MCDONALDS CORP
Form 10-Q
August 06, 2008

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, DC 20549

FORM 10-Q

x QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the quarterly period ended June 30, 2008

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	**36-2361282**
(State or Other Jurisdiction of Incorporation or Organization)	**(I.R.S. Employer Identification No.)**
McDonald s Plaza Oak Brook, Illinois	**60523**
(Address of Principal Executive Offices)	**(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 x No ¨

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

Large accelerated filer x Accelerated filer ¨

Non-accelerated filer ¨ (do not check if a smaller reporting company) Smaller reporting company ¨

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).

Yes ¨ No x

1,124,678,064

(Number of shares of common stock

outstanding as of June 30, 2008)

McDONALD S CORPORATION

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PART I FINANCIAL INFORMATION

Item 1. Financial Statements

CONDENSED CONSOLIDATED BALANCE SHEET

In millions, except per share data	(unaudited) June 30, 2008	December 31, 2007
Assets		
Current assets		
Cash and equivalents	$ 2,342.5	$ 1,981.3
Accounts and notes receivable	1,030.6	1,053.8
Inventories, at cost, not in excess of market	115.1	125.3
Prepaid expenses and other current assets	395.1	421.5
Total current assets	3,883.3	3,581.9
Other assets		
Investments in and advances to affiliates	1,128.8	1,156.4
Goodwill, net	2,382.5	2,301.3
Miscellaneous	1,385.5	1,367.4
Total other assets	4,896.8	4,825.1
Property and equipment		
Property and equipment, at cost	33,589.1	32,203.7
Accumulated depreciation and amortization	(11,847.9)	(11,219.0)
Net property and equipment	21,741.2	20,984.7
Total assets	$ 30,521.3	$ 29,391.7
Liabilities and shareholders equity		
Current liabilities		
Notes payable	$ 372.4	$ 1,126.6
Accounts payable	601.4	624.1
Other taxes	287.9	248.0
Accrued interest	178.0	148.4
Accrued payroll and other liabilities	1,336.5	1,486.9
Current maturities of long-term debt	249.0	864.5
Total current liabilities	3,025.2	4,498.5
Long-term debt	10,439.1	7,310.0
Other long-term liabilities	1,390.2	1,342.5
Deferred income taxes	1,045.2	960.9
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	4,396.0	4,226.7
Retained earnings	27,751.3	26,461.5
Accumulated other comprehensive income	1,813.0	1,337.4
Common stock in treasury, at cost; 535.9 and 495.3 million shares	(19,355.3)	(16,762.4)
Total shareholders equity	14,621.6	15,279.8
Total liabilities and shareholders equity	$ 30,521.3	$ 29,391.7

See Notes to condensed consolidated financial statements.

CONDENSED CONSOLIDATED STATEMENT OF INCOME (UNAUDITED)

	Quarters Ended		Six Months Ended	
	June 30,		June 30,	
In millions, except per share data	**2008**	**2007**	**2008**	**2007**
Revenues				
Sales by Company-operated restaurants	$ 4,296.0	$ 4,317.8	$ 8,294.8	$ 8,231.6
Revenues from franchised and affiliated restaurants	1,779.3	1,521.6	3,395.3	2,900.5
Total revenues	6,075.3	5,839.4	11,690.1	11,132.1
Operating costs and expenses				
Company-operated restaurant expenses	3,535.2	3,558.2	6,874.8	6,851.5
Franchised restaurants occupancy expenses	315.3	281.5	615.1	557.2
Selling, general & administrative expenses	598.7	591.9	1,151.1	1,137.1
Impairment and other charges, net	0.5	1,611.3	1.0	1,613.9
Other operating (income) expense, net	(28.6)	(21.8)	(68.9)	(27.2)
Total operating costs and expenses	4,421.1	6,021.1	8,573.1	10,132.5
Operating income (loss)	1,654.2	(181.7)	3,117.0	999.6
Interest expense	146.3	101.8	274.8	199.0
Nonoperating (income) expense, net	(30.8)	(16.9)	(59.7)	(33.6)
Gain on sale of investment	(160.1)		(160.1)	
Income (loss) from continuing operations before provision for income taxes	1,698.8	(266.6)	3,062.0	834.2
Provision for income taxes	508.3	441.8	925.4	776.1
Income (loss) from continuing operations	1,190.5	(708.4)	2,136.6	58.1
Income (loss) from discontinued operations (net of tax benefit of $2.3 and $5.0)		(3.3)		(7.4)
Net income (loss)	$ 1,190.5	$ (711.7)	$ 2,136.6	$ 50.7
Per common share basic:				
Continuing operations	$ 1.05	$ (0.59)	$ 1.88	$ 0.05
Discontinued operations				(0.01)
Net income (loss)	$ 1.05	$ (0.60)	$ 1.88	$ 0.04
Per common share diluted:				
Continuing operations	$ 1.04	$ (0.59)	$ 1.85	$ 0.05
Discontinued operations				(0.01)
Net income (loss)	$ 1.04	$ (0.60)	$ 1.85	$ 0.04
Dividends per common share	$ 0.375		$ 0.750	
Weighted-average shares outstanding basic	1,128.9	1,193.7	1,137.2	1,197.4
Weighted-average shares outstanding diluted	1,148.8	1,193.7	1,157.1	1,220.4

See Notes to condensed consolidated financial statements.

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS (UNAUDITED)

	Quarters Ended		Six Months Ended	
	June 30,		June 30,	
In millions	**2008**	**2007**	**2008**	**2007**
Operating activities				
Net income (loss)	$ 1,190.5	$ (711.7)	$ 2,136.6	$ 50.7
Adjustments to reconcile to cash provided by operations				
Charges and credits:				
Depreciation and amortization	314.3	303.1	619.0	614.6
Deferred income taxes	(33.7)	(35.4)	(20.9)	(55.7)
Impairment and other charges, net	0.5	1,611.3	1.0	1,613.9
Share-based compensation	25.7	35.1	60.8	72.1
Gain on sale of investment	(160.1)		(160.1)	
Other	12.6	4.3	51.6	(74.1)
Changes in working capital items	(87.8)	(124.4)	52.5	(210.8)
Cash provided by operations	1,262.0	1,082.3	2,740.5	2,010.7
Investing activities				
Property and equipment expenditures	(482.0)	(413.4)	(887.1)	(822.3)
Purchases and sales of restaurant businesses and property sales	109.0	(0.5)	181.4	1.4
Proceeds on sale of investment	229.4		229.4	
Other	(30.8)	(31.6)	(15.6)	(30.1)
Cash used for investing activities	(174.4)	(445.5)	(491.9)	(851.0)
Financing activities				
Notes payable and long-term financing issuances and repayments	(575.6)	(626.9)	1,519.9	(296.7)
Treasury stock purchases	(787.1)	(696.4)	(2,798.4)	(1,664.8)
Common stock dividends	(421.6)		(848.0)	
Proceeds from stock option exercises	138.1	335.6	246.7	706.0
Excess tax benefit on share-based compensation	30.0	54.9	62.4	102.8
Other	(56.5)	(26.2)	(136.7)	(43.7)
Cash used for financing activities	(1,672.7)	(959.0)	(1,954.1)	(1,196.4)
Effect of exchange rates on cash and cash equivalents	5.4	26.5	66.7	41.5
Cash and equivalents increase (decrease)	(579.7)	(295.7)	361.2	4.8
Cash and equivalents at beginning of period	2,922.2	2,428.6	1,981.3	2,128.1
Cash and equivalents at end of period	$ 2,342.5	$ 2,132.9	$ 2,342.5	$ 2,132.9

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, 2007 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, 2008 do not necessarily indicate the results that may be expected for the full year.

