
**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, DC 20549**

FORM 10-Q

QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the quarterly period ended June 30, 2007

OR

TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the transition period from _____ to _____

Commission File Number 1-5231

McDONALD'S CORPORATION

(Exact Name of Registrant as Specified in Its Charter)

Delaware
(State or Other Jurisdiction of
Incorporation or Organization)

36-2361282
(I.R.S. Employer
Identification No.)

McDonald's Plaza
Oak Brook, Illinois
(Address of Principal Executive Offices)

60523
(Zip Code)

(630) 623-3000

(Registrant's Telephone Number, Including Area Code)

Indicate by check mark whether the registrant: (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.
Yes No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, or a non-accelerated filer. See definition of "accelerated filer and large accelerated filer" in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer

Accelerated filer

Non-accelerated filer

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).
Yes No

1,191,772,069

(Number of shares of common stock
outstanding as of June 30, 2007)

McDONALD'S CORPORATION

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The following trademarks used herein are the property of McDonald's Corporation and its affiliates: Boston Market and McDonald's.

PART I – FINANCIAL INFORMATION

Item 1. Financial Statements

CONDENSED CONSOLIDATED BALANCE SHEET

In millions, except per share data	(unaudited) June 30, 2007	December 31, 2006
Assets		
Current assets		
Cash and equivalents	\$ 2,142.1	\$ 2,136.4
Accounts and notes receivable	784.6	814.6
Inventories, at cost, not in excess of market	120.2	117.2
Prepaid expenses and other current assets	379.2	373.0
Assets of businesses held for sale	935.3	1,619.3
Total current assets	4,361.4	5,060.5
Other assets		
Investments in and advances to affiliates	1,060.1	1,035.4
Goodwill, net	2,198.3	2,073.6
Miscellaneous	1,268.5	1,249.0
Total other assets	4,526.9	4,358.0
Property and equipment		
Property and equipment, at cost	31,023.6	30,015.9
Accumulated depreciation and amortization	(10,917.0)	(10,410.6)
Net property and equipment	20,106.6	19,605.3
Total assets	\$ 28,994.9	\$ 29,023.8
Liabilities and shareholders' equity		
Current liabilities		
Accounts payable	\$516.7	\$739.9
Income taxes	—	246.7
Other taxes	264.0	214.3
Accrued interest	124.7	135.0
Accrued payroll and other liabilities	1,215.5	1,338.2
Current maturities of long-term debt	288.2	17.7
Liabilities of businesses held for sale	1,020.5	324.7
Total current liabilities	3,429.6	3,016.5
Long-term debt	7,885.5	8,389.9
Other long-term liabilities	1,652.5	1,064.9
Deferred income taxes	941.6	1,094.2
Shareholders' equity		
Preferred stock, no par value; authorized – 165.0 million shares; issued – none		
Common stock, \$.01 par value; authorized – 3.5 billion shares; issued – 1,660.6 million shares	16.6	16.6
Additional paid-in capital	3,957.0	3,445.0
Retained earnings	25,881.2	25,845.6
Accumulated other comprehensive income (loss)	63.6	(296.7)
Common stock in treasury, at cost; 468.9 and 456.9 million shares	(14,832.7)	(13,552.2)
Total shareholders' equity	15,085.7	15,458.3
Total liabilities and shareholders' equity	\$ 28,994.9	\$ 29,023.8

See notes to condensed Consolidated financial statements.

CONDENSED CONSOLIDATED STATEMENT OF INCOME (UNAUDITED)

In millions, except per share data	Quarters Ended		Six Months Ended	
	June 30,		June 30,	
	2007	2006	2007	2006
Revenues				
Sales by Company-operated restaurants	\$4,486.3	\$3,995.6	\$ 8,569.1	\$ 7,665.1
Revenues from franchised and affiliated restaurants	1,524.2	1,371.8	2,905.5	2,616.2
Total revenues	6,010.5	5,367.4	11,474.6	10,281.3
Operating costs and expenses				
Company-operated restaurant expenses	3,719.8	3,368.4	7,176.0	6,512.8
Franchised restaurants – occupancy expenses	282.5	260.3	558.7	512.3
Selling, general & administrative expenses	605.2	576.2	1,163.4	1,111.6
Impairment and other charges, net	1,611.3	22.1	1,613.9	108.2
Other operating (income) expense, net	(20.9)	16.8	(24.6)	1.4
Total operating costs and expenses	6,197.9	4,243.8	10,487.4	8,246.3
Operating income (loss)	(187.4)	1,123.6	987.2	2,035.0
Interest expense	101.7	97.7	199.0	200.0
Nonoperating income, net	(17.0)	(25.3)	(33.6)	(60.3)
Income (loss) from continuing operations before provision for income taxes	(272.1)	1,051.2	821.8	1,895.3
Provision for income taxes	439.6	352.9	771.1	623.6
Income (loss) from continuing operations	(711.7)	698.3	50.7	1,271.7
Income from discontinued operations (net of taxes of \$75.0 and \$84.8)		135.8		187.7
Net income (loss)	\$ (711.7)	\$ 834.1	\$ 50.7	\$ 1,459.4
Per common share–basic:				
Continuing operations	\$ (0.60)	\$ 0.57	\$ 0.04	\$ 1.02
Discontinued operations		0.11		0.15
Net income (loss)	\$ (0.60)	\$ 0.68	\$ 0.04	\$ 1.17
Per common share–diluted:				
Continuing operations	\$ (0.60)	\$ 0.56	\$ 0.04	\$ 1.01
Discontinued operations		0.11		0.15
Net income (loss)	\$ (0.60)	\$ 0.67	\$ 0.04	\$ 1.16
Weighted-average shares outstanding–basic	1,193.7	1,235.1	1,197.4	1,244.5
Weighted-average shares outstanding–diluted	1,193.7	1,248.0	1,220.4	1,259.4

See notes to condensed Consolidated financial statements.

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS (UNAUDITED)

In millions	Quarters Ended June 30,		Six Months Ended June 30,	
	2007	2006	2007	2006
Operating activities				
Net income (loss)	\$ (711.7)	\$ 834.1	\$ 50.7	\$ 1,459.4
Adjustments to reconcile to cash provided by operations				
Charges and credits:				
Depreciation and amortization	303.1	315.0	614.6	620.4
Deferred income taxes	(35.4)	20.3	(55.7)	16.5
Impairment and other charges, net	1,611.3	22.1	1,613.9	108.2
Share-based compensation	35.1	27.5	72.1	66.4
Gains on Chipotle transactions		(197.4)		(248.6)
Other	4.3	—	(74.1)	28.0
Changes in working capital items	(124.4)	(142.1)	(210.8)	(556.0)
Cash provided by operations	1,082.3	879.5	2,010.7	1,494.3
Investing activities				
Property and equipment expenditures	(413.4)	(382.2)	(822.3)	(671.4)
Purchases and sales of restaurant businesses and property sales	(0.5)	6.0	1.4	(14.6)
Chipotle transactions, net		259.2		308.0
Other	(32.2)	12.7	(29.2)	70.0
Cash used for investing activities	(446.1)	(104.3)	(850.1)	(308.0)
Financing activities				
Notes payable and long-term financing issuances and repayments	(626.9)	(701.4)	(296.7)	(1,025.1)
Treasury stock purchases	(696.4)	(842.3)	(1,664.8)	(1,823.7)
Proceeds from stock option exercises	335.6	119.3	706.0	368.9
Excess tax benefit on share-based compensation	54.9	6.6	102.8	38.3
Other	(26.2)	(26.8)	(43.7)	(49.9)
Cash used for financing activities	(959.0)	(1,444.6)	(1,196.4)	(2,491.5)
Effect of exchange rates on cash and cash equivalents	26.5	148.1	41.5	192.9
Cash and equivalents increase (decrease)	(296.3)	(521.3)	5.7	(1,112.3)
Cash and equivalents at beginning of period	2,438.4	3,669.6	2,136.4	4,260.6
Cash and equivalents at end of period	\$2,142.1	\$ 3,148.3	\$ 2,142.1	\$ 3,148.3

See notes to condensed Consolidated financial statements.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

Basis of Presentation

The accompanying condensed Consolidated financial statements should be read in conjunction with the Consolidated financial statements contained in the Company's December 31, 2006 Annual Report on Form 10-K. In the opinion of management, all adjustments (consisting of normal recurring accruals) necessary for a fair presentation have been included. The results for the quarter and six months ended June 30, 2007 do not necessarily indicate the results that may be expected for the full year.

The results of operations of McDonald's restaurant businesses purchased and sold were not material to the condensed Consolidated financial statements for periods prior to purchase and sale.

Conversion of Certain Markets to Developmental License

On April 17, 2007, the Board of Directors approved an agreement for the Company to sell its existing businesses in Brazil, Argentina, Mexico, Puerto Rico, Venezuela and 13 other countries in Latin America and the Caribbean to a developmental licensee organization. The Company refers to these markets, which comprise nearly 1,600 restaurants, as "Latam".

Based on approval by the Company's Board of Directors, the Company concluded Latam was "held for sale" as of that date in accordance with the requirements of Statement of Financial Accounting Standards No. 144, *Accounting for the Impairment or Disposal of Long-lived Assets* (SFAS No. 144). As a result, the Company recorded an impairment charge of approximately \$1.6 billion in the second quarter of 2007, substantially all of which was noncash. The charge included approximately \$830 million for the difference between the net book value of the Latam business and the approximately \$700 million in cash proceeds. This loss in value was primarily due to a historically difficult economic environment coupled with volatility experienced in many of the markets included in this transaction. The charge also included historical accumulated foreign currency translation losses of approximately \$780 million recorded in shareholders' equity. The Company has recorded a tax benefit of \$12.8 million in connection with this transaction. As a result of meeting the "held for sale" criteria, the Company ceased recording depreciation expense with respect to Latam effective April 17, 2007. In accordance with SFAS No. 144, the assets, primarily comprised of property and equipment, and liabilities, primarily comprised of provisions for accumulated translation losses, of the businesses held for sale were reflected as separate line items on the Company's Consolidated balance sheet at June 30, 2007. Corresponding balances were also reclassified to these separate line items as of December 31, 2006. In connection with the sale, the Company has agreed to indemnify the buyers for certain tax and other claims, certain of which are reflected as liabilities on the Company's Consolidated balance sheet.

The buyers of the Company's existing operations in Latam have entered into a 20-year master franchise agreement that requires the buyers, among other obligations, (i) to pay monthly royalties commencing at a rate of approximately 5% of sales of the restaurants in these markets, substantially consistent with market rates for similar license arrangements; (ii) to commit to adding approximately 150 new McDonald's restaurants over the first three years and pay an initial franchise fee for each new restaurant opened; and (iii) to commit to specified annual capital expenditures for existing restaurants. As a result of the continuing expected income stream to the Company from the Latam businesses, Latam is not considered a discontinued operation. The Company completed the sale and licensing transaction in early August 2007 and will record an adjustment to the impairment charge in the third quarter 2007 to reflect actual amounts as of the closing date.

Comprehensive Income

The following table presents the components of comprehensive income for the quarters and six months ended June 30, 2007 and 2006:

In millions	Quarters Ended		Six Months Ended	
	June 30, 2007	2006	June 30, 2007	2006
Net income (loss)	\$(711.7)	\$ 834.1	\$ 50.7	\$ 1,459.4
Other comprehensive income (loss):				
Foreign currency translation adjustments	258.3	275.4	347.3	378.5
Deferred hedging adjustments	5.6	(4.7)	10.0	(11.6)
Pension liability adjustment	1.2	—	3.0	—
Total other comprehensive income (loss)	265.1	270.7	360.3	366.9
Total comprehensive income (loss)	\$(446.6)	\$1,104.8	\$ 411.0	\$ 1,826.3

Per Common Share Information

Diluted net income per common share is calculated using net income divided by diluted weighted-average shares outstanding. Diluted weighted-average shares outstanding included weighted-average shares outstanding plus the dilutive effect of share-based employee compensation, calculated using the treasury stock method, of 12.9 million shares for the second quarter 2006, and 23.0 million shares and 14.9 million shares for the six months ended June 30, 2007 and 2006, respectively. For the second quarter 2007, common stock equivalents of 23.2 million were excluded from the computation of diluted weighted-average shares outstanding as a result of the net loss. Stock options that were not included in diluted weighted-average shares outstanding because they would have been antidilutive were 41.8 million shares for the second quarter 2006, and 1.5 million shares and 42.2 million shares for the six months ended June 30, 2007 and 2006, respectively.

Sabbatical Leave

In June 2006, the Financial Accounting Standards Board (FASB) ratified Emerging Issues Task Force Issue 06-2, *Accounting for Sabbatical Leave and Other Similar Benefits Pursuant to FASB Statement No. 43, Accounting for Compensated Absences* (EITF 06-2). Under EITF 06-2, compensation costs associated with a sabbatical should be accrued over the requisite service period, assuming certain conditions are met. Previously, the Company expensed sabbatical costs as incurred. The Company adopted EITF 06-2 effective January 1, 2007, as required and accordingly, we recorded a \$36.1 million cumulative adjustment, net of tax, to decrease beginning retained earnings in the first quarter 2007. The annual impact to earnings of this accounting change is not significant.

Income Tax Contingencies

In July 2006, the FASB issued Interpretation No. 48, *Accounting for Uncertainty in Income Taxes* (FIN 48), which is an interpretation of FASB Statement No. 109, *Accounting for Income Taxes*. FIN 48 clarifies the accounting for income taxes by prescribing the minimum recognition threshold a tax position is required to meet before being recognized in the financial statements. FIN 48 also provides guidance on derecognition, measurement, classification, interest and penalties, accounting in interim periods, disclosure and transition. The Company adopted the provisions of FIN 48 effective January 1, 2007, as required. As a result of the implementation of FIN 48, the Company recorded a \$20.1 million cumulative adjustment to increase the January 1, 2007 balance of retained earnings. FIN 48 requires that a liability associated with an unrecognized tax benefit be classified as a long-term liability except for the amount for which a cash payment is anticipated within one year. Upon adoption of FIN 48, \$338.7 million of tax liabilities, net of deposits, were reclassified from current to long-term and are now included in other long-term liabilities.

As of the date of adoption and after recognizing the impact of FIN 48, the Company's gross unrecognized tax benefits totaled \$664.3 million. Of this total, approximately \$600 million, after considering the federal impact on state issues, would favorably affect the effective tax rate if resolved in the Company's favor.

In the first quarter 2007, the Company reduced the unrecognized tax benefit related to prior years' tax positions by \$51 million. The reduction was due to new tax developments during the quarter, primarily related to international operations, which impacted our evaluation of uncertain tax positions claimed on prior years' returns. Second quarter 2007 changes in the amount of unrecognized tax benefits were not significant.

The Internal Revenue Service (IRS) is currently examining the Company's U.S. federal income tax returns for 2003 and 2004. In connection with this examination, the IRS has proposed certain significant adjustments to the Company's filing positions. These adjustments primarily relate to the valuations of the Company's investments in certain foreign subsidiaries. It is not known how these adjustments will be settled. The Company expects to finalize this examination in 2007. As a result, it is reasonably possible that the total amount of unrecognized tax benefits will decrease by approximately \$380 million by the end of 2007; however, the Company does not expect to make a significant cash payment as a result of settling the examination. An estimate of the impact on the effective tax rate for the year cannot be made at this time.

With few exceptions, the Company is no longer subject to U.S. federal, state and local, or non-U.S. income tax examinations by tax authorities for years before 2001.

The Company's continuing practice is to recognize interest and penalties related to income tax matters in income tax expense. The Company had \$46.4 million accrued for interest and no accrual for penalties at January 1, 2007.

Recently Issued Accounting Standards

In September 2006, the FASB issued Statement of Financial Accounting Standards No. 157, *Fair Value Measurements* (SFAS No. 157). SFAS No. 157 defines fair value, establishes a framework for measuring fair value in generally accepted accounting principles and expands disclosures about fair value measurements. The Company expects to adopt SFAS No. 157 effective January 1, 2008, as required. The Company is currently evaluating the impact of adopting SFAS No. 157.

In February 2007, the FASB issued Statement of Financial Accounting Standards No. 159, *The Fair Value Option for Financial Assets and Financial Liabilities* (SFAS 159). SFAS 159 permits entities to voluntarily choose to measure many financial instruments

and certain other items at fair value. SFAS No. 159 is effective beginning January 1, 2008, but the Company has not yet decided whether it will adopt this optional standard.

Discontinued Operations

The Company continues to focus its management and financial resources on the McDonald's restaurant business as it believes the opportunities for growth remain significant. Accordingly, during 2006, the Company disposed of its investment in Chipotle Mexican Grill (Chipotle) via public stock offerings in the first and second quarters and a tax-free exchange for McDonald's common stock in the fourth quarter. As a result of the disposal, Chipotle's 2006 results of operations and transaction gains are reflected as discontinued operations.

In first quarter 2006, Chipotle completed an IPO of 6.1 million shares resulting in a tax-free gain to McDonald's of \$32.0 million to reflect an increase in the carrying value of the Company's investment as a result of Chipotle selling shares in the public offering. Concurrent with the IPO, McDonald's sold 3.0 million Chipotle shares, resulting in net proceeds to the Company of \$61.4 million and an additional gain of \$13.6 million after tax. In second quarter 2006, McDonald's sold an additional 4.5 million Chipotle shares, resulting in net proceeds to the Company of \$267.4 million and a gain of \$127.8 million after tax. In addition, Chipotle's after tax income for the second quarter and six months 2006 was \$8.0 million and \$14.3 million, respectively.

Chipotle's results of operations (exclusive of the transaction gains), which previously were included in the Company's Other segment, consisted of revenues and pretax profits for the second quarter 2006 of \$204.9 and \$13.4 million, respectively. Revenues and pretax profits for the six months ended June 30, 2006 were \$391.9 and \$23.9 million, respectively.

Segment Information

The Company primarily franchises and operates McDonald's restaurants in the food service industry. In addition, the Company operates and has investments in certain non-McDonald's brands that are not material to the Company's overall results.

