

**D**ear fellow shareholder:

McDonald's achieved several significant milestones in 1996. Systemwide sales exceeded \$30 billion for the first time, and net income crossed the \$1.5 billion threshold. We introduced the Deluxe Line of sandwiches in the U.S., and celebrated our 100th country opening, as well as our 25th anniversaries in six markets outside the U.S.

Overall, 1996 was another record year for McDonald's.

In the U.S., we are operating in a complex, dynamic and difficult marketplace, and last year's performance was not up to our exacting standards. We view our challenges as opportunities and are taking steps to reach our full potential. We expect 1997 to be a year of transition for our U.S. business and expect results to improve as the year progresses and into 1998. We plan to add fewer restaurants than in 1996 and to focus on building sales at existing restaurants. We will emphasize aggressive marketing; a national value initiative; food taste, both in our restaurants and in our advertising; and fast, accurate, friendly service, particularly in the drive-thru where we already have a competitive advantage. We are extremely optimistic about our long-term opportunities to continue to grow profitably in the U.S.

Outside the U.S., McDonald's business was particularly exciting last year. In addition to opening in our 100th and 101st countries, we increased expansion by nearly 50 percent. Our operating performance was strong, especially in light of weak economies in several major markets, weaker foreign currencies, and difficult comparisons to the exceptional performance in many markets in 1995.

But perhaps the greatest excitement is yet to come. We are poised to have an excellent year internationally in 1997. We are committed to increasing market share through expansion and comparable sales growth, and to increasing profits by lowering average operating and



Pictured left to right are Jim Cantalupo, Jack Greenberg, Ed Rensi and Mike Quinlan.

development costs. More than 70 percent of the 2,400 to 2,800 restaurants we plan to add this year will be located outside the U.S. We are strengthening our solid market positions in well-established countries and expanding our base in newer markets.

We are driving our worldwide growth with our well-established strategies of Convenience, Value and Execution. The engine behind those strategies

continues to be Brand McDonald's, a symbol of recognition, acceptance and respect around the world.

We celebrate Brand McDonald's in this issue of *The Annual* because of the distinct competitive advantage it provides in all aspects of our business. Leveraging that strength is key to our success in the future—our brand supports our strategies, and our strategies support our brand.

Together, the McDonald's System will capitalize on the unique strength of our brand, while nurturing it with daily care as we move toward our vision of dominating the global foodservice industry. We remain confident that as Brand McDonald's continues to grow in both strength and scope, so will the value of your investment in McDonald's.

Michael R. Quinlan  
Chairman and  
Chief Executive Officer,  
Shareholder

Jack M. Greenberg  
Vice Chairman,  
Chairman—U.S.A.,  
Shareholder

James R. Cantalupo  
President and Chief  
Executive Officer—International,  
Shareholder

Edward H. Rensi  
President and Chief  
Executive Officer—U.S.A.,  
Shareholder

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