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 March 31, 2006

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 ☒ 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 ☒

1,246,076,252
(Number of shares of common stock outstanding as of March 31, 2006)

McDONALD'S CORPORATION

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

PART I – FINANCIAL INFORMATION

Item 1. Financial Statements

CONDENSED CONSOLIDATED BALANCE SHEET

In millions, except per share data	(unaudited) March 31, 2006	December 31, 2005
Assets		
Current assets		
Cash and equivalents	$ 3,803.1	$ 4,260.4
Accounts and notes receivable	742.4	795.9
Inventories, at cost, not in excess of market	138.5	147.0
Prepaid expenses and other current assets	584.3	646.4
Total current assets	5,268.3	5,849.7
Other assets		
Investments in and advances to affiliates	1,018.0	1,035.4
Goodwill, net	2,043.2	1,950.7
Miscellaneous	1,207.8	1,245.0
Total other assets	4,269.0	4,231.1
Property and equipment		
Property and equipment, at cost	30,379.7	29,897.2
Accumulated depreciation and amortization	(10,315.7)	(9,989.2)
Net property and equipment	20,064.0	19,908.0
Total assets	$ 29,601.3	$ 29,988.8
Liabilities and shareholders' equity		
Current liabilities		
Notes payable	$ 529.1	$ 544.0
Accounts payable	586.3	689.4
Income taxes	352.0	567.6
Other taxes	221.5	233.5
Accrued interest	166.9	158.5
Accrued payroll and other liabilities	1,167.6	1,184.6
Current maturities of long-term debt	673.4	658.7
Total current liabilities	3,696.8	4,036.3
Long-term debt	8,708.9	8,937.4
Other long-term liabilities	1,063.6	892.3
Deferred income taxes	965.0	976.7
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	2,976.7	2,797.6
Unearned ESOP compensation	(75.4)	(77.4)
Retained earnings	24,141.6	23,516.0
Accumulated other comprehensive income (loss)	(636.9)	(733.1)
Common stock in treasury, at cost; 414.5 and 397.4 million shares	(11,255.6)	(10,373.6)
Total shareholders' equity	15,167.0	15,146.1
Total liabilities and shareholders' equity	$ 29,601.3	$ 29,988.8

See notes to condensed Consolidated financial statements.

CONDENSED CONSOLIDATED STATEMENT OF INCOME (UNAUDITED)

In millions, except per share data	Quarters Ended March 31, 2006	2005
Revenues		
Sales by Company-operated restaurants	$3,855.9	$3,599.5
Revenues from franchised and affiliated restaurants	1,245.0	1,203.3
Total revenues	5,100.9	4,802.8
Operating costs and expenses		
Company-operated restaurant expenses	3,302.8	3,109.1
Franchised restaurants – occupancy expenses	252.1	257.0
Selling, general & administrative expenses	550.3	520.1
Impairment and other charges (credits), net	86.1	(18.7)
Other operating (income) expense, net	(14.2)	25.7
Total operating costs and expenses	4,177.1	3,893.2
Operating income	923.8	909.6
Interest expense	102.3	89.8
Nonoperating income, net	(84.3)	(10.4)
Income before provision for income taxes	905.8	830.2
Provision for income taxes	280.5	102.3
Net income	$ 625.3	$ 727.9
Net income per common share–basic	$ 0.50	$ 0.57
Net income per common share–diluted	$ 0.49	$ 0.56
Weighted average shares outstanding–basic	1,254.1	1,268.5
Weighted average shares outstanding–diluted	1,271.2	1,289.0

See notes to condensed Consolidated financial statements.

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS (UNAUDITED)

In millions	Quarters Ended March 31, 2006	2005
Operating activities		
Net income	$ 625.3	$ 727.9
Adjustments to reconcile to cash provided by operations		
Noncash charges and credits:		
Depreciation and amortization	305.4	316.5
Deferred income taxes	(3.8)	(34.5)
Income taxes audit benefit	—	(178.8)
Share-based compensation	38.9	48.1
Gains on Chipotle transactions	(51.2)	—
Other	114.5	37.2
Changes in working capital items	(413.9)	(123.4)
Cash provided by operations	615.2	793.0
Investing activities		
Property and equipment expenditures	(289.2)	(242.4)
Purchases and sales of restaurant businesses and sales of property	(20.6)	(8.8)
Sale of Chipotle shares, net	61.4	—
Other	57.2	(34.0)
Cash used for investing activities	(191.2)	(285.2)
Financing activities		
Notes payable and long-term financing issuances and repayments	(323.7)	(358.2)
Treasury stock purchases	(981.4)	(414.0)
Proceeds from stock option exercises	249.6	229.0
Excess tax benefit on share-based compensation	31.7	14.0
Chipotle IPO proceeds, net	120.9	—
Other	21.6	(1.9)
Cash used for financing activities	(881.3)	(531.1)
Cash and equivalents decrease	(457.3)	(23.3)
Cash and equivalents at beginning of period	4,260.4	1,379.8
Cash and equivalents at end of period	$3,803.1	$1,356.5

See notes to condensed Consolidated financial statements.

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, 2005 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 ended March 31, 2006 do not necessarily indicate the results that may be expected for the full year.

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

Comprehensive Income

The following table presents the components of comprehensive income for the quarters ended March 31, 2006 and 2005:

	Quarters Ended March 31,	
In millions	**2006**	**2005**
Net income	$ 625.3	$ 727.9
Other comprehensive income (loss):		
Foreign currency translation adjustments	103.1	(198.2)
Deferred hedging adjustments	(6.9)	(7.7)
Total other comprehensive income (loss)	96.2	(205.9)
Total comprehensive income	**$ 721.5**	**$ 522.0**

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 includes weighted average shares outstanding plus the dilutive effect of share-based employee compensation, calculated using the treasury stock method, of 17.1 million shares and 20.5 million shares for the first quarter 2006 and 2005, respectively. Stock options that were not included in diluted weighted average shares outstanding because they would have been antidilutive were 37.6 million shares and 46.4 million shares for the first quarter 2006 and 2005, respectively.

Share-based Compensation

First quarter 2006 results include pretax expense of $38.9 million related to share-based compensation (stock options and restricted stock units (RSUs)) compared with $48.1 million in first quarter 2005. For the full year 2006, the Company expects pretax share-based compensation expense to be approximately $125 million compared with $154.1 million in 2005. During the first quarter 2006 the Company granted 6.7 million stock options and 1.2 million RSUs.

Segment Information

The Company primarily franchises and operates McDonald's restaurants in the food service industry. In addition, the Company operates 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 Other segment represents non-McDonald's brands.

In millions	Quarters Ended March 31, 2006	2005
Revenues		
U.S.	$1,737.9	$1,586.5
Europe	1,655.4	1,717.4
APMEA	727.4	705.1
Latin America	380.2	284.1
Canada	241.4	206.0
Other	358.6	303.7
Total revenues	$5,100.9	$4,802.8
Operating income (loss)		
U.S.	$ 628.9	$ 539.4
Europe	261.1	308.2
APMEA	95.7	92.8
Latin America	(8.5)	8.7
Canada	38.7	29.4
Other	8.7	2.4
Corporate	(100.8)	(71.3)
Total operating income	$ 923.8	$ 909.6

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 certain non-McDonald's brands that are not material to the Company's overall results. Of the more than 30,000 McDonald's restaurants in over 100 countries, more than 18,000 are operated by franchisees/licensees, over 4,000 are operated by affiliates and over 8,000 are operated by the Company. In general, 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.

While we view ourselves primarily as a franchisor, we continually review our restaurant ownership mix (that is our mix between Company-operated, conventional franchise, joint venture or developmental license) to deliver a great customer experience and drive long-term profitability, with a focus on underperforming markets and markets where direct restaurant operation by us is less attractive due to market size, business conditions or legal considerations. Company-operated restaurants are important to our success in both mature and developing markets. In our Company-operated restaurants, along with input from our franchisees, we can 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, the financial health of franchisees or other factors.

Revenues consist of sales by Company-operated restaurants and fees from restaurants operated by franchisees and affiliates. These fees primarily include rent, service fees 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 "Other" that includes non-McDonald's brands (e.g., Boston Market and Chipotle Mexican Grill (Chipotle)). The U.S. and Europe segments account for approximately 70% of total revenues.

Strategic Direction and Financial Performance

Over the past few years, the Company has remained aligned and focused on executing the Plan to Win, a combination of customer-centric initiatives designed to deliver operational excellence and leadership marketing implemented around five drivers of exceptional customer experiences – people, products, place, price and promotion. In line with our commitment to revitalize the brand by executing the Plan to Win, we have exercised greater financial discipline, delivered against the targets laid out in our revitalization plan and achieved many significant milestones. Our resulting financial strength and substantial cash generating ability is a testament to System alignment and focus on growing our existing restaurant business. Our progress has created the opportunity to return even greater amounts of cash flow to shareholders through dividends and share repurchases after funding investments in our business that offer solid returns.

Strategic initiatives aligned behind McDonald's Plan to Win are strengthening our competitive position and delivering positive results worldwide. Performance for the first quarter reflected more customer visits and enhanced profitability as we continued to connect with our customers and increase the relevance of our brand.

The ongoing momentum of our U.S. business drove the segment's double-digit revenue growth and margin improvement. We will continue to maximize our U.S. performance by providing customers with an exceptional experience that offers expanded menu choices, enhanced conveniences and compelling everyday value.

In Europe and APMEA, our ongoing commitment to everyday value, balanced with premium products that appeal to local tastes contributed to each segment's financial performance for the quarter. We remain focused on further strengthening the contribution from both of these critical business segments.

In addition, we remain committed to returning value to shareholders through share repurchase and dividends. In the first quarter 2006, we bought back $1.0 billion or 29.5 million shares of McDonald's stock, and in April 2006, we bought back approximately $300 million of additional McDonald's stock.

Overall, our strong quarterly financial performance reflects diligent execution of our fundamental business drivers. Our results confirm that our strategy of growing by improving our existing restaurants and focusing on the 5 P's of people, products, place, price and promotion is the right strategy for McDonald's, our customers and our shareholders. Our long-term goals remain unchanged: average annual Systemwide sales and revenue growth of 3% to 5%, average annual operating income growth of 6% to 7%, and annual returns on incremental invested capital in the high teens. These goals exclude the impact of foreign currency translation.

Operating Highlights for the Quarter Included:

- Consolidated revenues increased 6% (8% in constant currencies). Consolidated Systemwide sales increased 4% (7% in constant currencies).
- Global comparable sales increased 5.2% and were positive in all segments.
- Company-operated and franchised restaurant margin percents improved in all segments.
- Cash provided by operations totaled $615.2 million.
- The Company repurchased $1.0 billion or 29.5 million shares of its stock.

Outlook

While the Company does not provide specific guidance on earnings per share, the following information is provided to assist in analyzing the Company's results.