Certain prior period amounts have been reclassified to conform to current year presentation, including reclassifying results and amounts of Boston Market to discontinued operations as a result of the sale in August 2007.

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

In August 2007, the Company completed the sale of its businesses in Brazil, Argentina, Mexico, Puerto Rico, Venezuela and 13 other countries in Latin America and the Caribbean, which totaled 1,571 restaurants, to a developmental licensee organization. The Company refers to these markets as Latam. 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. As a result of the Latam transaction, the Company receives only royalties in these markets instead of a combination of Company-operated sales and franchised rents and royalties.

The buyers of the Company s operations in Latam have entered into a 20-year master franchise agreement that requires the buyers, among other obligations, to pay monthly royalties commencing at a rate of approximately 5% of gross sales of the restaurants in these markets, substantially consistent with market rates for similar license arrangements.

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 the difference between the net book value of the Latam business and cash proceeds, less costs of disposal. 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 recorded in shareholders equity. The Company recorded a tax benefit of $12.8 million in connection with this transaction. The tax benefit was minimal in the second quarter 2007 due to the Company s inability to utilize most of the capital losses generated by 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 agreed to indemnify the buyers for certain tax and other claims, certain of which are recorded as liabilities on McDonald s consolidated balance sheet, totaling $202.4 million at June 30, 2008 and $179.2 million at December 31, 2007. The change in the balance was primarily due to foreign currency translation.

Restaurant Information

The following table presents restaurant information by ownership type:

Restaurants at June 30,	**2008**	**2007**
Operated by franchisees*	**20,802**	18,985
Operated by the Company**	**6,690**	8,080
Operated by affiliates	**3,997**	4,082
Systemwide restaurants	**31,489**	31,147

* At June 30, 2008 and 2007 included 2,834 and 1,136 restaurants, respectively, operated by developmental licensees.

** The decrease is primarily due to the August 2007 Latam transaction.

Comprehensive Income

The following table presents the components of comprehensive income for the quarters and six months ended June 30, 2008 and 2007:

	Quarters Ended		Six Months Ended	
	June 30,		June 30,	
In millions	**2008**	**2007**	**2008**	**2007**
Net income (loss)	$ 1,190.5	$ (711.7)	$2,136.6	$ 50.7
Other comprehensive income (loss):				
Foreign currency translation adjustments	52.9	258.3	474.7	347.3
Deferred hedging adjustments	(16.5)	5.6	15.0	10.0
Pension liability adjustment	0.8	1.2	(14.1)	3.0
Total other comprehensive income (loss)	37.2	265.1	475.6	360.3
Total comprehensive income (loss)	$ 1,227.7	$ (446.6)	$2,612.2	$411.0

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 compensation, calculated using the treasury stock method, of 19.9 million shares for the second quarter 2008, and 19.9 million shares and 23.0 million shares for the six months ended June 30, 2008 and 2007, 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 5.1 million shares and 1.5 million shares for the first six months of 2008 and 2007, respectively.

Fair Value Measurements

In September 2006, the Financial Accounting Standards Board (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, and expands disclosures about fair value measurements. This statement does not require any new fair value measurements; rather, it applies to other accounting pronouncements that require or permit fair value measurements. The provisions of SFAS No. 157, as issued, were effective January 1, 2008. However, the FASB issued FASB Staff Position No. FAS 157-2, *Effective Date of FASB Statement No. 157*, which allows entities to defer the effective date of SFAS No. 157, for one year, for certain non-financial assets and non-financial liabilities, except those that are recognized or disclosed at fair value in the financial statements on a recurring basis (i.e., at least annually). The Company adopted SFAS No. 157 as of January 1, 2008 and elected the deferral for non-financial assets and liabilities. The effect of adopting this standard was not significant.

Fair value is defined under SFAS No. 157 as the price that would be received to sell an asset or paid to transfer a liability in the principal or most advantageous market in an orderly transaction between market participants on the measurement date. SFAS No. 157 also establishes a three-level hierarchy, which requires an entity to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value.

The valuation hierarchy is based upon the transparency of inputs to the valuation of an asset or liability on the measurement date. The three levels are defined as follows:

Level 1 inputs to the valuation methodology are quoted prices (unadjusted) for an identical asset or liability in an active market

Level 2 inputs to the valuation methodology include quoted prices for a similar asset or liability in an active market or model-derived valuations in which all significant inputs are observable for substantially the full term of the asset or liability

Level 3 inputs to the valuation methodology are unobservable and significant to the fair value measurement of the asset or liability

Certain of the Company s derivatives are valued using various pricing models or discounted cash flow analyses that incorporate observable market parameters, such as interest rate yield curves, option volatilities and currency rates, classified as Level 2 within the valuation hierarchy. In accordance with the requirements of SFAS No. 157, derivative valuations incorporate credit risk adjustments that are necessary to reflect the probability of default by the counterparty or the Company.

The following table presents assets and liabilities measured at fair value on a recurring basis as of June 30, 2008 by SFAS No. 157 valuation hierarchy:

In millions	*Level 1*	*Level 2*	*Level 3*	*Carrying Value*
Cash equivalents	$253.8			$253.8
Investments	131.7*			131.7
Derivative receivables	98.9*	$ 56.7		155.6
Total assets at fair value	**$484.4**	**$ 56.7**		**$541.1**
Derivative payables		$ (4.0)		$ (4.0)
Total liabilities at fair value		**$ (4.0)**		**$ (4.0)**

* Represents long-term investments and derivatives that hedge market driven changes in liabilities associated with the Company s supplemental benefit plans.

Gain on Sale of Investment

In second quarter 2008, the Company sold its minority ownership interest in U.K.-based Pret A Manger. In connection with the sale, the Company received cash proceeds of $229.4 million and recognized a nonoperating gain of $160.1 million.

Discontinued Operations

In August 2007, the Company sold its investment in Boston Market and as a result, Boston Market s results of operations have been reflected in discontinued operations. Boston Market s results of operations, which previously were included in Other Countries & Corporate, consisted of revenues and pretax loss for the second quarter 2007 of $171.1 million and $5.6 million, respectively. Revenues and pretax loss for the six months ended June 30, 2007 were $342.5 million and $12.4 million, respectively. Boston Market s net loss for the second quarter and six months 2007 was $3.3 million and $7.4 million, respectively.

Segment Information

The Company franchises and operates McDonald s restaurants in the food service industry. The following table presents the Company s revenues and operating income by geographic segment. The APMEA segment represents operations in Asia/Pacific, Middle East and Africa. Other Countries & Corporate represents operations in Canada and Latin America, as well as Corporate activities.

