

McDonald's is the world's leading food service organization. We measure this leadership position by several competitive advantages:

- > We had nearly **14 billion customer visits** last year. That's equivalent to serving lunch *and* dinner to every man, woman and child in the world.
- > McDonald's **global sales** of \$33.6 billion and **operating income** of \$2.8 billion are three times as much as the nearest global food service brand.
- > We have the **number one market share** in the great majority of the 109 countries and territories where we operate.
- > Our **U.S. sales** of \$17.1 billion in 1997 were more than the next three largest hamburger brands combined.
- > We have more than 45 percent of all **globally branded** quick-service restaurants outside the U.S., and 60 percent of the sales.
- > McDonald's is regarded as one of the world's **greatest** brands.

To find out how McDonald's has achieved this leadership position, and how we plan to *extend* our lead, see "Creating and Managing our Cycle of Success" beginning on page 10.

Compound annual growth rates

For the 10-year period ended December 31, 1997

Systemwide sales	8.9%
U.S.	4.9
Outside the U.S.	16.0
Total revenues	8.9
Operating income	9.2
U.S.	3.0
Outside the U.S.	19.4
Net income	11.6
Net income per common share	12.6
Net income per common share—diluted	12.4
Cash provided by operations	8.8
Total assets	10.1
Total shareholders' equity	11.7
Total return to investors on common stock	16.8

With more than 23,000 restaurants in over 100 countries, our global market potential is enormous. On any day, even as the market leader, McDonald's serves less than one percent of the world's population. Our outstanding brand recognition, experienced management, high-quality food, site development expertise, advanced operational systems and unique global infrastructure position us to capitalize on global opportunities. We plan to expand our leadership position through convenience, superior value and excellent operations. Our efforts to increase market share, profitability and customer satisfaction have produced high returns to shareholders—a compound annual total return of 17 percent over the past 10 years.

McDonald's is the largest and best-known global food service retailer

Systemwide restaurants



1997: 23,132 1992: 13,093

	1997	1992		1997	1992
United States	12,380	8,959	Poland	95	3
			Portugal	45	4
			Reunion Island	1	0
			Romania	28	0
			Russia	26	1
			Scotland	47	24
			Slovakia	5	0
			Slovenia	9	0
			Spain	150	50
			Sweden	151	59
			Switzerland	90	32
			Ukraine	7	0
			Wales	31	15
			Yugoslavia	11	6
Europe	3,886	1,534			
Andorra	2	1	Asia/Pacific	4,456	1,653
Austria	103	35	Australia	642	338
Belarus	5	0	Brunei	1	1
Belgium	60	16	China	184	3
Bulgaria	9	0	Fiji	2	0
Croatia	8	0	Guam	6	4
Czech Republic	43	3	Hong Kong	140	62
Denmark	78	21	India	9	0
England	746	429	Indonesia	103	5
Estonia	5	0	Japan	2,437	956
Finland	85	14	Macau	10	3
France	629	239	Malaysia	110	31
Germany	850	438	New Caledonia	1	0
Greece	38	2	New Zealand	137	61
Hungary	62	10	Philippines	157	47
Iceland	2	0	Saipan	2	0
Ireland	38	16	Singapore	105	44
Isle of Man	1	0	South Korea	114	15
Italy	173	16	Tahiti	1	0
Jersey	1	0	Taiwan	233	67
Latvia	5	0	Thailand	61	16
Liechtenstein	1	0	Western Samoa	1	0
Lithuania	5	0			
Luxembourg	4	2			
Macedonia	1	0			
Malta	6	0			
Monaco	1	1			
Netherlands	176	83			
Northern Ireland	11	4			
Norway	42	10			

Latin America

	1,091	274
Argentina	131	18
Aruba	2	1
Bahamas	3	4
Bermuda (U.S. Navy Base)	0	1
Bolivia	3	0
Brazil	480	107
Chile	27	3
Colombia	18	0
Costa Rica	19	8
Cuba (U.S. Navy Base)	1	1
Curacao	4	3
Dominican Republic	4	0
Ecuador	2	0
El Salvador	0	3
Guadeloupe	4	1
Guatemala	23	6
Honduras	5	0
Jamaica	7	0
Martinique	5	1
Mexico	131	56
Panama	20	10
Paraguay	6	0
Peru	5	0
Puerto Rico	109	40
St. Maarten	1	0
Suriname	1	0
Trinidad	3	0
Uruguay	18	2
Venezuela	53	6
Virgin Islands	6	3

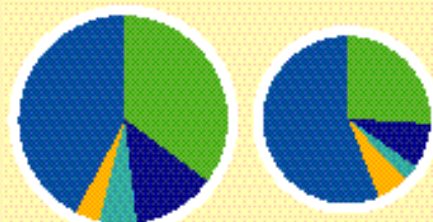
Other

	1,319	673
Bahrain	5	0
Canada	1,050	658
Cyprus	3	0
Egypt	20	0
Israel	53	0
Jordan	2	0
Kuwait	16	0
Morocco	6	1
Oman	2	0
Qatar	3	0
Saudi Arabia	27	0
South Africa	35	0
Turkey	84	14
United Arab Emirates	13	0