The following table presents the Company's revenues and operating income by geographic segment. The APMEA segment represents McDonald's restaurant operations in Asia/Pacific, Middle East and Africa. The Corporate & Other segment represents Corporate activities and non-McDonald's brands.

In millions	Quarters Ended		Six Months Ended	
	June 30, 2007	2006	June 30, 2007	2006
Revenues				
U.S.	\$ 2,016.3	\$ 1,897.2	\$ 3,857.7	\$ 3,635.1
Europe	2,180.1	1,908.6	4,106.6	3,564.0
APMEA	852.0	740.2	1,682.3	1,467.6
Latin America	503.2	381.5	960.1	761.7
Canada	287.8	276.9	525.4	518.3
Corporate & Other	171.1	163.0	342.5	334.6
Total revenues	\$ 6,010.5	\$ 5,367.4	\$ 11,474.6	\$ 10,281.3
Operating income (loss)				
U.S.	\$ 753.9	\$ 690.7	\$ 1,403.5	\$ 1,319.6
Europe	521.7	418.3	914.8	679.4
APMEA	140.0	65.1	288.7	160.8
Latin America *	(1,549.8)	11.9	(1,510.1)	3.4
Canada	62.5	50.9	107.0	89.6
Corporate & Other	(115.7)	(113.3)	(216.7)	(217.8)
Total operating income (loss) *	\$ (187.4)	\$ 1,123.6	\$ 987.2	\$ 2,035.0

* Results for both periods of 2007 included the impact of the Latam transaction of \$1,594.4 million of net expense.

Subsequent Event

As previously stated, the Company continues to focus its management and financial resources on the McDonald's restaurant business as it believes the opportunities for growth remain significant. Accordingly, in July 2007, McDonald's Board of Directors granted authorization for the Company to dispose of its investment in Boston Market. Based on approval of the Company's Board of Directors and the expectation that the transaction will be completed within 12 months, the Company concluded in July that Boston Market was "held for sale" in accordance with the requirements of SFAS No. 144. As a result, Boston Market's results of operations will be recorded as discontinued operations beginning in the third quarter 2007. Boston Market's results are currently included in the Company's Corporate & Other segment. As of June 30, 2007, Boston Market's total assets and total liabilities were \$180.0 million and \$89.1 million, respectively. In early August 2007, the Company signed a definitive agreement for the sale of Boston Market. The Company expects to complete the transaction in the third quarter 2007 and does not expect to record a loss.

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations

Overview

The Company primarily franchises and operates McDonald's restaurants. In addition, the Company operates and has investments in certain non-McDonald's brands that are not material to the Company's overall results. Of the 31,147 McDonald's restaurants in 118 countries at June 30, 2007, 18,985 are operated by franchisees (including 1,134 operated by developmental licensees), 4,082 are operated by affiliates and 8,080 are operated by the Company. Under our conventional franchise arrangement, franchisees provide a portion of the required capital by initially investing in the equipment, signs, seating and décor of their restaurant businesses, and by reinvesting in the business over time. The Company owns the land and building or secures long-term leases for both Company-operated and franchised restaurant sites. This ensures long-term occupancy rights, helps control related costs and improves alignment with franchisees. Under our developmental license arrangement, licensees provide ongoing capital for the entire business, including the real estate interest, while the Company generally has no capital invested.

We view ourselves primarily as a franchisor and continually review our restaurant ownership mix (that is our mix among Company-operated, franchised – conventional or developmental license, and joint venture) to deliver a great customer experience and drive profitability. In most cases, franchising is the best way to achieve both goals. Although direct restaurant operation is more capital-intensive relative to franchising and results in lower operating margins as a percent of revenues, Company-operated restaurants are important to our success in both mature and developing markets. In our Company-operated restaurants, and in collaboration with our franchisees, we further develop and refine operating standards, marketing concepts and product and pricing strategies, so that we introduce Systemwide only those that we believe are most beneficial. In addition, we firmly believe that owning restaurants is paramount to being a credible franchisor. Our Company-operated business also helps to facilitate changes in restaurant ownership as warranted by strategic considerations.

Revenues consist of sales by Company-operated restaurants and fees from restaurants operated by franchisees and affiliates. These fees primarily include rent and/or royalties that are based on a percent of sales, with specified minimum rent payments. Fees vary by type of site, amount of Company investment and local business conditions. These fees, along with occupancy and operating rights, are stipulated in franchise/license agreements that generally have 20-year terms.

The business is managed as distinct geographic segments: United States; Europe; Asia/Pacific, Middle East and Africa (APMEA); Latin America; and Canada. In addition, throughout this report we present a segment entitled "Corporate & Other" that includes Corporate activities and non-McDonald's brands (e.g., Boston Market). The U.S. and Europe segments each account for approximately 35% of total revenues.

During 2006, the Company disposed of its entire investment in Chipotle Mexican Grill (Chipotle) via public stock offerings and a tax-free exchange for McDonald's common stock. As a result of the complete disposition of Chipotle, the Company has reflected Chipotle's 2006 results and transaction gains as discontinued operations.

Strategic Direction and Financial Performance

The Company remains focused on increasing McDonald's relevance to consumers through the execution of multiple initiatives under our Plan to Win in order to be better, not just bigger. This plan is designed to deliver operational excellence and leadership marketing leveraged around five key drivers of exceptional customer experiences – people, products, place, price and promotion. Our focus and disciplined approach to executing these initiatives have increased our consumer relevance and delivered strong results in each of the last four years with revenue growth, operating income growth and returns on incremental invested capital meeting or exceeding our long-term financial targets. In the second quarter 2007, we continued to increase our relevance to consumers by delivering choice, variety and convenience, which in turn increased visit frequency and profitability.

In the U.S., performance reflected the ongoing benefit of a combination of initiatives that leverage McDonald's market-leading breakfast, menu innovation and convenience. We continue to offer great value and build customer loyalty by creating a more relevant McDonald's.

In Europe, focused execution of three core strategies—upgrading the customer experience, building brand transparency and enhancing local relevance—continues to drive performance. Europe reported broad-based strength throughout the segment.

In APMEA, we continue to build sales and customer traffic through breakfast, conveniences such as extended operating hours, and branded affordability that distinguishes the McDonald's experience.

As previously announced, the Company identified certain markets to be transitioned to a developmental license. Under a developmental license, a local licensee owns the business, including the real estate, and uses his/her capital and local knowledge to build the McDonald's Brand and optimize sales and profitability over the long term. Under this arrangement, the Company collects a royalty, which varies by market, based on a percent of sales, but does not invest any capital.

Consistent with this strategy, in early August 2007, the Company sold its existing operations in Brazil, Argentina, Mexico, Puerto Rico, Venezuela and 13 other countries in Latin America and the Caribbean to a developmental licensee organization led by Woods Staton, who has been a valued member of the McDonald's System for more than 20 years. The Company refers to these markets as "Latam".

Based on approval by the Company's Board of Directors, which occurred on April 17, 2007, the Company concluded Latam was "held for sale" as of that date in accordance with the requirements of SFAS No. 144, *Accounting for the Impairment or Disposal of Long-lived Assets*. As a result, the Company recorded an impairment charge of approximately \$1.6 billion in the second quarter of 2007, substantially all of which was noncash. The charge included approximately \$830 million for the difference between the net book value of the Latam business and the approximately \$700 million in cash proceeds. This loss in value was primarily due to a historically difficult economic environment coupled with volatility experienced in many of the markets included in this transaction. The charge also included historical foreign currency translation losses of approximately \$780 million recorded in shareholders' equity. The Company has recorded a tax benefit of \$12.8 million in connection with this transaction. As a result of meeting the "held for sale" criteria, the Company ceased recording depreciation expense with respect to Latam effective April 17, 2007. In connection with the sale, the Company has agreed to indemnify the buyers for certain tax and other claims, certain of which are reflected as liabilities on the Company's Consolidated balance sheet.

The buyers of the Company's existing operations in Latam have entered into a 20-year master franchise agreement that will require the buyers, among other obligations, (i) to pay monthly royalties commencing at a rate of approximately 5% of sales of the restaurants in these markets, substantially consistent with market rates for similar license arrangements; (ii) to commit to adding approximately 150 new McDonald's restaurants over the first three years and pay an initial franchise fee for each new restaurant opened; and (iii) to commit to specified annual capital expenditures for existing restaurants. The Company completed the sale and licensing transaction in early August 2007 and will record an adjustment to the impairment charge in the third quarter 2007 to reflect actual amounts as of the closing date.

Based on 2006 results for Latam, the annualized consolidated financial statement impact of this transaction is expected to consist of:

- A decrease in consolidated revenues of approximately \$1.5 billion
- No significant impact on operating income as the franchising income, net of selling, general & administrative expenses, is expected to approximate the operating income previously earned
- An increase in franchised and Company-operated margin percentages
- A decrease in capital expenditure requirements
- An increase in the consolidated return on assets by an estimated 90 basis points

Operating Highlights Included:

- Revenues increased 12% (8% in constant currencies) for both the quarter and the six months
- Global comparable sales increased 7.4% for the quarter and 6.9% for the six months
- Company-operated and franchised restaurant margins improved for the sixth consecutive quarter
- The Company repurchased \$1.7 billion or 35.7 million shares of its stock during the six months
- Cash provided by operations totaled \$2.0 billion for the six months

Outlook

While the Company does not provide specific guidance on net income per share, the following information is provided to assist in forecasting the Company's future results.

- Changes in Systemwide sales are driven by comparable sales and net restaurant unit expansion. The Company expects net restaurant additions to add slightly more than 1 percentage point to 2007 Systemwide sales growth (in constant currencies), most of which will be due to McDonald's restaurants added during 2006. In 2007, the Company expects to open about 800 McDonald's restaurants (700 traditional and 100 satellites). We expect net additions of about 300 (450 net traditional additions and 150 net satellite closings).
- The Company does not provide specific guidance on changes in comparable sales. However, as a perspective, assuming no change in cost structure, a 1 percentage point increase in U.S. comparable sales would increase annual net income per share by about 2.5 cents. Similarly, an increase of 1 percentage point in Europe's comparable sales would increase annual net income per share by about 2 cents.
- The primary food commodities impacting McDonald's business are beef and chicken. In 2007, U.S. beef costs are expected to be flat to down slightly, while we expect U.S. chicken costs to rise 4% to 5%. In Europe, we expect our costs for beef and chicken to be relatively flat in 2007.
- The Company expects full-year 2007 selling, general & administrative expenses to decline as a percent of revenues and Systemwide sales compared with 2006.
- A significant part of the Company's operating income is generated outside the U.S., and about 75% of its total debt is denominated in foreign currencies. Accordingly, earnings are affected by changes in foreign currency exchange rates, particularly the Euro and the British Pound. If the Euro and the British Pound both move 10% in the same direction compared with 2006, the Company's annual net income per share would change by about 7 cents to 8 cents.
- Based on current interest and foreign currency exchange rates, the Company expects interest expense in 2007 to remain relatively flat compared with 2006, while it expects interest income to decrease about 25% to 35% due to lower cash balances.
- The Company expects capital expenditures for 2007 to be approximately \$1.9 billion. About half of this amount will be reinvested in existing restaurants while the rest will primarily be used to build new restaurants.
- In 2007 and 2008 combined, the Company expects to return at least \$5.7 billion through a combination of share repurchases and dividends.
- To improve local relevance, profitability and returns, the Company continually evaluates ownership structures in our markets. Beyond the Latam transaction, the Company will continue to pursue the sale of certain existing markets to developmental licensees over the next several years. We may not recover our entire net investment in each of these markets and may therefore record impairment charges in future periods as we adjust our ownership mix. The timing and amount of any charges will depend on the circumstances of each transaction.

The Following Definitions Apply to These Terms as Used Throughout This Form 10-Q:

- Constant currency results are calculated by translating current year results at prior year average exchange rates. Management reviews and analyzes business results excluding the effect of foreign currency translation and bases certain compensation plans on these results because it believes they better represent the Company's underlying business trends.
- Systemwide sales include sales at all restaurants, including those operated by the Company, franchisees and affiliates. Management believes Systemwide sales information is useful in analyzing the Company's revenues because franchisees and affiliates pay rent and/or royalties that generally are based on a percent of sales with specified minimum rent payments.
- Comparable sales represent sales at all McDonald's restaurants, including those operated by the Company, franchisees and affiliates, in operation at least thirteen months including those temporarily closed, excluding the impact of currency translation. Some of the reasons restaurants may be closed temporarily include road construction, reimaging or remodeling, and natural disasters. Management reviews the increase or decrease in comparable sales compared with the same period in the prior year to assess business trends.

CONSOLIDATED OPERATING RESULTS

Dollars in millions, except per share data	Quarter Ended June 30, 2007		Six Months Ended June 30, 2007	
	Amount	% Increase / (Decrease)	Amount	% Increase / (Decrease)
Revenues				
Sales by Company-operated restaurants	\$ 4,486.3	12	\$ 8,569.1	12
Revenues from franchised and affiliated restaurants	1,524.2	11	2,905.5	11
Total revenues	6,010.5	12	11,474.6	12
Operating costs and expenses				
Company-operated restaurant expenses	3,719.8	10	7,176.0	10
Franchised restaurants – occupancy expenses	282.5	9	558.7	9
Selling, general & administrative expenses	605.2	5	1,163.4	5
Impairment and other charges, net	1,611.3	n/m	1,613.9	n/m
Other operating (income) expense, net	(20.9)	n/m	(24.6)	n/m
Total operating costs and expenses	6,197.9	46	10,487.4	27
Operating income (loss)	(187.4)	n/m	987.2	(51)
Interest expense	101.7	4	199.0	(1)
Nonoperating income, net	(17.0)	(33)	(33.6)	(44)
Income (loss) from continuing operations before provision for income taxes	(272.1)	n/m	821.8	(57)
Provision for income taxes	439.6	25	771.1	24
Income (loss) from continuing operations	(711.7)	n/m	50.7	(96)
Income from discontinued operations		n/m		n/m
Net income (loss)	\$ (711.7)	n/m	\$ 50.7	(97)
Income (loss) per common share–basic:				
Continuing operations	\$ (0.60)	n/m	\$ 0.04	(96)
Discontinued operations		n/m		n/m
Net income (loss)	\$ (0.60)	n/m	\$ 0.04	(97)
Income (loss) per common share–diluted:				
Continuing operations	\$ (0.60)	n/m	\$ 0.04	(96)
Discontinued operations		n/m		n/m
Net income (loss)	\$ (0.60)	n/m	\$ 0.04	(97)

n/m Not meaningful

In addition to the reported consolidated operating results for the quarter and six months ended June 30, 2007 shown above, consolidated results for these periods are presented throughout this report excluding the impact of the Company's sale of its existing business in Latam to a developmental licensee organization. While the Company has previously converted certain other markets to a developmental license structure, management believes the Latam transaction and the associated charge are not indicative of ongoing operations due to the size and scope of the transaction. Management believes that the adjusted results better reflect the underlying business trends relevant to the periods presented.

The following tables present reconciliations of the key consolidated operating results for the quarter and six months ended June 30, 2007 and 2006 to the operating results excluding the impact of the Latam transaction.

Quarters ended June 30,	2007	Latam Transaction	2007 Excluding Latam Transaction	2006	Adjusted % Inc	Currency Translation Benefit	Adjusted % Inc Excluding Currency Translation
Revenues	\$ 6,010.5		\$ 6,010.5	\$ 5,367.4	12	\$ 214.7	8
Operating income (loss)	(187.4)	\$ (1,594.4)	1,407.0	1,123.6	25	46.6	21
Income (loss) from continuing operations	(711.7)	(1,581.6)	869.9	698.3	25	27.5	21
Net income (loss)	(711.7)	(1,581.6)	869.9	834.1	4	27.5	1
Income (loss) per share from continuing operations-diluted	(0.60)	(1.31)	0.71	0.56	27	0.02	23
Net income (loss) per share-diluted	(0.60)	(1.31)	0.71	0.67	6	0.02	3

Six months ended June 30,	2007	Latam Transaction	2007 Excluding Latam Transaction	2006	Adjusted % Inc	Currency Translation Benefit	Adjusted % Inc Excluding Currency Translation
Revenues	\$11,474.6		\$ 11,474.6	\$10,281.3	12	\$ 401.4	8
Operating income (loss)	987.2	\$ (1,594.4)	2,581.6	2,035.0	27	83.8	23
Income (loss) from continuing operations	50.7	(1,581.6)	1,632.3	1,271.7	28	47.8	25
Net income (loss)	50.7	(1,581.6)	1,632.3	1,459.4	12	47.8	9
Income (loss) per share from continuing operations-diluted	0.04	(1.30)	1.34	1.01	33	0.04	29
Net income (loss) per share-diluted	0.04	(1.30)	1.34	1.16	16	0.04	12

Net Income (Loss) and Diluted Net Income (Loss) per Common Share

For the second quarter 2007, the Company reported a net loss of \$711.7 million and a diluted loss per common share of \$0.60. The 2007 results included approximately \$1.6 billion of net expense after tax or \$1.31 per share related to the Company's sale of its existing business in Latam to a developmental licensee. This reflects an impairment charge of \$1.33 per share, partly offset by a \$0.02 benefit due to eliminating depreciation in mid-April 2007 on the assets in Latam in accordance with accounting rules. Excluding the impact of the Latam transaction, net income was \$869.9 million and diluted net income per common share was \$0.71. Due to the net loss, common stock equivalents were excluded from the diluted loss per share calculations. Common stock equivalents of 23.2 million were added to the weighted-average shares outstanding of 1,193.7 million to compute the diluted weighted-average shares outstanding used in the per share calculations excluding the Latam transaction.

For the second quarter 2006, net income was \$834.1 million and diluted net income per common share was \$0.67. The 2006 results included income from continuing operations of \$698.3 million or \$0.56 per share, and \$135.8 million or \$0.11 per share of income from discontinued operations related to Chipotle. The 2006 results also included impairment and other charges of \$17.3 million after tax or \$0.01 per share primarily related to an impairment charge on the sale of Thailand to a developmental licensee and \$0.01 per share of net incremental tax expense primarily related to the one-time impact from a tax law change in Canada.