	Quarters Ended June 30,		**Six Months Ended June 30,**	
In millions	**2008**	**2007**	**2008**	**2007**
Revenues				
U.S.	**$ 2,066.2**	$ 2,016.3	**$ 3,962.8**	$ 3,857.7
Europe	**2,606.2**	2,180.1	**4,981.8**	4,106.6
APMEA	**1,057.9**	852.0	**2,090.3**	1,682.3
Other Countries & Corporate	**345.0**	791.0	**655.2**	1,485.5
Total revenues	**$ 6,075.3**	$ 5,839.4	**$ 11,690.1**	$ 11,132.1
Operating income (loss)				
U.S.	**$ 796.3**	$ 753.9	**$ 1,478.8**	$ 1,403.5
Europe	**671.8**	521.7	**1,249.0**	914.8
APMEA	**191.3**	140.0	**408.8**	288.7
Other Countries & Corporate*	**(5.2)**	(1,597.3)	**(19.6)**	(1,607.4)
Total operating income (loss)*	**$ 1,654.2**	$ (181.7)	**$ 3,117.0**	$ 999.6

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

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

Overview

The Company franchises and operates McDonald s restaurants. Of the 31,489 restaurants in 118 countries at June 30, 2008, 20,802 are operated by franchisees (including 2,834 operated by developmental licensees), 3,997 are operated by affiliates (primarily in Japan) and 6,690 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 conventional 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 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 affiliated) 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 restaurant 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 only those that we believe are most beneficial are introduced Systemwide. In addition, we firmly believe that owning restaurants is paramount to being a credible franchisor and essential to providing Company personnel with restaurant operations experience. 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, along with initial fees. 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. Significant reportable segments include the United States (U.S.), Europe, and Asia/Pacific, Middle East and Africa (APMEA). In addition, throughout this report we present Other Countries & Corporate that includes operations in Canada and Latin America, as well as Corporate activities. The U.S. and Europe segments account for nearly 35% and 45% of total revenues, respectively.

In second quarter 2008, the Company sold its minority ownership interest in U.K.-based Pret A Manger. In connection with the sale, the Company received cash proceeds of $229.4 million and recognized a nonoperating gain of $160.1 million.

In August 2007, the Company sold its investment in Boston Market and as a result, Boston Market s results of operations have been reflected as discontinued operations.

Strategic Direction and Financial Performance

Since implementing the customer-centered Plan to Win several years ago, the Company remains focused on being better, not just bigger. Our strategic alignment behind this plan has created better McDonald s experiences through the execution of multiple initiatives surrounding the five drivers of exceptional customer experiences people, products, place, price and promotion. While our focus has remained the same, we have adapted our initiatives based on the changing needs and preferences of our customers. These multiple initiatives have increased our consumer relevance and contributed to sales and guest counts worldwide increasing every year since 2003. In the second quarter 2008, our strong results were driven by positive comparable sales and guest counts across all geographic segments.

In the U.S., the business continues to increase sales and guest counts through initiatives that provide value and variety to the consumer. The four key growth strategies of chicken, breakfast, beverages and convenience drove results with the nationwide launch of the Southern Style Chicken Biscuit and Sandwich and locally relevant beverage promotions.

In Europe, an emphasis on delivering an improved customer experience along with unique marketing and signature menu options drove performance. Double-digit operating income growth was fueled by a 7.4% comparable sales increase. Europe s three strategies of strengthening local relevance, building greater brand transparency and upgrading the customer and employee experience continue to give customers even more reasons to visit McDonald s.

In APMEA, second quarter performance was strong, driven by positive comparable sales across the segment. Our focus on everyday value, convenience and appealing product offerings are generating these strong results.

We remain committed to returning value to shareholders through share repurchases and dividends. For 2007 through 2009, the Company expects to return $15 billion to $17 billion to shareholders, subject to business and market conditions. In the second quarter 2008, we repurchased 13.3 million shares of McDonald s stock for $787.9 million, bringing the total repurchases for the first six months of 2008 to 50.4 million shares or $2.8 billion. During the second quarter 2008, we paid a quarterly dividend of $0.375 per share or $421.6 million, bringing the total dividends paid for the first six months of 2008 to $848.0 million. For the full year 2007 and the first six months of 2008 combined, the Company returned $9.4 billion to shareholders.

We also continue to enhance the mix of franchised and Company-operated restaurants, including refranchising certain Company-operated restaurants and executing our developmental license strategy, to maximize long-term brand performance and returns. The Company expects to refranchise 1,000 to 1,500 Company-operated restaurants by the end of 2010, primarily in its major markets. In the first half of 2008, the Company refranchised about 300 restaurants.

In August 2007, the Company completed the sale of its 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 as Latam. Under the new ownership structure, the Company receives only royalties in these markets instead of a combination of Company-operated sales and franchised rents and royalties.

Operating Highlights Included:

- Global comparable sales increased 6.1% for the quarter and 6.7% for the six months
- Consolidated Company-operated and franchised restaurant margins grew for the tenth consecutive quarter
- Net income per share from continuing operations was $1.04 for the quarter, a 44% increase (35% in constant currencies) and $1.85 for the six months, a 38% increase (29% in constant currencies), after adjusting for the impact of the 2007 Latam transaction. The second quarter and six months 2008 net income includes a $0.10 per share gain from the previously announced sale of the Company s minority interest in Pret A Manger
- During the six months, the Company repurchased $2.8 billion or 50.4 million shares of its stock and paid quarterly dividends totaling $848 million
- Cash provided by operations increased $730 million to $2.7 billion for the first 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 2008 Systemwide sales growth (in constant currencies), most of which will be due to the 503 net traditional restaurants added in 2007.
- The Company does not generally 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 2.5 cents.
- In 2008, U.S. beef costs are expected to be up 8% to 9% and chicken costs are expected to rise about 5% to 6%. In Europe, beef costs are expected to be up 8% to 9%, while chicken costs are expected to increase approximately 7% to 8%. Some volatility may be experienced between quarters in the normal course of business.

The Company expects full-year 2008 selling, general & administrative expenses to decline, in constant currencies, although fluctuations may be experienced between the quarters due to items such as the 2008 biennial Worldwide Owner/Operator Convention, the 2008 Beijing Summer Olympics and the August 2007 sale of the Company s businesses in Latam.

Based on current interest and foreign currency exchange rates, the Company expects interest expense in 2008 to increase approximately 35% compared with 2007, while 2008 interest income is expected to decrease about 30% compared with 2007. In 2008, the Company issued certain debt earlier than originally expected to take advantage of favorable market conditions to pre-fund a portion of its debt maturing in the second half of the year.

A significant part of the Company s operating income is generated outside the U.S., and about 50% 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 2007, the Company s annual net income per share would change by about 8 cents to 9 cents.

The Company expects the effective income tax rate for the full-year 2008 to be approximately 29% to 31%, although some volatility may be experienced between the quarters in the normal course of business.

The Company expects capital expenditures for 2008 to be approximately $2 billion. About half of this amount will be reinvested in existing restaurants while the rest will primarily be used to open 1,000 restaurants (950 traditional and 50 satellites). The Company expects net additions of about 600 restaurants (700 net traditional additions and 100 net satellite closings). These restaurant numbers include new unit openings in affiliate and developmental license markets, such as Japan and those in Latin America, where the Company invests no capital.

