

BASE PROSPECTUS

McDonald's Corporation

(Incorporated in the State of Delaware, United States of America)

as Issuer

U.S.\$9,000,000,000

PROGRAM FOR THE ISSUANCE OF EURO MEDIUM-TERM NOTES

Application has been made to the Luxembourg Stock Exchange for Notes (the "Notes") issued under the Program for the Issuance of Euro Medium-Term Notes (the "Program") described in this Base Prospectus (the "Base Prospectus") to be admitted to trading on the Luxembourg Stock Exchange's regulated market and to be listed on the Official List of the Luxembourg Stock Exchange. However, Notes may also be issued under the Program which are not listed on any exchange. Further, Notes that are initially listed on an exchange may subsequently be de-listed, as described in the section "European Union Transparency Directive," contained herein. This Base Prospectus will be updated on an annual basis. Notes have not been and will not be registered under the U.S. Securities Act of 1933, as amended (the "Securities Act"). Notes may not be offered, sold or delivered within the United States of America (the "United States" or the "U.S.") or to, or for the account or benefit of, U.S. persons (as such terms are defined in Regulation S under the Securities Act), unless the Notes are registered under the Securities Act or an exemption therefrom is available. The Issuer is authorized to borrow up to U.S.\$9,000,000,000, or the equivalent thereof in foreign currencies, by means of incurring any form of indebtedness, including by issuing Notes under the Program.

An investment in Notes issued under the Program involves certain risks. For a discussion of these risks, see the "Risk Factors" section contained in this Base Prospectus.

Arranger for the Program

MORGAN STANLEY

Dealers

ABN AMRO

BARCLAYS CAPITAL

CITI

FORTIS BANK

HSBC

JPMORGAN

MIZUHO INTERNATIONAL PLC

RABOBANK INTERNATIONAL

SOCIETE GENERALE CORPORATE &
INVESTMENT BANKING

UNICREDIT (HVB)

WESTLB AG

BANC OF AMERICA SECURITIES LIMITED

BNP PARIBAS

CREDIT SUISSE

GOLDMAN SACHS INTERNATIONAL

ING WHOLESALE BANKING

MERRILL LYNCH INTERNATIONAL

MORGAN STANLEY

SCOTIA CAPITAL INC.

STANDARD CHARTERED BANK

WACHOVIA SECURITIES

December 14, 2007

McDonald's Corporation (the "Issuer", the "Company" and the "Responsible Person") accepts responsibility for the information contained in this Base Prospectus. To the best of the knowledge and belief of the Issuer (having taken all reasonable care to ensure that such is the case), the information contained in this Base Prospectus is in accordance with the facts and does not omit anything likely to affect the import of such information.

The Issuer confirms that such information as may be contained herein has been accurately reproduced and that, so far as the Issuer is aware, and is able to ascertain from information published by the Issuer, no facts have been omitted which would render the reproduced information inaccurate or misleading.

Subject as provided in the applicable Final Terms, the only persons authorized to use this Base Prospectus (and, therefore, acting in association with the Issuer) in connection with an offer of Notes are the persons named in the applicable Final Terms as the relevant Dealer or Dealers.

The Issuer may agree with any Dealer that Notes may be issued in a form not contemplated by the Final Terms (as defined herein) of the Notes herein, in which event a prospectus supplement or further Base Prospectus, if appropriate, will be made available that will describe the effect of agreement reached in relation to such Notes.

This Base Prospectus should be read and construed with any supplement thereto and with any other documents incorporated by reference and, in relation to any Series (as defined herein) of Notes, should be read and construed together with the relevant Final Terms. This Base Prospectus will be updated on an annual basis.

No person has been authorized by the Issuer to give any information or to make any representation that is not contained in, or is otherwise inconsistent with, this Base Prospectus or any other document entered into in relation to the Program or any information supplied by the Issuer or such other information as is in the public domain and, if given or made, such information or representation should not be relied upon as having been authorized by the Issuer or any Dealer.

See "Risk Factors" beginning on page 13 for a discussion of certain factors to be considered in connection with an investment in the Notes.

This Base Prospectus, together with any prospectus supplement, is a "base prospectus" for the purposes of the Prospectus Directive (Directive 2003/71/EC) (the "**Prospectus Directive**") and its implementing rules and regulations. The distribution of this Base Prospectus and any Final Terms and the offering, sale and delivery of the Notes in certain jurisdictions, including in the United States and the United Kingdom, may be restricted by law. Persons into whose possession this Base Prospectus or any Final Terms come are required by the Issuer and the Dealers to inform themselves about and to observe any such restrictions. For a description of certain restrictions on offers, sales and deliveries of Notes and on the distribution of this Base Prospectus or any Final Terms and other offering material relating to the Notes, see the section "Subscription and Sale" contained herein. In particular, the Notes have not been and will not be registered under the Securities Act, and may include Notes in bearer form that are subject to U.S. tax law requirements. Notes may not be offered, sold or delivered within the United States or to, or for the account or benefit of, U.S. persons (as such terms are defined in Regulation S under the Securities Act), unless the Notes are registered under the Securities Act or an exemption therefrom is available. **Neither this Base Prospectus nor any Final Terms may be used for the purpose of an offer or solicitation by anyone in any jurisdiction in which such offer or solicitation is not authorized or to any person to whom it is unlawful to make such an offer or solicitation.**

To the extent that the offer of any Notes is made in any European Economic Area ("EEA") Member State that has implemented the Prospectus Directive before the date of publication of a valid prospectus in relation to such Notes which has been approved by the competent authority in that Member State in accordance with the Prospectus Directive (or, where appropriate, published in accordance with the Prospectus Directive and notified to the competent authority in that Member State in accordance with the Prospectus Directive), the offer is only addressed to qualified investors in that Member State within the meaning of the Prospectus Directive or has been or will be made otherwise in circumstances that do not require the Issuer to publish a prospectus pursuant to the Prospectus Directive.

Application has been made to the Luxembourg Stock Exchange for Notes to be admitted to trading on the Luxembourg Stock Exchange's regulated market and to be listed on the Official List of the Luxembourg Stock

Exchange. The Luxembourg Stock Exchange's regulated market is a regulated market for purposes of the Markets in Financial Instruments Directive (Directive 2004/39/EC). Notes to be issued under the Program may be admitted to listing and trading and/or quotation on other or further stock exchanges. The Issuer may elect to issue Notes under the Program that will not be listed on any stock exchange.

Neither this Base Prospectus nor any Final Terms constitutes an offer or an invitation to subscribe for or purchase any Notes and should not be considered as a recommendation by the Issuer or any Dealer that any recipient of the Base Prospectus or any Final Terms should subscribe for or purchase any Notes. Each recipient of the Base Prospectus or any Final Terms shall be deemed to have made its own investigation and appraisal of the condition (financial or otherwise) of the Issuer.

The Dealers have not separately verified the information contained in this Base Prospectus. No representation or warranty is made or implied by the Dealers or any of their respective affiliates, and neither the Dealers nor any of their respective affiliates make any representation or warranty or accept any responsibility, as to the accuracy or completeness of the information relating to the Issuer contained in this Base Prospectus.

Neither the delivery of this Base Prospectus or any Final Terms nor the offering, sale or delivery of any Note shall, in any circumstances, create any implication that the information contained in this Base Prospectus is true subsequent to the date thereof or the date upon which this Base Prospectus has been most recently amended or supplemented or that there has been no material adverse change in the financial situation of the Issuer since the date thereof or, as the case may be, the date upon which this Base Prospectus has been most recently amended or supplemented or the balance sheet date of the most recent financial statements which are deemed to be incorporated into this Base Prospectus by reference, or that any other information supplied in connection with the Program is correct at any time subsequent to the date on which it is supplied or, if different, the date indicated in the document containing the same.

All references in this Base Prospectus to "U.S. dollars", "U.S.\$" or "\$" are to the lawful currency of the United States, all references to "£" or "pounds sterling" are to the lawful currency of the United Kingdom, all references to "A\$" or "Australian dollars" are to the lawful currency of the Commonwealth of Australia and all references to "euro" and "€" are to the common currency introduced at the start of the third stage of European Economic and Monetary Union pursuant to the Treaty establishing the European Community, as amended.

In connection with the issue of any Tranche (as defined herein) of Notes, the Dealer or Dealers (if any) named as the Stabilizing Manager(s) (or persons acting on behalf of any Stabilizing Manager(s)) in the applicable Final Terms may over-allot Notes or effect transactions with a view to supporting the market price of the Notes at a level higher than that which might otherwise prevail. However, there is no assurance that the Stabilizing Manager(s) (or persons acting on behalf of any Stabilizing Manager(s)) will undertake stabilization action. Any stabilization action may begin on or after the date on which adequate public disclosure of the terms of the offer of the relevant Tranche of Notes is made and, if begun, may be ended at any time, but it must end no later than the earlier of 30 days after the issue date of the relevant Tranche of Notes and 60 days after the date of the allotment of the relevant Tranche of Notes. Any stabilization action or over-allotment must be conducted by the relevant Stabilizing Manager(s) (or persons acting on behalf of any Stabilizing Manager(s)) in accordance with all applicable laws and rules.

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SUMMARY

This summary must be read as an introduction to this Base Prospectus and any decision to invest in the Notes should be based on a consideration of the Base Prospectus as a whole, including any supplement hereto, any documents incorporated by reference, and, in relation to any Notes, the relevant Final Terms and, to the extent applicable, the Terms and Conditions of the Notes set out herein. Following the implementation of the relevant provisions of the Prospectus Directive in any Member State of the European Economic Area, no civil liability will attach to the Responsible Person in any such Member State solely on the basis of this summary, including any translation thereof, unless it is misleading, inaccurate or inconsistent when read together with the other parts of this Base Prospectus. Where a claim relating to the information contained in this Base Prospectus is brought before a court in a Member State of the European Economic Area, the plaintiff may, under the national legislation of the Member State where the claim is brought, be required to bear the costs of translating the Base Prospectus before the legal proceedings are initiated.

The Issuer

The Issuer is a Delaware corporation, organized on March 1, 1965 as the successor to an Illinois corporation formed in 1956. Its principal executive offices are at One McDonald's Plaza, Oak Brook, Illinois 60523, United States. Its telephone number is +1.630.623.3000, and its registered office in Delaware is at 1013 Centre Road, Wilmington, Delaware 19805, United States.

The Issuer and its subsidiaries develop, operate, franchise and service a system of restaurants that prepare, package and sell a varied, yet limited, value-priced menu in more than 100 countries around the world. These restaurants are operated by the Issuer and its subsidiaries or, under the terms of franchise agreements, by independent entrepreneurs, or by affiliates and developmental licensees operating under license agreements.

The Issuer's Business

The Issuer primarily operates in the quick-service hamburger restaurant business under the "McDonald's" brand. The Issuer also has a minority ownership interest in U.K.-based Pret A Manger. The Issuer also had interests in Chipotle Mexican Grill ("**Chipotle**") and Boston Market Corporation ("**Boston Market**"), which it sold in 2006 and 2007, respectively. The Issuer's restaurant business comprises virtually all of the Issuer's consolidated operating results.

The Issuer's operations are designed to assure consistency and high quality at every McDonald's restaurant. When granting conventional franchises, the Issuer is selective and generally is not in the practice of franchising to investor groups or passive investors.

Under the conventional franchise arrangement, franchisees provide a portion of the required capital by initially investing in the equipment, signs, seating and décor of their restaurant businesses, and by reinvesting in the business over time. The Issuer generally shares the initial investment by owning or leasing the land and building. This ensures long-term occupancy rights, helps control related costs and improves alignment with franchisees. Franchisees contribute to the Issuer's revenue stream through payment of rent and service fees based upon a percent of sales, with specified minimum rent payments, along with initial fees. The conventional franchise arrangement typically lasts 20 years, and franchising practices are generally consistent throughout the world. Under the Issuer's developmental license arrangements, which also typically last 20 years, licensees provide ongoing capital for the entire business, including the real estate interest. While the Issuer generally has no capital invested in its developmental licensees, the Issuer receives a royalty based on a percent of sales and initial fees.

The Issuer's restaurants offer a substantially uniform menu, consisting of hamburgers and cheeseburgers, Big Mac, Quarter Pounder with Cheese, Filet-O-Fish, several chicken sandwiches, Chicken McNuggets, Chicken Selects, french fries, premium salads, shakes, McFlurry desserts, sundaes, soft-serve cones, pies, cookies, soft drinks, coffee and other beverages. In addition, the Issuer tests new products on an ongoing basis, and certain restaurants sell a variety of other products during limited-time promotions. McDonald's restaurants in the United States and many international markets offer a full- or limited-breakfast menu. Breakfast offerings may include Egg McMuffin, Sausage McMuffin with Egg, McGriddles, biscuit and bagel sandwiches, hotcakes and muffins. Pret A

Manger is a quick-service food concept that serves prepared and packaged cold sandwiches, soups, salads, coffees and teas, primarily during breakfast and lunch.

The Issuer and its subsidiaries, franchisees, licensees and affiliates purchase food, packaging, equipment and other goods from numerous independent suppliers that have been approved by the Issuer. The Issuer has established and strictly enforces high quality standards. The Issuer has quality assurance labs around the world to ensure that its high standards are consistently met. The quality assurance process not only involves ongoing product reviews, but also on-site inspections of suppliers' facilities. Further, a quality assurance board, composed of the Issuer's technical, safety and supply chain specialists, provides strategic global leadership for all aspects of food quality and safety. In addition, the Issuer works closely with suppliers to encourage innovation, assure best practices and drive continuous improvement.

Independently owned and operated distribution centers, also approved by the Issuer, distribute products and supplies to most McDonald's restaurants. In addition, restaurant personnel are trained in the proper storage, handling and preparation of its products and in the delivery of customer service.

McDonald's global brand is well known. Marketing, promotional and public relations activities are designed to promote McDonald's brand image and differentiate the Issuer from competitors. Marketing and promotional efforts focus on value, food taste, menu choice and the customer experience.

The Issuer's restaurants are located in all fifty states of the United States and the District of Columbia, and in many foreign locations, principally Japan, Canada, Germany, the United Kingdom, France, China and Australia. At September 30, 2007, 31,239 McDonald's quick-service hamburger restaurants existed worldwide, of which 13,804 were located in the United States and 17,435 in 118 other countries.

Risk Factors

The offer is subject to a number of risks of which you should be aware before you decide to buy the Notes. These risks are discussed more fully in "Risk Factors" below:

Risks related to the Notes:

- Foreign currency Notes are subject to exchange rate and exchange control risks
- Redemption may adversely affect your return on the Notes
- Interest rate conversion may affect the market value of the Notes
- Courts in the United States may not render judgments for money damages in any currency other than the U.S. dollar
- There may not be any trading market for the Notes; Many factors affect the trading and market value of the Notes
- The Issuer's credit ratings may not reflect all risks of an investment in the Notes
- The Issuer may elect to de-list the Notes if statutory requirements are impracticable or unduly burdensome
- Because the Notes are unsecured, your right to receive payments may be adversely affected
- Notes may be issued at a substantial discount or premium
- Legal investment considerations may restrict certain investments
- The Notes may not be a suitable investment for all investors

Risks related to the Issuer:

- The Issuer's ability to remain a relevant and trusted brand and to increase sales depends largely on how well it executes the Plan to Win
- The Issuer's results and financial condition are affected by its ownership mix and whether it can achieve a mix that optimizes margins and returns, while meeting the Issuer's business needs and customer expectations
- The Issuer's results and financial condition are affected by global and local market conditions, which can adversely affect its sales, margins and net income

- Increasing regulatory complexity will continue to affect the Issuer's operations and results in material ways
- The trading volatility and price of the Issuer's common stock may be affected by many factors
- The Issuer's results can be adversely affected by disruptions or events, such as the impact of severe weather conditions and natural disasters

Summary of the Program and the Notes

Issuer:	McDonald's Corporation
Arranger:	Morgan Stanley & Co. International plc
Dealers:	ABN AMRO Bank N.V., Banc of America Securities Limited, Barclays Bank PLC, Bayerische Hypo- und Vereinsbank AG, BNP Paribas, Citigroup Global Markets Limited, Credit Suisse Securities (Europe) Limited, Fortis Bank NV/SA, Goldman Sachs International, HSBC Bank plc, ING Bank N.V., J.P. Morgan Securities Ltd., Merrill Lynch International, Mizuho International Plc, Morgan Stanley & Co. International plc, Coöperatieve Centrale Raiffeisen-Boerenleenbank B.A. (trading as Rabobank International), London Branch, Scotia Capital Inc., Société Générale, Standard Chartered Bank, Wachovia Securities International Limited and WestLB AG and any other dealer appointed from time to time by the Issuer either generally in respect of the Program or in relation to a particular Tranche of Notes.
Fiscal and Principal Paying Agent:	Fortis Banque Luxembourg S.A.
Luxembourg Listing Agent:	Fortis Banque Luxembourg S.A.
Program Amount:	Up to U.S.\$9,000,000,000 or the equivalent thereof in one or more foreign currencies, representing the total aggregate amount that the Issuer is authorized to borrow, which borrowings may include (i) offerings of notes, bonds or other evidences of indebtedness in public or private markets anywhere in the world; (ii) issuances of commercial paper or borrowings from banks or other financial institutions; and (iii) any other forms of indebtedness. The maximum aggregate principal amount of Notes which may be outstanding under the Program may be increased from time to time, subject to compliance with the relevant terms of the Dealership Agreement as defined in the section "Subscription and Sale" below.
Issuance in Series:	Notes will be issued in series (each, a "Series"). Each Series may comprise one or more tranches ("Tranches" and each, a "Tranche") issued on different issue dates, and each Tranche will be the subject of final terms (each, a "Final Terms") prepared in connection with such Tranche. The Notes of each Series will all be subject to identical terms, except that (i) the issue date and the amount of the first payment of interest may be different in respect of different Tranches and (ii) a Series may comprise Notes in more than one denomination. The Notes of each Tranche will all be subject to identical terms in all respects except that a Tranche may comprise Notes of different denominations.
Form of Notes:	Notes will be issued in bearer form unless otherwise specified in the relevant Final Terms. In respect of each Tranche of Notes issued in bearer form, the Issuer will deliver a temporary global Note. Such global Note will be deposited on or before the relevant issue date therefor with a depositary or a common depositary for Euroclear Bank S.A./N.V. ("Euroclear") and/or Clearstream Banking S.A. ("Clearstream, Luxembourg") and/or any other relevant clearing system. Each temporary global Note will be exchangeable for a permanent global Note or, if so specified in the relevant Final Terms, for Notes in definitive bearer form. Each permanent global Note will be exchangeable for Notes in definitive bearer form, in accordance with its terms. Notes in definitive bearer form will, if interest-bearing, either have interest coupons ("Coupons") attached and, if appropriate, a talon ("Talon") for further Coupons or have a grid for recording the payment of interest endorsed thereon. If the relevant Final Terms specify that the Notes will be issued in registered form, related provisions will be set out in such Final Terms or in a supplement to this Base Prospectus.
Currencies:	Notes may be denominated in any currency or currencies including, without limitation, U.S. dollars, Australian dollars, Canadian dollars, Euro, Hong Kong dollars, pounds sterling, Swiss francs and Japanese yen, subject to compliance with all applicable legal, regulatory and central bank requirements.

Status:	Notes will be issued on an unsecured and unsubordinated basis, as described in the section "Terms and Conditions of the Notes—Status of the Notes".
Issue Price:	Notes may be issued at any price, as specified in the relevant Final Terms.
Maturities:	Notes may have a maturity between one month and 60 years, subject, in relation to specific currencies, to compliance with all applicable legal, regulatory and central bank requirements. Notes that have a maturity of less than one year and that qualify as money market instruments will be subject to all applicable legal, regulatory and central bank requirements relating to money market instruments as well as any other requirements governing notes that have a maturity of less than one year.
Regulatory Matters:	<p>Each issue of Notes denominated in a currency in respect of which particular laws, regulations, guidelines, restrictions or reporting requirements apply will only be issued in circumstances which comply with such laws, regulations, guidelines, restrictions and reporting requirements from time to time.</p> <p>Without prejudice to the foregoing, Notes that have a maturity of less than one year will, if the proceeds of the issue are accepted in the United Kingdom, constitute deposits for the purposes of the prohibition on accepting deposits contained in Section 19 of the Financial Services and Markets Act 2000 ("FSMA"), unless they are issued to a limited class of professional investors and have a denomination of at least £100,000 or its equivalent.</p>
Redemption:	<p>Notes may be redeemable at par or at such other redemption amount (detailed in a formula or otherwise), as may be specified in the relevant Final Terms.</p> <p>The relevant Final Terms will specify the basis for calculating the redemption amounts payable. Notes (including Notes denominated in pounds sterling) which have a maturity of less than one year and in respect of which the issue proceeds are to be accepted by the Issuer in the United Kingdom or whose issue otherwise constitutes a contravention of Section 19 of the FSMA will have a minimum redemption amount of £100,000 (or its equivalent in other currencies).</p>
Early Redemption:	Early redemption will be permitted for taxation reasons as mentioned in the section "Terms and Conditions of the Notes—Redemption and Purchase—Early Redemption for Taxation Reasons", but will otherwise be permitted only to the extent specified in the relevant Final Terms.
Interest:	Notes may be interest-bearing or non-interest-bearing. Interest (if any) may accrue at a fixed or floating rate and may vary during the lifetime of the relevant Series.
Denominations:	<p>Notes will be issued in such denominations as may be specified in the relevant Final Terms, subject to compliance with all applicable legal, regulatory and central bank requirements. Notes having an original term to maturity of 183 days or less will have a minimum denomination of \$500,000 or the equivalent thereof in a foreign currency.</p> <p>Unless permitted by then current laws and regulations, Notes that have a maturity of less than one year (in respect of which the issue proceeds are to be accepted by the Issuer in the United Kingdom) will be subject to restrictions on their denomination and distribution as set out in "Regulatory Matters" above.</p>
Taxation:	Except as otherwise specified in the relevant Final Terms, payments in respect of Notes will be made without withholding or deduction for, or on account of, any present or future taxes, assessments or governmental charges of whatever nature imposed or levied by or on behalf of the United States or any political subdivision thereof or any authority or agency therein or thereof having power to tax, unless the withholding or deduction of such taxes, assessments or governmental charges is required by law. In that event, except as otherwise specified in the relevant Final Terms, the Issuer will (subject to exceptions listed in the Terms and Conditions of the Notes and in the relevant Final Terms) pay such additional amounts as will result in the holders of Notes or Coupons who are U.S. Aliens (as defined in the section "Terms and Conditions of the Notes—Taxation") receiving such amounts as they would have received in respect of such Notes or Coupons had no such U.S. tax withholding or deduction been required. No such additional amounts will be payable in respect of any withholding or deduction on

account of any non-U.S. taxes.

Governing Law:

The Notes and all related contractual documentation will be governed by, and construed in accordance with, the internal laws of the State of New York, United States, unless otherwise specified in the relevant Final Terms.

Listing:

Each Series may be admitted to trading on the Luxembourg Stock Exchange's regulated market and listed on the Official List of the Luxembourg Stock Exchange and/or any other stock exchange, as may be agreed upon by and between the Issuer and the relevant Dealer and specified in the relevant Final Terms, or may be unlisted. Further, Notes that are initially listed on an exchange may subsequently be de-listed, as described in the section "European Union Transparency Directive".

Terms and Conditions:

Final Terms will be prepared in respect of each Tranche of Notes, a copy of which will, in the case of Notes to be admitted to trading on the regulated market of the Luxembourg Stock Exchange, be delivered to the Luxembourg Stock Exchange on or before the closing for the sale of such Notes. The terms and conditions applicable to each Tranche will be those set out herein under "Terms and Conditions of the Notes", as supplemented, modified or replaced in the relevant Final Terms or as set out in a supplement to this Base Prospectus.

Enforcement of Notes in Global Form:

In the case of Notes in global form, unless otherwise specified in the relevant Final Terms, individual investors' rights will be governed by the Amended and Restated Fiscal and Paying Agency Agreement, dated as of December 14, 2007, a copy of which will be available for inspection at the specified office of the Fiscal Agent (as defined herein).

Clearing Systems:

Euroclear, Clearstream, Luxembourg and, in relation to any Notes, any other clearing system as may be specified in the relevant Final Terms. The Notes have been accepted for clearance through Euroclear and Clearstream, Luxembourg. The appropriate common code and the International Securities Identification Number in relation to the Notes of each Series will be specified in the Final Terms relating thereto. The relevant Final Terms shall specify any other clearing system as shall have accepted the relevant Notes for clearance together with any further appropriate information.

Selling Restrictions:

For a description of restrictions, if any, on offers, sales and deliveries of Notes and on the distribution of offering material in the United States, the EEA, the Kingdom of the Netherlands, the United Kingdom, the French Republic, the Italian Republic, Japan, the Commonwealth of Australia, Canada, the Federal Republic of Germany, and the Swiss Confederation, see the section "Subscription and Sale".

Redenomination and Exchangeability:

The relevant Final Terms will indicate whether the Issuer may elect that, with effect from the Redenomination Date, the Notes of that Tranche shall be redenominated in euro (if "Redenomination" is specified) or become exchangeable for Notes denominated in euro (if "Exchangeability" is specified).

Summary Financial Information

The following tables set forth certain financial information for the Company on a consolidated basis, as of and for the years ended December 31, 2006 and 2005, which has been derived from the Company's audited consolidated financial statements included elsewhere in this Base Prospectus. The following tables also set forth certain financial information for the Company on a consolidated basis, as of and for the quarters and nine months ended September 30, 2007 and 2006, which has been derived from the Company's unaudited consolidated financial statements included elsewhere in this Base Prospectus. This summary financial information should be read in conjunction with the sections "Financial Information" and "Interim Financial Information".

	Years ended December 31,		Quarters ended September 30,		Nine Months Ended September 30,	
	2006	2005	2007	2006*	2007**	2006*
(U.S. dollars in millions, except per share data)						
Operating Results:						
Company-operated sales	\$ 16,083	\$ 14,726	\$ 4,276	\$ 4,058	\$ 12,508	\$ 11,393
Franchised and affiliated revenues	\$ 5,503	\$ 5,106	\$ 1,625	\$ 1,445	\$ 4,525	\$ 4,057
Total revenues	\$ 21,586	\$ 19,832	\$ 5,901	\$ 5,503	\$ 17,033	\$ 15,450
Operating income	\$ 4,445 ⁽¹⁾	\$ 3,992	\$ 1,525	\$ 1,288	\$ 2,524	\$ 3,325
Income from continuing operations	\$ 2,873 ⁽¹⁾	\$ 2,586 ⁽³⁾	\$ 1,004	\$ 842	\$ 1,062	\$ 2,114
Net income	\$ 3,544 ^(1,2)	\$ 2,602 ⁽³⁾	\$ 1,071	\$ 843	\$ 1,122	\$ 2,303
Per common share:						
Income from continuing operations—diluted	\$ 2.30 ⁽¹⁾	\$ 2.03 ⁽³⁾	\$ 0.83	\$ 0.68	\$ 0.87	\$ 1.68
Net income—diluted	\$ 2.83 ^(1,2)	\$ 2.04 ⁽³⁾	\$ 0.89	\$ 0.68	\$ 0.92	\$ 1.83
Dividends declared	\$ 1.00	\$.67	\$ 1.50	\$ 1.00	\$ 1.50	\$ 1.00
Cash flow information:						
Cash provided by operations	\$ 4,341	\$ 4,337	\$ 1,581	\$ 1,511	\$ 3,592	\$ 3,005
Capital expenditures	\$ 1,742	\$ 1,607	\$ 400	\$ 415	\$ 1,222	\$ 1,087
Treasury stock acquired	\$ 2,959	\$ 1,202	\$ 882	\$ 9	\$ 2,546	\$ 1,832

	December 31,		September 30,
	2006	2005	2007
(U.S. dollars in millions, except share data)			
Financial position:			
Total assets	\$ 29,024	\$ 29,989	\$ 29,674
Total debt	\$ 8,434	\$ 10,137	\$ 7,747
Total shareholders' equity	\$ 15,458	\$ 15,146	\$ 14,968
Shares outstanding (in millions)	1,204	1,263	1,183

	Years ended December 31,		Nine months ended September 30,	
	2006	2005	2007	2006
(unaudited)				
Company-operated restaurants	8,785	8,802	7,004	8,243
Franchised restaurants	18,687	18,326	20,204	18,469
Affiliated restaurants	4,195	4,269	4,031	4,181
Total Systemwide restaurants	31,667	31,397	31,239	30,893
Franchised and affiliated sales (U.S. dollars in millions) ⁽⁴⁾	\$ 41,380	\$ 38,913	\$ 34,225	\$ 30,633

* Amounts previously reported in the Company's September 30, 2006 quarterly filing have been adjusted to reflect the reclassifying of Boston Market's results of operations to discontinued operations as a result of the Company's sale of its investment in Boston Market in August 2007.

** In third quarter 2007, the Company completed the sale of its businesses in Brazil, Argentina, Mexico, Puerto Rico, Venezuela and 13 other countries in Latin America and the Caribbean to a developmental licensee organization. The Company refers to these markets as "Latam". The operating results for the nine months ended September 30, 2007 included impairment and other charges of \$1,666.6 million (\$1,604.4 million after tax or \$1.32 per share), primarily associated with the Latam transaction.

⁽¹⁾ Includes pretax operating charges of \$134 million (\$98 million after tax or \$0.07 per share income from continuing operations, \$0.08 per share net income) related to impairment and other charges (see Impairment and other

charges (credits), net note to the consolidated financial statements for further details), as well as net incremental tax expense of \$0.01 per share primarily related to a one-time impact from a tax law change in Canada.

- (2) Includes income of \$671 million (\$0.53 per share) related to discontinued operations primarily resulting from the disposal of our investment in Chipotle.*
- (3) Includes a net tax benefit of \$73 million (\$0.05 per share) comprised of \$179 million (\$0.14 per share) tax benefit due to a favorable audit settlement of the Company's 2000-2002 U.S. tax returns and \$106 million (\$0.09 per share) of incremental tax expense resulting from the decision to repatriate foreign earnings under the Homeland Investment Act.*
- (4) While franchised and affiliated sales are not recorded as revenues by the Company, management believes they are important in understanding the Company's financial performance because these sales are the basis on which the Company calculates and records franchised and affiliated revenues and are indicative of the financial health of the franchisee base.*

RISK FACTORS

Set out below are factors that the Issuer believes may be material for the purpose of assessing the market risks associated with the Notes or that may be otherwise material to the Notes. The Issuer does not represent that the list below is comprehensive. Prospective investors should read this Base Prospectus and the relevant Final Terms in their entirety and form their own conclusions regarding investing in any Notes, in addition to consulting their respective financial and legal advisors about the risks entailed by an investment in any Notes and the suitability of any investment in Notes in light of their respective particular circumstances. Prospective investors should also consider carefully, among other factors, the matters described below.

The following risk factors have been separated into two groups:

- *Risks related to the Notes; and*
- *Risks related to the Issuer.*

The occurrence of the events described below under the risks relating to the Issuer could have a material adverse effect on the Issuer's businesses, prospects, financial condition, results of operations and/or cash flows. Furthermore, other unknown or unpredictable economic, business, competitive, regulatory, geopolitical or other factors could also have material adverse effects on the Issuer's future results.

Risks Related to the Notes

Foreign currency Notes are subject to exchange rate and exchange control risks.

An investment in a Note denominated in a specified currency other than the currency of the jurisdiction in which a particular investor resides, does business or reports its operating results entails significant risks. These risks include the possibility of significant changes in rates of exchange between the specified currency and the investor's currency resulting from the official redenomination or revaluation of the specified currency and the possibility of the imposition or modification of foreign exchange controls by either the investor's jurisdiction or foreign governments. These risks generally depend on factors over which the Issuer has no control, such as economic and political events and the supply of and demand for the relevant currencies. Moreover, if payments on foreign currency Notes are determined by reference to a formula containing a multiplier or leverage factor, the effect of any change in the exchange rates between the applicable currencies will be magnified. In recent years, rates of exchange between some foreign currencies have been highly volatile, and you should be aware that volatility may occur in the future. Fluctuations in any particular exchange rate that have occurred in the past, however, are not necessarily indicative of fluctuations in the rate that may occur during the term of any Note. Depreciation of a specified currency for a Note against the investor's currency would result in a decrease in the effective yield of such Note (in terms of the investor's currency) below its coupon rate and, in certain circumstances, could result in a loss to a particular investor (in terms of that investor's currency).

Except as set forth below, if payment in respect of a Note is required to be made in a currency other than U.S. dollars, and such currency is unavailable to the Issuer due to the imposition of exchange controls or other circumstances beyond the Issuer's control or is no longer used by the government of the relevant country (unless otherwise replaced by the Euro) or for the settlement of transactions by public institutions of or within the international banking community, then all payments in respect of such Note will be made in U.S. dollars until such currency is again available to the Issuer or so used. The amounts payable on any date in such currency will be converted into U.S. dollars on the basis of the most recently available market exchange rate for such currency or as otherwise indicated in the applicable Final Terms. Any payment in respect of such Note so made in U.S. dollars will not constitute an event of default under the terms and conditions of the Notes.

The paying agent will make all determinations referred to above at its sole discretion. All determinations will, in the absence of clear error, be binding on holders of the Notes.

Early redemption may adversely affect your return on the Notes.

If the Notes are redeemable at the Issuer's option, the Issuer may choose to redeem the Notes at times when prevailing interest rates are relatively low. In addition, if the Notes are subject to mandatory redemption, the Issuer may be required to redeem the Notes at times when prevailing interest rates are relatively low. As a result, you generally will not be able to reinvest the redemption proceeds in a comparable security at an effective interest rate as high as the Notes being redeemed. An optional redemption feature is likely to limit the market value of Notes. During any period in which the Issuer may elect to redeem Notes, the market value of those

Notes generally will not rise substantially above the price at which they can be redeemed. The market value of redeemable Notes may also be similarly limited at other times.

Interest rate conversion may affect the market value of the Notes.

Certain fixed/floating rate Notes may bear interest at a rate that the Issuer may elect to convert from a fixed rate to a floating rate, or from a floating rate to a fixed rate. The Issuer's ability to convert the interest rate will affect the secondary market and the market value of the Notes since the Issuer may be expected to convert the rate when it is likely to produce a lower overall cost of borrowing. If the Issuer converts from a fixed rate to a floating rate, the spread on the fixed/floating rate Notes may be less favorable than the then-prevailing spreads on comparable floating rate Notes tied to the same reference rate. In addition, the new floating rate at any time may be lower than the rates on other Notes. If the Issuer converts from a floating rate to a fixed rate, the fixed rate may be lower than the then-prevailing rates on its Notes.

Courts in the United States may not render judgments for money damages in any currency other than the U.S. dollar.

Unless otherwise specified in the relevant Final Terms, the Notes will be governed by and construed in accordance with the internal laws of the State of New York, United States. Courts in the United States customarily have not rendered judgments for money damages denominated in any currency other than the U.S. dollar.

There may not be any trading market for the Notes; Many factors affect the trading and market value of the Notes.

Upon issuance, the Notes will not have an established trading market. The Issuer cannot assure you that a trading market for the Notes will ever develop, or that any such market will be maintained if developed. In addition to the Issuer's creditworthiness, many factors affect the trading market for, and trading value of, the Notes. These factors include:

- the method of calculating the principal, premium and interest in respect of the Notes,
- the time remaining to the maturity of the Notes,
- the outstanding amount of the Notes,
- any redemption features of the Notes,
- the level, direction and volatility of market interest rates generally, and
- fluctuations in exchange rates between an investor's currency and the specified currency in which a Note is denominated.

There may be a limited number of buyers when you decide to sell your Notes. This may affect the price you receive for your Notes or your ability to sell your Notes at all. In addition, Notes that are designed for specific investment objectives or strategies often experience a more limited trading market and more price volatility than those not so designed. You should not purchase Notes unless you understand and know you can bear all of the investment risks involving the Notes.

The Issuer's credit ratings may not reflect all risks of an investment in the Notes.

