

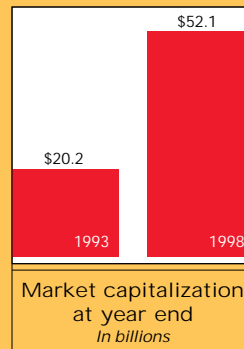
About the cover

*Paths* by Douglas Smith. From mountain-tops to arid deserts, from tropical forests to grassy plains, customers around the world take paths to McDonald's. In 1998, McDonald's proudly served more than 40 million customers each day.

# 1998 performance

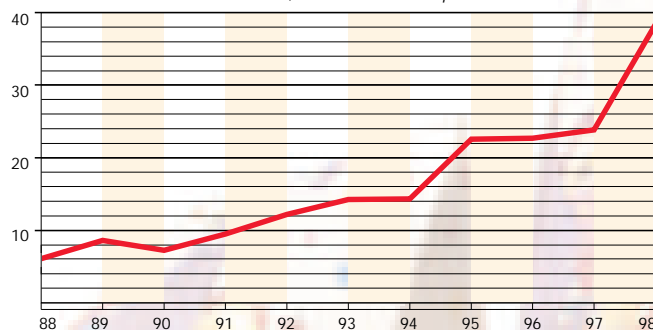
McDonald's strategies are to increase customer satisfaction, profitability and market share. Our efforts produced impressive results in 1998<sup>(1)</sup>:

- ▶ McDonald's stock delivered a total return to investors of 62 percent for the year and 21 percent compounded annually over the past 10 years.
- ▶ Return on average assets increased to 16.4 percent from 16.0 percent in 1997; return on average equity increased to 19.5 percent from 19.0 percent in 1997.
- ▶ Diluted earnings per share increased 10 percent for the year and grew at a 12 percent compound annual growth rate over the past 10 years. In constant currencies, the 1998 increase was 12 percent.
- ▶ McDonald's global sales reached \$36 billion, a 10-year compound annual growth rate of 8 percent.
- ▶ In constant currencies, operating income increased 13 percent in the U.S., 14 percent in Europe, 8 percent in Asia/Pacific and 18 percent in Latin America.
- ▶ Our share of the U.S. hamburger market reached its highest level this decade.
- ▶ Outside the U.S., we have 48 percent of the globally branded quick-service restaurants and 63 percent of the sales.
- ▶ Free cash flow nearly tripled to \$887 million.
- ▶ The Company purchased nearly \$1.2 billion of common stock during the year.
- ▶ Average U.S. owner/operator cash flow increased 12 percent for the year.



(1) These 1998 highlights exclude Made For You costs and the special charge related to the home office productivity initiative.

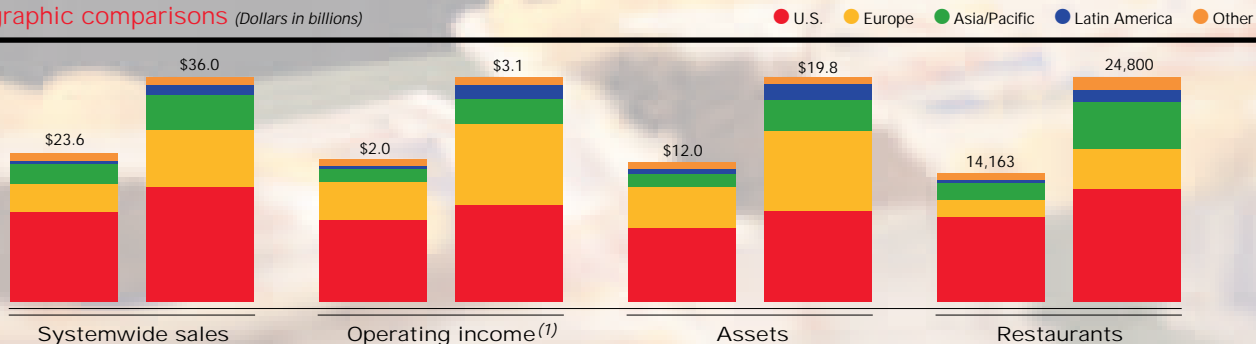
Market price per common share at year end  
In dollars, restated for stock splits