For 2007 through 2009, the Company expects to return $15 billion to $17 billion to shareholders through share repurchases and dividends, subject to business and market conditions. For the full year 2007 and first half of 2008 combined, the Company returned $9.4 billion to shareholders.

The Company continually reviews its restaurant ownership structures to maximize cash flow and returns and to enhance local relevance. The Company expects to optimize its restaurant ownership mix by refranchising 1,000 to 1,500 Company-operated restaurants by the end of 2010, primarily in its major markets, and by continuing to utilize its developmental license strategy. In the first half of 2008, the Company refranchised about 300 restaurants.

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

Constant currency results exclude the effects of foreign currency translation and are calculated by translating current year results at prior year average exchange rates. Management reviews and analyzes business results in constant currencies and bases certain incentive compensation plans on these results because they believe this better represents the Company s underlying business trends.

Systemwide sales include sales at all restaurants, whether operated by the Company, by franchisees or by affiliates. While sales by franchisees and affiliates are not recorded as revenues by the Company, management believes the information is important in understanding the Company s financial performance because it is the basis on which the Company calculates and records franchised and affiliated revenues and is indicative of the financial health of our franchisee base.

Comparable sales represent sales at all 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 temporarily closed include reimaging or remodeling, rebuilding, road construction 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, 2008 Amount	% Increase / (Decrease)	Six Months Ended June 30, 2008 Amount	% Increase / (Decrease)
Revenues				
Sales by Company-operated restaurants	$ 4,296.0	(1)	$ 8,294.8	1
Revenues from franchised and affiliated restaurants	1,779.3	17	3,395.3	17
Total revenues	6,075.3	4	11,690.1	5
Operating costs and expenses				
Company-operated restaurant expenses	3,535.2	(1)	6,874.8	
Franchised restaurants occupancy expenses	315.3	12	615.1	10
Selling, general & administrative expenses	598.7	1	1,151.1	1
Impairment and other charges, net	0.5	n/m	1.0	n/m
Other operating (income) expense, net	(28.6)	(31)	(68.9)	n/m
Total operating costs and expenses	4,421.1	(27)	8,573.1	(15)
Operating income	1,654.2	n/m	3,117.0	n/m
Interest expense	146.3	44	274.8	38
Nonoperating (income) expense, net	(30.8)	(82)	(59.7)	(78)
Gain on sale of investment	(160.1)	n/m	(160.1)	n/m
Income from continuing operations before provision for income taxes	1,698.8	n/m	3,062.0	n/m
Provision for income taxes	508.3	15	925.4	19
Income from continuing operations	1,190.5	n/m	2,136.6	n/m
Income from discontinued operations		n/m		n/m
Net income	$ 1,190.5	n/m	$ 2,136.6	n/m
Income per common share basic:				
Continuing operations	$ 1.05	n/m	$ 1.88	n/m
Discontinued operations		n/m		n/m
Net income	$ 1.05	n/m	$ 1.88	n/m
Income per common share diluted:				
Continuing operations	$ 1.04	n/m	$ 1.85	n/m
Discontinued operations		n/m		n/m
Net income	$ 1.04	n/m	$ 1.85	n/m

n/m Not meaningful

In addition to the reported consolidated operating results for the quarter and six months ended June 30, 2007, consolidated results for these periods are presented throughout this report excluding the impact of the Latam transaction. 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 quarters and six months ended June 30, 2008 and 2007 to the operating results excluding the net impact of the impairment charge from the Latam transaction.

Quarters ended June 30,	2008	2007*	Latam Transaction	2007 Excluding Latam Transaction	Adjusted % Inc	Currency Translation Benefit	Adjusted % Inc /(Dec) Excluding Currency Translation
Revenues	$ 6,075.3	$ 5,839.4		$ 5,839.4	4	$ 374.9	(2)
Operating income (loss)	1,654.2	(181.7)	$ (1,594.4)	1,412.7	17	111.1	9
Income (loss) from continuing operations	1,190.5	(708.4)	(1,581.6)	873.2	36	73.1	28
Income (loss) from discontinued operations		(3.3)		(3.3)	n/m		n/m
Net income (loss)	1,190.5	(711.7)	(1,581.6)	869.9	37	73.1	28
Income (loss) per share from continuing operations-diluted	1.04	(0.59)	(1.31)	0.72	44	0.07	35
Net income (loss) per share-diluted	1.04	(0.60)	(1.31)	0.71	46	0.07	37

Six months ended June 30,	2008	2007*	Latam Transaction	2007 Excluding Latam Transaction	Adjusted % Inc	Currency Translation Benefit	Adjusted % Inc /(Dec) Excluding Currency Translation
Revenues	$ 11,690.1	$ 11,132.1		$ 11,132.1	5	$ 720.4	(1)
Operating income (loss)	3,117.0	999.6	$ (1,594.4)	2,594.0	20	208.5	12
Income (loss) from continuing operations	2,136.6	58.1	(1,581.6)	1,639.7	30	134.1	22
Income (loss) from discontinued operations		(7.4)		(7.4)	n/m		n/m
Net income (loss)	2,136.6	50.7	(1,581.6)	1,632.3	31	134.1	23
Income (loss) per share from continuing operations-diluted	1.85	0.05	(1.29)	1.34	38	0.12	29
Net income (loss) per share-diluted	1.85	0.04	(1.30)	1.34	38	0.12	29

n/m Not meaningful

* The results for the quarter and six months ended June 30, 2007 included impairment and other charges of $1,611.9 million associated with the Latam transaction, partly offset by a benefit of $17.5 million due to eliminating depreciation on the assets in Latam in mid-April 2007 in accordance with accounting rules. The resulting tax benefit of $12.8 million was minimal in the second quarter 2007 due to the Company s inability to utilize most of the capital losses generated by this transaction.

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

For the second quarter and six months ended June 2008, net income was $1,190.5 million and $2,136.6 million, respectively, and diluted net income per share was $1.04 and $1.85, respectively. Both periods benefited by $109.0 million or $0.10 per share due to the sale of the Company s minority interest in Pret A Manger.

For the second quarter 2007, the Company reported a net loss of $711.7 million and a diluted loss per share of $0.60. The 2007 results included $1.6 billion of net expense after tax or $1.31 per share related to the Company s sale of its 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 share was $0.71. The 2007 results also included a net loss of $3.3 million from discontinued operations related to Boston Market, which was sold in August 2007. Due to the net loss in second quarter 2007, 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 first six months of 2007, net income was $50.7 million and diluted net income per share was $0.04, which included the $1.6 billion or $1.30 per share of net expense after tax 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. The 2007 results also included a net loss of $7.4 million from discontinued operations related to Boston Market.

During the second quarter 2008, the Company repurchased 13.3 million shares of its stock for $787.9 million, bringing the total repurchases for the first six months of 2008 to 50.4 million shares or $2.8 billion. During the second quarter 2008, the Company paid a quarterly dividend of $0.375 per share or $421.6 million, bringing the total dividends paid for the first six months of 2008 to $848.0 million.

