



THE MARKET

Dining out has always been a popular social activity. These days, eating away from home is a part of everyday life that many people take for granted. However, meals in restaurants were once only an occasional indulgence enjoyed by a privileged few. The popular food service revolution of the last 50 years changed all that.

Today, dining out is a social activity enjoyed every day throughout the world by people of all ages and backgrounds. For McDonald's, this little bit of sociology translates into tens of millions of customers daily.

ACHIEVEMENTS

McDonald's is the leading restaurant brand, with over 30,000 local restaurants serving nearly 50 million customers daily in more than 119 countries and more than 13,500 communities across the United States. Approximately 70 percent of McDonald's restaurants worldwide are owned and operated by independent, local businessmen and women.

Twenty of McDonald's top 50 worldwide management personnel began their careers in a



100 million hamburgers within its first three years, and the 100th McDonald's restaurant opened in 1959. In 1961, Kroc paid \$2.7 million to buy out the McDonald brothers' interest, and in 1963 the billionth McDonald's hamburger was served live on prime-time TV. The brand proved equally popular outside the United States. McDonald's quickly established successful international markets in Canada, Japan, Australia, and Germany. Today, more than 1.5 million people work for McDonald's around the globe.

THE PRODUCT

From its early roots as a small, family-run hamburger restaurant, McDonald's has evolved into an American icon. While McDonald's core menu of ham-

burgers, cheeseburgers, and World Famous Fries remain the mainstay of McDonald's business, an instinctive ability to anticipate and fulfill real consumer needs has been central to McDonald's success.

A prime example of this approach is the



about 1,200 of McDonald's U.S. restaurant owner/operators started in restaurants themselves; and more than half — 2,050 — of McDonald's corporate employees in the United States started as crew.

HISTORY

The McDonald's story began half a century ago in San Bernardino, California. Ray Kroc was a salesman supplying milkshake multi-mixers to a drive-in restaurant run by two brothers, Dick and Mac McDonald. Kroc, calculating from his own figures that the restaurant must be selling over 2,000 milkshakes a month, was intrigued to know more about the secret behind the success of the brothers' thriving business. He visited the restaurant, which promised its customers "Speedee Service" and watched in awe as restaurant staff filled orders for 15-cent hamburgers with fries and shakes every 15 seconds. Kroc saw the massive potential and decided to become involved. The McDonald brothers accepted Kroc's offer to become their national franchising agent. On April 15, 1955, he opened his first McDonald's restaurant in Des Plaines, Illinois, a suburb just north of Chicago.

Rapid growth followed. McDonald's served more than

Filet-O-Fish® sandwich, which was conceived by Lou Groen, a Cincinnati-based franchisee in a predominantly Catholic area. Groen noticed that his business was negatively impacted on Fridays, which was then a day of abstention from meat for many Catholics. He developed a fish-based



McDonald's restaurant, including chief executive officer Jim Skinner, whose first job was as a crewperson at a McDonald's in Davenport, Iowa, in 1962. In the United States alone, more than 66,500 McDonald's managers — 70 percent of all managers — started as crew. In addition,



product to meet the needs of the local community. The Filet-O-Fish sandwich was launched in 1963 and went on to become a popular menu item in many of McDonald's international markets.

Another franchisee — Jim Deligatti from Pittsburgh — was responsible in 1968 for the creation of McDonald's most successful menu item ever, the Big Mac sandwich. Nine years later, Herb Peterson, another franchisee, was the driving force behind the development of the Egg McMuffin for McDonald's breakfast menu — a move that would change the breakfast habits of millions of Americans.

RECENT DEVELOPMENTS

In December 2004, *Advertising Age* magazine named McDonald's "Marketer of the Year" for the brand's marketing achievements around the world. In March 2005, McDonald's unveiled a major company initiative centered on a multifaceted education campaign to help consumers better understand the keys to living balanced, active lives. The theme "it's what i eat and what i do . . . i'm lovin' it" underscores the important interplay between eating right and staying active.