The credit ratings of the Program may not reflect the potential impact of all risks related to structure and other factors on any trading market for, or trading value of, your Notes. In addition, real or anticipated changes in the Issuer's credit ratings will generally affect any trading market for, or trading value of, your Notes. A credit rating is not a recommendation to buy, sell or hold securities and may be revised or withdrawn by the rating agency at any time. There is no assurance that a credit rating will remain for any given period of time or that a credit rating will not be lowered or withdrawn by the relevant rating agency if, in its judgment, circumstances so warrant. For example, on September 27, 2007, Moody's Investors Service downgraded the Issuer's rating, citing its adoption of a more aggressive financial strategy. The impact of other activities that the Issuer undertakes, including its stock repurchase program, changes in its dividend rate and, particularly, increases in its debt levels could also result in future declines in its credit ratings. See "Risks Related to the Issuer – The trading volatility and price of the Issuer's common stock may be affected by many factors." In the event that a credit rating assigned to the Notes or the Issuer is subsequently lowered for any reason, no person or entity is obliged to provide any additional support or credit enhancement with respect to the Notes, and the market value of the Notes is likely to be adversely affected.

The Issuer may elect to de-list the Notes if statutory requirements are impracticable or unduly burdensome.

The European Commission has adopted a Directive of the European Parliament and of the Council (2004/109/EC), (the "Transparency Directive") on the harmonization of transparency requirements relating to financial information of issuers whose securities are admitted to trading on a regulated market in the European Union, such as the "Bourse de Luxembourg," the regulated

market of the Luxembourg Stock Exchange. If the Transparency Directive (and/or any other European or national legislation) is implemented or takes effect in Luxembourg in a form that would require the Issuer to publish or produce its financial statements according to accounting principles other than U.S. statutory accounting principles or that would otherwise impose requirements on the Issuer that it in good faith determines are impracticable or unduly burdensome, the Issuer may elect to de-list the Notes. The Issuer will use its reasonable efforts to obtain an alternative admission to listing, trading and/or quotation for the Notes by another listing authority, exchange and/or system, as it and the relevant Dealers may decide. If such an alternative admission is not available to the Issuer, or is, in the Issuer's opinion, unduly burdensome, an alternative admission may not be obtained. Notice of any de-listing and/or alternative admission will be given as described in Condition 16 in the section "Terms and Conditions of the Notes."

Because the Notes are unsecured, your right to receive payments may be adversely affected.

The Notes will be unsecured. If the Issuer defaults on the Notes, or in the event of a bankruptcy, liquidation or reorganization, then, to the extent that the Issuer has granted security over its assets, the assets that secure those obligations will be used to satisfy the obligations thereunder before the Issuer could sell or otherwise dispose of those assets in order to make payment on the Notes. As a result of the granting of such security, there may only be limited assets available to make payments on the Notes in the event of an acceleration of the Notes.

Notes may be issued at a substantial discount or premium.

Notes may be issued at a substantial discount or premium from their principal amount. The market value of such Notes may fluctuate to a greater extent in relation to general changes in interest rates than do market values for conventional interest-bearing securities. Generally, the longer the remaining term of such Notes, the greater the price volatility as compared to conventional interest-bearing securities with comparable maturities.

Legal investment considerations may restrict certain investments.

The investment activities of certain investors in the Notes are subject to legal investment laws and regulations, or review or regulation by certain authorities. Each investor of the Notes should consult his, her or its, as the case may be, legal advisers to determine whether and to what extent (1) the Notes constitute legal investments, (2) the Notes can be used as collateral for various types of borrowing and (3) other restrictions might apply to the purchase or pledge of any Notes. Financial institutions should consult their respective legal advisors or the appropriate regulators to determine the appropriate treatment of Notes under any applicable risk-based capital or similar rules.

The Notes may not be a suitable investment for all investors.

Each potential investor in any Notes must determine the suitability of that investment in light of its own circumstances. In particular, each potential investor should (1) have sufficient knowledge and experience to make a meaningful evaluation of the relevant Notes, the merits and risks of investing in the relevant Notes and the information contained or incorporated by reference in this Base Prospectus or any applicable supplement; (2) have access to, and knowledge of, appropriate analytical tools to evaluate, in the context of the investor's particular financial situation, an investment in the relevant Notes and the impact the relevant Notes will have on the investor's overall investment portfolio; (3) have sufficient financial resources and liquidity to bear all of the risks of an investment in the relevant Notes; (4) understand thoroughly the terms of the relevant Notes and be familiar with the behavior of any relevant indices and financial markets; and (5) be able to evaluate (either alone or with the help of a financial adviser) possible scenarios for economic, interest rate and other factors that may affect the investor's investment and the investor's ability to bear the applicable risks.

A prospective investor should not invest in Notes unless the investor has the expertise (either alone or with a financial adviser) to evaluate how the Notes will perform under changing conditions, the resulting effects on the value of the Notes, and the impact this investment will have on the prospective investor's overall investment portfolio.

Risks Related to the Issuer

The Issuer's business and execution of its strategic plan, the Plan to Win, are subject to risks. By far the most important of these is the Issuer's ability to remain relevant to its customers and a brand they trust. Meeting customer expectations is complicated by the risks inherent in the Issuer's operating environment. The informal eating out segment of the restaurant industry, although largely mature in the Issuer's major markets, is also highly fragmented and competitive. The Issuer has the added challenge of the cultural, economic and regulatory differences that exist among the more than 100 countries where it operates. The Issuer also faces risk in adapting its business model in particular markets. The decision to own restaurants or to operate under franchise, developmental license

or joint venture agreements is driven by many factors whose interrelationship is complex and changing. The Issuer's plan to continue reducing the number of Company-operated restaurants may be difficult to achieve for many reasons, and the change in ownership mix may not affect the Issuer's results as it now expects. Regulatory and similar initiatives around the world have also become more wide-ranging and prescriptive and affect how the Issuer operates, as well as the Issuer's results. In particular, increasing focus on nutritional content and on the production, processing and preparation of food "from field to front counter" presents challenges for the Issuer's Brand and may adversely affect the Issuer's results.

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

The Issuer's ability to remain a relevant and trusted brand and to increase sales depends largely on how well it executes the Plan to Win.

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

- The Issuer's ability to anticipate and respond to trends or other factors that affect the informal eating out market and its competitive position in the diverse markets it serves, such as spending patterns, demographic changes, trends in food preparation, consumer preferences and publicity about its products, all of which can drive consumer perceptions or affect the willingness of other companies to enter into site, supply or other arrangements or alliances with the Issuer, as well as the Issuer's success in addressing these trends and factors or other competitive pressures;
- The success of the Issuer's 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 the Issuer's values effectively and inspires the trust and confidence of its customers;
- The Issuer's ability to respond effectively to adverse consumer perceptions about the quick-service segment of the informal eating out market, its products and promotions (including the premiums the Issuer offers, such as its Happy Meal toys) or the reliability of its supply chain and the safety of the ingredients it uses, and its ability to manage the potential impact on the Issuer of food-borne illnesses or product safety issues involving other companies;
- The success of the Issuer's plans to improve existing products and to roll-out new products and product line extensions, as well as the impact of the Issuer's competitors' actions, including in response to the Issuer's product improvements and introductions, and the Issuer's ability to continue robust product development and manage the complexity of the Issuer's restaurant operations;
- The Issuer's 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 the Issuer's ability to target these efforts effectively to maintain or expand market share;
- The impact of events such as boycotts, labor strikes and supply chain interruptions (including due to lack of supply or price increases) that can adversely affect the Issuer 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 the Issuer's results;
- The Issuer's ability to recruit and retain qualified local personnel to manage its operations and growth in certain developing markets, particularly in APMEA;
- The Issuer's ability to drive restaurant improvements and to motivate its restaurant personnel to achieve sustained high service levels so as to improve consumer perceptions of the Issuer's ability to meet expectations for quality food served in clean and friendly environments;
- The Issuer's ability to maintain alignment with its franchisees on capital-intensive and other operating initiatives;

- The risk to the Issuer's Brand if a franchisee or licensee defaults in its obligations, particularly requirements to pay royalties, make investments and open new restaurants, or projects a brand image inconsistent with the Issuer's values, which risks are more significant if an agreement places multiple markets or a large number of restaurants under the control of a single franchisee or licensee as is the case in Latin America;
- Whether the Issuer's ongoing restaurant remodeling and rebuilding initiatives, which vary from year to year by market and type, are targeted at the elements of the restaurant experience that will best accomplish the Issuer's goals to enhance the relevance of the Issuer's Brand and achieve an efficient allocation of its capital resources; and
- The Issuer's ability to leverage promotional or operating successes in individual markets into other markets in a timely and cost-effective way.

The Issuer's results and financial condition are affected by its ownership mix and whether it can achieve a mix that optimizes margins and returns, while meeting the Issuer's business needs and customer expectations.

The Issuer's plans call for further reductions in Company-operated restaurants by franchising them or entering into developmental license agreements. Whether and when the Issuer can achieve these plans, as well as their success, is uncertain and will be affected by the following:

- The Issuer's ability to identify prospective franchisees and licensees with the experience and financial resources in the relevant markets to be effective operators of McDonald's restaurants and how quickly the Issuer can reach agreement with its counterparties, which the Issuer expects will vary by market and could also vary significantly from period to period;
- The nature and amount of contingent liabilities and other exposures the Issuer may retain in connection with developmental license agreements, such as the indemnification obligations the Issuer may incur as a result of the Latin America transaction;
- The risk that the Issuer's contractual and other rights and remedies to protect against defaults by the Issuer's counterparties will be limited by local law, costly to exercise or otherwise subject to limitations or litigation that may impair the Issuer's ability to prevent or mitigate any adverse impact on the Issuer's Brand or on the financial performance the Issuer expects under its franchising and developmental license agreements; and
- Changes in the operating or legal environment and other circumstances that cause the Issuer to delay or revise its plans to alter its ownership mix.

The Issuer's results and financial condition are affected by global and local market conditions, which can adversely affect its sales, margins and net income.

The Issuer's 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 the Issuer's margins, constrain its operating flexibility or result in charges, restaurant closings or sales of Issuer-operated restaurants. Whether the Issuer can manage this risk effectively depends mainly on the following:

- The Issuer's ability to manage recent upward pressure on commodity prices, as well as fluctuations in interest and foreign exchange rates and the effects of local governmental initiatives to manage through national economic conditions such as consumer spending and inflation rates;
- The impact on the Issuer's margins of labor costs given its labor-intensive business model, the trend toward higher wages in both mature and developing markets and the potential impact of union organizing efforts on day-to-day operations of the Issuer's restaurants;
- Whether the Issuer is able to identify and develop restaurant sites, either directly or through licensees or other parties, consistent with its plans for net growth of Systemwide restaurants from year to year, and whether new sites are as profitable as expected;

- Whether the improvements in operating results in markets such as the U.K. and Japan will be sustained and whether the Issuer can develop effective initiatives in other markets that may be experiencing challenges;
- The challenges and uncertainties associated with operating in developing and high-growth markets, such as Russia, India and China, which may entail a relatively higher risk of political instability, economic volatility, crime, corruption and social and ethnic unrest, all of which are exacerbated in many cases by a lack of an independent and experienced judiciary and uncertainties in how local law is applied and enforced, including in areas most relevant to commercial transactions and foreign investment;
- The success of the Issuer's strategy in China, where it is planning significant growth, including the Issuer's ability to manage the costs and profitability of its growth in light of competitive pressures and other operating conditions that may limit pricing flexibility; and
- The nature and timing of decisions about underperforming markets or assets, including decisions that result in significant impairment charges that reduce the Issuer's earnings, such as those that may occur as the Issuer changes its ownership mix as described above.

Increasing regulatory complexity will continue to affect the Issuer's operations and results in material ways.

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

- The Issuer's ability to manage the cost, compliance and other risks associated with the often conflicting regulations it faces, especially in the United States where inconsistent standards imposed by local, state and federal authorities can adversely affect consumer perceptions and increase the Issuer's exposure to litigation or governmental investigations or proceedings, and the impact of new, potential or changing regulation that affects or restricts elements of the Issuer's business, particularly those relating to advertising to children, nutritional content or product labeling;
- The impact of nutritional, health and other scientific inquiries and conclusions, which constantly evolve and often have contradictory implications, but nonetheless drive consumer perceptions, litigation and regulation in ways that could be material to the Issuer's business;
- The risks and costs of the Issuer's nutritional labeling and other disclosure practices, particularly given differences among applicable legal requirements and laws and among practices within the restaurant industry with respect to testing and disclosure, ordinary variations in food preparation among the Issuer's own restaurants, and reliance on the accuracy and appropriateness of information obtained from third party suppliers;
- The impact of litigation trends, particularly in the Issuer's major markets, including class actions, labor and employment matters and landlord/tenant disputes, the relative level of the Issuer's defense costs, which vary from period to period depending on the number, nature and procedural status of pending proceedings; and the cost and other effects of settlements or judgments, which may require the Issuer to make disclosures or take other actions that may affect perceptions of the Issuer's Brand and products;
- Adverse results of pending or future litigation, including litigation challenging the composition of the Issuer's products or the appropriateness or accuracy of the Issuer's advertising or other communications;
- The costs and other effects of compliance with U.S. federal and state initiatives regarding immigration reform;
- Disruptions in the Issuer's operations or price volatility in a market that can result from governmental actions, such as price or import-export controls or government-mandated closure of the Issuer's or its vendors' operations, and the cost and disruption of responding to government investigations, whether or not they have merit or are undertaken to achieve political impact;

- The risks associated with information security and the use of cashless payments, such as increased investment in technology, the costs of compliance with privacy, consumer protection and other laws, the impact on the Issuer's margins as the use of cashless payments increases, the potential costs associated with consumer fraud and the loss of consumer confidence that may result from security breaches involving the Issuer's point of sale and other systems; and
- The impact of changes in accounting principles or practices, related legal or regulatory interpretations or the Issuer's critical accounting estimates, changes in tax accounting or tax laws (or interpretations thereof), and the impact of settlements of adjustments proposed by the IRS in connection with the Issuer's tax audits, all of which will depend on their timing, nature and scope.

The trading volatility and price of the Issuer's common stock may be affected by many factors.

Many factors affect the volatility and price of the Issuer's common stock in addition to the Issuer's operating results and prospects. The most important of these, some of which are outside the Issuer's control, are:

- General market conditions and governmental actions or reports about economic activity that may have a market-moving impact, regardless of whether the action or activity directly relates to the Issuer's business;
- Actions or reports by U.S. authorities, which are of special import because the United States is the Issuer's largest segment and its principal trading market;
- Trading activity in the Issuer's common stock (whether in the cash or derivative markets), which can reflect not only investor expectations about the Issuer's business, but also significant purchases by shareholders who may seek to affect the Issuer's business strategies, or trading activity that results from the ordinary course rebalancing of stock indices in which the Issuer may be included, such as the S&P 500 Index and the Dow Jones Industrial Average; and
- The impact of the Issuer's stock repurchase program, dividend rate and, particularly, changes in its debt levels, which can result in adjustments to the Issuer's credit ratings, which in turn could affect its interest expense, its ability to obtain funding on favorable terms, including to refinance existing debt, and its flexibility, especially if lenders impose new operating or financial covenants.

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

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

CAUTIONARY STATEMENT CONCERNING FORWARD-LOOKING STATEMENTS

This Base Prospectus, including particularly the sections entitled "Risk Factors," "Strategic Direction and Financial Performance," "Outlook" and certain documents incorporated by reference into this document, contain forward-looking statements. In some cases, you can identify forward-looking statements by terminology such as "may," "will," "should," "expects," "intends," "plans," "anticipates," "believes," "thinks," "estimates," "seeks," "expects," "predicts," "potential" and similar expressions. These statements relate to future events or future financial performance and involve known and unknown risks, uncertainties and other factors that may cause actual results, levels of activity, performance or achievements to differ materially from those implied by these forward-looking statements. As you read and consider this Base Prospectus, you should carefully understand that the forward-looking statements are not guarantees of performance or results.

The forward-looking statements included and incorporated by reference in this document are only made as of the date of this document or the respective documents incorporated by reference in this Base Prospectus, as applicable. All future written and oral forward-looking statements attributable to the Issuer or any person acting on its behalf are expressly qualified in their entirety by the cautionary statements contained or referred to in this section. New risks and uncertainties arise from time to time, and the Issuer cannot predict those events or their impact. The Issuer assumes no obligation to update any forward-looking statements after the date of this Base Prospectus as a result of new information, future events or developments, except as required by the Prospectus Directive or other applicable securities laws.

GENERAL DESCRIPTION OF THE PROGRAM

McDonald's Corporation is the Issuer of the Notes under the Program. The arranger for the Program is Morgan Stanley & Co. International plc. The dealers for the program are ABN AMRO Bank N.V., Banc of America Securities Limited, Barclays Bank PLC, Bayerische Hypo- und Vereinsbank AG, BNP Paribas, Citigroup Global Markets Limited, Credit Suisse Securities (Europe) Limited, Fortis Bank NV/SA, Goldman Sachs International, HSBC Bank plc, ING Bank N.V., J.P. Morgan Securities Ltd., Merrill Lynch International, Mizuho International Plc, Morgan Stanley & Co. International plc, Coöperatieve Centrale Raiffeisen-Boerenleenbank B.A. (trading as Rabobank International), London Branch, Scotia Capital Inc., Société Générale, Standard Chartered Bank, Wachovia Securities International Limited and WestLB AG and any other dealer appointed from time to time by the Issuer either generally in respect of the Program or in relation to a particular Tranche of Notes.

The Issuer may issue Notes up to a maximum of U.S.\$9,000,000,000 in aggregate principal amount or the equivalent thereof in one or more foreign currencies under the Program, representing the total aggregate amount that the Issuer is authorized to borrow, which borrowings may include (i) offerings of notes, bonds or other evidences of indebtedness in public or private markets anywhere in the world; (ii) issuances of commercial paper or borrowings from banks or other financial institutions; and (iii) any other form of indebtedness. The maximum aggregate principal amount of Notes which may be outstanding under the Program may be increased from time to time, subject to compliance with the relevant terms of the Dealership Agreement as defined in the section "Subscription and Sale" below. Notes may have a maturity between one month and 60 years, subject in relation to specific currencies, to compliance with all applicable legal, regulatory and central bank requirements.

Each Series may be admitted to trading on the Luxembourg Stock Exchange's regulated market and listed on the Official List of the Luxembourg Stock Exchange and/or any other stock exchange, as may be agreed upon by and between the Issuer and the relevant Dealer and specified in the relevant Final Terms, or may be unlisted. Further, Notes that are initially listed on an exchange may subsequently be de-listed, as described in the section "European Union Transparency Directive".

Final Terms will be prepared in respect of each Tranche of Notes, a copy of which will, in the case of Notes to be traded on the regulated market of the Luxembourg Stock Exchange, be delivered to the Luxembourg Stock Exchange on or before the closing for the sale of such Notes.

TERMS AND CONDITIONS OF THE NOTES

The following are the Terms and Conditions of the Notes, which, as supplemented, modified or replaced in relation to any Notes by the relevant Final Terms, will be applicable to each Series of Notes:

Unless otherwise specified in the relevant Final Terms, the Notes are issued pursuant to and in accordance with the Amended and Restated Fiscal and Paying Agency Agreement (as amended, supplemented or replaced, the **"Fiscal Agency Agreement"**) dated December 14, 2007, by and among McDonald's Corporation (the **"Issuer"**) and Fortis Banque Luxembourg S.A. f/k/a Banque Générale du Luxembourg S.A. in its capacity as fiscal agent (such fiscal agent or such other Person acting in a similar capacity as specified in the relevant Final Terms, the **"Fiscal Agent"**, which expression shall include any successor to such agents in such capacity) and the paying agents named therein (the **"Paying Agents"**, which expression shall include the Fiscal Agent and any substitute or additional paying agents appointed in accordance with the Fiscal Agency Agreement). Copies of the Fiscal Agency Agreement are available for inspection during normal business hours at the specified office of each of the Paying Agents. All persons from time to time entitled to the benefit of obligations under any Notes shall be deemed to have notice of, and shall be bound by, all of the provisions of the Fiscal Agency Agreement insofar as they relate to the relevant Notes.

The Notes are issued in series (each, a **"Series"**), and each Series may comprise one or more tranches (**"Tranches"** and each, a **"Tranche"**) of Notes. Each Tranche will be the subject of final terms (each, a **"Final Terms"**), a copy of which will be available for inspection (and a copy of which may be obtained) during normal business hours at the specified office of the Fiscal Agent. In the case of a Tranche of Notes in relation to which application has not been made for listing on any stock exchange, copies of the Final Terms will only be available for inspection by a Holder (as defined in Condition 2.01) in respect of such Notes. The Notes of each Series will all be subject to identical terms, except that (i) the issue date and the amount of the first payment of interest may be different in respect of different Tranches and (ii) a Series may comprise Notes in more than one denomination. The Notes of each Tranche will all be subject to identical terms in all respects except that a Tranche may comprise Notes of different denominations. Notes may be issued at any price, as specified in the relevant Final Terms.

References in these Terms and Conditions to Notes are to Notes of the relevant Series and any references to Coupons (as defined in Condition 1.06) are to Coupons relating to Notes of the relevant Series.

References in these Terms and Conditions to the Final Terms are to the Final Terms prepared in relation to the Notes of the relevant Tranche or Series.

In respect of any Notes, references herein to these Terms and Conditions are to these Terms and Conditions as supplemented or modified or (to the extent thereof) replaced by the relevant Final Terms.

Capitalized terms used in these Terms and Conditions and not otherwise defined herein or in the relevant Final Terms shall have the meanings given to them in Condition 20.

1. Form and Denomination

1.01 Unless otherwise specified in the relevant Final Terms, Notes are issued in bearer form and are serially numbered. If so specified in the relevant Final Terms, Notes may be issued in registered form and resulting changes to these Conditions shall be set forth in the relevant Final Terms.

1.02 Each Tranche of Notes having an original term to maturity of 184 days or more is represented upon issue by a temporary global Note (a **"Temporary Global Note"**), unless otherwise specified in the relevant Final Terms.

Interests in a Temporary Global Note may be exchanged for:

- (i) interests in a permanent global Note (a **"Permanent Global Note"**); or
- (ii) if so specified in the Final Terms, definitive notes in bearer form (**"Definitive Notes"**).

Exchanges of interests in a Temporary Global Note for Definitive Notes or, as the case may be, a Permanent Global Note will be made only on or after the Exchange Date (as specified in the Final Terms) and provided certification as to the beneficial ownership

thereof as required by U.S. Treasury regulations (in substantially the form set out in the Fiscal Agency Agreement or in such other form as is customarily issued in such circumstances by the relevant clearing system) has been received.

Notes having an original term to maturity of 183 days or less may initially be represented by a Permanent Global Note, Definitive Notes, or in another form, all as specified in the Final Terms.

1.03 The bearer of any Temporary Global Note representing Notes having an original term to maturity of 184 days or more shall not (unless, upon due presentation of such Temporary Global Note for exchange (in whole, but not in part only) for a Permanent Global Note or for delivery of Definitive Notes, such exchange or delivery is improperly withheld or refused and such withholding or refusal is continuing at the relevant payment date) be entitled to receive any payment in respect of the Notes represented by such Temporary Global Note which falls due on or after the Exchange Date or be entitled to exercise any option on a date after the Exchange Date.

1.04 Subject to Condition 1.03 above, if any date on which a payment of interest is due on the Notes of a Tranche occurs while any of the Notes of that Tranche are represented by a Temporary Global Note and the Notes have an original term to maturity of 184 days or more, the related interest payment will be made on the Temporary Global Note only to the extent that certification as to the beneficial ownership thereof as required by U.S. Treasury regulations (in substantially the form set out in the Fiscal Agency Agreement or in such other form as is customarily issued in such circumstances by the relevant clearing system) has been received by Euroclear Bank S.A./N.V. ("**Euroclear**") or Clearstream Banking S.A. ("**Clearstream, Luxembourg**") or any other relevant clearing system. Payments of amounts due in respect of a Permanent Global Note or, subject to Condition 1.03 above, a Temporary Global Note, will be made through Euroclear or Clearstream, Luxembourg or any other relevant clearing system without any requirement for certification.

1.05 Interests in a Permanent Global Note will be exchanged by the Issuer in whole, but not in part, only at the option of the Holder of such Permanent Global Note, for Definitive Notes, (a) if an Event of Default (as described in Condition 7.01) occurs in respect of any Note of the relevant Series; or (b) if either Euroclear or Clearstream, Luxembourg or any other relevant clearing system is closed for business for a continuous period of fourteen days (other than by reason of public holidays) or announces an intention to cease business permanently or in fact does so; or (c) upon such Holder's request, in all cases at the cost and expense of the Issuer. Any exchange as described under paragraph (c) of the preceding sentence will be completed in accordance with the terms and conditions of the Fiscal Agency Agreement.

1.06 Interest-bearing Definitive Notes may have endorsed thereon a grid for recording the payment of interest or, if so specified in the Final Terms, have attached thereto at the time of their initial delivery coupons ("**Coupons**"), presentation of which will be a prerequisite to the payment of interest except in certain circumstances specified herein. Interest-bearing Definitive Notes, if so specified in the Final Terms, may also have attached thereto at the time of their initial delivery, a talon ("**Talon**") for further Coupons and the expression "Coupons" shall, where the context so requires, include Talons.

Denominations

1.07 Notes are in the denomination or denominations (each of which denomination is integrally divisible by each smaller denomination) specified in the Final Terms. Notes of one denomination may not be exchanged for Notes of any other denomination. Notes having an original term to maturity of 183 days or less will have a minimum denomination of \$500,000 or the equivalent thereof in a foreign currency.

Currency of Notes

1.08 The Notes are denominated in such currency as may be specified in the Final Terms. Any currency may be so specified subject to compliance with all applicable legal, regulatory and central bank requirements.

Legending

1.09 The following legend will appear on all Notes, Coupons and Talons issued in bearer form: "Any United States Person who holds this obligation will be subject to limitations under the United States income tax laws, including the limitations provided in sections 165(j) and 1287(a) of the Internal Revenue Code." The sections referred to in the legend provide that, with certain exceptions, a U.S. taxpayer will not be permitted to deduct any loss and will not be eligible for capital gain treatment with respect to any gain realized on a sale, exchange or redemption of a Note, Coupon or Talon. All Notes having an original term to maturity of 183 days or less, and any Coupons or Talons appertaining thereto, will also bear the following legend: "By accepting this

obligation, the holder represents and warrants that it is not a United States person (other than an exempt recipient described in section 6049(b)(4) of the Internal Revenue Code and the regulations thereunder) and that it is not acting for or on behalf of a United States person (other than an exempt recipient described in section 6049(b)(4) of the Internal Revenue Code and the regulations thereunder)."

2. Title and Transfer

2.01 Title to Notes and Coupons passes by delivery, unless otherwise specified in the relevant Final Terms. References herein to the "Holders" or "holders" of Notes or Coupons are to the bearers of such Notes or Coupons, unless otherwise specified in the relevant Final Terms. Each person who is shown in the records of Euroclear or Clearstream, Luxembourg or any other relevant clearing system as entitled to a particular number of Notes by way of an interest in a Temporary Global Note or Permanent Global Note, unless otherwise specified in the relevant Final Terms, will be treated by the Issuer, the Fiscal Agent and any Paying Agent as the Holder of such number of Notes, and the expression "Holders" or "holders" shall be construed accordingly.

2.02 The Holder of any Note or Coupon will (unless otherwise specified in the relevant Final Terms and except as otherwise required by applicable law or regulatory requirement) be treated as its absolute owner for all purposes (whether or not it is overdue and regardless of any notice of ownership, trust or any interest thereof or therein, any writing thereon, or any theft or loss thereof) and no person shall be liable for so treating such Holder.

3. Status of the Notes

The Notes are unsecured obligations of the Issuer, ranking equally with all other unsecured and unsubordinated indebtedness for borrowed money of the Issuer. Certain unsecured obligations of the Issuer may, however, under certain circumstances, become secured by mortgages pursuant to negative pledge covenants applicable to such obligations while the Notes remain unsecured (see Condition 4 below).

4. Certain Covenant

The Issuer hereby agrees that if it shall create, incur or assume any Real Property Mortgage as security for any Public Indebtedness incurred after the date hereof, and as a result thereof is required by any agreement or instrument to secure any other Public Indebtedness then outstanding by such Real Property Mortgage, then the Issuer will secure the Notes equally and ratably with all such Public Indebtedness.

The term "**Real Property**" means land, leases, the buildings or improvements on owned or leased land or leased premises, either owned in fee simple or leased by the Issuer or one of its subsidiaries. The term "**Real Property Mortgage**" means a mortgage upon or affecting Real Property. The term "**Public Indebtedness**" means any obligation for money borrowed or incurred in connection with the acquisition of stock or assets of any other corporation or entity (whether by purchase, merger or otherwise) and which is evidenced by securities publicly distributed by or on behalf of the Issuer.

5. Interest

Interest

5.01 Notes may be interest-bearing or non-interest-bearing, as specified in the Final Terms.

Interest-bearing Notes

5.02 Notes which are specified in the Final Terms as being interest-bearing shall bear interest from their Interest Commencement Date at the Interest Rate payable in arrears on each Interest Payment Date.

If a Fixed Coupon Amount or a Broken Amount is specified in the relevant Final Terms, the amount of interest payable on the relevant Interest Payment Date will amount to the Fixed Coupon Amount or, if applicable, the Broken Amount so specified and in the case of the Broken Amount will be payable on the particular Interest Payment Date(s) specified in the relevant Final Terms.

Floating Rate Notes

5.03 If the Final Terms specify the Interest Rate applicable to the Notes as being "Floating Rate" it shall also specify which page (the "**Relevant Screen Page**") on the Reuters Screen or any other information service shall be applicable. If such a page is so specified, the Interest Rate applicable to the relevant Notes for each Interest Accrual Period shall be determined by the Calculation Agent on the following basis:

(i) the Calculation Agent will determine the offered rate for deposits (or, as the case may require, the arithmetic mean (rounded, if necessary, to the nearest ten thousandth of a percentage point, 0.00005 being rounded upwards) of the rates for deposits) in the Relevant Currency for a period of the duration of the relevant Interest Accrual Period on the Relevant Screen Page as of the Relevant Time on the relevant Interest Determination Date;

(ii) if, on any Interest Determination Date, no such rate for deposits so appears (or, as the case may be, if fewer than two such rates for deposits so appear) or if the Relevant Screen Page is unavailable, the Calculation Agent will request appropriate quotations and will determine the arithmetic mean (rounded as aforesaid) of the rates at which deposits in the Relevant Currency are offered by four major banks in the London interbank market, selected by the Calculation Agent, at approximately the Relevant Time on the Interest Determination Date to prime banks in the London interbank market for a period of the duration of the relevant Interest Accrual Period and in an amount that is representative for a single transaction in the relevant market at the Relevant Time;

(iii) if, on any Interest Determination Date, only two or three rates are so quoted, the Calculation Agent will determine the arithmetic mean (rounded as aforesaid) of the rates so quoted; or

(iv) if fewer than two rates are so quoted, the Calculation Agent will determine the arithmetic mean (rounded as aforesaid) of the rates quoted by four major banks in the Relevant Financial Center (or, in the case of Notes denominated in euro, in such financial center or centers as the Calculation Agent may select) selected by the Calculation Agent, at approximately 11:00 a.m. (Relevant Financial Center time (or local time at such other financial center or centers as aforesaid)) on the first day of the relevant Interest Accrual Period for loans in the Relevant Currency to leading European banks for a period for the duration of the relevant Interest Accrual Period and in an amount that is representative for a single transaction in the relevant market at the Relevant Time,

and the Interest Rate applicable to such Notes during each Interest Accrual Period will be the sum of the relevant margin (the "**Relevant Margin**") specified in the Final Terms and the rate (or, as the case may be, the arithmetic mean (rounded as aforesaid) of the rates) so determined; *provided, however*, that if the Calculation Agent is unable to determine a rate (or, as the case may be, an arithmetic mean of rates) in accordance with the above provisions in relation to any Interest Accrual Period, the Interest Rate applicable to such Notes during such Interest Accrual Period will be the sum of the Relevant Margin and the rate (or, as the case may be, the arithmetic mean (rounded as aforesaid) of the rates) determined in relation to such Notes in respect of the last preceding Interest Accrual Period.

Maximum or Minimum Interest Rate

5.04 If any Maximum or Minimum Interest Rate is specified in the Final Terms, then the Interest Rate shall in no event be greater than the maximum or be less than the minimum so specified.

Accrual of Interest

5.05 Interest shall accrue on the Outstanding Principal Amount of each Note during each Interest Accrual Period from the Interest Commencement Date. Interest will cease to accrue on the due date for redemption therefor unless upon due presentation or surrender thereof (if required), payment in full of the Redemption Amount (as defined in Condition 6.10) is improperly withheld or refused or default is otherwise made in the payment thereof in which case interest shall continue to accrue on the principal amount in respect of which payment has been improperly withheld or refused or default has been made (as well after as before any demand or judgment) at the Interest Rate then applicable or such other rate as may be specified for this purpose in the Final Terms ("**Default Interest Rate**") until the date on which, upon due presentation or surrender of the relevant Note (if required), the relevant payment is made or, if earlier (except where presentation or surrender of the relevant Note is not required as a precondition of payment), the seventh day after the date on which, the Fiscal Agent having received the funds required to make such payment, notice is given to the Holders of the Notes in accordance with Condition 16 that the Fiscal Agent has received the required funds (except to the extent that there is failure in the subsequent payment thereof to the relevant Holder).

Interest Amount(s), Calculation Agent and Reference Banks

5.06 If a Calculation Agent is specified in the Final Terms, the Calculation Agent, as soon as practicable after the Relevant Time on each Interest Determination Date (or such other time on such date as the Calculation Agent may be required to calculate any Redemption Amount (as defined in Condition 6.10), obtain any quote or make any determination or calculation) will determine the Interest Rate and calculate the amount(s) of interest payable (the “**Interest Amount(s)**”), which may be the Fixed Coupon Amount or the Broken Amount, as the case may be, in respect of each denomination of the Notes for the relevant Interest Accrual Period, calculate the Redemption Amount (as defined in Condition 6.10), obtain such quote or make such determination or calculation, as the case may be, and cause the Interest Rate and the Interest Amounts for each Interest Period and the relevant Interest Payment Date or the Redemption Amount (as defined in Condition 6.10) to be notified to the Fiscal Agent, the Issuer, the Holders in accordance with Condition 16 and, if the Notes are listed on a stock exchange and the rules of such exchange so require, such exchange as soon as possible after their determination or calculation but in no event later than the fourth London Banking Day (or, if the Calculation Agent is located in Luxembourg, the fourth Luxembourg Banking Day) thereafter or, if earlier in the case of notification to the stock exchange, the time required by the rules of the relevant stock exchange. The Interest Amounts and the Interest Payment Date so notified may subsequently be amended (or appropriate alternative arrangements made by way of adjustment) without notice in the event of an extension or shortening of an Interest Accrual Period or the Interest Period. If the Notes become due and payable pursuant to Condition 7, the Interest Rate and the accrued interest payable in respect of the Notes shall nevertheless continue to be calculated as previously in accordance with this Condition 5 but no publication of the Interest Rate or the Interest Amount so calculated need be made. The determination of each Interest Rate, Interest Amount, Redemption Amount (as defined in Condition 6.10), the obtaining of each quote and the making of each determination or calculation by the Calculation Agent shall (in the absence of manifest error) be final and binding upon the Issuer and the Holders and neither the Calculation Agent nor any Reference Bank shall have any liability to the Holders in respect of any determination, calculation, quote or rate made or provided by it.

The Issuer will ensure that there shall at all times be such Reference Banks as may be required for the purpose of determining the Interest Rate applicable to the Notes and a Calculation Agent, if provision is made for one in the Final Terms.

If the Calculation Agent is incapable or unwilling to act as such or if the Calculation Agent fails duly to establish the Interest Rate for any Interest Accrual Period or to calculate the Interest Amounts or any other requirements, the Issuer will appoint the London office of a leading bank engaged in the London interbank market to act as such in its place. The Calculation Agent may not resign its duties without a successor having been appointed as aforesaid.

