



Robert Selander

06/25/1999 10:34 AM

To: NEW YORK@MASTERCARD, ST. LOUIS@MASTERCARD,
USRegions@MASTERCARD, INTRLRegions

cc:

Subject: 1Q99 RESULTS

In the world of the corporate CEO, a key variable is execution. Even the most targeted and aggressive strategic plan will not drive results if it is not comprehensively launched and implemented.

Therefore, I am particularly pleased to say that in 1Q99 MasterCard has executed against objectives - and we have results to show for it.

From January through March this year, MasterCard continued to realign into a more customer-centric, agile, and responsive marketing force. That, coupled with our strong financial performance - as well as signs of economic improvement in Asia and other parts of the world - bodes well for progress against our goals throughout 1999.

Our gross dollar volume for the quarter grew 6.5%, to US\$160.8 billion, and the number of MasterCard®-branded cards grew 6.2%, to 369.3 million.

Key Market/Key Member Focus

Globally, MasterCard employees continued to build business with key members in key markets - creating double-digit volume growth in 10 of our 17 key markets; and double-digit card growth in six key markets, some by as much as 35.7%.

While FY98 global volume and card share are down from FY97, volume share in the fourth quarter rose versus the third quarter in 13 of 17 key markets. Credit share in the critical U.S. market rose for FY98 and should remain strong through this year because of the solid volume growth we have experienced since 3Q98. Canada's volume share also showed strong growth in FY98.

Financial Performance

MasterCard extended its robust financial performance, from both the revenue-generation and cost-control perspectives. Revenues for the quarter reached US\$356 million, US\$19 million ahead of the first-quarter target. Our pretax net income was US\$97 million - fully US\$42 million ahead of our 1Q99 target of US\$55 million.

Strategy Implementation

Here again, MasterCard employees worldwide pitched in on a three-pronged effort to drive success: We developed long-term member agreements that secure a significant percentage of the business for MasterCard. We restructured country and regional offices to more closely align our resources with member needs. And we assessed our products and services, in order to define our core competencies and map them against customer needs.

Customer Focus and Value-Added Service Delivery

To assure uninterrupted and secure service to our members and their customers, MasterCard has

placed the highest priority on Y2K planning and testing. We are on schedule and all indications are positive for a smooth, internal changeover at year-end. What's more, we are well into member testing and contingency planning.

Cumulative Mondex sales (as of May) are strong. In addition, the acquisition of Bank One's debit processing switch during the first quarter represents an important move that will enhance core service delivery in the future.

Enhance Organizational Capabilities

Since February, few employees have remained untouched by our company's reorganization. This effort, combined with our process change initiative, is making MasterCard a powerful corporate contender - better able to respond quickly to changes in the marketplace and to our members' changing needs. In addition, your cooperation and support in seeking ways to redeploy funds toward customer-focused activities have enabled us to gain momentum and exceed our target for this quarter.

Our goal over the course of this year is to improve and deepen the relationship with our members, so that we continue to grow volume and share, and deliver results. Keep up the great work!

A handwritten signature in cursive script that reads "Bob".