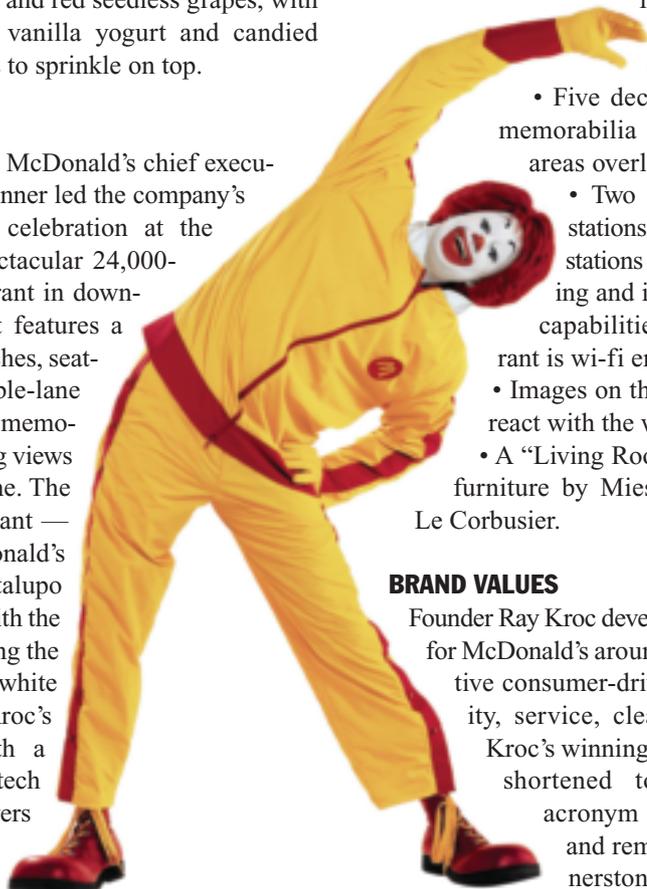
As part of McDonald's ongoing commitment to food-energy balance, the company introduced the Fruit & Walnut Premium Salad in May 2005. The latest addition to McDonald's Premium Salad portfolio includes USDA No. 1 sliced apples and red seedless grapes, with a side of low-fat vanilla yogurt and candied Diamond® walnuts to sprinkle on top.

PROMOTION

On April 15, 2005, McDonald's chief executive officer Jim Skinner led the company's 50th Anniversary celebration at the unveiling of a spectacular 24,000-square-foot restaurant in downtown Chicago that features a 60-foot Golden Arches, seating for 300, a double-lane drive-thru, historic memorabilia, and stunning views of Chicago's skyline. The spectacular restaurant — dedicated to McDonald's late CEO Jim Cantalupo — ties the future with the past by incorporating the classic red and white design of Ray Kroc's first building with a 21st-century, high-tech restaurant that delivers a special experience for customers.



50 years & i'm lovin' it



Reflecting McDonald's appeal as a local business in communities around the world, the interior of the 50th Anniversary restaurant features a contemporary flair with a 40-foot Brazilian granite counter, glass from Germany, exterior finish from the Netherlands, and red S-shaped chairs from Italy.

The interior dining area is zoned like a home, with first floor representing the foyer and kitchen and second floor featuring a living room, dining room, and family room. Two escalators, an elevator, and a staircase connect customers to the second level, a spacious dining area with a corner "conference room," technology, and modern comfort, including:

- Five decades of McDonald's memorabilia displayed in seating areas overlooking the garden.
- Two custom CD-creation stations and two Internet Web stations with music downloading and instant photo printing capabilities. The entire restaurant is wi-fi enabled.
- Images on three interactive tables react with the wave of a hand.
- A "Living Room" featuring leather furniture by Mies van der Rohe and Le Corbusier.

BRAND VALUES

Founder Ray Kroc developed his brand vision for McDonald's around a simple but effective consumer-driven premise of quality, service, cleanliness, and value. Kroc's winning formula was quickly shortened to QSC&V — an acronym that would become and remain an enduring cornerstone of the brand.

If QSC&V is the cornerstone of the McDonald's brand, then trust is its bedrock. To its customers, McDonald's is a brand that can be trusted to place the customer at the center of its world and to know the right thing to do. The key to McDonald's success has been its capacity to touch universal consumer needs with such consistency that the essence of the brand has somehow always been relevant to the local culture, no matter how different that culture might be from McDonald's origins. With one of the most powerful brands in the business, McDonald's appears set to enjoy healthy growth long into the future.

McDonald's was also built on the philosophy, instilled by Ray Kroc 50 years ago, to give back to the communities it serves. Because of this long-standing commitment

to help others, McDonald's has pledged to raise \$50 million for Ronald McDonald House Charities® (RMHC®) and other children's causes in communities locally and worldwide in celebration of its 50th anniversary. "Giving a hand to help children is what RMHC does best, and this pledge by McDonald's will allow us to help more children, in more places and in more ways," said Ken Barun, president and CEO, RMHC. "RMHC was founded in memory of Ray Kroc, and it is in his spirit of helping and serving others that this pledge will be honored."

THINGS YOU DIDN'T KNOW ABOUT MCDONALD'S

- Glen Volkman of Eau Claire, Wisconsin, was one of the first customers served at the original McDonald's Des Plaines location, on April 15, 1955 . . . and he was back 50 years later for McDonald's anniversary celebration in Chicago.
- The 50th Anniversary restaurant replaces the former "Rock 'n' Roll McDonald's" restaurant, which was the third-busiest McDonald's location in the United States, and 12th-busiest in the world. Reminiscent of its Rock 'n' Roll years and committed to remembering the many good times there, the 50th Anniversary restaurant showcases a free-standing outdoor "Rock 'n' Roll Pavilion," featuring original pieces from the former restaurant, including a 1959 Corvette, life-size Beatles statues, and guitars.
- More than 65,000 managers in McDonald's restaurants from all over the world have graduated with Bachelor of Hamburgerology degrees from Hamburger University, McDonald's international management training facilities.
- Ronald McDonald wears size 14½ Big Red Shoes: "extra long, by extra wide, by extra red."