



**MasterCard**  
Worldwide

# MasterCard Incorporated 4<sup>th</sup> Quarter and Full-Year 2007 Financial Results Conference Call

**January 31, 2008**

## 4<sup>th</sup> Quarter Financial Results

- Delivered quarterly net income of \$304 million and earnings per share of \$2.26, on a diluted basis (including \$1.37 from gains on additional sales of Redecard investment)
- Achieved quarterly net revenue of \$1.07 billion, representing growth of 27.8% primarily due to:
  - Gross dollar volume growth (15.2%\* to \$634 billion)
  - Increase in processed transactions (17.2% to 5.2 billion)
  - Increase in cross-border volumes (27.7%)
  - Pricing adjustments (2%)
- Improved operating margin by 10.3 ppts. to 16.0% from 5.7% in Q4 2006\*\*

\*On a local currency basis

\*\* Excluding special items; see Appendix A for a GAAP reconciliation of special items for the three and twelve months ended December 31, 2006 and 2007

# Impact of U.S. Economic Uncertainty

MasterCard's distinct business drivers help to weather U.S. economic slowdown:

- Despite change in spending patterns, consumers continue to transact
- About half of business outside the U.S.
- Continued secular shift from paper to electronic payments
- No direct consumer credit exposure

# Business Update

- EC Decision
- SEPA Update
- Litigation Update
- Redecard Investment
- Share Conversion and Repurchase

# 4<sup>th</sup> Quarter Selected Financial Performance

(\$ in millions, except percentages and per share data)

	4Q 2007 Actual	4Q 2006 Actual	4Q 2006 adjusted for special items*	YOY Adjusted Growth %
Net revenue	\$ 1,073	\$ 839	\$ 839	27.8
Total operating expenses	<u>901</u>	<u>793</u>	<u>791</u>	<u>13.9</u>
Operating income	172	46	48	258.3
<i>Operating margin</i>	<i>16.0%</i>	<i>5.5%</i>	<i>5.7%</i>	<i>10.3 ppts</i>
Net income	\$ <u>304</u>	\$ <u>41</u>	\$ <u>42</u>	<u>623.8</u>
Diluted EPS	\$ <u><u>2.26</u></u>	\$ <u><u>0.30</u></u>	\$ <u><u>0.31</u></u>	<u><u>629.0</u></u>

Note: Figures may not sum due to rounding

\*See Appendix A for a GAAP reconciliation of special items for the three and twelve months ended December 31, 2006 and 2007

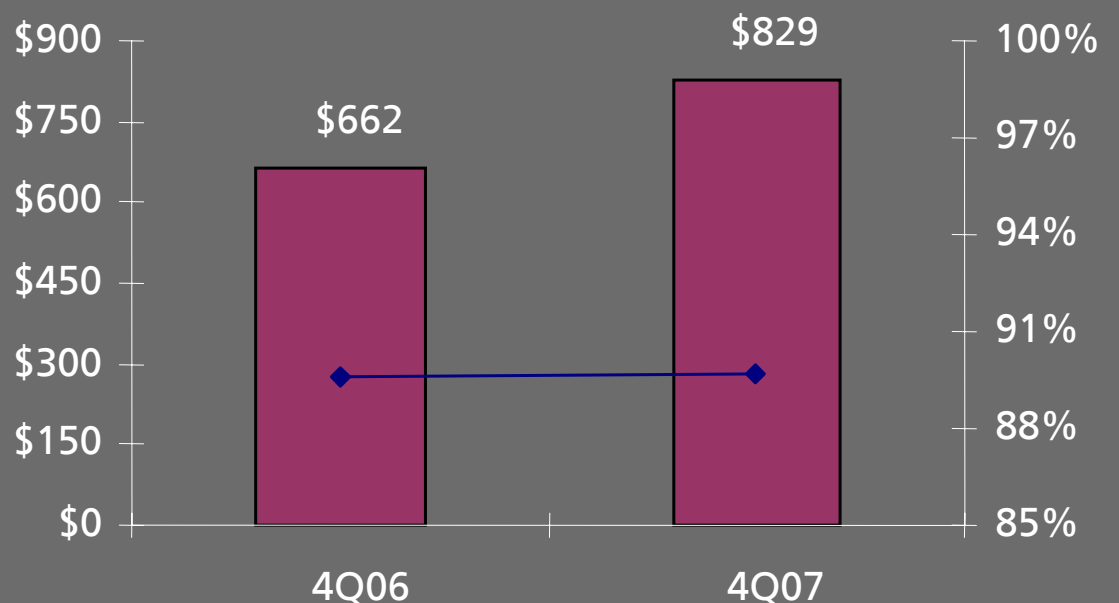
# MasterCard Branded Volume (GDV) 4<sup>th</sup> Quarter 2007