For the six months of 2007, net income was \$50.7 million and diluted net income per common share was \$0.04, which included the \$1.6 billion or \$1.30 per share of net expense related to the Latam transaction. Excluding the impact of the Latam transaction, net income was \$1,632.3 million and diluted net income per share was \$1.34.

For the six months of 2006, net income was \$1,459.4 million and diluted net income per common share was \$1.16. The 2006 results included income from continuing operations of \$1,271.7 or \$1.01 per share, and \$187.7 million or \$0.15 per share of income from discontinued operations related to Chipotle. In addition to the impact of the tax law change in Canada noted above for the

second quarter 2006, results for the six months of 2006 included impairment and other charges of \$76.4 million after tax or \$0.06 per share primarily related to strategic actions taken to enhance overall profitability and improve returns.

During the quarter, the Company repurchased 13.3 million shares of its stock for \$664.0 million, bringing the total repurchases for the first six months to 35.7 million shares or \$1.7 billion.

Impact of Foreign Currency Translation

IMPACT OF FOREIGN CURRENCY TRANSLATION			
<i>Dollars in millions, except per share data</i>			
			Currency Translation Benefit / (Loss)
Quarters Ended June 30,	2007	2006	2007
Revenues	\$ 6,010.5	\$ 5,367.4	\$214.7
Combined operating margins*	1,999.7	1,727.6	62.8
Selling, general & administrative expenses	605.2	576.2	(15.8)
Operating income**	1,407.0	1,123.6	46.6
Income from continuing operations**	869.9	698.3	27.5
Net income**	869.9	834.1	27.5
Income from continuing operations per common share – diluted**	0.71	0.56	0.02
Net income per common share – diluted**	0.71	0.67	0.02
Six Months Ended June 30,	2007	2006	2007
Revenues	\$11,474.6	\$10,281.3	\$401.4
Combined operating margins*	3,723.4	3,232.6	115.7
Selling, general & administrative expenses	1,163.4	1,111.6	(30.0)
Operating income**	2,581.6	2,035.0	83.8
Income from continuing operations**	1,632.3	1,271.7	47.8
Net income**	1,632.3	1,459.4	47.8
Income from continuing operations per common share – diluted**	1.34	1.01	0.04
Net income per common share – diluted**	1.34	1.16	0.04

* Reflects both franchised and Company-operated margin dollars and excludes non-McDonald's brands

** 2007 results exclude the impact of the Latam transaction in order to provide management's view of the underlying business performance.

Foreign currency translation had a positive impact on consolidated revenues, operating income, net income and diluted net income per common share for the quarter and six months, primarily driven by the stronger Euro, British Pound and Australian Dollar.

Revenues

Revenues consist of sales by Company-operated restaurants and fees from restaurants operated by franchisees and affiliates. These fees primarily include rent and/or royalties that are based on a percent of sales, with specified minimum rent payments.

REVENUES				
<i>Dollars in millions</i>				
Quarters Ended June 30,	2007	2006	% Inc / (Dec)	% Inc / (Dec) Excluding Currency Translation
<i>Company-operated sales</i>				
U.S.	\$1,200.5	\$1,124.0	7	7
Europe	1,674.2	1,479.9	13	5
APMEA	742.2	648.9	14	10
Latin America	469.9	356.0	32	25
Canada	231.0	226.5	2	—
Corporate & Other	168.5	160.3	5	5
Total	\$4,486.3	\$3,995.6	12	8
<i>Franchised and affiliated revenues</i>				
U.S.	\$ 815.8	\$ 773.2	6	6
Europe	505.9	428.7	18	10
APMEA	109.8	91.3	20	14
Latin America	33.3	25.5	31	26
Canada	56.8	50.4	13	10
Corporate & Other	2.6	2.7	(4)	(4)
Total	\$1,524.2	\$1,371.8	11	8
<i>Total revenues</i>				
U.S.	\$2,016.3	\$1,897.2	6	6
Europe	2,180.1	1,908.6	14	6
APMEA	852.0	740.2	15	10
Latin America	503.2	381.5	32	25
Canada	287.8	276.9	4	2
Corporate & Other	171.1	163.0	5	5
Total	\$6,010.5	\$5,367.4	12	8

REVENUES				
<i>Dollars in millions</i>				
Six Months Ended June 30,	2007	2006	% Inc / (Dec)	% Inc / (Dec) Excluding Currency Translation
<i>Company-operated sales</i>				
U.S.	\$ 2,292.0	\$ 2,149.0	7	7
Europe	3,147.1	2,765.6	14	5
APMEA	1,471.5	1,285.8	14	11
Latin America	898.0	711.1	26	22
Canada	423.0	424.2	—	(1)
Corporate & Other	337.5	329.4	2	2
Total	\$ 8,569.1	\$ 7,665.1	12	8
<i>Franchised and affiliated revenues</i>				
U.S.	\$ 1,565.7	\$ 1,486.1	5	5
Europe	959.5	798.4	20	11
APMEA	210.8	181.8	16	11
Latin America	62.1	50.6	23	20
Canada	102.4	94.1	9	8
Corporate & Other	5.0	5.2	(4)	(4)
Total	\$ 2,905.5	\$ 2,616.2	11	8
<i>Total revenues</i>				
U.S.	\$ 3,857.7	\$ 3,635.1	6	6
Europe	4,106.6	3,564.0	15	7
APMEA	1,682.3	1,467.6	15	11
Latin America	960.1	761.7	26	22
Canada	525.4	518.3	1	1
Corporate & Other	342.5	334.6	2	2
Total	\$11,474.6	\$10,281.3	12	8

Consolidated revenues increased 12% (8% in constant currencies) for both the quarter and six months, primarily due to positive comparable sales in all segments.

In the U.S., the increase in revenues for the quarter and six months was primarily driven by our market-leading breakfast business, the ongoing appeal of new products such as the Snack Wrap and Premium Roast Coffee offerings, as well as continued focus on everyday value and convenience.

In Europe, the constant currency increase in revenues for the quarter and six months was primarily due to strong comparable sales in France and Russia (which is entirely Company-operated), as well as positive comparable sales throughout the segment. These increases were partly offset by a higher proportion of franchised and affiliated restaurants compared with 2006, primarily due to sales of Company-operated restaurants, in conjunction with our overall franchising strategy, and Company-operated restaurant closings in the U.K. during 2006.

In APMEA, the constant currency increase in revenues for the quarter and six months was primarily driven by strong comparable sales in China and Australia, as well as positive comparable sales in substantially all other markets. In addition, expansion in China contributed to the increases.

In Canada, revenues for the quarter and six months were impacted by a higher proportion of franchised and affiliated restaurants compared with 2006, as a result of sales of Company-operated restaurants, in conjunction with our overall franchising strategy.

The following table presents the percent change in comparable sales for the quarters and six months ended June 30, 2007 and 2006:

COMPARABLE SALES – McDONALD’S RESTAURANTS*				
	% Increase			
	Quarters Ended June 30,		Six Months Ended June 30,	
	2007	2006	2007	2006
U.S.	5.0	4.2	4.7	5.4
Europe	7.8	6.3	7.9	4.1
APMEA	10.9	7.2	9.7	5.6
Latin America	24.2	13.1	19.5	14.2
Canada	3.7	3.3	2.3	5.7
McDonald’s Restaurants	7.4	5.5	6.9	5.4

* Excludes non-McDonald’s brands

The following table presents the percent change in Systemwide sales for the quarter and six months ended June 30, 2007:

SYSTEMWIDE SALES – McDONALD’S RESTAURANTS				
	Quarter Ended June 30, 2007		Six Months Ended June 30, 2007	
	% Inc	% Inc Excluding Currency Translation	% Inc	% Inc Excluding Currency Translation
U.S.	6	6	6	6
Europe	17	9	18	9
APMEA	15	14	14	12
Latin America	32	26	25	22
Canada	7	4	3	3
Total	11	9	11	8

Operating Margins

FRANCHISED AND COMPANY-OPERATED RESTAURANT MARGINS – McDONALD'S RESTAURANTS						
<i>Dollars in millions</i>						
Quarters Ended June 30,	Percent		Amount		% Inc / (Dec)	% Inc / (Dec) Excluding Currency Translation
	2007	2006	2007	2006		
<i>Franchised</i>						
U.S.	83.2	82.8	\$ 679.0	\$ 640.0	6	6
Europe	77.8	77.5	393.4	332.5	18	10
APMEA	87.9	86.9	96.5	79.4	22	15
Latin America	79.9	72.3	26.6	18.4	45	41
Canada	78.5	77.8	44.6	39.2	14	11
Total	81.5	81.0	\$1,240.1	\$1,109.5	12	9
<i>Company-operated</i>						
U.S.	19.5	19.8	\$ 233.5	\$ 222.3	5	5
Europe	18.0	16.0	300.7	237.3	27	18
APMEA	14.2	12.0	105.7	77.5	36	30
Latin America	17.4	12.0	81.8	42.7	92	84
Canada	16.4	16.9	37.9	38.3	(1)	(3)
Total	17.6	16.1	\$ 759.6	\$ 618.1	23	18

Six Months Ended June 30,	Percent		Amount		% Inc / (Dec)	% Inc / (Dec) Excluding Currency Translation
	2007	2006	2007	2006		
<i>Franchised</i>						
U.S.	82.6	82.2	\$1,292.7	\$1,221.0	6	6
Europe	76.9	76.6	738.0	612.0	21	11
APMEA	87.8	87.0	185.1	158.2	17	13
Latin America	77.0	71.4	47.8	36.1	32	30
Canada	77.8	77.0	79.7	72.5	10	9
Total	80.8	80.4	\$2,343.3	\$2,099.8	12	9
<i>Company-operated</i>						
U.S.	18.7	19.1	\$ 429.4	\$ 409.4	5	5
Europe	16.8	14.9	527.6	412.2	28	19
APMEA	14.6	12.1	214.6	156.2	37	32
Latin America	16.0	12.6	143.7	89.5	61	56
Canada	15.3	15.4	64.8	65.5	(1)	(2)
Total	16.8	15.4	\$1,380.1	\$1,132.8	22	17

Franchised margin dollars increased \$130.6 million for the quarter and \$243.5 million for the six months or 12% (9% in constant currencies) for both periods. The U.S. and Europe segments accounted for more than 85% of the franchised margin dollars in both periods.

- In the U.S., the increases in the franchised margin percent for the quarter and six months were primarily driven by positive comparable sales.
- Europe's franchised margin percent for the quarter and six months improved due to strong comparable sales, partly offset by the impact of sales of certain Company-operated restaurants to franchisees and affiliates primarily in the U.K.

Company-operated margin dollars increased \$141.5 million or 23% (18% in constant currencies) for the quarter and \$247.3 million or 22% (17% in constant currencies) for the six months. The Company-operated margin percent for the quarter and six months was positively impacted by 30 basis points and 20 basis points, respectively, as a result of the discontinuation of depreciation on the assets in Latam beginning in mid-April 2007, in accordance with accounting rules. The U.S. and Europe segments accounted for about 70% of the Company-operated margin dollars in both periods.

- In the U.S., positive comparable sales were offset by cost pressures including higher commodity costs and higher labor costs.
- Europe's Company-operated margin percent increased for the quarter and six months primarily due to strong comparable sales.
- In APMEA, the Company-operated margin percent for the quarter and six months reflected strong comparable sales and continued improving results in China and many other markets.
- In Latin America, the Company-operated margin percent increased primarily due to strong comparable sales. In addition, Company-operated margins for the quarter and six months were positively impacted by 300 basis points and 160 basis points, respectively, as a result of the discontinuation of depreciation on the assets in Latam.

The following table presents margin components as a percent of sales:

COMPANY-OPERATED RESTAURANT EXPENSES AND MARGINS AS A PERCENT OF SALES – McDONALD'S RESTAURANTS				
	Quarters Ended June 30,		Six Months Ended June 30,	
	2007	2006	2007	2006
Food & paper	33.3	33.1	33.2	33.3
Payroll & employee benefits	25.8	26.1	26.0	26.3
Occupancy & other operating expenses	23.3	24.7	24.0	25.0
Total expenses	82.4	83.9	83.2	84.6
Company-operated margins	17.6	16.1	16.8	15.4

Selling, General & Administrative Expenses

Selling, general & administrative expenses increased 5% (2% in constant currencies) for the quarter and six months primarily due to higher employee-related costs. Selling, general & administrative expenses as a percent of revenues decreased to 10.1% for the six months 2007 compared with 10.8% for 2006 and as a percent of Systemwide sales decreased to 3.8% for 2007 compared with 4.1% for 2006.

Impairment and Other Charges, Net

In the second quarter 2007, the Company recorded \$1.6 billion of expense primarily related to the Company's sale of its existing business in Latam to a developmental licensee organization.

In the second quarter 2006, the Company recorded \$22.1 million of expense primarily related to the transfer of the Company's ownership interest in Thailand to a developmental licensee (\$14.7 million) and asset write-offs and other charges primarily in APMEA (\$7.4 million).

In the six months 2006, the Company recorded \$108.2 million of expense primarily related to the following strategic actions taken to enhance overall profitability and improve returns: the closing of 25 restaurants in the U.K. in conjunction with an overall restaurant portfolio review (\$41.8 million); costs to buy out certain litigating franchisees in Brazil (\$26.5 million); losses incurred on the transfers of the Company's ownership interest in certain markets to developmental licensees (\$23.5 million) and asset write-offs in APMEA (\$16.1 million).

Other Operating (Income) Expense, Net

OTHER OPERATING (INCOME) EXPENSE, NET				
<i>Dollars in millions</i>				
	Quarters Ended June 30,		Six Months Ended June 30,	
	2007	2006	2007	2006
Gains on sales of restaurant businesses	\$ (27.6)	\$ (6.7)	\$ (35.3)	\$ (14.9)
Equity in earnings of unconsolidated affiliates	(23.0)	(14.9)	(47.0)	(28.3)
Asset dispositions and other expense	29.7	38.4	57.7	44.6
Total	\$ (20.9)	\$ 16.8	\$ (24.6)	\$ 1.4

Equity in earnings of unconsolidated affiliates increased primarily due to improved results from our Japanese affiliate.

Operating Income

OPERATING INCOME EXCLUDING THE IMPACT OF THE LATAM TRANSACTION*				
<i>Dollars in millions</i>				
Quarters Ended June 30,	2007	2006	% Inc / (Dec)	% Inc / (Dec) Excluding Currency Translation
U.S.	\$ 753.9	\$ 690.7	9	9
Europe	521.7	418.3	25	16
APMEA	140.0	65.1	n/m	n/m
Latin America*	44.6	11.9	n/m	n/m
Canada	62.5	50.9	23	20
Corporate & Other	(115.7)	(113.3)	(2)	(2)
Total*	\$1,407.0	\$1,123.6	25	21
Six Months Ended June 30,	2007	2006	% Inc	% Inc Excluding Currency Translation
U.S.	\$1,403.5	\$1,319.6	6	6
Europe	914.8	679.4	35	25
APMEA	288.7	160.8	80	72
Latin America*	84.3	3.4	n/m	n/m
Canada	107.0	89.6	19	18
Corporate & Other	(216.7)	(217.8)	1	—
Total*	\$2,581.6	\$2,035.0	27	23

n/m Not meaningful

* Results for 2007 exclude the impact of the Latam transaction of \$1,594.4 million in order to provide management's view of the underlying business performance.

In the U.S., results increased for the quarter and six months primarily due to higher combined operating margin dollars.

In Europe, operating results for the quarter and six months 2007 reflected strong performance in France and Russia, as well as positive results in most other markets. Results for the six months 2006 included impairment and other charges totaling \$49.6 million.

In APMEA, operating results for the quarter and six months 2007 were driven by improved results in China, Japan and most other markets. Results for the quarter and six months 2006 included impairment and other charges totaling \$23.3 million and \$30.8 million, respectively.

Interest Expense

For the quarter and six months 2007, interest expense reflected lower average debt levels, higher average interest rates and stronger foreign currencies.

Nonoperating Income, Net

NONOPERATING (INCOME) EXPENSE, NET				
<i>Dollars in millions</i>				
	Quarters Ended June 30,		Six Months Ended June 30,	
	2007	2006	2007	2006
Interest income	\$ (26.4)	\$ (32.1)	\$ (51.0)	\$ (69.4)
Translation (gain) / loss	0.6	2.5	3.5	(3.4)
Other expense	8.8	4.3	13.9	12.5
Total	\$ (17.0)	\$ (25.3)	\$ (33.6)	\$ (60.3)

Interest income decreased for both periods primarily due to lower average cash levels.

Income Taxes

The following tables present the provision for income taxes, the effective income tax rates and the impact of the Latam transaction for the quarter and six months ended June 30, 2007 and 2006.

Quarters Ended June 30,	2007			2006
	Reported Amount	Latam Transaction	Excluding Latam Transaction	
Income (loss) from continuing operation before provision for income taxes	\$ (272.1)	\$ (1,594.4)	\$ 1,322.3	\$1,051.2
Provision (benefit) for income taxes	439.6	(12.8)	452.4	352.9
Income (loss) from continuing operations	\$ (711.7)	\$ (1,581.6)	\$ 869.9	\$ 698.3
Effective income tax rate	n/m	n/m	34.2%	33.6%

Six Months Ended June 30,	2007			2006
	Reported Amount	Latam Transaction	Excluding Latam Transaction	
Income (loss) from continuing operation before provision for income taxes	\$ 821.8	\$ (1,594.4)	\$ 2,416.2	\$1,895.3
Provision (benefit) for income taxes	771.1	(12.8)	783.9	623.6
Income (loss) from continuing operations	\$ 50.7	\$ (1,581.6)	\$ 1,632.3	\$1,271.7
Effective income tax rate	n/m	n/m	32.4%	32.9%

n/m Not meaningful

Accounting Changes

Sabbatical Leave

In June 2006, the Financial Accounting Standards Board (FASB) ratified Emerging Issues Task Force Issue 06-2, *Accounting for Sabbatical Leave and Other Similar Benefits Pursuant to FASB Statement No. 43, Accounting for Compensated Absences* (EITF 06-2). Under EITF 06-2, compensation costs associated with a sabbatical should be accrued over the requisite service period, assuming certain conditions are met. Previously, the Company expensed sabbatical costs as incurred. The Company adopted EITF 06-2 effective January 1, 2007, as required and accordingly, we recorded a \$36.1 million cumulative adjustment, net of tax, to decrease beginning retained earnings in the first quarter 2007. The annual impact to earnings of this accounting change is not significant.

