Non-GAAP Measures

Western Union's management believes the non-GAAP financial measures presented provide meaningful supplemental information regarding our operating results to assist management, investors, analysts, and others in understanding our financial results and to better analyze trends in our underlying business, because they provide consistency and comparability to prior periods.

These non-GAAP financial measures include revenue change constant currency adjusted; operating income margin, excluding Joint Settlement Agreements and expenses related to the WU Way initiative; EBITDA margin; adjusted EBITDA margin, excluding Joint Settlement Agreements and expenses related to the WU Way initiative; diluted earnings per share, excluding Joint Settlement Agreements and expenses related to the WU Way initiative; effective tax rate, excluding Joint Settlement Agreements and expenses related to the WU Way initiative; Consumer-to-Consumer segment revenue change constant currency adjusted; Consumer-to-Consumer segment principal per transaction change constant currency adjusted; Consumer-to-Consumer segment cross-border principal change constant currency adjusted; Consumer-to-Consumer segment region and westernunion.com revenue change constant currency adjusted; Consumer-to-Business segment revenue change constant currency adjusted; Business Solutions segment revenue change constant currency adjusted; Business Solutions segment EBITDA margin; operating margin outlook excluding expenses related to the WU Way initiative; earnings per share outlook excluding expenses related to the WU Way initiative; effective tax rate outlook, excluding expenses related to the WU Way initiative; and cash flow from operating activities outlook, excluding expected payments for IRS Agreement, Joint Settlement Agreements and the WU Way initiative. Although the expenses related to the WU Way are specific to that initiative, the types of expenses related to the WU Way initiative are similar to expenses that the Company has previously incurred and can reasonably be expected to incur in the future. Constant currency results assume foreign revenues are translated from foreign currencies to the U.S. dollar, net of the effect of foreign currency hedges, at rates consistent with those in the prior year.

A non-GAAP financial measure should not be considered in isolation or as a substitute for the most comparable GAAP financial measure. A non-GAAP financial measure reflects an additional way of viewing aspects of our operations that, when viewed with our GAAP results and the reconciliation to the corresponding GAAP financial measure, provide a more complete understanding of our business. Users of the financial statements are encouraged to review our financial statements and publicly-filed reports in their entirety and not to rely on any single financial measure. A reconciliation of non-GAAP financial measures to the most directly comparable GAAP financial measures is included below.

All adjusted year-over-year changes were calculated using prior year reported amounts. Amounts included below are in millions, unless indicated otherwise.