Conversion of Certain Markets to Developmental License

In August 2007, the Company completed the sale of its businesses in Brazil, Argentina, Mexico, Puerto Rico, Venezuela and 13 other countries in Latin America and the Caribbean, which totaled 1,571 restaurants, to a developmental licensee organization. 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. As a result of the Latam transaction, the Company receives only royalties in these markets instead of a combination of Company-operated sales and franchised rents and royalties.

The buyers of the Company s operations in Latam have entered into a 20-year master franchise agreement that requires the buyers, among other obligations, to pay monthly royalties commencing at a rate of approximately 5% of gross sales of the restaurants in these markets, substantially consistent with market rates for similar license arrangements.

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 the difference between the net book value of the Latam business and cash proceeds, less costs of disposal. 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 recorded in shareholders equity. The Company recorded a tax benefit of $12.8 million in connection with this transaction. The tax benefit was minimal in the second quarter 2007 due to the Company s inability to utilize most of the capital losses generated by 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 agreed to indemnify the buyers for certain tax and other claims, certain of which are recorded as liabilities on McDonald s consolidated balance sheet, totaling $202.4 million at June 30, 2008 and $179.2 million at December 31, 2007. The change in the balance was primarily due to foreign currency translation.

Impact of Foreign Currency Translation

IMPACT OF FOREIGN CURRENCY TRANSLATION

Dollars in millions, except per share data

Quarters Ended June 30,	**2008**	2007	Currency Translation Benefit / (Loss) **2008**
Revenues	**$ 6,075.3**	$ 5,839.4	**$374.9**
Combined operating margins*	**2,224.8**	1,999.7	**134.1**
Selling, general & administrative expenses	**598.7**	591.9	**(24.6)**
Operating income**	**1,654.2**	1,412.7	**111.1**
Income from continuing operations**	**1,190.5**	873.2	**73.1**
Net income**	**1,190.5**	869.9	**73.1**
Income from continuing operations per common share diluted**	**1.04**	0.72	**0.07**

Net income per common share	diluted**	**1.04**	0.71	**0.07**

IMPACT OF FOREIGN CURRENCY TRANSLATION

Dollars in millions, except per share data

Six Months Ended June 30,	**2008**	2007	Currency Translation Benefit / (Loss) **2008**
Revenues	**$ 11,690.1**	$ 11,132.1	**$720.4**
Combined operating margins*	**4,200.2**	3,723.4	**253.5**
Selling, general & administrative expenses	**1,151.1**	1,137.1	**(47.9)**
Operating income**	**3,117.0**	2,594.0	**208.5**
Income from continuing operations**	**2,136.6**	1,639.7	**134.1**
Net income**	**2,136.6**	1,632.3	**134.1**
Income from continuing operations per common share diluted**	**1.85**	1.34	**0.12**
Net income per common share diluted**	**1.85**	1.34	**0.12**

* Reflects both franchised and Company-operated margin dollars.

** 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 net income per common share for the quarter and six months, primarily driven by the stronger Euro, Australian Dollar and Canadian 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

Dollars in millions

Quarters Ended June 30,	**2008**	2007	% Inc / (Dec)	% Inc / (Dec) Excluding Currency Translation
Company-operated sales				
U.S.	**$ 1,195.0**	$ 1,200.5		
Europe	**1,959.6**	1,674.2	17	5
APMEA	**913.6**	742.2	23	15
Other Countries & Corporate	**227.8**	700.9	(67)	(70)
Total	**$ 4,296.0**	$ 4,317.8	(1)	(7)
Franchised and affiliated revenues				
U.S.	**$ 871.2**	$ 815.8	7	7
Europe	**646.6**	505.9	28	12
APMEA	**144.3**	109.8	31	18
Other Countries & Corporate	**117.2**	90.1	30	19
Total	**$ 1,779.3**	$ 1,521.6	17	10
Total revenues				

U.S.	**$ 2,066.2**	$ 2,016.3	2	2
Europe	**2,606.2**	2,180.1	20	7
APMEA	**1,057.9**	852.0	24	15
Other Countries & Corporate	**345.0**	791.0	(56)	(60)
Total	**$ 6,075.3**	$ 5,839.4	4	(2)

REVENUES

Dollars in millions

Six Months Ended June 30,	**2008**	2007	% Inc / (Dec)	% Inc / (Dec) Excluding Currency Translation
Company-operated sales				
U.S.	**$ 2,305.1**	$ 2,292.0	1	1
Europe	**3,745.2**	3,147.1	19	8
APMEA	**1,809.2**	1,471.5	23	15
Other Countries & Corporate	**435.3**	1,321.0	(67)	(71)
Total	**$ 8,294.8**	$ 8,231.6	1	(6)
Franchised and affiliated revenues				
U.S.	**$ 1,657.7**	$ 1,565.7	6	6
Europe	**1,236.6**	959.5	29	14
APMEA	**281.1**	210.8	33	19
Other Countries & Corporate	**219.9**	164.5	34	20
Total	**$ 3,395.3**	$ 2,900.5	17	10
Total revenues				
U.S.	**$ 3,962.8**	$ 3,857.7	3	3
Europe	**4,981.8**	4,106.6	21	9
APMEA	**2,090.3**	1,682.3	24	15
Other Countries & Corporate	**655.2**	1,485.5	(56)	(61)
Total	**$ 11,690.1**	$ 11,132.1	5	(1)

Consolidated revenues increased 4% (decrease of 2% in constant currencies) for the quarter and 5% (decrease of 1% in constant currencies) for the six months, reflecting positive comparable sales in all segments. Revenue growth was offset by the Company s August 2007 Latam transaction as well as the impact of the refranchising strategy, occurring primarily in certain of the Company s major markets. As a result of the Latam transaction, the Company now receives royalties based on a percent of sales in these markets. The Latam transaction and the refranchising strategy resulted in a higher proportion of franchised and affiliated restaurants compared with the prior year.

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 and continued focus on everyday value. These increases were partly offset by the impact of the refranchising strategy.

In Europe, the constant currency increase in revenues for the quarter and six months was primarily due to strong comparable sales in Russia (which is entirely Company-operated), France and the U.K., as well as positive comparable sales throughout the segment. These increases were partly offset by the impact of the refranchising strategy in the U.K. and Germany.