Income Tax Contingencies

In July 2006, the FASB issued Interpretation No. 48, *Accounting for Uncertainty in Income Taxes* (FIN 48), which is an interpretation of FASB Statement No. 109, *Accounting for Income Taxes*. FIN 48 clarifies the accounting for income taxes by prescribing the minimum recognition threshold a tax position is required to meet before being recognized in the financial statements. FIN 48 also provides guidance on derecognition, measurement, classification, interest and penalties, accounting in interim periods, disclosure and transition. The Company adopted the provisions of FIN 48 effective January 1, 2007, as required and accordingly, we recorded a \$20.1 million cumulative adjustment to increase beginning retained earnings in the first quarter 2007.

Discontinued operations

During 2006, the Company disposed of its entire investment in Chipotle via public stock offerings in the first and second quarters and a tax-free exchange for McDonald's common stock in the fourth quarter. As a result, Chipotle's 2006 results of operations and transaction gains are reflected as discontinued operations.

In first quarter 2006, Chipotle completed an IPO of 6.1 million shares resulting in a tax-free gain to McDonald's of \$32.0 million to reflect an increase in the carrying value of the Company's investment as a result of Chipotle selling shares in the public offering. Concurrent with the IPO, McDonald's sold 3.0 million Chipotle shares, resulting in net proceeds to the Company of \$61.4 million and an additional gain of \$13.6 million after tax. In second quarter 2006, McDonald's sold an additional 4.5 million Chipotle shares, resulting in net proceeds to the Company of \$267.4 million and a gain of \$127.8 million after tax. In addition, Chipotle's after tax income for the second quarter and six months 2006 was \$8.0 million and \$14.3 million, respectively.

Critical accounting policy: Conversion of existing businesses to developmental licenses

When the Company sells an existing business to a developmental licensee, the licensee owns the business, including the real estate, and uses his/her capital and local knowledge to build the McDonald's Brand and optimize sales and profitability over the long term. The sale of the business includes primarily land, buildings and improvements, and equipment, along with the franchising and leasing rights under existing agreements. Under the related developmental licensing arrangement, the Company collects a royalty based on a percent of sales, as well as initial franchise fees, but does not have either any capital invested in the business or any commitment to invest future capital.

The Company determines when these businesses are "held for sale" in accordance with the requirements of SFAS No. 144, *Accounting for the Impairment or Disposal of Long-lived Assets*. Impairment charges on assets held for sale are recognized when management and, if required, the Company's Board of Directors have approved and committed to a plan to dispose of the assets, the assets are available for disposal, the disposal is probable of occurring within 12 months, and the net sales proceeds are expected to be less than the assets' net book value. An impairment charge is recognized for the difference between the net book value of the business (including foreign currency translation adjustments recorded in accumulated other comprehensive income in shareholders' equity) and the estimated cash sales price, less costs of disposal.

An alternative accounting policy would be to recharacterize some or all of the loss as an intangible asset and amortize it to expense over future periods based on the term of the relevant licensing arrangement and as revenue is recognized for royalties and initial franchise fees. For the Latam transaction, approximately \$800 million of the \$1.6 billion impairment charge could have been recharacterized as an intangible asset and amortized over the franchise term of 20 years, resulting in about \$40 million of expense annually. This policy would be based on a view that the consideration for the sale is receivable in two forms – the cash sales price and the future royalties and initial franchise and other fees.

The Company bases its accounting policy on management's determination that royalties payable under its developmental license arrangements are substantially consistent with market rates for similar license arrangements. The Company does not believe it would be appropriate to recognize an asset for the right to receive market-based fees in future periods, particularly given the continuing support and services provided to the licensees. Therefore, the recognition of an impairment charge based on the net cash sales price reflects the substance of the sale transaction.

Cash Flows and Financial Position

The Company generates significant cash from operations and has substantial credit capacity to fund operating and discretionary spending such as capital expenditures, debt repayments, dividends and share repurchases.

Cash provided by operations totaled \$2,010.7 million and exceeded capital expenditures by \$1,188.4 million for the six months. Cash provided by operations increased \$516.4 million compared to the six months in 2006 primarily due to lower income tax payments and stronger operating results in 2007.

Cash used for investing activities totaled \$850.1 million for the six months, an increase of \$542.1 million, primarily due to net proceeds received from the Chipotle transactions in 2006 and higher capital expenditures in 2007. Capital expenditures increased \$150.9 million for the six months consistent with the Company's strategy to increase investment in existing restaurants, primarily in Europe and the U.S. Also in 2007, capital expenditures increased for new restaurants in the U.S.

Cash used for financing activities totaled \$1,196.4 million for the six months, a decrease of \$1,295.1 million primarily due to higher debt issuances, lower debt repayments and higher proceeds from stock option exercises in 2007 compared to 2006.

Debt obligations at June, 2007 totaled \$8,173.7 million compared with \$8,407.6 million at December 31, 2006. The decrease in 2007 was due to net repayments of \$296.7 million and SFAS No. 133 noncash fair value adjustments of \$44.9 million, partly offset by the impact of changes in exchange rates on foreign currency-denominated debt of \$107.7 million.

Recently Issued Accounting Standards

In September 2006, the FASB issued Statement of Financial Accounting Standards No. 157, *Fair Value Measurements* (SFAS No. 157). SFAS No. 157 defines fair value, establishes a framework for measuring fair value in generally accepted accounting principles and expands disclosures about fair value measurements. The Company expects to adopt SFAS No. 157 effective January 1, 2008, as required. The Company is currently evaluating the impact of adopting SFAS No. 157.

In February 2007, the FASB issued Statement of Financial Accounting Standards No. 159, *The Fair Value Option for Financial Assets and Financial Liabilities* (SFAS 159). SFAS 159 permits entities to voluntarily choose to measure many financial instruments and certain other items at fair value. SFAS No. 159 is effective beginning January 1, 2008, but the Company has not yet decided whether it will adopt this optional standard.

Restaurant Information

The following table presents restaurant information by ownership type:

Restaurants at June 30,	2007	2006
Operated by franchisees	18,986	18,422
Operated by the Company	8,684	8,887
Operated by affiliates	4,082	4,141
Systemwide restaurants	31,752	31,450

Risk Factors and Cautionary Statement Regarding Forward-Looking Statements

This report includes forward-looking statements about our plans and future performance, including those under Outlook. These statements use such words as "may," "will," "expect," "believe" and "plan." They reflect our expectations and speak only as of the date of this report. 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 and execution of our strategic plan, the Plan to Win, are subject to risks. By far the most important of these is our ability to remain relevant to our customers and a brand they trust. Meeting customer expectations is complicated by the risks inherent in our operating environment. The informal eating out segment of the restaurant industry, although largely mature in our major markets, is also highly fragmented and competitive. We have the added challenge of the cultural, economic and regulatory differences that exist among the more than 100 countries where we operate. We also face risk in adapting our business model in particular markets. The decision to own restaurants or to operate under franchise, developmental license or joint venture agreements is driven by many factors whose interrelationship is complex and changing. Our plan to continue reducing the number of Company-operated restaurants may be difficult to achieve for many reasons, and the change in ownership mix may not affect our results as we now expect. Regulatory and similar initiatives around the world have also become more wide-ranging and prescriptive and affect how we operate, as well as our results. In particular, increasing focus on nutritional content and on the production, processing and preparation of food "from field to front counter" presents challenges for our Brand and may adversely affect our results.

These risks can have an impact both in the near- and long-term and are reflected in the following considerations and factors that we believe are most likely to affect our performance.

Our ability to remain a relevant and trusted brand and to increase sales depends largely on how well we execute the Plan to Win.

We developed the Plan to Win to address the key drivers of our business and results—people, products, place, price and promotion. The quality of our execution depends mainly on the following:

- Our ability to anticipate and respond to trends or other factors that affect the informal eating out market and our competitive position in the diverse markets we serve, such as spending patterns, demographic changes, consumer food preferences, publicity about our products or operations that can drive consumer perceptions, as well as our success in planning and executing initiatives to address these trends and factors or other competitive pressures;
- The success of our initiatives to support menu choice, physical activity and nutritional awareness and to address these and other matters of social responsibility in a way that communicates our values effectively and inspires the trust and confidence of our customers;
- Our ability to respond effectively to adverse consumer perceptions about the quick-service segment of the informal eating out market, our products or the reliability of our supply chain and the safety of the food ingredients we use, and our ability to manage the potential impact on McDonald's of food-borne illnesses involving other restaurant or food companies;
- The success of our plans for 2007 and beyond to improve existing products and to roll-out new products and product line extensions, as well as the impact of our competitors' actions, including in response to our product improvements and introductions, and our ability to continue robust product development and manage the complexity of our restaurant operations;
- Our ability to achieve an overall product mix that differentiates the McDonald's experience and balances consumer value with margin expansion, including in markets where cost or pricing pressures may be significant;
- The impact of pricing, marketing and promotional plans on product sales and margins and on our ability to target these efforts effectively to maintain or expand market share;
- The impact of events such as public boycotts, labor strikes and commodity or other supply chain price increases that can adversely affect us directly or adversely affect the vendors, franchisees and others that are also part of the McDonald's System and whose performance has a material impact on our results;
- Our ability to recruit and retain qualified personnel to manage our operations and growth in certain developing markets, particularly in APMEA;
- Our ability to drive restaurant improvements and to motivate our restaurant personnel to achieve sustained high service levels so as to improve consumer perceptions of our ability to meet expectations for quality food served in clean and friendly environments;
- Our ability to maintain alignment with our franchisees on capital-intensive and other operating initiatives;
- The risks to our Brand if a franchisee or licensee defaults in its obligations, particularly requirements to pay royalties, make investments and open new restaurants, or projects a brand image inconsistent with our values, which risks are more significant if an agreement places multiple markets or a large number of restaurants under the control of a single franchisee or licensee as is the case as a result of the Latin America transaction;
- Whether our ongoing restaurant remodeling and rebuilding initiatives, which vary from year to year by market and type, are targeted at the elements of the restaurant experience that will best accomplish our goals to enhance the relevance of our Brand and achieve an efficient allocation of our capital resources; and
- Our ability to leverage promotional or operating successes in individual markets into other markets in a timely and cost-effective way.

Our results and financial condition are affected by our ownership mix and whether we can achieve a mix that optimizes margins and returns, while meeting our business needs and customer expectations.

Our plans call for a reduction in Company-operated restaurants by franchising them or entering into developmental license agreements, such as the recent transaction in Latin America. Whether and when we can achieve these plans, as well as their success, is uncertain and will be affected by the following:

- Our ability to identify prospective franchisees and licensees with the experience and financial resources in the relevant markets to be effective operators of McDonald's restaurants and how quickly we can reach agreement with our counterparties, which we expect will vary by market and could also vary significantly from period to period;
- Whether there are regulatory or other constraints that restrict or prevent our ability to implement our plans or increase our costs and whether planned transactions will receive needed regulatory approvals, such as those that may be required under antitrust laws, on terms and conditions that are acceptable to us and our counterparties;

- The nature and amount of contingent liabilities and other exposures we may retain in connection with developmental license agreements, such as the indemnification obligations we may incur as a result of the Latin America transaction;
- The risk that our contractual and other rights and remedies to protect against defaults by our counterparties will be limited by local law, costly to exercise or otherwise subject to limitations or litigation that may impair our ability to prevent or mitigate any adverse impact on our Brand or on the financial performance we expect under our franchising and development license agreements; and
- Changes in the operating or legal environment and other circumstances that cause us to delay or revise our plans to alter our ownership mix.

Our results and financial condition are affected by global and local market conditions, which can adversely affect our sales, margins and net income.

Our results of operations are substantially affected not only by global economic conditions, but also by local operating and economic conditions, which can vary substantially by market. Unfavorable conditions can depress sales in a given market and may prompt promotional or other actions that adversely affect our margins, constrain our operating flexibility or result in charges, restaurant closings or sales of Company-operated restaurants. Whether we can manage this risk effectively depends mainly on the following:

- Our ability to manage fluctuations in commodity prices, interest and foreign exchange rates and the effects of local governmental initiatives to manage through national economic conditions such as consumer spending and inflation rates;
- The impact on our margins of labor costs given our labor-intensive business model, the trend toward higher wages in both mature and developing markets and the potential impact of union organizing efforts on day-to-day operations of our restaurants;
- Whether we are able to identify and develop restaurant sites, either directly or through licensees or partners, consistent with our plans for net growth of Systemwide restaurants from year to year, and whether new sites are as profitable as expected;
- Whether the recent improvements in operating results in markets such as the U.K. and Japan will be sustained and whether we can develop effective initiatives in other markets that may be experiencing challenges;
- The challenges and uncertainties associated with operating in developing markets, such as Russia, India and China, which face a greater risk of political instability, economic volatility, crime, corruption and social and ethnic unrest, all of which are exacerbated in many cases by a lack of an independent and experienced judiciary and uncertainties in how local law is applied and enforced, including in areas most relevant to commercial transactions and foreign investment;
- The success of our strategy in China, where we are planning significant growth, including our ability to manage the costs and profitability of our growth in light of competitive pressures and other operating conditions that may limit pricing flexibility; and
- The nature and timing of decisions about underperforming markets or assets, including decisions that result in significant impairment charges that reduce our earnings, such as those that may occur as we change our ownership mix as described above.

Increasing regulatory complexity will continue to affect our operations and results in material ways.

Our legal and regulatory environment worldwide exposes us to complex compliance, litigation and similar risks that affect our operations and results in material ways. In many of our markets, including the United States and Europe, we are subject to increasing regulation, which has increased our cost of doing business. In developing markets, we face the risks associated with new and untested laws and judicial systems. Among the more important regulatory and litigation risks we face are the following:

- Our ability to manage the cost, compliance and other risks associated with the often conflicting regulations we face, especially in the United States where inconsistent standards imposed by local, state and federal authorities can adversely affect consumer perceptions and increase our exposure to litigation or governmental investigations or proceedings, and the impact of new, potential or changing regulation that affects or restricts elements of our business, particularly those relating to advertising to children, nutritional content or product labeling;

- The impact of nutritional, health and other scientific inquiries and conclusions, which constantly evolve and often have contradictory implications, but nonetheless drive consumer perceptions, litigation and regulation in ways that could be material to our business;
- The risks and costs of McDonald's nutritional labeling and other disclosure practices, particularly given differences in practices within the restaurant industry with respect to testing and disclosure, ordinary variations in food preparation among our own restaurants, and reliance on the accuracy and appropriateness of information obtained from third party suppliers;
- The impact of litigation trends, particularly in our major markets, including class actions involving consumers and shareholders, labor and employment matters or landlord liability, and the relative level of our defense costs, which vary from period to period depending on the number, nature and procedural status of pending proceedings and the possibility of settlements or judgments;
- Adverse results of pending or future litigation, including litigation challenging the composition of our products or the appropriateness or accuracy of our advertising or other communications;
- Disruptions in our operations or price volatility in a market that can result from government actions, such as price or import-export controls or government-mandated closure of our or our vendors' operations, and the cost and disruption of responding to government investigations, whether or not they have merit or are undertaken to achieve political impact;
- The risks associated with information security and the use of cashless payments, such as increased investment in technology, the costs of compliance with privacy, consumer protection and other laws, the impact on our margins as the use of cashless payments increases, the potential costs associated with consumer fraud and the loss of consumer confidence that may result from security breaches involving our point of sale and other systems; and
- The impact of changes in accounting principles or practices, related legal or regulatory interpretations or our critical accounting estimates, changes in tax accounting or tax laws (or interpretations thereof), and the impact of settlements or adjustments proposed by the IRS in connection with our tax audits, all of which will depend on their timing, nature and scope.

The trading volatility and price of our common stock may be affected by many factors.

Many factors affect the volatility and price of our common stock. These factors include some over which we have no control, such as general market conditions and governmental actions or reports about economic activity that may have a market-moving impact, regardless of whether the action or activity directly relates to our business. Actions or reports by U.S. authorities are of special import since the United States is our largest segment and our principal trading market. Trading activity in our common stock (whether in the cash or derivative markets) also affects prices and volatility. In addition to reflecting investor expectations about our prospects, trading activity can include significant purchases by shareholders who may seek to affect our business strategies, as well as both sales and purchases resulting from the ordinary course rebalancing of stock indices in which McDonald's may be included, such as the S&P 500 Index and the Dow Jones Industrial Average. Finally, our stock price can be affected not only by operating actions we take, but also by non-operating initiatives, such as our plans to reduce shares outstanding through repurchases or increases in our dividend rate.

Our results can be adversely affected by disruptions or events, such as the impact of severe weather conditions and natural disasters.

Severe weather conditions (such as hurricanes), terrorist activities, health epidemics or pandemics or the prospect of these events (such as the potential spread of avian flu) can have an adverse impact on consumer spending and confidence levels and in turn the McDonald's System and our results and prospects in the affected markets. Our receipt of proceeds under any insurance we maintain for these purposes may be delayed or the proceeds may be insufficient to offset our losses fully.

Item 3. Quantitative and Qualitative Disclosures About Market Risk

There were no material changes to the disclosure made in the Annual Report on Form 10-K for the year ended December 31, 2006 regarding this matter.

Item 4. Controls and Procedures

An evaluation was conducted under the supervision and with the participation of the Company's management, including the Chief Executive Officer (CEO) and Chief Financial Officer (CFO), of the effectiveness of the design and operation of the Company's disclosure controls and procedures as of June 30, 2007. Based on that evaluation, the CEO and CFO concluded that the Company's disclosure controls and procedures were effective as of such date to ensure that information required to be disclosed in the reports that it files or submits under the Securities Exchange Act of 1934 is recorded, processed, summarized and reported within the time periods specified in Securities and Exchange Commission rules and forms. Such officers also confirm that there was no change in the Company's internal control over financial reporting during the quarter ended June 30, 2007 that has materially affected, or is

reasonably likely to materially affect, the Company's internal control over financial reporting.