- McDonald's expects net restaurant additions to add about one percentage point to sales growth in 2006 (in constant currencies). Most of this anticipated growth will result from restaurants opened in 2005. In 2006, McDonald's expects to open about 700 traditional McDonald's restaurants and 100 satellite restaurants and close about 225 traditional restaurants and 125 satellite restaurants.
- 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 earnings per share by about 2 cents. Similarly, an increase of 1 percentage point in Europe's comparable sales would increase annual earnings per share by about 1.5 cents.
- The Company expects full-year 2006 selling, general & administrative expenses to decline as a percent of revenues and Systemwide sales, compared with 2005.
- A significant part of the Company's operating income is from outside the U.S., and about 80% 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 2005, the Company's annual earnings per share would change about 6 cents to 7 cents.
- The Company plans to return to pre-HIA (Homeland Investment Act) debt and cash levels as we pay down debt over the next couple of years. The late 2005 borrowings, used to fund dividend payments to repatriate earnings back to the U.S. parent-company, resulted in a temporary increase in both cash and debt on our Consolidated balance sheet. However, our net debt position (gross debt outstanding less cash available for investment) has improved significantly, excluding this one-time opportunity. For 2006, the Company expects its net debt principal repayments to be at least $1.4 billion. The Company expects interest expense in 2006 to increase 7% to 9% compared with 2005, based on current interest and foreign currency exchange rates. This increase will be partly offset by the related higher interest income from cash available for investing.
- McDonald's expects the effective income tax rate for the full year 2006 to be approximately 31% to 33%, although some volatility may be experienced between the quarters in the normal course of business.
- The Company expects capital expenditures for 2006 to be approximately $1.8 billion.
- In addition to the repurchases resulting from the Chipotle transactions described in the following bullet point, in 2006 and 2007 combined, the Company expects to return between $5 billion and $6 billion to shareholders through a combination of shares repurchased and dividends paid.
- As previously announced, subject to market conditions, McDonald's plans to sell approximately five million shares of Chipotle stock through a registered securities offering during the second quarter 2006 and use the proceeds to buy back McDonald's shares. In addition, the Company expects to completely separate from Chipotle later this year through a tax-free exchange of Chipotle shares for McDonald's common stock, again subject to market conditions. The McDonald's shares acquired as a result of these transactions will be over and above the Company's commitment to return $5 billion to $6 billion to shareholders through dividends and share repurchases during 2006 and 2007, combined. Currently, McDonald's owns about 21 million shares of Chipotle stock representing a net investment of approximately $325 million.

- As previously announced, over the next three years, the Company will pursue selling certain existing markets to developmental licensees. Under a developmental license, a local entrepreneur owns the business, including the real estate interest, and uses its capital and local knowledge to build the Brand and optimize sales and profitability over the long term. Under this arrangement, McDonald's collects a royalty, which varies by market, based on a percentage of sales, but does not invest capital. We are in the process of identifying potential licensees in some markets and may complete a limited number of transactions this year, although we do not expect that the financial impact of our plans will be material in 2006. 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, service fees 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 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 March 31, 2006**	
	Amount	% Increase / (Decrease)
Revenues		
Sales by Company-operated restaurants	$3,855.9	7
Revenues from franchised and affiliated restaurants	1,245.0	3
Total revenues	5,100.9	6
Operating costs and expenses		
Company-operated restaurant expenses	3,302.8	6
Franchised restaurants – occupancy expenses	252.1	(2)
Selling, general & administrative expenses	550.3	6
Impairment and other charges (credits), net	86.1	n/m
Other operating (income) expense, net	(14.2)	n/m
Total operating costs and expenses	4,177.1	7
Operating income	923.8	2
Interest expense	102.3	14
Nonoperating income, net	(84.3)	n/m
Income before provision for income taxes	905.8	9
Provision for income taxes	280.5	n/m
Net income	$ 625.3	(14)
Net income per common share–basic	$ 0.50	(12)
Net income per common share–diluted	$ 0.49	(13)

n/m Not meaningful

Net Income and Diluted Net Income per Common Share

For the quarter, net income was $625.3 million and diluted net income per common share was $0.49. The 2006 results included operating expenses of $59.1 million after tax or approximately $0.045 per share primarily related to: previously announced actions taken for a limited number of restaurant closings in the U.K. in conjunction with an overall restaurant portfolio review; costs to buy out certain litigating franchisees in Brazil; and an impairment charge on the anticipated sale of a small market in Europe to a developmental licensee. In addition, 2006 results included a nonoperating gain of $45.6 million after tax or approximately $0.035 per share due to the initial public offering (IPO) of Chipotle and the concurrent sale of Chipotle shares. First quarter 2005 net income was $727.9 million and diluted net income per common share was $0.56. The 2005 results included a tax benefit of $178.8 million or $0.13 per share due to a favorable audit settlement of the Company's 2000-2002 U.S. tax returns.

During the quarter, the Company repurchased 29.5 million shares of its stock for $1.0 billion.

Diluted weighted average shares outstanding decreased in the first quarter of 2006 due to treasury stock purchases exceeding stock option exercises in 2005 and the first quarter of 2006.

Impact of Foreign Currency Translation on Reported Results

IMPACT OF FOREIGN CURRENCY TRANSLATION ON REPORTED RESULTS
Dollars in millions, except per share data

	Reported Amount		Currency Translation Benefit / (Loss)
Quarters ended March 31,	**2006**	2005	**2006**
Revenues	**$5,100.9**	$4,802.8	**$(96.6)**
Combined operating margins*	**1,505.0**	1,406.9	**(37.8)**
Selling, general & administrative expenses	**550.3**	520.1	**8.6**
Operating income	**923.8**	909.6	**(31.3)**
Net income	**625.3**	727.9	**(15.0)**
Net income per common share – diluted	**0.49**	0.56	**(0.01)**

* Excludes non-McDonald's brands

Foreign currency translation had a negative impact on the growth rates of consolidated revenues, operating income, net income and net income per common share for the quarter, primarily due to the weakening of the Euro.

Revenues

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

REVENUES *Dollars in millions*				
Quarters ended March 31,	**2006**	2005	% Inc / (Dec)	% Inc Excluding Currency Translation
Company-operated sales				
U.S.	**$1,025.0**	$ 929.5	10	10
Europe	**1,285.7**	1,321.8	(3)	5
APMEA*	**636.9**	616.6	3	4
Latin America	**355.1**	263.1	35	25
Canada	**197.7**	166.3	19	12
Other**	**355.5**	302.2	18	18
Total	**$3,855.9**	$3,599.5	7	9
Franchised and affiliated revenues				
U.S.	**$ 712.9**	$ 657.0	9	9
Europe	**369.7**	395.6	(7)	2
APMEA*	**90.5**	88.5	2	8
Latin America	**25.1**	21.0	20	13
Canada	**43.7**	39.7	10	4
Other**	**3.1**	1.5	n/m	n/m
Total	**$1,245.0**	$1,203.3	3	6
Total revenues				
U.S.	**$1,737.9**	$1,586.5	10	10
Europe	**1,655.4**	1,717.4	(4)	4
APMEA*	**727.4**	705.1	3	4
Latin America	**380.2**	284.1	34	24
Canada	**241.4**	206.0	17	10
Other**	**358.6**	303.7	18	18
Total	**$5,100.9**	$4,802.8	6	8

* APMEA represents Asia/Pacific, Middle East and Africa

** Other represents non-McDonald's brands

Consolidated revenues increased 6% (8% in constant currencies), primarily due to positive global comparable sales for each month of the quarter.

In the U.S., the increase in revenues was driven by multiple initiatives that are delivering variety such as the launch of the Spicy Premium Chicken Sandwich and Premium Roast coffee, convenience such as extended hours and cashless payment options, and continued focus on everyday value. In addition, Company-operated revenues benefited from restaurant ownership changes that took place since the first quarter 2005.

Europe's constant currency increase in revenues was due to strong comparable sales in France and Russia, which is entirely Company-operated. These increases were partly offset by negative comparable sales in the U.K. In addition, Europe's first quarter revenue performance reflects negative impact from the change in timing of Easter, and related school holidays from March in 2005 to April in 2006.

In APMEA, the increase in revenues was primarily due to strong comparable sales in Australia, as well as expansion and improved comparable sales in China. In addition, results reflected the consolidation of Malaysia, for financial reporting purposes, due to an increase in the Company's ownership during the first quarter 2006. These increases were partly offset by the conversion of two markets (about 325 restaurants) to developmental licensee structures during 2005, under which the Company receives a royalty based on a percent of sales.

The following table presents the percent change in comparable sales for the quarters ended March 31, 2006 and 2005:

COMPARABLE SALES – McDONALD'S RESTAURANTS*		
	% Inc /(Dec)	
	Quarters ended March 31,	
	2006	2005
U.S.	**6.6**	5.2
Europe	**2.0**	2.9
APMEA	**4.1**	5.5
Latin America	**15.3**	14.6
Canada	**8.5**	(2.7)
McDonald's Restaurants	**5.2**	4.6

* Excludes non-McDonald's brands

The following table presents the percent change in Systemwide sales for the quarter ended March 31, 2006:

SYSTEMWIDE SALES		
	Quarters ended March 31,	
	% Inc / (Dec)	% Inc Excluding Currency Translation
U.S.	7	7
Europe	(5)	3
APMEA	—	6
Latin America	25	16
Canada	16	9
Other	17	17
Total systemwide sales	4	7

Operating Margins

FRANCHISED AND COMPANY-OPERATED RESTAURANT MARGINS – McDONALD'S RESTAURANTS *Dollars in millions*						
Quarters ended March 31,	**Percent**		**Amount**		**% Inc / (Dec)**	**% Inc Excluding Currency Translation**
	2006	2005	**2006**	2005		
Franchised						
U.S.	**81.5**	80.2	**$581.0**	$527.0	10	10
Europe	**75.6**	75.5	**279.5**	298.8	(6)	2
APMEA	**87.1**	85.7	**78.8**	75.8	4	10
Latin America	**70.4**	64.7	**17.7**	13.6	30	25
Canada	**76.2**	74.8	**33.3**	29.7	12	6
Total	**79.7**	78.6	**$990.3**	$944.9	5	8
Company-operated						
U.S.	**18.3**	17.9	**$187.1**	$166.4	12	12
Europe	**13.6**	13.5	**174.9**	178.9	(2)	5
APMEA	**12.3**	10.9	**78.7**	66.9	18	19
Latin America	**13.2**	12.0	**46.8**	31.5	49	42
Canada	**13.7**	11.0	**27.2**	18.3	49	40
Total	**14.7**	14.0	**$514.7**	$462.0	11	14

Franchised margin dollars increased $45.4 million or 5% for the quarter (8% in constant currencies). The U.S. and Europe segments accounted for more than 85% of the franchised margin dollars in both periods.

- In the U.S., improvement in the franchised margin percent for the quarter was primarily driven by strong comparable sales.
- Europe's franchised margin percent for the quarter benefited from positive comparable sales substantially offset by results in the U.K. and higher rent expense in many markets.

Company-operated margin dollars increased $52.7 million or 11% for the quarter (14% in constant currencies). The U.S. and Europe segments accounted for more than 70% of the Company-operated margin dollars in both periods.

- In the U.S., the Company-operated margin percent increased due to positive comparable sales, partly offset by higher utility, labor and promotional costs. Commodity costs are expected to be relatively flat for the year.
- Europe's Company-operated margin percent increased primarily due to positive comparable sales and improved results in Germany. This increase was partly offset by weak performance in the U.K., primarily as a result of negative comparable sales, and labor pressures in certain markets. Commodity costs are expected to be relatively flat for the year.
- In APMEA, the Company-operated margin percent for the quarter reflected strong results in Australia as well as improved results in Hong Kong and China.

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 March 31,	
	2006	2005
Food & paper	**33.5**	34.1
Payroll & employee benefits	**26.4**	26.6
Occupancy & other operating expenses	**25.4**	25.3
Total expenses	**85.3**	86.0
Company-operated margins	**14.7**	14.0

Selling, General & Administrative Expenses

Selling, general & administrative expenses increased 6% for the quarter (7% in constant currencies) primarily as a result of employee-related costs and the timing of certain expenses, including costs related to our involvement with the Olympics. Selling, general & administrative expenses as a percent of revenues were 10.8% in both the first quarter 2006 and 2005 and as a percent of Systemwide sales were 4.1% for 2006 compared with 4.0% for 2005. In second quarter, we expect G&A to increase mostly due to the timing of our biennial worldwide operator convention but we continue to expect G&A as a percent of revenues and Systemwide sales to decline for 2006.

Impairment and Other Charges (Credits), Net

In first quarter 2006, the Company recorded $86.1 million of expense related to the following: 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 ($29.0 million); an impairment charge on the anticipated sale of a small market in Europe to a developmental licensee ($7.8 million); and asset write offs in APMEA ($7.5 million).

In first quarter 2005, the Company recorded $18.7 million of income from a favorable adjustment to certain liabilities established in prior years due to lower than originally anticipated employee-related and lease termination costs.