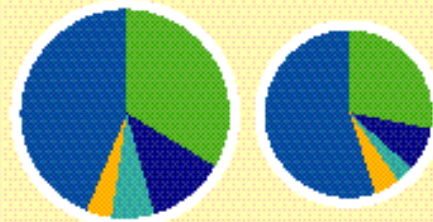
Geographic comparisons



Systemwide sales In billions
1997: \$33.6 1992: \$21.9



Operating income In billions
1997: \$2.8 1992: \$1.9



Assets In billions
1997: \$18.2 1992: \$11.7



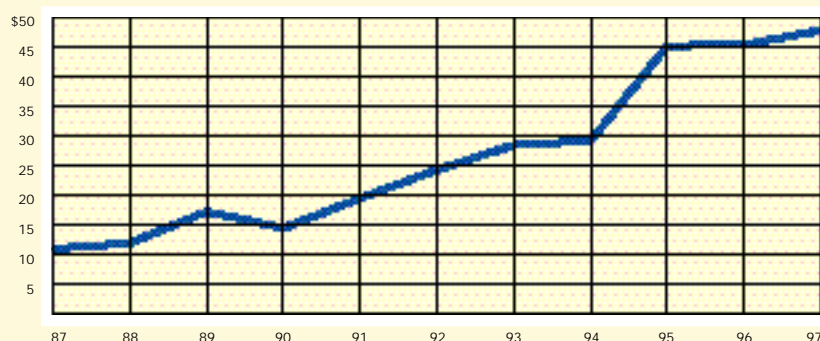
Market price per common share

In dollars, by quarter

	1997			1996		
	High	Low	Close	High	Low	Close
1st	49 3/8	42 1/2	47 1/4	54 1/4	42 1/2	48
2nd	54 7/8	46 3/4	48 5/16	50 3/8	45 3/8	46 3/4
3rd	54 3/4	45 3/4	47 5/8	49	41	47 3/8
4th	49 5/8	42 1/8	47 3/4	49 3/8	43 3/4	45 3/8

Market price per common share at year end

In dollars, restated for stock splits



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11-year summary

1997 1996 1995 1994 1993 1992 1991 1990 1989 1988 1987

(Dollars in millions, except per common share data and average restaurant sales)

Systemwide sales	\$ 33,638	31,812	29,914	25,987	23,587	21,885	19,928	18,759	17,333	16,064	14,330
Systemwide sales by type											
Operated by franchisees	\$ 20,863	19,969	19,123	17,146	15,756	14,474	12,959	12,017	11,219	10,424	9,452
Operated by the Company	\$ 8,136	7,571	6,863	5,793	5,157	5,103	4,908	5,019	4,601	4,196	3,667
Operated by affiliates	\$ 4,639	4,272	3,928	3,048	2,674	2,308	2,061	1,723	1,513	1,444	1,211
Average sales by Systemwide restaurants (in thousands)	\$ 1,592	1,708	1,844	1,800	1,768	1,733	1,658	1,649	1,621	1,596	1,502
Total revenues	\$ 11,409	10,687	9,795	8,321	7,408	7,133	6,695	6,640	6,066	5,521	4,853
Revenues from franchised and affiliated restaurants	\$ 3,272	3,116	2,931	2,528	2,251	2,031	1,787	1,621	1,465	1,325	1,186
Operating income	\$ 2,808	2,633	2,601	2,241	1,984	1,862	1,679	1,596	1,438	1,288	1,160
Income before provision for income taxes	\$ 2,407	2,251	2,169	1,887	1,676	1,448	1,299	1,246	1,157	1,046	959
Net income	\$ 1,643	1,573	1,427	1,224	1,083	959	860	802	727	646	549 ⁽¹⁾
Cash provided by operations	\$ 2,442	2,461	2,296	1,926	1,680	1,426	1,423	1,301	1,246	1,177	1,051
Capital expenditures	\$ 2,111	2,375	2,064	1,539	1,317	1,087	1,129	1,571	1,555	1,321	1,027
Treasury stock purchases	\$ 765	605	321	500	628	92	117	157	497	136	143
Financial position at year end											
Net property and equipment	\$ 14,961	14,352	12,811	11,328	10,081	9,597	9,559	9,047	7,758	6,800	5,820
Total assets	\$ 18,242	17,386	15,415	13,592	12,035	11,681	11,349	10,668	9,175	8,159	6,982
Total debt	\$ 6,463	5,523	4,836	4,351	3,713	3,857	4,615	4,792	4,036	3,269	2,784
Total shareholders' equity	\$ 8,852	8,718	7,861	6,885	6,274	5,892	4,835	4,182	3,550	3,413	2,917
Per common share											
Net income ⁽²⁾	\$ 2.35	2.21	1.97	1.68	1.45	1.30	1.17	1.10	.97	.86	.72 ⁽¹⁾
Net income-diluted ⁽²⁾	\$ 2.29	2.16	1.93	1.63	1.42	1.27	1.14	1.07	.96	.85	.71 ⁽¹⁾
Dividends declared	\$.32	.29	.26	.23	.21	.20	.18	.17	.15	.14	.12
Market price at year end	\$ 47 3/4	45 3/8	45 1/8	29 1/4	28 1/2	24 3/8	19	14 1/2	17 1/4	12	11
Systemwide restaurants at year end	23,132	21,022	18,380	15,950	14,163	13,093	12,418	11,803	11,162	10,513	9,911
Systemwide restaurants by type											
Operated by franchisees	14,265	13,428	12,217	10,965	9,933	9,237	8,735	8,131	7,573	7,110	6,760
Operated by the Company	5,000	4,357	3,816	3,238	2,746	2,551	2,547	2,643	2,691	2,600	2,399
Operated by affiliates	3,867	3,237	2,347	1,747	1,484	1,305	1,136	1,029	898	803	752
Number of countries at year end	109	101	89	79	70	65	59	53	51	50	47

(1) Before the cumulative prior years' benefit from the change in accounting for income taxes.

(2) Net income per common share data is presented in conformity with SFAS 128.