PART II – OTHER INFORMATION

Item 1. Legal Proceedings

There were no material changes to the disclosure made in our Annual Report on Form 10-K for the year ended December 31, 2006 regarding these matters.

Item 1A. Risk Factors

This report contains certain forward-looking statements which reflect management's expectations regarding future events and operating performance and speak only as of the date hereof. These forward-looking statements involve a number of risks and uncertainties. These and other risks are noted in the Risk Factors and Cautionary Statement Regarding Forward-Looking Statements following Management's Discussion and Analysis.

Item 2. Unregistered Sales of Equity Securities and Use of Proceeds

The following table presents information related to repurchases of common stock the Company made during the three months ended June 30, 2007:

Issuer Purchases of Equity Securities

Period	Total Number of Shares Purchased	Average Price Paid per Share	Total Number of Shares Purchased Under the Program *	Maximum Dollar Amount that May Yet Be Purchased Under the Program *
April 1-30, 2007	3,777,316	\$48.20	3,777,316	\$2,289,458,000
May 1-31, 2007	5,196,553	\$49.73	5,196,553	5,031,017,000
June 1-30, 2007	4,308,174	\$51.87	4,308,174	4,807,561,000
Total	13,282,043	\$49.99	13,282,043	\$4,807,561,000

* In October 2001, the Company's Board of Directors authorized a \$5.0 billion share repurchase program with no specified expiration date. The Company's Board of Directors subsequently increased the size of the program by \$5.0 billion in March 2006 and \$3.0 billion in May 2007. As of June 30, 2007, the maximum dollar amount that may yet be purchased under the program was \$4,807,561,000.

The Company repurchases shares directly in the open market during limited time frames in each month consistent with its internal trading policies and also repurchases shares under plans complying with Rule 10b5-1 under the Securities Exchange Act during periods when it is prohibited from making direct share repurchases under those policies.

Item 4. Submission of Matters to a Vote of Security Holders

- (a) The Annual Meeting of Shareholders was held on May 24, 2007.
- (b) See Item 4(c) below.
- (c) At the Annual Meeting of Shareholders, the shareholders voted on the following matters: (1) the election of four directors to serve until the 2010 Annual Meeting of Shareholders, (2) the approval of an independent registered public accountant for 2007, (3) a shareholder proposal relating to shareholder approval of labeling of genetically modified products, and (4) a shareholder proposal relating to labor standards. The voting results were as follows:
 - (1) In the election of directors, each nominee was elected by a vote of the shareholders as follows:

Director	FOR	AGAINST	ABSTAIN
Edward A. Brennan	1,034,342,710	11,495,469	12,957,004
Walter E. Massey	1,035,635,920	10,580,519	12,578,743
John W. Rogers, Jr.	1,030,555,185	15,306,699	12,933,299
Roger W. Stone	1,019,939,522	23,223,311	15,632,349

Additional directors, whose terms of office as Directors continued after the Annual Meeting of Shareholders, are as follows:

Term Expiring in 2008	Term Expiring in 2009
Hall Adams, Jr.	Robert A. Eckert
Richard H. Lenny	Enrique Hernandez, Jr.
Cary D. McMillan	Jeanne P. Jackson
Sheila A. Penrose	Andrew J. McKenna
James A. Skinner	

(2) The proposal to approve the appointment of a registered independent public accounting firm to serve as independent auditors for 2007 was approved by shareholders as follows:

FOR	AGAINST	ABSTAIN
1,028,412,165	18,796,617	11,586,401

(3) The shareholder proposal relating to shareholder approval of labeling of genetically modified products was not approved by shareholders as follows:

FOR	AGAINST	ABSTAIN	BROKER NON-VOTE
55,692,448	744,208,227	128,012,471	130,882,037

(4) The shareholder proposal relating to labor standards was not approved by shareholders as follows:

FOR	AGAINST	ABSTAIN	BROKER NON-VOTE
77,262,735	711,145,940	139,504,470	130,882,037

Item 6. Exhibits

<u>Exhibit Number</u>	<u>Description</u>
(1)	(a) Form of Underwriting Agreement by and among the Company and the underwriters to be named therein, filed herewith.*
(3)	(a) Restated Certificate of Incorporation, effective as of March 24, 1998, incorporated herein by reference from Form 8-K dated April 17, 1998. (b) By-Laws, as amended and restated with effect as of November 9, 2006, incorporated herein by reference from Form 8-K dated November 8, 2006.
(4)	Instruments defining the rights of security holders, including Indentures: ** (a) Senior Debt Securities Indenture, incorporated herein by reference from Exhibit (4)(a) of Form S-3 Registration Statement (File No. 333-14141) filed October 15, 1996. (b) Subordinated Debt Securities Indenture, incorporated herein by reference from Exhibit (4)(b) of Form S-3 Registration Statement (File No. 333-14141), filed October 15, 1996. (c) Debt Securities Indenture, incorporated herein by reference from Exhibit (4)(a) of Form S-3 Registration Statement (File No. 33-12364), filed March 3, 1987. (d) McDonald's Corporation 2002 QSC Rewards Program, effective as of February 13, 2002, incorporated herein by reference from Exhibit (4) of Form S-3/A Registration Statement (File No. 333-82920), filed March 14, 2002. (i) Prospectus dated March 15, 2002, incorporated by reference from Form 424(b)(4) (File No. 333-82920) filed March 20, 2002, as supplemented by the Prospectus Supplement, dated March 4, 2003 (incorporated by reference from Form 424(b)(3), filed March 4, 2003) and the Prospectus Supplement, dated September 25, 2003 (incorporated by reference from Form 424(b)(3) filed September 26, 2003).
(10)	Material Contracts: (a) Directors' Deferred Compensation Plan, as amended and restated March 22, 2007, incorporated herein by reference from Form 10-Q for the quarter ended March 31, 2007.*** (b) McDonald's Excess Benefit and Deferred Bonus Plan, effective January 1, 2005, as amended and restated June 2, 2005, incorporated herein by reference from Form 10-Q for the quarter ended June 30, 2005.*** (i) First Amendment to the McDonald's Excess Benefit and Deferred Bonus Plan, as amended and restated June 2, 2005, incorporated by reference from Form 10-Q for the quarter ended March 31, 2006.*** (c) McDonald's Corporation Supplemental Profit Sharing and Savings Plan, effective as of September 1, 2001, incorporated herein by reference from Form 10-K for the year ended December 31, 2001.*** (i) First Amendment to the McDonald's Corporation Supplemental Profit Sharing and Savings Plan, effective as of January 1, 2002, incorporated herein by reference from Form 10-K for the year ended December 31, 2002.*** (ii) Second Amendment to the McDonald's Corporation Supplemental Profit Sharing and Savings Plan, effective January 1, 2005, incorporated herein by reference from Form 10-K for the year ended December 31, 2004.*** (d) 1975 Stock Ownership Option Plan, as amended and restated July 30, 2001, incorporated herein by reference from Form 10-Q for the quarter ended September 30, 2001.***

- (i) First Amendment To McDonald's Corporation 1975 Stock Ownership Option Plan As Amended And Restated, effective February 14, 2007, incorporated herein by reference from Form 10-Q for the quarter ended March 31, 2007.***
- (e) 1992 Stock Ownership Incentive Plan, as amended and restated January 1, 2001, incorporated herein by reference from Form 10-Q for the quarter ended March 31, 2001.***
 - (i) First Amendment To McDonald's Corporation 1992 Stock Ownership Incentive Plan As Amended And Restated, effective February 14, 2007, incorporated herein by reference from Form 10-Q for the quarter ended March 31, 2007.***
- (f) 1999 Non-Employee Director Stock Option Plan, as amended and restated September 12, 2000, incorporated herein by reference from Form 10-Q for the quarter ended September 30, 2000.***
- (g) Executive Retention Plan, as amended and restated December 1, 2004, incorporated herein by reference from Form 10-K for the year ended December 31, 2004.***
- (h) McDonald's Corporation Amended and Restated 2001 Omnibus Stock Ownership Plan, as amended and restated March 18, 2004, incorporated herein by reference from Form 10-Q for the quarter ended June 30, 2004.***
 - (i) First Amendment to the McDonald's Corporation Amended and Restated 2001 Omnibus Stock Ownership Plan, effective February 14, 2006, incorporated by reference from Form 10-Q for the quarter ended March 31, 2006.***
 - (ii) Second Amendment to McDonald's Corporation Amended and Restated 2001 Omnibus Stock Ownership Plan, effective February 14, 2007, incorporated herein by reference from Form 10-Q for the quarter ended March 31, 2007.***
- (i) Form of McDonald's Corporation Tier I Change of Control Employment Agreement, as amended, authorized by the Board of Directors on December 3, 2003, incorporated herein by reference from Form 10-K for the year ended December 31, 2003.***
 - (i) First Amendment to Tier I Change of Control Employment Agreement, effective January 25, 2005, incorporated herein by reference from Form 10-K for the year ended December 31, 2004.***
- (j) McDonald's Corporation 2004 Cash Incentive Plan, effective as of January 1, 2004, incorporated herein by reference from Form 10-Q for the quarter ended June 30, 2004.***
- (k) Form of Stock Option Grant Notice, incorporated herein by reference from Form 10-Q for the quarter ended June 30, 2005.***
- (l) Form of Restricted Stock Unit Award Notice, incorporated herein by reference from Form 10-Q for the quarter ended June 30, 2005.***
- (m) McDonald's Corporation Severance Plan, effective April 1, 2006, incorporated by reference from Form 10-Q for the quarter ended March 31, 2006.***
- (n) Employment Contract between Denis Hennequin and the Company, dated February 26, 2007, incorporated herein by reference from Form 10-K for the year ended December 31, 2006.***
- (o) Assignment Agreement between Timothy Fenton and the Company, dated January 2006, incorporated herein by reference from Form 10-K for the year ended December 31, 2006.***
- (p) Relocation Agreement between Timothy Fenton and the Company, dated January 12, 2006, incorporated herein by reference from Form 10-K for the year ended December 31, 2006.***
- (q) Description of Restricted Stock Units granted to Andrew J. McKenna, filed herewith.***
- (12) Computation of ratio of earnings to fixed charges.
- (31.1) Rule 13a-14(a) Certification of Chief Executive Officer.
- (31.2) Rule 13a-14(a) Certification of Chief Financial Officer.

- (32.1) Certification pursuant to 18 U.S.C. Section 1350 by the Chief Executive Officer, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
- (32.2) Certification pursuant to 18 U.S.C. Section 1350 by the Chief Financial Officer, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.

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- * Form of Underwriting Agreement sets out underwriting terms on which the Company proposes to conduct offerings of its debt securities. This Form of Underwriting Agreement is provided in connection with the Company's registration statement on Form S-3 (File No. 333-139431), filed on December 15, 2006.
- ** Other instruments defining the rights of holders of long-term debt of the registrant and all of its subsidiaries for which consolidated financial statements are required to be filed and which are not required to be registered with the Commission, are not included herein as the securities authorized under these instruments, individually, do not exceed 10% of the total assets of the registrant and its subsidiaries on a consolidated basis. An agreement to furnish a copy of any such instruments to the Commission upon request has been filed with the Commission.
- *** Denotes compensatory plan.

SIGNATURE

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

McDONALD'S CORPORATION
(Registrant)

August 6, 2007

/s/ Matthew H. Paull

Matthew H. Paull

*Corporate Senior Executive Vice President
and Chief Financial Officer*

McDONALD'S CORPORATION
UNDERWRITING AGREEMENT

To the Representatives named in Schedule I hereto of
the Underwriters named in Schedule II hereto

Ladies and Gentlemen:

1. Introductory. McDonald's Corporation (the "Company"), a Delaware corporation, proposes to sell to the underwriters named in Schedule II hereto (the "Underwriters"), for whom you are acting as representatives (the "Representatives", which term may refer to a single Representative if so indicated on Schedule I hereto), the principal amount of its securities identified in Schedule I hereto (the "Securities"), to be issued under an Indenture dated as of October 19, 1996 (as supplemented from time to time, the "Indenture"), between the Company and U.S. Bank National Association (formerly, First Union National Bank), as trustee (the "Trustee"). (If the firm or firms listed in Schedule II hereto include only the firm or firms listed in Schedule I hereto, then the terms "Underwriters" and "Representatives," as used herein, shall each be deemed to refer to such firm or firms.)

2. Representations and Warranties of the Company. As of the date of this Agreement, the Applicable Time (as hereinafter defined) and the Closing Date (as hereinafter defined), the Company represents and warrants to each of the Underwriters that:

(a) The Company has filed with the Securities and Exchange Commission (the "Commission") an automatic shelf registration statement on Form S-3 (File No. 333-139431) under the Securities Act of 1933, as amended (the "Securities Act"), which provides for the registration of the Securities under the Securities Act and the offering of the Securities. Such registration statement meets the requirements set forth in Rule 415(a)(1)(x) under the Securities Act and complies in all other material respects with said Rule. Such Registration Statement became effective upon filing pursuant to Rule 462(e) under the Securities Act. The Indenture is duly qualified under the Trust Indenture Act of 1939, as amended (the "Trust Indenture Act"), and the Company has duly authorized the issuance of the Securities. The Company proposes to file with the Commission pursuant to Rule 424(b)(2) or (b)(5) under the Securities Act a supplement to the form of prospectus included in registration statement File No. 333-139431 relating to the Securities and the plan of distribution thereof. The registration statement File No. 333-139431, including the exhibits thereto, is hereinafter called the "Registration Statement"; the prospectus in the form in which it appears in registration statement File No. 333-139431 is hereinafter called the "Basic Prospectus"; and such supplemented form of prospectus, in the form in which it shall be filed with the Commission pursuant to Rule 424(b) (including the Basic Prospectus as so supplemented) is hereinafter called the "Final Prospectus". Any preliminary form of the Final Prospectus which has heretofore been filed pursuant to Rule 424(a) is hereinafter called the "Preliminary Final Prospectus". Any reference herein to the Registration Statement, the Basic Prospectus, any Preliminary Final Prospectus or the Final Prospectus shall be deemed to refer to and include the documents incorporated by reference therein pursuant to Item 12 of Form S-3 that were filed under the

Securities Exchange Act of 1934, as amended (the “Exchange Act”) or, if applicable, otherwise deemed to be a part thereof, on or before the Applicable Time (as hereinafter defined), or the issue date of the Basic Prospectus, any Preliminary Final Prospectus or the Final Prospectus, as the case may be; and any reference herein to the terms “amend”, “amendment” or “supplement” with respect to the Registration Statement, the Basic Prospectus, any Preliminary Final Prospectus or the Final Prospectus shall be deemed to refer to and include the filing of any document under the Exchange Act after the date of this Agreement, or the issue date of the Basic Prospectus, any Preliminary Final Prospectus or the Final Prospectus, as the case may be, and deemed to be incorporated therein by reference or, if applicable, otherwise deemed to be a part thereof. The initial effective date of the Registration Statement was not earlier than the date three years before the Closing Date (as hereinafter defined).

(b) On each date on which the Registration Statement or any post-effective amendment or amendments thereto (including the filing of any document incorporated by reference in or otherwise deemed to be a part of the Registration Statement) becomes effective (each such time an “Effective Date”), the Registration Statement did, and when the Final Prospectus is first filed in accordance with Rule 424(b) and on the Closing Date (as hereinafter defined), the Final Prospectus (and any supplement thereto) will, comply in all material respects with the applicable requirements of the Act, the Exchange Act and the Trust Indenture Act of 1939, as amended (the “Trust Indenture Act”) and the respective rules thereunder; on each date on which the Registration Statement or any post-effective amendment or amendments thereto (including the filing of any document incorporated by reference in or otherwise deemed to be a part of the Registration Statement) becomes effective and at the Applicable Time (as hereinafter defined), the Registration Statement did not and will not contain any untrue statement of a material fact or omit to state any material fact required to be stated therein or necessary in order to make the statements therein not misleading; and on the date of any filing pursuant to Rule 424(b) and on the Closing Date (as hereinafter defined), the Final Prospectus (together with any supplement thereto) will not include any untrue statement of a material fact or omit to state a material fact necessary in order to make the statements therein, in the light of the circumstances under which they were made, not misleading; *provided, however*, that the Company makes no representations or warranties as to (i) that part of the Registration Statement which shall constitute the Statement of Eligibility (Form T-1) under the Trust Indenture Act of the Trustee, (ii) information, if any, contained in the Registration Statement or Final Prospectus relating to The Depository Trust Company (“DTC”) and its book-entry system, or (iii) the information contained in or omitted from the Registration Statement or the Final Prospectus or any amendment thereof or supplement thereto in reliance upon and in conformity with information furnished in writing to the Company by or on behalf of any Underwriter through the Representatives specifically for use in connection with the preparation of the Registration Statement, any Preliminary Final Prospectus and the Final Prospectus. On the Effective Date and on the Closing Date (as hereinafter defined), the Indenture did or will comply in all material respects with the requirements of the Trust Indenture Act.

(c) Any offer that is a written communication relating to the Securities made prior to the filing of the Registration Statement by the Company or any person acting on its behalf (within the meaning, for this paragraph only, of Rule 163(c) under the Securities Act) has been filed with the Commission in accordance with the exemption provided by Rule 163 under the Securities Act (“Rule 163”) and otherwise complied with the requirements of Rule 163, including, without limitation, the legending requirement, to qualify such offer for the exemption from Section 5(c) of the Securities Act provided by Rule 163.

As of the date and time of the execution of this Agreement (the “Applicable Time”), neither (x) any Issuer General Use Free Writing Prospectus(es) (as defined below), the Preliminary Final Prospectus made

available by the Company for use by the Underwriters and the Final Term Sheet (as defined in Section 4(a) hereof), if any, relating to the offering of the Securities, all considered together (collectively, the “General Disclosure Package”), nor (y) any individual Issuer Limited Use Free Writing Prospectus, when considered together with the General Disclosure Package, included any untrue statement of a material fact or omitted to state any material fact necessary in order to make the statements therein, in the light of the circumstances under which they were made, not misleading.