Calculations and Adjustments

5.07 The amount of interest payable in respect of any Note for any period shall be calculated by multiplying the product of the Interest Rate and the Outstanding Principal Amount by the Day Count Fraction, except that if the Final Terms specifies a specific amount in respect of such period, the amount of interest payable in respect of such Note for such period will be equal to such specified amount. Where any Interest Period comprises two or more Interest Accrual Periods, the amount of interest payable in respect of such Interest Period will be the sum of the amounts of interest payable in respect of each of those Interest Accrual Periods.

For the purposes of any calculations referred to in these Terms and Conditions (unless otherwise specified in the Final Terms), (a) all percentages resulting from such calculations will be rounded, if necessary, to the nearest one hundred-thousandth of a percentage point (with 0.000005 percent being rounded up to 0.00001 percent), (b) all U.S. dollar amounts used in or resulting from such calculations will be rounded to the nearest cent (with one half cent being rounded up), (c) all Japanese Yen amounts used in or resulting from such calculations will be rounded downwards to the next lower whole Japanese Yen amount and (d) all amounts denominated in any other currency used in or resulting from such calculations will be rounded to the nearest two decimal places in such currency, with 0.005 being rounded upwards.

Non-interest-bearing Notes

5.08 If any Maturity Redemption Amount (as defined in Condition 6.01) in respect of any Note which is non-interest-bearing is not paid when due, interest shall accrue on the overdue amount at a rate per annum (expressed as a percentage per annum) equal to the Amortization Yield as specified in, or determined in accordance with the provisions of, the Final Terms or at such other rate as may be specified for this purpose in the Final Terms until the date on which, upon due presentation or surrender of the relevant Note (if required), the relevant payment is made or, if earlier (except where presentation or surrender of the relevant Note is not required as a precondition of payment), the seventh day after the date on which, the Fiscal Agent having received the funds required to make such payment, notice is given to the Holders of the Notes in accordance with Condition 16 that the Fiscal Agent has received the required funds (except to the extent that there is failure in the subsequent payment thereof to the relevant Holder). The amount of any

such interest shall be calculated in accordance with the provisions of Condition 5.07 as if the Interest Rate was the Amortization Yield, the Outstanding Principal Amount was the overdue sum and the Day Count Fraction was as specified for this purpose in the Final Terms or, if not so specified, 30E/360 (as defined in Condition 20).

6. Redemption and Purchase

Redemption at Maturity

6.01 Unless previously redeemed, or purchased and cancelled, each Note shall be redeemed at its maturity redemption amount (the "**Maturity Redemption Amount**") (which shall be its Outstanding Principal Amount or such other redemption amount as may be specified in or determined in accordance with the Final Terms) on the date or dates (or, in the case of Notes which bear interest at a floating rate of interest, on the date or dates upon which interest is payable) specified in the Final Terms.

Early Redemption for Taxation Reasons

6.02 If, in relation to any Series of Notes:

(i) (a) as a result of any change in, or amendment to, the laws, regulations or rulings of the United States or of any political subdivision thereof or any authority or agency therein or thereof having power to tax or in the application, interpretation or administration of any such laws, regulations or rulings which becomes effective on or after the date of issue of such Notes or any other date specified in the Final Terms, the Issuer would be required to pay additional amounts as provided in Condition 8, and

(b) such obligation cannot be avoided by the Issuer taking reasonable measures available to it; or

(ii) if the Issuer shall determine that any payment made outside the United States by the Issuer or any Paying Agent in respect of any Note or Coupon appertaining thereto would, under any present or future laws or regulations of the United States affecting taxation or otherwise, be subject to any certification, information or other reporting requirement with regard to the nationality, residence or identity of a beneficial owner of such Note or Coupon who is a U.S. Alien (as defined in Condition 8) (other than a requirement that (A) would not be applicable to a payment made (x) directly to the beneficial owner or (y) to a custodian, nominee or other agent of the beneficial owner, or (B) could be satisfied by the Holder, custodian, nominee or other agent certifying that the beneficial owner is a U.S. Alien; *provided, however*, that in each case referred to in (A)(y) or (B) payment by any such custodian, nominee or agent to the beneficial owner is not otherwise subject to any requirement referred to in this sentence or (C) would not be applicable to a payment made by at least one Paying Agent); and

(iii) in the case of (i) or (ii) above, such circumstances are evidenced by the delivery by the Issuer to the Fiscal Agent of a certificate signed by the Issuer stating that the said circumstances prevail and describing the facts leading thereto and an opinion of legal counsel reasonably satisfactory to the Fiscal Agent to the effect that such circumstances prevail, the Issuer may, at its option (in the case of (i) above) and will (in the case of (ii) above, except as provided below), having given not less than 30 nor more than 60 days' notice (ending, in the case of Notes which bear interest at a floating rate, on a day upon which interest is payable) to the Holders of the Notes in accordance with Condition 16 (which notice shall be irrevocable), redeem all (but not part) of the outstanding Notes comprising the relevant Series at their early tax redemption amount (the "**Early Redemption Amount (Tax)**") (which shall be their Outstanding Principal Amount or, in the case of Notes which are non-interest-bearing, their Amortized Face Amount (as defined in Condition 6.11) or such other redemption amount as may be specified in, or determined in accordance with the provisions of, the Final Terms), together with accrued interest (if any) thereon; *provided, however*, that in the case of (i) above, no such notice of redemption may be given earlier than 90 days (or, in the case of Notes which bear interest at a floating rate a number of days which is equal to the aggregate of the number of days falling within the then current interest period applicable to the Notes plus 60 days) prior to the earliest date on which the Issuer would be obliged to pay such additional amounts were a payment in respect of the Notes then due and, in the case of (ii) above, such determination will be promptly notified in accordance with Condition 16 and such redemption will take place within one year from the date of such notice.

Notwithstanding the provisions of (ii) above, the Issuer shall not redeem the Notes if the Issuer shall subsequently determine, based upon the written opinion of legal counsel reasonably satisfactory to the Fiscal Agent not less than 30 days prior to the date fixed for redemption, that subsequent payments would not be subject to any such requirement in which case the Issuer shall give notice of such determination in accordance with Condition 16 not less than 15 days prior to the date fixed for redemption and any earlier redemption notice shall be revoked and of no further effect.

Notwithstanding the foregoing, if and so long as all certification, information or other reporting requirements referred to in (ii) above would be fully satisfied by payment of a U.S. backup withholding tax or similar charge (but without any requirement to disclose the nationality, residence or identity of the beneficial owner thereof), the Issuer may elect to pay additional amounts in accordance with Condition 8.01.

In the event that the Issuer elects to pay such additional amounts and as long as it is obligated to pay such additional amounts, the Issuer will have the right, at its sole option, at any time, but in accordance with the notice provisions set out above, to redeem the Notes, in whole but not in part, at the Early Redemption Amount (Tax), together with accrued interest (if any) thereon, including any additional amounts required to be paid under the above paragraph.

The Issuer may not exercise such option in respect of any Note which is the subject of the prior exercise by the Holder thereof of its option to require the redemption of such Note under Condition 6.06.

Optional Early Redemption (Call)

6.03 If this Condition 6.03 is specified in the Final Terms as being applicable, the Issuer may, having given the appropriate notice and subject to such conditions as may be specified in the Final Terms, redeem all (but not, unless and to the extent that the Final Terms specifies otherwise, in part only) of the Notes of the relevant Series at their call early redemption amount (the “**Early Redemption Amount (Call)**”) (which shall be their Outstanding Principal Amount or, in the case of Notes which are non-interest-bearing, their Amortized Face Amount (as defined in Condition 6.11) or such other redemption amount (in any case, not less than the Minimum Redemption Amount nor more than the Maximum Redemption Amount if so specified in the Final Terms) as may be specified in, or determined in accordance with the provisions of, the Final Terms), together with accrued interest (if any) thereon on the date specified in such notice.

The Issuer may not exercise such option in respect of any Note that is the subject of the prior exercise by the Holder thereof of its option to require the redemption of such Note under Condition 6.06.

6.04 The appropriate notice referred to in Condition 6.03 is a notice given by the Issuer to the Holders of the Notes of the relevant Series in accordance with Condition 16, which notice shall be irrevocable and shall specify:

- (i) the Series of Notes subject to redemption;
- (ii) whether such Series is to be redeemed in whole or in part only and, if in part only, the aggregate principal amount of and (except in the case of a Temporary Global Note or Permanent Global Note) the serial numbers (if applicable) of the Notes of the relevant Series which are to be redeemed;
- (iii) the due date(s) for such redemption, which shall be not less than thirty days nor more than sixty days after the date on which such notice is given (the “**Call Option Date(s)**”) or a day falling within such period (the “**Call Option Period**”), as may be specified in the Final Terms and which is, in the case of Notes which bear interest at a floating rate, a date upon which interest is payable; and
- (iv) the Early Redemption Amount (Call) at which such Notes are to be redeemed.

Partial Redemption

6.05 If the Notes of a Series are to be redeemed in part only on any date in accordance with Condition 6.03:

- (i) in the case of Definitive Notes, the Definitive Notes to be redeemed shall be drawn by lot in such European city as the Fiscal Agent may specify, or identified in such other manner or in such other place as the Fiscal Agent may approve and deem appropriate and fair; and
- (ii) in the case of a Temporary Global Note or a Permanent Global Note, the Notes to be redeemed shall be selected in accordance with the rules of Euroclear or Clearstream, Luxembourg or any other relevant clearing system, subject always to compliance with all applicable laws and the requirements of any stock exchange on which the relevant Notes may be listed.

Optional Early Redemption (Put)

6.06 If this Condition 6.06 is specified in the Final Terms as being applicable and subject to further qualification therein, the Issuer shall, upon the exercise of the relevant option by the Holder of any Note of the relevant Series, redeem such Note on the date specified in the relevant Put Notice (as defined below) at its put early redemption amount (the **"Early Redemption Amount (Put)"**) (which shall be its Outstanding Principal Amount or, if such Note is non-interest-bearing, its Amortized Face Amount (as defined in Condition 6.11) or such other redemption amount as may be specified in, or determined in accordance with the provisions of, the Final Terms), together with accrued interest (if any) thereon. In order to exercise such option, the Holder must, not less than forty-five days before the date on which such redemption is required to be made as specified in the Put Notice ((the **"Put Date(s)"**) or a day falling within such period (the **"Put Period"**) as may be specified in the Final Terms), deposit the relevant Note (together, in the case of an interest-bearing Definitive Note, with all unmatured Coupons appertaining thereto other than any Coupon maturing on or before the date of redemption (failing which the provisions of Condition 9.05 apply)) during normal business hours at the specified office of any Paying Agent together with a duly completed early redemption notice (**"Put Notice"**) in the form which is available from the specified office of any of the Paying Agents specifying, in the case of a Temporary Global Note or Permanent Global Note, the aggregate principal amount in respect of which such option is exercised (which must be the minimum denomination specified in the Final Terms or an integral multiple thereof). No Note so deposited and option exercised may be withdrawn (except as provided in the Fiscal Agency Agreement).

The Holder of a Note may not exercise such option in respect of any Note that is the subject of an exercise by the Issuer of its option to redeem such Note under either Condition 6.02 or 6.03.

Purchase of Notes

6.07 The Issuer or any of its subsidiaries may at any time purchase Notes in the open market or otherwise and at any price provided that all unmatured Coupons appertaining thereto are purchased therewith.

Cancellation of Redeemed and Purchased Notes

6.08 All unmatured Notes and Coupons redeemed or purchased in accordance with this Condition 6, or as otherwise specified in the relevant Final Terms, will be cancelled forthwith and may not be reissued or resold.

Further Provisions applicable to Redemption Amount

6.09 The provisions of Condition 5.06 and the last paragraph of Condition 5.07 shall apply to any determination or calculation of the Redemption Amount required by the Final Terms to be made by the Calculation Agent.

6.10 References herein to **"Redemption Amount"** shall mean, as appropriate, the Maturity Redemption Amount, Early Redemption Amount (Tax), Early Redemption Amount (Call), Early Redemption Amount (Put) and Early Termination Amount or such other amount in the nature of a redemption amount as may be specified in, or determined in accordance with the provisions of, the Final Terms. If any Minimum Redemption Amount or Maximum Redemption Amount is specified in the Final Terms, then the Redemption Amount shall in no event be greater than the maximum or less than the minimum so specified.

6.11 In the case of any Note which is non-interest-bearing, the **"Amortized Face Amount"** shall be an amount equal to the sum of:

- (i) the Issue Price specified in the Final Terms; and
- (ii) the product of the Amortization Yield (compounded annually) being applied to the Issue Price from (and including) the Issue Date specified in the Final Terms to (but excluding) the date fixed for redemption or (as the case may be) the date upon which such Note becomes due and repayable.

Where such calculation is to be made for a period which is not a whole number of years, the calculation in respect of the period of less than a full year shall be made on the basis of the Day Count Fraction specified in the Final Terms for the purposes of this Condition 6.11.

6.12 In the case of any Note that is non-interest-bearing, if any Redemption Amount (other than the Maturity Redemption Amount) is improperly withheld or refused or default is otherwise made in the payment thereof, the Amortized Face Amount shall be calculated as provided in Condition 6.11 but as if references in subparagraph (ii) to the date fixed for redemption or the date upon which such Note becomes due and repayable were replaced by references to the earlier of:

- (i) the date on which, upon due presentation or surrender of the relevant Note (if required), the relevant payment is made; and
- (ii) (except where presentation or surrender of the relevant Note is not required as a precondition of payment), the seventh day after the date on which, the Fiscal Agent having received the funds required to make such payment, notice is given to the Holders of the Notes in accordance with Condition 16 of that circumstance (except to the extent that there is a failure in the subsequent payment thereof to the relevant Holder).

7. Events of Default

7.01 The following events or circumstances as modified by, and such other events as may be specified in, the Final Terms (each an “Event of Default”) shall be acceleration events in relation to the Notes of any Series, namely:

- (i) failure on the part of the Issuer to pay all or any part of any installment of interest on any of the Notes of a particular Series (whether at maturity or on redemption or otherwise) for 30 days after such payment shall become due and payable; or
- (ii) failure on the part of the Issuer to pay all or any part of the principal of the Notes of a particular Series (whether at maturity or on redemption or otherwise) for 15 days after such payment shall become due and payable; or
- (iii) failure on the part of the Issuer to perform or observe any other term, covenant or agreement on the part of the Issuer contained in the Notes of a particular Series for a period of 60 days (120 days with respect to the Issuer’s compliance with the Issuer’s Certain Covenant described in Condition 4) after there has been given, by registered or certified mail, to the Issuer and the Fiscal Agent by the Holders of 25% or more in aggregate principal amount of the Notes of the relevant Series at the time outstanding a written notice specifying such failure and stating that such is a “Notice of Default” hereunder; or
- (iv) the entry by a court having jurisdiction in the premises of a decree or order for relief in respect of the Issuer in an involuntary case under any applicable bankruptcy, insolvency or other similar law now or hereafter in effect, or appointing a receiver, liquidator, assignee, custodian, trustee, sequestrator (or similar official) of the Issuer or for any substantial part of its property, or ordering the winding up or liquidation of its affairs, if such decree or order shall remain unstayed and in effect for a period of 60 consecutive days; or
- (v) the commencement by the Issuer of a voluntary case under any applicable bankruptcy, insolvency or other similar law now or hereafter in effect, or the Issuer’s consent to the entry of an order for relief in any involuntary case under any such law, or its consent to the appointment of or taking possession by a receiver, liquidator, assignee, trustee, custodian, sequestrator (or similar official) of the Issuer or for any substantial part of its property, or the making by the Issuer of any general assignment for the benefit of creditors, or its failure generally to pay its debts as they become due or the taking by the Issuer of any corporate action in furtherance of any of the foregoing.

7.02 If such an Event of Default shall occur and be continuing, in relation to any Series of Notes, the Holder of a Note of the relevant Series may, at such Holder’s option, declare the Outstanding Principal Amount of such Note (or, if such Note is non-interest-bearing, its Amortized Face Amount) or such other early termination amount (the “Early Termination Amount”) as may be specified in, or determined in accordance with, the provisions of the Final Terms) and the accrued, but unpaid, stated interest thereon, if any, to be due and payable immediately by written notice to the Issuer and the Fiscal Agent, and unless all such defaults shall have been cured by the Issuer prior to receipt of such written notice, the Outstanding Principal Amount of such Note and the accrued, but unpaid, stated interest thereon, if any, shall become and be immediately due and payable.

8. Taxation

8.01 All amounts payable (whether in respect of principal, interest or otherwise) in respect of the Notes will be made free and clear of and without withholding or deduction for or on account of any present or future taxes, assessments or governmental

charges of whatever nature imposed or levied by or on behalf of the United States or any political subdivision thereof or any authority or agency therein or thereof having power to tax, unless the withholding or deduction of such taxes, assessments or governmental charges is required by law. In that event, the Issuer will pay such additional amounts as may be necessary in order that the net amounts receivable by a Holder who is a U.S. Alien, after such withholding or deduction, shall equal the amounts that would have been receivable by such Holder in the absence of such withholding or deduction, except that the obligation to pay such additional amounts shall not apply to:

- (i) any tax, assessment or other governmental charge that would not have been imposed but for (a) the existence of any present or former connection between such Holder (or between a fiduciary, settlor or beneficiary of, or a person holding a power over, such Holder, if such Holder is an estate or a trust, or a member or shareholder of such Holder, if such Holder is a partnership or a corporation) and the United States, including, without limitation, such Holder (or such fiduciary, settlor, beneficiary, person holding a power, member or shareholder) being or having been a citizen or resident thereof or being or having been engaged in trade or business or present therein or having or having had a permanent establishment therein or (b) such Holder's past or present status as a personal holding company or private foundation or other tax-exempt organization with respect to the United States or as a corporation that accumulates earnings to avoid U.S. federal income tax;
- (ii) any estate, inheritance, gift, sales, transfer or personal property tax or any similar tax, assessment or other governmental charge;
- (iii) any tax, assessment or other governmental charge that would not have been imposed but for the presentation by the Holder of a Note or Coupon for payment more than 30 days after the date on which such payment became due and payable or on which payment thereof was duly provided for, whichever occurs later;
- (iv) any tax, assessment or other governmental charge that is payable otherwise than by deduction or withholding from a payment on a Note or Coupon;
- (v) any tax, assessment or other governmental charge required to be deducted or withheld by any Paying Agent from a payment on a Note or Coupon, if such payment can be made without such deduction or withholding by any other Paying Agent;
- (vi) any tax, assessment or other governmental charge that would not have been imposed but for a failure to comply with any applicable certification, documentation, information or other reporting requirement concerning the nationality, residence, identity or connection with the United States of the Holder or beneficial owner of a Note or Coupon if, without regard to any tax treaty, such compliance is required by statute or regulation of the United States as a precondition to relief or exemption from such tax, assessment or other governmental charge; or
- (vii) any tax, assessment or governmental charge imposed on a Holder that actually or constructively owns 10 percent or more of the combined voting power of all classes of stock of the Issuer or that is a controlled foreign corporation related to the Issuer through stock ownership,

nor shall such additional interest be paid with respect to a payment on a Note or Coupon to a Holder that is a fiduciary or partnership or other than the sole beneficial owner of such payment to the extent a beneficiary or settlor with respect to such fiduciary or a member of such partnership or a beneficial owner would not have been entitled to the additional interest had such beneficiary, settlor, member or beneficial owner been the Holder of such Note or Coupon.

The term "U.S. Alien" means any person who, for U.S. federal income tax purposes, is a foreign corporation, a nonresident alien individual, a nonresident alien fiduciary of a foreign estate or trust, or a foreign partnership one or more of the members of which is, for U.S. federal income tax purposes, a foreign corporation, a nonresident alien individual or a nonresident alien fiduciary of a foreign estate or trust.

8.02 Any reference in these Terms and Conditions to "**principal**" or "**interest**" in respect of the Notes shall be deemed also to refer to any additional amounts which may be payable under this Condition 8. Unless the context otherwise requires, any reference in these Terms and Conditions to "**principal**" shall include any premium payable in respect of a Note, any Redemption Amount and any other amounts in the nature of principal payable pursuant to these Terms and Conditions and "**interest**" shall include all amounts payable pursuant to Condition 5 and any other amounts in the nature of interest payable pursuant to these Terms and Conditions.

9. Payments

9.01 Payment of amounts (other than interest) due in respect of Notes will be made against presentation and surrender of the relevant Notes at the specified office of any of the Paying Agents outside the United States or its possessions (except as otherwise specified in the relevant Final Terms).

9.02 Payment of amounts in respect of interest will be made (except as otherwise specified in the relevant Final Terms):

(i) in the case of a Temporary Global Note or Permanent Global Note, against presentation of the relevant Temporary Global Note or Permanent Global Note at the specified office of any of the Paying Agents outside (unless Condition 9.03 applies) the United States and, in the case of a Temporary Global Note, upon due certification as required therein;

(ii) in the case of Definitive Notes without Coupons attached thereto at the time of their initial delivery, against presentation of the relevant Definitive Notes at the specified office of any of the Paying Agents outside (unless Condition 9.03 applies) the United States; and

(iii) in the case of Definitive Notes delivered with Coupons attached thereto at the time of their initial delivery, against surrender of the relevant Coupons or, in the case of interest due otherwise than on a scheduled date for the payment of interest, against presentation of the relevant Definitive Notes, in either case at the specified office of any of the Paying Agents outside (unless Condition 9.03 applies) the United States.

9.03 Payments of amounts due in respect of Notes and exchanges of Talons for Coupon sheets in accordance with Condition 9.06 will not be made at the specified office of any Paying Agent in the United States (as defined in the U.S. Internal Revenue Code and Regulations thereunder) unless (a) payment in full of amounts due in respect of interest on such Notes when due or, as the case may be, the exchange of Talons at all the specified offices of the Paying Agents outside the United States is illegal or effectively precluded by exchange controls or other similar restrictions and (b) such payment or exchange is permitted by applicable U.S. law. If paragraphs (a) and (b) of the previous sentence apply, the Issuer shall forthwith appoint a further Paying Agent with a specified office in New York City. Except as provided herein, no payment on the Notes will be made by mail to an address in the United States or by wire transfer to an account maintained by the Holder in the United States.

9.04 If the due date for payment of any amount due in respect of any Note is not a Business Day, then the Holder thereof will not be entitled to payment thereof until the next Business Day, at the place of payment, with the same force and effect as if made on the date fixed for payment, and no interest shall accrue for the period after such date unless there is a subsequent failure to pay in accordance with these Terms and Conditions in which event interest shall continue to accrue as provided in Condition 5.05 or, if appropriate, Condition 5.08.

9.05 Each Definitive Note initially delivered with Coupons or Talons attached thereto should be presented and, save in the case of partial payment of the Redemption Amount, surrendered for final redemption together with all unmatured Coupons and Talons relating thereto (except as otherwise specified in the relevant Final Terms), failing which:

(i) if the Final Terms specifies that this paragraph (i) of Condition 9.05 is applicable (and, in the absence of specification, this paragraph (i) shall apply to Definitive Notes which bear interest at a fixed rate or rates or in fixed amounts) and subject as hereinafter provided, the amount of any missing unmatured Coupons (or, in the case of a payment not being made in full, that portion of the amount of such missing Coupon which the Redemption Amount paid bears to the total Redemption Amount due) (excluding, for this purpose, but without prejudice to paragraph (iii) below, Talons) will be deducted from the amount otherwise payable on such final redemption, the amount so deducted being payable against surrender of the relevant Coupon at the specified office of any of the Paying Agents at any time within five years of the Relevant Date applicable to payment of such Redemption Amount;

(ii) if the Final Terms specifies that this paragraph (ii) of Condition 9.05 is applicable (and, in the absence of specification, this paragraph (ii) shall apply to Definitive Notes which bear interest at a floating rate or rates or in variable amounts) all unmatured Coupons (excluding, for this purpose, but without prejudice to paragraph (iii) below, Talons) relating to such Definitive Notes (whether or not surrendered therewith) shall become void and no payment shall be made thereafter in respect of them; and

(iii) in the case of Definitive Notes initially delivered with Talons attached thereto, all unmatured Talons (whether or not surrendered therewith) shall become void and no exchange for Coupons shall be made thereafter in respect of them.

The provisions of paragraph (i) of this Condition 9.05 notwithstanding, if any Definitive Notes should be issued with a maturity date and an Interest Rate or Rates such that, on the presentation for payment of any such Definitive Note without any unmatured Coupons attached thereto or surrendered therewith, the amount required by paragraph (i) to be deducted would be greater than the Redemption Amount otherwise due for payment, then, upon the due date for redemption of any such Definitive Note, such unmatured Coupons (whether or not attached) shall become void (and no payment shall be made in respect thereof) as shall be required so that, upon application of the provisions of paragraph (i) in respect of such Coupons as have not so become void, the amount required by paragraph (i) to be deducted would not be greater than the Redemption Amount otherwise due for payment. Where the application of the foregoing sentence requires some but not all of the unmatured Coupons relating to a Definitive Note to become void, the relevant Paying Agent shall determine which unmatured Coupons are to become void, and shall select for such purpose Coupons maturing on later dates in preference to Coupons maturing on earlier dates.

9.06 In relation to Definitive Notes initially delivered with Talons attached thereto, on or after the due date for the payment of interest on which the final Coupon comprised in any Coupon sheet matures, the Talon comprised in the Coupon sheet may be surrendered at the specified office of any Paying Agent outside (unless Condition 9.03 applies) the United States in exchange for a further Coupon sheet (including any appropriate further Talon), subject to the provisions of Condition 10 below. Each Talon shall, for the purpose of these Terms and Conditions, be deemed to mature on the Interest Payment Date on which the final Coupon comprised in the relative Coupon sheet matures.

9.07 Payments of amounts due (whether principal, interest or otherwise) in respect of Notes will be made in the Relevant Currency in which such amount is due (a) by check or (b) at the option of the payee, by transfer to an account denominated in the Relevant Currency specified by the payee and, if applicable, subject to such further conditions as specified in the relevant Final Terms. Payments will, without prejudice to the provisions of Condition 8, be subject in all cases to any applicable fiscal or other laws and regulations. No commissions or expenses shall be charged to the Holders of Notes or Coupons in respect of such payments.

Except as otherwise specified in the relevant Final Terms, any monies paid by the Issuer to any Paying Agent (or such other Person specified by the relevant Final Terms) for the payment of principal or interest on any Notes which remain unclaimed at the end of the applicable prescription period, as described in Condition 10, shall be repaid to the Issuer and all liability of such Paying Agent with respect thereto shall cease and the Holder shall thereafter look only to the Issuer for any payment to which such Holder is entitled.

Redenomination

9.08 Where “Redenomination” is specified in the relevant Final Terms as being applicable, the Issuer may, without the consent of the Holders of the Notes and the Coupons, on giving at least 30 days’ prior notice to the Holders of the Notes in accordance with Condition 16, elect that, with effect from the Redenomination Date specified in the notice, the Notes shall be redenominated in euro.

The election will have effect as follows:

(i) each denomination and, in the case of Notes which bear interest at a fixed rate, each amount specified on the Coupons will be deemed to be denominated in such amount of euro as is equivalent to its denomination or the amount of interest so specified in the Relevant Currency at the Established Rate, rounded down to the nearest euro 0.01;

(ii) after the Redenomination Date, all payments in respect of the Notes, other than payments of interest in respect of periods commencing before the Redenomination Date, will be made solely in euro as though references in the Notes to the Relevant Currency were to euro. Payments will be made in euro by credit or transfer to a euro account (or any other account to which euro may be credited or transferred) specified by the payee, or at the option of the payee, by a euro cheque;

(iii) if the Notes are Notes which bear interest at a fixed rate and interest for any period ending on or after the Redenomination Date is required to be calculated for a period of less than one year, it will be calculated on the basis of the applicable Day Count Fraction specified in the relevant Final Terms;

(iv) if the Notes are Notes which bear interest at a floating rate the relevant Final Terms will specify any relevant changes to the provisions relating to interest; and

(v) such other changes shall be made to these Terms and Conditions as the Issuer may decide, after consultation with the Fiscal Agent, and as may be specified in the notice, to conform them to conventions then applicable to Notes denominated in euro or to enable the Notes to be consolidated with other Notes whether or not originally denominated in the Relevant Currency or euro. Any such other changes will not take effect until after they have been notified to the Holders of the Notes in accordance with Condition 16.

Exchangeability

9.09 When “**Exchangeability**” is specified in the relevant Final Terms as being applicable, the Issuer may, without the consent of the Holders of the Notes and the Coupons on giving at least 30 days’ prior notice to the Holders of the Notes in accordance with Condition 16, elect that, with effect from the Redemption Date or such later date for payment of interest under the Notes as it may specify in the notice, the Notes shall be exchangeable for Notes expressed to be denominated in euro in accordance with such arrangements as the Issuer may decide, with the approval of the Fiscal Agent and as will be specified in the notice, including arrangements under which Coupons unmatured at the date so specified become void.

10. Proscription

10.01 Claims against the Issuer for payment of principal and interest in respect of Notes will be proscribed and become void unless made, in the case of principal, within ten years or, in the case of interest, five years after the Relevant Date for payment thereof.

10.02 In relation to Definitive Notes initially delivered with Talons attached thereto, there shall not be included in any Coupon sheet issued upon exchange of a Talon any Coupon which would be void upon issue pursuant to Condition 9.05 or the due date for the payment of which would fall after the due date for the redemption of the relevant Note or which would be void pursuant to this Condition 10 or any Talon the maturity date of which would fall due after the due date for redemption of the relevant Note.

11. The Paying Agents and the Calculation Agent

11.01 The Calculation Agent in respect of any Notes shall be specified in the Final Terms. The Issuer reserves the right at any time to vary or terminate the appointment of any Paying Agent (including the Fiscal Agent) or the Calculation Agent and to appoint additional or other Paying Agents or another Calculation Agent; *provided that*, except as otherwise specified in the relevant Final Terms, it will at all times maintain (i) a Fiscal Agent, (ii) a Paying Agent (which may be the Fiscal Agent) with a specified office in a continental European city, (iii) so long as any of the Notes are admitted to trading on the Luxembourg Stock Exchange’s regulated market and listed on the Official List of the Luxembourg Stock Exchange and/or any other stock exchange, and the rules of such stock exchange so require, a Paying Agent (which may be the Fiscal Agent) with a specified office in Luxembourg and/or in such other place as may be required by the rules of such other stock exchange, (iv) in the circumstances described in Condition 9.03, a Paying Agent with a specified office in New York City, and (v) a Calculation Agent where required by the Final Terms applicable to any Notes (in the case of (i), (ii) and (v) with a specified office located in such place (if any) as may be required by these Terms and Conditions) and, *provided further* that the Issuer will appoint a Paying Agent located in a jurisdiction in a European Union Member State that will not be obliged to withhold or deduct tax pursuant to European Council Directive 2003/48/EC or any other directive implementing the conclusions of the ECOFIN Council meeting of November 26–27, 2000 on the taxation of savings income or any law implementing or complying with, or introduced in order to conform to, such directive. The Paying Agents and the Calculation Agent reserve the right at any time to change their respective specified offices to some other specified office in the same city. Notice of all changes in the identities or specified offices of any Paying Agent or the Calculation Agent will be given promptly by the Issuer to the Holders in accordance with Condition 16.

11.02 The Paying Agents and the Calculation Agent act solely as agents of the Issuer and, except as provided in the Fiscal Agency Agreement or any other agreement entered into with respect to its appointment, do not assume any obligations towards or relationship of agency or trust for any Holder of any Note or Coupon and each of them shall only be responsible for the performance of the duties and obligations expressly imposed upon it in the Fiscal Agency Agreement or other agreement entered into with respect to its appointment or incidental thereto.

12. Replacement of Notes

If any Note or Coupon is lost, stolen, mutilated, defaced or destroyed, it may be replaced at the specified office of the Fiscal Agent or such Paying Agent or Paying Agents or other Persons as may be specified for such purpose in the Final Terms (“**Replacement Agent**”), subject to all applicable laws and the requirements of any stock exchange on which the Notes are listed, upon payment by the claimant of all expenses incurred in connection with such replacement and upon such terms as to evidence, security, indemnity and otherwise as the Issuer and the Replacement Agent may require. Mutilated or defaced Notes and Coupons must be surrendered before replacements will be delivered therefor.

13. Meetings of Holders and Modification

The Fiscal Agency Agreement, or such other agreement as may be specified by the relevant Final Terms, contains provisions (which shall have effect as if incorporated herein) for convening meetings of the Holders of Notes of any Series to consider any matter affecting their interest.

Amendment Without Consent of Holders of Notes

13.01 The Fiscal Agency Agreement and these Terms and Conditions may be modified or amended by the Issuer and the Fiscal Agent, without the consent of any Holders of Notes or Coupons, for the purpose of (i) curing any ambiguity, or curing, correcting or supplementing any defective provisions contained therein or herein, or (ii) adding to the covenants of the Issuer for the benefit of the Holders of Notes or Coupons, or (iii) surrendering any right or power conferred upon the Issuer, or (iv) effecting any assumption by any direct or indirect wholly-owned subsidiary of the Issuer of the Issuer’s obligations herein or in the Fiscal Agency Agreement, or (v) in any other manner which the Issuer and the Fiscal Agent may deem necessary or desirable and which will not be inconsistent with the Notes or the Coupons appertaining thereto and which will not adversely affect the interests of the Holders of the Notes or Coupons in any material respect, to all of which each Holder of any Note or Coupon shall, by acceptance thereof, consent.

Amendment With Consent of Holders of Notes

13.02 The Fiscal Agency Agreement and these Terms and Conditions may also be modified or amended by the Issuer and the Fiscal Agent, and past defaults thereunder or hereunder or future compliance therewith or herewith by the Issuer may be waived, either with the written consent of the Holders of not less than 25% in aggregate principal amount of the affected Series of Notes at the time outstanding, or by the adoption, at a meeting duly convened and held in accordance with the provisions of the Fiscal Agency Agreement, of a resolution by the Holders of not less than 25% in aggregate principal amount of the affected Series of Notes at the time outstanding; provided, however, that no such modification, amendment or waiver may, without the consent or affirmative vote of the Holder of each Note affected thereby:

- (i) waive a default in the payment of the principal of or interest on any Note, or change the stated maturity of the principal of or payment date of interest on any Note, or reduce the principal amount of or interest thereon, or change the obligation of the Issuer to pay additional amounts pursuant to Condition 8 hereof, or change the coin or currency in which the principal of any Note or the interest thereon is payable (other than for payments to be made in euro), or impair the right to institute suit for the enforcement of any such payment on or after the stated maturity thereof (or, in the case of redemption, on or after the applicable redemption date); or
- (ii) modify the obligation of the Issuer to maintain an office or agency in Europe; or
- (iii) reduce the percentage in principal amount of Notes at the time outstanding, the consent of whose Holders is required for any modification or amendment to the Fiscal Agency Agreement or these Terms and Conditions or to waive future compliance therewith or past default thereunder, or reduce the percentage of votes required for the adoption of a resolution or the quorum required at any meeting of Holders of Notes at which a resolution is to be adopted.

It shall not be necessary for the Holders of Notes to approve the particular form of any proposed modification, amendment, or waiver but it shall be sufficient if they approve the substance thereof. Any instrument given by or on behalf of any Holder of a Note in connection with any consent to any such modification, amendment or waiver will be irrevocable once given and will be conclusive and binding on all subsequent Holders of such Note and any Coupons.

Effect of Amendments

13.03 Any modifications, amendments or waivers to the Fiscal Agency Agreement or to these Terms and Conditions in accordance with the foregoing provisions will be conclusive and binding on all Holders of the affected Notes and Coupons, whether or not they have given such consent or were present at such meeting, and on all future Holders of the affected Notes and Coupons, whether or not notation of such modifications, amendments or waivers is made upon such Notes or the Coupons.

14. Consolidation, Merger, etc.

14.01 The Issuer may, without consent of the Holders of any Notes or Coupons, consolidate with or merge into any other corporation or sell or convey its properties and assets substantially as an entirety to any person, provided that:

(i) the corporation formed by such consolidation or into which the Issuer is merged or the person which acquires by conveyance or transfer, or which leases, the properties and assets of the Issuer substantially as an entirety shall be a corporation organized and existing under the laws of the United States, any State thereof or the District of Columbia (the "Successor Corporation") and shall, by amendment to the Fiscal Agency Agreement signed by the Issuer and such Successor Corporation and delivered to the Fiscal Agent, assume the due and punctual payment of the principal of and interest on all the Notes and the performance of every covenant hereof and of the Fiscal Agency Agreement on the part of the Issuer to be performed or observed; and

(ii) immediately after giving effect to such transaction, no Event of Default (as described in Condition 7), and no event that, with notice or lapse of time or both, would become such an Event of Default, shall have happened and be continuing.

