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

FORM 8-K

CURRENT REPORT

Pursuant to Section 13 or 15(d)
of the Securities Exchange Act of 1934

Date of Report (Date of earliest event reported): February 1, 2018

Mastercard Incorporated

(Exact name of registrant as specified in its charter)

Delaware
(State or other jurisdiction
of incorporation)

001-32877
(Commission
File Number)

13-4172551
(IRS Employer
Identification No.)

2000 Purchase Street
Purchase, New York
(Address of principal executive offices)

10577
(Zip Code)

(914) 249-2000
(Registrant's telephone number, including area code)

NOT APPLICABLE

(Former name or former address, if changed since last report)

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions (see General Instruction A.2. below):

- Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)
- Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)
- Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))
- Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))

Indicate by check mark whether the registrant is an emerging growth company as defined in Rule 405 of the Securities Act of 1933 (§230.405 of this chapter) or Rule 12b-2 of the Securities Exchange Act of 1934 (§240.12b-2 of this chapter).

Emerging growth company

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act.

Item 2.02 Results of Operations and Financial Condition

On February 1, 2018, Mastercard Incorporated ("Mastercard") issued an earnings release announcing financial results for its fourth quarter 2017 and full year 2017.

A copy of the earnings release is attached hereto as Exhibit 99.1. All information in the press release is furnished but not filed.

Non-GAAP Financial Information

In the attached press release, Mastercard discloses as non-GAAP financial measures adjusted operating expenses, adjusted operating margin, adjusted effective income tax rate, adjusted net income and adjusted diluted earnings per share (as well as related applicable growth rates versus the comparable period in the prior year). These non-GAAP financial measures exclude the impact of the following special items ("special items").

- In the fourth quarter of 2017, Mastercard recorded additional tax expense due to the passage of the Tax Cuts and Jobs Act.
- In the fourth quarter of 2017, Mastercard recorded a pre-tax charge in general and administrative expenses related to the deconsolidation of its Venezuelan subsidiaries.
- In the first quarter of 2017, Mastercard recorded a provision for litigation related to a litigation settlement with Canadian merchants.
- In the fourth and second quarter of 2016, Mastercard recorded provisions for litigation settlements related to separate litigations with merchants in the U.K.

Mastercard excluded these special items because its management monitors significant changes in tax law, litigation judgments and settlements related to interchange and regulation, and significant one-time items separately from ongoing operations and evaluates ongoing performance without these amounts. Mastercard's management believes that the non-GAAP financial measures presented facilitate an understanding of Mastercard's operating performance and meaningful comparison of its results between periods.

In the attached earnings release, management also presents growth rates on a currency-neutral basis, which is a non-GAAP financial measure. Currency-neutral growth rates are calculated by remeasuring the prior period's results using the current period's exchange rates for both the translational and transactional impacts on operating results. The impact of foreign currency translation represents the effect of translating operating results where the functional currency is different than our U.S. dollar reporting currency. The impact of the transactional foreign currency represents the effect of converting revenue and expenses occurring in a currency other than the functional currency. Mastercard's management believes the presentation of certain currency-neutral growth rates provides relevant information.

Mastercard's management uses non-GAAP financial measures to, among other things, evaluate its ongoing operations in relation to historical results, for internal planning and forecasting purposes and in the calculation of performance-based compensation. The attached press release includes reconciliations of the requisite non-GAAP financial measures to the most directly comparable GAAP financial measures. The presentation of non-GAAP financial measures should not be considered in isolation or as a substitute for Mastercard's related financial results prepared in accordance with GAAP.

Item 9.01 Financial Statements and Exhibits

(d) Exhibits.

| <u>Exhibit Number</u> | <u>Exhibit Description</u> |
|-----------------------|----------------------------|
|-----------------------|----------------------------|

| | |
|----------------------|--|
| 99.1 | Earnings Release issued by Mastercard Incorporated, dated February 1, 2018 |
|----------------------|--|

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned hereunto duly authorized.

MASTERCARD INCORPORATED

Date: February 1, 2018

By: _____ /s/ Janet McGinness
Janet McGinness
Corporate Secretary

Earnings Release



Mastercard Incorporated Reports Fourth-Quarter and Full-Year 2017 Financial Results

- **Fourth -quarter net income of \$227 million , or \$0.21 per diluted share, including \$981 million, or \$0.92 per diluted share in special items, primarily due to U.S. tax reform**
- **Fourth -quarter adjusted net income of \$1.2 billion , or \$ 1.14 per adjusted diluted share**
- **Fourth -quarter net revenues of \$3.3 billion , or an increase of 20%**
- **Fourth -quarter gross dollar volume up 13% and purchase volume up 13%**

Purchase, NY - February 1, 2018 - Mastercard Incorporated (NYSE: MA) today announced financial results for the fourth quarter and full year of 2017 .

“We’re pleased to have finished 2017 with strong results for the quarter and full year, driven by the solid execution of our strategy,” said Ajay Banga, Mastercard president and CEO. “Our ongoing investments in digital and safety and security, combined with our recent acquisitions, position us well to continue to grow our core business and capture new payment flows.”

Quarterly Results

Summary of Fourth-Quarter Operating Results

Amounts in billions (\$), except per share data

| | Q4 2017 | Q4 2016 | Increase / (Decrease) | |
|----------------------------|---------|---------|-----------------------|------------------|
| | | | Reported GAAP | Currency-neutral |
| Net revenue | \$3.3 | \$2.8 | 20% | 18% |
| Operating expenses | \$1.8 | \$1.4 | 28% | 26% |
| Operating income | \$1.5 | \$1.4 | 12% | 9% |
| Operating margin | 46.0% | 49.4% | (3.4) ppt | (3.5) ppt |
| Effective income tax rate | 84.7% | 28.8% | 55.9 ppt | 56.0 ppt |
| Net income | \$0.2 | \$0.9 | (76)% | (76)% |
| Diluted earnings per share | \$0.21 | \$0.86 | (76)% | (76)% |

Summary of Fourth-Quarter Non-GAAP Results ¹

Amounts in billions (\$), except per share data

| | Q4 2017 | Q4 2016 | Increase / (Decrease) | |
|-------------------------------------|---------|---------|-----------------------|------------------|
| | | | As adjusted | Currency-neutral |
| Net revenue | \$3.3 | \$2.8 | 20% | 18% |
| Adjusted operating expenses | \$1.6 | \$1.4 | 17% | 15% |
| Adjusted operating margin | 51.0% | 49.8% | 1.2 ppt | 1.1 ppt |
| Adjusted effective income tax rate | 26.8% | 28.7% | (1.9) ppt | (1.9) ppt |
| Adjusted net income | \$1.2 | \$0.9 | 28% | 25% |
| Adjusted diluted earnings per share | \$1.14 | \$0.86 | 33% | 30% |

¹ The Summary of Non-GAAP Results excludes the impact of special items (“special items”) and/or foreign currency. See Non-GAAP reconciliations on page 12 for further information on the special items, the impact of foreign currency and the reconciliation to U.S. GAAP reported amounts.

