0.9)	(0.9)	Interest expense	—	—				
Total gain/(loss)	\$(16.7)	\$ 41.4		\$4.9	\$(12.7)		\$0.5	\$(8.0)				

Table of Contents

THE WESTERN UNION COMPANY

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(Unaudited)

The following table presents the location and amount of gains/(losses) from cash flow hedges for the nine months ended September 30, 2012 and 2011 (in millions):

	Gain/(Loss) Recognized in OCI on Derivatives (Effective Portion)		Gain/(Loss) Reclassified from Accumulated OCI into Income (Effective Portion)		Gain/(Loss) Recognized in Income on Derivatives (Ineffective Portion and Amount Excluded from Effectiveness Testing) (b)			
	Amount September 30, 2012	Amount September 30, 2011	Income Statement Location	Amount September 30, 2012	Amount September 30, 2011	Income Statement Location	Amount September 30, 2012	Amount September 30, 2011
Derivatives								
Foreign currency contracts	\$(7.2)	\$ 5.4	Revenue	\$11.6				