Other Operating (Income) Expense, Net

OTHER OPERATING (INCOME) EXPENSE, NET *Dollars in millions*		
	Quarters ended March 31,	
	2006	2005
Gains on sales of restaurant businesses	**$ (8.2)**	$ (10.4)
Equity in earnings of unconsolidated affiliates	**(13.4)**	(16.4)
Other expense	**7.4**	52.5
Total	**$ (14.2)**	$ 25.7

Other expense for 2005 reflected a $24.1 million charge related to a supply chain arrangement in Europe.

Operating Income

OPERATING INCOME *Dollars in millions*				
Quarters ended March 31,	**2006**	**2005**	**% Inc / (Dec)**	**% Inc / (Dec) Excluding Currency Translation**
U.S.	**$ 628.9**	$539.4	17	17
Europe	**261.1**	308.2	(15)	(8)
APMEA	**95.7**	92.8	3	9
Latin America	**(8.5)**	8.7	n/m	n/m
Canada	**38.7**	29.4	32	24
Other	**8.7**	2.4	n/m	n/m
Corporate	**(100.8)**	(71.3)	(41)	(41)
Total operating income	**$ 923.8**	$909.6	2	5

n/m Not meaningful

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

In Europe, results for first quarter 2006 included impairment and other charges totaling $49.6 million and results for first quarter 2005 included a supply chain charge of $24.1 million. These two items combined negatively impacted the constant currency operating income growth rate by 10 percentage points. In addition, operating results for the quarter reflected strong performance in France and weak results in the U.K. as well as costs related to the Olympics.

In APMEA, results for first quarter 2006 were positively impacted by strong performance in Australia and improved results in China and Hong Kong, partly offset by $7.5 million of asset write offs.

In Latin America, results for the first quarter 2006 reflected continued strong sales performance across most markets, which was more than offset by $29.0 million of costs to buy out certain litigating franchisees in Brazil.

Corporate results for 2005 included an $18.7 million favorable adjustment to certain liabilities established in prior years.

Interest Expense

For the quarter, interest expense increased due to higher average debt levels as a result of activity related to the Homeland Investment Act (HIA), partly offset by the benefit of weaker foreign currencies. In fourth quarter 2005, the Company repatriated approximately $3 billion of foreign historical earnings under HIA. The repatriation was funded through local borrowings in certain markets.

Nonoperating Income, Net

NONOPERATING (INCOME) EXPENSE, NET *Dollars in millions*		
	Quarters Ended March 31,	
	2006	2005
Interest income	**$(38.3)**	$(14.3)
Translation (gain) / loss	**(5.9)**	3.3
Gains on Chipotle transactions	**(51.2)**	—
Other expense	**11.1**	0.6
Total	**$(84.3)**	$(10.4)

Interest income increased primarily due to higher cash levels mainly due to HIA-related activity.

In January 2006, Chipotle completed an IPO of 6.1 million shares resulting in net proceeds of $120.9 million to Chipotle and a 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 un-issued shares in the public offering. Concurrently with this 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 $19.2 million, while still remaining the majority shareholder.

Income Taxes

The effective income tax rate was 31.0% for first quarter 2006 compared with 12.3% in first quarter 2005. The portion of the 2006 Chipotle IPO gain related to the increase in the carrying value of the Company's investment was not tax affected. The lower effective income tax rate in 2005 included a benefit of $178.8 million due to a favorable audit settlement of the Company's 2000-2002 U.S. tax returns.

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 $615.2 million and exceeded capital expenditures by $326.0 million for the three months. Cash provided by operations decreased $177.8 million compared to the three months in 2005 due to changes in working capital items primarily related to higher income tax payments, partly offset by stronger operating results.

Cash used for investing activities totaled $191.2 million for the three months, a decrease of $94.0 million. Higher capital spending was more than offset by the proceeds from the sale of Chipotle shares and the redemptions of short-term investments. Capital expenditures increased $46.8 million for the three months consistent with the Company's strategy to increase investment in existing restaurants, primarily in the U.S.

Cash used for financing activities totaled $881.3 million for the three months, an increase of $350.2 million primarily due to higher share repurchases, partly offset by proceeds from the Chipotle IPO and lower net debt repayments.

As a result of the above activity, the Company's cash balance decreased $457.3 million from December 31, 2005 to $3,803.1 million at March 31, 2006. For the full year, the Company expects capital expenditures to be approximately $1.8 billion and debt repayments to be at least $1.4 billion. In 2006 and 2007 combined, the Company expects to return between $5 billion and $6 billion to shareholders through share repurchases and dividends. This guidance related to dividend and share repurchase does not take into account additional shares that may be acquired by McDonald's in connection with its previously announced disposition of Chipotle.

Debt obligations at March 31, 2006 totaled $9,911.4 million compared with $10,140.1 million at December 31, 2005. The decrease in 2006 was due to net repayments of $323.7 million and SFAS No. 133 noncash fair value adjustments of $47.3 million, partially offset by the impact of changes in exchange rates on foreign currency-denominated debt of $105.5 million and the consolidation of Malaysia.

Restaurant Information

The following table presents restaurant information by ownership type:

Restaurants at March 31,	2006	2005
Operated by franchisees	**18,375**	18,340
Operated by the Company	**9,468**	9,142
Operated by affiliates	**4,068**	4,111
Systemwide restaurants	**31,911**	31,593

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 conventional franchise, license or joint venture agreements is driven by many factors whose interrelationship is complex and changing. Our plan to reduce our ownership of 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 consumer focus on food “from field to front counter” presents challenges for our Brand and may adversely affect our sales and costs of doing business.

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 have designed and execute against 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 various 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 commodities we use, particularly beef and chicken;
- The success of our plans for 2006 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 drive improvements in our restaurants, recruit qualified restaurant personnel and motivate employees to achieve sustained high service levels so as to improve consumer perceptions of our ability to meet their expectations for quality food served in clean and friendly environments;
- Whether our restaurant remodeling and rebuilding efforts will foster sustained increases in comparable sales for the affected restaurants and yield our desired return on our capital investment; 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 in the U.K. by re-franchising them to third parties, as well as the pursuit of a developmental license model in between 15 to 20 additional markets and organizational changes to improve the performance of Company-operated restaurants in other markets, notably Canada. Whether and when we can achieve these plans, as well as their success, is uncertain and depends mainly on the following:

- Our ability to identify prospective franchisees and licensees with the experience and financial resources to be effective operators of McDonald's restaurants;
- Whether there are regulatory or other constraints that restrict or prevent our ability to implement our plans or increase our costs;
- How quickly we re-franchise or enter into developmental licenses, which we expect will vary by market and could also vary significantly from period to period;
- Whether the three-year period during which we plan to make these changes will be sufficient to achieve them; 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 national economic conditions such as consumer spending and inflation rates;
- The impact on our margins of labor costs given our labor-intensive business model and the long-term trend toward higher wages in both mature and developing markets;
- The effects of local governmental initiatives to manage national economic conditions such as consumer spending or wage and inflation rates;
- Our ability to develop effective initiatives in underperforming markets, such as the U.K., which is experiencing a highly competitive informal eating out market and low consumer confidence levels, Japan, which is experiencing slow economic growth and a challenging informal eating out market and South Korea, which is experiencing improving, yet still low consumer confidence levels;
- The nature and timing of management decisions about underperforming markets or assets, including decisions that can result in material impairment charges that reduce our earnings; and
- The success of our strategy in China, where we are planning significant growth, including our ability to identify and secure appropriate real estate sites and to manage the costs and profitability of our growth in light of competitive pressures and other operating conditions that may limit pricing flexibility.

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 significantly 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:

- The difficulty of achieving compliance with often conflicting regulations in multiple state or national markets and the potential impact of new or changing regulation that affects or restricts elements of our business, such as possible changes in regulations relating to advertising to children or nutritional labeling;
- 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 impact of nutritional, health and other scientific inquiries and conclusions, which are constantly evolving and often contradictory in their implications, but nonetheless drive consumer perceptions, litigation and regulation in ways that are 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;
- Disruptions in our operations or price volatility in a market that can result from government actions, including price controls, limitations on the import or export of commodities we use or government-mandated closure of our or our vendors' operations;
- The risks of operating in markets, such as Brazil and China, in which there are significant uncertainties, including with respect to the application of legal requirements and the enforceability of laws and contractual obligations;
- 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, costs resulting from consumer fraud and the impact on our margins as the use of cashless payments increases; and
- The impact of changes in accounting principles or practices (or related legal or regulatory interpretations or our critical accounting estimates), including changes in tax accounting or tax laws (or interpretations thereof), which will depend on their timing, nature and scope.

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 the upcoming hurricane season), 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, 2005 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 March 31, 2006. 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 March 31, 2006 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

On July 9, 2004, the following shareholder derivative action was filed in the Circuit Court of Cook County, Illinois, Chancery Division, (Case No. 04CH10921) *(Marilyn Clark, Derivatively on Behalf of McDonald's Corporation v. Jack M. Greenberg, Matthew H. Paull, Michael J. Roberts, James A. Skinner, Stanley R. Stein, Gloria Santona, Fred L. Turner, Michael R. Quinlan, Hall Adams, Jr., Charles H. Bell, Edward A. Brennan, Robert A. Eckert, Enrique Hernandez, Jr., Jeanne P. Jackson, Donald G. Lubin, Walter E. Massey, Andrew J. McKenna, Cary D. McMillan, John W. Rogers, Jr., Terry L. Savage, Roger W. Stone, and Robert N. Thurston).* This suit is purportedly brought on behalf of McDonald's Corporation against several of its current and former directors and officers (collectively Individual Defendants), and the Corporation as a nominal defendant. *Clark* contains allegations similar to the federal court complaint, with additional allegations that the Individual Defendants participated in or failed to prevent the alleged securities fraud violations described above. *Clark* alleges that these acts or omissions by the Individual Defendants constitute breaches of fiduciary duty, abuse of control, gross mismanagement, waste of corporate assets, and unjust enrichment. *Clark* seeks judgment in favor of McDonald's Corporation for (1) unspecified damages sustained by the Corporation; (2) injunctive relief restricting the proceeds of Individual Defendants' trading activities or other assets to assure the Corporation has an effective remedy; (3) restitution and disgorgement of all profits, benefits and other compensation; and (4) attorneys' fees and costs. On May 3, 2006, Individual Defendants filed their motions to dismiss the complaint.

On January 30, 2006, the following shareholder derivative action was filed in the Circuit Court of Cook County, Illinois, Chancery Division, (Case No. 06CH01950) *(Philip Bufithis and Thomas Bauernfeind v. Hall Adams, Jr., Edward A. Brennan, Robert A. Eckert, Jack M. Greenberg, Enrique Hernandez, Jr., Jeanne P. Jackson, Walter E. Massey, Andrew J. McKenna, Cary D. McMillan, Matthew H. Paull, Michael J. Roberts, John W. Rogers, Jr., James A. Skinner, Anne-Marie Slaughter, and Roger W. Stone).* Like *Clark*, this suit is purportedly brought on behalf of McDonald's Corporation against several of its directors, officers and a former officer (collectively Individual Defendants), and the Corporation as a nominal defendant. *Bufithis* contains allegations similar to the lawsuits described above, claiming that from 2001 to 2003 the Individual Defendants participated in or acquiesced to improper undisclosed accounting practices, in alleged violation of federal securities law. *Bufithis* alleges that these acts or omissions by the Individual Defendants constitute breaches of fiduciary duty, and seeks judgment in favor of McDonald's for unspecified damages sustained by the Corporation and unspecified equitable relief, as well as attorneys' fees and costs. On May 3, 2006, Individual Defendants filed their motions to dismiss the complaint.

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 the 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 March 31, 2006.