As used in this subsection and elsewhere in this Agreement:

“Issuer Free Writing Prospectus” means any “issuer free writing prospectus,” as defined in Rule 433 under the Securities Act (“Rule 433”), relating to the Securities that (i) is required to be filed with the Commission by the Company, (ii) is a “road show” that constitutes a written communication within the meaning of Rule 433(d)(8)(i), whether or not required to be filed with the Commission or (iii) is exempt from filing pursuant to Rule 433(d)(5)(i) because it contains a description of the Securities or of the offering that does not reflect the final terms, in each case in the form filed or required to be filed with the Commission or, if not required to be filed, in the form retained in the Company’s records pursuant to Rule 433(g).

“Issuer General Use Free Writing Prospectus” means any Issuer Free Writing Prospectus that is intended for general distribution to prospective investors.

“Issuer Limited Use Free Writing Prospectus” means any Issuer Free Writing Prospectus that is not an Issuer General Use Free Writing Prospectus.

Each Issuer Free Writing Prospectus, as of its issue date and at all subsequent times through the completion of the public offer and sale of the Securities did not, does not and will not include any information that conflicted, conflicts or will conflict with the information contained in the Registration Statement or the Final Prospectus, including any document incorporated by reference therein and any preliminary or other prospectus deemed to be a part thereof that has not been superseded or modified.

(d) The financial statements of the Company and its consolidated subsidiaries included in the Registration Statement, the General Disclosure Package and the Final Prospectus fairly present the financial condition of the Company and its consolidated subsidiaries as of the dates indicated and the results of operations and cash flow for the periods therein specified; and said financial statements have been prepared in accordance with generally accepted accounting principles applied on a consistent basis throughout the periods involved, except as otherwise stated therein. As used herein, “consolidated subsidiaries” means each subsidiary of the Company which is included in the most recent consolidated financial statements of the Company contained in the Registration Statement, and each other subsidiary of the Company which is included in consolidated financial statements of the Company prepared from time to time thereafter. All disclosures contained in the Registration Statement, the Final Prospectus or the General Disclosure Package regarding “non-GAAP financial measures” (as such term is defined by the rules and regulations of the Commission) comply with Regulation G under the Exchange Act and Item 10(e) of Regulation S-K of the Securities Act, to the extent applicable.

(e) Subsequent to the respective dates as of which information is given in the Registration Statement, the General Disclosure Package and the Final Prospectus and prior to the Closing Date (as hereinafter defined) hereinafter mentioned, except as set forth or contemplated in the General Disclosure Package and

the Final Prospectus, (i) neither the Company nor any of its consolidated subsidiaries has entered into any transaction not in the ordinary course of business which is material to the Company and its consolidated subsidiaries, considered as a whole, (ii) there has been no material adverse change in the properties, business, financial condition or results of operations of the Company and its consolidated subsidiaries, considered as a whole, and (iii) no legal or governmental proceeding, which has or will have materially affected the Company or any of its consolidated subsidiaries, considered as a whole, or the transactions contemplated by this Agreement, has been or will have been instituted or threatened.

(f) The consummation of the transactions herein contemplated and the fulfillment of the terms hereof will not conflict with or result in a breach of any of the terms and provisions of, or constitute a default under, any indenture, mortgage, deed of trust or other agreement or instrument to which the Company is a party, or the Restated Certificate of Incorporation or Amended and Restated By-Laws of the Company as presently in effect, or any order, rule or regulation applicable to the Company of any court or any federal or state regulatory body or administrative agency or other governmental body having jurisdiction over the Company or its properties.

(g) The Securities have been duly and validly authorized and, when issued, authenticated and delivered against payment therefor in accordance with the terms of the Indenture and this Agreement, will constitute valid and legally binding obligations of the Company enforceable in accordance with their terms and entitled to the benefits of the Indenture, except as enforcement thereof may be limited by applicable bankruptcy, insolvency, moratorium and other laws affecting the enforceability of creditors' rights and general principles of equity, and will conform to the descriptions thereof contained in the General Disclosure Package and the Final Prospectus. The Indenture has been duly and validly authorized by the Company and is a valid and legally binding agreement of the Company enforceable in accordance with its terms, except as enforcement thereof may be limited by applicable bankruptcy, insolvency, moratorium and other laws affecting the enforceability of creditors' rights and general principles of equity. The Indenture conforms to the description in the General Disclosure Package and the Final Prospectus, and is duly qualified under the Trust Indenture Act.

(h) The Company is not, and upon the issuance and sale of the Securities as herein contemplated and the application of the net proceeds therefrom as described in the General Disclosure Package and the Final Prospectus will not be, an "investment company" within the meaning of the Investment Company Act of 1940, as amended (the "Investment Company Act").

(i) (i) At the time of filing the Registration Statement, (ii) at the time of the most recent amendment thereto for the purposes of complying with Section 10(a)(3) of the Securities Act (whether such amendment was by post-effective amendment, incorporated report filed pursuant to Section 13 or 15(d) of the Exchange Act or form of prospectus), (iii) at the time the Company or any person acting on its behalf (within the meaning, for this clause only, of Rule 163(c) under the Securities Act) made any offer relating to the Securities in reliance on the exemption of Rule 163 under the Securities Act, and (iv) at the Applicable Time (with such date being used as the determination date for purposes of this clause (iv)), the Company was and is a "well-known seasoned issuer", as defined in Rule 405 under the Securities Act ("Rule 405"), including not having been and not being an "ineligible issuer" as defined in Rule 405; the Registration Statement is an "automatic shelf registration statement," as defined in Rule 405, and the Securities, since their registration on the Registration Statement, have been and remain eligible for registration by the Company on a Rule 405 "automatic shelf registration statement"; and the Company has not received from the Commission any notice pursuant to Rule 401(g)(2) under the Securities Act objecting to the use of the automatic shelf registration statement form.

At the time of filing the Registration Statement, at the earliest time thereafter that the Company or another offering participant made a bona fide offer (within the meaning of Rule 164(h)(2) under the Securities Act) of the Securities and as of the Applicable Time (with such Applicable Time being used as the determination date for purposes of this clause), the Company was not and is not an “ineligible issuer,” as defined in Rule 405.

(j) The Company and each of its subsidiaries maintain a system of internal accounting controls sufficient to provide reasonable assurances that (i) transactions are executed in accordance with management’s general or specific authorization; (ii) transactions are recorded as necessary to permit preparation of financial statements in conformity with generally accepted accounting principles and to maintain accountability for assets; (iii) access to assets is permitted only in accordance with management’s general or specific authorization; and (iv) the recorded accountability for assets is compared with the existing assets at reasonable intervals and appropriate action is taken with respect to any differences.

The Company and its consolidated subsidiaries employ disclosure controls and procedures that are designed to ensure that information required to be disclosed by the Company in the reports that it files or submits under the Exchange Act is recorded, processed, summarized and reported, within the time periods specified in the Commission’s rules and forms, and is accumulated and communicated to the Company’s management, including its principal executive officer or officers and principal financial officer or officers, as appropriate, to allow timely decisions regarding disclosure.

3. Sale, Purchase and Delivery of Securities. On the basis of the representations and warranties herein contained, but subject to the terms and conditions herein set forth, the Company hereby agrees to sell to the Underwriters, severally and not jointly, and each Underwriter, severally and not jointly, agrees to purchase from the Company, at the purchase price set forth in Schedule I hereto, the principal amount of the Securities set forth opposite such Underwriter’s name in Schedule II hereto, except that, if Schedule I hereto provides for the sale of Securities pursuant to delayed delivery arrangements, the respective principal amounts of Securities to be purchased by the Underwriters shall be as set forth in Schedule II hereto, less the respective amounts of Contract Securities determined as provided below. Securities to be purchased by the Underwriters are herein sometimes called the “Underwriters’ Securities” and Securities to be purchased pursuant to Delayed Delivery Contracts as hereinafter provided are herein called “Contract Securities”.

If so provided in Schedule I hereto, the Underwriters are authorized to solicit offers to purchase Securities from the Company pursuant to delayed delivery contracts (“Delayed Delivery Contracts”), substantially in the form of Schedule III hereto but with such changes therein as the Company may authorize or approve. The Underwriters will endeavor to make such arrangements and, as compensation therefor, the Company will pay to the Representatives, for the account of the Underwriters, on the Closing Date (as hereinafter defined), the percentage set forth in Schedule I hereto of the principal amount of the Securities for which Delayed Delivery Contracts are made. Delayed Delivery Contracts are to be with institutional investors, including commercial and savings banks, insurance companies, pension funds, investment companies and educational and charitable institutions. The Company will make Delayed Delivery Contracts in all cases where sales of Contract Securities arranged by the Underwriters have been approved by the Company but, except as the Company may otherwise agree, each such Delayed Delivery Contract must be for not less than the minimum principal amount set forth in Schedule I hereto and the aggregate principal amount of Contract Securities may not exceed the maximum

aggregate principal amount set forth in Schedule I hereto. The Underwriters will not have any responsibility in respect of the validity, enforceability or performance of Delayed Delivery Contracts. The principal amount of Securities to be purchased by each Underwriter as set forth in Schedule II hereto shall be reduced by an amount which shall bear the same proportion to the total principal amount of Contract Securities as the principal amount of Securities set forth opposite the name of such Underwriter bears to the aggregate principal amount set forth in Schedule II hereto, except to the extent that you determine that such reduction shall be otherwise than in such proportion and so advise the Company in writing; *provided, however*, that the total principal amount of Securities to be purchased by all Underwriters shall be the aggregate principal amount set forth in Schedule II hereto, less the aggregate principal amount of Contract Securities.

Delivery of and payment for the Underwriters' Securities shall be made at the office, on the date and at the time specified in Schedule I hereto, which date and time may be postponed by agreement between the Representatives and the Company or as provided in Section 9 hereof (such date and time of delivery and payment for the Underwriters' Securities being herein called the "Closing Date"). Delivery of the Underwriters' Securities shall be made to the Representatives for the respective accounts of the several Underwriters against payment by the several Underwriters through the Representatives of the purchase price thereof to or upon the order of the Company in Federal (same day) funds, or, if so indicated on Schedule I hereto, in New York Clearinghouse (same day) funds. Certificates for the Underwriters' Securities shall be registered in such names and in such denominations as the Representatives may request not less than two full business days in advance of the Closing Date.

The Company agrees to have the Underwriters' Securities available for inspection, checking and packaging by the Representatives in New York, New York, not later than 1:00 P.M. on the business day prior to the Closing Date.

If so provided in Schedule I hereto, Underwriters' Securities will be represented by one or more definitive global Securities in book-entry form which will be deposited by or on behalf of the Company with DTC or DTC's designated custodian. In such case, (a) delivery of the Underwriters' Securities shall be made to the Representatives for the respective accounts of the several Underwriters by causing DTC to credit the Underwriters' Securities to the account of the Representatives at DTC, and (b) the Company will cause the certificates representing the Underwriters' Securities to be made available to the Representatives for inspection not later than 1:00 P.M., New York City time, on the business day prior to the Closing Date at the office of DTC or its designated custodian.

4. Covenants of the Company. The Company covenants and agrees with the Underwriters that:

(a) Prior to the termination of the offering of the Securities, the Company will not file any amendment to the Registration Statement or supplement (including the Final Prospectus) to the Basic Prospectus unless the Company has furnished you a copy for your review prior to filing, and the Company will not file any such proposed amendment or supplement to which you reasonably object; *provided, however*, that without the consent of, but after consultation with, the Underwriters, including the furnishing of copies as contemplated herein, the Company may file any of its periodic filings that are required to be filed with the Commission pursuant to Section 13(a), 13(c), 14 or 15(d) of the Exchange Act, and that do not materially affect or are not related to the offering of the Securities. Subject to the foregoing sentence, the Company will promptly cause the Final Prospectus to be filed with the Commission pursuant to Rule 424 under the Securities Act. Unless otherwise notified by the Representatives, the Company will prepare a final term sheet (the "Final Term Sheet") reflecting the final terms of the offering of the Securities, in substantially the form of Annex I and otherwise satisfactory in form and substance to the Representatives, and shall file such

Final Term Sheet as an “issuer free writing prospectus” pursuant to Rule 433 prior to the close of business within two days following the date such final terms are established. The Company will promptly advise the Representatives (i) when the Final Prospectus shall have been filed with the Commission pursuant to Rule 424 under the Securities Act, (ii) when any amendment to the Registration Statement or any new registration statement relating to the Securities shall have become effective, (iii) of any request by the Commission for any amendment of the Registration Statement or any such new registration statement or amendment of or supplement to the Final Prospectus or any document incorporated by reference therein or otherwise deemed to be a part thereof or for any additional information, (iv) of the issuance by the Commission of any stop order suspending the effectiveness of the Registration Statement any such new registration statement or any notice pursuant to Rule 401(g)(2) under the Securities Act objecting to the use of the automatic shelf registration statement form or the institution or threatening of any proceeding for such purpose and (v) of the receipt by the Company of any notification with respect to the suspension of the qualification of the Securities for sale in any jurisdiction or the initiation or threatening of any proceeding for such purpose. The Company will use commercially reasonable efforts to prevent the issuance of any such stop order and, if issued, to obtain as soon as possible the withdrawal thereof.

(b) The Company will prepare and file with the Commission, promptly upon the request of the Representatives, any amendments or supplements to the Registration Statement, the General Disclosure Package or the Final Prospectus which, in the opinion of counsel for the Underwriters, may be necessary to enable the several Underwriters to continue the sale of the Securities, and the Company will use commercially reasonable efforts to cause any such amendments to become effective and any such supplements to be filed with the Commission and approved for use by the Underwriters as promptly as possible. If at any time when a prospectus relating to the Securities is required to be delivered under the Securities Act (including circumstances where such requirement may be satisfied pursuant to Rule 172 under the Securities Act), any event relating to or affecting the Company occurs as a result of which the Registration Statement, the General Disclosure Package or the Final Prospectus as then amended or supplemented would include an untrue statement of a material fact, or omit to state any material fact necessary to make the statement therein not misleading, or if it is necessary at any time to amend or supplement the Registration Statement, the General Disclosure Package or the Final Prospectus, as then amended or supplemented, to comply with the Securities Act or the Exchange Act or the respective rules thereunder, the Company promptly will prepare and file with the Commission, subject to the first sentence of paragraph (a) of this Section 4, an amendment or supplement which will correct such statement or omission or which will effect such compliance. For the purposes of this paragraph (b), the Company will furnish such information with respect to itself as the Representatives may from time to time reasonably request.

(c) If, at any time following issuance of an Issuer Free Writing Prospectus, there occurred or occurs an event or development as a result of which such Issuer Free Writing Prospectus conflicted or would conflict with the information contained in the Registration Statement (or any other registration statement relating to the Securities) or the Final Prospectus or any preliminary prospectus or included or would include an untrue statement of a material fact or omitted or would omit to state a material fact necessary in order to make the statements therein, in the light of the circumstances prevailing at that subsequent time, not misleading, the Company will promptly notify the Representatives and will promptly amend or supplement, at its own expense, such Issuer Free Writing Prospectus to eliminate or correct such conflict, untrue statement or omission. In addition, the Company will comply with the Securities Act, and the rules and regulations under the Securities Act, the Exchange Act, and the rules and regulations under the Exchange Act, so as to permit the completion of the distribution of each offering of Securities.

(d) As soon as practicable, but not later than 90 days after the end of the 12-month period beginning at the end of the current fiscal quarter of the Company, the Company will make generally available to its security holders and you an earnings statement covering a period of at least twelve months beginning not earlier than said effective date which shall satisfy the provisions of Section 11(a) of the Securities Act.

(e) The Company will furnish to the Representatives and counsel for the Underwriters, without charge, copies of the Registration Statement (including exhibits thereto and documents incorporated by reference therein) and each amendment thereto which shall become effective on or prior to the Closing Date and, so long as delivery of a prospectus by an Underwriter or dealer may be required by the Securities Act, as many copies of the General Disclosure Package, the Final Prospectus, any Issuer Free Writing Prospectus and any amendments thereof and supplements thereto as the Representatives may reasonably request. The Company will pay the expenses of printing all documents relating to the offering.

(f) The Company will furnish such information and execute such instruments as may be required to qualify the Securities for sale under the securities or blue sky laws of such jurisdictions within the United States as you designate, will continue such qualifications in effect so long as required for distribution and will arrange for the determination of the legality of the Securities for purchase by institutional investors. The Company shall not be required to register or qualify as a foreign corporation nor, except as to matters and transactions relating to the offer and sale of the Securities, consent to service of process in any jurisdiction.

(g) So long as the Securities shall be outstanding, the Company will deliver to you (i) as soon as practicable after the end of each fiscal year, consolidated balance sheets, statements of income, retained earnings and cash flows of the Company and its consolidated subsidiaries, as at the end of and for such year and the last preceding year, all in reasonable detail and audited by independent public accountants, (ii) as soon as practicable after the end of each of the first three quarterly periods in each fiscal year, unaudited consolidated balance sheets, statements of income, retained earnings and cash flows of the Company and its consolidated subsidiaries, as at the end of and for such period and for the comparable period of the preceding year, all in reasonable detail, (iii) as soon as available, all such proxy statements, financial statements and reports as the Company shall send or make available to its stockholders generally and (iv) copies of all such annual, periodic and current reports as the Company or any subsidiary shall file with the Commission or any securities exchange.

(h) The Company will pay all costs and expenses in connection with the transactions herein contemplated, including, but not limited to, the fees and disbursements of its counsel; the fees, costs and expenses of preparing, printing and delivering the Indenture and the Securities; the fees, costs and expenses of the Trustee; accounting fees and disbursements; the costs and expenses in connection with the qualification or exemption of the Securities under state securities or blue sky laws, including filing fees and reasonable fees and disbursements of counsel for the Underwriters in connection therewith and in connection with any Blue Sky Memorandum; the costs and expenses in connection with the preparation, printing and filing of the Registration Statement (including exhibits thereto) and the Basic, Preliminary Final, and Final Prospectus, the preparation, printing and filing of any Issuer Free Writing Prospectus or any Permitted Free Writing Prospectus (as defined in Section 4(j)), the preparation and printing of this Agreement and the furnishing to the Underwriters of such copies of each prospectus as the Underwriters may reasonably require; the Commission's filing fees related to the Securities in accordance with Rules 456(b) and 457(r) under the Securities Act; and the fees of rating agencies. It is understood, however, that, except as provided in this Section and in Sections 7 and 8 hereof, the Underwriters will pay all of their own costs and expenses, including the fees of their counsel and any advertising expenses connected with any offers they may make.