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

The following table presents the percent change in comparable sales for the quarters and six months ended June 30, 2008 and 2007:

COMPARABLE SALES	**% Increase**			
	Quarters Ended June 30,		**Six Months Ended June 30,**	
	2008	2007	**2008**	2007
U.S.	**3.4**	5.0	**3.2**	4.7
Europe	**7.4**	7.8	**9.1**	7.9
APMEA	**8.8**	10.9	**9.1**	9.7
Other Countries & Corporate	**12.0**	13.3	**13.6**	10.6
Total	**6.1**	7.4	**6.7**	6.9

The following table presents the percent change in Systemwide sales for the quarter and six months ended June 30, 2008:

SYSTEMWIDE SALES				
	Quarter Ended June 30, 2008		**Six Months Ended June 30, 2008**	
	% Inc	**% Inc Excluding Currency Translation**	**% Inc**	**% Inc Excluding Currency Translation**
U.S.	4	4	4	4
Europe	23	9	24	11
APMEA	23	11	24	12
Other Countries & Corporate	24	13	27	15
Total	14	8	15	8

Restaurant Margins

FRANCHISED AND COMPANY-OPERATED RESTAURANT MARGINS

Dollars in millions

Quarters Ended June 30,	Percent		Amount		% Inc / (Dec)	% Inc / (Dec) Excluding Currency Translation
	2008	2007	**2008**	2007		
Franchised						
U.S.	**83.6**	83.2	**$ 727.8**	$ 679.0	7	7
Europe	**78.3**	77.8	**506.1**	393.4	29	13
APMEA	**89.0**	87.9	**128.5**	96.5	33	20
Other Countries & Corporate	**86.6**	79.0	**101.6**	71.2	43	31
Total	**82.3**	81.5	**$ 1,464.0**	$ 1,240.1	18	11
Company-operated						
U.S.	**19.1**	19.5	**$ 227.6**	$ 233.5	(3)	(3)
Europe	**18.0**	18.0	**353.2**	300.7	17	5
APMEA	**15.6**	14.2	**142.0**	105.7	34	24
Other Countries & Corporate	**16.6**	17.1	**38.0**	119.7	(68)	(71)
Total	**17.7**	17.6	**$ 760.8**	$ 759.6		(6)

Six Months Ended June 30,	Percent		Amount		% Inc / (Dec)	% Inc / (Dec) Excluding Currency Translation
	2008	2007	**2008**	2007		
Franchised						
U.S.	**82.9**	82.6	**$ 1,374.0**	$ 1,292.7	6	6
Europe	**78.1**	76.9	**966.1**	738.0	31	15
APMEA	**89.0**	87.8	**250.3**	185.1	35	21
Other Countries & Corporate	**86.3**	77.5	**189.8**	127.5	49	34
Total	**81.9**	80.8	**$ 2,780.2**	$ 2,343.3	19	12
Company-operated						
U.S.	**18.4**	18.7	**$ 424.8**	$ 429.4	(1)	(1)
Europe	**17.1**	16.8	**639.5**	527.6	21	9
APMEA	**16.1**	14.6	**290.4**	214.6	35	25
Other Countries & Corporate	**15.0**	15.8	**65.3**	208.5	(69)	(72)
Total	**17.1**	16.8	**$ 1,420.0**	$ 1,380.1	3	(4)

Franchised margin dollars increased $223.9 million or 18% (11% in constant currencies) for the quarter and $436.9 million or 19% (12% in constant currencies) for the six months. The U.S. and Europe segments accounted for about 85% of the franchised margin dollars in both periods. For both periods, the Latam transaction positively impacted the franchised margin percent increase by 60 basis points, while the refranchising strategy had a negative impact on the margin percent.

In the U.S., Europe and APMEA, the increase in the franchised margin percent for the quarter and six months for each segment was primarily driven by positive comparable sales.

In Other Countries & Corporate, Latin America s franchised margin percent for the quarter and six months increased significantly as a result of the sale of Latam in third quarter 2007. The Company receives royalties based on a percent of sales in these markets.

Company-operated margin dollars were relatively flat (decreased 6% in constant currencies) for the quarter and increased $39.9 million or 3% (decreased 4% in constant currencies) for the six months. The U.S. and Europe segments accounted for about 75% of the Company-operated margin dollars in both periods. As a result of the Latam transaction, there are no Company-operated restaurants remaining in Latin America in 2008. This transaction and the refranchising strategy negatively impacted the Company-operated margin dollars, but positively impacted the margin percent in both periods.

In the U.S., the Company-operated margin percent decreased for the quarter and six months as higher commodity and other costs were partly offset by positive comparable sales.

Europe s Company-operated margin percent was flat for the quarter and increased for the six months primarily due to strong comparable sales in most markets. Higher commodity and labor costs negatively impacted both periods.

In APMEA, the Company-operated margin percent for the quarter and six months increased due to strong comparable sales in most markets, partly offset by higher commodity and labor costs.

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

COMPANY-OPERATED RESTAURANT EXPENSES AND MARGINS AS A PERCENT OF SALES

	Quarters Ended June 30,		Six Months Ended June 30,	
	2008	2007	**2008**	2007
Food & paper	**33.5**	33.3	**33.4**	33.2
Payroll & employee benefits	**26.1**	25.8	**26.5**	26.0
Occupancy & other operating expenses	**22.7**	23.3	**23.0**	24.0
Total expenses	**82.3**	82.4	**82.9**	83.2
Company-operated margins	**17.7**	17.6	**17.1**	16.8

Selling, General & Administrative Expenses

Selling, general & administrative expenses increased 1% (decreased 3% in constant currencies) for both the quarter and six months and reflected costs related to the Company s biennial Worldwide Owner/Operator Convention. The constant currency change in selling, general & administrative expenses benefited by 7 percentage points for the quarter and 6 percentage points for the six months due to the Latam transaction. Selling, general & administrative expenses as a percent of revenues decreased to 9.8% for the six months 2008 compared with 10.2% for 2007 and as a percent of Systemwide sales decreased to 3.3% for 2008 compared with 3.8% for 2007.

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.

Other Operating (Income) Expense, Net

OTHER OPERATING (INCOME) EXPENSE, NET

Dollars in millions

	Quarters Ended June 30,	Six Months Ended June 30,

	2008	2007	**2008**	2007
Gains on sales of restaurant businesses	**$(30.2)**	$(27.6)	**$(43.3)**	$(35.3)
Equity in earnings of unconsolidated affiliates	**(26.1)**	(23.0)	**(49.5)**	(47.0)
Asset dispositions and other expense	**27.7**	28.8	**23.9**	55.1
Total	**$(28.6)**	$(21.8)	**$(68.9)**	$(27.2)

Asset dispositions and other expense for the six months of 2008 included income of $17.8 million due to the partial recovery of prior years sales taxes in the U.K. In addition, results for the six months of 2007 reflected higher losses on restaurant closings and property disposals.

Operating Income

OPERATING INCOME

Dollars in millions

Quarters ended June 30,	**2008**	2007	% Inc / (Dec)	% Inc Excluding Currency Translation
U.S.	**$ 796.3**	$ 753.9	6	6
Europe	**671.8**	521.7	29	13
APMEA	**191.3**	140.0	37	22
Other Countries & Corporate	**(5.2)**	(1,597.3)	100	99
Total	**$ 1,654.2**	$ (181.7)	n/m	n/m
Latam transaction		1,594.4		
Total excluding Latam transaction*	**$ 1,654.2**	$ 1,412.7	17	9

Six Months ended June 30,	**2008**	2007	% Inc / (Dec)	% Inc Excluding Currency Translation
U.S.	**$ 1,478.8**	$ 1,403.5	5	5
Europe	**1,249.0**	914.8	37	21
APMEA	**408.8**	288.7	42	27
Other Countries & Corporate	**(19.6)**	(1,607.4)	99	97
Total	**$ 3,117.0**	$ 999.6	n/m	n/m
Latam transaction		1,594.4		
Total excluding Latam transaction*	**$ 3,117.0**	$ 2,594.0	20	12

n/m Not meaningful

* The results for the quarter and six months ended June 30, 2007 included impairment and other charges of $1,611.9 million associated with the Latam transaction, partly offset by a benefit of $17.5 million due to eliminating depreciation on the assets in Latam in mid-April 2007.