Reconciliation of Non-GAAP Measures

	4Q15	FY2015	1Q16	2Q16	3Q16	4Q16	FY2016
Consolidated Metrics							
Revenues, as reported (GAAP)	$ 1,380.0	$ 5,483.7	$ 1,297.7	$ 1,375.7	$ 1,377.8	$ 1,371.7	$ 5,422.9
Foreign currency translation impact (a)	73.9	322.6	57.4	48.9	52.1	58.7	217.1
Revenues, constant currency adjusted	$ 1,453.9	$ 5,806.3	$ 1,355.1	$ 1,424.6	$ 1,429.9	$ 1,430.4	$ 5,640.0
Prior year revenues, as reported (GAAP)	$ 1,409.9	$ 5,607.2	$ 1,320.9	$ 1,383.6	$ 1,399.2	$ 1,380.0	$ 5,483.7
Revenue change, as reported (GAAP)	(2)%	(2)%	(2)%	(1)%	(2)%	(1)%	(1)%
Revenue change, constant currency adjusted	3 %	4 %	3 %	3 %	2 %	4 %	3 %
Operating income/(loss), as reported (GAAP)	$ 281.8	$ 1,109.4	$ 258.6	$ 260.3	$ 278.3	$ (313.5)	$ 483.7
Foreign currency translation impact (a)	0.9	45.8	16.8	23.5	21.9	28.0	90.2
Paymap Settlement Agreement (b)	N/A	35.3	N/A	N/A	N/A	N/A	N/A
Joint Settlement Agreements (c)	N/A	N/A	N/A	15.0	15.0	571.0	601.0
WU Way business transformation expenses (d)	N/A	N/A	N/A	2.1	5.0	13.2	20.3
Operating income, constant currency adjusted, excluding Paymap Settlement Agreement, Joint Settlement Agreements and WU Way business transformation expenses	$ 282.7	$ 1,190.5	$ 275.4	$ 300.9	$ 320.2	$ 298.7	$ 1,195.2
Prior year operating income, excluding Paymap Settlement Agreement (b)	$ 276.1	$ 1,140.5	$ 272.3	$ 286.1	$ 304.5	$ 281.8	$ 1,144.7
Operating income change, as reported (GAAP)	2 %	(3)%	(5)%	4 %	(9)%	(211)%	(56)%
Operating income change, constant currency adjusted, excluding Paymap Settlement Agreement, Joint Settlement Agreements and WU Way business transformation expenses	2 %	4 %	1 %	5 %	5 %	6 %	4 %
Operating income/(loss), as reported (GAAP)	$ 281.8	$ 1,109.4	$ 258.6	$ 260.3	$ 278.3	$ (313.5)	$ 483.7
Paymap Settlement Agreement (b)	N/A	35.3	N/A	N/A	N/A	N/A	N/A
Joint Settlement Agreements (c)	N/A	N/A	N/A	15.0	15.0	571.0	601.0
WU Way business transformation expenses (d)	N/A	N/A	N/A	2.1	5.0	13.2	20.3
Operating income, excluding Paymap Settlement Agreement, Joint Settlement Agreements and WU Way business transformation expenses	$ 281.8	$ 1,144.7	$ 258.6	$ 277.4	$ 298.3	$ 270.7	$ 1,105.0
Operating margin, as reported (GAAP)	20.4 %	20.2 %	19.9 %	18.9 %	20.2 %	(22.9)%	8.9 %
Operating margin, excluding Paymap Settlement Agreement, Joint Settlement Agreements and WU Way business transformation expenses	N/A	20.9 %	N/A	20.2%	21.7%	19.7%	20.4%