(i) Until the business day following the Closing Date, the Company will not, without the consent of the Representatives, offer or sell, or announce the offering of, any debt securities covered by the Registration Statement or any other registration statement filed under the Securities Act.

(j) The Company represents and agrees that, unless it obtains the prior consent of the Representatives, and each Underwriter, severally and not jointly, represents and agrees that, unless it obtains the prior consent of the Company, it has not made and will not make any offer relating to the Securities that would constitute an “issuer free writing prospectus,” as defined in Rule 433, or that would otherwise constitute a “free writing prospectus,” as defined in Rule 405, required to be filed with the Commission; provided, however, that prior to the preparation of the Final Term Sheet in accordance with Section 4(a), the Underwriters are authorized to use the information with respect to the final terms of the applicable Securities in communications conveying information relating to the applicable offering of Securities to investors. Any such free writing prospectus consented to by the Company and the Representatives is referred to herein as a “Permitted Free Writing Prospectus.” The Company represents that it has treated or agrees that it will treat each Permitted Free Writing Prospectus as an “issuer free writing prospectus,” as defined in Rule 433, and has complied and will comply with the requirements of Rule 433 applicable to any Permitted Free Writing Prospectus, including timely filing with the Commission where required, legending and record keeping; provided, however, that any such treatment shall not convert a Permitted Free Writing Prospectus that would not otherwise constitute an Issuer Free Writing Prospectus into an Issuer Free Writing Prospectus solely due to such treatment. Any Permitted Free Writing Prospectus shall be considered to be an Issuer General Use Free Writing Prospectus unless otherwise agreed to by the Company and the Representatives.

5. Conditions of the Obligations of the Underwriters. The obligations of the several Underwriters to purchase and pay for the Securities shall be subject to the accuracy of the representations and warranties on the part of the Company contained herein as of the Applicable Time, as of the date of the effectiveness of any amendment to the Registration Statement filed prior to the Closing Date (including the filing of any document incorporated by reference therein) and as of the Closing Date, to the accuracy of the written statements of Company officers made pursuant to the provisions hereof, to the performance by the Company of its obligations hereunder and to the following additional conditions:

(a) No stop order suspending the effectiveness of the Registration Statement, as amended from time to time, shall have been issued, no proceedings for that purpose shall have been instituted or shall be pending, no notice pursuant to Rule 401(g)(2) under the Securities Act objecting to the use of the automatic shelf registration statement form shall have been received from the Commission or, to the knowledge of the Company, shall be contemplated by the Commission.

(b) No event, nor any material adverse change in the condition of the Company, financial or otherwise, shall have occurred, nor shall any event exist, which (i) makes untrue or incorrect any material statement or information contained in the Registration Statement, or which is not reflected in the Registration Statement, but should be reflected therein in order to make the statements or information contained therein not misleading and (ii) makes untrue or incorrect any material statement or information contained in the General Disclosure Package or the Final Prospectus or which is not reflected in the General Disclosure Package or the Final Prospectus, but should be reflected therein in order to make the statements or information contained therein, in the light of the circumstances under which such statements were made or information provided, not misleading.

(c) You shall have received at the Closing Date (or prior thereto as indicated) the following:

(i) An opinion from the Company's General Counsel or an Associate General Counsel of the Company, dated the Closing Date, to the effect that:

(A) The Company has been duly incorporated and is validly existing as a corporation in good standing under the laws of the State of Delaware with corporate power and authority to own its properties and conduct its business as set forth in the General Disclosure Package and the Final Prospectus.

(B) The Indenture has been duly and validly authorized, executed and delivered by the Company and the Trustee, is duly qualified under the Trust Indenture Act, and is a valid and legally binding agreement of the Company enforceable in accordance with its terms, except as enforcement thereof may be limited by applicable bankruptcy, insolvency, moratorium and other laws affecting the enforceability of creditors' rights and general principles of equity.

(C) The Securities have been duly and validly authorized by all necessary corporate action and, when duly executed and issued on behalf of the Company, duly authenticated by the Trustee or the Trustee's authenticating agent, and duly delivered to the several Underwriters against payment therefor in accordance with the provisions of this Agreement, in the case of the Underwriters' Securities, or to the purchasers thereof pursuant to Delayed Delivery Contracts, in the case of Contract Securities; will constitute valid and legally binding obligations of the Company enforceable in accordance with their terms and entitled to all the benefits of the Indenture, except as enforcement thereof may be limited by applicable bankruptcy, insolvency, moratorium and other laws affecting the enforceability of creditors' rights and general principles of equity.

(D) The Indenture and the Securities conform as to legal matters with the statements concerning them made in the General Disclosure Package and the Final Prospectus, and such statements accurately set forth the provisions thereof required to be set forth in the General Disclosure Package and the Final Prospectus.

(E) This Agreement and any Delayed Delivery Contracts have been duly and validly authorized, executed and delivered by the Company.

(F) (1) The Registration Statement and any amendments thereto have become effective under the Securities Act, and, to the best of the knowledge of such counsel, no stop order suspending the effectiveness of the Registration Statement, as amended, or any notice objecting to its use, has been issued and no proceedings for that purpose have been instituted or are pending or contemplated under the Securities Act; (2) the Registration Statement, the Final Prospectus, and each amendment thereof or supplement thereto (except for the financial statements and other financial data included therein, as to which such counsel need express no opinion) comply as to form in all material respects with the requirements of the Securities Act and the Exchange Act and the respective rules and regulations thereunder; (3) such counsel has no reason to believe that, at each date the Registration Statement or any part thereof becomes effective or is deemed effective, the

Registration Statement, or any such amendment or supplement, contained any untrue statement of a material fact or omitted to state a material fact required to be stated therein or necessary to make the statements therein not misleading; (4) such counsel has no reason to believe that the General Disclosure Package, as of the Applicable Time or as of the Closing Date, contained or contains any untrue statement of a material fact or omitted or omits to state a material fact required to be stated therein or necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading; (5) such counsel has no reason to believe that, as of its date or as of the Closing Date, the Final Prospectus contained or contains any untrue statement of a material fact or omitted or omits to state a material fact required to be stated therein or necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading; (6) the descriptions in the General Disclosure Package and Final Prospectus of statutes, legal and governmental proceedings and contracts and other documents are accurate and fairly present the information required to be shown; and (7) such counsel does not know of any legal or governmental proceedings required to be described in the Final Prospectus which are not described as required, nor does such counsel know of any contracts or other documents of a character which are required to be described in the General Disclosure Package or the Final Prospectus or to be filed as exhibits to the Registration Statement which are not described and filed as required.

(G) The execution and delivery of this Agreement and the consummation of the transactions herein contemplated and the fulfillment of the terms hereof or of any Delayed Delivery Contracts will not result in any breach of any of the terms and provisions of, or constitute a default under, any indenture, mortgage, deed of trust or other agreement or instrument to which, to the knowledge of such counsel, the Company is a party, or the Restated Certificate of Incorporation or Amended and Restated By-Laws of the Company as presently in effect or, to the knowledge of such counsel, any order, rule or regulation applicable to the Company of any court or of any federal or state regulatory body or administrative agency or other governmental body having jurisdiction over the Company or its properties.

(H) No authorization, approval, consent or other action of any governmental authority or agency is required in connection with the sale of the Securities as contemplated by this Agreement or in any Delayed Delivery Contracts except such as may be required under the Securities Act or under state securities or blue sky laws.

(ii) Such opinion or opinions of Underwriters' counsel, dated the Closing Date, with respect to the sufficiency of all corporate proceedings and other legal matters relating to this Agreement, any Delayed Delivery Contracts, the validity of the Securities, the Registration Statement, the General Disclosure Package, the Final Prospectus and other related matters as you may reasonably request.

The Company shall have furnished to such counsel such documents as they may reasonably request for the purpose of enabling them to render their opinions. In connection with such opinions, such counsel may rely on representations or certificates of officers of the Company as to factual matters.

(iii) A certificate of the President or a Vice President, and the Chief Financial Officer of the Company or its Treasurer, dated the Closing Date, to the effect that:

(A) The representations and warranties of the Company in Section 2 of this Agreement are true and correct on and as of the Closing Date, and the Company has complied with all the agreements and satisfied all the conditions on its part to be performed or satisfied at or prior to the Closing Date.

(B) No stop order suspending the effectiveness of the Registration Statement or notice objecting to its use has been issued and no proceedings for that purpose have been instituted or are pending or, to the knowledge of the respective signers of the certificate, are contemplated under the Securities Act.

(C) The signers of the certificate have carefully examined the Registration Statement, the General Disclosure Package and the Final Prospectus; neither the Registration Statement nor any amendment thereto includes, as of the Closing Date, any untrue statement of a material fact or omits, as of the Closing Date, to state any material fact required to be stated therein or necessary to make the statements therein not misleading; neither the General Disclosure Package, the Final Prospectus, nor any amendment or supplement thereto, includes, as of the Closing Date, any untrue statement of a material fact or omits to state any material fact necessary in order to make the statements therein, in light of the circumstances under which they were made, not misleading; since the latest respective dates as of which information is given in the General Disclosure Package and the Final Prospectus, there has been no material adverse change in the financial position, business or results of operations of the Company and its consolidated subsidiaries, considered as a whole, except as set forth in or contemplated by the General Disclosure Package and the Final Prospectus; and since the effective date of the Registration Statement, as amended, no event has occurred which is required to be set forth in the Final Prospectus which has not been so set forth.

(iv) Letters from the Company's independent auditor, dated the date hereof and the Closing Date, respectively, addressed to you substantially in the form heretofore approved by you.

(d) Prior to the Closing Date, the Company shall have furnished to you such further certificates and documents as you may reasonably request.

(e) The Company shall have accepted Delayed Delivery Contracts in any case where sales of Contract Securities arranged by the Underwriters have been approved by the Company.

If any condition of the Underwriters' obligations hereunder required to be satisfied prior to the Closing Date is not so satisfied, this Agreement may be terminated by you by notice in writing or by facsimile transmission to the Company.

In rendering the opinions described in Sections 5(c)(i) and (ii) above, the Company's General Counsel or an Associate General Counsel of the Company, other counsel for the Company, and counsel for the Underwriters, may limit his, her or their opinion to the laws of the United States of America, the laws of the State of Illinois, and the General Corporation Law of the State of Delaware.

All such opinions (including opinions, if any, of local counsel), certificates, letters and documents will be in compliance with the provisions hereof only if they are in all material respects satisfactory to you and to counsel for the Underwriters, as to which both you and such counsel shall act reasonably. The Company will furnish you with such conformed copies of such opinions, certificates, letters and documents as you request.

You, on behalf of the Underwriters, may waive in writing the compliance by the Company of any one or more of the foregoing conditions or extend the time for their performance.

6. Representation of the Underwriters. Each of the Underwriters severally represents and warrants to the Company that the information in the Underwriter Statements (as defined in Section 8(b) below) furnished to the Company in writing by such Underwriter or by the Representatives expressly for use in the preparation of the Registration Statement or the Final Prospectus does not, and any amendments thereof or supplements thereto thus furnished will not, contain an untrue statement of a material fact or omit to state a material fact required to be stated therein or necessary to make the statements therein not misleading.

7. Termination of Agreement. This Agreement may be terminated by you on behalf of the Underwriters, by notice to the Company, at any time at or prior to the Closing Date if (i) trading in the Company's common stock shall have been suspended by the Commission or the New York Stock Exchange for a period of 24 hours or more or trading in securities generally on the New York Stock Exchange shall have been suspended or materially limited, in either case to such a degree as would, in the reasonable judgment of the Representatives, materially adversely affect the market for the Securities or a material disruption has occurred in commercial banking or securities settlement or clearance services in the United States or with respect to Clearstream or Euroclear systems in Europe; (ii) a general moratorium on commercial banking activities in the State of New York or the United States shall have been declared by Federal authorities; or (iii) there has occurred any material outbreak or material escalation of hostilities involving the United States or any other national or international calamity or crisis, of such magnitude and severity in its effect on the financial markets of the United States, in the reasonable judgment of the Representatives, as to make it impracticable or inadvisable to market the Securities or to enforce contracts for the sale of the Securities.

If this Agreement shall be terminated by you because of any failure on the part of the Company to comply with any of the terms or to fulfill any of the conditions of this Agreement, or if for any reason the Company shall be unable to perform its obligations under this Agreement, the Company shall pay, in addition to the costs and expenses referred to in Section 4(h), all reasonable out-of-pocket expenses incurred by the Underwriters in contemplation of the performance by them of their obligations hereunder, including but not limited to the reasonable fees and disbursements of counsel for the Underwriters, the Underwriters' reasonable printing and traveling expenses, and postage and telephone charges relating directly to the offering contemplated by the Final Prospectus, and also including advertising expenses incurred after the effective date of the Registration Statement, it being understood that such out-of-pocket expenses shall not include any compensation, salaries or wages of the officers, partners or employees of any of the Underwriters.

The Company shall not in any event be liable to the several Underwriters for damages on account of loss of anticipated profits arising out of the transactions contemplated by this Agreement.

8. Indemnification and Contribution. (a) The Company will indemnify and hold harmless each Underwriter and each person, if any, who controls any Underwriter either within the meaning of the Securities Act or the Exchange Act against any losses, claims, damages or liabilities, joint or several, to which such Underwriter or such controlling person may become subject, under the Securities Act, the Exchange Act or otherwise, insofar as such losses, claims, damages or liabilities (or actions in respect thereof) arise out of or are based upon any untrue statement or alleged untrue statement of any material fact contained in the Registration Statement or any amendment thereof, the Basic Prospectus, any preliminary prospectus or preliminary prospectus supplement (including any Preliminary Final Prospectus), the Final Prospectus, or any amendment or supplement thereto, or any Issuer Free Writing Prospectus, or arise out of or are based upon the omission or

alleged omission to state therein a material fact required to be stated therein or necessary to make the statements therein not misleading, and will reimburse each Underwriter and each such controlling person for any legal or other expenses reasonably incurred by such Underwriter or such controlling person in connection with investigating or defending any such loss, claim, damage, liability or action; *provided, however*, that the Company will not be liable in any such case to the extent that any such loss, claim, damage or liability arises out of or is based upon an untrue statement or alleged untrue statement or omission or alleged omission made therein in reliance upon and in conformity with written information furnished to the Company by or on behalf of any Underwriter through the Representatives specifically for use in the preparation thereof. This indemnity agreement will be in addition to any liability which the Company may otherwise have.

(b) Each Underwriter severally, but not jointly, agrees to indemnify and hold harmless the Company, each person, if any, who controls the Company either within the meaning of the Securities Act or the Exchange Act, each of its directors and each of its officers who has signed the Registration Statement, against any losses, claims, damages or liabilities to which the Company, any such controlling person or any such director or officer may become subject, under the Securities Act, the Exchange Act, or otherwise, to the same extent as the foregoing indemnity from the Company to each Underwriter, but only with reference to written information relating to such Underwriter furnished to the Company by or on behalf of such Underwriter through you specifically for use in the preparation of the documents referred to in the foregoing indemnity. The Company acknowledges that the statements set forth under [the last paragraph of the cover page regarding delivery of the Securities and, under the heading "Underwriting", (i) the list of Underwriters and their respective participation in the sale of the Securities, (ii) the sentences related to the concessions and reallowances and (iii) the paragraph related to stabilization, syndicate covering transactions and penalty bids] in the Registration Statement, any Preliminary Final Prospectus or the Final Prospectus constitute the only information furnished in writing by or on behalf of the several Underwriters for inclusion in the Registration Statement, any Preliminary Final Prospectus, any Issuer Free Writing Prospectus, or the Final Prospectus (such information so furnished being referred to as the "Underwriter Statements"). This indemnity agreement will be in addition to any liability which each such Underwriter may otherwise have.

(c) Promptly after receipt by an indemnified party under this Section of notice of the commencement of any action, such indemnified party will, if a claim in respect thereof is to be made against the indemnifying party under this Section, notify the indemnifying party in writing of the commencement thereof, but the omission so to notify the indemnifying party will not relieve it from any liability which it may have to any indemnified party otherwise than under this Section. In case any such action is brought against any indemnified party, and it notifies the indemnifying party of the commencement thereof, the indemnifying party will be entitled to participate therein and, to the extent that it may elect by written notice delivered to the indemnified party promptly after receiving the aforesaid notice from such indemnified party, to assume the defense thereof, with counsel satisfactory to such indemnified party; *provided, however*, that if the defendants in any such action include both the indemnified party and the indemnifying party and the indemnified party shall have reasonably concluded that there may be legal defenses available to it and/or other indemnified parties which are different from or in addition to those available to the indemnifying party, the indemnified party or parties shall have the right to select separate counsel to assume such legal defenses and to otherwise participate in the defense of such action on behalf of such indemnified party or parties. Upon receipt by such indemnified party of notice from the indemnifying party of its election so to assume the defense of such action and approval by the indemnified party of counsel, the indemnifying party will not be liable to such indemnified party under this Section 8 for any legal or other expenses subsequently incurred by such indemnified party in connection with the defense thereof unless (i) the indemnified party shall have employed such counsel in connection with the assumption of legal defenses in accordance with the proviso to the next preceding sentence (it being understood, however, that the

indemnifying party shall not be liable for the expenses of more than one separate counsel, approved by the Representatives of the Underwriters in the case of subparagraph (a), representing the indemnified parties under subparagraph (a) or (b), as the case may be, who are parties to such action), (ii) the indemnifying party shall not have employed counsel satisfactory to the indemnified party to represent the indemnified party within a reasonable time after notice of commencement of the action or (iii) the indemnifying party has authorized the employment of counsel for the indemnified party at the expense of the indemnifying party; *provided, further*, that, with respect to legal and other expenses incurred by an indemnified party for which an indemnifying party shall be liable hereunder, all such legal fees and expenses shall be reimbursed by the indemnifying party as they are incurred.