14.02 Upon any consolidation or merger, or any conveyance, transfer or lease of the properties and assets of the Issuer substantially as an entirety, or any assumption, the Successor Corporation shall succeed to, and be substituted for, and may exercise every right and power of, the Issuer under the Fiscal Agency Agreement and the Notes and Coupons with the same effect as if the Successor Corporation had been named as the Issuer therein and herein and the Issuer, except in the case of a lease of the Issuer's properties and assets, shall be released from its liability on any of the Notes and Coupons and under the Fiscal Agency Agreement.

15. Assumption

15.01 Any wholly-owned subsidiary may assume the obligations and covenants of the Issuer herein and under the Fiscal Agency Agreement and, in all cases, as otherwise specified by the relevant Final Terms, provided that:

(i) such subsidiary shall expressly assume, by amendment to the Fiscal Agency Agreement signed by the Issuer and such subsidiary and delivered to the Fiscal Agent, the due and punctual payment of the principal of and interest on all the Notes and the performance of every covenant hereof and of the Fiscal Agency Agreement on the part of the Issuer to be performed or observed;

(ii) immediately after giving effect to such transaction, no Event of Default (as described in Condition 7), and no event which, with notice or lapse of time or both, would become such an Event of Default, shall have happened and be continuing;

(iii) such subsidiary has satisfied or arranged to be paid in full all taxes payable by such subsidiary upon such assumption and if such subsidiary is not organized under the laws of the United States, or any State thereof or the District of Columbia or any political subdivision thereof, it shall agree to indemnify and hold harmless the Holder of each Note or Coupon against (1) any tax, assessment or governmental charge imposed on such Holder by a jurisdiction other than the United States or any political subdivision or taxing authority thereof or therein with respect to, and withheld on the making of, any payment of principal of or interest (including any additional amounts pursuant to Condition 8) on such Note or Coupon and which would not have been so imposed and withheld had such assumption not been made and (2) any tax, assessment or governmental charge imposed on or relating to, and any costs or expenses involved in, such assumption;

(iv) the Issuer irrevocably and unconditionally guarantees the performance of all obligations and covenants of such subsidiary under the Fiscal Agency Agreement and under this Note; and

(v) the Issuer has delivered to the Fiscal Agent an officer's certificate and an opinion of counsel, each stating that such assumption and the amendment to the Fiscal Agency Agreement required pursuant to clause (i) above comply with this Condition 15 and the Fiscal Agency Agreement and that all conditions precedent herein and therein provided for relating to such transaction have been complied with.

15.02 Upon any assumption by a wholly-owned subsidiary of the Issuer, such subsidiary shall succeed to, and be substituted for, and may exercise every right and power of, the Issuer under the Fiscal Agency Agreement and the Notes and the Coupons with the same effect as if such subsidiary had been named as the Issuer therein and herein and the Issuer shall be released from its liability as obligor on any of the Notes and the Coupons and under the Fiscal Agency Agreement. Any other wholly-owned subsidiary of the Issuer may subsequently assume the obligations and covenants herein and under the Fiscal Agency Agreement on the same terms and conditions as provided herein.

15.03 For the purposes of this Condition 15, "**wholly-owned subsidiary**" means any corporation of which there is owned, directly or indirectly, by or for the Issuer voting shares that in the aggregate entitle the holders thereof to cast 100% of the votes that may be cast by the holders of all the outstanding voting shares of such first mentioned corporation for the election of its directors and includes any corporation in like relationship to a wholly-owned subsidiary; and for this purpose "**voting shares**" means shares of the capital stock of any class of a corporation having under ordinary circumstances the right to elect at least a majority of the directors of such corporation.

16. Notices

Notices to Holders will, except where another means of effective communication has been specified herein or in the Final Terms, be deemed to be validly given if (i) published in a leading daily newspaper having general circulation in London (which is expected to be the *Financial Times*) and (ii) in the case of any Notes which are admitted to trading on the Luxembourg Stock Exchange's regulated market and listed on the Official List of the Luxembourg Stock Exchange (so long as such Notes are admitted to trading on the Luxembourg Stock Exchange's regulated market and listed on the Official List of the Luxembourg Stock Exchange and the rules of that exchange so require), in a leading newspaper having general circulation in Luxembourg (which is expected to be the *d'Wort* or *Tageblatt*) and/or the Luxembourg Stock Exchange's Web site, www.bourse.lu, or in each case, if such publication is not practicable, if published in a leading English language daily newspaper having general circulation in Europe (or, if permitted by the rules of the relevant stock exchange, in the case of Notes represented by a Temporary Global Note or Permanent Global Note, if delivered to Euroclear and Clearstream, Luxembourg and any other relevant clearing system for communication by them to the persons shown in their respective records as having interests therein). The Issuer shall also ensure that notices are duly published in compliance with the requirements of each stock exchange on which the Notes are listed. In the case of Notes which are listed on the Luxembourg Stock Exchange, notices will be required to be published in a daily newspaper in Luxembourg in all cases. Any notice so given will be deemed to have been validly given on the date of first such publication (or, if required to be published in more than one newspaper, on the first date on which publication shall have been made in all the required newspapers) or, as the case may be, on the fourth weekday after the date of such delivery to Euroclear or Clearstream, Luxembourg or such other clearing system. Holders of Coupons will be deemed for all purposes to have notice of the contents of any notice given to Holders of Notes in accordance with this Condition 16.

17. Further Issues

The Issuer may from time to time, without the consent of the Holders of any Notes or Coupons, create and issue further instruments, notes, bonds or debentures having the same terms and conditions as such Notes in all respects (or in all respects except for the first payment of interest, if any, on them and the denomination thereof) so as to form a single series with the Notes of any particular Series.

18. Waiver and Remedies

No failure to exercise, and no delay in exercising, on the part of the Holder of a Note, any right hereunder shall operate as a waiver thereof nor shall any single or partial exercise thereof preclude any other or future exercise thereof or the exercise of any other right. Rights hereunder shall be in addition to all other rights provided by law. No notice or demand given in any case shall constitute a waiver of rights to take other action in the same, similar or other instances without such notice or demand.

19. Law and Jurisdiction

19.01 The Notes shall be governed by, and construed in accordance with, the internal laws of the State of New York, United States, unless otherwise specified in the relevant Final Terms. The Issuer submits to the jurisdiction of the courts in the State of

New York and the federal courts in the United States having jurisdiction in the State of New York, unless otherwise specified in the relevant Final Terms.

19.02 The Issuer agrees that the process by which any proceedings in New York City are begun may be served on it by being delivered to The Prentice-Hall Corporation System, Inc. at 80 State Street, Albany, New York 12207-2543, United States. If the appointment of the person mentioned in this Condition 19.02 ceases to be effective, the Issuer shall forthwith appoint a further person in New York City to accept service of process on its behalf in New York City and notify the name and address of such person to the Fiscal Agent and, failing such appointment within fifteen days, any Holder of a Note shall be entitled to appoint such a person by written notice addressed to the Issuer and delivered to the Issuer or to the specified office of the Fiscal Agent. Nothing contained herein shall affect the right of any Holder of a Note to serve process in any other manner permitted by law.

20. Definitions

"Applicable Business Day Convention" means the "Business Day Convention" which may be specified in the Final Terms as applicable to any date in respect of the Notes unless the Final Terms specifies "No Adjustment" in relation to any date in which case such date shall not be adjusted in accordance with any Business Day Convention. Where the Final Terms fails to specify either an applicable Business Day Convention or "No Adjustment" for the purposes of an Interest Payment Date or an Interest Period End Date, then in the case of Notes which bear interest at a fixed rate, "No Adjustment" shall be deemed to have been so specified; and in the case of Notes which bear interest at a floating rate, the Modified Following Business Day Convention shall be deemed to have been so specified. Different Business Day Conventions may apply, or be specified in relation to, the Interest Payment Dates, Interest Period End Dates and any other date or dates in respect of any Notes.

"Banking Day" means, unless otherwise specified in the relevant Final Terms, in respect of any city, any day on which commercial banks are open for business (including dealings in foreign exchange and foreign currency deposits) in that city.

"Business Day" means a day, other than a Saturday or Sunday, that is neither a legal holiday nor a day on which banking institutions are authorized or required by law, regulation or executive order to close in the Relevant Financial Center and any city in which a Paying Agent appointed pursuant to the Fiscal Agency Agreement is located and, in relation to Notes payable in euro, a day on which the TARGET System is operating or in any other place or any other days as may be specified in the Final Terms.

"Business Day Convention" means a convention for adjusting any date if it would otherwise fall on a day that is not a Business Day and the following Business Day Conventions, where specified in the Final Terms in relation to any date applicable to any Notes, shall have the following meanings:

(i) **"Following Business Day Convention"** means that such date shall be postponed to the first following day that is a Business Day;

(ii) **"Modified Following Business Day Convention"** means that such date shall be postponed to the first following day that is a Business Day unless that day falls in the next calendar month in which case that date will be the first preceding day that is a Business Day;

(iii) **"Preceding Business Day Convention"** means that such date shall be brought forward to the first preceding day that is a Business Day; and

(iv) **"FRN Convention" or "Eurodollar Convention"** means that each such date shall be the date which numerically corresponds to the preceding such date in the calendar month which is the number of months specified in the Final Terms after the calendar month in which the preceding such date occurred provided that:

(a) if there is no such numerically corresponding day in the calendar month in which any such date should occur, then such date will be the last day which is a Business Day in that calendar month;

(b) if any such date would otherwise fall on a day which is not a Business Day, then such date will be the first following day which is a Business Day unless that day falls in the next calendar month, in which case it will be the first preceding day which is a Business Day; and

(c) if the preceding such date occurred on the last day in a calendar month which was a Business Day, then all subsequent such dates will be the last day which is a Business Day in the calendar month which is the specified number of months after the calendar month in which the preceding such date occurred.

"Calculation Agent" means such agent as may be specified in the Final Terms as the Calculation Agent.

"Day Count Fraction" means, in respect of the calculation of an amount of interest for any period of time (**"Calculation Period"**), such day count fraction as may be specified in the Final Terms and:

(i) if **"Actual/365"** or **"Actual/Actual (ISDA)"** is so specified, means the actual number of days in the Calculation Period divided by 365 (or, if any portion of the Calculation Period falls in a leap year, the sum of (A) the actual number of days in that portion of the Calculation Period falling in a leap year divided by 366 and (B) the actual number of days in that portion of the Calculation Period falling in a non-leap year divided by 365);

(ii) if **"Actual/Actual (ICMA)"** is so specified means:

(a) if the Calculation Period is equal to or shorter than the Determination Period during which it falls, the number of days in the Calculation Period divided by the product of (x) the number of days in such Determination Period and (y) the number of Determination Periods normally ending in any year; and

(b) if the Calculation Period is longer than one Determination Period, the sum of:

(x) the number of days in such Calculation Period falling in the Determination Period in which it begins divided by the product of (1) the number of days in such Determination Period and (2) the number of Determination Periods normally ending in any year; and

(y) the number of days in such Calculation Period falling in the next Determination Period divided by the product of (1) the number of days in such Determination Period and (2) the number of Determination Periods normally ending in any year

where

"Determination Period" means the period from and including an Interest Determination Date in any year to but excluding the next Interest Determination Date.

(iii) if **"Actual/365 (Fixed)"** is so specified, means the actual number of days in the Calculation Period divided by 365;

(iv) if **"Actual/360"** is so specified, means the actual number of days in the Calculation Period divided by 360;

(v) if **"30/360"**, **"360/360"** or **"Bond Basis"** is so specified, means the number of days in the Calculation Period divided by 360 (the number of days to be calculated on the basis of a year of 360 days with 12 30-day months (unless (i) the last day of the Calculation Period is the 31st day of a month but the first day of the Calculation Period is a day other than the 30th or 31st day of a month, in which case the month that includes the last day shall not be considered to be shortened to a 30-day month, or (ii) the last day of the Calculation Period is the last day of the month of February, in which case the month of February shall not be considered to be lengthened to a 30-day month)); and

(vi) if **"30E/360"** or **"Eurobond Basis"** is so specified means, the number of days in the Calculation Period divided by 360 (the number of days to be calculated on the basis of a year of 360 days with 12 30-day months, without regard to the date of the first day or last day of the Calculation Period unless, in the case of the final Calculation Period, the date of final maturity is the last day of the month of February, in which case the month of February shall not be considered to be lengthened to a 30-day month).

"Established Rate" means the rate for the conversion of the Relevant Currency (including compliance with rules relating to roundings in accordance with applicable European Community regulations) into euro established by the Council of the European Union pursuant to Article 1091(4) of the Treaty.

“euro” means the currency of participating member states of the European Union adopted in accordance with the Treaty.

“Interest Accrual Period” means, in respect of an Interest Period, each successive period beginning on and including an Interest Period End Date and ending on but excluding the next succeeding Interest Period End Date during that Interest Period provided always that the first Interest Accrual Period shall commence on and include the Interest Commencement Date and the final Interest Accrual Period shall end on but exclude the date of final maturity.

“Interest Commencement Date” means the date of issue of the Notes (as specified in the Final Terms) or such other date as may be specified as such in the Final Terms.

“Interest Determination Date” means, in respect of any Interest Accrual Period, the date which is such number (if any) of Banking Days in such city(ies) as may be specified in the Final Terms prior to the first day of such Interest Accrual Period, or if none is specified, the date which is two London Banking Days prior to the first day of such Interest Accrual Period.

“Interest Payment Date” means the date or dates specified as such in, or determined in accordance with the provisions of, the Final Terms and, if an Applicable Business Day Convention is specified in the Final Terms, as the same may be adjusted in accordance with the Applicable Business Day Convention or if the Applicable Business Day Convention is the FRN Convention and an interval of a number of calendar months is specified in the Final Terms as being the Interest Period, each of such dates as may occur in accordance with the FRN Convention at such specified period of calendar months following the date of issue of the Notes (in the case of the first Interest Payment Date) or the previous Interest Payment Date (in any other case).

“Interest Period” means each successive period beginning on and including an Interest Payment Date and ending on but excluding the next succeeding Interest Payment Date provided always that the first Interest Period shall commence on and include the Interest Commencement Date and the final Interest Period shall end on but exclude the date of final maturity.

“Interest Period End Date” means the date or dates specified as such in, or determined in accordance with the provisions of, the Final Terms and, if an Applicable Business Day Convention is specified in the Final Terms, as the same may be adjusted in accordance with the Applicable Business Day Convention or, if the Applicable Business Day Convention is the FRN Convention and an interval of a number of calendar months is specified in the Final Terms as the Interest Accrual Period, such dates as may occur in accordance with the FRN Convention at such specified period of calendar months following the Interest Commencement Date (in the case of the first Interest Period End Date) or the previous Interest Period End Date (in any other case) or, if none of the foregoing is specified in the Final Terms, means the date or each of the dates which correspond with the Interest Payment Date(s) in respect of the Notes.

“Interest Rate” means the rate or rates (expressed as a percentage per annum) or amount or amounts (expressed as a price per unit of Relevant Currency) of interest payable in respect of the Notes specified in, or calculated or determined in accordance with the provisions of, the Final Terms.

“Outstanding Principal Amount” means, in respect of a Note, its principal amount currently outstanding.

“Redenomination Date” means any date for payment of interest under the Notes specified by the Issuer which occurs on or after the start of the third stage of European Economic and Monetary Union pursuant to the Treaty or, if the country of the Relevant Currency is not one of the countries then participating in such third stage, which occurs on or after such later date as it does so participate.

“Reference Banks” means such banks as may be specified in the Final Terms as the Reference Banks.

“Relevant Currency” means the currency of denomination of the Notes shown on such Notes and which is specified in the Final Terms.

“Relevant Date” means, in respect of any payment, the date on which such payment first becomes due and payable, but if the full amount of the monies payable has not been received by the Fiscal Agent on or prior to such due date, it means the first date on which, the full amount of such monies having been so received and being available for payment to Holders, notice to that effect shall have been duly given to the Holders of the Notes of the relevant Series in accordance with Condition 16.

“Relevant Financial Center” means the capital city of the country issuing the currency or composite currency in which any payment in respect of a Note is to be made or such other city as specified in the relevant Final Terms.

“Relevant Time” means the time as of which any rate is to be determined as specified in the Final Terms or, if none is specified, at which it is customary to determine such rate.

“Reuters Screen” means, when used in connection with a designated page and any designated information, the display page so designated on the Reuters Monitor Money Rates Service (or such other page as may replace that page on that service for the purpose of displaying such information).

“TARGET” means the Trans-European Automated Real Time Gross Settlement Express Transfer System.

“Treaty” means the Treaty establishing the European Communities, as amended by the Treaty of European Union and the Treaty of Amsterdam.

PROVISIONS RELATING TO THE NOTES WHILE IN GLOBAL FORM

Unless otherwise specified in the relevant Final Terms, the following provisions are applicable to Global Notes.

(A) Relationship of Accountholders with Clearing Systems

Each of the persons shown in the records of Euroclear, Clearstream, Luxembourg or any other clearing system as the Holder of a Note represented by a Global Note must look solely to Euroclear, Clearstream, Luxembourg or such other clearing system (as the case may be) for such person's share of each payment made by the Issuer to the bearer of such Global Note, and in relation to all other rights arising under the Global Notes, subject to and in accordance with the respective rules and procedures of Euroclear, Clearstream, Luxembourg or such clearing system (as the case may be). Such persons shall have no claim directly against the Issuer in respect of payments due on the Notes for so long as the Notes are represented by such Global Note and such obligations of the Issuer will be discharged by payment to the bearer of such Global Note in respect of each amount so paid. References in these provisions relating to the Notes in global form to "Holder" or "accountholder" are to those persons shown in the records of the relevant clearing system as a Holder of a Note.

(B) Form and Exchange—Bearer Global Notes

(1) **TEFRA D:** U.S. Treasury Regulation § 1.163-5(c)(2)(i)(D) (the "TEFRA D Rules") shall apply. Each Tranche of Notes having an original term to maturity of 184 days or more will be represented upon issue by a Temporary Global Note, unless the Final Terms specifies otherwise.

Interests in a Temporary Global Note may be exchanged for:

- (i) interests in a Permanent Global Note; or
- (ii) if so specified in the Final Terms, Definitive Notes in bearer form.

Exchanges of interests in a Temporary Global Note for Definitive Notes or, as the case may be, a Permanent Global Note will be made only on or after the Exchange Date (as specified in the Final Terms) and provided certification as to the beneficial ownership thereof as required by U.S. Treasury regulations (in substantially the form set out in the Fiscal Agency Agreement or in such other form as is customarily issued in such circumstances by the relevant clearing system) has been received.

(2) **Limitation on entitlement under a Temporary Global Note after Exchange Date:** Holders of interests in any Temporary Global Note shall not (unless, upon the presentation of such Temporary Global Note for exchange (in whole but not in part only) for a Permanent Global Note or for delivery of Definitive Notes, such exchange or delivery is improperly withheld or refused and such withholding or refusal is continuing at the relevant payment date) be entitled to receive any payment in respect of the Notes represented by such Temporary Global Note which falls due on or after the Exchange Date or be entitled to exercise any option on a date after the Exchange Date.

(3) **Certification of non-U.S. beneficial ownership:** Subject to paragraph (2) above, if any date on which a payment of interest is due on the Notes of a Tranche occurs while any of the Notes of that Tranche are represented by a Temporary Global Note, the related interest payment will be made on the Temporary Global Note only to the extent that certification as to the beneficial ownership thereof as required by U.S. Treasury regulations (in substantially the form set out in the Fiscal Agency Agreement or in such other form as is customarily issued in such circumstances by the relevant clearing system) has been received by Euroclear or Clearstream, Luxembourg or any other relevant clearing system which may be specified in the Final Terms. Payments of amounts due in respect of a Permanent Global Note or (subject to paragraph (2) above) a Temporary Global Note will be made through Euroclear or Clearstream, Luxembourg or any other relevant clearing system without any requirement for certification.

(4) **Exchange for Definitive Notes:** Interests in a Permanent Global Note will be exchanged by the Issuer in whole, but not in part only, at the option of the Holder of such Permanent Global Note, for Definitive Notes, (a) if an Event of Default (as described in Condition 7.01 in "Terms and Conditions of the Notes") occurs in respect of any Note of the relevant Series; or (b) if either Euroclear or Clearstream, Luxembourg or any other relevant clearing system is closed for business for a continuous period of fourteen days (other than by reason of public holidays) or announces an intention to cease business permanently or in fact does so; or (c) upon such Holder's request, in all cases at the cost and expense of the Issuer. Any exchange as described under paragraph (c) of the preceding sentence will be completed in accordance with the terms and conditions of the Fiscal Agency Agreement.

(C) Amendment to Conditions

The Temporary Global Notes and Permanent Global Notes contain provisions that apply to the Notes that they represent, some of which modify the effect of the Terms and Conditions of the Notes set out in this Base Prospectus. The following is a summary of certain of those provisions:

(1) Meetings: The bearer of a Permanent Global Note shall (unless such Permanent Global Note represents only one Note) be treated as being two persons for the purposes of any quorum requirements of a meeting of Holders and, at any such meeting, as having one vote in respect of each minimum denomination of Notes for which such Permanent Global Note may be exchanged.

(2) Cancellation: Cancellation of any Note represented by a Permanent Global Note that is required by the Terms and Conditions to be cancelled (other than upon its redemption) will be effected by reduction in the principal amount of the relevant Permanent Global Note.

(3) Purchase: Notes represented by a Permanent Global Note may only be purchased by the Issuer or any of its subsidiaries if they are purchased together with the rights to receive all future payments of interest thereon.

(4) Issuer's Option: Any option of the Issuer provided for in the Terms and Conditions of the Notes while such Notes are represented by a Permanent Global Note shall be exercised by the Issuer giving notice to the Holders within the time limits set out in and containing the information required by the Terms and Conditions, except that the notice shall not be required to contain the serial numbers of Notes drawn in the case of a partial exercise of an option and accordingly no drawing of Notes shall be required. In the event that any option of the Issuer is exercised in respect of some but not all of the Notes of any Series, the rights of accountholders with a clearing system in respect of the Notes will be governed by the standard procedures of Euroclear, Clearstream, Luxembourg or any other clearing system (as the case may be).

(5) Holders' Options: Any option of the Holders provided for in the Terms and Conditions of any Notes while such Notes are represented by a Permanent Global Note may be exercised by the bearer of such Permanent Global Note giving notice to the Fiscal Agent within the time limits relating to the deposit of Notes with a Paying Agent, except that the notice shall not be required to contain the serial numbers of the Notes in respect of which the option has been exercised. The Notice shall state the principal amount of Notes in respect of which the option is exercised and the bearer shall present for notation the Permanent Global Note to the Fiscal Agent, or to a Paying Agent acting on behalf of the Fiscal Agent.

(6) Notices: So long as any Notes are represented by a Permanent Global Note and such Permanent Global Note is held on behalf of a clearing system, notices to the Holders of Notes of that Series may be given by delivery of the relevant notice to the clearing system for communication by it to entitled accountholders in substitution for publication, as required by the Terms and Conditions or by delivery of the relevant notice to the bearer of the Permanent Global Note, except that so long as the Notes are admitted to trading on the Luxembourg Stock Exchange's regulated market and listed on the Official List of the Luxembourg Stock Exchange and the rules of that exchange so require, notice shall also be published in a leading newspaper having general circulation in Luxembourg (which is expected to be the *d'Wort* or *Tageblatt*).

(7) Payments: So long as any of the Notes remain in global form, payments will be made to Holders in accordance with customary operating procedures of Euroclear, Clearstream, Luxembourg or any other relevant clearing system.

EUROPEAN UNION TRANSPARENCY DIRECTIVE

The European Union has adopted the Transparency Directive on the harmonization of transparency requirements relating to financial information of issuers whose securities are admitted to trading on a regulated market in the European Union, such as the "Bourse de Luxembourg," the regulated market of the Luxembourg Stock Exchange. If the Transparency Directive (and/or any other European or national legislation) is implemented or takes effect in Luxembourg in a form that would require the Issuer to publish or produce its financial statements according to accounting principles other than U.S. statutory accounting principles or that would otherwise impose requirements on the Issuer that it in good faith determines are impracticable or unduly burdensome, the Issuer may elect to de-list the Notes. The Issuer will use its reasonable efforts to obtain an alternative admission to listing, trading and/or quotation for the Notes by another listing authority, exchange and/or system, as it and the relevant Dealers may decide. If such an alternative admission is not available to the Issuer, or is, in the Issuer's opinion, unduly burdensome, an alternative admission may not be obtained. Notice of any de-listing and/or alternative admission will be given as described in Condition 16 in "Terms and Conditions of the Notes."

FORM OF FINAL TERMS

The following is a Pro Forma Final Terms for an issue of Notes under the Program.

FINAL TERMS

dated [date]

McDonald's Corporation

Issue of [Aggregate Principal Amount of Tranche] [Title of Notes]

under the U.S. \$9,000,000,000

Program for the Issuance of Euro Medium-Term Notes

PART A – CONTRACTUAL TERMS

Terms used herein shall be deemed to be defined as such for the purposes of the Conditions set forth in the Base Prospectus dated December 14, 2007 [and the Prospectus Supplement[s] dated []] which [together] constitute[s] a Prospectus for the purposes of the Prospectus Directive (Directive 2003/71/EC) (the “**Prospectus Directive**”). This document constitutes the Final Terms of the Notes described herein for the purposes of Article 5.4 of the Prospectus Directive and must be read in conjunction with such Prospectus [as so supplemented]. Full information on the Issuer and the offer of the Notes is only available on the basis of the combination of these Final Terms and the Prospectus [as so supplemented]. The Base Prospectus and any Prospectus Supplement are available for viewing at Fortis Banque Luxembourg S.A., 50, Avenue J.F. Kennedy, L-2951 Luxembourg, Luxembourg or at the Issuer's registered office at 1013 Centre Road, Wilmington, Delaware 19805, United States, and copies may be obtained from Fortis Banque Luxembourg S.A., 50, Avenue J.F. Kennedy, L-2951 Luxembourg, Luxembourg or from the Issuer, 1013 Centre Road, Wilmington, Delaware 19805, United States.

1. Issuer: McDonald's Corporation
2. [(i)] Series Number: [Specify]
[(ii)] Tranche Number: [Specify; if fungible with existing Series, specify details of that Series, including the date on which the Notes become fungible]
3. Specified Currency or Currencies: [Specify]
—of Denomination
—of Payment
(Condition 1.08)
4. Aggregate Principal Amount of Notes:
[(i)] Series [(including Aggregate Principal Amount of previously issued tranches of the same Series)]: [Specify]
[(ii)] Tranche: [Specify]
5. Issue Price: [] percent of the Aggregate Principal Amount [plus accrued interest from [insert date] (if applicable)]

6. Specified Denomination(s): (Condition 1.07 or 1.08) [Specify]
Notes (including Notes denominated in pounds sterling) in respect of which the issue proceeds are to be accepted in the United Kingdom or which issue otherwise constitutes a contravention of Section 19 of the Financial Services and Markets Act 2000 ("FSMA") and which have a maturity of less than one year must have a minimum redemption value of £100,000 (or its equivalent in other currencies).
7. (i) Issue Date: [Specify]
(ii) Interest Commencement Date: (Condition 20) [Specify/Issue Date/Not Applicable]
8. Maturity Date: (Condition 6.01) [Specify date or (if FRN Convention applies) Interest Payment Date occurring in or nearest to the specified month and year]
9. Interest: (Condition 5)
—Interest Basis: [[•]% per annum Fixed Rate]
[[Specify reference rate] Plus/Minus [•]% per annum Floating Rate]
[Zero Coupon]
[Other [specify]]
—Default Interest Rate: (Condition 5.05) (further particulars specified below)
[Specify, if different from the Interest Rate]
10. Maturity Redemption/Payment Basis: (Condition 6.01) [Redemption at par]
[Other [specify] [if not the Outstanding Principal Amount (N.B. If the final redemption amount is different from 100 percent of the nominal value, then the Notes will be derivative securities for the purposes of the Prospectus Directive, and the requirements of Annex XII to Commission Regulation (EC) No. 809/2004 will apply. A supplement to the Base Prospectus will thus be required before such Notes are issued.)]]
11. Change of Interest or Redemption/Payment Basis: [Specify details of any provision for convertibility of Notes into another interest or redemption/payment basis]
12. Optional Early Redemption Options: [Optional Early Redemption (Put)]
[Optional Early Redemption (Call)]
[(further particulars specified below)]
13. Status of the Notes: The Notes are unsecured obligations of the Issuer, ranking equally with all other unsecured and unsubordinated indebtedness for borrowed money of the Issuer. See Condition 3.
14. Method of distribution: [Syndicated/Non-syndicated]

PROVISIONS RELATING TO INTEREST (IF ANY) PAYABLE

15. Fixed Rate Note Provisions

[Applicable/Not Applicable] *[if not applicable, delete the remaining sub-paragraphs of this paragraph]*

- (i) Rate[(s)] of Interest:
(Condition 5) [] percent per annum [payable [annually/semi-annually/
quarterly/monthly/other (specify)] in arrears]
- (ii) Interest Payment Date(s): [Specify dates] in each year [adjusted in accordance with
[specify applicable Business Day Convention and any
applicable Business Center(s) for the definition of "Business
Day"]/ No Adjustment] *[If nothing is specified, there will be no
adjustment]*
- (iii) Fixed Coupon Amount[(s)]: [] per [] in Principal Amount
- (iv) Broken Amount(s): [Specify particulars of any initial or final broken interest
amounts which do not correspond with the Fixed Coupon
Amount[(s)]]
- (v) Day Count Fraction:
(Condition 20) [Specify]
- (vi) Interest Determination Dates:
(Condition 20) [] in each year
*[Specify number of Banking Days in which city(ies), if different
from Condition 20]*
- (vii) Other terms relating to the method of
calculating interest for Fixed Rate
Notes: [Not Applicable/give details]

16. Floating Rate Note Provisions

[Applicable/Not Applicable] *[if not applicable, delete the remaining sub-paragraphs of this paragraph]*

- (i) Interest Period(s): [Specify]
- (ii) Specified Interest Payment Dates: [Specify]
- (iii) Interest Payment Dates or (if the
Applicable Business Day Convention
is the FRN Convention) Interest
Period: [Specify dates or (if the Applicable Business Day Convention is
the FRN Convention) number of months]
- (iv) Interest Period End Dates or (if the
Applicable Business Day Convention
is the FRN Convention) Interest
Accrual Period: [Specify. If nothing is specified, Interest Period End Dates will
correspond with Interest Payment Dates]
- (v) (a) Business Day Convention: [Specify, unless no adjustment is required, in which case specify
"No Adjustment". If nothing is specified, Modified Following
Business Day Convention shall be deemed so specified]
 - for Interest Payment Dates: []
 - for Interest Period End Dates: []

- for Maturity Date: []
- any other date: []
- (b) Definition of Business Day: *[Specify any additional places or days for the purpose of adjusting any date in accordance with a Business Day Convention]*
- (vi) Relevant Financial Center: *[Specify]*
- (vii) Manner in which the Rate(s) of Interest is/are to be determined: *[Screen Rate Determination unless unavailable, in which case, using Reference Bank quotations, as described in Condition 5.03]*
- (viii) Interest Determination Dates: [] in each year
[Specify number of Banking Days in which city(ies), if different from Condition 20]
- (ix) Calculation Agent: *[Specify name and office]*
- (x) Screen Rate Determination: *[Specify]*
- Reference Rate: *[Specify]*
- Interest Determination Date(s): [] in each year. *[Specify number of Banking Days in which city(ies), if different from Condition 20]*
- Relevant Time: [][a.m./p.m.] *[Specify city]* time
- Relevant Screen Page: *[[Reuters Screen/Other] page []]*
- (xi) Reference Banks: *[Specify]*
- (xii) Relevant Margin(s): Plus/Minus [] percent per annum
- (xiii) Minimum Interest Rate: [] percent per annum
- (xiv) Maximum Interest Rate: [] percent per annum
- (xv) Day Count Fraction: *[Specify]*

- (xvi) Fall back provisions, rounding provisions, denominator and any other terms relating to the method of calculating interest on Floating Rate Notes, if different from those set out in the Conditions: *[Specify]*

17. Zero Coupon Note Provisions

[Applicable/Not Applicable] [if not applicable, delete the remaining sub-paragraphs of this paragraph]

- (i) Amortization Yield: *[]* percent per annum
- (ii) Any other formula/basis of determining amount payable: *[Specify]*
- (iii) Rate of interest on overdue amounts: *[Specify, if not the Amortization Yield]*
- (iv) Day Count Fraction: *[Specify for the purposes of Condition 5.08 and Condition 6.11]*

PROVISIONS RELATING TO REDEMPTION

18. Optional Early Redemption (Call):
(Condition 6.03)

[Applicable/Not Applicable] [if not applicable, delete the remaining sub-paragraphs of this paragraph]

- (i) Call Option Date(s)/Call Option Period: *[Specify]*
- (ii) Early Redemption Amount (Call) of each Note and method, if any, of calculation of such amount(s): *[[] per Note of [] [specified denomination]] [Specify amount, if not the Outstanding Principal Amount or, in the case of any Notes which are non-interest-bearing, the Amortized Face Amount]*
- (iii) Redeemable in part: *[Applicable/Not Applicable] [Specify, otherwise redemption will only be permitted of entire Series]*
- (a) Minimum Redemption Amount: *[Specify]*
- (b) Maximum Redemption Amount: *[Specify]*
- (iv) Notice period: *[Specify]*

19. Optional Early Redemption (Put):
(Condition 6.06)

[Applicable/Not Applicable] [if not applicable, delete the remaining sub-paragraphs of this paragraph]

- (i) Put Date(s)/Put Period: *[Specify]*
- (ii) Early Redemption Amount (Put) of each Note and method, if any, of calculation of such amount(s): *[[] per Note of [] [specified denomination]] [Specify amount, if not the Outstanding Principal Amount or, in the case of any Notes which are non-interest-bearing, the Amortized Face Amount]*
- (iii) Notice period: *[Specify]*

20. Early Redemption Amount (Tax):

- (i) Early Redemption Amount(s) of each Note payable on redemption for taxation reasons: (Condition 6.02) *[Specify amount, if not the Outstanding Principal Amount or, in the case of any Notes which are non-interest-bearing, the Amortized Face Amount]*
- (ii) Date after which changes in law, etc. entitle the Issuer to redeem: *[Specify, if not the Issue Date]*

GENERAL PROVISIONS APPLICABLE TO THE NOTES

21. Form of Notes:

Bearer Notes:

Initially represented by a Temporary Global Note or Permanent Global Note:

[]

[Temporary Global Note exchangeable for a Permanent Global Note which is exchangeable for Definitive Notes in the limited circumstances specified in the Permanent Global Note]

*[Temporary Global Note exchangeable for Definitive Notes on [] days' notice on or after [specify Exchange Date] in the limited circumstances specified in the Permanent Global Note]
[If Temporary Global Note is not exchangeable for Definitive Notes, Temporary Global Note will be exchangeable only for Permanent Global Note]*

[Permanent Global Note exchangeable for Definitive Notes in the limited circumstances specified in the Permanent Global Note]

[Definitive Notes to be in ICMA or successor's format. If not specified, Definitive Notes will be security printed and in ICMA or successor's Format.]

[Registered Notes]

22. Coupons:

—Coupons to be attached to Definitive Notes: (Condition 1.06)

[Yes/No] [If yes, give details.]

—Talons for future Coupons or Receipts to be attached to Definitive Notes (and dates on which such Talons mature): (Condition 1.06)

[Yes/No] [If yes, give details.]