		<u>YOY Growth Rate %</u>	
	<u>GDV</u> (\$ billions)	<u>U.S.</u> <u>Dollar</u>	<u>Local</u> <u>Currency</u>
Asia Pacific	88	26.4	19.0
Canada	27	35.1	16.6
Europe	190	31.7	18.4
Latin America	47	28.2	22.0
South Asia/Middle East/Africa (SAMEA)	12	43.6	34.1
United States	<u>268</u>	<u>10.0</u>	<u>10.0</u>
Worldwide	634	20.9	15.2

# 4<sup>th</sup> Quarter Revenue - Operations Fees

(\$ in millions)



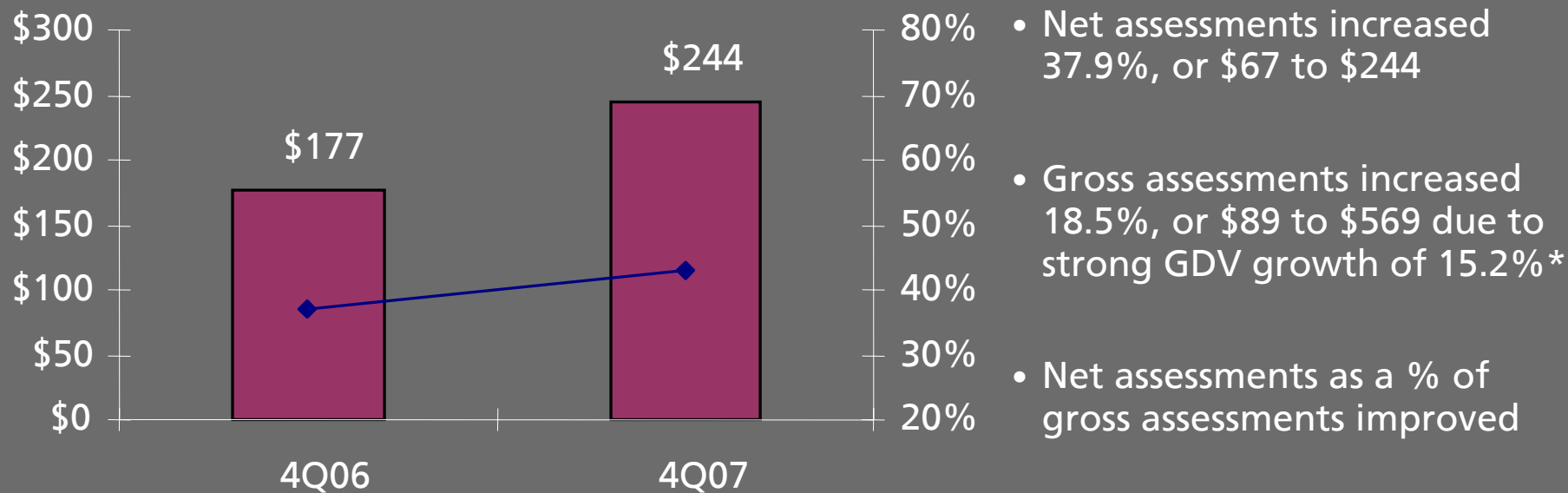
- Net Operations Fees
- ◆ Net Operations Fees as a % of Gross Operations Fees

- Net operations fees up 25.2%, or \$167 to \$829
- Gross operations fees increased 25.2%, or \$186 to \$925. Key drivers included:
  - Processed transactions growth: 17.2%
  - Cross-border volume growth of 27.7%
  - GDV growth: 15.2%\*
  - Pricing adjustments of 2%
- Net operations fees as a % of gross operations fees remained unchanged

\* On a local currency basis

# 4<sup>th</sup> Quarter Revenue - Assessments

(\$ in millions)



- Net assessments increased 37.9%, or \$67 to \$244
- Gross assessments increased 18.5%, or \$89 to \$569 due to strong GDV growth of 15.2%\*
- Net assessments as a % of gross assessments improved

 Net Assessment Fees

 Net Assessment Fees as a % of Gross Assessment Fees

\* On a local currency basis

# 4<sup>th</sup> Quarter Operating Expenses

(\$ in millions)

- Total operating expenses increased 13.5%, or \$107 to \$901
- G&A increased 24.1%, or \$96, to \$496 driven by:
  - Higher personnel costs for additional staff
  - Increased employee performance incentives
  - Severance expense for staff realignment
  - Professional fees for legal costs to defend outstanding litigation
- A&M increased 4.5%, or \$16, to \$369 primarily due to currency fluctuations
- Charitable cash contribution of \$10 to MasterCard Foundation