-more-

The following additional details are provided to aid in understanding Mastercard's fourth -quarter 2017 results, versus the year-ago period:

- Net revenue growth increased 20% as reported and 18% on a currency-neutral basis, driven by the impact of the following factors:
 - An increase in switched transactions of 17% , to 17.7 billion ;
 - An increase in cross-border volumes of 17% on a local currency basis;
 - A 13% increase in gross dollar volume, on a local currency basis, to \$ 1.4 trillion ; and
 - Acquisitions, primarily Vocalink, contributed 3 percentage points to this growth.
 - These increases were partially offset by an increase in rebates and incentives, primarily due to new and renewed agreements and increased volumes.
- Total operating expenses increased 28% . Excluding special items, total adjusted operating expenses increased 15% on a currency-neutral basis. This includes an 8 percentage point impact from acquisitions, primarily Vocalink. The remainder is mostly related to continued investments in strategic initiatives.
- Other income (expense) was favorable, primarily due to the lapping of impairment charges taken in the same period last year, partially offset by higher interest expense related to the company's debt issuance in November 2016.
- The higher effective tax rate of 84.7% in the fourth quarter of 2017 was primarily due to the U.S. Tax Cuts and Jobs Act. Excluding special items, the lower adjusted effective tax rate of 26.8% was primarily due to a more favorable geographic mix of taxable earnings and the impact of non-recurring deductions, partially offset by a lower U.S. foreign tax credit benefit.
- As of December 31, 2017 , the company's customers had issued 2.4 billion Mastercard and Maestro-branded cards.

Return of Capital to Shareholders

During the fourth quarter of 2017 , Mastercard repurchased approximately 6.9 million shares at a cost of \$1 billion and paid \$233 million in dividends. Quarter-to-date through January 30 , the company repurchased an additional 1.8 million shares at a cost of \$287 million , which leaves \$5 billion remaining under current repurchase program authorizations.

Full-Year 2017 Results

Summary of Full-Year Operating Results

Amounts in billions (\$), except per share data

| | FY 2017 | FY 2016 | Increase / (Decrease) | |
|----------------------------|---------|---------|-----------------------|------------------|
| | | | Reported GAAP | Currency-neutral |
| Net revenue | \$12.5 | \$10.8 | 16% | 15% |
| Operating expenses | \$5.9 | \$5.0 | 17% | 17% |
| Operating income | \$6.6 | \$5.8 | 15% | 14% |
| Operating margin | 53.0% | 53.5% | (0.5) ppt | (0.6) ppt |
| Effective income tax rate | 40.0% | 28.1% | 11.9 ppt | 11.9 ppt |
| Net income | \$3.9 | \$4.1 | (4)% | (5)% |
| Diluted earnings per share | \$3.65 | \$3.69 | (1)% | (2)% |

Summary of Full-Year Non-GAAP Results ¹

Amounts in billions (\$), except per share data

| | FY 2017 | FY 2016 | Increase / (Decrease) | |
|-------------------------------------|---------|---------|-----------------------|------------------|
| | | | As adjusted | Currency-neutral |
| Net revenue | \$12.5 | \$10.8 | 16% | 15% |
| Adjusted operating expenses | \$5.7 | \$4.9 | 16% | 16% |
| Adjusted operating margin | 54.4% | 54.5% | (0.1) ppt | (0.2) ppt |
| Adjusted effective income tax rate | 26.8% | 28.1% | (1.3) ppt | (1.3) ppt |
| Adjusted net income | \$4.9 | \$4.1 | 18% | 17% |
| Adjusted diluted earnings per share | \$4.58 | \$3.77 | 21% | 21% |

¹ The Summary of Non-GAAP Results excludes the impact of special items ("special items") and/or foreign currency. See Non-GAAP reconciliations on page 12 for further information on the special items, the impact of foreign currency and the reconciliation to U.S. GAAP reported amounts.

The following additional details are provided to aid in understanding Mastercard's full-year 2017 results, versus the year-ago period:

- Net revenue growth for the twelve months ended December 31, 2017 increased 16% , or 15% on a currency-neutral basis, driven by the impact of the following factors:
 - An increase in switched transactions of 17% , to 65 billion ;
 - An increase in cross-border volumes of 15% on a local currency basis;
 - An 10% increase in gross dollar volume, on a local currency basis and adjusting for the impact of recent EU regulatory changes, to \$ 5.2 trillion ; and
 - Acquisitions, primarily Vocalink, contributed 2 percentage points to this growth.
 - These increases were partially offset by an increase in rebates and incentives, primarily due to new and renewed agreements and increased volumes.
- Total operating expenses increased 17% . Excluding the special items, total adjusted operating expenses increased 16% on a currency-neutral basis, which includes a 6 percentage point impact from acquisitions, primarily Vocalink. Other factors contributing to the increase were continued investments in strategic initiatives as well as foreign exchange-related charges.

- Other income (expense) was favorable, primarily due to the lapping of impairment charges taken last year and a gain relating to an investment in the current year, and was partially offset by higher interest expense related to the company's debt issuance in November 2016.
- The higher effective tax rate of 40% for the full year of 2017 was primarily due to the U.S. Tax Cuts and Jobs Act. Excluding special items, the lower adjusted effective tax rate of 26.8% was primarily due to a more favorable geographic mix of taxable earnings, partially offset by a lower U.S. foreign tax credit benefit.

