The theme of this year’s summary annual report centers on our two quality brands and one great company built on fundamentals. That’s an important message to our various stakeholders as we approach the 30-year anniversary of the first Wendy’s and the 36-year anniversary of the first Tim Hortons.

Although the Company is more complex today than when it was founded, we remain absolutely committed to the basics of this business — quality products, consistent restaurant operations and a familiar and predictable experience for customers.

Clearly, our strategies have been effective as consumers consistently choose Wendy’s and Tim Hortons as the highest quality brands in the quick-service restaurant industry.

1998 Highlights

- Total restaurants reached a record 7,000 systemwide, including 5,333 Wendy’s and 1,667 Tim Hortons.
- Wendy’s share of the U.S. quick-service hamburger market grew to an all-time high of 12.9%, while Tim Hortons’ share of the coffee and donut market in Canada grew to an all-time high of 53%.
- Systemwide sales increased for the 29th consecutive year, up 7.5% to a record $6.5 billion.
- Total revenues were $1.9 billion in 1998, down from $2.0 billion as we implemented strategic initiatives to lower asset gains, close underperforming units and refranchise stores.
- Average unit volumes at Wendy’s U.S. company restaurants increased for the 12th consecutive year, up 5.7%.
- Same-store sales at Tim Hortons Canada increased 10.4%, on top of an 8% increase a year ago (Canadian).
- Domestic Wendy’s operating margins improved from 14.8% to 15.6% as we increased sales, implemented store-level productivity programs and closed underperforming stores.
- Net income was $123 million, or $0.95 per share, including a $25 million non-recurring charge during the fourth quarter for the write-down of certain international assets. Excluding the charge, net income was $149 million, or $1.13 per share.

It is rewarding to share some of our key 1998 accomplishments with you. Perhaps just as important is the progress the Company made during the year laying the foundation for future sales and earnings growth with several important programs.

One of the most significant was the implementation of Wendy’s “Service Excellence” program in our Western U.S. region, which delivered superior sales growth over a 12-month period. Tim Hortons also began implementing speed-of-service programs in restaurants throughout Canada.

Within the Wendy’s system, another key initiative was consolidating the national soft drink business with Coca-Cola, ensuring a long-term agreement with the No. 1 soft drink company in the world. We also consolidated a major portion of our national food distribution network for Wendy’s with Sysco Corporation and its Sygma subsidiary, ensuring improved service and valuable economies for our company and franchised stores. And, we began implementing several productivity enhancement programs in our restaurants. These initiatives support our long-term strategies and should help us drive sales, control costs and improve operating profits.

We are optimistic about 1999 and beyond. Wendy’s North America and Tim Hortons Canada, which make up about 90% of the Company’s systemwide units and sales, have delivered consistently strong results and we expect that performance to continue.

The challenge is to build on our core business strengths, while making progress in emerging businesses which did not meet our performance objectives in 1998.

DEAR FELLOW SHAREHOLDERS:

Consumers consistently choose Wendy’s and Tim Hortons as the highest quality brands in the QSR industry.
We posted a $25 million after tax non-recurring charge for the write-down of assets in Argentina and the United Kingdom. Furthermore, earnings results were negatively affected by currency weakness in Canada and we invested more than planned in important information technology and Year 2000 investments, resulting in higher general and administrative costs. Overall, we are determined to improve shareholder value by executing a broad, strategic plan that revolves around our strong core business and the initiatives announced in February 1998. While Wendy’s common stock has appreciated from $4.63 per share at the beginning of 1990 to nearly $22 at year-end 1998, we are disappointed with the lack of meaningful appreciation recently. With the 1998 transition year behind us and an excellent start in our core business at the outset of 1999, we are optimistic that stock price appreciation will resume.

**Strong Core Business**
Our long-term strategies are to deliver steady growth from our core businesses, while staying focused on operations and leveraging Wendy’s and Tim Hortons’ quality brand positions. The Company has engineered superior same-store sales growth during the 1990s and we expect that trend to continue. Some of our key 1999 programs include:

- **Service Excellence** — We are expanding this program at Wendy’s from one operating region to all of North America and expect sustainable sales volume increases as we improve customer service and speed. In the Western region, average unit volumes during 1998 increased more than double the rest of the U.S. (see the Wendy’s Domestic section for more on this program).
- **Wendy’s Marketing** — We will increase national advertising spending by 20% to support our balanced marketing efforts for promotional products, core menu items and value items. In addition, we will increase marketing for our Kids’ Meals by 50%, which will include all licensed toys for the first time ever. We will also introduce a “Hamburger Equity” advertising program aimed specifically at core quick-service restaurant customers.
- **Tim Hortons Marketing** — A strong national advertising calendar is planned for Canada featuring coffee, baked goods and our improved soup and sandwich menu, as well as donut promotions and our popular “Roll Up the Rim to Win” promotion.
- **New Products** — Wendy’s will launch exciting new sandwiches, while Tim Hortons plans to unveil two new coffee products, continuing our heritage as the provider of quality branded products.
- **Productivity** — Ongoing research, development and implementation of productivity programs are expected to lower costs at the store level for Wendy’s. These initiatives will support aggressive controls on general and administrative costs.

- **Development** — Our strategic plan includes a 20% increase in systemwide new unit development, from 460 in 1998 to a range of 560 to 590 in 1999. Most of the development is planned for Wendy’s North America and Tim Hortons Canada, where we achieve high return on capital and profitability.

**Emerging Business Opportunities**
We are committed to improving results from our emerging businesses and developing long-term growth opportunities.

While Tim Hortons Canada is extremely strong and profitable, our U.S business is in the investment stage as we work to establish the brand in four markets: Buffalo, NY, Michigan, central Ohio and Western Canada. Wendy’s is expanding both in the domestic and international markets.

**Stable senior management**
Stability is one of the Company’s strengths, beginning with Wendy’s Founder Dave Thomas and Tim Hortons’ Co-Founder Ron Joyce. They are guardians of our brands and members of the board of directors, providing counsel to management. Beyond Dave and Ron, the team is deep and talented. Average tenure of the Company’s executive and senior vice presidents is 14 years.

"**Quality is our Recipe**"
Wendy’s takes great pride in offering the highest quality products in the quick-service restaurant industry. In national independent tracking studies, nearly 50% of consumers polled consistently rank Wendy’s No.1 in “Highest Quality Food.” Overall, consumers rank Wendy’s No.1 in 28 of the 45 attributes.
Maine. Our goal is to stay focused on a plan to build this division into a profitable contributor. Our U.S. team is using a disciplined strategy to establish the Tim Hortons' brand as the quality choice for customers, grow same-store sales, build customer loyalty to our premium coffee, carefully control costs and franchise many of the stores. Our success in many parts of Canada required the same fundamental approach.

We faced broad economic challenges in Wendy’s Asia/Pacific region and intense competitive pressure in the Europe/Middle East region in 1998. Our 1999 plan is to focus most of our resources on opportunities in the Americas, where we are best positioned to achieve development and profitability. Canada, the Caribbean and Latin America provide the best short-term potential. Longer term, we believe the Asia/Pacific region provides considerable growth prospects.

Strategic Initiatives
Over the past 12 months, we implemented several Strategic Initiatives to improve shareholder value. They included closing underperforming stores, improving margins, upgrading critical computer systems and preparing for Year 2000 issues. We are focusing capital spending on high return opportunities and improving return on invested capital with initiatives such as our share repurchase program. The goal is to improve the quality of our operating earnings, while maintaining our outstanding balance sheet strength.

I am pleased to report that we have made tremendous progress on our Strategic Initiatives and we are optimistic about the effect these programs will have on future results. Chief Financial Officer Fritz Reed reviews the initiatives on Pages 4-5.

In summary, management, employees, franchisees and your directors are working hard to improve the Company’s overall results. We believe the correct long-term strategies are in place to achieve our goals. As always, we thank you for your support as fellow shareholders and encourage you to visit Wendy’s and Tim Hortons as customers.

Sincerely,

Gordon F. Teter
Chairman, CEO and President

Quality, caring leaders
Former Chairman & CEO Jim Near was committed to kindness, common courtesy and helping others. As an honor to Jim, who passed away in 1996, the “Jim Near Legacy Award” honors franchisee Junior Bridgeman, who operates more than 70 Wendy’s, and Sandra Lennon, Regional HR Director for Wendy’s of Canada. Both have created a culture committed to people and their development.

“WeShare” ownership
In 1990, Wendy’s began making annual stock option grants to all eligible full-time employees. The “WeShare” program encourages retention and increased productivity, while aligning the goals of employees with all shareholders. Today, directors, officers and employees own nearly 17% of the Company’s outstanding shares.