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 *
January 1-31, 2006	11,144,109	$34.71	11,144,109	$1,806,003,000
February 1-28, 2006	8,876,411	$35.94	8,876,411	$1,486,988,000
March 1-31, 2006	9,480,888	$34.68	9,480,888	$6,158,150,000
Total	29,501,408	$35.07	29,501,408	$6,158,150,000

* In October 2001, the Company announced that its Board of Directors authorized a $5.0 billion share repurchase program with no specified expiration date. In March 2006, the Company's Board of Directors authorized an additional $5.0 billion to this share repurchase program, for a total of $10.0 billion. The Company repurchases shares directly in the open market during limited time frames in each month consistent with its internal trading policies, but 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 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 January 26, 2006, incorporated herein by reference from Form 8-K dated January 26, 2006.
(4)	Instruments defining the rights of security holders, including Indentures: **
	(a) Senior Debt Securities Indenture, dated as of October 19, 1996, incorporated herein by reference from Exhibit (4)(a) of Form S-3 Registration Statement (File No. 333-14141).
	(i) 6 3/8% Debentures due January 8, 2028. Supplemental Indenture No. 1, dated as of January 8, 1998, incorporated herein by reference from Exhibit (4)(a) of Form 8-K, dated January 5, 1998.
	(ii) Medium-Term Notes, Series F, due from one Year to 60 Years from the Date of Issue. Supplemental Indenture No. 4, incorporated herein by reference from Exhibit (4)(c) of Form S-3 Registration Statement (File No. 333-59145), dated July 15, 1998.
	(iii) Medium-Term Notes, Series G, due from one Year to 60 Years from Date of Issue. Supplemental Indenture No. 6, incorporated herein by reference from Exhibit (4)(c) of Form S-3 Registration Statement (File No. 333-60170), dated May 3, 2001.
	(iv) Medium-Term Notes, Series H, due from one Year to 60 Years from Date of Issue. Supplemental Indenture No. 7, incorporated herein by reference from Exhibit (4)(c) of Form S-3 Registration Statement (File No. 333-92212), dated July 10, 2002.
	(b) Subordinated Debt Securities Indenture, dated as of October 18, 1996, incorporated herein by reference from Exhibit (4)(a) of Form 8-K, dated October 18, 1996.
	(i) 7.31% Subordinated Deferrable Interest Debentures due 2027. Supplemental Indenture No. 3, dated September 24, 1997, incorporated herein by reference from Exhibit (4)(b) of Form 8-K, dated September 19, 1997.
	(c) Debt Securities Indenture, dated as of March 1, 1987, incorporated herein by reference from Exhibit (4)(a) of Form S-3 Registration Statement (File No. 33-12364).
	(i) 8 7/8% Debentures, due 2011. Supplemental Indenture No. 17, incorporated herein by reference from Exhibit (4) of Form 8-K, dated April 22, 1991.

(ii) Medium-Term Notes, Series D, due from nine months (U.S. Issue)/184 days (Euro Issue) to 60 years from Date of Issue. Supplemental Indenture No. 18, incorporated herein by reference from Exhibit (4)(b) of Form S-3 Registration Statement (File No. 33-42642), dated September 10, 1991.

(iii) Medium-Term Notes, Series E, due from nine months (U.S. Issue)/184 days (Euro Issue) to 60 years from the Date of Issue. Supplemental Indenture No. 22, incorporated herein by reference from Exhibit (4)(b) of Form S-3 Registration Statement (File No. 33-60939), dated July 13, 1995.

(d) McDonald's Corporation 2002 QSC Rewards Program, effective as of February 13, 2002, incorporated herein by reference from Exhibit (4) of Form S-3A Registration Statement (File No. 333-82920), dated 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.

(ii) Prospectus Supplement (to Prospectus dated March 15, 2002) dated March 4, 2003, incorporated by reference from Form 424(b)(3) (File No. 333-82920).

(iii) Prospectus Supplement (to Prospectus dated March 15, 2002, and to Prospectus Supplement dated March 4, 2003) dated September 25, 2003, incorporated by reference from Form 424(b)(3) (File No. 333-82920).

(10) Material Contracts:

(a) Directors' Stock Plan, as amended and restated March 24, 2005, incorporated herein by reference from Form 10-Q, for the quarter ended March 31, 2005.*

(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, 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.*

(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.*

(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, 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) Senior Director Letter Agreement between Donald G. Lubin and the Company, incorporated herein by reference from Form 8-K dated May 10, 2005.*

(l) Arrangement between M. Lawrence Light and McDonald's Corporation, incorporated herein by reference from Form 10-K, for the year ended December 31, 2004.*

(m) Form of Stock Option Grant Notice, incorporated herein by reference from Form 10-Q, for the quarter ended June 30, 2005.*

(n) Form of Restricted Stock Unit Award Notice, incorporated herein by reference from Form 10-Q, for the quarter ended June 30, 2005.*

(o) McDonald's Corporation Severance Plan, effective April 1, 2006, 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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* Denotes compensatory plan.

** 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.

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)

May 9, 2006

/s/ Matthew H. Paull

Matthew H. Paull
Corporate Senior Executive Vice President and Chief Financial Officer

Exhibit 10(b)(i) First Amendment to the McDonald's Excess Benefit and Deferred Bonus Plan, as Amended and Restated June 2, 2005

WHEREAS, the Company maintains the McDonald's Excess Benefit and Deferred Bonus Plan (the "Plan") for the benefit of certain highly compensated employees; and

WHEREAS, the last sentence of Section 2.3 of the Plan currently provides that the first Cash Performance Unit Plan payments that may be deferred under the Plan are those that vest in 2007 and the intent was to allow deferral of Cash Performance Unit Plan payments that vest on December 31, 2006 to be deferred;

NOW THEREFORE, IT IS RESOLVED That the last sentence of Section 2.3 of the McDonald's Excess Benefit and Deferred Bonus Plan, as amended and restated June 2, 2005, is amended to read as follows effective as of March 22, 2006:

> "The first long-term cash bonuses payment under the Long-Term Cash Bonus Plan that may be deferred pursuant to a Bonus Deferral Election made under Section 2.2(a) shall be the long-term cash bonuses that first vest on December 31, 2006."

Except as herein amended, the Plan shall remain in full force and effect.

Executed in multiple originals this 22nd day of March, 2006.

McDONALD'S CORPORATION

By: /s/ Richard Floersch
Title: Corporate Executive Vice President –
Human Resources

Exhibit 10(h)(i) First Amendment to the McDonald's Corporation Amended and Restated 2001 Omnibus Stock Ownership Plan

The McDonald's Corporation Amended and Restated 2001 Omnibus Stock Ownership Plan (the "Plan"), is amended, effective as of February 14, 2006, as set forth below.

Section 2(l) of the Plan is amended to read as follows:

(l) "Disability" as it regards employees, shall mean (a) a mental or physical condition for which the employee is receiving or is eligible to receive benefits under the McDonald's Corporation Long-Term Disability Plan or other long-term disability plan maintained by the employee's employer or (b) a mental or physical condition which, with or without reasonable accommodations, renders an employee permanently unable or incompetent to carry out the job responsibilities he held or tasks to which he was assigned at the time the condition was incurred, with such determination to be made by the Committee on the basis of such medical and other competent evidence as the Committee in its sole discretion shall deem relevant.

"Disability" as it regards non-employee directors and senior directors means a physical or mental condition that prevents the director from performing his or her duties as a member of the Board or a senior director, as applicable, and that is expected to be permanent or for an indefinite duration exceeding one year.

Except as amended above, the Plan shall remain in full force and effect.

Exhibit 10(o) McDonald’s Corporation Severance Plan

ARTICLE I

Statement of Purpose

McDonald’s Corporation has established the McDonald’s Corporation Severance Plan to provide financial assistance through severance payments and other benefits to employees on the United States payroll who are subject to United States taxation and whose employment with McDonald’s Corporation is terminated in a Covered Termination.

The Plan is intended to be an unfunded welfare benefit plan for purposes of the Employee Retirement Income Security Act of 1974, as amended, and a severance pay plan within the meaning of the United States Department of Labor regulation section 2510.3-2(b). All prior existing severance pay plans, programs and practices for employees, whether formal or informal, are hereby revoked and terminated for Covered Employees. This document applies to Covered Employees whose Covered Termination occurs on and after April 1, 2006.

ARTICLE II

Definitions

Base Pay. “Base Pay” means the base salary or base wages that a Qualifying Employee earns during a week, based upon rate of pay in effect for the Qualifying Employee immediately before the Qualifying Employee’s Termination Date, excluding overtime or any special payments; and is used to compute the amount of Severance Continuation Pay under Section 4.1 of the Plan.

Cash Payments. “Cash Payments” mean the combined lump sum payment of Severance Continuation Pay or other cash payable to a beneficiary in the event of a Qualifying Employee’s death before all benefits under this Plan have been paid as described in Section 5.2 of the Plan.

Cash Performance Unit Plan (“CPUP”). “CPUP” means the McDonald’s Cash Performance Unit long-term incentive plan for eligible Officers of McDonald’s Corporation.

Cause. “Cause” means any one or more of the following:

(a) an employee’s commission of any act or acts involving dishonesty, fraud, illegality or moral turpitude;

(b) an employee’s willful or reckless material misconduct in the performance of his or her duties; or

(c) an employee’s willful habitual neglect of material duties;

provided, however, that for purposes of clauses (b) and (c), in the case of a Change of Control Termination, Cause shall not include any one or more of the following:

(i) bad judgment or negligence;

(ii) any act or omission that the Covered Employee believed in good faith to have been in or not opposed to the interest of McDonald’s Corporation or a successor employer (without intent of the Covered Employee to gain, directly or indirectly, a profit to which the Covered Employee was not legally entitled); or

(iii) any act or omission with respect to which a determination could properly have been made by McDonald’s Corporation or a successor employer that the Covered Employee met the applicable standard of conduct for indemnification or reimbursement under McDonald’s Corporation’s or a successor employer’s by-laws, any applicable indemnification agreement, or applicable law, in each case in effect at the time of such act or omission.

Change of Control. "Change of Control" for purposes of this Plan shall have the same meaning as the definition of "change of control" in McDonald's Corporation 2001 Omnibus Stock Ownership Plan, as amended from time to time.

Change of Control Termination. "Change of Control Termination" means, solely with respect to an employee of McDonald's Corporation or any successor employer who is in the leadership compensation band or below at the time of his or her termination of employment, a termination of such employee's employment with McDonald's Corporation or any successor employer during the Post-Change of Control Period for any reason other than (i) death or total and permanent disability, (ii) by McDonald's Corporation for Cause, or (iii) voluntarily by such employee. Notwithstanding the foregoing, a Change of Control Termination will also include an Officer's voluntary termination of employment during the Post-Change of Control Period if the Officer terminates his or her employment for Good Reason.

Claim. "Claim" means a written application for Severance Benefits under Section 9.1 of the Plan.

Claimant. "Claimant" means any individual who believes that he or she is eligible for Severance Benefits under this Plan and files a claim pursuant to Section 9.1 of the Plan.

COBRA. "COBRA" means healthcare continuation coverage that meets the requirements of Section 601 et seq. of ERISA and Section 4980B of the Code ("COBRA").

COBRA Coverage. "COBRA Coverage" means the monthly cost of providing healthcare continuation coverage for a qualified beneficiary under COBRA.

Code. "Code" means the Internal Revenue Code of 1986, as amended.

Company Service Date. "Company Service Date" means an employee's first day of full-time employment or benefits eligible part-time employment with McDonald's Corporation as determined by McDonald's Human Resources Department.

Compensation. "Compensation" means the defined term under McDonald's Corporation Profit Sharing and Savings Plan, McDonald's Corporation Excess Benefit and Deferred Bonus Plan and any other long-term incentive plan, welfare benefits plan, deferred compensation arrangement, fringe benefit, practice or policy maintained by McDonald's Corporation as described in Section 6.3 of the Plan.

Covered Employee. "Covered Employee" means an employee of McDonald's Corporation who has been notified by McDonald's Corporation that he or she has a Covered Termination making them eligible for Severance Benefits under the Plan as described in Article III; provided, however, that an Officer will not fail to be a Covered Employee merely because McDonald's Corporation fails to provide a notice of Covered Termination to an Officer who has a Change of Control Termination due to his or her voluntary termination of employment for Good Reason during a Post-Change of Control Period.

Covered Termination. "Covered Termination" means a Covered Employee's termination of employment with McDonald's Corporation due to:

Reduction in the work force;

Elimination of a position or job restructuring;

Elimination of a position due to outsourcing;

Termination of employment by McDonald's Corporation without Cause if the employee executes the necessary release agreement; or

Change of Control Termination for employees who are employed in the leadership compensation band or below.