Return of Capital to Shareholders

For the full year of 2017, Mastercard repurchased approximately 30 million shares at a cost of \$3.8 billion and paid \$942 million in dividends.

Fourth -Quarter and Full-Year Financial Results Conference Call Details

At 9:00 a.m. ET today, the company will host a conference call to discuss its fourth -quarter and full-year financial results.

The dial-in information for this call is 844-579-6824 (within the U.S.) and 763-488-9145 (outside the U.S.), and the passcode is 8653439. A replay of the call will be available for 30 days and can be accessed by dialing 855-859-2056 (within the U.S.) and 404-537-3406 (outside the U.S.), using passcode 8653439.

This call can also be accessed through the Investor Relations section of the company's website at www.mastercard.com/investor. Presentation slides used on this call will also be available on the website.

Non-GAAP Financial Information

The company has presented certain financial data that are considered non-GAAP financial measures that are reconciled to their most directly comparable GAAP measures in the accompanying tables.

The presentation of growth rates on a currency-neutral basis represent a non-GAAP measure and are calculated by remeasuring the prior period's results using the current period's exchange rates for both the translational and transactional impacts in our operating results.

About Mastercard Incorporated

[Mastercard](#) (NYSE: MA), www.mastercard.com, is a technology company in the global payments industry. Our global payments processing network connects consumers, financial institutions, merchants, governments and businesses in more than 210 countries and territories. Mastercard products and solutions make everyday commerce activities - such as shopping, traveling, running a business and managing finances - easier, more secure and more efficient for everyone. Follow us on Twitter [@MastercardNews](#), join the discussion on the [Beyond the Transaction Blog](#) and [subscribe](#) for the latest news on the [Engagement Bureau](#).

Forward-Looking Statements

This press release contains forward-looking statements pursuant to the safe harbor provisions of the Private Securities Litigation Reform Act of 1995. All statements other than statements of historical facts may be forward-looking statements. When used in this press release, the words “believe”, “expect”, “could”, “may”, “would”, “will”, “trend” and similar words are intended to identify forward-looking statements. Examples of forward-looking statements include, but are not limited to, statements that relate to Mastercard’s future prospects, developments and business strategies. We caution you to not place undue reliance on these forward-looking statements, as they speak only as of the date they are made. Except for the company’s ongoing obligations under the U.S. federal securities laws, the company does not intend to update or otherwise revise the forward-looking information to reflect actual results of operations, changes in financial condition, changes in estimates, expectations or assumptions, changes in general economic or industry conditions or other circumstances arising and/or existing since the preparation of this press release or to reflect the occurrence of any unanticipated events.

Many factors and uncertainties relating to our operations and business environment, all of which are difficult to predict and many of which are outside of our control, influence whether any forward-looking statements can or will be achieved. Any one of those factors could cause our actual results to differ materially from those expressed or implied in writing in any forward-looking statements made by Mastercard or on its behalf, including, but not limited to, the following factors:

- payments system-related legal and regulatory challenges (including interchange fees, surcharging and the extension of current regulatory activity to additional jurisdictions or products);
 - the impact of preferential or protective government actions;
 - regulation to which we are subject based on our participation in the payments industry;
 - regulation of privacy, data protection and security;
 - potential or incurred liability and limitations on business resulting from litigation;
 - the impact of competition in the global payments industry (including disintermediation and pricing pressure);
 - the challenges relating to rapid technological developments and changes;
 - the impact of information security failures, breaches or service disruptions on our business;
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- issues related to our relationships with our financial institution customers (including loss of substantial business from significant customers, competitor relationships with our customers and banking industry consolidation);
- the impact of our relationships with other stakeholders, including merchants and governments;
- exposure to loss or illiquidity due to settlement guarantees and other significant third-party obligations;
- the impact of global economic and political events and conditions (including global financial market activity, declines in cross-border activity, negative trends in consumer spending and the effect of adverse currency fluctuation);
- reputational impact, including impact related to brand perception, account data breaches and fraudulent activity; and
- issues related to acquisition integration, strategic investments and entry into new businesses.

For additional information on these and other factors that could cause Mastercard's actual results to differ materially from expected results, please see the company's filings with the Securities and Exchange Commission, including the company's Annual Report on Form 10-K for the year ended December 31, 2016 and any subsequent reports on Forms 10-Q and 8-K.

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Contacts:

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Media Relations: Seth Eisen, Seth.Eisen@mastercard.com, 914-249-3153.

MASTERCARD INCORPORATED
CONSOLIDATED STATEMENT OF OPERATIONS
(UNAUDITED)

| | Three Months Ended December 31, | | Twelve Months Ended December 31, | |
|---|--------------------------------------|----------------|----------------------------------|-----------------|
| | 2017 | 2016 | 2017 | 2016 |
| | (in millions, except per share data) | | | |
| Net Revenue | \$ 3,312 | \$ 2,756 | \$ 12,497 | \$ 10,776 |
| Operating Expenses | | | | |
| General and administrative | 1,364 | 983 | 4,526 | 3,714 |
| Advertising and marketing | 311 | 308 | 898 | 811 |
| Depreciation and amortization | 115 | 92 | 436 | 373 |
| Provision for litigation settlements | — | 10 | 15 | 117 |
| Total operating expenses | 1,790 | 1,393 | 5,875 | 5,015 |
| Operating income | 1,522 | 1,363 | 6,622 | 5,761 |
| Other Income (Expense) | | | | |
| Investment income | 12 | 11 | 56 | 43 |
| Interest expense | (41) | (30) | (154) | (95) |
| Other income (expense), net | (9) | (33) | (2) | (63) |
| Total other income (expense) | (38) | (52) | (100) | (115) |
| Income before income taxes | 1,484 | 1,311 | 6,522 | 5,646 |
| Income tax expense | 1,257 | 378 | 2,607 | 1,587 |
| Net Income | \$ 227 | \$ 933 | \$ 3,915 | \$ 4,059 |
| Basic Earnings per Share | \$ 0.21 | \$ 0.86 | \$ 3.67 | \$ 3.70 |
| Basic Weighted-Average Shares Outstanding | 1,057 | 1,087 | 1,067 | 1,098 |
| Diluted Earnings per Share | \$ 0.21 | \$ 0.86 | \$ 3.65 | \$ 3.69 |
| Diluted Weighted-Average Shares Outstanding | 1,063 | 1,090 | 1,072 | 1,101 |

