



THE MARKET

Dining out has always been a popular social activity. These days, it's a part of everyday life which many of us take for granted. However, it's easy to forget that a meal in a restaurant was once 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 enjoyed every day all over the world by people of all ages and backgrounds. McDonald's is proud to be part of this growing trend, serving more than a million customers every day across this nation alone.

ACHIEVEMENTS

In 2002 McDonald's Australia recorded the highest sales and profitability in its 32 year history. McDonald's Australia sales were at a record high of \$1.8 billion, and Australia was also the best performing country in the Asia Pacific, Middle Eastern and African regions. McDonald's continues to lead the quick service restaurant market in Australia.

McDonald's Australia has 730 stores with more than 56,000 employees, serving one million customers daily and is one of the largest purchasers of Australian products.

McDonald's has become a citizen of the world and is committed to being a good corporate citizen. Ronald McDonald House Charities (RMHC) has awarded more than \$250 million in grants to children's programs worldwide since 1984.

The cornerstone of RMHC is the Ronald McDonald House program, which provides "homes-away-from-home" for families of seriously ill children being treated at nearby hospitals.

The first Ronald McDonald House in Australia opened in 1981 at Camperdown in Sydney, near the Royal Alexandra Hospital for Children. 20 years later there are now 10 Ronald McDonald Houses in this country, with another House due to be built at Townsville in 2004.

HISTORY

The McDonald's story began 47 years ago in San Bernadino, 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 fifteen-cent hamburgers with fries and shakes every fifteen seconds.

Kroc saw the massive potential and decided to get involved. The McDonald brothers accepted Kroc's offer to become their first franchisee. On April 15, 1955, he opened his first McDonald's restaurant in Des Plaines, a suburb just north of Chicago.

McDonald's served more than 100 million hamburgers within its first three years of trading 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.

More than thirty years ago in December in 1971 McDonald's Australia opened its first restaurant at Yagoona and served 3,000 customers a month. Today there are more than 730 restaurants throughout Australia, serving more than one million customers a day. McDonald's employs more than 55,000 people in Australia and injects \$120 million in capital expenditure.

The opening of a McDonald's restaurant creates up to 100 new jobs in the local area. It also creates many opportunities for the local construction and building industry, stimulating the growth of numerous small businesses through subcontracting relationships with McDonald's.

THE PRODUCT

From its early roots as a small, family-run hamburger restaurant, McDonald's has evolved into a multi-billion dollar quick service restaurant industry. While hamburgers and fries remain the mainstay of McDonald's business, an instinctive ability to anticipate and fulfil real consumer needs has been central to McDonald's success.

A prime example of this approach is the Filet-O-Fish sandwich, which was conceived by Lou Groen, a Cincinnati-based franchisee with a restaurant



located in a predominantly Catholic area.

Groen noticed that his business was slow on Fridays, which was then a day on which many Catholics abstained from meat. He developed a fish-based 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, the same franchisee was the driving force behind the development of McDonald's breakfast menu - a move that would change the breakfast habits of millions of people.

Innovation has played an important part in McDonald's growth. The company has invested heavily in technology to continually improve the consumer experience at McDonald's. One of the biggest breakthroughs came in 1975 with the opening of the first drive-thru restaurant in Sierra Vista, Arizona. Once again, the idea sprang from the need to solve a local sales problem when servicemen from a nearby Army base were forbidden to get out of their cars in military fatigues. The drive-thru concept was an immediate success. Today, drive-thru accounts for more than half of McDonald's business in Australia.

McCafé was the first of its kind in the world when it was introduced into the Swanston Street McDonald's in Victoria in 1993. The McCafé concept was designed and created by McDonald's Australian representatives. Today there are about 100 McCafés across Australia and they are also operating in countries like Japan, France, Austria New Zealand and the USA.

McDonald's McOz burger originated from a group of licensees from northern NSW. Today the popular McOz burger is a permanent menu item.

McDonald's serves its customers top-quality food. The best raw ingredients are purchased from long-time suppliers. Food is prepared to a consistently high standard in the restaurant. McDonald's menu is continually reviewed and enhanced to ensure that it meets - and wherever possible exceeds - customer expectations.

