

April 15, 2016



To Our Valued Shareholders:

In 2015, we started building a better McDonald's.

We took bold steps to create a stronger brand, one our customers will recognise as modern and progressive – and one that will drive value for years to come.

I'm proud of the progress we made. Last year, I shared my confidence in our ability to regain momentum. No one has our iconic brand, franchising model, geographic diversification or size and scale. When we take advantage of these, we win customers – and in turn, grow sales and cash flows.

Over the course of 2015, our performance began to reflect the actions we're taking to strengthen the business. Whilst operating income was flat* for the year due in part to current and prior year items outside normal operations, systemwide sales increased 3%*. Comparable sales grew 1.5%, with positive performance across all four segments in the third and fourth quarters. We built momentum as the year went on – a clear testament to progress as we execute the turnaround plan.

Transforming our Mindset, Acting Differently

In early 2015, we changed the way we think and act to strengthen the fundamentals of our business and reignite growth. Shortly after becoming CEO, I introduced four operating principles – customer-centricity, simplicity, progress over perfection and personal accountability. These underlie the actions we're taking to reassert McDonald's leadership.

The turnaround plan we introduced in the spring represented the first significant step change in how McDonald's operates. It emphasises running great restaurants, driving operational growth, returning excitement to our proposition and brand and enhancing financial value. These actions position McDonald's as a modern and progressive burger company – one that will drive shareholder value for years to come.

Running Great Restaurants

We recommitted to running great restaurants and delivering what customers want: hot, fresh food; fast, friendly service; and a contemporary restaurant experience – all at the value of McDonald's. We re-emphasised quality, service and cleanliness in the restaurants as we streamlined operational procedures to improve order accuracy, removed items from the menu and simplified drive-thru menu boards.

** in constant currencies (see our Form 10-K for the year ended December 31, 2015 for a reconciliation to reported financial results)*

Customers took notice. Over the course of the year, customer feedback showed improvements in many important aspects.

Driving Operational Growth

We focused on fewer, more substantive initiatives as we put restaurants, crew and customers back at the heart of all we do. Specifically:

- We completed the most significant restructure in our history, moving away from a geographic structure and creating four segments that share similar characteristics. We removed distractions and bureaucracy to speed up decision-making and increase our ability to move successful initiatives more quickly between markets.
- We strengthened our focus on the menu favourites that define the McDonald's brand. For example, we transitioned back to the original recipe for our Egg McMuffin in the U.S., using butter instead of margarine for an even tastier sandwich. We also took steps to serve the best burger possible, toasting buns longer and changing the way we grill and sear beef to deliver hotter, juicier sandwiches.
- We improved customer service. People now have more options in the ways they can order, pay and dine with us. Restaurants around the world are offering more conveniences to customers, such as self-order kiosks, mobile ordering and payment, customised service options like table service in France, Australia and the UK ... or delivery in China, South Korea and even parts of the U.S.

Returning Excitement to our Proposition and Brand

At our best, we are a fun and enjoyable brand. That's why we looked at new ways to leverage the power of our brand to reach customers in ways that are meaningful to them. For too long, we expected customers to adapt to the McDonald's way. For the first time, we flipped that paradigm – taking steps to adapt to our customers and meet their needs.

The launch of All Day Breakfast in the U.S. is one of the most visible demonstrations of this shift. People who would have gone elsewhere came to McDonald's to enjoy Egg McMuffins and other breakfast items at lunch and throughout the day. We also saw existing customers add breakfast entrées to their regular orders.

In markets around the world, we showed customers we understand what's important to them through initiatives tailored to local tastes – from free coffee events in Canada to a stronger emphasis on menu personalisation in Australia and the UK. What's more, our new organisational structure has encouraged markets to share even more of their ideas with one another. For example, Australia recently introduced its version of All Day Breakfast.

Visible change is not, however, limited to the restaurant experience. Our business and our responsibility to the communities we serve are inextricably linked as part of our ongoing efforts to use McDonald's convening power for good. That's why, on last year's International Day of Peace, we joined forces with the U.N.'s World Food Programme, the largest humanitarian agency fighting hunger. We raised awareness and much needed funding to help feed the 60 million refugees forced from their homes as a result of war and conflict. It's why we signed the American Business Act on Climate Pledge, underscoring our work to prevent deforestation and encourage sustainable sourcing, recycling and energy efficiency. It's also why we continue to support Ronald McDonald House Charities as it provides homes away from home for nearly six million children fighting illness and their families every year.

Enhancing Financial Value

Throughout 2015, we evaluated opportunities to further drive shareholder value. This includes a commitment to rebrand 4,000 restaurants between 2015 and 2018. Ownership is a powerful driver of growth, and putting more restaurants in the hands of local franchisees brings us closer to customers and the communities we serve. We also committed to reducing net annual G&A spend by \$500 million, the vast majority of which will be realized by the end of 2017. On top of that, we increased our prior commitment, and expect to return \$30 billion to shareholders for the three-year period ending in 2016, nearly double the cash returned to shareholders during the previous three-year period.

Early 2016: Continuing to Execute on the Turnaround Plan

We are in a stronger position today than we were twelve months ago. We are more focused on our customers. More aligned amongst franchisees, suppliers and company employees. Better positioned to deliver results.

We are executing our turnaround plan, focused on elevating every aspect of the customer experience and giving people more reasons to visit McDonald's. We are rallying around running better restaurants every day, and our actions have driven notable improvements.

While there is more work to be done, we are on the right path. We're revitalising McDonald's, establishing the right foundation for strengthening our business and ultimately accelerating growth. I'm excited about the opportunity to reassert McDonald's as a global leader.

I'm confident McDonald's is an investment that will yield meaningful long-term returns as we build on our momentum and make greater progress.

Thank you for your investment.



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 ended December 31, 2015. If any of these considerations or risks materialize, our expectations may change and our performance may be adversely affected.