MASTERCARD INCORPORATED
CONSOLIDATED BALANCE SHEET
(UNAUDITED)

| | December 31, 2017 | December 31, 2016 |
|--|--------------------------------------|-------------------|
| | (in millions, except per share data) | |
| ASSETS | | |
| Cash and cash equivalents | \$ 5,933 | \$ 6,721 |
| Restricted cash for litigation settlement | 546 | 543 |
| Investments | 1,849 | 1,614 |
| Accounts receivable | 1,969 | 1,416 |
| Settlement due from customers | 1,375 | 1,093 |
| Restricted security deposits held for customers | 1,085 | 991 |
| Prepaid expenses and other current assets | 1,040 | 850 |
| Total Current Assets | 13,797 | 13,228 |
| Property, plant and equipment, net | 829 | 733 |
| Deferred income taxes | 250 | 307 |
| Goodwill | 3,035 | 1,756 |
| Other intangible assets, net | 1,120 | 722 |
| Other assets | 2,298 | 1,929 |
| Total Assets | \$ 21,329 | \$ 18,675 |
| LIABILITIES, REDEEMABLE NON-CONTROLLING INTERESTS AND EQUITY | | |
| Accounts payable | \$ 933 | \$ 609 |
| Settlement due to customers | 1,343 | 946 |
| Restricted security deposits held for customers | 1,085 | 991 |
| Accrued litigation | 709 | 722 |
| Accrued expenses | 3,931 | 3,318 |
| Other current liabilities | 792 | 620 |
| Total Current Liabilities | 8,793 | 7,206 |
| Long-term debt | 5,424 | 5,180 |
| Deferred income taxes | 106 | 81 |
| Other liabilities | 1,438 | 524 |
| Total Liabilities | 15,761 | 12,991 |
| Commitments and Contingencies | | |
| Redeemable Non-controlling Interests | 71 | — |
| Stockholders' Equity | | |
| Class A common stock, \$0.0001 par value; authorized 3,000 shares, 1,382 and 1,374 shares issued and 1,040 and 1,062 outstanding, respectively | — | — |
| Class B common stock, \$0.0001 par value; authorized 1,200 shares, 14 and 19 issued and outstanding, respectively | — | — |
| Additional paid-in-capital | 4,365 | 4,183 |
| Class A treasury stock, at cost, 342 and 312 shares, respectively | (20,764) | (17,021) |
| Retained earnings | 22,364 | 19,418 |
| Accumulated other comprehensive income (loss) | (497) | (924) |
| Total Stockholders' Equity | 5,468 | 5,656 |
| Non-controlling interests | 29 | 28 |

| | | | | |
|--|----|--------|----|--------|
| Total Equity | | 5,497 | | 5,684 |
| Total Liabilities, Redeemable Non-controlling Interests and Equity | \$ | 21,329 | \$ | 18,675 |

MASTERCARD INCORPORATED
CONSOLIDATED STATEMENT OF CASH FLOWS
(UNAUDITED)

| | For the Years Ended December 31, | | |
|---|----------------------------------|----------|----------|
| | 2017 | 2016* | 2015* |
| | (in millions) | | |
| Operating Activities | | | |
| Net income | \$ 3,915 | \$ 4,059 | \$ 3,808 |
| Adjustments to reconcile net income to net cash provided by operating activities: | | | |
| Amortization of customer and merchant incentives | 1,001 | 860 | 764 |
| Depreciation and amortization | 437 | 373 | 366 |
| Share-based compensation | 176 | 149 | 122 |
| Tax benefit for share-based payments | — | (48) | (42) |
| Deferred income taxes | 86 | (20) | (16) |
| Venezuela charge | 167 | — | — |
| Other | 59 | 29 | (81) |
| Changes in operating assets and liabilities: | | | |
| Accounts receivable | (445) | (338) | (35) |
| Settlement due from customers | (281) | (10) | (98) |
| Prepaid expenses | (1,402) | (1,073) | (802) |
| Accrued litigation and legal settlements | (15) | 17 | (63) |
| Accounts payable | 290 | 145 | 49 |
| Settlement due to customers | 394 | 66 | (186) |
| Accrued expenses | 589 | 520 | 325 |
| Long-term taxes payable | 577 | — | — |
| Net change in other assets and liabilities | 7 | (194) | (10) |
| Net cash provided by operating activities | 5,555 | 4,535 | 4,101 |
| Investing Activities | | | |
| Purchases of investment securities available-for-sale | (714) | (957) | (974) |
| Purchases of investments held-to-maturity | (1,145) | (867) | (918) |
| Proceeds from sales of investment securities available-for-sale | 304 | 277 | 703 |
| Proceeds from maturities of investment securities available-for-sale | 500 | 339 | 542 |
| Proceeds from maturities of investments held-to-maturity | 1,020 | 456 | 857 |
| Purchases of property, plant and equipment | (300) | (215) | (177) |
| Capitalized software | (123) | (167) | (165) |
| Acquisition of businesses, net of cash acquired | (1,175) | — | (584) |
| Investment in nonmarketable equity investments | (147) | (31) | 2 |
| Other investing activities | 1 | (2) | (1) |
| Net cash used in investing activities | (1,779) | (1,167) | (715) |
| Financing Activities | | | |
| Purchases of treasury stock | (3,762) | (3,511) | (3,518) |
| Proceeds from debt | — | 1,972 | 1,735 |
| Payment of debt | (64) | — | — |
| Dividends paid | (942) | (837) | (727) |
| Tax benefit for share-based payments | — | 48 | 42 |
| Tax withholdings related to share-based payments | (47) | (51) | (58) |
| Cash proceeds from exercise of stock options | 57 | 37 | 27 |
| Other financing activities | (6) | (2) | (17) |
| Net cash used in financing activities | (4,764) | (2,344) | (2,516) |
| Effect of exchange rate changes on cash and cash equivalents | 200 | (50) | (260) |

| | | | |
|--|-----------------|-----------------|-----------------|
| Net (decrease) increase in cash and cash equivalents | (788) | 974 | 610 |
| Cash and cash equivalents - beginning of period | 6,721 | 5,747 | 5,137 |
| Cash and cash equivalents - end of period | <u>\$ 5,933</u> | <u>\$ 6,721</u> | <u>\$ 5,747</u> |

* Reclassified to reflect the adoption of Accounting Standards Update No: 2016-09, Improvements to Employee Share-Based Payment Accounting, which amends ASC Topic 718, Compensation - Stock Compensation.