A Covered Termination does not include the termination of employment of (i) any employee whose performance rating is at an unacceptable level unless the termination of employment qualifies as a Change of Control Termination, (ii) an Officer of McDonald's Corporation who is entitled to receive benefits under the McDonald's Corporation Executive Retention Plan or (iii) a senior Officer affected by a Change of Control who is eligible to receive benefits under a Tier I or Tier II Agreement with respect to such termination of employment.

ERISA. "ERISA" means the Employee Retirement Income Security Act of 1974, as amended.

Good Reason. "Good Reason" means, solely with respect to a Covered Employee who is an Officer of McDonald's Corporation immediately prior to a Change of Control or at any time during the Post-Change of Control Period, the occurrence of any one or more of the following actions or omissions that occurs during the Post-Change of Control Period:

(a) any failure to pay the Covered Employee's Base Salary or TIP payment when due;

(b) any reduction in the Covered Employee's Base Salary or target annual bonus under TIP;

(c) any failure to provide or make available any employee or fringe benefit (including, without limitation, any medical, prescription, dental, disability, employee life, dependent life, accidental death and travel accident insurance plan or program) that is provided or made available by McDonald's Corporation on substantially similar terms and conditions to other peer employees of McDonald's Corporation; or

(d) the failure of a successor to McDonald's Corporation to assume and agree to be bound by this Plan;

provided, however, that in the case of an act or omission described in (a) through (c) above, the Officer may terminate employment for Good Reason only if McDonald's Corporation fails to cure such act or omission within thirty (30) days after receiving written notice from the Officer of his or her intent to terminate employment for Good Reason.

McDonald's Corporation. "McDonald's Corporation" means for purposes of this Plan, McDonald's Corporation, its successors and assigns and its Business Unit Subsidiaries — McDonald's USA, LLC; McDonald's Ventures, LLC; McDonald's Latin America, LLC; McDonald's APMEA, LLC; McDonald's International, LLC and McDonald's Europe, Inc.

Officer. "Officer" means an employee of McDonald's Corporation in the leadership band and above.

Plan. "Plan" means the McDonald's Corporation Severance Plan as set forth in this document.

Plan Administrator. "Plan Administrator" means the person responsible for administration of the Plan as set forth in Article VIII of the Plan.

Plan Year. The "Plan Year" shall be the calendar year for record keeping purposes.

Post-Change of Control Period. "Post-Change of Control Period" means the twelve-month period commencing on the date a Change of Control occurs and ending on the first anniversary of such date.

Prorated TIP. "Prorated TIP" means the cash lump sum payment for certain Qualifying Employees described in Section 4.6 of the Plan who are eligible for a pro rata bonus under McDonald's Target Incentive Plan.

Qualifying Employee. "Qualifying Employee" means each Covered Employee who meets the requirements set forth in the Plan, including without limitation the requirement to sign an agreement in accordance with Section 6.1 and not revoke or rescind the agreement.

Release Date. "Release Date" means the date upon which a Qualifying Employee's signed agreement required under Section 6.1 of the Plan becomes irrevocable and non-rescindable.

Schedule. "Schedule" means the schedules attached as Appendix I to the Plan which describe the duration and which Severance Benefits under the Plan are available for different categories of Qualifying Employees.

Severance Benefits. "Severance Benefits" means the Severance Continuation Pay and any other benefit payable pursuant to this Plan.

Severance Continuation Pay. "Severance Continuation Pay" means cash severance payments payable at the same time and manner as regular Base Pay over a period of time, as described in Article IV of the Plan; provided, however, that a Qualifying Employee who has had a Change of Control Termination shall receive his Severance Continuation Pay in a single lump sum payment on the later of his Termination Date or his Release Date.

Subsidiaries. References under the Plan to "Subsidiaries" means any entity in which McDonald's Corporation directly or through intervening subsidiaries owns 25% or more of the total combined voting power or value of all classes of stock, or, in the case of an unincorporated entity, a 25% or more interest in the capital and profits, other than any joint venture with the operator of a McDonald's restaurant.

Termination Date. A Covered Employee's "Termination Date" is the date on which a Covered Termination becomes effective.

Termination Notice Date. The date on which a Covered Employee receives notice that he or she has a Covered Termination under the Plan is referred to as the "Termination Notice Date."

Tier I and Tier II Agreements. "Tier I and Tier II Agreements" means the Change of Control Agreements executed by individual Officers who are in the senior leadership compensation band or above, which govern upon a Change of Control.

TIP. "TIP" means McDonald's Target Incentive Plan or any annual bonus plan that replaces the Target Incentive Plan.

TIP-Eligible. A Qualifying Employee is "TIP-Eligible" if his or her Termination Date is on or after March 1 of a calendar year and the Qualifying Employee is eligible to participate in TIP for the calendar year in which his or her Covered Termination occurs.

Year of Service. A "Year of Service" for purposes of computing the amount of Severance Continuation Pay under Section 4.2 means each complete twelve-month period beginning on the Qualifying Employee's Company Service Date and ending on the Qualifying Employee's Termination Date, with any period of less than 6 months being rounded down to the nearest complete twelve-month period and any period of 6 months or more being rounded up to the nearest complete twelve-month period. For example, a period of 10 years, 8 months and 3 days shall equal eleven "Years of Service" and a period of 10 years, 5 months and 3 days shall equal ten "Years of Service."

ARTICLE III

Eligibility

To be eligible for Severance Benefits under the Plan, an employee must be subject to United States taxation and must be on the United States active payroll of McDonald's Corporation (or on a leave of absence, or receiving short-term disability benefits), immediately before his or her Termination Date. Such an employee must be designated for a Covered Termination by McDonald's Corporation and be notified that he or she has been so designated under the Plan as a Covered Employee after April 1, 2006. The fact that an employee receives notice of termination of employment, or an employee's employment actually terminates, shall not automatically entitle such employee to be considered a Covered Employee nor automatically cause such termination to be considered a Covered Termination.

McDonald's Corporation shall establish procedures and processes for implementing Covered Terminations. These procedures and processes may differ depending on the business needs and priorities of the affected work unit. Officers who are designated as executive Officers by the Board of Directors of McDonald's Corporation within the meaning of Section 16 of the Securities Exchange Act of 1934 shall be Covered Employees, and shall receive Severance Benefits under this Plan, only to the extent approved by the Compensation Committee of the Board of Directors of McDonald's Corporation. Officers who are entitled to receive benefits under the Executive Retention Plan are not eligible for benefits under this Plan. In addition, Officers who are entitled to receive benefits under a Tier I or Tier II Agreement are not eligible for benefits under this Plan upon a Change of Control Termination.

ARTICLE IV

Benefits

In General. Each Qualifying Employee shall be entitled to Severance Continuation Pay and other Severance Benefits in accordance with this Article IV and Article V below, together with the Schedules included in Appendix I to this Plan applicable to the different categories of Qualifying Employees. To the extent there is any conflict between the provisions of the Plan and an applicable Schedule, the provisions of the Schedule shall control. If a Qualifying Employee would be covered by both (i) Schedule A, B, C or D, and (ii) the Schedules dealing with special circumstances — Schedule E, F or G; then Schedule E, F or G, as applicable, shall be the only Schedule that applies to that Qualifying Employee, except to the extent that provisions of another Schedule are incorporated by reference in the special circumstance Schedules. If a Qualifying Employee is a part-time employee who is not benefits eligible as described in Schedule H, the only benefit payable under the Plan shall be Severance Continuation Pay for the duration specified in Schedule H.

Section 4.1 Computation of Severance Continuation Pay. A Qualifying Employee shall receive Severance Continuation Pay equal to two weeks of Base Pay for each Year of Service, subject to the minimum and maximum amounts of Severance Continuation Pay as set forth in the Schedule applicable to that Qualifying Employee.

Section 4.2 Medical, Dental and Vision Coverage. Unless otherwise provided in the applicable Schedule, if a Qualifying Employee is entitled to file, and does timely file, an election to continue any health benefits under a medical, dental and/or vision benefit program sponsored by McDonald's Corporation in accordance with the provisions of COBRA, McDonald's Corporation shall pay a portion of such COBRA Coverage, as specified in the next sentence, for the period the Qualifying Employee receives Severance Continuation Pay (or if Severance Continuation Pay is payable in a lump sum, for the period during which the Severance Continuation Pay would have been paid had it not been paid in a lump sum), out of the total period of eighteen months normally provided for by COBRA. The Qualifying Employee shall be required to pay a portion of the COBRA Coverage equal to what he or she would pay for such health benefits under the applicable program of McDonald's Corporation, if he or she had remained employed, and McDonald's Corporation shall pay the remainder of such COBRA Coverage. McDonald's payments, as applicable, shall be made to the entity funding the applicable plan coverage, and not to the Qualifying Employee. The Qualifying Employee must pay his or her share of such COBRA Coverage to McDonald's Corporation, or such entity, as directed by McDonald's Corporation, and may not have such cost withheld from the Severance Continuation Pay nor contributed to any cafeteria or flexible spending account. After the Severance Continuation Pay period ends, any further COBRA to which the Qualifying Employee may be entitled shall continue only if the Qualifying Employee pays the full cost thereof at the rate of 102% of both the employee and the employer premium costs under the applicable plans. McDonald's Corporation shall not pay any portion of the COBRA Coverage for more than twelve months, regardless of whether the Qualifying Employee or his or her eligible dependents have an additional qualifying event under COBRA. Notwithstanding the foregoing, if COBRA is no longer required to be provided to a Qualifying Employee under the federal laws governing COBRA, all payments for COBRA Coverage for that Qualifying Employee under this Plan will also end.

Section 4.3 Outplacement. McDonald's Corporation shall provide each Qualifying Employee with outplacement assistance only if and only to the extent set forth in the applicable Schedule. The Qualifying Employee must start the outplacement process within 60 days of the Termination Date. In no event shall any Qualifying Employee be entitled to receive cash or other benefits in lieu of such outplacement assistance.

Section 4.4 Stock Options and Restricted Stock Units. Any stock options granted to a Qualifying Employee under the McDonald's Corporation 1975 Stock Ownership Option Plan, the McDonald's Corporation 1992 Stock Ownership Incentive Plan and any stock options or restricted stock units granted under the McDonald's Corporation 2001 Omnibus Stock Ownership Plan that are outstanding immediately before the Termination Date shall be treated in accordance with the terms of the applicable option plan, the applicable prospectus for the restricted stock units and, if applicable, the stock option award agreement. Rounding rules adopted by the Compensation Committee of McDonald's Corporation shall apply in determining the time periods for exercising stock options and any proration of restricted stock units.

Section 4.5 Sabbatical. McDonald's Corporation shall make one sabbatical payment equal to eight weeks of Base Pay within 30 days after a Qualifying Employee's Release Date, in accordance with the applicable normal payroll practices, as follows: (a) if the Qualifying Employee was entitled to take a sabbatical leave immediately before his or her Termination Date; and (b) if the Qualifying Employee was eligible for McDonald's Corporation's sabbatical program and the Termination Date occurs on or after the ninth, nineteenth, twenty-ninth or thirty-ninth anniversary of the Qualifying Employee's Company Service Date but before the beginning of the year in which the tenth, twentieth, thirtieth or fortieth anniversary thereof occurs. In no event shall a Qualifying Employee receive more than one sabbatical payment or more than a total of eight weeks of Base Pay under this Section 4.5.

Section 4.6 Prorated TIP Bonuses. A Qualifying Employee who is TIP-Eligible shall also be entitled to receive Prorated TIP payment. The Prorated TIP payment shall be prorated based on a fraction, the numerator of which is the number of days from January 1 through the Termination Date in the calendar year and the denominator of which is 365 (or 366 in a leap year). In the case of a Qualifying Employee who has a Covered Termination other than a Change of Control Termination, Prorated TIP payments shall be based on the actual performance of McDonald's Corporation during the annual performance period and shall be subject to supervisory discretion for the individual performance factor. Prorated TIP payments to a Qualifying Employee who has a Covered Termination other than a Change of Control Termination will be made at the same time TIP payments are made to other employees, however, the Plan Administrator retains the discretion to make this payment earlier in special circumstances. In the case of a Qualifying Employee who has a Change of Control Termination, Prorated TIP Payments shall be based on the Qualifying Employee's target annual bonus under the TIP for the performance period and will be paid on the later of the Qualifying Employee's Termination Date or Release Date.