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

In Europe, operating results for the quarter and six months were driven by strong performance in France and the U.K., as well as positive results in many other markets. In addition, the six months of 2008 included income of $17.8 million due to the partial recovery of prior years sales taxes in the U.K.

In APMEA, operating results for the quarter and six months were driven by strong results in Australia and China, as well as positive performance in Japan and most other markets.

Combined Operating Margin

Combined operating margin is defined as operating income as a percent of total revenues. Combined operating margin for the six months 2008 and 2007 was 26.7% and 9.0%, respectively. Impairment and other charges (credits) negatively impacted the 2007 operating margin by 14.5 percentage points.

Interest Expense

Interest expense for the quarter and six months increased due primarily to higher average debt levels, and to a lesser extent, higher interest rates and stronger foreign currencies. Higher average debt levels were due to the Company issuing certain debt earlier than originally expected to take advantage of favorable market conditions to pre-fund a portion of its debt maturing in the second half of the year.

Nonoperating (Income) Expense, Net

NONOPERATING (INCOME) EXPENSE, NET

Dollars in millions

	Quarters Ended June 30,		Six Months Ended June 30,	
	2008	2007	**2008**	2007
Interest income	**$(21.3)**	$(26.4)	**$(52.7)**	$(50.9)
Translation and hedging activity	**(12.3)**	0.6	**(7.6)**	3.5
Other expense	**2.8**	8.9	**0.6**	13.8
Total	**$(30.8)**	$(16.9)	**$(59.7)**	$(33.6)

Lower interest rates negatively impacted interest income for the quarter and six months. Interest income for the six months increased due to $11.6 million of interest on the partial recovery of prior years sales taxes in the U.K.

Translation and hedging activity for the quarter and six months reflected income of $15.6 million due to a gain that resulted from the termination of certain hedging instruments.

Gain on Sale of Investment

In second quarter 2008, the Company sold its minority ownership interest in U.K.-based Pret A Manger. In connection with the sale, the Company received cash proceeds of $229.4 million and recognized a nonoperating gain of $160.1 million.

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, 2008 and 2007:

Quarters ended June 30,	**2008**	Reported Amount	2007 Latam Transaction	Excluding Latam Transaction
Income (loss) from continuing operations before provision for income taxes	**$1,698.8**	$(266.6)	$(1,594.4)	$1,327.8
Provision (benefit) for income taxes	**508.3**	441.8	(12.8)	454.6
Income (loss) from continuing operations	**$1,190.5**	$(708.4)	$(1,581.6)	$873.2
Effective income tax rate	**29.9%**	n/m	n/m	34.2%

Six months ended June 30,	**2008**	Reported Amount	2007 Latam Transaction	Excluding Latam Transaction
Income (loss) from continuing operations before provision for income taxes	**$3,062.0**	$834.2	$(1,594.4)	$2,428.6
Provision (benefit) for income taxes	**925.4**	776.1	(12.8)	788.9
Income (loss) from continuing operations	**$2,136.6**	$58.1	$(1,581.6)	$1,639.7
Effective income tax rate	**30.2%**	n/m	n/m	32.5%

n/m Not meaningful

The lower effective income tax rates for the second quarter and six months of 2008 include tax benefits related to certain international operations.

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Discontinued Operations

In August 2007, the Company sold its investment in Boston Market and as a result, Boston Market s results of operations have been reflected in discontinued operations. Boston Market s net loss for the second quarter and six months 2007 was $3.3 million and $7.4 million, respectively.

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 $2.7 billion and exceeded capital expenditures by $1.9 billion for the six months 2008. Cash provided by operations increased $729.8 million compared to the six months 2007 driven by strong operating results and changes in working capital items, partly due to the receipt of $142.7 million related to the Internal Revenue Service (IRS) examination completed in fourth quarter 2007.

Cash used for investing activities totaled $491.9 million for the six months 2008, a decrease of $359.1 million, primarily due to proceeds from the sale of our investment in Pret A Manger in the second quarter 2008, higher proceeds from sales of restaurant businesses in conjunction with our overall refranchising strategy and lower purchases of restaurant businesses. Capital expenditures increased $64.8 million for the six months, primarily driven by an increase in Europe and the impact of stronger foreign currencies, partly offset by the elimination of capital expenditures as a result of the Latam transaction.

Cash used for financing activities totaled $2.0 billion for the six months, an increase of $757.7 million. Financing activities in 2008 reflected higher treasury stock purchases and dividend payments and lower proceeds from stock option exercises, partly offset by higher net debt issuances. As previously announced, the Company s Board of Directors decided that beginning in 2008 dividends declared will be paid on a quarterly basis, at the Board s discretion.

Debt obligations at June 30, 2008 totaled $11.1 billion compared with $9.3 billion at December 31, 2007. The increase in 2008 was primarily due to net issuances of $1.5 billion.

Return on Average Assets

Return on average assets for the trailing 12 month period ended June 30, 2008 was 19.9% compared to 13.2% for the full year 2007. Return on average assets is computed as operating income for the most recent four quarters divided by average assets based on month-end balances. Operating income, as reported, does not include interest income; however, cash balances are included in average assets. The inclusion of cash balances in average assets reduced return on average assets by 2.1 percentage points and 1.3 percentage points in 2008 and 2007, respectively.

Impairment and other charges (credits), net had a minimal impact on return on average assets in 2008 and reduced return on average assets by 5.4 percentage points in 2007. In 2008, return on average assets benefited from strong operating results in Europe and APMEA. The Company will continue to concentrate restaurant openings and new capital invested in markets with acceptable returns or opportunities for long-term growth.

Accounting Changes

Fair Value Measurements

In September 2006, the Financial Accounting Standards Board (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, and expands disclosures about fair value measurements. This statement does not require any new fair value measurements; rather, it applies to other accounting pronouncements that require or permit fair value measurements. The provisions of SFAS No. 157, as issued, were effective January 1, 2008. However, the FASB issued FASB Staff Position No. FAS 157-2, *Effective Date of FASB Statement No. 157*, which allows entities to defer the effective date of SFAS No. 157, for one year, for certain non-financial assets and non-financial liabilities, except those that are recognized or disclosed at fair value in the financial statements on a recurring basis (i.e., at least annually). The Company adopted SFAS No. 157 as of January 1, 2008 and elected the deferral for non-financial assets and liabilities. The effect of adopting this standard was not significant.

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 unde

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. Regulatory and similar initiatives around the world have also become more wide-ranging and prescriptive and affect how we operate and 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.