RECENT DEVELOPMENTS

McDonald's was the first quick-service restaurant to make publicly available a complete ingredient listing and detailed nutritional analysis of all its products. In 2003, McDonald's Australia launched



a new menu range called Salads Plus, which boasts salads, yoghurt and fruit. The eight Salads Plus launch items all feature 10 grams of fat or less a serve and their sugar and salt levels have been carefully considered during product development.

As part of this new range, McDonald's delivered a Quick-Service Restaurant industry first by committing to nutritional labelling on packaging for four of the new menu items.

McDonald's is continuing to review packaging of the regular menu items with a long term goal of including nutritional information on the packaging, trays or takeaway bags for these items. This information is currently available from the nutritional brochure in restaurants or on the web.

This new menu takes McDonald's into the future. It is the most important product launch in its business history to date. Salads Plus isn't about changing who McDonald's are but about extending the range.

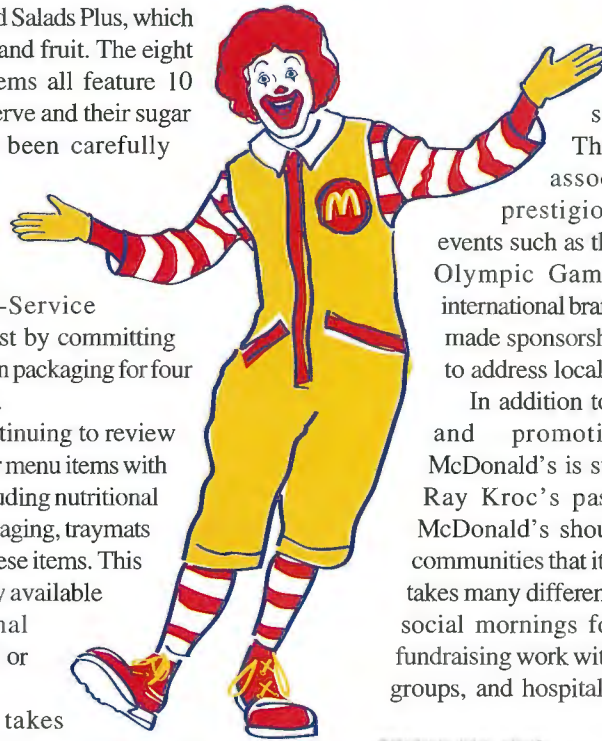


PROMOTION

From the earliest days, McDonald's recognised the key role of marketing in the brand-building process. As Ray Kroc put it: "There's something just as basic to our success as the hamburger. That something is marketing, McDonald's style. It's bigger than any person or product bearing the McDonald's name."

Advertising is certainly not the only cause of McDonald's success. It is, however, inseparable from it. To this day, a fixed proportion of restaurant sales is reinvested into advertising and sales promotion in every market in which McDonald's operates.

McDonald's displays a rare ability to act like a retailer while thinking like a brand; delivering sales for the immediate present while building and protecting its long-term brand reputation. Television advertising has been instrumental in transforming McDonald's brand image from that of a multinational corporation to part of the fabric of society. Through high-profile brand advertising, McDonald's has developed a powerful emotional relationship with its customers based on trust and a fundamental warmth and humanity unmatched



by its competitors.

McDonald's is also involved in sports sponsorship. The company uses its association with prestigious global sporting events such as the World Cup and the Olympic Games to reinforce its international brand stature, while tailor-made sponsorship programs are used to address local market needs.

In addition to national advertising and promotional campaigns, McDonald's is strongly committed to Ray Kroc's passionate belief that McDonald's should contribute to the communities that it serves. Local activity takes many different forms, ranging from social mornings for senior citizens to fundraising work with local schools, youth groups, and hospitals.

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; placing the customer at the centre of its world; knowing 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 world, McDonald's looks set to enjoy healthy growth far into the future.

THINGS YOU DIDN'T KNOW ABOUT McDONALD'S

- On average, McDonald's opens a new restaurant every four hours.
- The sun never sets on the Golden Arches. The most northerly McDonald's is right on the Arctic Circle in Rovaniemi, Finland, while the southernmost is in Invercargill, New Zealand.
- Every day, McDonald's serves 45 million customers, but on any one day, even as the industry leader, McDonald's still serves less than one per cent of the world's population.
- McDonald's has sold well over 100 billion hamburgers.
- Nearly two and a half million people work for McDonald's.
- More than 5000 people lined up for a burger on a freezing midnight when McDonald's opened its first restaurant in Minsk, Belarus - its 100th country.