Section 4.7 Company Vehicle. A Qualifying Employee who has a company-provided vehicle may purchase it and, in certain cases, may receive a prorated cash reimbursement for recent upgrades related to such vehicle, as determined by McDonald's Fleet Management Department and the terms of the

McDonald’s Corporation Vehicle Program applicable to the Qualifying Employee. In no event, will the initial salary reduction of $1,200 paid by Home Office employees ($1,500 in the case of Officers) be refunded or repaid to the employee.

In order to exercise the right to purchase his or her company-provided vehicle, a Qualifying Employee must provide notice of such exercise and complete the purchase in accordance with the procedures determined by McDonald’s Fleet Management Department, but in no event may the purchase take place before his or her Release Date. If the Covered Employee’s Termination Date occurs before his or her Release Date, the Covered Employee must return his or her company-provided vehicle on his or her Termination Date, and the vehicle shall be returned to him or her when such purchase can be completed.

Section 4.8 Prorated CPUP Payment. A Qualifying Employee who is eligible to participate in CPUP may (if approved by both the Plan Administrator and the Compensation Committee of the Board of Directors of McDonald’s Corporation) receive a prorated CPUP payment in accordance with the provisions of the CPUP.

ARTICLE V

Payment of Severance Continuation Pay

Section 5.1 Form and Timing of Payments. Severance Continuation Pay shall be paid to a Qualifying Employee who has a Covered Termination other than a Change of Control Termination in accordance with the normal payroll practices that would have applied to him or her, had he or she continued in employment. Severance Continuation Pay shall be paid to a Qualifying Employee who has a change of Control Termination in a single lump sum on the later of the Termination Date or the Release Date. The Plan Administrator reserves the right to change the form or timing of any payment under this Plan as necessary to comply with Code Section 409A, including but not limited to the right to suspend, if necessary under Section 409A, any and all payments under the Plan for a six-month period for Officers who are “specified employees” within the meaning of Code Section 409A(a)(2)(B)(i) (generally the 50 highest-paid Officers of McDonald’s Corporation or any other entity that together with McDonald’s Corporation is treated as a single employer for purposes of Code Section 409A).

If a Qualifying Employee is entitled to receive severance compensation as a statutory or government-funded benefit under the laws of a foreign country, Severance Benefits under this Plan shall be payable only as the Plan Administrator determines in his or her discretion.

Section 5.2 Death of Qualifying Employee. In the event of a Qualifying Employee’s death before the Qualifying Employee receives all Severance Continuation Pay or other Cash Payments under the Plan, the Qualifying Employee’s remaining Cash Payments shall be paid in a lump sum to the beneficiary designated by the Qualifying Employee under the McDonald’s Corporation Profit Sharing and Savings Plan. If a deceased Qualifying Employee has failed to designate a specific beneficiary under the McDonald’s Corporation Profit Sharing and Savings Plan, or if the designated beneficiary predeceases the Qualifying Employee, payment of the Qualifying Employee’s Cash Payments shall be made to the Qualifying Employee’s spouse if the employee is married or otherwise to the Qualifying Employee’s estate. If a designated beneficiary dies before paying the Cash Payments, the Cash Payments shall be paid to the beneficiary’s estate.

ARTICLE VI

Requirement of Effective Release; Integration with Other Benefits

Section 6.1 Releases Generally. In addition to the requirements of Article III of the Plan, it shall be a condition of eligibility for Severance Benefits under the Plan that the Covered Employee shall have timely signed a release agreement within the period specified in the release agreement, and shall not have timely revoked or rescinded such agreement, in a form acceptable to the Plan Administrator that complies with applicable law and which is appropriate for the Covered Employee’s classification. The release may include a covenant not to compete with McDonald’s Corporation or its Subsidiaries. Until such time as a Covered Employee fails to sign such an agreement within the time permitted, or signs it but revokes or rescinds it, he or she shall be treated as a Qualifying Employee and his or her Severance Benefits shall be provided as scheduled. However, once a Covered Employee fails to sign such an agreement within the time permitted, or signs it but revokes or rescinds it, he or she shall cease to be considered a Qualifying Employee, and notwithstanding any other provision of this Plan, he or she shall cease to receive any further Severance Benefits.

Section 6.2 Benefit Programs Generally. Except as provided in Section 6.5 below, Severance Benefits under this Plan are in addition to all pay and other benefits normally payable to a Qualifying Employee as of his or her Termination Date according to the established applicable policies, plans, and procedures of McDonald's Corporation and its Subsidiaries (other than severance pay plans, programs and practices, which have been revoked and terminated for Covered Employees pursuant to Article I above). Without limiting the generality of the foregoing, each Qualifying Employee shall be paid for any accrued but unused vacation as of his or her Termination Date. If a Qualifying Employee's Termination Date occurs in a year when he or she is eligible for an extra week of vacation under the "Splash Program," the Qualifying Employee will be paid for any unused Splash vacation. In addition, any benefit continuation or conversion rights to which a Qualifying Employee is entitled as of his or her Termination Date shall be made available to him or her. On a Qualifying Employee's Termination Date, all benefit plans, policies, fringe benefits and pay practices in which the Qualifying Employee was participating shall cease to apply to the Qualifying Employee in accordance with the terms of such benefits plans, policies, procedures and practices that apply to any other employee terminating employment with McDonald's Corporation or its Subsidiaries, as applicable and in accordance with the requirements of any applicable law, unless such benefits are specifically continued as a Severance Benefit under this Plan. In addition, McDonald's Corporation will waive repayment by a Qualifying Employee of sabbatical, relocation and/or short-term disability benefits that otherwise would be required if the Qualifying Employee did not return to active employment under the terms of the applicable sabbatical, relocation or short-term disability program of McDonald's Corporation. Finally, McDonald's Corporation will continue to provide educational assistance for any class that the Qualifying Employee has begun to attend before his or her Termination Notice Date, provided that the Qualifying Employee complies with all requirements for such assistance and notifies the educational assistance service center of his or her Covered Termination within two weeks after his or her Termination Notice Date.

Section 6.3 Severance Not Compensation; Severance Period Not Service. Payments for sabbatical pursuant Section 4.5 and for vacation pursuant to Section 6.2 shall be Compensation for purposes of determining any benefits provided under McDonald's Corporation Profit Sharing and Savings Plan and the McDonald's Corporation Excess Benefit and Deferred Bonus Plan to the extent so provided in the applicable plan documents. Except as provided in the preceding sentence, Severance Benefits under this Plan shall not be construed as Compensation for purposes of determining any benefits provided under McDonald's Corporation Profit Sharing and Savings Plan, the McDonald's Corporation Excess Benefit and Deferred Bonus Plan, any long term incentive plan, or any other welfare benefit plan, deferred compensation arrangement, fringe benefit, practice or policy maintained by McDonald's Corporation or any of its Subsidiaries for its employees. The period of time during which Severance Benefits are being paid out or provided shall not count as credited service for any benefit program, payroll practice (such as entitlement to vacation or sabbatical) or for any other welfare benefit, profit sharing, savings, retirement or deferred compensation benefit or fringe benefit plan, practice or policy of McDonald's Corporation or any of its Subsidiaries.

Section 6.4 Increases in Compensation, Stock Option Grants and Restricted Stock Units. After a Covered Employee's Termination Notice Date, he or she shall not be entitled to any increases in compensation, including without limitation regularly scheduled merit increases in base pay or grants of stock options or restricted stock units.

Section 6.5 Limitations on Severance. To the extent that any federal, state or local law, including, without limitation, the Worker Adjustment and Retraining Notification Act and so-called "plant closing" laws, requires McDonald's Corporation or any of its Subsidiaries to give advance notice or make a payment of any kind to a Covered Employee because of that employee's involuntary termination due to layoff, reduction in force, plant or facility closing, sale of business, change of control, or any other similar event or reason, the Severance Continuation Pay provided under this Plan shall be reduced or eliminated, as the case may be, by the amount of wages, benefits, or voluntary and unconditional payments paid in lieu of notice. The Severance Benefits provided under this Plan (together with the wages, benefits, or other payments described in this Section that reduce or eliminate the Severance Continuation Pay) are intended to satisfy any and all statutory obligations that may arise out of a Covered Employee's Covered Termination.

Section 6.6 Return of Property and Repayment of Loans/Advances. All property of McDonald's Corporation and its Subsidiaries (including without limitation automobiles (unless previously purchased in accordance with the applicable Schedule), keys, credit cards, documents and records, identification cards, equipment, phones, computers, etc.) must be returned by a Covered Employee in order for Severance Benefits to commence under the Plan.

All outstanding loans or advances from, or guaranteed by, McDonald's Corporation or any of its Subsidiaries made to the Covered Employee must be repaid in full in order for Severance Benefits to commence under the Plan.

To the extent permitted by applicable law, McDonald's Corporation reserves the right to suspend a Covered Employee's Severance Continuation Pay or Prorated TIP until the Covered Employee pays any money that he or she owes McDonald's Corporation or any of its Subsidiaries as a result of personal or unauthorized use of company credit card or phone cards, personal or unauthorized use of cellular/paging services, or for loans or advances made to the Covered Employee which remain unpaid.

ARTICLE VII

Discontinuance of Benefits Upon Re-Employment or For Cause

Section 7.1 Discontinuance upon Re-Employment. If a Qualifying Employee is re-employed by McDonald's Corporation or any Subsidiary before all of the Qualifying Employee's Severance Benefits under this Plan have been paid or provided, and Schedule G is not applicable to the Qualifying Employee, then the Qualifying Employee shall cease to be entitled to any remaining unpaid Severance Benefits under this Plan, unless the Plan Administrator, on behalf of McDonald's Corporation, agrees otherwise in writing.

Section 7.2 Discontinuance for Cause. Notwithstanding any other provision of the Plan, if McDonald's Corporation determines at any time that a Qualifying Employee committed any act or omission that would constitute Cause while he or she was employed by McDonald's Corporation or any of its Subsidiaries, McDonald's Corporation may (i) cease payment of any benefit otherwise payable to a Qualifying Employee under the Plan and (ii) require the Qualifying Employee to repay any and all Severance Continuation Pay, sabbatical pay and Prorated TIP previously paid to such Qualifying Employee under the terms of this Plan. McDonald's Corporation shall have the right to seek enforcement of its rights under clause (ii) above in any court of competent jurisdiction.

ARTICLE VIII

Plan Administration

McDonald's Corporation may appoint one or more individuals to serve as Plan Administrator for the Plan. In the absence of such an appointment, the Plan Administrator shall be the Corporate Executive Vice President—Human Resources for McDonald's Corporation. The Plan Administrator shall have the discretionary authority to determine eligibility for Severance Benefits under the Plan and to construe the terms of the Plan, including the making of factual determinations. Benefits under the Plan shall be paid only if the Plan Administrator decides in his or her discretion that the Claimant is entitled to such benefits. The decisions of the Plan Administrator shall be final and conclusive with respect to all questions concerning administration of the Plan. The Plan Administrator may delegate to other persons responsibilities for performing certain of the duties of the Plan Administrator under the terms of the Plan and may seek such expert advice as the Plan Administrator deems reasonably necessary with respect to the Plan. The Plan Administrator shall be entitled to rely upon the information and advice furnished by such delegates and experts, unless the Plan Administrator has actual knowledge that such information and advice is inaccurate or unlawful. Notwithstanding the foregoing, the Compensation Committee of the Board of Directors of McDonald's Corporation shall have the final authority with respect to all Severance Benefits under the Plan for executive Officers subject to Section 16 of the Securities Exchange Act of 1934.