Reconciliation of Non-GAAP Measures

Consolidated Metrics (cont.)	4Q15	FY2015	1Q16	2Q16	3Q16	4Q16	FY2016
Operating income/(loss), as reported (GAAP)	$ 281.8	$ 1,109.4	$ 258.6	$ 260.3	$ 278.3	$ (313.5)	$ 483.7
Reversal of depreciation and amortization	69.0	270.2	65.6	65.9	66.4	65.3	263.2
EBITDA (e)	$ 350.8	$ 1,379.6	$ 324.2	$ 326.2	$ 344.7	$ (248.2)	$ 746.9
Paymap Settlement Agreement (b)	N/A	35.3	N/A	N/A	N/A	N/A	N/A
Joint Settlement Agreements (c)	N/A	N/A	N/A	15.0	15.0	571.0	601.0
WU Way business transformation expenses (d)	N/A	N/A	N/A	2.1	5.0	13.2	20.3
Adjusted EBITDA, excluding Paymap Settlement Agreement, Joint Settlement Agreements and WU Way business transformation expenses	$ 350.8	$ 1,414.9	$ 324.2	$ 343.3	$ 364.7	$ 336.0	$ 1,368.2
Operating margin, as reported (GAAP)	20.4 %	20.2 %	19.9 %	18.9 %	20.2 %	(22.9)%	8.9 %
EBITDA margin	25.4 %	25.2 %	25.0 %	23.7 %	25.0 %	(18.1)%	13.8 %
Adjusted EBITDA margin, excluding Paymap Settlement Agreement, Joint Settlement Agreements and WU Way business transformation expenses	N/A	25.8 %	N/A	25.0 %	26.5 %	24.5 %	25.2 %
Net income/(loss), as reported (GAAP)	$ 212.3	$ 837.8	$ 185.7	$ 205.6	$ 216.9	$ (355.0)	$ 253.2
Paymap Settlement Agreement (b)	N/A	35.3	N/A	N/A	N/A	N/A	N/A
Joint Settlement Agreements (c)	N/A	N/A	N/A	15.0	15.0	571.0	601.0
WU Way business transformation expenses (d)	N/A	N/A	N/A	2.1	5.0	13.2	20.3
Income tax expense/(benefit) from Paymap Settlement Agreement and Joint Settlement Agreements (b) (c)	N/A	(11.1)	N/A	(5.4)	(5.5)	5.5	(5.4)
Income tax benefit from WU Way business transformation expenses (d)	N/A	N/A	N/A	(0.8)	(1.8)	(4.8)	(7.4)
Paymap Settlement Agreement, Joint Settlement Agreements and WU Way business transformation expenses, net of income tax expense/(benefit) (b) (c) (d)	N/A	24.2	N/A	10.9	12.7	584.9	608.5
Net income, excluding Paymap Settlement Agreement, Joint Settlement Agreements and WU Way business transformation expenses, net of income tax expense/(benefit)	$ 212.3	$ 862.0	$ 185.7	$ 216.5	$ 229.6	$ 229.9	$ 861.7
Diluted earnings/(loss) per share ("EPS"), as reported (GAAP) ($ - dollars)	$ 0.42	$ 1.62	$ 0.37	$ 0.42	$ 0.44	$ (0.73)	$ 0.51
EPS impact as a result of Paymap Settlement Agreement ($ - dollars) (b)	N/A	$ 0.07	N/A	N/A	N/A	N/A	N/A
EPS impact as a result of Joint Settlement Agreements ($ - dollars) (c)	N/A	N/A	N/A	$ 0.03	$ 0.03	$ 1.17	$ 1.22
EPS impact as a result of WU Way business transformation expenses ($ - dollars) (d)	N/A	N/A	N/A	$ -	$ 0.01	$ 0.03	$ 0.04
EPS impact from income tax expense/(benefit) from Paymap Settlement Agreement and Joint Settlement Agreements ($ - dollars) (b) (c)	N/A	$ (0.02)	N/A	$ (0.01)	$ (0.01)	$ 0.01	$ (0.01)
EPS impact from income tax benefit from WU Way business transformation expenses ($ - dollars) (d)	N/A	N/A	N/A	$ -	$ -	$ (0.01)	$ (0.01)
EPS impact as a result of Paymap Settlement Agreement, Joint Settlement Agreements and WU Way business transformation expenses, net of income tax expense/(benefit) ($ - dollars)	N/A	$ 0.05	N/A	$ 0.02	$ 0.03	$ 1.20	$ 1.24
Diluted EPS, excluding Paymap Settlement Agreement, Joint Settlement Agreements and WU Way business transformation expenses ($ - dollars)	N/A	$ 1.67	N/A	$ 0.44	$ 0.47	$ 0.47	$ 1.75
Diluted weighted-average shares outstanding	508.6	516.7	503.2	493.0	490.3	483.6	493.5

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Reconciliation of Non-GAAP Measures

Consolidated Metrics (cont.)	4Q15	FY2015	1Q16	2Q16	3Q16	4Q16	FY2016
Effective tax rate, as reported (GAAP)	10.4 %	11.0 %	14.6 %	7.6 %	9.6 %	(4.9)%	25.9 %
Impact from Paymap Settlement Agreement (b)	N/A	0.8 %	N/A	N/A	N/A	N/A	N/A
Impact from Joint Settlement Agreements (c)	N/A	N/A	N/A	1.8%	1.6%	9.7%	15.9 %
Impact from WU Way business transformation expenses (d)	N/A	N/A	N/A	0.3%	0.5%	1.7%	0.5%
Effective tax rate, excluding Paymap Settlement Agreement, Joint Settlement Agreements and WU Way business transformation expenses	N/A	11.8 %	N/A	9.7%	11.7%	6.5%	10.5%