Systemwide restaurants (at year-end 1998 and 1993)

Systemwide restaurants	24,800	14,163	Monaco	1	1	New Caledonia	1	0	Martinique	5	1
United States	12,472	9,397	Moldova	1	0	New Zealand	145	69	Mexico	144	80
Europe	4,421	1,801	Netherlands	187	95	Pakistan	3	0	Nicaragua	3	0
Andorra	2	1	Northern Ireland	17	5	Philippines	194	55	Panama	21	11
Austria	121	45	Norway	48	14	Saipan	2	1	Paraguay	9	0
Belarus	5	0	Poland	130	10	Singapore	108	56	Peru	7	0
Belgium	62	21	Portugal	60	5	South Korea	131	24	Puerto Rico (USA)	114	48
Bulgaria	13	0	Reunion Island	3	0	Sri Lanka	1	0	St. Maarten	1	0
Croatia	12	0	Romania	35	0	Tahiti	1	0	Suriname	1	0
Czech Republic	48	8	Russia	45	3	Taiwan	292	77	Trinidad	4	0
Denmark	87	29	Scotland	64	28	Thailand	64	20	Uruguay	24	4
England	810	478	Slovakia	7	0	Western Samoa	1	0	Venezuela	67	8
Estonia	6	0	Slovenia	11	1	Latin America	1,405	379	Virgin Islands	6	3
Finland	90	21	Spain	188	63	Argentina	166	33	Other	1,447	706
France	708	293	Sweden	177	68	Aruba	2	1	Bahrain	5	0
Germany	931	496	Switzerland	101	37	Bahamas	3	4	Canada	1,085	683
Greece	38	4	Ukraine	19	0	Bermuda (U.S. Navy Base)	0	1	Cyprus	5	0
Hungary	66	17	Wales	35	11	Bolivia	5	0	Egypt	28	0
Iceland	2	1	Yugoslavia	15	6	Brazil	672	154	Israel	65	1
Ireland	47	18	Asia/Pacific	5,055	1,880	Chile	42	6	Jordan	4	0
Isle of Man	1	0	Australia	666	388	Colombia	19	0	Kuwait	21	0
Italy	201	19	Brunei	1	1	Costa Rica	22	9	Lebanon	2	0
Jersey	1	0	China	220	13	Cuba (U.S. Navy Base)	1	1	Morocco	7	1
Latvia	6	0	Fiji	2	0	Curacao	4	3	Oman	2	0
Liechtenstein	1	0	Guam	6	4	Dominican Republic	9	0	Qatar	4	0
Lithuania	6	0	Hong Kong	152	71	Ecuador	5	0	Saudi Arabia	33	1
Luxembourg	4	3	India	15	0	El Salvador	1	3	South Africa	58	0
Macedonia	2	0	Indonesia	67	14	Guadeloupe	5	1	Turkey	113	20
Malta	7	0	Japan	2,852	1,042	Guatemala	27	8	United Arab Emirates	15	0
			Macau	10	4	Honduras	5	0			
			Malaysia	121	41	Jamaica	11	0			

Geographic comparisons (Dollars in billions)



(1) Excludes 1998 Made For You costs and special charge

**McDonald's** vision is to be the world's best quick-service restaurant experience. Being the best means consistently satisfying customers better than anyone else through outstanding quality, service, cleanliness and value. Supporting this vision are five global strategies:

- ▶ develop our people at every level of the organization, beginning in our restaurants
- ▶ foster innovation in menu, facilities, marketing, operations and technology
- ▶ expand our global mindset by sharing best practices and leveraging our best people resources around the world
- ▶ continue the successful implementation of changes underway in McDonald's USA
- ▶ long term, reinvent the category in which we compete and develop other business and growth opportunities