## Full-Year 2007 Highlights

- Delivered full-year net income of \$1.09 billion and earnings per share of \$8.00, on a diluted basis (including \$1.87 from gains on sale of a significant portion of Redecard investment)
- Achieved full-year net revenue of \$4.1 billion, representing growth of 22.3% primarily due to:
  - Gross dollar volume growth (14.4%\* to \$2.3 trillion)
  - Increase in processed transactions (16.2% to 18.8 billion)
  - Increase in cross-border volumes (21.1%)
  - Pricing adjustments (2%)
- Improved operating margin by 7.8 ppts., to 27.3% from 19.5% in the full-year 2006\*\*

\* On a local currency basis

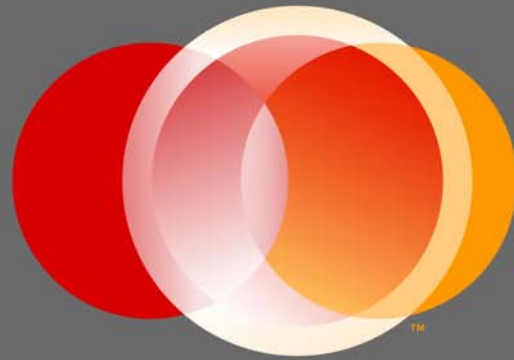
\*\* Excluding special items; see Appendix A for a GAAP reconciliation of special items for the three and twelve months ended December 31, 2006 and 2007

# Cash Flow Statement and Balance Sheet Highlights

- Generated \$770 million in cash flow from operations during the year ended 12/31/07
- Cash, cash equivalents and available-for-sale securities of \$3 billion at 12/31/07
- Capital expenditures increased to \$156 million
- Repurchased approximately 4 million Class A shares for \$601 million
  - As of January 25, 2008, repurchased additional 657 thousand shares for \$124 million
- Accrued expenses increased \$135 million mainly due to customer and merchant incentives and higher personnel costs

## 2008 Outlook

- Evaluating existing 3-5 year, long-term performance objectives
  - Will address at Investment Community meeting in Spring 2008
- Thoughts for 2008:
  - Net revenue growth: slower than 2007, but still double-digit
  - G&A growth: slower than net revenue growth and below 2007 G&A growth rate
  - A&M growth: continued modest growth
- Assume current F/X rates, no global recession and no event which significantly disrupts cross-border travel



**MasterCard**  
Worldwide

*The Heart of Commerce™*

# Appendix A: GAAP Reconciliation



(\$ million)	For the three months ended 12/31/07			For the three months ended 12/31/06			YOY Growth
	<u>Actual</u>	<u>Special Items</u>	<u>As Adjusted</u>	<u>Actual</u>	<u>Special Items</u>	<u>As Adjusted</u>	
<b>Revenues, net</b>	\$1,073	-	\$1,073	\$839	-	\$839	27.8%
<b>Operating Expenses</b>							
General and administrative	496	-	496	399	-	399	24.3%
Advertising and marketing	369	-	369	353	-	353	4.5%
Litigation settlements	-	-	-	2	2 a	-	-
Charitable contributions to the MasterCard Foundation	10	-	10 b	14	-	14 b	(28.6%)
Depreciation and amortization	26	-	26	25	-	25	4.0%
Total operating expenses	901	-	901	793	2	791	13.9%
Operating income	172	-	172	46	2	48	258.3%
Operating Margin	16.0%	-	16.0%	5.5%	-	5.7%	10.3 ppts.
<b>Other Income (Expense)</b>							
Investment income, net	311	-	311	41	-	41	658.5%
Interest expense	(15)	-	(15)	(17)	-	(17)	(11.8%)
Other income, net	(1)	-	(1)	-	-	-	NM
Total other income	295	-	295	24	-	24	NM
Income before income taxes	467	-	467	70	2	72	548.6%
Income tax expense	163	-	163	29	1	30	443.3%
<b>Net Income (loss)</b>	\$304	-	\$304	\$41	1	\$42	623.8%
<b>Basic Net Income (Loss) per Share</b>	\$2.28	-	\$2.28	\$0.30	\$0.01	\$0.31	635.5%
<b>Diluted Net Income (Loss) per Share</b>	\$2.26	-	\$2.26	\$0.30	\$0.01	\$0.31	629.0%

<sup>a</sup> Litigation settlements

<sup>b</sup> Contribution of cash to the MasterCard Foundation

<sup>c</sup> Contribution of stock to the MasterCard Foundation

<sup>d</sup> Interest income on IPO proceeds held for redemption

<sup>e</sup> Other income related to a settlement agreement to discontinue the company's sponsorship of the 2010 and 2014 World Cup soccer events