23. Events of Default:
(Condition 7.01)

- (i) Early Termination Amount:

[Specify, if not the Outstanding Principal Amount or, in the case of any Notes which are non-interest-bearing, the Amortized Face Amount]

- (ii) Any additional (or modifications to) Events of Default: [Specify]
24. Redenomination, renominialization and reconventioning provisions: (Condition 9.08) [Applicable/Not Applicable] The provisions in Condition 9.08 apply. [Specify any changes]
25. Consolidation provisions: The provisions in Condition 14 apply.
26. Exchangeability: (Condition 9.09) [Applicable/Not Applicable] The provisions in Condition 9.09 apply.
27. Payments: (Condition 9)
- (i) Unmatured Coupons missing upon Early Redemption: [Specify whether paragraph (i) of Condition 9.05 or paragraph (ii) of Condition 9.05 applies. If nothing is specified, paragraph (i) will apply to fixed rate or fixed coupon amount Notes and paragraph (ii) will apply to floating rate or variable coupon amount Notes.]
- (ii) Specify any modification to the adjustment provisions for payment dates:(Condition 20) [Specify whether, e.g. the Modified Following Business Day Convention should apply for purposes of payment.]
28. Replacement of Notes: (Condition 12) [Specify Replacement Agent, if other than (or in addition to) the Fiscal Agent]
29. Notices: (Condition 16) [Specify any other means of effective communication]
30. Additional U.S. Tax Considerations: [Not Applicable/give details]
31. Other final terms: [Not Applicable/give details][When adding any other final terms, consideration should be given as to whether such terms constitute "significant new factors" and consequently trigger the need for a supplement to the Base Prospectus under Article 16 of the Prospectus Directive.]

DISTRIBUTION

32. (i) If syndicated, names and addresses of Dealers/Managers and commitments: [Not Applicable/give names, addresses and underwriting commitments below; include names and addresses of entities agreeing to underwrite the issue on a firm commitment basis and names and addresses of the entities agreeing to place the issue without a firm commitment or on a "best efforts" basis if such entities are not the same as the Managers][Applicable only to Tranches of Notes with a denomination of less than €50,000 or the equivalent in other currencies]
- Arranger: Morgan Stanley & Co. International plc
- Relevant Dealer/Lead Manager: [Specify]
- Other Dealers/Managers: [Specify]

- (ii) Date of Terms Agreement: [date]
- (iii) Stabilizing Manager(s) (if any): [Not Applicable/give name]
33. If non-syndicated, name and address of Dealer: [Not Applicable/give name and address]
34. Total commission and concession: [] percent of the Aggregate Principal Amount [*Applicable only to Tranches of Notes with a denomination of less than €50,000 or the equivalent in other currencies*]
- [Commission Payable] [] percent
- [Selling Concession] [] percent
35. Selling restrictions:
- United States of America: Regulation S: [Category 2 restrictions apply unless otherwise specified]
The Notes are subject to TEFRA D Rules. [*Specify Exchange Date*]
- Other: [*Specify changes to selling restrictions*]
[*Specify any modifications of or additions to selling restrictions contained in Dealership Agreement*]

LISTING AND ADMISSION TO TRADING APPLICATION

These Final Terms comprise the final terms required to list and have admitted to trading the issue of Notes described herein pursuant to the U.S.\$9,000,000,000 Program for the Issuance of Euro Medium-Term Notes of McDonald's Corporation.

RESPONSIBILITY

The Issuer accepts responsibility for the information contained in these Final Terms. To the best of the knowledge and belief of the Issuer (having taken all reasonable care to ensure that such is the case), the information contained in these Final Terms is in accordance with the facts and does not omit anything likely to affect the import of such information.

The Issuer confirms that such information as may be contained herein has been accurately reproduced and that, so far as the Issuer is aware, and is able to ascertain from information published by the Issuer, no facts have been omitted which would render the reproduced information inaccurate or misleading.

Signed on behalf of the Issuer:

By:.....

Duly authorized

PART B – OTHER INFORMATION

1. LISTING AND ADMISSION TO TRADING

- (i) Listing: [Yes/No]
[if Yes, specify which Stock Exchange(s)]
- (ii) Admission to trading: [Application has been made for the Notes to be admitted to trading on [] with effect from [].] [Not Applicable]
- [If fungible issue, indicate that original securities are already admitted to trading]

2. RATINGS

- Ratings: The Notes to be issued have been rated:
[S & P: []]
[Moody's: []]
[Fitch: []]
[[Other]: []]
[Include a brief explanation of the meaning of the ratings if this has previously been published by the rating provider]

3. NOTIFICATION

The Commission de Surveillance du Secteur Financier has provided the [include names of competent authorities of host Member States] with a certificate of approval attesting that the Base Prospectus has been drawn up in accordance with the Prospectus Directive.]/[Give details]

4. INTERESTS OF NATURAL AND LEGAL PERSONS INVOLVED IN THE [ISSUE/OFFER]

[Save as discussed in "Subscription and Sale", so far as the Issuer is aware, no person involved in the offer of the Notes has an interest material to the offer.]/[Give details]

5. REASONS FOR THE OFFER, ESTIMATED NET PROCEEDS AND TOTAL EXPENSES

- (i) Reasons for the offer [The Issuer intends to use the net proceeds from the sale of the Notes for general corporate purposes, which may include refinancing of debt, capital expenditures, such as the acquisition and development of the Issuer's restaurants, payment of dividends, and the purchase of its common stock under its ongoing share repurchase program.]
- [(ii) Estimated net proceeds: [] [Include for listed issues]
- (iii) Estimated total expenses: []. [Include breakdown of expenses. If Definitive Notes available, specify that the Issuer must bear the costs of producing Definitive Notes.]

6. [FIXED RATE NOTES ONLY – YIELD]

- Indication of yield: [].
Calculated as [include details of method of calculation in summary form] on the Issue Date.
The yield is calculated at the Issue Date on the basis of the Issue Price. It is not an indication of future yield.

7. [FLOATING RATE NOTES ONLY - HISTORIC INTEREST RATES]

Details of historic [reference rate] rates can be obtained from [Reuters Screen].

8. OPERATIONAL INFORMATION

ISIN Code: [Specify]

Common Code: [Specify]

Any Clearing System(s) other than Euroclear and Clearstream, Luxembourg and the relevant identification number(s): [Specify]

Delivery: [Delivery [against/free of] payment] [Specify whether customary medium-term note/ eurobond/other settlement and payment procedures apply]

Names and addresses of initial Paying Agent(s): [Specify]

Names and addresses of additional Paying Agent(s) (if any): [Specify]

USE OF PROCEEDS

Unless otherwise stated in the applicable Final Terms, the Issuer intends to use the net proceeds from the sale of the Notes for general corporate purposes, which may include refinancing of debt, capital expenditures, such as the acquisition and development of the Issuer's restaurants, payment of dividends, and the purchase of its common stock under its ongoing share repurchase program. Specific allocations of the proceeds for such purposes have not been made at this time.

MCDONALD'S CORPORATION

Incorporation and Organizational Structure

The Issuer is a Delaware corporation, organized on March 1, 1965 as the successor to an Illinois corporation formed in 1956. The legal and commercial name of the Issuer is McDonald's Corporation. Its principal executive offices are at One McDonald's Plaza, Oak Brook, Illinois 60523, United States. Its telephone number is +1.630.623.3000, and its registered office in Delaware is at 1013 Centre Road, Wilmington, Delaware 19805, United States. Delaware does not issue registration numbers. Pursuant to Article Third of the Restated Certificate of Incorporation of McDonald's Corporation effective as of March 24, 1998, the objects and purposes of the Issuer are to conduct all transactions and businesses related to eating places of all kinds and any other business or financial activities.

The Issuer is a parent company and conducts worldwide operations through its subsidiaries. Effective January 1, 2005, the Issuer reorganized certain of its subsidiaries to facilitate the organization of its geographic segments into a structure that more appropriately reflects the operation of its worldwide business. The Issuer created separate Delaware legal entities for certain of the geographic segments. These subsidiaries currently consist of McDonald's USA, McDonald's Europe, McDonald's APMEA (Asia/Pacific, Middle East and Africa), McDonald's Latin America and McDonald's International. The United States and Europe segments each account for more than 35% of total revenues. France, Germany and the United Kingdom, collectively, account for over 60% of Europe's revenues; and Australia, China and Japan (a 50%-owned affiliate accounted for under the equity method), collectively, account for nearly 50% of APMEA's revenues. These six markets along with the United States and Canada are referred to as "major markets" throughout this Base Prospectus and comprise approximately 70% of total revenues.

Business Activity

The Issuer and its subsidiaries develop, operate, franchise and service a system of restaurants that prepare, package and sell a varied, yet limited, value-priced menu in more than 100 countries around the world. These restaurants are operated by the Issuer and its subsidiaries or, under the terms of franchise agreements, by independent entrepreneurs, or by affiliates and developmental licensees operating under license agreements. The Issuer's operations are designed to assure consistency and high quality at every McDonald's restaurant. When granting conventional franchises, the Issuer is selective and generally is not in the practice of franchising to investor groups or passive investors.

Under the conventional franchise arrangement, franchisees provide a portion of the required capital by initially investing in the equipment, signs, seating and décor of their restaurant businesses, and by reinvesting in the business over time. The Issuer generally shares the initial investment by owning or leasing the land and building. This ensures long-term occupancy rights, helps control related costs and improves alignment with franchisees. Franchisees contribute to the Issuer's revenue stream through payment of rent and service fees based upon a percent of sales, with specified minimum rent payments, along with initial fees. The conventional franchise arrangement typically lasts 20 years, and franchising practices are generally consistent throughout the world. Under the Issuer's developmental license arrangements, which also typically last 20 years, licensees provide ongoing capital for the entire business, including the real estate interest. While the Issuer generally has no capital invested in its developmental licensees, the Issuer receives a royalty based on a percent of sales and initial fees.

The Issuer views itself primarily as a franchisor and continually reviews its restaurant ownership mix (that is, the mix among Company-operated, franchised—conventional or developmental license, and joint venture) to deliver a great customer experience and drive profitability. In most cases, franchising is the best way to achieve both goals. Although direct restaurant operation is more capital-intensive relative to franchising and results in lower operating margins as a percent of revenues, Company-operated restaurants are important to the Issuer's success in both mature and developing markets. In the Issuer's Company-operated restaurants, and in collaboration with its franchisees, the Issuer further develops and refines operating standards, marketing concepts and product and pricing strategies, so that it introduces Systemwide only those that the Issuer believes are most beneficial. In addition, the Issuer firmly believes that owning restaurants is paramount to being a credible franchisor and essential to providing Issuer personnel with restaurant

operations experience. The Issuer's Company-operated business also helps to facilitate changes in restaurant ownership as warranted by strategic considerations.

The Issuer's 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 Issuer investment and local business conditions 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 Issuer primarily operates in the quick-service hamburger restaurant business under the "McDonald's" brand. The Issuer also has a minority ownership interest in U.K.-based Pret A Manger. The Issuer's restaurant business comprises virtually all of the Issuer's consolidated operating results.

The Issuer's restaurants offer a substantially uniform menu, consisting of hamburgers and cheeseburgers, Big Mac, Quarter Pounder with Cheese, Filet-O-Fish, several chicken sandwiches, Chicken McNuggets, Chicken Selects, french fries, premium salads, shakes, McFlurry desserts, sundaes, soft-serve cones, pies, cookies, soft drinks, coffee and other beverages. In addition, the Issuer tests new products on an ongoing basis, and certain restaurants sell a variety of products during limited-time promotions. McDonald's restaurants in the United States and many international markets offer a full- or limited-breakfast menu. Breakfast offerings may include Egg McMuffin, Sausage McMuffin with Egg, McGriddles, biscuit and bagel sandwiches, hotcakes and muffins. Pret A Manger is a quick-service food concept that serves prepared and packaged cold sandwiches, soups, salads, coffees and teas, primarily during breakfast and lunch.

The Issuer previously had interests in Chipotle and Boston Market. During 2006, the Issuer disposed of its entire investment in Chipotle via public stock offerings and a tax-free exchange of Chipotle common stock for the Issuer's common stock. As a result of the disposition of Chipotle, the Issuer has reflected Chipotle's results for all years shown in this Base Prospectus as discontinued operations, including gains from its disposition in 2006. In the third quarter of 2007, the Issuer disposed of its ownership interest in Boston Market via a private sale to an unaffiliated buyer and, with respect to financial information presented in the Issuer's Quarterly Report on Form 10-Q and this Base Prospectus for the period ended September 30, 2007, Boston Market's results are reflected as discontinued operations. The Issuer's consolidated financial statements for the years ended December 31, 2006, 2005 and 2004 included in this Base Prospectus have not been restated to reflect this classification of Boston Market's results of operations. In addition, in August 2007, the Issuer completed the sale of its existing businesses in 18 Latin American and Caribbean countries, comprising nearly 1,600 restaurants, to a developmental licensee organization. The buyers entered into a 20-year master franchise agreement with the Issuer in connection with that sale and, as a result of the continuing expected income stream to the Issuer, those businesses sold have not been treated as a discontinued operation.

The Issuer and its subsidiaries, franchisees, licensees and affiliates purchase food, packaging, equipment and other goods from numerous independent suppliers that have been approved by the Issuer. The Issuer has established and strictly enforces high quality standards. The Issuer has quality assurance labs around the world to ensure that its high standards are consistently met. The quality assurance process not only involves ongoing product reviews, but also on-site inspections of suppliers' facilities. Further, a quality assurance board, composed of the Issuer's technical, safety and supply chain specialists, provides strategic global leadership for all aspects of food quality and safety. In addition, the Issuer works closely with suppliers to encourage innovation, assure best practices and drive continuous improvement.

Independently owned and operated distribution centers, also approved by the Issuer, distribute products and supplies to most McDonald's restaurants. In addition, restaurant personnel are trained in the proper storage, handling and preparation of the Issuer's products and in the delivery of customer service.

McDonald's global brand is well known. Marketing, promotional and public relations activities are designed to promote McDonald's brand image and differentiate the Issuer from competitors. Marketing and promotional efforts focus on value, food taste, menu choice and the customer experience.

The Issuer's restaurants are located in all fifty states of the United States and the District of Columbia, and in many foreign locations, principally Japan, Canada, Germany, the United Kingdom, France, China and Australia. No one restaurant location accounts for more than 10% of the Issuer's gross revenue. At September 30, 2007, 31,239 McDonald's quick-service hamburger restaurants existed worldwide, of which 13,804 were located in the United States and 17,435 in 118 other countries.

Intellectual Property

The Issuer owns or is licensed to use valuable intellectual property including trademarks, service marks, patents, copyrights, trade secrets and other proprietary information, including the trademarks "McDonald's" and "The Golden Arches Logo" which are of material importance to the Issuer's business. Depending on the jurisdiction, trademarks and service marks generally are valid as long as they are used and/or registered. Patents, copyrights and licenses are of varying remaining durations.

Competition

The Issuer's restaurants compete with international, national, regional and local retailers of food products. The Issuer competes on the basis of price, convenience and service and by offering quality food products. The Issuer's competition, in the broadest perspective, includes restaurants, quick-service eating establishments, pizza parlors, coffee shops, street vendors, convenience food stores, delicatessens and supermarkets.

In the United States, there are approximately 550,000 restaurants that generated about \$365 billion in annual sales in 2006. The Issuer's restaurant business accounts for 2.5% of those restaurants and 7.4% of the sales. No reasonable estimate can be made of the number of competitors outside the United States.

Research and Development

The Issuer operates a research and development facility in the United States, two facilities in Europe and one facility in Asia. While research and development activities are important to the Issuer's business, these expenditures are not material. Independent suppliers also conduct research activities that benefit the McDonald's System (the "System"), which includes franchisees and suppliers as well as the Issuer, its subsidiaries and joint ventures.

Environmental Matters

The Issuer is not aware of any federal, state or local environmental laws or regulations that will materially affect its earnings or competitive position or result in material capital expenditures. However, the Issuer cannot predict the effect on its operations of possible future environmental legislation or regulations. During 2006, there were no material capital expenditures for environmental control facilities and no such material expenditures are anticipated.

Number of Employees

The Issuer's number of employees worldwide including Company-owned restaurant employees, was approximately 465,000 as of year end 2006. This includes employees at McDonald's Company-operated restaurants (including those located in Latin America and Caribbean countries that were subsequently sold to a developmental licensee organization in 2007), as well as employees at Company-operated Boston Market restaurants that were subsequently sold in 2007.

Investments

The Issuer has not made any principal investments since the date of its last published unaudited financial statements. General information regarding the Issuer's investments in 2007 can be found in the interim financial statements included herein beginning on page 89.

Strategic Direction and Financial Performance

The information disclosed in this section and the "Outlook" section below should be read in connection with "Management's Discussion and Analysis of Financial Condition and Results of Operations," included in the Issuer's (a) Form 10-K for the fiscal year ended December 31, 2006; (b) Form 10-Q for the quarterly period ended March 31, 2007; (c) Form 10-Q for the quarterly period ended June 30, 2007; and (d) Form 10-Q for the quarterly period ended September 30, 2007, which are herein incorporated by reference.

The Issuer remains focused on increasing its relevance to consumers through the execution of multiple initiatives under its Plan to Win in order to be better, not just bigger. This plan is designed to deliver operational excellence and leadership marketing leveraged around five key drivers of exceptional customer experiences – people, products, place, price and promotion. The Issuer's

focus and disciplined approach to executing these initiatives have increased its consumer relevance and delivered strong results in each of the last four years with revenue growth, operating income growth (excluding the Latam transaction) and returns on incremental invested capital, all meeting or exceeding the Issuer's long-term financial targets. In the third quarter 2007, the Issuer continued to increase its relevance to consumers by offering menu innovations and everyday conveniences that address the needs of the Issuer's on-the-go customers.

In the United States, performance continues to be fueled by value initiatives as well as breakfast and beverages strategies that appeal to the consumer.

In Europe, robust sales and profitability were driven by an improved customer experience along with unique marketing and locally appealing menu options.

In APMEA, the Issuer's ongoing commitment to everyday affordability, convenience and locally relevant menu choice contributed to the segment's strong results.

In the third quarter 2007, the Issuer completed the sale of its businesses in Brazil, Argentina, Mexico, Puerto Rico, Venezuela and 13 other countries in Latin America and the Caribbean to a developmental licensee organization led by Woods Staton, a valued member of the McDonald's System for more than 20 years. The Issuer refers to these markets as "Latam". Under a developmental license, a local licensee owns the business, including the real estate, and uses his/her capital and local knowledge to build the McDonald's Brand and optimize sales and profitability over the long term. Under this arrangement, the Issuer collects a royalty, which varies by market, based on a percent of sales, but does not invest any capital.

Based on approval by the Issuer's Board of Directors on April 17, 2007, the Issuer concluded Latam was "held for sale" as of that date in accordance with the requirements of SFAS No. 144, *Accounting for the Impairment or Disposal of Long-lived Assets*. As a result, the Issuer recorded an impairment charge of \$1.6 billion in the second quarter of 2007, substantially all of which was noncash. In the third quarter, the Issuer recorded an additional \$53 million of charges in connection with the transaction. The total charges for the nine months included \$892 million for the difference between the net book value of the Latam business and approximately \$680 million in cash proceeds received, subject to working capital adjustments. This loss in value was primarily due to a historically difficult economic environment coupled with volatility experienced in many of the markets included in this transaction. The charges also included historical foreign currency translation losses of \$773 million recorded in shareholders' equity. The Issuer has recorded a tax benefit of only \$62 million due to its inability to utilize most of the capital losses generated by this transaction. As a result of meeting the "held for sale" criteria, the Issuer ceased recording depreciation expense with respect to Latam effective April 17, 2007. In connection with the sale, the Issuer has agreed to indemnify the buyers for certain tax and other claims, some of which are reflected as liabilities in the Issuer's Consolidated balance sheet, totaling \$167 million.

The buyers of the Issuer's operations in Latam have entered into a 20-year master franchise agreement that requires the buyers, among other obligations, (i) to pay monthly royalties commencing at a rate of approximately 5% of gross sales of the restaurants in these markets, substantially consistent with market rates for similar license arrangements; (ii) to commit to adding approximately 150 new McDonald's restaurants over the first three years and pay an initial franchise fee for each new restaurant opened; and (iii) to commit to specified annual capital expenditures for existing restaurants.

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

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

Except as described in this Base Prospectus, there has been no material adverse change in the prospects of the Issuer and its consolidated subsidiaries, taken as a whole, since December 31, 2006, the last day of the financial period in respect of which the most recent published audited financial statements of the Issuer have been prepared.

Outlook

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

- Changes in Systemwide sales are driven by comparable sales and net restaurant unit expansion. The Issuer expects net restaurant additions to add slightly more than 1 percentage point to 2007 Systemwide sales growth (in constant currencies), most of which will be due to McDonald's restaurants added during 2006. In 2007, the Issuer expects to open about 800 McDonald's restaurants (700 traditional and 100 satellites). The Issuer expects net additions of about 300 (450 net traditional additions and 150 net satellite closings).
- The Issuer does not provide specific guidance on changes in comparable sales. However, as a perspective, assuming no change in cost structure, a 1 percentage point increase in U.S. comparable sales would increase annual net income per share by about 2.5 cents. Similarly, an increase of 1 percentage point in Europe's comparable sales would increase annual net income per share by about 2 cents.
- The primary food commodities purchased by McDonald's business are beef and chicken. In 2007, U.S. beef costs are expected to be relatively flat, while the Issuer expects U.S. chicken costs to rise 4% to 5%. In Europe, the Issuer expects its costs for beef and chicken to be relatively flat in 2007.
- The Issuer expects full-year 2007 selling, general & administrative expenses to decline as a percent of revenues and Systemwide sales compared with 2006.
- A significant part of the Issuer's operating income is generated outside the United States, 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 2006, the Issuer's annual net income per share would change by about 7 cents to 8 cents.
- Based on current interest and foreign currency exchange rates, the Issuer expects interest expense in 2007 to increase slightly compared with 2006, while it expects interest income to decrease about 20% to 30% due to lower cash balances.
- In October 2007, the Internal Revenue Service (IRS) completed its examination of the Issuer's U.S. federal income tax returns for 2003 and 2004. The agreement reached with the IRS will reduce the Issuer's tax provision in the fourth quarter by approximately \$300 million. In addition, the Issuer will reduce the tax provision in the fourth quarter by about \$130 million due to recent tax developments, primarily related to international operations. As a result, the fourth quarter effective tax rate will be unusually low and the reported effective tax rate for the full year 2007 is expected to be about 34%. Excluding the Latam transaction, the full year rate is expected to be about 24%.
- The Issuer expects capital expenditures for 2007 to be approximately \$1.9 billion. About half of this amount will be reinvested in existing restaurants while the rest will primarily be used to build new restaurants.
- In 2007 through 2009, the Issuer expects to return \$15 billion to \$17 billion to shareholders through a combination of share repurchases and dividends, subject to business and market conditions.
- To improve local relevance, profitability and returns, the Issuer continually evaluates ownership structures in its markets. Beyond the Latam transaction, the Issuer will continue to pursue the sale of certain existing markets to developmental licensees over the next several years. The Issuer may not recover its entire net investment in each of these markets and may therefore record impairment charges in future periods as the Issuer adjusts its 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 Base Prospectus:

- 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 Issuer's underlying business trends.
- Systemwide sales include sales at all restaurants, including those operated by the Issuer, franchisees and affiliates. Management believes Systemwide sales information is useful in analyzing the Issuer's revenues because franchisees and affiliates pay rent and/or royalties that generally are based on a percent of sales with specified minimum rent payments.

- Comparable sales represent sales at all McDonald's-branded restaurants, including those operated by the Issuer, franchisees and affiliates, in operation at least thirteen months including those temporarily closed, excluding the impact of currency translation. Some of the reasons restaurants may be closed temporarily include road construction, reimagining 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.

A number of factors can affect the Issuer's business, including the effectiveness of operating initiatives and changes in global and local business and economic conditions. These and other risks are noted in "Risk Factors" above.

Public Announcements

The Issuer's current practice is to issue sales information on a monthly basis for each of the first two months of every quarter and earnings information on a quarterly basis.

Management

The following are the executive officers and members of the Board of Directors of the Issuer.

Executive Officers

Ralph Alvarez, 52, is President and Chief Operating Officer, a position to which he was appointed in August 2006. He served as President of McDonald's North America from January 2005 to August 2006. He served as President, McDonald's USA, from July 2004 to January 2005. From January 2003 to July 2004, Mr. Alvarez served as the Chief Operations Officer for McDonald's USA. Prior to that time, he served as President, Central Division from October 2001 to January 2003. Except for a brief period in 1999, Mr. Alvarez has served the Issuer for 13 years.

Jose Armario, 48, is President, McDonald's Latin America, a position he has held since December 2003. He previously served as Senior Vice President and International Relationship Partner for the northern markets in Latin America from July 2001 through November 2003. Prior to that time, he served as Vice President and International Relationship Partner for the Latin American Group from June 1999 through July 2001. Mr. Armario has served the Issuer for 11 years.

Peter J. Bensen, 45, is Corporate Senior Vice President - Controller, a position he has held since April 2007. Mr. Bensen served as Corporate Vice President - Assistant Controller of the Issuer from February 2002 through March 2007. On November 13, 2007, the Issuer announced that Mr. Bensen will succeed Matthew Paull as the Issuer's Corporate Executive Vice President and Chief Financial Officer as of January 1, 2008. He has served the Issuer for 11 years.

Mary H. Dillon, 46, is Corporate Executive Vice President-Global Chief Marketing Officer. She has served in that position since joining the Issuer in October 2005. Prior to joining the Issuer, she was Division President of Quaker Foods, a division of PepsiCo, from 2004 to October 2005. Ms. Dillon served as Vice President of Marketing, Quaker Foods from 2002 to 2004. Ms. Dillon has served the Issuer for 2 years.

Timothy J. Fenton, 50, is President, McDonald's Asia/Pacific/Middle East/Africa, a position he has held since January 2005. From May 2003 to January 2005, he served as President, East Division for McDonald's USA. Prior to that time, he served as Senior Vice President, International Relationship Partner from September 1999 through May 2003. Mr. Fenton has served the Issuer for 33 years.

Richard Floersch, 50, is Corporate Executive Vice President and Chief Human Resources Officer. Mr. Floersch joined the Issuer in November 2003. He previously served as Senior Vice President of Human Resources for Kraft Foods from 1998 through 2003. Mr. Floersch has served the Issuer for 4 years.

Denis Hennequin, 49, is President, McDonald's Europe, a position he has held since July 2005. From January 2005 to July 2005, he served as Senior Vice President and International Relationship Partner of McDonald's Europe. From January 2004 to January 2005, he served as Vice President of McDonald's Europe. Prior to that time, he served as President and Managing Director for McDonald's France from December 1996 to January 2004. Mr. Hennequin has served the Issuer for 23 years.

Matthew H. Paull, 56, is Corporate Senior Executive Vice President and Chief Financial Officer, a position he has held since July 2004. From July 2001 to July 2004, he served as Corporate Executive Vice President and Chief Financial Officer. On July 24, 2007, the Issuer announced Mr. Paull's intention to retire and on November 13, 2007, the Issuer announced that Peter J. Bensen will succeed

Mr. Paull as the Issuer's Corporate Executive Vice President and Chief Financial Officer as of January 1, 2008. Mr. Paull will continue to serve as a Corporate Senior Executive Vice President until on or around February 28, 2008. Mr. Paull has served the Issuer for 14 years.

Gloria Santona, 57, is Corporate Executive Vice President, General Counsel and Secretary, a position she has held since July 2003. From June 2001 to July 2003, she was Corporate Senior Vice President, General Counsel and Secretary. Ms. Santona has served the Issuer for 30 years.

James A. Skinner, 63, is Vice Chairman and Chief Executive Officer, a post to which he was elected in November 2004, and also has served as a Director since that date. He served as Vice Chairman from January 2003 to November 2004 and as President and Chief Operating Officer of McDonald's Worldwide Restaurant Group from January 2002 to December 2002. Mr. Skinner has served the Issuer for 36 years.

Jeffrey P. Stratton, 52, is Corporate Executive Vice President—Chief Restaurant Officer, a position he has held since January 2005. He previously served as U.S. Executive Vice President, Chief Restaurant Officer from January 2004 through December 2004. Prior to that time, he served as Senior Vice President, Chief Restaurant Officer of McDonald's USA from May 2002 through January 2004 and as Senior Vice President from October 2001 to May 2002. Mr. Stratton has served the Issuer for 34 years.

Donald Thompson, 44, is President, McDonald's USA, a position he has held since August 2006. He previously served as Executive Vice President and Chief Operations Officer for McDonald's USA from January 2005 through August 2006, as Executive Vice President, Restaurant Solutions Group from May 2004 through January 2005, and President, West Division from October 2001 through May 2004. Mr. Thompson has served the Issuer for 17 years.

Directors

Hall Adams, Jr., 74, was the Chief Executive Officer of Leo Burnett & Co., Inc., an advertising firm, from 1987 until his retirement in 1992. Mr. Adams has served as a Director of the Issuer since 1993. Class of 2008.

Edward A. Brennan, 73, is the retired Chairman, President and Chief Executive Officer of Sears, Roebuck and Co., a merchandising company. He retired from Sears in 1995. From April 2003 to May 2004, Mr. Brennan served as Executive Chairman of AMR Corporation, the parent company of American Airlines, and Executive Chairman of American Airlines, Inc., a scheduled passenger airline and scheduled air freight carrier. He joined the Issuer's Board in 2002 and also serves on the board of Exelon Corporation. Class of 2010.

Robert A. Eckert, 53, is Chairman and Chief Executive Officer of Mattel, Inc., a designer, manufacturer and marketer of family products, a post he has held since May 2000. Mr. Eckert joined the Issuer's Board in 2003. Class of 2009.

Enrique Hernandez, Jr., 52, is Chairman and Chief Executive Officer of Inter-Con Security Systems, Inc., a provider of high-end security and facility support services to government, utilities and industrial customers, since 1986. He joined the Issuer's Board in 1996. Mr. Hernandez also serves as the non-executive Chairman of the Board of Nordstrom, Inc. and as a director of Tribune Company and Wells Fargo & Company. Class of 2009.

Jeanne P. Jackson, 56, is the General Partner of MSP Capital, a consulting and investment firm she founded in 2003. Ms. Jackson was Chief Executive Officer of Walmart.com from March 2000 to January 2002. Ms. Jackson joined the Issuer's Board in 1999. She also serves on the boards of NIKE, Inc. and Nordstrom, Inc. Class of 2009.

Richard H. Lenny, 55, is Chairman, President and Chief Executive Officer of The Hershey Company, a manufacturer, distributor and marketer of chocolate and non-chocolate candy, and candy-related grocery products, a post he has held since January 2002 and expects to retire from at the end of 2007. From March 2001 to December 2001, he was President and Chief Executive Officer of The Hershey Company. From January 2001 until March 2001, he was Group Vice President of Kraft Foods, Inc. and President of its Nabisco Biscuit and Snack business. Mr. Lenny joined the Issuer's Board in 2005. Class of 2008.

Walter E. Massey, 69, is President Emeritus of Morehouse College since June 2007. He also serves as a director of Bank of America Corporation, BP p.l.c. and Delta Air Lines, Inc. Dr. Massey joined the Issuer's Board in 1998. Class of 2010.

Andrew J. McKenna, 78, has been the non-executive Chairman of the Board of the Issuer since 2004. He is also the Chairman of Schwarz Supply Source, a printer, converter, producer and distributor of packaging and promotional materials. Mr. McKenna joined the Issuer's Board in 1991 and is also a director of Aon Corporation and Skyline Corporation. Class of 2009.

Cary D. McMillan, 49, is Chief Executive Officer of True Partners Consulting, LLC, a professional services firm providing tax and other financial services, since December 2005. From October 2000 to May 2004, he was the Chief Executive Officer of Sara Lee Branded Apparel, and Executive Vice President, from January 2000 to May 2004, of Sara Lee Corporation, a branded consumer packaged goods company. Mr. McMillan joined the Issuer's Board in 2003 and also serves as a director of American Eagle Outfitters and Hewitt Associates, Inc. Class of 2008.

Sheila A. Penrose, 62, is President of The Penrose Group, a provider of strategic advisory services on financial and organizational strategies. She is also the non-executive Chairman of the Board of Jones Lang LaSalle Incorporated, a real estate services and money management firm, since her election to that post in January 2005. She has served on Jones Lang LaSalle's board since 2002. Ms. Penrose also serves as Executive Advisor to the Boston Consulting Group. Ms. Penrose joined the Issuer's Board in 2006. Class of 2008.

John W. Rogers, Jr., 49, is the Chairman and Chief Executive Officer of Ariel Capital Management, LLC, a privately-held institutional money management firm that he founded in 1983. Mr. Rogers joined the Issuer's Board in 2003 and also serves as a director of Aon Corporation and Exelon Corporation, and as a trustee of Ariel Investment Trust. Class of 2010.

James A. Skinner, 63, is Vice Chairman and Chief Executive Officer of the Issuer, a post to which he was elected in November 2004; he has also served as a director since that time. Mr. Skinner served as Vice Chairman from January 2003 to November 2004 and as President and Chief Operating Officer of the McDonald's Worldwide Restaurant Group from January 2002 to December 2002. Prior to that time, he served as President and Chief Operating Officer of McDonald's Europe/Asia/Pacific from June 2001 to January 2002. Mr. Skinner also serves as a director of Illinois Tool Works Inc. and Walgreen Co. Class of 2008.

Roger W. Stone, 72, has been Chairman and Chief Executive Officer of KapStone Paper and Packaging Corporation, formerly Stone Arcade Acquisition Corporation, since April 2005. Mr. Stone was Manager of Stone-Kaplan Investments, LLC from July 2004 to January 2007 and Chairman and Chief Executive Officer of Stone Arcade Acquisition Corporation. He was Chairman and Chief Executive Officer of Box USA Group, Inc., a corrugated box manufacturer, from 2000 to 2004. Mr. Stone joined the Issuer's Board in 1989. Class of 2010.

Each of the Issuer's directors is a citizen of the United States. The business address of each director and officer of the Issuer in his or her capacity as such is One McDonald's Plaza, Oak Brook, Illinois 60523, United States.

Certain Relationships and Related Transactions

Policies and Procedures for Related Person Transactions

The System has more than 31,000 restaurants worldwide, many of which are independently owned and operated. Within this extensive System, it is not unusual for the Issuer's business to touch many companies in many industries, including suppliers of food and other products and security systems. The Issuer's Board of Directors is responsible for the oversight and approval (or ratification) of any transaction, relationship or arrangement in which the Issuer is a participant and that involves Board members, the Issuer's executive officers, beneficial owners of more than 5% of the Issuer's common stock, their immediate family members, domestic partners and companies in which they have a material interest. The Issuer refers to these as related person transactions and to the persons or entities involved as related persons.

The Issuer's Board of Directors has adopted a policy that sets out procedures for the reporting, review and ratification of related person transactions. The policy operates in conjunction with other aspects of the Issuer's compliance program, such as its Standards of Business Conduct and Code of Conduct for Directors, which require directors and employees to report any circumstances that may create or appear to create a conflict between the interests of the related person and those of the Issuer, regardless of the amount involved. The Issuer's directors and executive officers must also periodically confirm information about related person transactions, and management reviews its books and records and makes other inquiries as appropriate to confirm the existence, scope and terms of related person transactions.

Under the Board's policy, the Audit Committee evaluates related person transactions for purposes of recommending to the disinterested members of the Board that the transactions are fair, reasonable and within Issuer policies and practices and should be approved or ratified.

The Board has considered certain types of potential related person transactions and pre-approved them as not presenting material conflicts of interest. Those transactions include (a) compensation paid to directors and executive officers that has been approved by the Board or the Compensation Committee, as applicable; (b) Issuer contributions to Ronald McDonald House Charities, Inc. and certain other contributions made in limited amounts to other charitable or not-for-profit organizations; and (c) transactions in which the related person's interest arises solely from ownership of the Issuer's common stock and all holders of the common stock receive the same benefit on a pro rata basis. The Audit Committee considers the appropriateness of any related person transaction not within these pre-approved classes in light of all relevant factors and the controls implemented to protect the interests of the Issuer and its shareholders, including:

- the benefits of the transaction to the Issuer;
- the terms of the transaction and whether they are arm's-length and in the ordinary course of business for both companies;
- the direct or indirect nature of the related person's interest in the transaction;
- the size and expected duration of the transaction; and
- other facts and circumstances that bear on the materiality of the related person transaction under applicable law and listing standards.