Consumer-to-Consumer Segment	4Q15	FY2015	1Q16	2Q16	3Q16	4Q16	FY2016
Revenues, as reported (GAAP)	$ 1,091.2	$ 4,343.9	$ 1,017.4	$ 1,095.8	$ 1,098.9	$ 1,092.5	$ 4,304.6
Foreign currency translation impact (a)	56.8	256.0	30.5	23.0	25.3	33.4	112.2
Revenues, constant currency adjusted	$ 1,148.0	$ 4,599.9	$ 1,047.9	$ 1,118.8	$ 1,124.2	$ 1,125.9	$ 4,416.8
Prior year revenues, as reported (GAAP)	$ 1,125.3	$ 4,485.8	$ 1,038.3	$ 1,101.5	$ 1,112.9	$ 1,091.2	$ 4,343.9
Revenue change, as reported (GAAP)	(3)%	(3)%	(2)%	(1)%	(1)%	0 %	(1)%
Revenue change, constant currency adjusted	2 %	3 %	1 %	2 %	1 %	3 %	2 %
Principal per transaction, as reported ($ - dollars)	$ 303	$ 312	$ 299	$ 301	$ 300	$ 292	$ 298
Foreign currency translation impact (a) ($ - dollars)	16	20	7	3	3	4	4
Principal per transaction, constant currency adjusted ($ - dollars)	$ 319	$ 332	$ 306	$ 304	$ 303	$ 296	$ 302
Prior year principal per transaction, as reported ($ - dollars)	$ 323	$ 335	$ 315	$ 316	$ 315	$ 303	$ 312
Principal per transaction change, as reported	(6)%	(7)%	(5)%	(5)%	(5)%	(3)%	(5)%
Principal per transaction change, constant currency adjusted	(1)%	(1)%	(3)%	(4)%	(4)%	(2)%	(3)%
Cross-border principal, as reported ($ - billions)	$ 18.4	$ 73.6	$ 17.3	$ 18.5	$ 18.4	$ 18.3	$ 72.5
Foreign currency translation impact (a) ($ - billions)	1.2	4.9	0.4	0.2	0.2	0.2	1.0
Cross-border principal, constant currency adjusted ($ - billions)	$ 19.6	$ 78.5	$ 17.7	$ 18.7	$ 18.6	$ 18.5	$ 73.5
Prior year cross-border principal, as reported ($ - billions)	$ 19.2	$ 77.2	$ 17.5	$ 18.8	$ 18.9	$ 18.4	$ 73.6
Cross-border principal change, as reported	(4)%	(5)%	(2)%	(1)%	(3)%	(1)%	(2)%
Cross-border principal change, constant currency adjusted	1 %	2 %	1 %	0 %	(2)%	1 %	0 %

Reconciliation of Non-GAAP Measures

	4Q15	FY2015	1Q16	2Q16	3Q16	4Q16	FY2016
Consumer-to-Consumer Segment (cont.)							
North America region revenue change, as reported (GAAP)	3 %	2 %	3 %	6 %	6 %	7 %	6 %
North America region foreign currency translation impact (a)	2 %	1 %	2 %	1 %	1 %	1 %	1 %
North America region revenue change, constant currency adjusted	5 %	3 %	5 %	7 %	7 %	8 %	7 %
Europe and CIS region revenue change, as reported (GAAP)	(7)%	(8)%	(3)%	(3)%	(2)%	(1)%	(2)%
Europe and CIS region foreign currency translation impact (a)	8 %	10 %	3 %	2 %	3 %	4 %	3 %
Europe and CIS region revenue change, constant currency adjusted	1 %	2 %	0 %	(1)%	1 %	3 %	1 %
Middle East and Africa region revenue change, as reported (GAAP)	(4)%	(4)%	(4)%	(4)%	(10)%	(8)%	(7)%
Middle East and Africa region foreign currency translation impact (a)	4 %	5 %	3 %	1 %	2 %	3 %	3 %
Middle East and Africa region revenue change, constant currency adjusted	0 %	1 %	(1)%	(3)%	(8)%	(5)%	(4)%
APAC region revenue change, as reported (GAAP)	(5)%	(5)%	(4)%	(3)%	(4)%	(7)%	(5)%
APAC region foreign currency translation impact (a)	5 %	5 %	3 %	2 %	1 %	2 %	3 %
APAC region revenue change, constant currency adjusted	0 %	0 %	(1)%	(1)%	(3)%	(5)%	(2)%
LACA region revenue change, as reported (GAAP)	(1)%	3 %	(5)%	0 %	3 %	11 %	2 %
LACA region foreign currency translation impact (a)	6 %	7 %	6 %	6 %	5 %	5 %	6 %
LACA region revenue change, constant currency adjusted	5 %	10 %	1 %	6 %	8 %	16 %	8 %
westernunion.com revenue change, as reported (GAAP)	21 %	21 %	16 %	19 %	26 %	27 %	22 %
westernunion.com foreign currency translation impact (a)	4 %	5 %	2 %	1 %	2 %	3 %	2 %
westernunion.com revenue change, constant currency adjusted	25 %	26 %	18 %	20 %	28 %	30 %	24 %

