



April 11, 2019

Valued shareholders:

McDonald's has long had a connection with families like few others. The iconic Happy Meal, which celebrates its 40th anniversary this year, is an enduring symbol of how we make families feel special and share happy moments together.

Our Happy Meal illustrates the power of our rich brand heritage along with our continued evolution to remain relevant in a time of rapidly rising customer expectations. We remain committed to our heritage while we strive to be a better McDonald's. So in 2018, we announced an expanded commitment to families, including improvements to the Happy Meal menu by offering more balanced meals, simplified ingredients and readily accessible nutrition information.

We continue to enhance the convenience, value and overall experience which families, and all of our customers, enjoy in nearly 38,000 restaurants across more than 100 countries around the world. McDonald's is increasingly demonstrating leadership in defining how customers want to be served.

Our 2018 performance highlights

2018 was another year of strong performance for McDonald's. Most of our top international markets continue to excel. It was a year of significant change for the U.S. as we were in the midst of the biggest transformation the business has ever undertaken. We built upon our broad-based momentum, ending the year by marking our 14th consecutive quarter of global comparable sales growth.

We brought our customers greater convenience, choice and value as we continued aggressively transforming our business. Customers rewarded us with more visits again last year, resulting in back-to-back years of global guest count growth for the first time since 2012.

Over the past few years, we've taken other steps to strengthen our organisation, including a shift to a streamlined and more heavily franchised business model. We benefited from these changes in 2018, as reflected in our financial results. The McDonald's business continues to generate significant cash flow, allowing us to reinvest in the business for future growth. Free cash flow was \$4.2 billion in 2018¹ - a 14 percent increase over the previous year.

On track with the Velocity Growth Plan

We're now two full years into executing our growth strategy. It's been effective in driving our business forward because we are focused on what matters most to our customers. We are

¹ Free cash flow is a non-GAAP financial measure. See Exhibit 12 to our Annual Report on Form 10-K for the year ended December 31, 2018 for a reconciliation to cash provided by operations.

improving the taste of our food, offering compelling value and taking many other actions to deliver an outstanding customer experience.

Delivery, Experience of the Future and Digital

2018 also marked a year of significant progress with each of our growth accelerators – delivery, Experience of the Future and digital. They are contributing to our business by enhancing the overall customer experience with ever-improving convenience.

Delivery continues to grow rapidly and is now available from over 19,000 restaurants - more than half of our global system. Delivery has become a \$3 billion business for the McDonald's system globally and we've only scratched the surface with consumer awareness. We believe delivery can become an even more meaningful contributor to our business as more customers learn this convenient option is available from McDonald's.

We've converted about half of our restaurants around the world to the Experience of the Future platform – visible changes that illustrate how we're becoming a better McDonald's to each customer. With refreshed decor, new ordering options and an enhanced focus on providing more enjoyable visits to our restaurants, we're introducing a new hospitality experience for our customers. I've visited markets around the globe and have seen first-hand how restaurants that introduce these improvements continue to outperform with higher sales and customer satisfaction.

We made additional progress expanding our digital platforms in 2018, making the McDonald's experience simpler and more personalised for our customers. There has been extensive work in deploying technology throughout the McDonald's system, including kiosks in nearly 17,000 restaurants, digital menu boards in more than 21,000 restaurants and new capabilities for Mobile Order & Pay available in over 22,000 restaurants.

Continuing momentum into 2019

Our strong performance in 2018 shows that our strategy is working. We have enormous growth potential remaining in the core of the Velocity Growth Plan. The investments we have already made in modernising thousands of our restaurants, expanding convenience with delivery and growing our digital capabilities have placed us in an enviable position.

Customer expectations of the brands they choose to do business with continue to rise. In today's environment, if we're going to keep serving more customers each year, there is no doubt we will achieve it by taking market share from competitors – and our competition is not going to let up. I'm confident that with our size and scale, we are up to the challenge.

As we advance our business, we're committed to never losing sight of our customers. We'll continue providing delicious, feel-good moments to families and customers for generations to come.



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, 2018. If any of these considerations or risks materialize, our expectations may change and our performance may be adversely affected.