ARTICLE IX

Claims Procedure

Section 9.1 Filing a Claim. Any individual who believes he or she is eligible for Severance Benefits under this Plan that have not been provided may submit his or her application for Severance Benefits to the Plan Administrator (or to such other person who may be designated by the Plan Administrator), in writing in such form as is provided or approved by the Plan Administrator. A Claimant shall have no right to seek review of a denial of Severance Benefits, or to bring any action in any court to enforce a Claim, prior to filing a Claim and exhausting rights under this Article IX.

When a Claim has been filed properly, it shall be evaluated and the Claimant shall be notified of the approval or the denial of the Claim within ninety (90) days after the receipt of such Claim unless special circumstances require an extension of time for processing the Claim. If such an extension of time for processing is required, written notice of the extension shall be furnished to the Claimant prior to the termination of the initial ninety (90) day period, which notice shall specify the special circumstances requiring an extension and the date by which a final decision will be reached (which date shall not be later than one hundred and eighty (180) days after the date on which the Claim was filed). A Claimant shall be given a written notice in which the Claimant shall be advised as to whether the Claim is granted or denied, in whole or in part. If a Claim is denied, in whole or in part, the notice shall contain (a) the specific reasons for the denial, (b) references to pertinent Plan provisions upon which the denial is based, (c) a description of any additional material or information necessary to perfect the Claim and an explanation of why such material or information is necessary, and (d) the Claimant's right to seek review of the denial.

Section 9.2 Review of Claim Denial. If a Claim is denied, in whole or in part, the Claimant shall have the right to (a) request that the Plan Administrator review the denial, (b) review pertinent documents, and (c) submit issues and comments in writing, provided that the Claimant files a written request for review with the Plan Administrator within sixty (60) days after the date on which the Claimant received written notification of the denial. Within sixty (60) days after a request for review is received, the review shall be made and the Claimant shall be advised in writing of the decision on review, unless special circumstances require an extension of time for processing the review, in which case the Claimant shall be given a written notification within such initial sixty (60) day period specifying the reasons for the extension and when such review shall be completed (provided that such review shall be completed within one hundred and twenty (120) days after the date on which the request for review was filed). The decision on review by the Plan Administrator shall be forwarded to the Claimant in writing and shall include specific reasons for the decision and reference to Plan provisions upon which the decision is based. A decision on review shall be final and binding on all persons for all purposes.

ARTICLE X

Amendment and Termination

McDonald's Corporation reserves the right to amend the Plan from time to time or to terminate the Plan; provided, however, that (i) no material adverse amendment or termination shall be effective with respect to any person who has a Covered Termination during the Post-Change of Control Period, and (ii) no such amendment or termination shall reduce the amount of Severance Benefits payable to any Qualifying Employee whose Termination Date has already occurred, who has signed and not revoked or rescinded the agreement required by Section 6.1, and who has completed all other applicable paperwork on or before the effective date of such amendment or termination. Notwithstanding the foregoing, the Corporate Executive Vice President - Human Resources and the Corporate Executive Vice President, General Counsel and Secretary of McDonald's Corporation may amend or modify the terms of the Plan hereunder (i) to the extent necessary or advisable to comply with or obtain the benefits or advantages under the provisions of applicable law, regulations or rulings or requirements of the Internal Revenue Service or other governmental agency or of changes in such law, regulations, ruling or requirements (including, without limitation, any amendment to delay or otherwise change the timing of any payment under this Plan as necessary to comply with Section 409A of the Code) or (ii) to adopt any other procedural or cosmetic amendment that does not materially change the benefits to Qualifying Employees or materially increase the cost of the benefits provided hereunder.

ARTICLE XI

Miscellaneous

Section 11.1 Qualifying Employee Information. Each Qualifying Employee shall notify the Plan Administrator of his or her mailing address and each change of mailing address. In addition, each Qualifying Employee shall be required to furnish the Plan Administrator with any other information and data that McDonald's Corporation or the Plan Administrator considers necessary for the proper administration of the Plan. The information provided by the Qualifying Employee under this provision shall be binding upon the Qualifying Employee, his or her dependents and any beneficiary for all purposes of the Plan, and McDonald's Corporation and the Plan Administrator shall be entitled to rely on any representations regarding personal facts made by a Qualifying Employee, his or her dependents or beneficiary, unless such representations are known to be false. The receipt of Severance Benefits under the Plan by each Qualifying Employee is conditioned upon the Qualifying Employee furnishing full, true and complete data, evidence or other information and the Qualifying Employee's timely signature of any document related to the Plan, requested by McDonald's Corporation or the Plan Administrator.

Section 11.2 Successors and Assigns. The obligations of McDonald's Corporation under the Plan shall be assumed by its successors and assigns.

Section 11.3 Employment Rights. The existence of the Plan shall not confer any legal or other rights upon any employee to continuation of employment. McDonald's Corporation and its Subsidiaries reserve the right to terminate any employee with or without cause at any time, notwithstanding the provisions of this Plan.

Section 11.4 Controlling Law. The provisions of this Plan shall be governed, construed and administered in accordance with ERISA. To the extent that ERISA does not apply, the laws of the State of Illinois shall be controlling, other than Illinois law concerning conflicts of law.

Section 11.5 Notices. Any notice, request, election or other communication under this Plan shall be in writing and shall be considered given when delivered personally or mailed by first class mail properly addressed (which, in the case of a Qualifying Employee, shall include mailing to the last address provided to the Plan Administrator by such Qualifying Employee). Notice to McDonald's Corporation or the Plan Administrator by fax shall be acceptable notice if faxed to the number designated by McDonald's Corporation or the Plan Administrator, as applicable, for receipt of notices under this Plan.

Section 11.6 Interests Not Transferable. Except as provided in Section 6.6 above, the interest of persons entitled to Severance Benefits under the Plan are not subject to their debts or other obligations and, except as provided in Sections 5.2 and 11.2 above and Section 11.12 below, as required by federal or state garnishment orders issued to the Plan or McDonald's Corporation or any of its Subsidiaries, or as may be required by ERISA, may not be voluntarily or involuntarily sold, transferred, alienated, assigned or encumbered.

Section 11.7 Mistake of Fact or Law. Any mistake of fact or misstatement of fact shall be corrected when it becomes known and proper adjustment made by reason thereof. A Qualifying Employee shall be required to return any Cash Payment, or portion thereof, made by mistake of fact or law to McDonald's Corporation or the Subsidiary that made such payment, as applicable.

Section 11.8 Representations Contrary to the Plan. No employee, Officer, or director of McDonald's Corporation or any of its Subsidiaries has the authority to alter, vary or modify the terms of the Plan or the Severance Benefits available to any Qualifying Employee except by means of an authorized written amendment to the Plan. No verbal or written representations contrary to the terms of the Plan and any written amendment shall be binding upon the Plan, the Plan Administrator, McDonald's Corporation or any of its Subsidiaries.

Section 11.9 Plan Funding. No Qualifying Employee or beneficiary thereof shall acquire by reason of the Plan any right in or title to any assets, funds, or property of McDonald's Corporation or any of its Subsidiaries. Any Severance Benefits that become payable under the Plan are unfunded obligations of McDonald's Corporation or the applicable Subsidiary, and shall be paid from the general assets of McDonald's Corporation or such Subsidiary, as applicable. No employee, Officer, director or agent of McDonald's Corporation or any of its Subsidiaries guarantees in any manner the payment of Severance Benefits.

Section 11.10 Headings. The headings in this Plan are for convenience of reference and shall not be given substantive effect.

Section 11.11 Severability. If any provision of this Plan is held illegal or invalid for any reason, the other provisions of this Plan shall not be affected.

Section 11.12 Withholding. Notwithstanding any other provision of this Plan, McDonald's Corporation may withhold from any and all Severance Benefits such United States federal, state or local or foreign taxes as may be required to be withheld pursuant to any applicable law or regulation.

Section 11.13 Indemnification. Any individual serving as Plan Administrator without compensation, and each and every individual who is an employee of McDonald's Corporation or any of its Subsidiaries to whom are delegated duties, responsibilities and authority with respect to the Plan, shall be indemnified to the fullest extent permitted by applicable law and the McDonald's Corporation By-laws.

Dated: April 25, 2006

McDONALD'S CORPORATION

/s/ Richard Floersch

Richard Floersch
Corporate Executive Vice President – Human Resources

Appendix I

McDonald's Corporation Severance Plan

Schedule A:

Severance Benefits for
Qualifying Employees who are Officers

This Schedule sets forth the Severance Benefits under the Plan for those Qualifying Employees who are employed as Officers of McDonald's Corporation and who are full-time employees or benefits-eligible part-time employees before their Termination Dates. Certain Officers may be subject to payment restrictions during the first six months following their Termination Date under Section 5.1 of the Plan in order to comply with Internal Revenue Code Section 409A.

Severance Continuation Pay: Each Qualifying Employee shall receive Severance Continuation Pay equal to 2 (two) weeks of Base Pay for each Year of Service; provided that the minimum amount of Severance Continuation Pay shall be 26 (twenty-six) weeks of Base Pay and the maximum shall be 52 (fifty-two) weeks of Base Pay.

Medical/Dental Coverage: McDonald's Corporation shall make the payments for COBRA Coverage provided for in Section 4.2 of the Plan and such payments by McDonald's Corporation shall end at the same time as the payments of Severance Continuation Pay (or if Severance Continuation Pay is payable in a lump sum, when such Severance Continuation Pay would have ended had it not been paid in a lump sum), as described above.

Outplacement: Each Qualifying Employee covered by this Schedule shall receive outplacement assistance under a senior executive program, at the expense of McDonald's Corporation, for a period of not more than 12 months, beginning not later than 60 days after the Qualifying Employee's Termination Date.

Prorated TIP: Each Qualifying Employee who is TIP-Eligible may receive a Prorated TIP, if any, computed in accordance with Section 4.6 of the Plan.

Company Vehicle: Section 4.7 of the Plan shall apply to each Qualifying Employee who has a company-provided vehicle.

Other Severance Benefits: A Qualifying Employee shall also receive, if otherwise eligible, the Severance Benefits provided for in Section 4.4 (equity awards) and Section 4.5 (sabbatical).

McDonald's Corporation Severance Plan

Schedule B:

Severance Benefits for
Qualifying Employees in the Direction and Senior Direction Compensation Bands

This Schedule sets forth the Severance Benefits under the Plan for those Qualifying Employees who are in the Direction or Senior Direction Compensation Band of McDonald's Corporation and who are full-time employees or benefits-eligible part-time employees before their Termination Dates.

Severance Continuation Pay: Each Qualifying Employee covered by this Schedule shall receive Severance Continuation Pay equal to 2 (two) weeks of Base Pay for each Year of Service; provided that the minimum amount of Severance Continuation Pay shall be 16 (sixteen) weeks of Base Pay and the maximum shall be 38 (thirty-eight) weeks of Base Pay.

Medical/Dental Coverage: McDonald's Corporation shall make the payments for COBRA Coverage provided for in Section 4.2 of the Plan and such payments by McDonald's Corporation shall end at the same time as the payments of Severance Continuation Pay (or if Severance Continuation Pay is payable in a lump sum, when such Severance Continuation Pay would have ended had it not been paid in a lump sum), as described above.

Outplacement: Each Qualifying Employee covered by this Schedule B shall receive outplacement assistance under an executive program, at the expense of McDonald's Corporation, for a period of not more than six months, beginning not later than 60 days after the Qualifying Employee's Termination Date.

Prorated TIP: Each Qualifying Employee who is TIP-Eligible may receive a Prorated TIP, if any, computed in accordance with Section 4.6 of the Plan.

Company Vehicle: Section 4.7 of the Plan shall apply to each Qualifying Employee who has a company-provided vehicle.

Other Severance Benefits: A Qualifying Employee shall also receive, if otherwise eligible, the Severance Benefits provided for in Section 4.4 (equity awards) and Section 4.5 (sabbatical).