MASTERCARD INCORPORATED OPERATING PERFORMANCE

For the 3 Months Ended December 31, 2017

| | GDV (Bil.) | Growth (USD) | Growth (Local) | Purchase Volume (Bil.) | Growth (Local) | Purchase Trans. (Mil.) | Purchase Trans. Growth | Cash Volume (Bil.) | Growth (Local) | Cash Trans. (Mil.) | Cards (Mil.) |
|---|---------------|-----------------|-------------------|------------------------------|-------------------|------------------------------|------------------------------|--------------------------|-------------------|--------------------------|-----------------|
| All Mastercard Credit, Charge and Debit Programs | | | | | | | | | | | |
| APMEA | \$ 435 | 14.7 % | 12.6% | \$ 297 | 11.1 % | 4,898 | 17.9% | \$ 138 | 16.0 % | 1,466 | 707 |
| Canada | 43 | 15.1 % | 9.6% | 42 | 9.9 % | 599 | 10.3% | 2 | 2.2 % | 5 | 53 |
| Europe | 413 | 22.8 % | 15.9% | 266 | 17.5 % | 6,451 | 25.7% | 147 | 13.2 % | 998 | 478 |
| Europe Adj for Article 8 | | | 17% | | 20 % | | 28% | | | | |
| Latin America | 106 | 18.3 % | 16.5% | 67 | 20.7 % | 2,087 | 19.8% | 39 | 9.9 % | 278 | 176 |
| Worldwide less United States | 998 | 18.4 % | 14.2% | 671 | 14.4 % | 14,034 | 21.3% | 326 | 13.9 % | 2,747 | 1,413 |
| WW Less US Adj for Article 8 | | | 15% | | 15 % | | 22% | | | | |
| United States | 423 | 9.2 % | 9.2% | 366 | 10.0 % | 6,508 | 8.4% | 56 | 4.2 % | 326 | 412 |
| Worldwide | 1,420 | 15.5 % | 12.7% | 1,038 | 12.8 % | 20,542 | 16.9% | 383 | 12.4 % | 3,073 | 1,825 |
| Worldwide Adj for Article 8 | | | 13% | | 13 % | | 17% | | | | |
| Mastercard Credit and Charge Programs | | | | | | | | | | | |
| Worldwide less United States | 530 | 13.8 % | 10.2% | 489 | 11.1 % | 7,644 | 13.8% | 41 | 0.9 % | 183 | 604 |
| United States | 207 | 10.0 % | 10.0% | 198 | 10.0 % | 2,220 | 7.5% | 9 | 9.3 % | 9 | 212 |
| Worldwide | 738 | 12.7 % | 10.2% | 687 | 10.8 % | 9,864 | 12.3% | 50 | 2.3 % | 192 | 816 |
| Mastercard Debit Programs | | | | | | | | | | | |
| Worldwide less United States | 467 | 24.0 % | 19.2% | 182 | 24.3 % | 6,390 | 31.6% | 285 | 16.1 % | 2,564 | 810 |
| United States | 215 | 8.4 % | 8.4% | 168 | 9.9 % | 4,288 | 8.8% | 47 | 3.2 % | 317 | 200 |
| Worldwide | 682 | 18.6 % | 15.5% | 350 | 17.0 % | 10,677 | 21.4% | 332 | 14.1 % | 2,881 | 1,009 |

For the 12 Months Ended December 31, 2017

| | GDV (Bil.) | Growth (USD) | Growth (Local) | Purchase Volume (Bil.) | Growth (Local) | Purchase Trans. (Mil.) | Purchase Trans. Growth | Cash Volume (Bil.) | Growth (Local) | Cash Trans. (Mil.) | Cards (Mil.) |
|---|---------------|-----------------|-------------------|------------------------------|-------------------|------------------------------|------------------------------|--------------------------|-------------------|--------------------------|-----------------|
| All Mastercard Credit, Charge and Debit Programs | | | | | | | | | | | |
| APMEA | \$ 1,613 | 9.0 % | 9.6% | \$ 1,095 | 9.6 % | 18,063 | 22.4% | \$ 519 | 9.5 % | 5,473 | 707 |
| Canada | 157 | 12.7 % | 10.1% | 150 | 10.9 % | 2,254 | 11.2% | 7 | -4.1 % | 22 | 53 |
| Europe | 1,476 | 9.8 % | 9.6% | 943 | 8.3 % | 23,057 | 15.2% | 532 | 11.9 % | 3,782 | 478 |
| Europe Adj for Article 8 | | | 16% | | 18 % | | 25% | | | | |
| Latin America | 383 | 17.5 % | 15.6% | 240 | 19.0 % | 7,565 | 17.7% | 142 | 10.2 % | 1,053 | 176 |
| Worldwide less United States | 3,629 | 10.3 % | 10.2% | 2,429 | 10.0 % | 50,938 | 17.9% | 1,200 | 10.5 % | 10,331 | 1,413 |
| WW Less US Adj for Article 8 | | | 13% | | 14 % | | 22% | | | | |
| United States | 1,613 | 5.2 % | 5.2% | 1,385 | 5.7 % | 24,859 | 3.6% | 228 | 2.5 % | 1,330 | 412 |
| Worldwide | 5,242 | 8.7 % | 8.6% | 3,814 | 8.4 % | 75,796 | 12.8% | 1,428 | 9.2 % | 11,661 | 1,825 |
| Worldwide Adj for Article 8 | | | 10% | | 11 % | | 15% | | | | |
| Mastercard Credit and Charge Programs | | | | | | | | | | | |
| Worldwide less United States | 1,958 | 8.2 % | 8.4% | 1,798 | 8.9 % | 28,424 | 13.1% | 160 | 3.3 % | 730 | 604 |
| United States | 780 | 7.7 % | 7.7% | 743 | 7.3 % | 8,337 | 5.0% | 37 | 16.5 % | 36 | 212 |
| Worldwide | 2,738 | 8.1 % | 8.2% | 2,541 | 8.4 % | 36,760 | 11.1% | 197 | 5.6 % | 765 | 816 |
| Mastercard Debit Programs | | | | | | | | | | | |
| Worldwide less United States | 1,671 | 12.9 % | 12.4% | 630 | 13.5 % | 22,514 | 24.5% | 1,040 | 11.7 % | 9,601 | 810 |
| United States | 833 | 3.0 % | 3.0% | 642 | 3.9 % | 16,522 | 2.9% | 191 | 0.2 % | 1,294 | 200 |
| Worldwide | 2,504 | 9.4 % | 9.1% | 1,272 | 8.4 % | 39,036 | 14.3% | 1,231 | 9.8 % | 10,896 | 1,009 |