(d) In order to provide for just and equitable contribution in circumstances in which the indemnification provided for in paragraph (a) of this Section 8 is due in accordance with its terms but is for any reason held by a court to be insufficient or unavailable, the Company and the Underwriters shall severally contribute to the aggregate of such losses, claims, damages and liabilities (including legal or other expenses reasonably incurred in connection with investigating or defending same) to which the Company and one or more of the Underwriters may be subject in such proportion so that the Underwriters are responsible for that portion represented by the percentage that the underwriting discount bears to the sum of such discount and the purchase price of the Securities set forth in Schedule I hereto and the Company is responsible for the balance; *provided, however*, that (i) in no case shall any Underwriter (except as may be provided in any agreement among underwriters relating to the offering of the Securities) be responsible for any amount in excess of the underwriting discount applicable to the Securities purchased by such Underwriter hereunder and (ii) no person guilty of fraudulent misrepresentation (within the meaning of Section 11(f) of the Securities Act) shall be entitled to contribution from any person who was not guilty of such fraudulent misrepresentation. For purposes of this Section 8, each person who controls an Underwriter within the meaning of the Securities Act shall have the same rights to contribution as such Underwriter, and each person who controls the Company within the meaning of either the Securities Act or the Exchange Act, each officer of the Company who shall have signed the Registration Statement and each director of the Company shall have the same rights to contribution as the Company, subject in each case to clause (i) of this paragraph (d). Any party entitled to contribution will, promptly after receipt of notice of commencement of any action, suit or proceeding against such party in respect of which a claim for contribution may be made against another party or parties under this paragraph (d), notify such party or parties from whom contribution may be sought, but the omission to so notify such party or parties shall not relieve the party or parties from whom contribution may be sought from any other obligation it or they may have hereunder or otherwise than under this paragraph (d).

9. Default by an Underwriter. If the Underwriters' obligations to purchase Securities pursuant to Section 3 hereof are several and not joint and if any one or more Underwriters shall fail to purchase and pay for any of the Securities agreed to be purchased by such Underwriter or Underwriters hereunder and such failure to purchase shall constitute a default in the performance of its or their obligations under this Agreement and unless otherwise provided in Schedule I hereto, the remaining Underwriters shall be obligated severally to take up and pay for (in the respective proportions which the amount of Securities set forth opposite their names in Schedule II hereto bear to the aggregate amount of Securities set opposite the names of all the remaining Underwriters) the Securities which the defaulting Underwriter or Underwriters agreed but failed to purchase; *provided, however*, that in the event that the aggregate amount of Securities which the defaulting Underwriter or Underwriters agreed but failed to purchase shall exceed 10% of the aggregate amount of Securities set forth in Schedule II hereto, the remaining Underwriters shall have the right to purchase all, but shall not be under any obligation to purchase any, of the Securities, and if such nondefaulting Underwriters do not purchase all the Securities, this Agreement will terminate without liability to any nondefaulting Underwriter or the Company. In the event of a

default by any Underwriter as set forth in this Section 9, the Closing Date shall be postponed for such period, not exceeding seven days, as the Representatives shall determine in order that the required changes in the Registration Statement and the Final Prospectus or in any other documents or arrangements may be effected. Nothing contained in this Agreement shall relieve any defaulting Underwriter of its liability, if any, to the Company and any nondefaulting Underwriter for damages occasioned by its default hereunder.

10. Representations and Indemnities to Survive Delivery. The respective indemnities, agreements, representations and warranties of the Company or its officers and the several Underwriters, set forth in or made pursuant to this Agreement, will remain in full force and effect, regardless of any investigation made by or on behalf of any Underwriter, the Company or any of its officers, directors or any controlling persons referred to in Section 8 hereof, and will survive delivery of and payment for the Securities. The provisions of Sections 7 and 8 hereof shall survive the termination or cancellation of this Agreement.

11. Notices. All communications hereunder will be in writing and effective only on receipt, and, if sent to the Representatives, will be mailed, delivered or sent by facsimile transmission and confirmed to them, at the address specified in Schedule I hereto; or, if sent to the Company, will be mailed, delivered or sent by facsimile transmission and confirmed to the Company at One McDonald's Plaza, Oak Brook, Illinois 60523, Attention of the Treasurer, with a copy to the General Counsel.

12. Successors; Governing Law. This Agreement will inure to the benefit of and be binding upon the parties hereto and the officers, directors and controlling persons referred to in Section 8 hereof and their respective successors, assigns, heirs, executors and administrators, and no other persons will have any right or obligation hereunder. The terms "successors" and "assigns" as used herein shall not include a purchaser as such from any Underwriter. This Agreement shall be governed by and construed and enforced in accordance with, the internal laws of the State of Illinois.

13. No fiduciary duty. The Company and the Underwriters hereby acknowledge that (a) the purchase and sale of the Securities pursuant to this Agreement is an arm's-length commercial transaction between the Company, on the one hand, and the Underwriters and any affiliate through which it may be acting, on the other, (b) the Underwriters are acting as principal and not as an agent or fiduciary of the Company and (c) the Company's engagement of the Underwriters in connection with the offering and the process leading up to the offering is as independent contractors and not in any other capacity. Furthermore, the Company agrees that it is solely responsible for making its own judgments in connection with the offering (irrespective of whether any of the Underwriters has advised or is currently advising the Company on related or other matters). The Company agrees that it will not claim that the Underwriters have rendered advisory services of any nature or respect, or owe an agency, fiduciary or similar duty to the Company, in connection with such transaction or the process leading thereto.

14. Business Day. For purposes of this Agreement, "business day" means any day on which the New York Stock Exchange is open for trading.

If the foregoing is in accordance with your understanding of our agreement, sign and return to us the enclosed duplicate hereof, whereupon it will become a binding agreement between the Company and the several Underwriters in accordance with its terms.

Very truly yours,

McDONALD'S CORPORATION

By: _____

The foregoing Underwriting Agreement is hereby confirmed and accepted by us in Chicago, Illinois, acting on behalf of ourselves, the other Representatives (if any), and the several Underwriters (if any) named in Schedule II annexed hereto, as of the date first above written.

[Name of Representative]

By: _____

Date:

SCHEDULE I

Underwriting Agreement dated

Registration Statement No. 333-139431

Representatives:

Title, Purchase Price and Description of Securities:

Title:

Aggregate Principal Amount:

Price to Public:

Purchase Price by Underwriter

(include accrued interest or
amortization if applicable):

Maturity:

Interest Rate:

Interest Payment Dates:

Regular Record Dates:

Redemption Provisions:

Sinking Fund Provisions:

Other Provisions:

Sale and Delivery Provisions under Section 3:

Obligation to Purchase is: several and not joint ____

several and not joint; provided, however that, notwithstanding the provisions of Section 9 of the Underwriting Agreement, the Representative(s) listed above will, subject to the terms and conditions hereof, purchase or cause to be purchased any Securities which any defaulting Underwriter or Underwriters have agreed but failed or refused to purchase pursuant to Section 3 hereof ____

joint and several ____

Payment to Be Made in: New York Clearinghouse (same day) funds ____
or Federal (same day) funds ____

Delivery of Securities: Physical delivery to Underwriters through Representatives ____

or delivery to Underwriters through facilities of DTC by delivery to DTC of one or more definitive global securities in book-entry form ____

SCHEDULE II

	<u>Principal Amount</u>
<u>Underwriters</u>	\$
Total	\$

SCHEDULE III

Delayed Delivery Contract

_____, 20__

[Insert name and address
of lead Representative]

Dear Ladies and Gentlemen:

The undersigned hereby agrees to purchase from McDonald's Corporation (the "Company"), and the Company agrees to sell to the undersigned, on _____, 20__, (the "Delivery Date"), \$ _____ principal amount of the Company's (the "Securities") offered by the Company's Final Prospectus dated _____, 20__, receipt of a copy of which is hereby acknowledged, at a purchase price of ___% of the principal amount thereof, plus accrued interest, if any, thereon from _____, 20__, to the date of payment and delivery, and on the further terms and conditions set forth in this contract.

Payment for the Securities to be purchased by the undersigned shall be made on or before 11:00 A.M. on the Delivery Date to or upon the order of the Company in New York Clearinghouse (same day) funds or Federal (same day) funds, as specified in Schedule I to the Underwriting Agreement referred to in the Final Prospectus mentioned above, at your office or at such other places as shall be agreed between the Company and the undersigned upon delivery to the undersigned of the Securities in definitive fully registered form and in such authorized denominations and registered in such names as the undersigned may request by written communication addressed to the Company not less than five full business days prior to the Delivery Date. If no request is received, the Securities will be registered in the name of the undersigned and issued in a denomination equal to the aggregate principal amount of Securities to be purchased by the undersigned on the Delivery Date.

The obligation of the undersigned to take delivery of and make payment for Securities on the Delivery Date, and the obligation of the Company to sell and deliver Securities on the Delivery Date, shall be subject to the conditions (and neither party shall incur any liability by reason of the failure thereof) and (1) the purchase of Securities to be made by the undersigned, which purchase the undersigned represents is not prohibited on the date hereof, shall not on the Delivery Date be prohibited under the laws of the jurisdiction to which the undersigned is subject, and (2) the Company, on or before the Delivery Date, shall have sold to certain underwriters (the "Underwriters") such principal amount of the Securities as is to be sold to them pursuant to the Underwriting Agreement referred to in the Final Prospectus mentioned above. Promptly after completion of such sale to the Underwriters, the Company will mail or deliver to the undersigned at its address set forth below notice to such effect, accompanied by a copy of the opinion of counsel for the Company delivered to the Underwriters in connection therewith. The obligation of the undersigned to take delivery of and make payment for the Securities, and the obligation of the Company to cause the Securities to be sold and delivered, shall not be affected by the failure of any purchaser to take delivery of and make payment for the Securities pursuant to other contracts similar to this contract.

This contract will inure to the benefit of and be binding upon the parties hereto and their respective successors, but will not be assignable by either party hereto without the written consent of the other.

It is understood that acceptance of this contract and other similar contracts is in the Company's sole discretion and, without limiting the foregoing, need not be on a first come, first served basis. If this contract is acceptable to the Company, it is required that the Company sign the form of acceptance below and mail or deliver one of the counterparts hereof to the undersigned at its address set forth below. This will become a binding contract between the Company and the undersigned, as of the date first above written, when such counterpart is so mailed or delivered.

This agreement shall be governed by and construed and enforced in accordance with, the internal laws of the State of Illinois.

Very truly yours,

(Name of Purchaser)

By: _____
(Signature and Title of Officer)

(Address)

Accepted:
McDONALD'S CORPORATION

By: _____
(Authorized Signature)

McDonald's Corporation

Final Term Sheet

Issuer: McDonald's Corporation
Title of Securities:
Ratings:
Legal Format: SEC-registered (Registration No. 333-139431)
Size:
Maturity Date:
Coupon: ___%
Issue Price: ___% of principal amount
Yield to Maturity: ___%
Spread to Benchmark Treasury: +__ basis points (___%)
Benchmark Treasury: ___% due _____
Benchmark Treasury Yield: ___%
Interest Payment Dates: _____ and _____, commencing _____
Redemption Provisions:
Settlement Date:
CUSIP:

The issuer has filed a registration statement (including a prospectus) with the SEC for the offering to which this communication relates. Before you invest, you should read the prospectus in that registration statement and other documents the issuer has filed with the SEC for more complete information about the issuer and this offering. You may get these documents for free by visiting EDGAR on the SEC Web site at www.sec.gov. Alternatively, the issuer, any underwriter or any dealer participating in the offering will arrange to send you the prospectus if you request it by calling McDonald's Corporation toll-free at _____ or _____ at _____.

DESCRIPTION OF RESTRICTED STOCK UNITS GRANTED TO ANDREW J. MCKENNA

Upon the recommendation of the Governance Committee of the Board of Directors (“Board”) of McDonald’s Corporation (the “Company”), the Board awarded Andrew J. McKenna a grant of 17,000 restricted stock units (“RSU”) on May 23, 2007 in recognition of his responsibilities as non-executive Chairman. Each RSU represents the right to receive, when the RSU vests, one share of the Company’s common stock or, at the Company’s discretion, cash equal to the fair market value thereof. The RSUs will vest on the later of (i) one year from the date of grant and (ii) Mr. McKenna’s retirement from the Board. The RSUs will immediately vest upon Mr. McKenna’s death or if his service on the Board terminates because he becomes disabled. As disclosed on Forms 8-K filed with the Securities & Exchange Commission on May 16, 2005 and May 31, 2006, Mr. McKenna received grants of 10,000 and 15,000 RSUs, respectively, on the same terms as described herein.

McDONALD'S CORPORATION
COMPUTATION OF RATIO OF EARNINGS TO FIXED CHARGES
Dollars in Millions

	Six Months Ended June 30,		Years Ended December 31,				
	2007	2006	2006	2005	2004	2003	2002
Earnings available for fixed charges							
- Income from continuing operations before provision for income taxes and cumulative effect of accounting changes	\$ 821.8 ⁽¹⁾	\$ 1,895.3	\$ 4,166.4 ⁽²⁾	\$ 3,674.4	\$ 3,200.7 ⁽³⁾	\$ 2,351.4 ⁽⁴⁾	\$ 1,675.7 ⁽⁵⁾
- Minority interest expense in operating results of majority-owned subsidiaries, including fixed charges related to redeemable preferred stock, less equity in undistributed operating results of less than 50%-owned affiliates	3.3	1.8	5.5	1.2	4.4	18.6	8.2
- Income tax provision (benefit) of 50% owned affiliates included in income from continuing operations before provision for income taxes	10.1	(0.9)	5.9	(3.5)	13.1	(28.6)	(9.5)
- Portion of rent charges (after reduction for rental income from subleased properties) considered to be representative of interest factors*	167.3	161.4	327.9	317.6	295.6	279.4	257.9
- Interest expense, amortization of debt discount and issuance costs, and depreciation of capitalized interest*	216.7	216.1	437.5	392.2	394.2	427.3	419.7
	<u>\$ 1,219.2</u>	<u>\$ 2,273.7</u>	<u>\$ 4,943.2</u>	<u>\$ 4,381.9</u>	<u>\$ 3,908.0</u>	<u>\$ 3,048.1</u>	<u>\$ 2,352.0</u>
Fixed charges							
- Portion of rent charges (after reduction for rental income from subleased properties) considered to be representative of interest factors*	\$ 167.3	\$ 161.4	\$ 327.9	\$ 317.6	\$ 295.6	\$ 279.4	\$ 257.9
- Interest expense, amortization of debt discount and issuance costs, and fixed charges related to redeemable preferred stock*	207.1	206.6	418.5	373.4	375.6	408.9	401.7
- Capitalized interest*	2.2	2.3	5.5	5.0	4.1	7.9	14.4
	<u>\$ 376.6</u>	<u>\$ 370.3</u>	<u>\$ 751.9</u>	<u>\$ 696.0</u>	<u>\$ 675.3</u>	<u>\$ 696.2</u>	<u>\$ 674.0</u>
Ratio of earnings to fixed charges	<u>3.24</u>	<u>6.14</u>	<u>6.57</u>	<u>6.30</u>	<u>5.79</u>	<u>4.38</u>	<u>3.49</u>

* Includes amounts of the Registrant and its majority-owned subsidiaries, and one-half of the amounts of 50%-owned affiliates.

- (1) Includes pretax charges of \$1.6 billion primarily related to impairment in connection with the Company's sale of Latam to a developmental licensee.
- (2) Includes pretax charges of \$134.2 million primarily related to impairment.
- (3) Includes pretax charges of \$232.1 million consisting of \$130.5 million related to impairment and \$150.9 million related to the correction in the Company's lease accounting practices and policies as well as a \$49.3 million gain relating to the sale of the Company's interest in a U.S. real estate partnership.
- (4) Includes pretax charges of \$407.6 million primarily related to the disposition of certain non-McDonald's brands and impairment.
- (5) Includes pretax charges of \$853.2 million primarily related to restructuring markets and eliminating positions, restaurant closings/asset impairment and the write-off of technology costs.

Exhibit 31.1. Rule 13a-14(a) Certification of Chief Executive Officer

I, James A. Skinner, Vice Chairman and Chief Executive Officer of McDonald's Corporation, certify that:

- (1) I have reviewed this quarterly report on Form 10-Q of McDonald's Corporation;
- (2) Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
- (3) Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
- (4) The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
- (5) The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: August 6, 2007

/s/ James A. Skinner

James A. Skinner

Vice Chairman and Chief Executive Officer

Exhibit 31.2. Rule 13a-14(a) Certification of Chief Financial Officer

I, Matthew H. Paull, Corporate Senior Executive Vice President and Chief Financial Officer of McDonald's Corporation, certify that:

- (1) I have reviewed this quarterly report on Form 10-Q of McDonald's Corporation;
- (2) Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
- (3) Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
- (4) The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
- (5) The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: August 6, 2007

/s/ Matthew H. Paull

Matthew H. Paull

*Corporate Senior Executive Vice President
and Chief Financial Officer*

Exhibit 32.1. Certification pursuant to 18 U.S.C. Section 1350 by the Chief Executive Officer, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002

Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 (subsections (a) and (b) of Section 1350, Chapter 63 of Title 18, United States Code), the undersigned officer of McDonald's Corporation (the "Company"), does hereby certify, to such officer's knowledge, that the Quarterly Report on Form 10-Q for the quarter and six months ended June 30, 2007 of the Company fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934 and information contained in the Form 10-Q fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: August 6, 2007

/s/ James A. Skinner

James A. Skinner

Vice Chairman and Chief Executive Officer

Exhibit 32.2. Certification pursuant to 18 U.S.C. Section 1350 by the Chief Financial Officer, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002

Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 (subsections (a) and (b) of Section 1350, Chapter 63 of Title 18, United States Code), the undersigned officer of McDonald's Corporation (the "Company"), does hereby certify, to such officer's knowledge, that the Quarterly Report on Form 10-Q for the quarter and six months ended June 30, 2007 of the Company fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934 and information contained in the Form 10-Q fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: August 6, 2007

/s/ Matthew H. Paull

Matthew H. Paull

*Corporate Senior Executive Vice President and
Chief Financial Officer*