Related person transactions involving directors are also subject to Board approval or ratification when so required under Delaware law.

Related person transactions

The Issuer has identified and reported the following related person transactions in its Proxy Statement, dated April 9, 2007:

In 2006, the Issuer and its subsidiaries purchased approximately \$1.1 million worth of paper and other printed products (principally meat, bread and biscuit liners, trayliners, french fry bags, hash brown bags and bag stuffers) from Schwarz Paper Company. Director McKenna is Chairman of Schwarz Paper Company, as well as a 44% shareholder of Schwarz. Members of director McKenna's family are also shareholders of Schwarz. Schwarz's business with the Issuer and its subsidiaries represents less than 1% of Schwarz's total revenues. The Issuer believes that these purchases were made on terms at least as favorable as would have been available from other parties and intends to continue its dealings with Schwarz in 2007 on similar terms.

In 2006, the Issuer and its subsidiaries purchased approximately \$9.5 million worth of salad packaging, coffee and soft drink cups and parfait cups from Prairie Packaging, Inc. Director Stone is a director of Prairie Packaging as well as a 6.39% shareholder. In addition, Mr. Stone's children are shareholders of Prairie Packaging. The Issuer believes that these purchases, which represent less than 2.1% of the revenues of Prairie Packaging, were made on terms at least as favorable as would have been available from other parties, and intends to continue its dealings with Prairie Packaging in 2007 on similar terms.

In 2006, Inter-Con Security Systems, Inc., provided physical security services for the Issuer's home office campus. Director Hernandez is the Chairman and Chief Executive Officer, as well as a 25.99% shareholder of Inter-Con. Payments by the Issuer to Inter-Con for 2006 for such services totaled \$1.0 million. The Issuer believes that these services, which represent less than 1% of the revenues of Inter-Con, were made on terms at least as favorable as would have been available from other parties, and intends to continue its dealings with Inter-Con in 2007 on similar terms.

In 2006, Mr. Stephen Stratton, a former employee of the Issuer and the brother of Mr. Jeffrey Stratton, Corporate Executive Vice President and Chief Restaurant Officer, became a franchisee of McDonald's USA, LLC, a subsidiary of the Issuer (McDonald's US). Mr. Stephen Stratton purchased an existing McDonald's restaurant from McDonald's Restaurants of Kentucky, Inc., a subsidiary of the Issuer, and in that regard paid McDonald's Restaurants of Kentucky, Inc. the purchase price of the restaurant and the value of the existing inventories in the restaurant at the time of purchase. He paid McDonald's US a technology fee and reimbursed McDonald's US for real estate and property taxes that were paid before he acquired the restaurant. Mr. Stephen Stratton was also awarded the franchise for a new McDonald's restaurant and in that regard paid McDonald's US a franchise fee and amounts for operator improvements for the restaurant. Mr. Stephen Stratton also paid rent and service fee obligations under the terms of his franchise agreements with McDonald's US for both of the restaurants. These transactions, which totaled \$614,821 in 2006, were made on an arm's-length basis, consistent with customary policies and were approved by the CEO and COO.

Mr. Jeffrey Stratton's son-in-law, Jeff Ringel, is employed as a Senior Director of Business Process Improvements of the Perseco business unit of HAVI Global Solutions. HAVI Global Solutions and its business units (HGS) have been significant suppliers of products and services to the McDonald's System since 1975, and HGS has advised the Issuer that virtually all of its business is attributable to the McDonald's System. In 2006, the Issuer and its subsidiaries made aggregate payments to HGS of approximately

\$444,216,000. Mr. Ringel is employed by HGS-Perseco on an at-will basis, and his compensation is determined at the discretion of HGS.

Board Practices

The Issuer is subject to the corporate governance laws and requirements of the State of Delaware, the U.S. federal securities laws, and the New York Stock Exchange ("NYSE"). To the best of its knowledge and belief, the Issuer complies with the laws and regulations of these corporate governance regimes. The Issuer's Corporate Governance principles provide for six standing committees, which include Audit, Compensation, Governance, Corporate Responsibility, Finance and Executive.

The Audit Committee appoints the Issuer's independent auditors and evaluates their independence and performance. The Audit Committee reviews with the internal auditors and the independent auditors the overall scope and results of their respective audits, the internal accounting and financial controls, and the steps management has taken to monitor and control the Issuer's major risk exposures. The Audit Committee also reviews the Issuer's material financial disclosures and pre-approves all audit and permitted non-audit services. In addition, the Audit Committee annually reviews the adequacy and appropriateness of the Issuer's compliance programs including the Issuer's disclosure controls and procedures. Members of the Audit Committee are directors Hernandez (Chairperson), Adams, Massey, McMillan, Penrose and Stone. All members of the Audit Committee are independent within the meaning of the listing standards of the NYSE.

Share Capital and Shareholders

The Issuer's common stock trades under the symbol MCD and is listed on the New York and Chicago stock exchanges in the United States. The number of shareholders of record and beneficial owners of the Issuer's common stock as of September 30, 2007 was approximately 1,055,059. To the best of its knowledge, the Issuer is not directly or indirectly owned or controlled by any major shareholders. At September 30, 2007, the Issuer had 3.5 billion authorized shares of common stock, with \$.01 par value, of which 1,660.6 million were issued and fully paid up and 1,182.8 million were outstanding.

Each share of common stock is equal to every other share of common stock in every respect. Subject to any exclusive voting rights which may vest in holders of preferred stock, the shares of common stock entitle the holders thereof to one vote for each share upon all matters upon which stockholders have the right to vote.

Legal and Arbitration Proceedings

The Issuer has pending a number of lawsuits which have been filed from time to time in various jurisdictions. These lawsuits cover a broad variety of allegations spanning the Issuer's entire business. The following is a brief description of the more significant of these categories of lawsuits. In addition, the Issuer is subject to various federal, state and local regulations that impact various aspects of its business, as discussed below. While the Issuer does not believe that any such claims, lawsuits or regulations will have a material adverse effect on its financial condition or results of operations, unfavorable rulings could occur. Were an unfavorable ruling to occur, there exists the possibility of a material adverse impact on net income for the period in which the ruling occurs or for future periods.

Obesity

On or about February 17, 2003, two minors, by their parents and guardians, filed an Amended Complaint against the Issuer in the U.S. District Court for the Southern District of New York (Case No. 02 Civ. 7821 (RWS)) (*Ashley Pelman, a child under the age of 18 years, by her mother and natural guardian, Roberta Pelman and Jazlen Bradley, a child under the age of 18 years, by her father and natural guardian, Israel Bradley v. McDonald's Corporation*) seeking class action status on behalf of individuals in New York under the age of 18 (and their parents and/or guardians), who became obese or developed other adverse health conditions allegedly from eating McDonald's products. On September 3, 2003, the court dismissed all counts of the complaint with prejudice. On January 25, 2005, following an appeal by the plaintiffs, the Second Circuit Court of Appeals Court vacated the District Court's decision to dismiss alleged violations of Section 349 of the New York Consumer Protection Act as set forth in Counts I-III of the amended complaint.

On December 12, 2005, the plaintiffs filed their second amended complaint. In this complaint, the plaintiffs alleged that the Issuer: (1) engaged in a deceptive advertising campaign to "be perceived to be less nutritionally detrimental-than-in-fact"; (2) failed adequately to disclose its use of certain additives and ingredients; and (3) failed to provide nutritional information about its products. Plaintiffs seek unspecified compensatory damages; an order directing defendants to label their individual products specifying the fat,

salt, sugar, cholesterol and dietary content; an order prohibiting marketing to certain individuals; "funding of an educational program to inform children and adults of the dangers of eating certain foods" sold by defendants; and attorneys' fees and costs.

The Issuer believes that it has substantial legal and factual defenses to the plaintiffs' claims, and the Issuer intends to defend these lawsuits vigorously.

Brazil

On May 31, 2005, a public civil action was filed in Brazil by the Federal Attorney's Office for the Federal District against, among others, McDonald's Comércio de Alimentos Ltda, a wholly-owned subsidiary of the Issuer ("McCal"), and three of its former employees. The complaint alleges that McCal and its former employees made an improper payment to obtain tax guidance relating to the deductibility of franchisee royalty payments in Brazil. The complaint seeks certain monetary and non-monetary relief. Although the Issuer does not believe that this action will have a material adverse effect on its financial condition or results, it cannot predict the outcome of this matter.

Franchising

A substantial number of the Issuer's restaurants are franchised to independent entrepreneurs operating under contractual arrangements with the Issuer. In the course of the franchise relationship, occasional disputes arise between the Issuer and its franchisees relating to a broad range of subjects including, but not limited to, quality, service and cleanliness issues, contentions regarding grants or terminations of franchises, delinquent payments of rents and fees, and franchisee claims for additional franchises or rewrites of franchises. Additionally, occasional disputes arise between the Issuer and individuals who claim they should have been granted a McDonald's franchise.

Suppliers

The Issuer and its affiliates and subsidiaries do not supply, with minor exceptions outside the United States, food, paper or related items to any McDonald's restaurants. The Issuer relies upon numerous independent suppliers that are required to meet and maintain the Issuer's high standards and specifications. On occasion, disputes arise between the Issuer and its suppliers on a number of issues including, by way of example, compliance with product specifications and the Issuer's business relationship with suppliers. In addition, disputes occasionally arise on a number of issues between the Issuer and individuals or entities who claim that they should be (or should have been) granted the opportunity to supply products or services to the Issuer's restaurants.

Employees

Hundreds of thousands of people are employed by the Issuer and in restaurants owned and operated by subsidiaries of the Issuer. In addition, thousands of people from time to time seek employment in such restaurants. In the ordinary course of business, disputes arise regarding hiring, firing, promotion and pay practices, including wage and hour disputes, alleged discrimination and compliance with employment laws.

Customers

The Issuer's restaurants serve a large cross-section of the public. In the course of serving so many people, disputes arise as to products, service, incidents, advertising, nutritional and other disclosures as well as other matters typical of an extensive restaurant business such as that of the Issuer.

Intellectual Property

The Issuer has registered trademarks and service marks, patents and copyrights, some of which are of material importance to the Issuer's business. From time to time, the Issuer may become involved in litigation to protect its intellectual property and defend against the alleged use of third-party intellectual property.

Government Regulations

Local, state and federal governments have adopted laws and regulations involving various aspects of the restaurant business including, but not limited to, advertising, franchising, health, safety, environment, zoning and employment. The Issuer strives to

comply with all applicable existing statutory and administrative rules and cannot predict the effect on its operations from the issuance of additional requirements in the future.

Material Contracts

The Issuer has not entered into any material contracts outside the ordinary course of the Issuer's business that could result in the Issuer or any of its consolidated subsidiaries being under an obligation or entitlement that is material to the Issuer's ability to meet its obligation to Noteholders in respect of the Notes being issued.

Other Equity-Linked Securities

In addition to the options and other equity compensation arrangements described in this Base Prospectus, in January 2004 the Issuer also granted Stock Appreciation Rights ("SARs") in connection with its established 2002 QSC Rewards Program for the benefit of owner/operators of the McDonald's System. As of September 30, 2007, there were 908,823 SARs remaining to be exercised at a strike price of \$25.25. The last date on which those SARs may be exercised is January 23, 2009.

Dividends

The Issuer has paid dividends on common stock for more than 30 consecutive years and has increased the dividend amount at least once every year. As in the past, further dividends will be considered after reviewing dividend yields, profitability expectations and financing needs and will be declared at the discretion of the Issuer's Board of Directors.

The following table identifies the dividends paid in each of the last five years:

<i>IN MILLIONS</i>	<i>2007</i>	<i>2006</i>	<i>2005</i>	<i>2004</i>	<i>2003</i>
Common Stock Cash					
Dividends Paid.....	\$ 1,766	\$ 1,217	\$ 842	\$ 695	\$ 504

Credit Ratings

The Issuer currently has a credit rating for senior unsecured notes and debentures of A3 from Moody's Investors Services Limited and A/A-1 from Standard & Poor's Ratings Services, a division of the McGraw-Hill Companies, Inc.

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

The Board of Directors and Shareholders
McDonald's Corporation

We have audited the accompanying Consolidated balance sheets of McDonald's Corporation as of December 31, 2006 and 2005, and the related Consolidated statements of income, shareholders' equity and cash flows for each of the three years in the period ended December 31, 2006. These financial statements are the responsibility of McDonald's Corporation management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the consolidated financial position of McDonald's Corporation at December 31, 2006 and 2005, and the consolidated results of its operations and its cash flows for each of the three years in the period ended December 31, 2006, in conformity with U.S. generally accepted accounting principles.

As discussed in the Notes to the consolidated financial statements, on December 31, 2006, the Company adopted the provisions of SFAS No. 158, *Employers' Accounting for Defined Benefit Pension and Other Postretirement Plans*, and changed its method of recognizing the funded status of its defined benefit postretirement plans. Also, effective January 1, 2005, the Company changed its method for accounting for share-based compensation to conform with SFAS No. 123(R), *Share-Based Payment*.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the effectiveness of McDonald's Corporation's internal control over financial reporting as of December 31, 2006, based on criteria established in Internal Control-Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission and our report dated February 19, 2007 expressed an unqualified opinion thereon.

ERNST & YOUNG LLP
Chicago, Illinois
February 19, 2007

FINANCIAL INFORMATION

The following tables set out the Issuer's consolidated statements of income, cash flows and shareholders' equity for the years ended December 31, 2006, 2005 and 2004, the Issuer's consolidated balance sheets as of December 31, 2006 and 2005, and the related notes. The United States does not require the Issuer to publish an unconsolidated annual report; therefore, no unconsolidated financial information is available about the Issuer in this Base Prospectus.

In the third quarter 2007, the Issuer sold its interest in Boston Market. As a result of the complete disposition of Boston Market, the Issuer has reflected Boston Market's results of operations as discontinued operations in the Issuer's Quarterly Report on Form 10-Q for the quarter and nine months ended September 30, 2007 filed with the U.S. Securities and Exchange Commission. The Issuer's consolidated financial statements for the years ended December 31, 2006, 2005 and 2004 included in this Base Prospectus have not been restated to reflect this classification of Boston Market's results of operations. In the consolidated financial statements that follow, Boston Market's results of operations were included in the Issuer's Other segment.

CONSOLIDATED STATEMENT OF INCOME

	Years ended December 31,		
	2006	2005	2004
	(In millions, except per share data)		
REVENUES			
Sales by Company-operated restaurants	\$ 16,082.7	\$ 14,726.6	\$ 13,755.2
Revenues from franchised and affiliated restaurants	5,503.7	5,105.9	4,838.8
Total revenues	21,586.4	19,832.5	18,594.0
OPERATING COSTS AND EXPENSES			
Company-operated restaurant expenses			
Food & paper	5,349.7	5,004.9	4,698.2
Payroll & employee benefits	4,185.4	3,860.4	3,586.5
Occupancy & other operating expenses	4,006.6	3,709.2	3,403.2
Franchised restaurants—occupancy expenses	1,060.4	1,021.5	1,002.7
Selling, general & administrative expenses	2,337.9	2,167.1	1,939.1
Impairment and other charges (credits), net	134.2	(28.4)	281.4
Other operating expense, net	67.1	105.3	145.0
Total operating costs and expenses	17,141.3	15,840.0	15,056.1
Operating income	4,445.1	3,992.5	3,537.9
Interest expense-net of capitalized interest of \$5.4, \$4.9 and \$4	402.0	356.1	358.4
Nonoperating income, net	(123.3)	(38.0)	(21.2)
Income from continuing operations before provision for income taxes	4,166.4	3,674.4	3,200.7
Provision for income taxes	1,293.4	1,088.0	923.2
Income from continuing operations	2,873.0	2,586.4	2,277.5
Income from discontinued operations (net of taxes of \$96.8, \$11.4 and \$0.7	671.2	15.8	1.0
Net income	\$ 3,544.2	\$ 2,602.2	\$ 2,278.5
Per common share-basic:			
Continuing operations	\$ 2.33	\$ 2.05	\$ 1.81
Discontinued operations	0.54	0.01	—
Net income	\$ 2.87	\$ 2.06	\$ 1.81
Per common share-diluted:			
Continuing operations	\$ 2.30	\$ 2.03	\$ 1.79
Discontinued operations	0.53	0.01	—
Net income	\$ 2.83	\$ 2.04	\$ 1.79
Dividends per common share	\$ 1.00	\$ 0.67	\$ 0.55
Weighted-average shares outstanding-basic	1,234.0	1,260.4	1,259.7
Weighted-average shares outstanding-diluted	1,251.7	1,274.2	1,273.7

See Notes to consolidated financial statements.

CONSOLIDATED BALANCE SHEET

	December 31,	
	2006	2005
	(In millions, except per share data)	
ASSETS		
Current assets		
Cash and equivalents	\$ 2,136.4	\$ 4,260.6
Accounts and notes receivable	904.2	793.9
Inventories, at cost, not in excess of market	149.0	144.3
Prepaid expenses and other current assets	435.7	640.2
Discontinued operations		380.0
Total current assets	3,625.3	6,219.0
Other assets		
Investment in and advances to affiliates	1,036.2	1,035.4
Goodwill, net	2,209.2	1,924.4
Miscellaneous	1,307.4	1,236.7
Total other assets	4,552.8	4,196.5
Property and equipment		
Property and equipment, at cost	31,810.2	29,482.5
Accumulated depreciation and amortization	(10,964.5)	(9,909.2)
Net property and equipment	20,845.7	19,573.3
Total assets	\$ 29,023.8	\$ 29,988.8
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current liabilities		
Notes payable	\$ —	\$ 544.0
Accounts payable	834.1	678.0
Income taxes	250.9	569.6
Other taxes	251.4	233.1
Accrued interest	135.1	158.5
Accrued payroll and other liabilities	1,518.9	1,158.1
Current maturities of long-term debt	17.7	658.5
Discontinued operations		107.9
Total current liabilities	3,008.1	4,107.7
Long-term debt	8,416.5	8,934.3
Other long-term liabilities	1,074.9	851.5
Deferred income taxes	1,066.0	949.2
Shareholders' equity		
Preferred stock, no par value; authorized - 165.0 million shares; issued - none		
Common stock, \$.01 par value; authorized - 3.5 billion shares; issued - 1,660.6 million shares	16.6	16.6
Additional paid-in capital	3,445.0	2,720.2
Retained earnings	25,845.6	23,516.0
Accumulated other comprehensive income (loss)	(296.7)	(733.1)
Common stock in treasury, at cost; 456.9 and 397.4 million shares	(13,552.2)	(10,373.6)
Total shareholders' equity	15,458.3	15,146.1
Total liabilities and shareholders' equity	\$ 29,023.8	\$ 29,988.8

See Notes to consolidated financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS

	<i>Years ended December 31,</i>		
	<u>2006</u>	<u>2005</u>	<u>2004</u>
		(In millions)	
Operating activities			
Net income.....	\$ 3,544.2	\$ 2,602.2	\$ 2,278.5
Adjustments to reconcile to cash provided by operations			
Charges and credits:			
Depreciation and amortization.....	1,249.9	1,249.5	1,201.0
Deferred income taxes	28.7	(34.6)	(177.0)
Income taxes audit benefit		(178.8)	
Impairment and other charges (credits), net.....	134.2	(28.4)	281.4
Gains on Chipotle disposition, net of tax	(653.0)		
Share-based compensation.....	122.5	152.0	11.0
Other	78.2	162.8	118.4
Changes in working capital items:			
Accounts receivable	(90.8)	(56.5)	(35.9)
Inventories, prepaid expenses and other current assets	(1.6)	(29.4)	(14.9)
Accounts payable	82.8	35.8	86.7
Income taxes	(350.3)	442.9	84.2
Other accrued liabilities	196.7	19.5	70.2
Cash provided by operations	4,341.5	4,337.0	3,903.6
Investing activities			
Property and equipment expenditures.....	(1,741.9)	(1,606.8)	(1,419.3)
Purchases of restaurant businesses.....	(238.6)	(343.5)	(149.7)
Sales of restaurant businesses and property	315.7	259.1	306.3
Chipotle disposition.....	281.7		
Other	109.7	(126.6)	(120.4)
Cash used for investing activities.....	(1,273.4)	(1,817.8)	(1,383.1)
Financing activities			
Net short-term borrowings (repayments)	34.5	22.7	35.9
Long-term financing issuances.....	1.9	3,107.9	225.6
Long-term financing repayments	(2,301.1)	(1,518.3)	(1,077.0)
Treasury stock purchases	(2,959.4)	(1,202.0)	(621.0)
Common stock dividends.....	(1,216.5)	(842.0)	(695.0)
Proceeds from stock option exercises	975.7	768.1	580.5
Excess tax benefit on share-based compensation.....	87.1	70.1	
Other	185.5	(44.9)	(82.5)
Cash provided by (used for) financing activities.....	(5,192.3)	361.6	(1,633.5)
Cash and equivalents increase/(decrease).....	(2,124.2)	2,880.8	887.0
Cash and equivalents at beginning of year.....	4,260.6	1,379.8	492.8
Cash and equivalents at end of year.....	\$ 2,136.4	\$ 4,260.6	\$ 1,379.8
Supplemental cash flow disclosures			
Interest paid	\$ 430.3	\$ 390.3	\$ 370.2
Income taxes paid	1,528.5	795.1	1,017.6

See Notes to consolidated financial statements.

	<i>Common stock issued</i>		<i>Additional paid-in capital</i>	<i>Retained earnings</i>	<i>Pensions</i>	<i>Accumulated other comprehensive income (loss)</i>		<i>Common stock in treasury</i>		<i>Total shareholders' equity</i>
	<i>Shares</i>	<i>Amount</i>				<i>Deferred hedging adjustment</i>	<i>Foreign currency translation</i>	<i>Shares</i>	<i>Amount</i>	
	<i>(In millions, except per share data)</i>									
Balance at December 31, 2003	1,660.6	\$ 16.6	\$ 1,747.0	\$ 20,172.3	\$ —	\$ (0.5)	\$ (635.0)	(398.7)	\$ (9,318.5)	\$ 11,981.9
Net income.....				2,278.5						2,278.5
Translation adjustments (including tax benefits of \$106.3).....							554.7			554.7
Fair value adjustments— cash flow hedges (including tax benefits of \$3.3).....						(15.2)				(15.2)
Comprehensive income.....										2,818.0
Common stock cash dividends (\$55 per share).....				(695.0)						(695.0)
ESOP loan payment.....			7.9							7.9
Treasury stock purchases.....								(22.2)	(605.3)	(605.3)
Stock option exercises and other (including tax benefits of \$87.3)			348.3					30.2	345.7	694.0
Balance at December 31, 2004	1,660.6	16.6	2,103.2	21,755.8	—	(15.7)	(80.3)	(390.7)	(9,578.1)	14,201.5
Net income.....				2,602.2						2,602.2
Translation adjustments (including taxes of \$189.6)							(634.3)			(634.3)
Fair value adjustments— cash flow hedges (including taxes of \$5.6)						(2.8)				(2.8)
Comprehensive income.....										1,965.1
Common stock cash dividends (\$67 per share).....				(842.0)						(842.0)
ESOP loan payment.....			7.0							7.0
Treasury stock purchases.....								(39.5)	(1,228.1)	(1,228.1)
Share-based compensation.....			152.0							152.0
Stock option exercises and other (including tax benefits of \$86.9)			458.0					32.8	432.6	890.6
Balance at December 31, 2005	1,660.6	16.6	2,720.2	23,516.0		(18.5)	(714.6)	(397.4)	(10,373.6)	15,146.1
Net income.....				3,544.2						3,544.2
Translation adjustments (including taxes of \$95.6)							514.7			514.7
Fair value adjustments— cash flow hedges (including tax benefits of \$0.6).....						10.7				10.7
Comprehensive income.....										4,069.6
Adjustment to initially apply SFAS No. 158 (including tax benefits of \$39.2).....					(89.0)					(89.0)
Common stock cash dividends (\$1.00 per share).....				(1,216.5)						(1,216.5)
ESOP loan payment.....			7.3							7.3
Treasury stock purchases.....								(98.4)	(3,718.9)	(3,718.9)
Share-based compensation.....			122.5							122.5
Stock option exercises and other (including tax benefits of \$125.4).....			595.0	1.9				38.9	540.3	1,137.2
Balance at December 31, 2006	1,660.6	\$ 16.6	\$ 3,445.0	\$ 25,845.6	\$ (89.0)	\$ (7.8)	\$ (199.9)	(456.9)	\$ (13,552.2)	\$ 15,458.3

See Notes to consolidated financial statements.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Summary of Significant Accounting Policies

Nature of business

The Company primarily franchises and operates McDonald's restaurants in the food service industry. The Company also operates Boston Market in the U.S. and has a minority ownership in U.K.-based Pret A Manger. Prior to October 2006, the Company had an ownership interest in Chipotle Mexican Grill (Chipotle). During 2006, the Company disposed of its investment in Chipotle through sales of shares and ultimately a tax-free exchange of all remaining shares held.

All restaurants are operated either by the Company, by independent entrepreneurs under the terms of franchise arrangements (franchisees), or by affiliates and developmental licensees operating under license agreements.

Consolidation

The consolidated financial statements include the accounts of the Company and its subsidiaries. Substantially all investments in affiliates owned 50% or less (primarily McDonald's Japan) are accounted for by the equity method.

Estimates in financial statements

The preparation of financial statements in conformity with accounting principles generally accepted in the U.S. requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results could differ from those estimates.

Reclassifications

Certain prior period amounts have been reclassified to conform to current year presentation, including reclassifying results and amounts from Chipotle to discontinued operations.

Revenue recognition

The Company's revenues consist of sales by Company-operated restaurants and fees from restaurants operated by franchisees/licensees and affiliates. Sales by Company-operated restaurants are recognized on a cash basis. The Company presents sales net of sales tax and other sales-related taxes. Fees from franchised and affiliated restaurants include continuing rent and service fees, initial fees, and royalties received from foreign affiliates and developmental licensees. Continuing fees and royalties are recognized in the period earned. Initial fees are recognized upon opening of a restaurant, which is when the Company has performed substantially all initial services required by the franchise arrangement.

Foreign currency translation

The functional currency of substantially all operations outside the U.S. is the respective local currency, except for a small number of countries with hyperinflationary economies, where the functional currency is the U.S. Dollar.

Advertising costs

Advertising costs included in expenses of Company-operated restaurants primarily consist of contributions to advertising cooperatives and were (in millions): 2006-\$689.8; 2005-\$644.0; 2004-\$610.2. Production costs for radio and television advertising, primarily in the U.S., are expensed when the commercials are initially aired. These production costs as well as other marketing-related expenses included in selling, general & administrative expenses were (in millions): 2006-\$97.4; 2005-\$116.7; 2004-\$103.7. In addition, significant advertising costs are incurred by franchisees through separate advertising cooperatives in individual markets.

Share-based compensation

Prior to January 1, 2005, the Company accounted for share-based compensation plans under the measurement and recognition provisions of Accounting Principles Board Opinion No. 25, *Accounting for Stock Issued to Employees*, and related Interpretations, as permitted by the Statement of Financial Accounting Standards No. 123, *Accounting for Stock-Based Compensation* (SFAS No. 123). Accordingly, share-based compensation was included as a pro forma disclosure in the Notes to the consolidated financial statements.

Effective January 1, 2005, the Company adopted the fair value recognition provisions of the Statement of Financial Accounting Standards No. 123(R), *Share-Based Payment* (SFAS No. 123(R)), using the modified-prospective transition method. Under this transition method, compensation cost beginning in 2005 includes the portion vesting in the period for (1) all share-based payments granted prior to, but not vested as of January 1, 2005, based on the grant date fair value estimated in accordance with the original provisions of SFAS No. 123 and (2) all share-based payments granted subsequent to January 1, 2005, based on the grant date fair value estimated in accordance with the provisions of SFAS No. 123(R). Results for prior periods have not been restated.

In 2005, in connection with the adoption of SFAS No. 123(R), the Company adjusted the mix of employee long-term incentive compensation by reducing stock options awarded and increasing certain cash-based compensation (primarily annual incentive-based compensation) and other equity-based awards. In 2006, results included share-based compensation expense of \$122.5 million (\$82.6 million after tax or \$0.07 per share). In 2005, results included share-based compensation expense of \$152.0 million (\$102.3 million after tax or \$0.08 per share). Compensation expense related to share-based awards is generally amortized on a straight-line basis over the vesting period in selling, general & administrative expenses in the Consolidated statement of income. As of December 31, 2006, there was \$150.1 million of total unrecognized compensation cost related to nonvested share-based compensation that is expected to be recognized over a weighted-average period of 2.0 years.

The following table illustrates the effect on net income and net income per share for 2004 if the Company had applied the fair value recognition provisions of SFAS No. 123 to options granted under the Company's stock option plans:

Pro forma disclosures

	<u>2004</u>
	In millions, except per share data
As reported – net income	\$ 2,278.5
Add: Total share-based employee compensation included in reported net income, net of related tax effects	6.8
Deduct: Total share-based employee compensation expense determined under fair value method for all awards, net of related tax effects	(156.3)
Pro forma–net income	<u>\$ 2,129.0</u>
Net income per share:	
As reported–basic	\$ 1.81
Pro forma–basic	\$ 1.69
As reported–diluted	\$ 1.79
Pro forma–diluted	<u>\$ 1.68</u>

The fair value of each stock option granted is estimated on the date of grant using a closed-form pricing model. The following table presents the weighted-average assumptions used in the option pricing model for the 2006, 2005 and 2004 stock option grants. The expected life of the options represents the period of time the options are expected to be outstanding and is based on historical trends. Expected stock price volatility is generally based on the historical volatility of the Company's stock for a period approximating the expected life. The expected dividend yield is based on the Company's most recent annual dividend payout. The risk-free interest rate is based on the U.S. Treasury yield curve in effect at the time of grant with a term equal to the expected life.

Weighted-average assumptions

	<u>2006</u>	<u>2005</u>	<u>2004</u>
Expected dividend yield	1.99%	1.72%	1.51%
Expected stock price volatility	26.4%	27.8%	28.6%
Risk-free interest rate	4.55%	3.97%	3.93%
Expected life of options <i>IN YEARS</i>	<u>6.22</u>	<u>7.00</u>	<u>7.00</u>
Fair value per option granted	<u>\$ 9.72</u>	<u>\$ 10.06</u>	<u>\$ 8.44</u>

Prior to the adoption of SFAS No. 123(R), the Company presented all benefits of tax deductions resulting from the exercise of share-based compensation as operating cash flows in the Consolidated statement of cash flows. SFAS No. 123(R) requires the benefits of tax deductions in excess of the compensation cost recognized for those options (excess tax benefits) to be classified as financing cash flows. Results included \$87.1 million and \$70.1 million of excess tax benefits as a financing cash inflow in 2006 and 2005, respectively.

Property and equipment

Property and equipment are stated at cost, with depreciation and amortization provided using the straight-line method over the following estimated useful lives: buildings—up to 40 years; leasehold improvements—the lesser of useful lives of assets or lease terms which generally include option periods; and equipment—three to 12 years.

Goodwill

Goodwill represents the excess of cost over the net tangible assets and identifiable intangible assets of acquired restaurant businesses. The Company's goodwill primarily results from purchases of McDonald's restaurants from franchisees and ownership increases in international subsidiaries or affiliates, and it is generally assigned to the reporting unit expected to benefit from the synergies of the combination. If a Company-operated restaurant is sold within 24 months of acquisition, the goodwill associated with the acquisition is written off in its entirety. If a restaurant is sold beyond 24 months from the acquisition, the amount of goodwill written off is based on the relative fair value of the business sold compared to the portion of the reporting unit (defined as each individual country).

In accordance with Statement of Financial Accounting Standards No. 142, *Goodwill and Intangible Assets*, the annual goodwill impairment test, conducted in the fourth quarter, compares the fair value of a reporting unit, generally based on discounted future cash flows, with its carrying amount including goodwill. If the carrying amount of a reporting unit exceeds its fair value, an impairment loss is measured as the difference between the implied fair value of the reporting unit's goodwill and the carrying amount of goodwill.

The following table presents the 2006 activity in goodwill by segment:

	<u>U.S.</u>	<u>Europe</u>	<u>APMEA ⁽¹⁾</u>	<u>Latin America</u>	<u>Canada</u>	<u>Consolidated</u>
	In millions					
Balance at December 31, 2005	\$ 897.8	\$557.6	\$212.1	\$126.5	\$130.4	\$1,924.4
Net restaurant purchases	115.0	26.1	8.1	4.3	0.4	153.9
Ownership increases in subsidiaries/affiliates.....			43.2			43.2
Currency translation.....		68.7	14.5	4.8	(0.3)	87.7
Balance at December 31, 2006	\$1,012.8	\$652.4	\$277.9	\$135.6	\$130.5	\$2,209.2

⁽¹⁾ APMEA represents Asia/Pacific, Middle East and Africa.

Long-lived assets

In accordance with Statement of Financial Accounting Standards No. 144, *Accounting for the Impairment or Disposal of Long-Lived Assets* (SFAS No. 144), long-lived assets are reviewed for impairment annually in the fourth quarter and whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. For purposes of annually reviewing McDonald's restaurant assets for potential impairment, assets are initially grouped together at a television market level in the U.S. and at a country level for each of the international markets. The Company manages its restaurants as a group or portfolio with significant common costs and promotional activities; as such, each restaurant's cash flows are not largely independent of the cash flows of others in a market. If an indicator of impairment (e.g., negative operating cash flows for the most recent trailing 24-month period) exists for any grouping of assets, an estimate of undiscounted future cash flows produced by each individual restaurant within the asset grouping is compared to its carrying value. If an individual restaurant is determined to be impaired, the loss is measured by the excess of the carrying amount of the restaurant over its fair value as determined by an estimate of discounted future cash flows.

Losses on assets held for disposal are recognized when management has approved (and Board of Directors have approved, as required) and committed to a plan to dispose of the assets, the assets are available for disposal, the disposal is probable of occurring within 12 months, and the net sales proceeds are expected to be less than its net book value. Generally, such losses relate to restaurants that have closed and ceased operations as well as businesses or restaurants that meet the criteria to be considered "available for sale" in accordance with SFAS No. 144.

Financial instruments

The Company generally borrows on a long-term basis and is exposed to the impact of interest rate changes and foreign currency fluctuations. The Company uses foreign currency denominated debt and derivative instruments to manage the impact of these changes. The Company does not use derivatives with a level of complexity or with a risk higher than the exposures to be hedged and does not hold or issue derivatives for trading purposes.

The counterparties to these agreements consist of a diverse group of financial institutions. The Company continually monitors its positions and the credit ratings of its counterparties and adjusts positions as appropriate. The Company did not have significant exposure to any individual counterparty at December 31, 2006 and has master agreements that contain netting arrangements. Certain of these agreements also require each party to post collateral if credit ratings fall below, or aggregate exposures exceed, certain contractual limits. At December 31, 2006 and 2005, the Company was required to post collateral of \$49.3 million and \$24.2 million, respectively.

Statement of Financial Accounting Standards No. 133, *Accounting for Derivative Instruments and Hedging Activities* (SFAS No. 133), as amended, requires companies to recognize all derivatives as either assets or liabilities in the balance sheet at fair value. SFAS No. 133 also requires companies to designate all derivatives that qualify as hedging instruments as fair value hedges, cash flow hedges or hedges of net investments in foreign operations. This designation is based upon the exposure being hedged.

All derivatives, primarily interest rate exchange agreements and foreign currency exchange agreements, were classified in the Consolidated balance sheet at December 31, 2006 and 2005, respectively, as follows: miscellaneous other assets—\$40.6 and \$83.3 million; other long-term liabilities (excluding accrued interest)—\$165.8 and \$102.7 million; and accrued payroll and other liabilities—\$6.7 and \$1.3 million. In addition, for the year ended December 31, 2005, the Company recorded prepaid expenses and other current assets of \$6.5 million. All derivative purchases and settlements were classified in Other financing activities in the Consolidated statement of cash flows.

There was no significant impact to the Company's earnings related to the ineffective portion of any hedging instruments for the three years ended December 31, 2006.