For the 3 months ended December 31, 2016

| | GDV (Bil.) | Growth (USD) | Growth (Local) | Purchase Volume (Bil.) | Growth (Local) | Purchase Trans. (Mil.) | Purchase Trans. Growth | Cash Volume (Bil.) | Growth (Local) | Cash Trans. (Mil.) | Cards (Mil.) |
|---|---------------|-----------------|-------------------|------------------------------|-------------------|------------------------------|------------------------------|--------------------------|-------------------|--------------------------|-----------------|
| All Mastercard Credit, Charge and Debit Programs | | | | | | | | | | | |
| APMEA | \$ 379 | 4.6 % | 7.3% | \$ 260 | 7.9 % | 4,154 | 24.5% | \$ 119 | 6.0 % | 1,290 | 615 |
| Canada | 38 | 9.8 % | 9.5% | 36 | 10.1 % | 543 | 11.3% | 2 | -3.5 % | 5 | 48 |
| Europe | 336 | -2.1 % | 3.2% | 214 | -2.7 % | 5,134 | 4.0% | 123 | 15.3 % | 925 | 432 |
| Europe Adj for Article 8 | | | 16% | | 16 % | | 22% | | | | |
| Latin America | 90 | 8.4 % | 14.5% | 56 | 16.9 % | 1,742 | 14.7% | 34 | 10.8 % | 264 | 165 |
| Worldwide less United States | 843 | 2.4 % | 6.4% | 565 | 4.5 % | 11,572 | 12.6% | 277 | 10.5 % | 2,485 | 1,260 |
| WW Less US Adj for Article 8 | | | 11% | | 12 % | | 21% | | | | |
| United States | 387 | 2.4 % | 2.4% | 333 | 2.7 % | 6,005 | 1.9% | 54 | 1.1 % | 324 | 391 |
| Worldwide | 1,230 | 2.4 % | 5.1% | 898 | 3.8 % | 17,577 | 8.7% | 331 | 8.8 % | 2,809 | 1,651 |
| Worldwide Adj for Article 8 | | | 8% | | 8 % | | 14% | | | | |

| | | | | | | | | | | | |
|--|-----|-------|------|-----|-------|-------|-------|-----|--------|-------|-----|
| Mastercard Credit and Charge Programs | | | | | | | | | | | |
| Worldwide less United States | 466 | 2.1 % | 5.8% | 427 | 6.1 % | 6,717 | 11.5% | 39 | 3.0 % | 189 | 565 |
| United States | 189 | 4.2 % | 4.2% | 180 | 3.8 % | 2,065 | 3.6% | 8 | 13.3 % | 9 | 200 |
| Worldwide | 655 | 2.7 % | 5.3% | 607 | 5.4 % | 8,783 | 9.5% | 48 | 4.7 % | 199 | 766 |
| Mastercard Debit Programs | | | | | | | | | | | |
| Worldwide less United States | 377 | 2.7 % | 7.1% | 139 | — % | 4,855 | 14.2% | 238 | 11.8 % | 2,295 | 695 |
| United States | 198 | 0.8 % | 0.8% | 153 | 1.3 % | 3,940 | 0.9% | 46 | -0.8 % | 315 | 191 |
| Worldwide | 575 | 2.0 % | 4.9% | 291 | 0.7 % | 8,794 | 7.8% | 284 | 9.6 % | 2,610 | 885 |

For the 12 Months ended December 31, 2016

| | GDV (Bil.) | Growth (USD) | Growth (Local) | Purchase Volume (Bil.) | Growth (Local) | Purchase Trans. (Mil.) | Purchase Trans. Growth | Cash Volume (Bil.) | Growth (Local) | Cash Trans. (Mil.) | Cards (Mil.) |
|---|---------------|-----------------|-------------------|------------------------------|-------------------|------------------------------|------------------------------|--------------------------|-------------------|--------------------------|-----------------|
| All Mastercard Credit, Charge and Debit Programs | | | | | | | | | | | |
| APMEA | \$ 1,480 | 6.7 % | 10.6% | \$ 996 | 9.7 % | 14,754 | 22.5% | \$ 484 | 12.7 % | 5,040 | 615 |
| Canada | 140 | 6.1 % | 9.6% | 133 | 10.1 % | 2,027 | 12.4% | 7 | 1.4 % | 22 | 48 |
| Europe | 1,344 | 4.6 % | 9.5% | 878 | 4.1 % | 20,012 | 11.9% | 465 | 21.5 % | 3,563 | 432 |
| Europe Adj for Article 8 | | | 18% | | 16 % | | 24% | | | | |
| Latin America | 326 | 1.7 % | 14.8% | 196 | 15.7 % | 6,426 | 13.0% | 130 | 13.4 % | 1,008 | 165 |
| Worldwide less United States | 3,289 | 5.3 % | 10.5% | 2,203 | 7.9 % | 43,218 | 15.5% | 1,086 | 16.3 % | 9,633 | 1,260 |
| WW Less US Adj for Article 8 | | | 14% | | 12 % | | 21% | | | | |
| United States | 1,533 | 6.0 % | 6.0% | 1,311 | 6.3 % | 24,004 | 7.8% | 222 | 4.2 % | 1,362 | 391 |
| Worldwide | 4,822 | 5.5 % | 9.1% | 3,513 | 7.3 % | 67,222 | 12.6% | 1,309 | 14.1 % | 10,995 | 1,651 |
| Worldwide Adj for Article 8 | | | 11% | | 10 % | | 16% | | | | |
| Mastercard Credit and Charge Programs | | | | | | | | | | | |
| Worldwide less United States | 1,810 | 2.2 % | 7.1% | 1,657 | 7.6 % | 25,131 | 11.6% | 153 | 1.6 % | 741 | 565 |
| United States | 724 | 6.4 % | 6.4% | 693 | 6.2 % | 7,942 | 8.1% | 32 | 10.9 % | 37 | 200 |
| Worldwide | 2,534 | 3.4 % | 6.9% | 2,349 | 7.2 % | 33,073 | 10.7% | 184 | 3.1 % | 778 | 766 |
| Mastercard Debit Programs | | | | | | | | | | | |
| Worldwide less United States | 1,479 | 9.4 % | 15.1% | 546 | 8.8 % | 18,087 | 21.4% | 934 | 19.1 % | 8,892 | 695 |
| United States | 809 | 5.6 % | 5.6% | 618 | 6.4 % | 16,063 | 7.6% | 191 | 3.2 % | 1,325 | 191 |
| Worldwide | 2,288 | 8.0 % | 11.6% | 1,164 | 7.5 % | 34,149 | 14.5% | 1,124 | 16.1 % | 10,217 | 885 |