Reconciliation of Non-GAAP Measures

	4Q15	FY2015	1Q16	2Q16	3Q16	4Q16	FY2016
Consumer-to-Business Segment							
Revenues, as reported (GAAP)	$ 161.9	$ 637.7	$ 156.1	$ 154.2	$ 155.7	$ 155.2	$ 621.2
Foreign currency translation impact (a)	7.8	24.6	20.9	21.9	22.8	21.5	87.1
Revenues, constant currency adjusted	$ 169.7	$ 662.3	$ 177.0	$ 176.1	$ 178.5	$ 176.7	$ 708.3
Prior year revenues, as reported (GAAP)	$ 155.3	$ 598.8	$ 157.8	$ 157.9	$ 160.1	$ 161.9	$ 637.7
Revenue change, as reported (GAAP)	4 %	6 %	(1)%	(2)%	(3)%	(4)%	(3)%
Revenue change, constant currency adjusted	9 %	11 %	12 %	12 %	11 %	9 %	11 %
Operating income, as reported (GAAP)	$ 19.3	$ 68.6	$ 22.9	$ 18.0	$ 14.7	$ 8.8	$ 64.4
Paymap Settlement Agreement (b)	N/A	35.3	N/A	N/A	N/A	N/A	N/A
Operating income, excluding Paymap Settlement Agreement	$ 19.3	$ 103.9	$ 22.9	$ 18.0	$ 14.7	$ 8.8	$ 64.4
Operating income margin, as reported (GAAP)	11.9 %	10.8 %	14.6 %	11.7 %	9.5 %	5.7 %	10.4 %
Operating income margin, excluding Paymap Settlement Agreement	N/A	16.3 %	N/A	N/A	N/A	N/A	N/A
Business Solutions Segment							
Revenues, as reported (GAAP)	$ 101.9	$ 398.7	$ 99.2	$ 100.8	$ 97.2	$ 98.8	$ 396.0
Foreign currency translation impact (a)	7.7	36.1	4.6	3.0	3.5	3.9	15.0
Revenues, constant currency adjusted	$ 109.6	$ 434.8	$ 103.8	$ 103.8	$ 100.7	$ 102.7	$ 411.0
Prior year revenues, as reported (GAAP)	$ 101.2	$ 404.6	$ 98.0	$ 97.6	$ 101.2	$ 101.9	$ 398.7
Revenue change, as reported (GAAP)	1 %	(1)%	1 %	3 %	(4)%	(3)%	(1)%
Revenue change, constant currency adjusted	8 %	7 %	6 %	6 %	0 %	1 %	3 %
Operating income, as reported (GAAP)	$ 3.8	$ 2.8	$ 2.4	$ 5.2	$ 3.9	$ 9.6	$ 21.1
Reversal of depreciation and amortization	12.7	57.4	12.6	13.1	13.2	11.9	50.8
EBITDA (e)	$ 16.5	$ 60.2	$ 15.0	$ 18.3	$ 17.1	$ 21.5	$ 71.9
Operating income margin, as reported (GAAP)	3.7 %	0.7 %	2.4 %	5.2 %	4.0 %	9.7 %	5.3 %
EBITDA margin	16.2 %	15.1 %	15.1 %	18.2 %	17.5 %	21.8 %	18.1 %

Reconciliation of Non-GAAP Measures

2017 Consolidated Outlook Metrics		
Operating margin (GAAP)	18%	
WU Way business transformation expenses (d)	2%	
Operating margin, excluding WU Way business transformation expenses	20%	
	Range	
Earnings per share (GAAP) ($ - dollars)	$ 1.48	$ 1.60
WU Way business transformation expenses (d) ($ - dollars)	0.15	0.15
Earnings per share, excluding WU Way business transformation expenses ($ - dollars)	$ 1.63	$ 1.75
Effective tax rate (GAAP)	11%	
Impact from WU Way business transformation expenses (d)	2%	
Effective tax rate, excluding WU Way business transformation expenses	13%	

Non-GAAP related notes:

(a) Represents the impact from the fluctuation in exchange rates between all foreign currency denominated amounts and the United States dollar. Constant currency results exclude any benefit or loss caused by foreign exchange fluctuations between foreign currencies and the United States dollar, net of foreign currency hedges, which would not have occurred if there had been a constant exchange rate. We believe that this measure provides management and investors with information about operating results and trends that eliminates currency volatility and provides greater clarity regarding, and increases the comparability of, our underlying results and trends.