- ***Fair value hedges***

The Company enters into fair value hedges to reduce the exposure to changes in the fair values of certain assets or liabilities. The types of fair value hedges the Company enters into include (1) interest rate exchange agreements to convert a portion of its fixed-rate debt to floating-rate debt and (2) foreign currency exchange agreements for the exchange of various currencies and interest rates. The foreign currency exchange agreements are entered into to hedge the currency risk associated with debt and intercompany loans denominated in foreign currencies, and essentially result in floating-rate assets or liabilities denominated in U.S. Dollars or appropriate functional currencies.

For fair value hedges, the gains or losses on derivatives as well as the offsetting gains or losses on the related hedged items resulting from changes in fair value are recognized in nonoperating (income)/expense, net.

- ***Cash flow hedges***

The Company enters into cash flow hedges to reduce the exposure to variability in certain expected future cash flows. The types of cash flow hedges the Company enters into include (1) interest rate exchange agreements that effectively convert a portion of floating-rate debt to fixed-rate debt and are designed to reduce the impact of interest rate changes on future interest expense, (2) forward foreign exchange contracts and foreign currency options that are designed to protect against the reduction in value of forecasted foreign currency cash flows (such as royalties and other payments denominated in foreign currencies due to changes in foreign currency exchange rates), and (3) foreign currency exchange agreements for the exchange of various currencies and interest rates. The foreign currency exchange agreements hedge the currency risk associated with debt and intercompany loans denominated in foreign currencies, and essentially result in fixed-rate assets or liabilities denominated in U.S. Dollars or appropriate functional currencies.

For cash flow hedges, the effective portion of the gains or losses on derivatives is reported in the deferred hedging adjustment component of accumulated other comprehensive income in shareholders' equity and reclassified into earnings in the same period or periods in which the hedged transaction affects earnings. The remaining gain or loss in excess of the cumulative change in the present value of future cash flows of the hedged item, if any, is recognized in earnings during the period of change.

The Company recorded after-tax adjustments related to cash flow hedges to the deferred hedging adjustment component of accumulated other comprehensive income in shareholders' equity, primarily related to foreign currency exchange agreements that hedge long-term intercompany loans. The Company recorded a net increase of \$10.7 million for the year ended December 31, 2006, and net decreases of \$2.8 million and \$15.2 million for the years ended December 31, 2005 and 2004, respectively. Based on interest rates and foreign currency exchange rates at December 31, 2006, no significant amount of deferred hedging adjustments, after tax, included in accumulated other comprehensive income in shareholders' equity at December 31, 2006, will be recognized in earnings in 2007 as the underlying hedged transactions are realized. The maximum maturity date of any cash flow hedge of forecasted transactions at December 31, 2006 was 15 months, excluding instruments hedging forecasted payments of variable interest on existing financial instruments that have various maturity dates through 2013.

- ***Hedges of net investments in foreign operations***

The Company uses forward foreign exchange contracts, foreign currency exchange agreements and foreign currency denominated debt to hedge its investments in certain foreign subsidiaries and affiliates. Realized and unrealized translation adjustments from these hedges are included in shareholders' equity in the foreign currency translation component of accumulated other comprehensive income and offset translation adjustments on the underlying net assets of foreign subsidiaries and affiliates, which also are recorded in accumulated other comprehensive income.

During the year ended December 31, 2006, the Company recorded a decrease in translation adjustments in accumulated other comprehensive income of \$23.2 million after tax (included in the net increase of \$514.7 million of translation adjustments in the Consolidated statement of shareholders' equity), related primarily to foreign currency denominated debt designated as hedges of net investments. During the year ended December 31, 2005, the Company recorded an increase in translation adjustments in accumulated other comprehensive income of \$356.8 million after tax related to hedges of net investments. During the year ended December 31, 2004, the Company recorded a decrease in translation adjustments of \$190.7 million after tax related to hedges of net investments.

Sales of stock by subsidiaries and affiliates

As permitted by Staff Accounting Bulletin No. 51 issued by the Securities and Exchange Commission, when a subsidiary or affiliate sells unissued shares in a public offering, the Company records an adjustment to reflect an increase or decrease in the carrying value of its investment and a resulting nonoperating gain or loss. In 2006, the Company's gain of \$32.0 million due to the Chipotle IPO, in accordance with this policy, is reported in discontinued operations.

Income tax contingencies

The Company, like other multi-national companies, is regularly audited by federal, state and foreign tax authorities, and tax assessments may arise several years after tax returns have been filed. Accordingly, tax reserves have been recorded when in management's judgment it is not probable that the Company's tax position will ultimately be sustained. While predicting the outcome of the audits involves uncertainty and requires estimates and informed judgments, we believe that the recorded tax liabilities are adequate and appropriate. The judgments and estimates made at a point in time may change based on the outcome of tax audits, as well as changes to or further interpretation of regulations. Income tax expense is adjusted in the period in which these events occur or when the statute of limitations for a specific exposure item has expired.

In July 2006, the Financial Accounting Standards Board (FASB) issued Interpretation No. 48, *Accounting for Uncertainty in Income Taxes* (FIN 48), which is an interpretation of FASB Statement No. 109, *Accounting for Income Taxes*. FIN 48 clarifies the accounting for income taxes by prescribing the minimum recognition threshold a tax position is required to meet before being recognized in the financial statements. FIN 48 also provides guidance on derecognition, measurement, classification, interest and penalties, accounting in interim periods, disclosure and transition. The provisions of FIN 48 are effective January 1, 2007, with the cumulative effect of the change in accounting principle recorded as an adjustment to retained earnings. We are currently evaluating the impact of adopting FIN 48 on our financial statements; however, we do not expect the impact to be significant.

The Company records interest on income tax contingencies in the provision for income taxes.

Per common share information

Diluted net income per common share is calculated using net income divided by diluted weighted-average shares. Diluted weighted-average shares include weighted-average shares outstanding plus the dilutive effect of share-based compensation calculated using the treasury stock method, of (in millions of shares): 2006-17.7; 2005-13.8; 2004-14.0. Stock options that were not included in diluted weighted-average shares because they would have been antidilutive were (in millions of shares): 2006-16.4; 2005-44.4; 2004-85.5.

The Company has elected to not include the pro forma deferred tax asset associated with share-based compensation in net income per share.

Statement of cash flows

The Company considers short-term, highly liquid investments with an original maturity of 90 days or less to be cash equivalents. The positive impact of fluctuating foreign currencies on cash and equivalents, included in other financing activities in the Consolidated statement of cash flows, was approximately \$200 million in 2006.

Employers' accounting for defined benefit pension and other postretirement plans

In September 2006, the FASB issued Statement of Financial Accounting Standards No. 158, *Employers' Accounting for Defined Benefit Pension and Other Postretirement Plans, an amendment of FASB Statements No. 87, 88, 106 and 132(R)* (SFAS No. 158). SFAS No. 158 requires the Company to recognize the overfunded or underfunded status of a defined benefit postretirement plan as an asset or liability in the Consolidated balance sheet and to recognize changes in that funded status in the year changes occur through other comprehensive income. The Company adopted the applicable provisions of SFAS No. 158 effective December 31, 2006, as required. This resulted in a net adjustment to other comprehensive income of \$89.0 million for a limited number of applicable international markets.

Sabbatical leave

In June 2006, the FASB ratified Emerging Issues Task Force (EITF) Issue 06-2, *Accounting for Sabbatical Leave and Other Similar Benefits Pursuant to FASB Statement No. 43, Accounting for Compensated Absences* (EITF 06-2). Under EITF 06-2, compensation costs associated with a sabbatical should be accrued over the requisite service period, assuming certain conditions are met. Previously, the Company expensed sabbatical costs as incurred. The Company adopted EITF 06-2 effective January 1, 2007, as required and accordingly, we expect to record a cumulative adjustment to beginning retained earnings of approximately \$35 million in the first quarter of 2007. We expect the annual impact to earnings to be insignificant.

DISCONTINUED OPERATIONS

In first quarter 2006, Chipotle completed an IPO of 6.1 million shares resulting in net proceeds of \$120.9 million to Chipotle and a tax-free gain to McDonald's of \$32.0 million to reflect an increase in the carrying value of the Company's investment as a result of Chipotle selling shares in the public offering. Concurrent with the IPO, McDonald's sold 3.0 million Chipotle shares, resulting in net proceeds to the Company of \$61.4 million and an additional gain of \$13.6 million after tax.

In second quarter 2006, McDonald's sold an additional 4.5 million Chipotle shares, resulting in net proceeds to the Company of \$267.7 million and a gain of \$127.8 million after tax, while still retaining majority ownership. In October 2006, the Company completely separated from Chipotle through a noncash, tax-free exchange of its remaining Chipotle shares for its common stock. McDonald's accepted 18.6 million shares of its common stock in exchange for the 16.5 million shares of Chipotle class B common stock held by McDonald's and recorded a tax-free gain of \$479.6 million in the fourth quarter. As a result of the complete disposition of Chipotle, the Company has reflected Chipotle's results of operations through the date of the exchange and transaction gains (\$653.0 million net of tax, \$0.53 per share—basic and \$0.52 per share—diluted) as discontinued operations for all periods presented.

IMPAIRMENT AND OTHER CHARGES (CREDITS), NET

On a pretax basis, the Company recorded impairment and other charges (credits), net of \$134.2 million in 2006, (\$28.4) million in 2005 and \$281.4 million in 2004 associated with impairment, as well as certain strategic actions in 2006 and a lease accounting correction in 2004.

In 2006, the charges primarily related to the following items: losses incurred on the transfers of the Company's ownership interest in certain markets to developmental licensees (\$35.8 million); the closing of certain restaurants in the U.K. in conjunction with an overall restaurant portfolio review (\$35.3 million); costs to buy out certain litigating franchisees in Brazil (\$29.3 million); asset write-offs and other charges in APMEA (\$17.5 million); and a loss related to the decision to dispose of supply chain operations in Russia (\$13.1 million).

In 2005, the Company recorded \$22.8 million of pretax impairment charges primarily in South Korea. In addition, the Company recorded \$51.2 million of pretax income, primarily due to the transfer of the Company's ownership interest in Turkey to a developmental licensee and a favorable adjustment to certain liabilities established in prior years due to lower than originally anticipated employee-related and lease termination costs.

In 2004, the Company recorded \$130.5 million of pretax impairment charges primarily in South Korea. In addition, like other companies in the restaurant and retail industries, the Company reviewed its accounting practices and policies with respect to leasing

transactions. Following this review and in consultation with its external auditors, the Company corrected an error in the amount of \$150.9 million pretax in its prior practices to conform the lease term used in calculating straight-line rent expense with the term used to amortize improvements on leased property. The result of the correction primarily accelerated the recognition of rent expense under certain leases that include fixed-rent escalations by revising the computation of straight-line rent expense to include these escalations for certain option periods. As the correction related solely to accounting treatment, it did not affect McDonald's historical or future cash flows or the timing of payments under the related leases. Its effect on the Company's net income per share, cash from operations and shareholders' equity was immaterial. These adjustments primarily impacted the U.S., China and Boston Market. Other markets were less significantly impacted, as many of the leases outside of the U.S. do not contain fixed-rent escalations.

OTHER OPERATING (INCOME) EXPENSE, NET

	<u>2006</u>	<u>2005</u>	<u>2004</u>
	In millions		
Gains on sales of restaurant businesses.....	\$ (38.3)	\$ (44.7)	\$ (45.0)
Equity in earnings of unconsolidated affiliates.....	(76.8)	(52.8)	(60.0)
Asset dispositions and other expense.....	182.2	202.8	250.0
Total.....	\$ 67.1	\$ 105.3	\$ 145.0

- **Gains on sales of restaurant businesses**

Gains on sales of restaurant businesses include gains from sales of Company-operated restaurants as well as gains from exercises of purchase options by franchisees with business facilities lease arrangements (arrangements where the Company leases the businesses, including equipment, to franchisees who generally have options to purchase the businesses). The Company's purchases and sales of businesses with its franchisees and affiliates are aimed at achieving an optimal ownership mix in each market. Resulting gains or losses are recorded in operating income because the transactions are a recurring part of our business.

- **Equity in earnings of unconsolidated affiliates**

Equity in earnings of unconsolidated affiliates—businesses in which the Company actively participates but does not control—represents McDonald's share of each affiliate's results. These results are reported after interest expense and income taxes, except for partnerships in certain markets such as the U.S., which are reported before income taxes.

- **Asset dispositions and other expense**

Asset dispositions and other expense consists of gains or losses on excess property and other asset dispositions, provisions for contingencies and uncollectible receivables, and other miscellaneous expenses.

FRANCHISE ARRANGEMENTS

Individual franchise arrangements generally include a lease and a license and provide for payment of initial fees, as well as continuing rent and service fees to the Company based upon a percent of sales with minimum rent payments that parallel the Company's underlying leases and escalations (on properties that are leased). McDonald's franchisees are granted the right to operate a restaurant using the McDonald's System and, in most cases, the use of a restaurant facility, generally for a period of 20 years. Franchisees pay related occupancy costs including property taxes, insurance and maintenance. In addition, in certain markets outside the U.S., franchisees pay a refundable, noninterest-bearing security deposit. Foreign affiliates and developmental licensees pay a royalty to the Company based upon a percent of sales.

The results of operations of restaurant businesses purchased and sold in transactions with franchisees, affiliates and others were not material to the consolidated financial statements for periods prior to purchase and sale.

• Revenues from franchised and affiliated restaurants consisted of:

	<u>2006</u>	<u>2005</u>	<u>2004</u>
	In millions		
Rents and service fees.....	\$ 5,452.2	\$ 5,067.9	\$ 4,802.7
Initial fees.....	51.5	38.0	36.1
Revenues from franchised and affiliated restaurants.....	\$ 5,503.7	\$ 5,105.9	\$ 4,838.8

Future minimum rent payments due to the Company under existing franchise arrangements are:

	<u>Owned Sites</u>	<u>Leased Sites</u>	<u>Total</u>
	In millions		
2007	\$ 1,076.8	\$ 855.7	\$ 1,932.5
2008	1,046.8	836.3	1,883.1
2009	1,009.4	814.1	1,823.5
2010	967.3	782.1	1,749.4
2011	917.9	746.9	1,664.8
Thereafter	6,991.6	5,394.6	12,386.2
Total minimum payments	\$ 12,009.8	\$ 9,429.7	\$ 21,439.5

At December 31, 2006, net property and equipment under franchise arrangements totaled \$11.0 billion (including land of \$3.2 billion) after deducting accumulated depreciation and amortization of \$5.4 billion.

LEASING ARRANGEMENTS

At December 31, 2006, the Company was the lessee at 14,659 restaurant locations through ground leases (the Company leases the land and the Company or franchisee owns the building) and through improved leases (the Company leases land and buildings). Lease terms for most restaurants are generally for 20 years and, in many cases, provide for rent escalations and renewal options, with certain leases providing purchase options. Escalation terms vary by geographic segment with examples including fixed-rent escalations, escalations based on an inflation index, and fair-value market adjustments. The timing of these escalations generally ranges from annually to every five years. For most locations, the Company is obligated for the related occupancy costs including property taxes, insurance and maintenance. However, for franchised sites, the Company requires the franchisees to pay these costs. In addition, the Company is the lessee under noncancelable leases covering certain offices and vehicles.

Future minimum payments required under existing operating leases with initial terms of one year or more are:

	<u>Restaurant</u>	<u>Other</u>	<u>Total</u>
	In millions		
2007	\$ 1,041.7	\$ 60.1	\$ 1,101.8
2008	980.4	49.9	1,030.3
2009	908.8	43.8	952.6
2010	838.2	36.3	874.5
2011	767.9	29.8	797.7
Thereafter	6,215.5	147.4	6,362.9
Total minimum payments	\$ 10,752.5	\$ 367.3	\$ 11,119.8

The following table provides detail of rent expense:

	<u>2006</u>	<u>2005</u>	<u>2004</u>
	In millions		
Company-operated restaurants:			
U.S. ⁽¹⁾	\$ 130.3	\$ 124.4	\$ 107.7
Outside the U.S.	515.1	483.9	446.0
Total	645.4	608.3	553.7
Franchised restaurants:			
U.S.	341.1	320.1	295.5
Outside the U.S.	312.5	287.9	280.2
Total	653.6	608.0	575.7
Other	106.9	98.9	91.4
Total rent expense	\$ 1,405.9	\$ 1,315.2	\$ 1,220.8

⁽¹⁾ Includes rent expense of Boston Market of (in millions): 2006—\$48.7; 2005—\$45.6; 2004—\$41.1.

Rent expense included percent rents in excess of minimum rents (in millions) as follows—Company-operated restaurants: 2006—\$107.4; 2005—\$96.2; 2004—\$84.4. Franchised restaurants: 2006—\$124.3; 2005—\$112.5; 2004—\$97.3.

The 2004 rent expense above excludes a correction of \$150.9 million (\$17.7 million for 2004 and \$133.2 million for prior years) in the Company's lease accounting practices made in 2004. See Impairment and other charges (credits), net note for further discussion.

INCOME TAXES

Income from continuing operations before provision for income taxes, classified by source of income, was as follows:

	<u>2006</u>	<u>2005</u>	<u>2004</u>
	In millions		
U.S.	\$ 2,138.2	\$ 2,024.1	\$ 1,573.5
Outside the U.S.	2,028.2	1,650.3	1,627.2
Income from continuing operations before provision for income taxes	\$ 4,166.4	\$ 3,674.4	\$ 3,200.7

The provision for income taxes, classified by the timing and location of payment, was as follows:

	<u>2006</u>	<u>2005</u>	<u>2004</u>
	In millions		
U.S. federal ⁽¹⁾	\$ 633.2	\$ 598.4	\$ 561.8
U.S. state ⁽¹⁾	108.8	100.4	56.9
Outside the U.S.	522.7	423.8	481.5
Current tax provision	1,264.7	1,122.6	1,100.2
U.S. federal	51.5	(11.8)	(182.8)
U.S. state	10.3	(1.7)	10.0
Outside the U.S.	(33.1)	(21.1)	(4.2)
Deferred tax provision (benefit)	28.7	(34.6)	(177.0)
Provision for income taxes	\$ 1,293.4	\$ 1,088.0	\$ 923.2

⁽¹⁾ In late 2005, the Company repatriated approximately \$3 billion of the earnings of foreign subsidiaries in accordance with the Homeland Investment Act (HIA) and recorded federal tax expense of \$104.1 million and state tax expense of \$2.2 million.

Net deferred tax liabilities consisted of:

	<u>December 31,</u> <u>2006</u>	<u>2005</u>
	In millions	
Property and equipment	\$ 1,399.0	\$ 1,385.2
Other	250.3	143.4
Total deferred tax liabilities	1,649.3	1,528.6
Intangible assets	(315.0)	(286.5)
Operating loss carryforwards	(359.0)	(318.4)
Employee benefit plans	(249.2)	(217.8)
Property and equipment	(237.8)	(214.7)
Capital loss carryforwards	(58.4)	(91.0)
Unrealized foreign exchange losses	(67.4)	(88.4)
Other	(297.3)	(361.5)
Total deferred tax assets before valuation allowance	(1,584.1)	(1,578.3)
Valuation allowance	437.8	467.1
Net deferred tax liabilities	\$ 503.0	\$ 417.4
Balance sheet presentation:		
Deferred income taxes	\$ 1,066.0	\$ 949.2
Other assets-miscellaneous	(490.5)	(404.8)
Current assets-prepaid expenses and other current assets	(72.5)	(127.0)
Net deferred tax liabilities	\$ 503.0	\$ 417.4

The statutory U.S. federal income tax rate reconciles to the effective income tax rates as follows:

	<u>2006</u>	<u>2005</u>	<u>2004</u>
Statutory U.S. federal income tax rate.....	35.0%	35.0%	35.0%
State income taxes, net of related federal income tax benefit.....	1.9	1.8	1.4
Benefits and taxes related to foreign operations.....	(5.3)	(4.7)	(6.5)
Settlement of federal tax audit.....		(4.8)	
Repatriation of foreign earnings under HIA.....		2.9	
Other, net.....	(0.6)	(0.6)	(1.1)
Effective income tax rates	31.0%	29.6%	28.8%

Deferred U.S. income taxes have not been recorded for basis differences related to investments in certain foreign subsidiaries and corporate joint ventures. These basis differences were approximately \$5.0 billion at December 31, 2006 and consisted primarily of undistributed earnings considered permanently invested in operations outside the U.S. Determination of the deferred income tax liability on these unremitted earnings is not practicable because such liability, if any, is dependent on circumstances existing if and when remittance occurs.

SEGMENT AND GEOGRAPHIC INFORMATION

The Company operates in the food service industry. Revenues consist of sales by Company-operated restaurants and fees from restaurants operated by franchisees and affiliates. Fees from franchised and affiliated restaurants include continuing rent and service fees, initial fees, and royalties received from foreign affiliates and developmental licensees. All intercompany revenues and expenses are eliminated in computing revenues and operating income. Operating income includes the Company's share of operating results of affiliates after interest expense and income taxes, except for affiliates in certain markets such as the U.S., which are reported before income taxes. Royalties and other payments from subsidiaries outside the U.S. were (in millions): 2006—\$945.4; 2005—\$840.6; 2004—\$781.1.

Corporate general & administrative expenses are included in the Corporate & Other segment and consist of home office support costs in areas such as facilities, finance, human resources, information technology, legal, marketing, restaurant operations, supply chain and training. Corporate assets include corporate cash and equivalents, asset portions of financing instruments and home office facilities.

	<u>2006</u>	<u>2005</u>	<u>2004</u>
		In millions	
U.S.	\$ 7,464.1	\$ 6,955.1	\$ 6,525.6
Europe.....	7,637.7	7,071.8	6,736.3
APMEA.....	3,053.5	2,815.8	2,721.3
Latin America.....	1,659.2	1,326.8	1,007.9
Canada	1,080.7	947.8	898.1
Corporate & Other	691.2	715.2	704.8
Total revenues	\$ 21,586.4	\$ 19,832.5	\$ 18,594.0
U.S.	\$ 2,657.0	\$ 2,421.6	\$ 2,181.4
Europe.....	1,610.2	1,449.3	1,471.1
APMEA.....	364.4	345.1	200.4
Latin America.....	54.6	29.6	(19.6)
Canada	197.6	155.5	178.0
Corporate & Other	(438.7)	(408.6)	(473.4)
Total operating income	\$ 4,445.1 ⁽¹⁾	\$ 3,992.5 ⁽²⁾	\$ 3,537.9 ⁽³⁾
U.S.	\$ 9,477.4	\$ 8,968.3	\$ 8,551.5
Europe.....	10,413.9	9,424.6	10,389.5
APMEA.....	3,727.6	3,596.5	3,853.0
Latin America.....	1,778.1	1,652.8	1,496.6
Canada	1,268.2	1,237.7	1,162.4

Corporate & Other	2,358.6	4,728.9	2,025.8
Discontinued operations		380.0	358.7
Total assets	\$ 29,023.8	\$ 29,988.8	\$ 27,837.5
U.S.	\$ 774.3	\$ 642.4	\$ 486.7
Europe	504.9	449.5	445.0
APMEA	208.1	197.1	157.8
Latin America	87.1	84.9	62.6
Canada	68.4	64.5	87.5
Corporate & Other	36.6	84.5	81.9
Discontinued operations	62.5	83.9	97.8
Total capital expenditures	\$ 1,741.9	\$ 1,606.8	\$ 1,419.3
U.S.	\$ 390.5	\$ 385.8	\$ 394.6
Europe	436.4	427.5	422.6
APMEA	171.8	168.3	165.6
Latin America	82.6	77.5	66.3
Canada	66.5	62.2	51.9
Corporate & Other	77.1	99.0	79.1
Discontinued operations	25.0	29.2	20.9
Total depreciation and amortization	\$ 1,249.9	\$ 1,249.5	\$ 1,201.0

See Impairment and other charges (credits), net note for further discussion of the following items:

- (1) Includes \$134.2 million of charges (Europe—\$61.9; APMEA—\$48.2; Latin America—\$30.6 and Corporate & Other—(\$6.5)) primarily related to losses incurred on the transfers of the Company's ownership interest in certain markets to developmental licensees and certain other strategic actions.
- (2) Includes (\$28.4) million of credits (Europe—\$4.1; APMEA—(\$9.1); Latin America—\$2.4; and Corporate & Other—(\$25.8)) primarily related to a gain due to the transfer of the Company's ownership interest in a market to a developmental licensee and reversal of certain restructuring liabilities, partly offset by impairment charges.
- (3) Includes \$281.4 million of charges (U.S.—\$79.8; Europe—\$27.0; APMEA—\$138.7; Latin America—\$2.1; Canada—\$3.8 and Corporate & Other—\$30.0) primarily related to a correction in the Company's lease accounting practices and policies and impairment.

Total long-lived assets, primarily property and equipment, were (in millions)—Consolidated: 2006—\$24,789.3; 2005—\$23,192.6; 2004—\$24,057.6. U.S. based: 2006—\$9,590.4; 2005—\$9,187.0; 2004—\$8,886.1.

DEBT FINANCING

Line of credit agreements

At December 31, 2006, the Company had a \$1.3 billion line of credit agreement expiring in 2010 with fees of 0.08% per annum on the total commitment, which remained unused. Fees and interest rates on this line are based on the Company's long-term credit rating assigned by Moody's and Standard & Poor's. In addition, certain subsidiaries outside the U.S. had unused lines of credit totaling \$951.7 million at December 31, 2006; these uncommitted lines of credit were principally short-term and denominated in various currencies at local market rates of interest.

As a result of the Company's decision to repatriate certain foreign earnings under HIA, certain wholly-owned subsidiaries outside the U.S. entered into a multi-currency term loan facility totaling \$2.9 billion in 2005. The loan has a three-year term with the ability to prepay without penalty. The loan agreement stipulates future repayments of borrowings reduce the amount available under the facility. At December 31, 2006, the outstanding borrowings under the HIA multi-currency term loan facility totaled \$2.4 billion with a weighted-average interest rate of 4.7%.

The weighted-average interest rate of short-term borrowings, excluding HIA-related borrowings, was 5.0% at December 31, 2006 (based on \$497.3 million of foreign currency bank line borrowings) and 4.7% at December 31, 2005 (based on \$423.4 million of foreign currency bank line borrowings).

Fair values

At December 31, 2006, the fair value of the Company's debt obligations was estimated at \$8.6 billion, compared to a carrying amount of \$8.4 billion. This fair value was estimated using various pricing models or discounted cash flow analyses that incorporated quoted market prices. The Company has no current plans to retire a significant amount of its debt prior to maturity.

The carrying amounts for both cash and equivalents and notes receivable approximate fair value. Foreign currency and interest rate exchange agreements, foreign currency options and forward foreign exchange contracts were recorded in the Consolidated balance sheet at fair value estimated using various pricing models or discounted cash flow analyses that incorporated quoted market prices. No fair value was estimated for noninterest-bearing security deposits by franchisees, because these deposits are an integral part of the overall franchise arrangements.

Debt obligations

The Company has incurred debt obligations principally through public and private offerings and bank loans. There are no provisions in the Company's debt obligations that would accelerate repayment of debt as a result of a change in credit ratings or a material adverse change in the Company's business. Certain of the Company's debt obligations contain cross-acceleration provisions, and restrictions on Company and subsidiary mortgages and the long-term debt of certain subsidiaries. Under certain agreements, the Company has the option to retire debt prior to maturity, either at par or at a premium over par.

The following table summarizes the Company's debt obligations. (Interest rates reflected in the table include the effects of interest rate and foreign currency exchange agreements.)

	Maturity dates	Interest rates ⁽¹⁾ December 31		Amounts outstanding December 31	
		2006	2005	2006	2005
		In millions of U.S. dollars			
Fixed-original issue ⁽²⁾		4.9%	4.8%	\$ 2,375.9	\$ 2,914.6
Fixed-converted via exchange agreements ⁽³⁾		4.5	4.3	(808.1)	(1,122.5)
Floating		5.0	4.2	158.7	196.9
Total U.S. Dollars	2007-2028			1,726.5	1,989.0
Fixed		3.2	3.4	448.4	618.8
Floating		3.6	2.6	2,342.0	3,019.4
Total Euro	2007-2013			2,790.4	3,638.2
Fixed		6.0	6.0	1,067.4	960.0
Floating		5.5	4.8	785.6	947.4
Total British Pounds Sterling	2008-2032			1,853.0	1,907.4
Total Japanese Yen-fixed	2010-2030	2.2	2.0	549.3	808.6
Fixed		4.0	3.7	356.8	347.0
Floating		5.1	4.8	1,049.5	1,255.6
Total other currencies ⁽⁴⁾	2007-2016			1,406.3	1,602.6
Debt obligations before fair value adjustments ⁽⁵⁾				8,325.5	9,945.8
Fair value adjustments ⁽⁶⁾				108.7	191.0
Total debt obligations ⁽⁷⁾				\$ 8,434.2	\$ 10,136.8

⁽¹⁾ Weighted-average effective rate, computed on a semi-annual basis.

⁽²⁾ Includes \$150 million of debentures that mature in 2027, which are subordinated to senior debt and provide for the ability to defer interest payments up to five years under certain conditions.

⁽³⁾ A portion of U.S. Dollar fixed-rate debt effectively has been converted into other currencies and/or into floating-rate debt through the use of exchange agreements. The rates shown reflect the fixed rate on the receivable portion of the exchange agreements. All other obligations in this table reflect the net effects of these and other exchange agreements.

⁽⁴⁾ Primarily consists of Chinese Renminbi, Hong Kong Dollars, Australian Dollars, Swiss Francs, Korean Won and Singapore Dollars.

- (5) *Aggregate maturities for 2006 debt balances, before fair value adjustments, were as follows (in millions): 2007—\$17.7; 2008—\$3,240.1; 2009—\$406.3; 2010—\$1,708.1; 2011—\$544.4; Thereafter—\$2,408.9. These amounts include a reclassification of short-term obligations totaling \$1.2 billion to long-term obligations as they are supported by a long-term line of credit agreement expiring in 2010.*
- (6) *SFAS No. 133 requires that the underlying items in fair value hedges, in this case debt obligations, be recorded at fair value. The related hedging instrument is also recorded at fair value in either miscellaneous other assets or other long-term liabilities. A portion (\$54.8 million) of the adjustments at December 31, 2006 related to interest rate exchange agreements that were terminated in December 2002 and will amortize as a reduction of interest expense over the remaining life of the debt.*
- (7) *Includes notes payable, current maturities of long-term debt and long-term debt included in the Consolidated balance sheet. The decrease in debt obligations from December 31, 2005 to December 31, 2006 was due to net repayments (\$2,264.7 million) and SFAS No. 133 non-cash fair value adjustments (\$82.3 million), partly offset by the impact of changes in exchange rates on foreign currency denominated debt (\$605.5 million) and other changes related primarily to the consolidation of Malaysia (\$38.9 million).*

ESOP loans and other guarantees

Borrowings related to the ESOP at December 31, 2006, which include \$79.1 million of loans from the Company to the ESOP, are reflected as long-term debt with a corresponding reduction of shareholders' equity (additional paid-in capital included a balance of \$71.1 million and \$77.4 million at December 31, 2006 and 2005 respectively). The ESOP is repaying the loans and interest through 2018 using Company contributions and dividends from its McDonald's common stock holdings. As the principal amount of the borrowings is repaid, the debt and the unearned ESOP compensation (additional paid-in capital) are being reduced.

The Company also has guaranteed certain affiliate and other loans totaling \$11.8 million at December 31, 2006. These guarantees are contingent commitments generally issued by the Company to support borrowing arrangements of certain U.S. partnerships and franchisees, and certain affiliates outside the U.S. The terms of the guarantees vary and are equal to the remaining term of the related debt. At December 31, 2006, there was no carrying value for obligations under these guarantees in the Consolidated balance sheet.

EMPLOYEE BENEFIT PLANS

The Company's Profit Sharing and Savings Plan for U.S.-based employees includes a 401(k) feature, a leveraged employee stock ownership (ESOP) feature, and a discretionary employer profit sharing match. The 401(k) feature allows participants to make pretax contributions that are partly matched from shares released under the ESOP. The Profit Sharing and Savings Plan also provides for a discretionary employer profit sharing match at the end of the year for eligible participants who have contributed to the 401(k) feature.

All contributions and related earnings can be invested in several investment alternatives as well as McDonald's common stock in accordance with each participant's elections. Effective January 1, 2007, participants' future contributions to the 401(k) feature and the discretionary employer match are limited to 20% investment in McDonald's Common stock.

Employees of Boston Market participate in a separate retirement plan known as the McDonald's Ventures 401(k) Plan. The Ventures Plan includes 401(k) and matching features. The investment alternatives for the Ventures Plan are identical to the McDonald's Profit Sharing and Savings Plan.

The Company also maintains certain supplemental benefit plans. At the end of 2004, the Company froze the nonqualified, unfunded Supplemental Plan that it previously maintained due to changes under Section 409A of the Internal Revenue Code, so that no new contributions or changes will be made to the Supplemental Plan. Effective January 1, 2005, the Company adopted a new nonqualified, unfunded Excess Benefit and Deferred Bonus Plan that allows participants to (i) make tax-deferred contributions and (ii) receive Company-provided allocations that cannot be made under the Profit Sharing and Savings Plan and Ventures 401(k) Plan because of Internal Revenue Service limitations. The investment alternatives and returns in the Excess Benefit and Deferred Bonus Plan, and also the frozen Supplemental Plan, are based on certain market-rate investment alternatives under the Profit Sharing and Savings Plan. Total combined liabilities under the frozen Supplemental Plan and the Excess Benefit and Deferred Bonus Plan were \$378.6 million at December 31, 2006 and \$366.5 million at December 31, 2005 and were included in other long-term liabilities in the Consolidated balance sheet.

The Company has entered into derivative contracts to hedge market-driven changes in certain of the Supplemental Plan and Excess Benefit and Deferred Bonus Plan liabilities. At December 31, 2006, derivatives with a fair value of \$91.5 million indexed to the Company's stock as well as an investment totaling \$78.2 million indexed to certain market indices were included in miscellaneous other assets in the Consolidated balance sheet. All changes in liabilities for these nonqualified plans and in the fair value of the

derivatives are recorded in selling, general & administrative expenses. Changes in fair value of the derivatives indexed to the Company's stock are recorded in the income statement because the contracts provide the counterparty with a choice to settle in cash or shares.

Total U.S. costs for the Profit Sharing and Savings Plan and Ventures 401(k) Plan, including nonqualified benefits and related hedging activities, were (in millions): 2006-\$61.9; 2005-\$59.9; 2004-\$58.5. Certain subsidiaries outside the U.S. also offer profit sharing, pension, stock purchase or other similar benefit plans. Total plan costs outside the U.S. were (in millions): 2006-\$69.8; 2005-\$54.1; 2004-\$47.8. The total combined liabilities for the international pension plans of \$127.9 million, which were in a limited number of markets, were primarily included in other long-term liabilities in the Consolidated balance sheet.

Other postretirement benefits and postemployment benefits were immaterial.

PROPERTY AND EQUIPMENT

Net property and equipment consisted of:

	<i>December 31,</i>	
	<i>2006</i>	<i>2005</i>
	In millions	
Land	\$ 4,722.7	\$ 4,480.6
Buildings and improvements on owned land.....	10,852.5	10,104.5
Buildings and improvements on leased land	10,829.4	9,922.9
Equipment, signs and seating	4,839.9	4,398.1
Other	565.7	576.4
	<u>31,810.2</u>	<u>29,482.5</u>
Accumulated depreciation and amortization	(10,964.5)	(9,909.2)
Net property and equipment.....	\$ 20,845.7	\$ 19,573.3

Depreciation and amortization expense related to continuing operations was (in millions): 2006-\$1,180.2; 2005-\$1,157.5; 2004-\$1,117.4.

CONTINGENCIES

From time to time, the Company is subject to proceedings, lawsuits and other claims related to competitors, customers, employees, franchisees, government agencies, intellectual property, shareholders and suppliers. The Company is required to assess the likelihood of any adverse judgments or outcomes to these matters as well as potential ranges of probable losses. A determination of the amount of accrual required, if any, for these contingencies is made after careful analysis of each matter. The required accrual may change in the future due to new developments in each matter or changes in approach such as a change in settlement strategy in dealing with these matters. The Company does not believe that any such matter currently being reviewed will have a material adverse effect on its financial condition or results of operations.

