



April 12, 2018

Valued shareholders:

Just over 50 years ago, in an unassuming small town in southwestern Pennsylvania, an enterprising McDonald's franchisee named Jim Delligatti served the very first of what would become one of the world's most recognised, beloved and delicious hamburgers.

The Big Mac remains far more than a great tasting sandwich. It's an iconic example of the delicious food that brings millions of guests to our restaurants all over the world.

Marking its 50th anniversary this year, the Big Mac also is an enduring symbol of the insatiable passion of our franchisees, suppliers and employees for continuously innovating and bringing new tastes and improved experiences to our customers.

We are building on our heritage as we all rally together to create a better McDonald's.

2017 performance highlights

2017 was a year of very strong performance and great progress. Indeed, I'm pleased to report that we successfully completed our transition from turnaround to growth.

We succeeded in building momentum across our business. Comparable sales growth of 5.3 percent in 2017 was the best we've seen in six years. Additionally, comparable sales were positive across each of our operating segments.

We entered 2017 with the guiding priority of serving more customers more often, and we did just that. In fact, we grew guest counts each quarter, ending the year with 1.9 percent growth, our best performance since 2012.

Customers from Miami to Milan to Melbourne are rewarding us with more visits. In my travels this past year to markets around the globe, I heard from our people and customers alike that our actions are making a difference. With their business, customers are showing us they appreciate the changes we are making in serving them great tasting meals, providing an inviting and friendly experience, and offering more choice in how they order, pay and are served their delicious food.

We made significant progress with other actions to strengthen our business. We have committed to getting more of our restaurants in the hands of our franchisees and developmental licensee strategic partners. This contributes to our success and growth by allowing us to tap into their entrepreneurial spirit, as well as their deep connections with the communities we serve.

We made significant advances with our franchising strategy in 2017, reaching our target of refranchising 4,000 restaurants a full year ahead of our initial timeline.

Velocity Growth Plan

In March 2017, we introduced the Velocity Growth Plan, our strategy for driving long-term, sustainable growth.

Our fundamental day-to-day responsibility is running great restaurants, and this serves as the foundation of our Velocity strategy.

The building blocks of the plan direct our focus to retaining customers who enjoy visiting us regularly today, regaining those who are visiting a little less than they used to and converting customers from casual consumers into committed McDonald's customers.

The progress we are making is the result of our work in improving the taste and quality of our food, offering compelling value, enhancing hospitality and convenience, and expanding our menu to satisfy our customers' cravings.

Delivery, Digital and Experience of the Future

Delivery, Digital and Experience of the Future are the three growth accelerators within the Velocity plan, and they illustrate how we are moving with greater speed and agility to meet the rising expectations of today's customers.

We are making it easier for our customers to enjoy their favourite food from McDonald's with greater flexibility and choice in how they order, pay and are served their hot fries, burgers and beverages.

In 2017, we went from piloting delivery in 200 restaurants throughout Florida to rolling out delivery in 7,000 restaurants across 21 different countries. Combined with the McDonald's restaurants in Asia and the Middle East that have offered delivery for many years, delivery is now available from more than 10,000 restaurants, greater than one-in-four of all McDonald's restaurants worldwide.

Our customers are telling us how much they appreciate the convenience of their favourite food delivered right to their home, college dorm or office. Satisfaction scores are high, and we are seeing solid repeat orders.

More and more, digitally savvy customers also expect to engage with brands through their mobile phones. In the U.S. alone, we now have over 20 million registered users of the McDonald's global mobile app. We are well positioned to capitalise on that user base. I'm proud of our team's work that brought Mobile Order & Pay to 20,000 restaurants around the world in just over 10 months last year.

Customers at thousands of our restaurants are appreciating a more enjoyable, personalised and seamless experience. We'll continue introducing these improvements to thousands more restaurants as we scale the Experience of the Future platform, with enhancements such as digital menu boards, self-order kiosks, greater hospitality and a modernised look. Guest Experience Leaders began welcoming and offering a little extra hospitality to McDonald's customers in Canada, and this successful practice is spreading to many more markets.

These enhancements are improving customer perceptions of McDonald's, and adding momentum to our business as customers from Canada to Poland to Italy visit more often and boost our sales.

Here is one of many comments from our customers: "This location has the new electronic order kiosks! My daughter and I had fun customizing our orders. Our order was brought to our table by a nice young man and everything was correctly made!!"

Building brand excitement in 2018

The year ahead brings new opportunities to build on our momentum and growing excitement around the McDonald's brand.

We'll continue aggressive execution of our growth plan, expanding our Velocity Accelerators to new restaurants and markets this year and taking actions so these initiatives drive sales and customer visits to McDonald's.

For our customers to feel good about visiting McDonald's, we know they need to feel good about our food, our company and the impact we have on the world. We are committed to honouring the trust they place in us as we use our scale for good.

We've announced a series of commitments, including our work to advance beef sustainability, new progressive goals to improve our packaging, reduce waste and recycle more, and our commitment to families that will result in further nutritional improvements to Happy Meal menus. We also made a commitment to address the challenge of global climate change, and we will continue to share additional bold moves we are making to invest in our people.

This month, we'll bring together nearly 15,000 McDonald's franchisees, suppliers and employees at our Worldwide Convention in Orlando. This is an opportunity to celebrate the progress we have made over the past few years and unite in reaching for new opportunities to continue improving the choice, value and hospitality McDonald's provides to customers the world over.

In May, we'll move into our new headquarters in Chicago's vibrant West Loop. This will be a significant milestone in the continuing evolution of our culture. With its dynamic design, our new building will make it easier for our teams to collaborate, and we'll be closer to our customers, competitors and the trends that will shape our future.

We also are transforming our flagship downtown Chicago restaurant. When it reopens later this year, the modern design will blend the latest technology and décor inside with opportunities to enjoy a McDonald's meal while sitting in an outdoor plaza with beautiful greenspaces.

And, of course, throughout the year we'll celebrate the 50th anniversary of the Big Mac with the millions of fans around the world who remain so passionate about the iconic sandwich.

With as much progress as we've made, we are still driven by a restless energy. We're inspired to stretch for even more, demonstrating our leadership in the operations excellence of running great restaurants and innovation that satisfies consumers today and tomorrow.

Thank you for your confidence and support as we continue our journey of becoming a better McDonald's.

A handwritten signature in black ink, appearing to read "SE Easterbrook". The signature is stylized and written in a cursive-like font.

Steve Easterbrook
President and CEO

Forward-Looking Statements

The information in this letter contains forward-looking statements about future events and circumstances. They reflect our expectations, are not guarantees of performance and speak only as of the date of this letter. Except as required by law, we do not undertake to update them. Our expectations (or the underlying assumptions) may change or not be realized, and you should not rely unduly on forward-looking statements. Our business results are subject to a variety of risks, including those that are described in our filings with the SEC, including our Form 10-K for the year ending on December 31, 2017. If any of these considerations or risks materialize, our expectations may change and our performance may be adversely affected.