### 11-year summary

	1998	1997	1996	1995	1994	1993	1992	1991	1990	1989	1988
<i>(Dollars in millions, except per share data)</i>											
Systemwide sales	\$35,979	33,638	31,812	29,914	25,987	23,587	21,885	19,928	18,759	17,333	16,064
Systemwide sales by type											
Operated by franchisees	\$22,330	20,863	19,969	19,123	17,146	15,756	14,474	12,959	12,017	11,219	10,424
Operated by the Company	\$ 8,895	8,136	7,571	6,863	5,793	5,157	5,103	4,908	5,019	4,601	4,196
Operated by affiliates	\$ 4,754	4,639	4,272	3,928	3,048	2,674	2,308	2,061	1,723	1,513	1,444
Total revenues	\$12,421	11,409	10,687	9,795	8,321	7,408	7,133	6,695	6,640	6,066	5,521
Operating income	\$ 2,762 <sup>(1)</sup>	2,808	2,633	2,601	2,241	1,984	1,862	1,679	1,596	1,438	1,288
Income before provision for income taxes	\$ 2,307 <sup>(1)</sup>	2,407	2,251	2,169	1,887	1,676	1,448	1,299	1,246	1,157	1,046
Net income	\$ 1,550 <sup>(1)</sup>	1,642	1,573	1,427	1,224	1,083	959	860	802	727	646
Cash provided by operations	\$ 2,766	2,442	2,461	2,296	1,926	1,680	1,426	1,423	1,301	1,246	1,177
Capital expenditures	\$ 1,879	2,111	2,375	2,064	1,539	1,317	1,087	1,129	1,571	1,555	1,321
Treasury stock purchases	\$ 1,162	765	605	321	500	628	92	117	157	497	136
Financial position at year end											
Net property and equipment	\$16,042	14,961	14,352	12,811	11,328	10,081	9,597	9,559	9,047	7,758	6,800
Total assets	\$19,784	18,242	17,386	15,415	13,592	12,035	11,681	11,349	10,668	9,175	8,159
Total debt	\$ 7,043	6,463	5,523	4,836	4,351	3,713	3,857	4,615	4,792	4,036	3,269
Total shareholders' equity	\$ 9,465	8,852	8,718	7,861	6,885	6,274	5,892	4,835	4,182	3,550	3,413
Per common share <sup>(2)</sup>											
Net income	\$ 1.14 <sup>(1)</sup>	1.17	1.11	.99	.84	.73	.65	.59	.55	.49	.43
Net income—diluted	\$ 1.10 <sup>(1)</sup>	1.15	1.08	.97	.82	.71	.63	.57	.54	.48	.42
Dividends declared	\$ .18	.16	.15	.13	.12	.11	.10	.09	.09	.08	.07
Market price at year end	\$ 38 <sup>7/16</sup>	23 <sup>7/8</sup>	22 <sup>11/16</sup>	22 <sup>9/16</sup>	14 <sup>5/8</sup>	14 <sup>1/4</sup>	12 <sup>3/16</sup>	9 <sup>1/2</sup>	7 <sup>1/4</sup>	8 <sup>5/8</sup>	6
Systemwide restaurants at year end	24,800	23,132	21,022	18,380	15,950	14,163	13,093	12,418	11,803	11,162	10,513
Systemwide restaurants by type											
Operated by franchisees	15,281	14,265	13,428	12,217	10,965	9,933	9,237	8,735	8,131	7,573	7,110
Operated by the Company	5,512	5,000	4,357	3,816	3,238	2,746	2,551	2,547	2,643	2,691	2,600
Operated by affiliates	4,007	3,867	3,237	2,347	1,747	1,484	1,305	1,136	1,029	898	803
Number of countries at year end	114	109	101	89	79	70	65	59	53	51	50
Number of shareholders at year end <i>(in thousands)</i>	888.2	880.2	904.6	769.7	609.2	464.5	398.3	371.7	362.6	330.5	168.6

(1) Includes \$162 million of Made For You costs and \$160 million special charge related to the home office productivity initiative for a pre-tax total of \$322 million (\$219 million after tax or \$0.16 per share)

(2) Restated for two-for-one stock split in March 1999