The Plan to Win addresses 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, trends in food preparation, consumer preferences and publicity about our products, all of which can drive consumer perceptions or affect the willingness of other companies to enter into site, supply or other arrangements or alliances with us, as well as our success in addressing 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 and promotions (including the premiums we offer, such as our Happy Meal toys) or the reliability of our supply chain and the safety of the ingredients we use, and our ability to manage the potential impact on McDonald s of food-borne illnesses or product safety issues;

The success of our plans 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 consumer boycotts or protests, labor strikes and supply chain interruptions (including due to lack of supply or 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 local personnel to manage our operations and growth in certain developing markets;

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 and promotional initiatives;

The risks to our Brand if a franchisee or licensee defaults in its obligations (particularly requirements to pay royalties, make capital investments and open new restaurants), experiences food safety or other operational problems or otherwise projects a brand image inconsistent with our values, all of which become more significant risks if an agreement places a large number of restaurants under the control of a single franchisee or licensee as is the case in Latin America;

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 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 upward pressure on commodity prices, as well as fluctuations in interest and foreign exchange rates and local governmental actions to manage national economic conditions, such as consumer spending, inflation rates and unemployment levels, particularly in the United States, which continues to face an uncertain economy;

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 other parties, consistent with our plans for net growth of Systemwide restaurants from year to year, and whether new sites are as profitable as expected;

The challenges and uncertainties associated with operating in developing markets, such as China, Russia and India, which may entail a relatively higher 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; and

The nature and timing of decisions about underperforming markets or assets, including decisions that result in impairment charges that reduce our earnings, such as those that may occur as we change our ownership mix as described above.

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.

In recent years, we have reduced the number of Company-operated restaurants and we are planning further reductions by franchising Company-operated restaurants or entering into developmental license agreements. 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;

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 Latam 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 developmental 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.

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 and must manage are the following:

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 and product labeling and safety;

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 among applicable legal requirements and laws and among 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 completeness of information obtained from third party suppliers;

The impact of litigation trends, particularly in our major markets, including class actions, labor and employment matters and landlord/tenant disputes, 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 cost and other effects of settlements or judgments, which may require us to make disclosures or take other actions that may affect perceptions of our Brand and products;

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;

The increasing costs and other effects of compliance with existing and possible future U.S. federal, state and local regulations regarding immigration and evolving enforcement standards under those regulations, as well as compliance with other U.S. and overseas labor regulations, including with respect to wage and hour matters, employee classification, mandatory healthcare benefits and unlawful workplace discrimination;

Disruptions in our operations or price volatility in a market that can result from governmental 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 alleged security breaches and the loss of consumer confidence that may result; and

The impact of changes in financial reporting requirements, 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 of 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 in addition to our operating results and prospects. The most important of these, some of which are outside our control, are the following:

Governmental actions or media reports and commentary relating to economic activity or events, such as the current U.S. Presidential election, even where the action, report or event does not directly relate to our business or prospects, and particularly actions by U.S. authorities or U.S. economic activity, which are of special import because the United States is the principal trading market for our common stock;

Trading activity in our common stock (whether in the cash or derivative markets), which can reflect not only market commentary or expectations about our business, but also significant purchases by shareholders who may seek to affect our business strategies, or trading activity that results 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; and

The impact of our stock repurchase program, dividend rate or changes in our debt levels that may affect our credit ratings, interest expense, ability to obtain funding on favorable terms or our flexibility, especially if lenders impose new operating or financial covenants, as well as the impact of other corporate actions, such as initiatives to rationalize our operating structure.

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

Severe weather conditions, terrorist activities, health epidemics or pandemics or the prospect of these events can have an adverse impact on consumer spending and confidence levels or on other factors that affect our results and prospects, such as commodity costs. Our receipt of proceeds under any insurance we maintain with respect to certain of these risks 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 our Annual Report on Form 10-K for the year ended December 31, 2007 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, 2008. 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, 2008 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, 2007 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, 2008:

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, 2008	5,902,779	$59.82	5,902,779	$6,040,844,000
May 1-31, 2008	5,897,755	$59.46	5,897,755	5,690,164,000
June 1-30, 2008	1,459,803	$57.63	1,459,803	5,606,034,000
Total	13,260,337	$59.42	13,260,337	$5,606,034,000

* On September 12, 2007, the Company s Board of Directors terminated a previously-approved share repurchase program and replaced it with a new share repurchase program that authorizes the purchase of up to $10.0 billion of the Company s outstanding common stock with no specified expiration date. As of June 30, 2008, the maximum dollar amount that may yet be purchased under the new program was $5,606,034,000.

Consistent with the above authorization and subject to applicable law, the Company may repurchase shares directly in the open market, in privately negotiated transactions, or pursuant to derivative instruments and plans complying with Rule 10b5-1, among other types of transactions and arrangements.

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

(a) The Annual Meeting of Shareholders was held on May 22, 2008.

(b) See Item 4(c) below.

(c) At the Annual Meeting of Shareholders, the shareholders voted on the following matters: the election of six directors to serve until the Annual Meeting of Shareholders in the year indicated below, and the approval of an independent registered public accountant for 2008. 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 (Term Expiring)	FOR	AGAINST	ABSTAIN
Ralph Alvarez (2010)	958,302,538	21,842,632	17,409,608
Susan E. Arnold (2011)	965,069,585	15,108,804	17,376,389
Richard H. Lenny (2011)	965,110,679	14,921,476	17,522,623
Cary D. McMillan (2011)	962,404,358	17,693,432	17,456,988
Sheila A. Penrose (2011)	965,326,734	14,797,108	17,430,936
James A. Skinner (2011)	958,372,349	21,833,433	17,348,996

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

Term Expiring in 2009	Terms Expiring in 2010
Robert A. Eckert	Walter E. Massey
Enrique Hernandez, Jr.	John W. Rogers, Jr.
Jeanne P. Jackson	Roger W. Stone
Andrew J. McKenna	

(2) The proposal to approve the appointment of an independent registered public accounting firm to serve as independent auditors for 2008 was approved by the shareholders as follows:

FOR	AGAINST	ABSTAIN
967,319,207	12,856,150	17,379,421

Item 6. Exhibits

Exhibit Number	Description
(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, effective as of January 1, 2008, incorporated herein by reference from Form 8-K, dated November 28, 2007.**
	(b) McDonald s Excess Benefit and Deferred Bonus Plan, effective January 1, 2008, as amended and restated July 8, 2008, filed herewith.**
	(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 as of 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 as of 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 Replacement Plan, effective as of December 31, 2007, incorporated herein by reference from Form 8-K, dated November 28, 2007.**

(h) McDonald s Corporation Amended and Restated 2001 Omnibus Stock Ownership Plan, effective July 1, 2008, filed herewith.**

(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 January 1, 2008, incorporated by reference from Form 8-K, dated November 28, 2007.**

(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) Amended Assignment Agreement between Timothy Fenton and the Company, dated January 2008, incorporated herein by reference from Form 10-Q, for the quarter ended March 31, 2008.**

(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.**

(r) Terms of the Restricted Stock Units granted pursuant to the Company s Amended and Restated 2001 Omnibus Stock Ownership Plan, filed herewith.**

(s) McDonald s Corporation Target Incentive Plan, effective as of January 1, 2008, incorporated herein by reference from Form 8-K, dated January 23, 2008.**

(t) Terms of equity compensation awards granted in the European Union pursuant to the Company s Amended and Restated 2001 Omnibus Stock Ownership Plan, incorporated herein by reference from Form 10-Q, for the quarter ended March 31, 2008.**

(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.

* 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, 2008

/s/ Peter J. Bensen
Peter J. Bensen
Corporate Executive Vice President and Chief Financial Officer