# Appendix A (cont.): GAAP Reconciliation



(\$ million)	For the year ended 12/31/07			For the year ended 12/31/06			YOY Growth As Adjusted
	Actual	Items	As Adjusted	Actual	Items	Adjusted	
<b>Revenues, net</b>	\$4,068	-	\$4,068	\$3,326	-	\$3,326	22.3%
<b>Operating Expenses</b>							
General and administrative	1,758	-	1,758	1,505	-	1,505	16.8%
Advertising and marketing	1,080	-	1,080	1,052	-	1,052	2.7%
Litigation settlements	3	3 a	-	25	25 a	-	-
Charitable contributions to the MasterCard Foundation	20	-	20 b	415	395 c	20 b	-
Depreciation and amortization	98	-	98	100	-	100	(2.0%)
Total operating expenses	<u>2,959</u>	<u>3</u>	<u>2,956</u>	<u>3,097</u>	<u>420</u>	<u>2,677</u>	10.4%
Operating income	<u>1,108</u>	<u>3</u>	<u>1,111</u>	<u>229</u>	<u>420</u>	<u>649</u>	71.2%
Operating Margin	27.2%	-	27.3%	6.9%	-	19.5%	7.8 ppt.
<b>Other Income (Expense)</b>							
Investment income, net	530	-	530	125	(7) d	118	349.2%
Interest expense	(57)	-	(57)	(61)	-	(61)	(6.6%)
Other income, net	90	90 e	-	1	-	1	NM
Total other income (expense)	<u>563</u>	<u>90</u>	<u>473</u>	<u>65</u>	<u>(7)</u>	<u>58</u>	715.5%
Income before income taxes	<u>1,671</u>	<u>(87)</u>	<u>1,584</u>	<u>294</u>	<u>413</u>	<u>707</u>	124.0%
Income tax expense	<u>586</u>	<u>30</u>	<u>556</u>	<u>244</u>	<u>6</u>	<u>250</u>	122.4%
<b>Net Income</b>	<u>\$1,086</u>	<u>(\$57)</u>	<u>\$1,029</u>	<u>\$50</u>	<u>\$407</u>	<u>\$457</u>	125.2%
<b>Basic Net Income per Share</b>	<u>\$8.05</u>	<u>(\$0.42)</u>	<u>\$7.63</u>	<u>\$0.37</u>	<u>\$3.00</u>	<u>\$3.37</u>	126.4%
<b>Diluted Net Income per Share</b>	<u>\$8.00</u>	<u>(\$0.42)</u>	<u>\$7.58</u>	<u>\$0.37</u>	<u>\$3.00</u>	<u>\$3.37</u>	124.9%

<sup>a</sup> Litigation settlements

<sup>b</sup> Contribution of cash to the MasterCard Foundation

<sup>c</sup> Contribution of stock to the MasterCard Foundation

<sup>d</sup> Interest income on IPO proceeds held for redemption

<sup>e</sup> Other income related to a settlement agreement to discontinue the company's sponsorship of the 2010 and 2014 World Cup soccer events

NM = Not meaningful

Figures may not sum due to rounding

# Appendix B: 4<sup>th</sup> Quarter Operations Fees Detail



(In millions, except percentages)	For the three months ended <u>December 31, 2007</u>		Dollar Increase (Decrease)	Percent Increase (Decrease)
	<u>2007</u>	<u>2006</u>	2007 vs. <u>2006</u>	2007 vs. <u>2006</u>
Authorization, settlement and switch	\$382	\$316	66	20.9
Currency conversion and cross-border	234	180	54	30.0
Acceptance development fees	77	60	17	28.3
Warning bulletin fees	18	18	-	-
Connectivity	28	23	5	21.7
Consulting and research fees	29	22	7	31.8
Other operations fees	<u>156</u>	<u>120</u>	<u>36</u>	30.0
Gross operations fees	924	739	185	25.0
Rebates	<u>(96)</u>	<u>(77)</u>	<u>(19)</u>	24.7
Net operations fees	<u>\$829</u>	<u>\$662</u>	<u>\$167</u>	25.2

Note: Figures may not sum due to rounding

# Appendix C: 4<sup>th</sup> Quarter G&A Detail



(In millions, except percentages)	For the three months ended <u>December 31, 2007</u>		Dollar Increase (Decrease)	Percent Increase (Decrease)
	<u>2007</u>	<u>2006</u>	2007 vs. <u>2006</u>	2007 vs. <u>2006</u>
Personnel	\$333	\$252	81	32.2
Professional fees	63	52	10	19.2
Telecommunications	18	18	-	-
Data processing	17	15	2	13.3
Travel and entertainment	25	26	(1)	(3.8)
Other	<u>40</u>	<u>36</u>	<u>4</u>	11.1
General and administrative expenses	<u>\$496</u>	<u>\$399</u>	<u>\$96</u>	24.1