APMEA = Asia Pacific / Middle East / Africa

Note that the figures in the preceding tables may not sum due to rounding; growth represents change from the comparable year-ago period

Footnote

The tables set forth the gross dollar volume (“GDV”), purchase volume, cash volume and the number of purchase transactions, cash transactions and cards on a regional and global basis for Mastercard™-branded cards. Growth rates over prior periods are provided for volume-based data.

Debit transactions on Maestro® and Cirrus®-branded cards and transactions involving brands other than Mastercard are not included in the preceding tables.

For purposes of the table: GDV represents purchase volume plus cash volume and includes the impact of balance transfers and convenience checks; “purchase volume” means the aggregate dollar amount of purchases made with Mastercard-branded cards for the relevant period; and “cash volume” means the aggregate dollar amount of cash disbursements obtained with Mastercard-branded cards for the relevant period. The number of cards includes virtual cards, which are Mastercard-branded payment accounts that do not generally have physical cards associated with them.

The Mastercard payment product is comprised of credit, charge, debit and prepaid programs, and data relating to each type of program is included in the tables. Debit programs include Mastercard-branded debit programs where the primary means of cardholder validation at the point of sale is for cardholders either to sign a sales receipt or enter a PIN. The tables include information with respect to transactions involving Mastercard-branded cards that are not switched by Mastercard and transactions for which Mastercard does not earn significant revenues.

Information denominated in U.S. dollars is calculated by applying an established U.S. dollar/local currency exchange rate for each local currency in which Mastercard volumes are reported. These exchange rates are calculated on a quarterly basis using the average exchange rate for each quarter. Mastercard reports period-over-period rates of change in purchase volume and cash volume on the basis of local currency information, in order to eliminate the impact of changes in the value of foreign currencies against the U.S. dollar in calculating such rates of change.

The data set forth in the GDV, purchase volume, purchase transactions, cash volume and cash transactions columns is provided by Mastercard customers and is subject to verification by Mastercard and partial cross-checking against information provided by Mastercard’s transaction switching systems. The data set forth in the cards columns is provided by Mastercard customers and is subject to certain limited verification by Mastercard. A portion of the data set forth in the cards columns reflects the impact of routine portfolio changes among customers and other practices that may lead to over counting of the underlying data in certain circumstances. All data is subject to revision and amendment by Mastercard’s customers subsequent to the date of its release.

Performance information for prior periods can be found in the “Investor Relations” section of the Mastercard website at www.mastercard.com/investor.

Non-GAAP Reconciliations

| Three Months Ended December 31, 2017 | | | | | |
|---|--------------------|------------------|---------------------------|------------|----------------------------|
| | Operating expenses | Operating margin | Effective income tax rate | Net income | Diluted earnings per share |
| (\$ in millions, except per share data) | | | | | |
| Reported - GAAP | \$ 1,790 | 46.0% | 84.7 % | \$ 227 | \$ 0.21 |
| Tax Act Impact 1 | ** | ** | (58.8)% | 873 | 0.82 |
| Venezuela Charge 2 | (167) | 5.0% | 0.9 % | 108 | 0.10 |
| Non-GAAP | \$ 1,623 | 51.0% | 26.8 % | \$ 1,208 | \$ 1.14 |

| Three Months Ended December 31, 2016 | | | | | |
|---|--------------------|------------------|---------------------------|------------|----------------------------|
| | Operating expenses | Operating margin | Effective income tax rate | Net income | Diluted earnings per share |
| (\$ in millions, except per share data) | | | | | |
| Reported - GAAP | \$ 1,393 | 49.4% | 28.8 % | \$ 933 | \$ 0.86 |
| U.K. Merchant Litigation Provision 4 | (10) | 0.4% | (0.1)% | 7 | 0.01 |
| Non-GAAP | \$ 1,383 | 49.8% | 28.7 % | \$ 940 | \$ 0.86 |

| Twelve Months Ended December 31, 2017 | | | | | |
|--|--------------------|------------------|---------------------------|------------|----------------------------|
| | Operating expenses | Operating margin | Effective income tax rate | Net income | Diluted earnings per share |
| (\$ in millions, except per share data) | | | | | |
| Reported - GAAP | \$ 5,875 | 53.0% | 40.0 % | \$ 3,915 | \$ 3.65 |
| Tax Act Impact 1 | ** | ** | (13.4)% | 873 | 0.81 |
| Venezuela Charge 2 | (167) | 1.3% | 0.2 % | 108 | 0.10 |
| Canadian Merchant Litigation Provision 3 | (15) | 0.1% | — % | 10 | 0.01 |
| Non-GAAP | \$ 5,693 | 54.4% | 26.8 % | \$ 4,906 | \$ 4.58 |

| Twelve Months Ended December 31, 2016 | | | | | |
|---|--------------------|------------------|---------------------------|------------|----------------------------|
| | Operating expenses | Operating margin | Effective income tax rate | Net income | Diluted earnings per share |
| (\$ in millions, except per share data) | | | | | |
| Reported - GAAP | \$ 5,015 | 53.5% | 28.1% | \$ 4,059 | \$ 3.69 |
| U.K. Merchant Litigation Provision 4 | (117) | 1.0% | —% | 85 | 0.08 |
| Non-GAAP | \$ 4,898 | 54.5% | 28.1% | \$ 4,144 | \$ 3.77 |