McDonald's Corporation Severance Plan

Schedule C:

Severance Benefits for Qualifying Employees in the Specialist, Supervisory/Consulting or Management/Advisory Bands

This Schedule sets forth the Severance Benefits under the Plan for those Qualifying Employees who are in the Specialist, Supervisory/Consulting or Management/Advisory Bands but who are not Officers or directors of McDonald's Corporation or directors of its Subsidiaries, and who are full-time employees or benefits-eligible part-time employees before their Termination Dates.

Severance Continuation Pay: Each Qualifying Employee covered by this Schedule shall receive Severance Continuation Pay equal to 2 (two) weeks of Base Pay for each Year of Service; provided that the minimum amount of Severance Continuation Pay shall be 12 (twelve) weeks of Base Pay and the maximum shall be 26 (twenty-six) weeks of Base Pay.

Medical/Dental Coverage: McDonald's Corporation shall make the payments for COBRA Coverage provided for in Section 4.2 of the Plan and such payments by McDonald's Corporation shall end at the same time as the payments of Severance Continuation Pay (or if Severance Continuation Pay is payable in a lump sum, when such Severance Continuation Pay would have ended had it not been paid in a lump sum), as described above.

Outplacement: Each Qualifying Employee covered by this Schedule C shall receive outplacement assistance, at the expense of McDonald's Corporation, for a period of not more than six months, beginning not later than 60 days after the Qualifying Employee's Termination Date.

Prorated TIP: Each Qualifying Employee who is TIP-Eligible may receive a Prorated TIP, if any, computed in accordance with Section 4.6 of the Plan.

Company Vehicle: Section 4.7 of the Plan shall apply to each Qualifying Employee who has a company-provided vehicle.

Other Severance Benefits: A Qualifying Employee shall also receive, if otherwise eligible, the Severance Benefits provided for in Section 4.4 (equity awards) and Section 4.5 (sabbatical).

McDonald's Corporation Severance Plan

Schedule D:

Severance Benefits for
Qualifying Employees in the Associate or Coordination Compensation Bands

This Schedule sets forth the Severance Benefits under the Plan for those Qualifying Employees who are employees in the Associate or Coordination Compensation Bands, and who are full-time employees or benefits-eligible part-time employees before their Termination Dates.

Severance Continuation Pay: Each Qualifying Employee in the Associate or Coordination Band shall receive Severance Continuation Pay equal to 2 (two) weeks of Base Pay for each Year of Service; provided that the minimum amount of Severance Continuation Pay shall be 8 (eight) weeks of Base Pay and the maximum shall be 20 (twenty) weeks of Base Pay.

Medical/Dental Coverage: McDonald's Corporation shall make the payments for COBRA Coverage provided for in Section 4.2 of the Plan and such payments by McDonald's Corporation shall end at the same time as the payments of Severance Continuation Pay (or if Severance Continuation Pay is payable in a lump sum, when such Severance Continuation Pay would have ended had it not been paid in a lump sum), as described above.

Outplacement: Each Qualifying Employee covered by this schedule shall receive three months outplacement assistance, beginning not later than 60 days after the Qualifying Employee's Termination Date.

Prorated TIP: Each Qualifying Employee who is TIP-Eligible may receive a Prorated TIP, if any, computed in accordance with Section 4.6 of the Plan.

Other Severance Benefits: A Qualifying Employee shall also receive, if otherwise eligible, the Severance Benefits provided for in Section 4.4 (equity awards) and Section 4.5 (sabbatical).

McDonald's Corporation Severance Plan

Schedule E:

<u>Severance Benefits for</u>
<u>Qualifying Employees becoming Restaurant Operators</u>

This Schedule sets forth the Severance Benefits under the Plan for those Qualifying Employees who are full-time employees or benefits-eligible part-time employees before their Termination Dates and who become restaurant operators (either as owner/operators or in a joint venture with McDonald's Corporation).

Severance Continuation Pay: A Qualifying Employee who is covered by this Schedule E shall receive Severance Continuation Pay paid at the rate of his or her Base Pay, during the period from his or her Termination Date until such time as the Qualifying Employee begins operation of a restaurant franchised by McDonald's Corporation or one of its Subsidiaries, or if shorter, for 16 (sixteen) weeks after the Termination Date. This period is subject to extension by up to 8 (eight) additional weeks, in the sole discretion of the Plan Administrator, if a delay solely on the part of McDonald's Corporation or the applicable Subsidiary makes it impossible for the Qualifying Employee to begin such operation within 16 (sixteen) weeks after his or her Termination Date.

Medical/Dental Coverage: McDonald's Corporation shall make the payments for COBRA Coverage provided for in Section 4.2 of the Plan in accordance with Section 4.2, and such payments by McDonald's Corporation shall end at the same time as the payments of Severance Continuation Pay (or if Severance Continuation Pay is payable in a lump sum, when such Severance Continuation Pay would have ended had it not been paid in a lump sum), as described above.

Prorated TIP: A Qualifying Employee who is TIP-Eligible may receive a Prorated TIP, if any, computed in accordance with Section 4.6 of the Plan.

Company Vehicle: Section 4.7 of the Plan shall apply to each Qualifying Employee who has a company-provided vehicle.

Other Severance Benefits: A Qualifying Employee who is covered by this Schedule E shall also receive, if otherwise eligible, the Severance Benefits provided for in Sections 4.4 (equity awards) and 4.5 (sabbatical) of the Plan, but shall not receive the Severance Benefits provided for in Section 4.3 (outplacement) of the Plan.

McDonald's Corporation Severance Plan

Schedule F:

<u>Severance Benefits for</u>
<u>Qualifying Outsourced Employees</u>

This Schedule sets forth the Severance Benefits under the Plan for each Qualifying Employee (1) who is a full-time employee or a benefits-eligible part-time employee before his or her Termination Date, (2) whose Covered Termination occurs as a result of the elimination of his or her job because the functional area is outsourced, and (3) who is offered employment with the entity that will be providing services on an outsourced basis to McDonald's Corporation in a position with a level of responsibility comparable to his or her job that was eliminated (as determined by the Plan Administrator in its sole discretion), a rate of base pay not less than 80% of his or her rate of base pay immediately before the Termination Date, and located not more than 25 miles from the location of his or her eliminated job, regardless of whether the Qualifying Employee accepts or rejects such offer (referred to as a "Qualifying Outsourced Employee").

Severance Continuation Pay: A Qualifying Outsourced Employee shall be entitled to receive Severance Continuation Pay equal to 4 (four) weeks of Base Pay.

Medical/Dental Coverage: McDonald's Corporation shall make the payments for COBRA Coverage provided for in Section 4.2 of the Plan and such payments by McDonald's Corporation shall end at the same time as the payments of Severance Continuation Pay (or if Severance Continuation Pay is payable in a lump sum, when such Severance Continuation Pay would have ended had it not been paid in a lump sum), as described above.

Prorated TIP: A Qualifying Outsourced Employee who is TIP-Eligible may receive a Prorated TIP, if any, computed in accordance with Section 4.6 of the Plan.

Company Vehicle: Section 4.7 of the Plan shall apply to each Qualifying Outsourced Employee who has a company-provided vehicle.

Other Severance Benefits: A Qualifying Outsourced Employee shall also receive, if otherwise eligible, the Severance Benefits provided for in Section 4.4 (equity awards) and Section 4.5 (sabbatical), but shall not receive the Severance Benefits provided for in Section 4.3 (outplacement) of the Plan.

McDonald’s Corporation Severance Plan

Schedule G:

Severance Benefits for
Certain Rehired Qualifying Employees

This Schedule sets forth the Severance Benefits under the Plan for each Qualifying Employee who is a full-time employee or a benefits-eligible part-time employee before his or her Termination Date, and who commences work with McDonald’s Corporation or any Subsidiary of McDonald’s within four weeks after his or her Termination Date.

Severance Benefits: A rehired Qualifying Employee shall cease, upon commencing work with the applicable Subsidiary, to be entitled to receive any Severance Benefits, other than (1) the Severance Continuation Pay and other Severance Benefits that he or she has previously received and (2) the Severance Benefits provided for under Sections 4.5 (Sabbatical) and 4.6 (Prorated TIP) if he or she is otherwise eligible for these benefits.

Medical/Dental Coverage: McDonald’s Corporation’s payments for COBRA Coverage provided for in Section 4.2 of the Plan shall end upon the Qualifying Employee’s reemployment.

Company Vehicle: A rehired Qualifying Employee may keep any company-provided vehicle that he or she purchased or was in the process of purchasing under Section 4.7 of the Plan.

Equity Awards: A rehired Qualifying Employee shall be treated as a new employee for stock option and restricted stock unit purposes.

McDonald's Corporation Severance Plan

Schedule H:

Severance Benefits for Certain Part-Time Employees

This Schedule sets forth the Severance Benefits under the Plan for each Qualifying Employee who is a part-time employee who is not benefits-eligible before his or her Termination Date.

A Qualifying Employee who is a part-time employee and who is not benefits eligible, shall receive Severance Continuation Pay in accordance with his or her compensation band as set forth in the chart below, as applicable, but shall not receive any other Severance Benefits under the Plan.

Component	**Parameters**			
Severance Pay	**Band**	**Weeks/Years of Service**	**Minimum**	**Maximum**
	Associate and Coordination	2 weeks	8 weeks	20 weeks
	Specialist, Supv/Consulting & Mgmt/Advisory	2 weeks	12 weeks	26 weeks
	Direction and Sr Direction	2 weeks	16 weeks	38 weeks
	Leadership and above	2 weeks	26 weeks	52 weeks

Exhibit 12

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

	Three Months Ended March 31, 2006	Three Months Ended March 31, 2005	Years Ended December 31, 2005	2004	2003	2002	2001
Earnings available for fixed charges							
- Income before provision for income taxes and cumulative effect of accounting changes	$ 905.8	$ 830.2	$3,701.6	$3,202.4 [(1)]	$2,346.4 [(2)]	$1,662.1 [(3)]	$2,329.7 [(4)]
- Minority interest expense (income) 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	3.7	(2.5)	3.1	5.4	18.1	6.6	(15.4)
- Income tax provision (benefit) of 50% owned affiliates included in consolidated income before provision for income taxes	1.3	4.9	(3.5)	13.1	(28.6)	(9.5)	51.0
- Portion of rent charges (after reduction for rental income from subleased properties) considered to be representative of interest factors*	87.8	86.3	338.8	310.2	289.6	266.7	252.5
- Interest expense, amortization of debt discount and issuance costs, and depreciation of capitalized interest*	126.7	98.8	392.2	394.2	427.3	419.7	510.3
	$1,125.3	$1,017.7	$4,432.2	$ 3,925.3	$ 3,052.8	$ 2,345.6	$ 3,128.1
Fixed charges							
- Portion of rent charges (after reduction for rental income from subleased properties) considered to be representative of interest factors*	$ 87.8	$ 86.3	$ 338.8	$ 310.2	$ 289.6	$ 266.7	$ 252.5
- Interest expense, amortization of debt discount and issuance costs, and fixed charges related to redeemable preferred stock*	107.7	94.1	373.4	375.6	408.9	401.7	492.9
- Capitalized interest*	1.2	1.0	5.0	4.1	7.9	14.4	15.4
	$ 196.7	$ 181.4	$ 717.2	$ 689.9	$ 706.4	$ 682.8	$ 760.8
Ratio of earnings to fixed charges	5.72	5.61	6.18	5.69	4.32	3.44	4.11

* 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 $241.1 million consisting of $130.5 million related to asset/goodwill impairment and $159.9 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.

(2) Includes pretax charges of $407.6 million primarily related to the disposition of certain non-McDonald's brands and asset/goodwill impairment.

(3) 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.

(4) Includes net pretax expense of $252.9 million consisting of charges primarily related to the U.S. business reorganization and other global change initiatives and restaurant closings/asset impairment, partly offset by a gain on the initial public offering of McDonald's Japan.

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: May 9, 2006

/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: May 9, 2006

/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 ended March 31, 2006 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: May 9, 2006

/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 ended March 31, 2006 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: May 9, 2006

/s/ Matthew H. Paull

Matthew H. Paull
Corporate Senior Executive Vice President and
Chief Financial Officer