(b) Represents the impact from a settlement agreement reached with the Consumer Financial Protection Bureau regarding the Equity Accelerator service of Paymap, Inc., a subsidiary of the Company (the "Paymap Settlement Agreement"), included in full year 2015 results. We believe that, by excluding the effects of significant charges associated with the settlement of litigation that can impact operating trends, management and investors are provided with a measure that increases the comparability of our underlying operating results. See below for reconciliation of prior year operating income, excluding Paymap Settlement Agreement.

	4Q15	FY2015	1Q16	2Q16	3Q16	4Q16	FY2016
Prior year operating income, as reported (GAAP)	$276.1	$1,140.5	$272.3	$250.8	$304.5	$281.8	$1,109.4
Paymap Settlement Agreement (prior year period impact)	N/A	N/A	N/A	35.3	N/A	N/A	35.3
Prior year operating income, excluding Paymap Settlement Agreement	$276.1	$1,140.5	$272.3	$286.1	$304.5	$281.8	$1,144.7

(c) Represents the impact from the settlement agreements related to (1) a Deferred Prosecution Agreement with the United States Department of Justice, and the United States Attorney's Offices for the Eastern and Middle Districts of Pennsylvania, the Central District of California, and the Southern District of Florida, (2) a Stipulated Order for Permanent Injunction and Final Judgment with the United States Federal Trade Commission ("FTC"), (3) a Consent to the Assessment of Civil Money Penalty with the Financial Crimes Enforcement Network of the United States Department of Treasury (collectively, the "Joint Settlement Agreements"), to resolve the respective investigations of those agencies, as described in our Form 8-K filed with the Securities and Exchange Commission on January 20, 2017, and related matters. Amounts related to these matters were recognized in the second, third, and fourth quarters of 2016 and the full year 2016 results. The second and third quarter 2016 presentations, which previously included accrued expenses for the FTC matter in our Consumer-to-Consumer segment, have been recast to provide consistency with the fourth quarter and full year 2016 presentation and exclude these expenses from our segment operating income, as these expenses are excluded from the measurement of segment operating income provided to the chief operating decision maker for purposes of assessing segment performance and decision making with respect to resource allocation. Additionally, income tax benefit was adjusted in the fourth quarter of 2016 to reflect the revised determination, based on final agreement terms. We believe that, by excluding the effects of significant charges associated with the settlement of litigation that can impact operating trends, management and investors are provided with a measure that increases the comparability of our underlying operating results.

(d) Represents the expenses incurred to transform our operating model, focusing on technology transformation, network productivity, customer and agent process optimization, and organizational redesign to better drive efficiencies and growth initiatives ("WU Way business transformation expenses"). Amounts related to the WU Way business transformation expenses were recognized in the second, third, and fourth quarters of 2016 and the full year 2016 results. The second and third quarter 2016 presentations, which previously included these expenses in our operating segments, have been recast to provide consistency with the fourth quarter and full year 2016 presentation and exclude these expenses from our segment operating income, as these expenses are excluded from the measurement of segment operating income provided to the chief operating decision maker for purposes of assessing segment performance and decision making with respect to resource allocation. We believe that, by excluding the effects of significant charges associated with the transformation of our operating model that can impact operating trends, management and investors are provided with a measure that increases the comparability of our other underlying operating results. Although the expenses related to the WU Way are specific to that initiative, the types of expenses related to the WU Way initiative are similar to expenses that the Company has previously incurred and can reasonably be expected to incur in the future.

(e) Earnings before Interest, Taxes, Depreciation and Amortization ("EBITDA") results from taking operating income and adjusting for depreciation and amortization expenses. EBITDA results provide an additional performance measurement calculation which helps neutralize the operating income effect of assets acquired in prior periods.