The following tables represent the reconciliation of our growth rates reported under U.S. GAAP to our Non-GAAP growth rates, adjusted for special items and foreign currency:

| Three Months Ended December 31, 2017 as compared to the Three Months Ended December 31, 2016 | | | | | | |
|--|---------------------|--------------------|------------------|---------------------------|------------|----------------------------|
| | Increase/(Decrease) | | | | | |
| | Net revenue | Operating expenses | Operating margin | Effective income tax rate | Net income | Diluted earnings per share |
| Reported - GAAP | 20 % | 28 % | (3.4) ppt | 55.9 ppt | (76)% | (76)% |
| Tax Act Impact 1 | ** | ** | ** | (58.8) ppt | 93 % | 98 % |
| Venezuela Charge 2 | ** | (12)% | 5.0 ppt | 0.9 ppt | 12 % | 12 % |
| U.K. Merchant Litigation Provision 4 | ** | 1 % | (0.4) ppt | - ppt | (1)% | (1)% |
| Non-GAAP | 20 % | 17 % | 1.2 ppt | (1.9) ppt | 28 % | 33 % |
| Foreign currency 5 | (3)% | (2)% | (0.1) ppt | - ppt | (3)% | (3)% |
| Non-GAAP - currency-neutral | 18 % | 15 % | 1.1 ppt | (1.9) ppt | 25 % | 30 % |

| Year Ended December 31, 2017 as compared to the Year Ended December 31, 2016 | | | | | | |
|--|---------------------|--------------------|------------------|---------------------------|------------|----------------------------|
| | Increase/(Decrease) | | | | | |
| | Net revenue | Operating expenses | Operating margin | Effective income tax rate | Net income | Diluted earnings per share |
| Reported - GAAP | 16 % | 17 % | (0.5) ppt | 11.9 ppt | (4)% | (1)% |
| Tax Act Impact 1 | ** | ** | ** | (13.4) ppt | 21 % | 22 % |
| Venezuela Charge 2 | ** | (3)% | 1.3 ppt | 0.2 ppt | 3 % | 3 % |
| Canadian Merchant Litigation Provision 3 | ** | — % | 0.1 ppt | - ppt | — % | — % |
| U.K. Merchant Litigation Provision 4 | ** | 3 % | (1.1) ppt | - ppt | (2)% | (3)% |
| Non-GAAP | 16 % | 16 % | (0.1) ppt | (1.3) ppt | 18 % | 21 % |
| Foreign currency 5 | (1)% | (1)% | (0.1) ppt | - ppt | (1)% | 1 % |
| Non-GAAP - currency-neutral | 15 % | 16 % | (0.2) ppt | (1.3) ppt | 17 % | 21 % |

Note: Tables may not sum due to rounding.

** Not applicable

¹ Impact of the Tax Cuts and Jobs Act ("Tax Act Impact") recognized in Q4'17 of \$873 million (\$0.82 per diluted share for Q4'17, or \$0.81 per diluted share for FY'17).

² Impact of the deconsolidation of our Venezuelan subsidiaries ("Venezuela Charge") in Q4'17 of \$167 million (\$108 million after tax, or \$0.10 per diluted share).

³ Impact of a provision for litigation in Q1'17 of \$15 million (\$10 million after tax, or \$0.01 per diluted share), relating to a settlement for Canadian merchant litigation ("Canadian Merchant Litigation Provision").

⁴ Impact of a provision for litigation in Q2'16 of \$107 million (\$78 million after-tax, or \$0.07 per diluted share), and in Q4'16 of \$10 million (\$7 million after-tax, or \$0.01 per diluted share), relating to the U.K. Merchant Litigation Provision ("U.K. Merchant Litigation Provision").

⁵ Represents the foreign currency translational and transactional impact.

Article 8 Impacts on Europe and Worldwide GDV and Purchase Volume Growth Rates

| | Growth (Local Currency) | | | | | | | | FY2016 | FY2017 |
|------------------------------------|-------------------------|--------|--------|--------|--------|--------|--------|--------|--------|--------|
| | 2016Q1 | 2016Q2 | 2016Q3 | 2016Q4 | 2017Q1 | 2017Q2 | 2017Q3 | 2017Q4 | | |
| GDV | | | | | | | | | | |
| Europe as reported | 18% | 14% | 4% | 3% | 1% | 5% | 15% | 16% | 10% | 10% |
| Europe normalized for Article 8 | 20% | 19% | 17% | 16% | 14% | 15% | 16% | 17% | 18% | 16% |
| Worldwide as reported | 13% | 11% | 7% | 5% | 5% | 6% | 10% | 13% | 9% | 9% |
| Worldwide normalized for Article 8 | 14% | 13% | 10% | 8% | 8% | 9% | 11% | 13% | 11% | 10% |
| Purchase Volume | | | | | | | | | | |
| Europe as reported | 14% | 9% | (3)% | (3)% | (3)% | 2% | 16% | 18% | 4% | 8% |
| Europe normalized for Article 8 | 16% | 15% | 16% | 16% | 17% | 17% | 19% | 20% | 16% | 18% |
| Worldwide as reported | 12% | 9% | 5% | 4% | 4% | 6% | 11% | 13% | 7% | 8% |
| Worldwide normalized for Article 8 | 12% | 11% | 9% | 8% | 9% | 9% | 11% | 13% | 10% | 11% |

Note: Article 8 of the EU Interchange Fee Regulation related to card payments that became effective June 9, 2016 states that a network can no longer charge fees on domestic EEA payment transactions that do not use its payment brand. Prior to that, Mastercard collected a de minimis assessment fee in a few countries, particularly France, on transactions with Mastercard co-badged cards if the brands of domestic networks (as opposed to Mastercard) were used. As a result, the non-Mastercard co-badged volume is no longer being included.

To aid in understanding the underlying trends in the business, the table above reflects adjusted growth rates for the impact of Article 8, by eliminating the related co-badged volumes.