SHARE-BASED COMPENSATION

At December 31, 2006, the Company had a share-based compensation plan, which authorizes the granting of various equity-based incentives including stock options and restricted stock units (RSUs) to employees and nonemployee directors. The number of shares of common stock reserved for issuance under the plans was 155.3 million at December 31, 2006, including 50.8 million available for future grants.

Stock options

Stock options to purchase common stock are granted with an exercise price equal to the closing market price of the Company's stock on the date of grant. Substantially all of the options become exercisable in four equal installments, beginning a year from the date of the grant, and generally expire 10 years from the grant date. Options granted between May 1, 1999 and December 31, 2000 (approximately 26 million options currently outstanding) expire 13 years from the date of grant.

Intrinsic value for stock options is defined as the difference between the current market value and the exercise price. During 2006 and 2005, the total intrinsic value of stock options exercised was \$412.6 million and \$290.9 million, respectively. Cash received from stock options exercised during 2006 was \$975.7 million and the actual tax benefit realized for tax deductions from stock options exercised totaled \$111.9 million. The Company uses treasury shares purchased under the Company's historical share repurchase program to satisfy share-based exercises.

A summary of the status of the Company's stock option grants as of December 31, 2006, 2005 and 2004, and changes during the years then ended, is presented in the following table:

<i>Options</i>	<i>2006</i>				<i>2005</i>		<i>2004</i>	
	<i>Shares IN MILLIONS</i>	<i>Weighted- average exercise price</i>	<i>Weighted- average remaining contractual life IN YEARS</i>	<i>Aggregate intrinsic value</i>	<i>Shares IN MILLIONS</i>	<i>Weighted- average exercise price</i>	<i>Shares IN MILLIONS</i>	<i>Weighted- average exercise price</i>
Outstanding at beginning of year.....	136.3	\$ 28.90			166.9	\$ 27.80	194.2	\$ 26.9
Granted.....	7.0	36.36			7.1	32.59	20.1	26.1
Exercised.....	(37.7)	26.86			(32.7)	23.87	(30.0)	20.1
Forfeited/expired.....	(3.7)	32.51			(5.0)	30.44	(17.4)	28.9
Outstanding at end of year....	101.9	\$ 30.03	5.58	\$ 1,457.8	136.3	\$ 28.90	166.9	\$ 27.8
Exercisable at end of year....	78.7	\$ 30.50	4.93	\$ 1,089.3	103.3		114.7	

RSUs

RSUs generally vest 100% on the third anniversary of the grant and are payable in either shares of McDonald's common stock or cash, at the Company's discretion. Certain executives have been awarded RSUs that are performance-based vesting. The fair value of each RSU granted is equal to the market price of the Company's stock at date of grant less the present value of expected dividends over the vesting period.

A summary of the Company's RSU activity during the years ended December 31, 2006 and 2005 is presented in the following table:

<i>RSUs</i>	<i>2006</i>		<i>2005</i>	
	<i>Shares in millions</i>	<i>Weighted- average grant date fair value</i>	<i>Shares in millions</i>	<i>Weighted- average grant date fair value</i>
Nonvested at beginning of year	2.6	\$ 23.60	1.7	\$ 16.0
Granted.....	1.4	34.12	1.2	32.5
Vested.....	(1.3)	15.24	(0.1)	14.7
Forfeited.....	(0.1)	31.78	(0.2)	19.6
Nonvested at end of year.....	2.6	\$ 33.00	2.6	\$ 23.6

The Company granted 0.2 million RSUs in 2004, a majority of which have performance conditions. The Company realized tax deductions of \$13.5 million from RSUs vested during 2006. The total fair value of RSUs vested during 2006 and 2005 was \$43.8 million and \$6.0 million, respectively.

QUARTERLY RESULTS (UNAUDITED)⁽¹⁾

IN MILLIONS, EXCEPT PER SHARE DATA	Quarters ended December 31		Quarters ended September 30		Quarters ended June 30		Quarters ended March 31	
	2006	2005	2006	2005	2006	2005	2006	2005
Revenues								
Sales by Company-operated restaurants	\$ 4,194.3	\$ 3,767.7	\$ 4,223.3	\$ 3,836.9	\$ 3,995.6	\$ 3,655.4	\$ 3,669.5	\$ 3,466.6
Revenues from franchised and affiliated restaurants	1,439.6	1,293.5	1,447.9	1,325.6	1,371.8	1,283.9	1,244.4	1,202.9
Total revenues	5,633.9	5,061.2	5,671.2	5,162.5	5,367.4	4,939.3	4,913.9	4,669.5
Company-operated margin	681.7	564.3	707.0	588.5	627.2	523.9	525.1	475.4
Franchised margin	1,164.2	1,039.0	1,175.2	1,069.2	1,111.5	1,030.3	992.4	945.9
Operating income	1,124.6	927.6	1,285.5	1,151.8	1,123.6	1,006.7	911.4⁽⁵⁾	906.4
Income from continuing operations	761.2	604.8	840.1	731.0	698.3	524.9 ⁽⁴⁾	573.4 ⁽⁵⁾	725.7 ⁽⁷⁾
Net income	\$ 1,241.5⁽²⁾	\$ 608.5	\$ 843.3	\$ 735.4	\$ 834.1⁽³⁾	\$ 530.4⁽⁴⁾	\$ 625.3^(5,6)	\$ 727.9⁽⁷⁾
Per common share—basic:								
Income from continuing operations	\$ 0.63	\$ 0.48	\$ 0.68	\$ 0.58	\$ 0.57	\$ 0.42 ⁽⁴⁾	\$ 0.46 ⁽⁵⁾	\$ 0.57 ⁽⁷⁾
Net income	\$ 1.02⁽²⁾	\$ 0.48	\$ 0.69	\$ 0.59	\$ 0.68⁽³⁾	\$ 0.42⁽⁴⁾	\$ 0.50^(5,6)	\$ 0.57⁽⁷⁾
Per common share—diluted:								
Income from continuing operations	\$ 0.61	\$ 0.47	\$ 0.67	\$ 0.57	\$ 0.56	\$ 0.41 ⁽⁴⁾	\$ 0.45 ⁽⁵⁾	\$ 0.56 ⁽⁷⁾
Net income	\$ 1.00⁽²⁾	\$ 0.48	\$ 0.68	\$ 0.58	\$ 0.67⁽³⁾	\$ 0.42⁽⁴⁾	\$ 0.49^(5,6)	\$ 0.56⁽⁷⁾
Dividends declared per common share	\$ —	\$ —	\$ 1.00	\$ 0.67	\$ —	\$ —	\$ —	\$ —
Weighted-average common shares—basic	1,216.8	1,259.8	1,230.4	1,253.9	1,235.1	1,259.5	1,254.1	1,268.5
Weighted-average common shares—diluted	1,238.3	1,275.7	1,245.7	1,271.6	1,248.0	1,269.7	1,271.2	1,289.0
Market price per common share:								
High	\$ 44.68	\$ 35.69	\$ 40.06	\$ 35.03	\$ 35.99	\$ 31.91	\$ 36.75	\$ 34.56
Low	38.95	31.48	32.75	27.36	31.73	27.74	33.20	30.81
Close	44.33	33.72	39.12	33.49	33.60	27.75	34.36	31.14

⁽¹⁾ For all periods of 2005 and the first three quarters of 2006, amounts previously reported in the Company's filings included Chipotle activity. As a result of the Company's disposition of its entire investment in Chipotle in October 2006, the above amounts have been adjusted by the following Chipotle activity:

IN MILLIONS	Quarter ended December 31	Quarters ended September 30		Quarters ended June 30		Quarters ended March 31	
	2005	2006	2005	2006	2005	2006	2005
Revenues							
Sales by Company-operated restaurants	\$ 172.6	\$ 210.3	\$ 163.8	\$ 204.3	\$ 155.8	\$ 186.4	\$ 132.9
Revenues from franchised and affiliated restaurants	0.8	1.0	0.8	0.6	0.6	0.6	0.4
Total revenues	173.4	211.3	164.6	204.9	156.4	187.0	133.3
Company-operated margin	23.5	33.9	22.3	36.0	24.7	28.0	15.0
Franchised margin	0.8	0.7	0.6	0.6	0.4	0.5	0.4
Operating income	\$ 7.9	\$ 18.0	\$ 8.0	\$ 15.8	\$ 10.0	\$ 12.4	\$ 3.2

⁽²⁾ Includes a tax-free gain of \$479.6 million or \$0.39 per share resulting from the Company's complete disposition of Chipotle.

⁽³⁾ Includes a gain of \$127.8 million after tax (\$0.11 per share-basic, \$0.10 per share-diluted) due to the secondary sale of Chipotle shares.

- ⁽⁴⁾ Includes \$112.0 million or \$0.09 per share of incremental tax expense for the second quarter of 2005 resulting from the decision to repatriate certain foreign earnings under the Homeland Investment Act.
- ⁽⁵⁾ Includes net pretax charges of \$86.1 million (\$59.1 million after tax or \$0.045 per share) primarily related to a limited number of restaurant closings in the U.K. in conjunction with an overall restaurant portfolio review and costs to buy out certain litigating franchisees in Brazil.
- ⁽⁶⁾ Includes a gain of \$45.6 million after tax or \$0.035 per share due to the IPO of Chipotle and the concurrent sale of Chipotle shares.
- ⁽⁷⁾ Includes a tax benefit of \$178.8 million (\$0.14 per share income from continuing operations as well as net income-basic, \$0.13 per share net income-diluted) primarily due to a favorable audit settlement of the Company's 2000-2002 U.S. tax returns.

INTERIM FINANCIAL INFORMATION

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

The Board of Directors
McDonald's Corporation

We have reviewed the condensed consolidated balance sheet of McDonald's Corporation and subsidiaries as of September 30, 2007, and the related condensed consolidated statements of income and cash flows for the three-month and nine-month periods ended September 30, 2007 and 2006. These financial statements are the responsibility of the Company's management.

We conducted our review in accordance with the standards of the Public Company Accounting Oversight Board (United States). A review of interim financial information consists principally of applying analytical procedures and making inquiries of persons responsible for financial and accounting matters. It is substantially less in scope than an audit conducted in accordance with the standards of the Public Company Accounting Oversight Board, the objective of which is the expression of an opinion regarding the financial statements taken as a whole. Accordingly, we do not express such an opinion.

Based on our review, we are not aware of any material modifications that should be made to the condensed consolidated financial statements referred to above for them to be in conformity with U.S. generally accepted accounting principles.

We have previously audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the consolidated balance sheet of McDonald's Corporation and subsidiaries as of December 31, 2006, and the related consolidated statement of income, shareholders' equity, and cash flows for the year then ended [not presented herein] and in our report dated February 23, 2007, we expressed an unqualified opinion on those consolidated financial statements. In our opinion, the information set forth in the accompanying condensed consolidated balance sheet as of December 31, 2006, is fairly stated, in all material respects, in relation to the consolidated balance sheet from which it has been derived.

ERNST & YOUNG LLP

Chicago, Illinois
November 1, 2007

FINANCIAL INFORMATION

The following tables set out the Issuer's unaudited consolidated statements of income and cash flows for the quarters and nine months ended September 30, 2007 and 2006, the Issuer's unaudited consolidated balance sheet as of September 30, 2007, and the Issuer's audited consolidated balance sheet as of December 31, 2006, and the related notes.

In the third quarter 2007, the Issuer sold its interest in Boston Market. As a result of the complete disposition of Boston Market, the Issuer has reflected Boston Market's results of operations as discontinued operations in the Issuer's Quarterly Report on Form 10-Q for the quarter and nine months ended September 30, 2007 filed with the U.S. Securities and Exchange Commission. The Issuer's consolidated financial statements for 2006 included in this Base Prospectus have not been restated to reflect this classification of Boston Market's results of operations. In the consolidated financial statements that follow, Boston Market's results of operations were included in the Issuer's Other segment.

CONDENSED CONSOLIDATED BALANCE SHEET

In millions, except per share data	(unaudited) September 30, 2007	December 31, 2006
Assets		
Current assets		
Cash and equivalents.....	\$ 2,992.5	\$ 2,128.1
Accounts and notes receivable.....	788.0	806.9
Inventories, at cost, not in excess of market.....	117.0	112.4
Prepaid expenses and other current assets	547.0	367.9
Assets of businesses held for sale		1,619.3
Discontinued operations.....		194.7
Total current assets.....	4,444.5	5,229.3
Other assets		
Investments in and advances to affiliates	1,124.6	1,035.4
Goodwill, net	2,290.5	2,073.6
Miscellaneous	1,323.7	1,247.4
Total other assets	4,738.8	4,356.4
Property and equipment		
Property and equipment, at cost.....	31,659.1	29,722.9
Accumulated depreciation and amortization.....	(11,168.8)	(10,284.8)
Net property and equipment.....	20,490.3	19,438.1
Total assets	\$ 29,673.6	\$ 29,023.8
Liabilities and shareholders' equity		
Current liabilities		
Accounts payable.....	\$ 624.2	\$ 726.9
Dividends payable.....	1,780.0	
Income taxes		249.5
Other taxes	266.2	203.2
Accrued interest	138.3	135.0
Accrued payroll and other liabilities	1,339.4	1,311.1
Current maturities of long-term debt.....	61.2	17.7
Liabilities of businesses held for sale.....		252.7
Discontinued operations.....		86.8
Total current liabilities.....	4,209.3	2,982.9
Long-term debt	7,685.9	8,389.9
Other long-term liabilities	1,856.9	1,102.8
Deferred income taxes	953.6	1,089.9

Shareholders' equity		
Preferred stock, no par value; authorized – 165.0 million shares; issued – none		
Common stock, \$.01 par value; authorized – 3.5 billion shares; issued – 1,660.6 million shares		
	16.6	16.6
Additional paid-in capital	4,108.3	3,445.0
Retained earnings.....	25,172.9	25,845.6
Accumulated other comprehensive income (loss).....	1,226.3	(296.7)
Common stock in treasury, at cost; 477.9 and 456.9 million shares	(15,556.2)	(13,552.2)
Total shareholders' equity	14,967.9	15,458.3
Total liabilities and shareholders' equity	\$ 29,673.6	\$ 29,023.8

CONDENSED CONSOLIDATED STATEMENT OF INCOME (UNAUDITED)

In millions, except per share data	Quarters Ended September 30,		Nine Months Ended September 30,	
	2007	2006	2007	2006
Revenues				
Sales by Company-operated restaurants	\$ 4,276.2	\$ 4,057.7	\$ 12,507.8	\$ 11,393.4
Revenues from franchised and affiliated restaurants	1,624.7	1,445.5	4,525.2	4,056.5
Total revenues	5,900.9	5,503.2	17,033.0	15,449.9
Operating costs and expenses				
Company-operated restaurant expenses	3,492.3	3,356.2	10,343.8	9,559.1
Franchised restaurants – occupancy expenses	287.4	271.8	844.6	783.0
Selling, general & administrative expenses	569.4	555.1	1,706.5	1,641.1
Impairment and other charges, net	52.7	17.3	1,666.6	125.5
Other operating (income) expense, net	(25.7)	14.5	(52.9)	16.1
Total operating costs and expenses	4,376.1	4,214.9	14,508.6	12,124.8
Operating income	1,524.8	1,288.3	2,524.4	3,325.1
Interest expense	97.9	102.9	296.9	302.9
Nonoperating income, net	(26.7)	(31.6)	(60.3)	(92.0)
Income from continuing operations before provision for income taxes	1,453.6	1,217.0	2,287.8	3,114.2
Provision for income taxes	449.9	375.3	1,226.0	999.8
Income from continuing operations	1,003.7	841.7	1,061.8	2,114.4
Income from discontinued operations (net of taxes of \$39.5 and \$9.8 for the quarters, \$34.5 and \$93.7 for the nine months)	67.5	1.6	60.1	188.3
Net income	\$ 1,071.2	\$ 843.3	\$ 1,121.9	\$ 2,302.7
Per common share—basic:				
Continuing operations	\$ 0.85	\$ 0.68	\$ 0.89	\$ 1.71
Discontinued operations	0.06	—	0.05	0.15
Net income	\$ 0.90	\$ 0.69	\$ 0.94	\$ 1.86
Per common share—diluted:				
Continuing operations	\$ 0.83	\$ 0.68	\$ 0.87	\$ 1.68
Discontinued operations	0.06	—	0.05	0.15
Net income	\$ 0.89	\$ 0.68	\$ 0.92	\$ 1.83
Dividends declared per common share	\$ 1.50	\$ 1.00	\$ 1.50	\$ 1.00
Weighted-average shares outstanding—basic	1,185.0	1,230.4	1,193.2	1,239.7
Weighted-average shares outstanding—diluted	1,207.1	1,245.7	1,216.3	1,255.0

See notes to condensed Consolidated financial statements.

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS (UNAUDITED)

In millions	Quarters Ended September 30,		Nine Months Ended September 30,	
	2007	2006	2007	2006
Operating activities				
Net income.....\$	1,071.2	\$ 843.3	\$ 1,121.9	\$ 2,302.7
Adjustments to reconcile to cash provided by operations				
Charges and credits:				
Depreciation and amortization.....	297.0	314.0	911.6	934.4
Deferred income taxes	(16.8)	(41.6)	(72.5)	(30.7)
Impairment and other charges, net.....	52.7	17.3	1,666.6	125.5
Share-based compensation.....	35.5	26.4	107.6	92.8
Gains on dispositions of discontinued operations, net of tax	(68.6)		(68.6)	(173.4)
Other	32.3	41.6	(41.8)	69.6
Changes in working capital items	177.6	309.6	(33.2)	(316.0)
Cash provided by operations	1,580.9	1,510.6	3,591.6	3,004.9
Investing activities				
Property and equipment expenditures.....	(399.8)	(415.4)	(1,222.1)	(1,086.8)
Purchases and sales of restaurant businesses and property sales.....	12.1	(12.3)	13.5	(26.9)
Latam transaction, net.....	654.0		654.0	
Proceeds from disposals of discontinued operations, net.....	194.1	(17.0)	194.1	289.7
Other	(0.7)	3.9	(30.8)	73.9
Cash provided by (used for) investing activities.....	459.7	(440.8)	(391.3)	(750.1)
Financing activities				
Notes payable and long-term financing issuances and repayments.....	(654.9)	(312.8)	(951.6)	(1,337.9)
Treasury stock purchases	(881.5)	(8.7)	(2,546.3)	(1,832.4)
Proceeds from stock option exercises	261.2	233.3	967.2	602.2
Excess tax benefit on share-based compensation.....	53.6	20.1	156.4	58.4
Other	(28.3)	(26.9)	(72.0)	(76.8)
Cash used for financing activities	(1,249.9)	(95.0)	(2,446.3)	(2,586.5)
Effect of exchange rates on cash and cash equivalents ...	68.9	0.8	110.4	193.7
Cash and equivalents increase (decrease)	859.6	975.6	864.4	(138.0)
Cash and equivalents at beginning of period	2,132.9	3,139.4	2,128.1	4,253.0
Cash and equivalents at end of period	\$ 2,992.5	\$ 4,115.0	\$ 2,992.5	\$ 4,115.0

See notes to condensed Consolidated financial statements.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

Basis of Presentation

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

Certain prior period amounts have been reclassified to conform to current year presentation, including reclassifying amounts related to businesses sold in Latin America to assets (primarily property and equipment) and liabilities of businesses held for sale and reclassifying results and amounts from Chipotle Mexican Grill (Chipotle) and Boston Market to discontinued operations.

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

Conversion of Certain Markets to Developmental License

In the third quarter 2007, the Company completed the sale of its businesses in Brazil, Argentina, Mexico, Puerto Rico, Venezuela and 13 other countries in Latin America and the Caribbean to a developmental licensee organization. The Company refers to these markets, which comprise nearly 1,600 restaurants, as "Latam".

Based on approval by the Company's Board of Directors on April 17, 2007, the Company concluded Latam was "held for sale" as of that date in accordance with the requirements of SFAS No. 144, *Accounting for the Impairment or Disposal of Long-lived Assets*. As a result, the Company recorded an impairment charge of \$1.6 billion in the second quarter of 2007, substantially all of which was noncash. In the third quarter, the Company recorded an additional \$53 million of charges in connection with the transaction. The total charges for the nine months included \$892 million for the difference between the net book value of the Latam business and approximately \$680 million in cash proceeds received, subject to working capital adjustments. This loss in value was primarily due to a historically difficult economic environment coupled with volatility experienced in many of the markets included in this transaction. The charges also included historical foreign currency translation losses of \$773 million recorded in shareholders' equity. The Company has recorded a tax benefit of only \$62 million due to our inability to utilize most of the capital losses generated by this transaction. As a result of meeting the "held for sale" criteria, the Company ceased recording depreciation expense with respect to Latam effective April 17, 2007. In connection with the sale, the Company has agreed to indemnify the buyers for certain tax and other claims, some of which are reflected as liabilities in the Company's Consolidated balance sheet, totaling \$167 million.

The buyers of the Company's operations in Latam have entered into a 20-year master franchise agreement that requires the buyers, among other obligations, (i) to pay monthly royalties commencing at a rate of approximately 5% of gross sales of the restaurants in these markets, substantially consistent with market rates for similar license arrangements; (ii) to commit to adding approximately 150 new McDonald's restaurants over the first three years and pay an initial franchise fee for each new restaurant opened; and (iii) to commit to specified annual capital expenditures for existing restaurants. As a result of the continuing expected income stream to the Company from the Latam business, Latam is not considered a discontinued operation.

Comprehensive Income

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

In millions	Quarters Ended		Nine Months Ended	
	September 30, 2007	2006	September 30, 2007	2006
Net income.....	\$ 1,071.2	843.3	\$ 1,121.9	\$ 2,302.7
Other comprehensive income (loss)				
Foreign currency translation adjustments.....	1,163.2	(19.1)	1,510.5	359.4
Deferred hedging adjustments	(2.0)	10.4	8.0	(1.2)
Pension liability adjustment.....	1.5		4.5	
Total other comprehensive income (loss)	1,162.7	(8.7)	1,523.0	358.2
Total comprehensive income.....	\$ 2,233.9	\$ 834.6	\$ 2,644.9	\$ 2,660.9

Per Common Share Information

Diluted net income per common share is calculated using net income divided by diluted weighted-average shares outstanding. Diluted weighted-average shares outstanding included weighted-average shares outstanding plus the dilutive effect of share-based employee compensation, calculated using the treasury stock method, of 22.1 million shares and 15.3 million shares for the third quarter 2007 and 2006, respectively, and 23.1 million shares and 15.3 million shares for the nine months ended September 30, 2007 and 2006, respectively. Stock options that were not included in diluted weighted-average shares outstanding because they would have been antidilutive were 23.4 million shares for the third quarter 2006, and 1.0 million shares and 40.5 million shares for the nine months ended September 30, 2007 and 2006, respectively.

Sabbatical Leave

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

Income Tax Contingencies

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

As of the date of adoption and after recognizing the impact of FIN 48, the Company's gross unrecognized tax benefits totaled \$664.3 million. Unrecognized tax benefits represent differences between tax positions taken or expected to be taken in the Company's income tax returns and the associated benefits recognized for financial reporting purposes. Approximately \$600 million of the total unrecognized benefits, after considering the federal impact on state issues, would favorably affect the effective tax rate if resolved in the Company's favor.

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

In October 2007, the Internal Revenue Service (IRS) completed its examination of the Company's U.S. federal income tax returns for 2003 and 2004. The Company and the IRS reached an agreement on certain adjustments, primarily related to valuations of the Company's investments in certain foreign subsidiaries. As a result of the agreement, the amount of unrecognized tax benefits will be reduced by approximately \$400 million, including the state income tax impact. The income statement impact of the agreement will be a reduction in the Company's tax provision in the fourth quarter by approximately \$300 million, including the impact on state filings and interest. In connection with the agreement, the Company expects to receive a refund of about \$125 million representing a portion of a tax deposit made in 2006.

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

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

Recently Issued Accounting Standards

In September 2006, the FASB issued Statement of Financial Accounting Standards No. 157, *Fair Value Measurements* (SFAS No. 157). SFAS No. 157 defines fair value, establishes a framework for measuring fair value in generally accepted accounting

principles and expands disclosures about fair value measurements. The Company expects to adopt SFAS No. 157 effective January 1, 2008, as required. The Company is currently evaluating the impact of adopting SFAS No. 157.

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

Discontinued Operations

The Company continues to focus its management and financial resources on the McDonald's restaurant business as it believes the opportunities for growth remain significant. Accordingly, during the third quarter 2007, the Company sold its investment in Boston Market. In 2006, the Company disposed of its investment in Chipotle via public stock offerings in the first and second quarters and a tax-free exchange for McDonald's common stock in the fourth quarter. As a result of the disposals during 2007 and 2006, both Boston Market's and Chipotle's results of operations and transaction gains are reflected as discontinued operations.

In August 2007, the Company sold its investment in Boston Market. In connection with the sale, the Company received proceeds of approximately \$250 million and recorded a gain of \$68.6 million after tax. In addition, Boston Market's net loss for the third quarter 2007 and 2006 was \$1.1 million and \$1.6 million, respectively. Boston Market's net loss for the nine months 2007 and 2006 was \$8.5 million and \$2.6 million, respectively.

Boston Market's results of operations (exclusive of the transaction gain), which previously were included in the Company's Corporate & Other segment, consisted of revenues and pretax loss for the third quarter 2007 of \$101.6 million and \$4.6 million, respectively, and \$444.1 million and \$17.0 million, respectively, for the nine months ended September 30, 2007. Revenues and pretax loss for the third quarter 2006 were \$168.0 million and \$2.7 million, respectively, and \$502.6 and \$4.6 million, respectively, for the nine months ended September 30, 2006.

In first quarter 2006, Chipotle completed an IPO of 6.1 million shares resulting in a tax-free gain to McDonald's of \$32.0 million to reflect an increase in the carrying value of the Company's investment as a result of Chipotle selling shares in the public offering. Concurrent with the IPO, McDonald's sold 3.0 million Chipotle shares, resulting in net proceeds to the Company of \$61.4 million and an additional gain of \$13.6 million after tax. In second quarter 2006, McDonald's sold an additional 4.5 million Chipotle shares, resulting in net proceeds to the Company of \$267.4 million and a gain of \$127.8 million after tax, while still retaining majority ownership. In addition, Chipotle's net income for the third quarter and nine months 2006 was \$3.2 million and \$17.5 million, respectively.

Chipotle's results of operations (exclusive of the transaction gains), which previously were included in the Company's Other segment, consisted of revenues and pretax profits for the third quarter 2006 of \$211.3 and \$14.1 million, respectively. Revenues and pretax profits for the nine months ended September 30, 2006 were \$603.2 and \$38.0 million, respectively.

Segment Information

The Company primarily franchises and operates McDonald's restaurants in the food service industry. The following table presents the Company's revenues and operating income by geographic segment. The APMEA segment represents McDonald's restaurant operations in Asia/Pacific, Middle East and Africa. The Corporate & Other segment represents Corporate activities and certain investments.

In millions	Quarters Ended September 30,		Nine Months Ended September 30,	
	2007	2006	2007	2006
Revenues				
U.S.	\$ 2,033.0	\$ 1,911.1	\$ 5,890.7	\$ 5,546.2
Europe.....	2,383.9	2,062.6	6,490.5	5,626.6
APMEA	957.0	804.7	2,639.3	2,272.3
Latin America	219.2	431.7	1,179.3	1,193.4
Canada	307.8	293.1	833.2	811.4
Total revenues	\$ 5,900.9	\$ 5,503.2	\$ 17,033.0	\$ 15,449.9
Operating income				
U.S.	\$ 750.5	\$ 688.3	\$ 2,154.0	\$ 2,007.9
Europe.....	627.4	505.0	1,542.2	1,184.4

APMEA	182.4	112.3	471.1	273.1
Latin America	1.7	22.0	(1,508.4)	25.4
Canada	71.9	63.8	178.9	153.4
Corporate & Other	(109.1)	(103.1)	(313.4)	(319.1)
Total operating income *	\$ 1,524.8	\$ 1,288.3	\$ 2,524.4	\$ 3,325.1

* Results for 2007 included the impairment and other charges of \$52.7 million and \$1,666.6 million, primarily associated with the Latam transaction for the quarter and nine months, respectively.

CONDENSED FINANCIAL STATEMENTS

The following tables set forth certain financial information for the Company on a consolidated basis, as of and for the years ended December 31, 2006 and 2005, which has been derived from the Company's audited consolidated financial statements included elsewhere in this Base Prospectus. The following tables also set forth certain financial information for the Company on a consolidated basis, as of and for the quarters and nine months ended September 30, 2007 and 2006, which has been derived from the Company's unaudited consolidated financial statements included elsewhere in this Base Prospectus. This summary financial information should be read in conjunction with the sections "Financial Information" and "Interim Financial Information".

	Years ended December 31,		Quarters ended September 30,		Nine Months Ended September 30,	
	2006	2005	2007	2006*	2007**	2006*
	(unaudited)					
	(U.S. dollars in millions, except per share data)					
Operating Results:						
Company-operated sales	\$ 16,083	\$ 14,726	\$ 4,276	\$ 4,058	\$ 12,508	\$ 11,393
Franchised and affiliated revenues	\$ 5,503	\$ 5,106	\$ 1,625	\$ 1,445	\$ 4,525	\$ 4,057
Total revenues	\$ 21,586	\$ 19,832	\$ 5,901	\$ 5,503	\$ 17,033	\$ 15,450
Operating income	\$ 4,445 ⁽¹⁾	\$ 3,992	\$ 1,525	\$ 1,288	\$ 2,524	\$ 3,325
Income from continuing operations	\$ 2,873 ⁽¹⁾	\$ 2,586 ⁽³⁾	\$ 1,004	\$ 842	\$ 1,062	\$ 2,114
Net income	\$ 3,544 ^(1,2)	\$ 2,602 ⁽³⁾	\$ 1,071	\$ 843	\$ 1,122	\$ 2,303
Per common share:						
Income from continuing operations—diluted	\$ 2.30 ⁽¹⁾	\$ 2.03 ⁽³⁾	\$ 0.83	\$ 0.68	\$ 0.87	\$ 1.68
Net income—diluted	\$ 2.83 ^(1,2)	\$ 2.04 ⁽³⁾	\$ 0.89	\$ 0.68	\$ 0.92	\$ 1.83
Dividends declared	\$ 1.00	\$.67	\$ 1.50	\$ 1.00	\$ 1.50	\$ 1.00
Cash flow information:						
Cash provided by operations	\$ 4,341	\$ 4,337	\$ 1,581	\$ 1,511	\$ 3,592	\$ 3,005
Capital expenditures	\$ 1,742	\$ 1,607	\$ 400	\$ 415	\$ 1,222	\$ 1,087
Treasury stock acquired	\$ 2,959	\$ 1,202	\$ 882	\$ 9	\$ 2,546	\$ 1,832

	December 31,		September 30,
	2006	2005	2007
	(unaudited)		
	(U.S. dollars in millions, except share data)		
Financial position:			
Total assets	\$ 29,024	\$ 29,989	\$ 29,674
Total debt	\$ 8,434	\$ 10,137	\$ 7,747
Total shareholders' equity	\$ 15,458	\$ 15,146	\$ 14,968
Shares outstanding (in millions)	1,204	1,263	1,183

	Years ended December 31,		Nine months ended September 30,	
	2006	2005	2007	2006
	(unaudited)			
Company-operated restaurants	8,785	8,802	7,004	8,243
Franchised restaurants	18,687	18,326	20,204	18,469
Affiliated restaurants	4,195	4,269	4,031	4,181
Total Systemwide restaurants	31,667	31,397	31,239	30,893
Franchised and affiliated sales (U.S. dollars in millions) ⁽⁴⁾	\$ 41,380	\$ 38,913	\$ 34,225	\$ 30,633

* Amounts previously reported in the Company's September 30, 2006 quarterly filing have been adjusted to reflect the reclassifying of Boston Market's results of operations to discontinued operations as a result of the Company's sale of its investment in Boston Market in August 2007.

** In third quarter 2007, the Company completed the sale of its businesses in Brazil, Argentina, Mexico, Puerto Rico, Venezuela and 13 other countries in Latin America and the Caribbean to a developmental licensee organization. The Company refers to these markets as "Latam". The operating results for the nine months ended September 30, 2007 included impairment and other charges of \$1,666.6 million (\$1,604.4 million after tax or \$1.32 per share), primarily associated with the Latam transaction.

⁽¹⁾ Includes pretax operating charges of \$134 million (\$98 million after tax or \$0.07 per share income from continuing operations, \$0.08 per share net income) related to impairment and other charges (see Impairment and other charges (credits), net note to the consolidated financial statements for further details), as well as net incremental

tax expense of \$0.01 per share primarily related to a one-time impact from a tax law change in Canada.

- (2) Includes income of \$671 million (\$0.53 per share) related to discontinued operations primarily resulting from the disposal of our investment in Chipotle.*
- (3) Includes a net tax benefit of \$73 million (\$0.05 per share) comprised of \$179 million (\$0.14 per share) tax benefit due to a favorable audit settlement of the Company's 2000-2002 U.S. tax returns and \$106 million (\$0.09 per share) of incremental tax expense resulting from the decision to repatriate foreign earnings under the Homeland Investment Act.*
- (4) While franchised and affiliated sales are not recorded as revenues by the Company, management believes they are important in understanding the Company's financial performance because these sales are the basis on which the Company calculates and records franchised and affiliated revenues and are indicative of the financial health of the franchisee base.*

UNITED STATES TAXATION

To ensure compliance with U.S. Treasury Regulation Circular 230, prospective investors are hereby notified that: (a) any discussion of U.S. federal tax issues contained or referred to in this Base Prospectus or any document referred to herein is not intended or written to be used, and cannot be used by prospective investors for the purpose of avoiding penalties that may be imposed on them under the U.S. Internal Revenue Code of 1986, as amended (the "Internal Revenue Code"); (b) such discussion is written for use in connection with the promotion or marketing of the transactions or matters addressed herein; and (c) prospective investors should seek advice based on their particular circumstances from an independent tax advisor.

The Information provided below does not purport to be a complete summary of U.S. tax law and practice currently applicable. This section assumes that income with respect to Notes or Coupons is not effectively connected with a trade or business in the United States in which a relevant U.S. Alien is engaged.

The following summary contains a description of certain U.S. federal income and estate tax consequences of the purchase, ownership and disposition of Notes issued in bearer form by the Issuer by Holders who are U.S. Aliens (as defined in Condition 8 in "Terms and Conditions of the Notes") and are beneficial owners of a Note or Coupon for U.S. federal income tax purposes. The Issuer generally intends to treat the Notes as debt. Certain Notes, however, such as Notes with extremely long maturities, may not be treated as debt for U.S. federal income tax purposes. The tax treatment of Notes to which a treatment other than debt may apply will be discussed in the applicable Final Terms. A prospective Holder who is a U.S. Person (as defined below) should be aware that adverse U.S. federal tax consequences could arise from holding an interest in the Notes.

Provided the payments are made and the Notes are offered and sold in accordance with the Amended and Restated Fiscal Agency Agreement, the Amended and Restated Dealership Agreement and the Base Prospectus, under U.S. federal income and estate tax law as now in effect, and subject to the discussion below concerning information reporting and backup withholding:

- (a) payment of principal or interest (including any original issue discount) on a Note or Coupon by the Issuer or any Paying Agent (acting in its capacity as such) to a Holder that is a U.S. Alien will not be subject to withholding of U.S. federal income tax, provided that, with respect to payments of interest on a Note or Coupon having an original term to maturity of 184 days or more, the Holder does not actually or constructively own 10 percent or more of the combined voting power of all classes of stock of the Issuer and is not a controlled foreign corporation related to the Issuer through stock ownership;
- (b) a Holder of a Note or Coupon that is a U.S. Alien will not be subject to U.S. federal income tax on gain realized on the sale, exchange or redemption of the Note or Coupon, provided that such Holder does not have a connection with or status with respect to the United States described in clause (i) of Condition 8.01 of the Terms and Conditions of the Notes;
- (c) a beneficial owner of a Note or Coupon that is a U.S. Alien will not be required to disclose its nationality, residence or identity to the Issuer, a Paying Agent (acting in its capacity as such) or any U.S. governmental authority in order to receive payment on such Note or Coupon from the Issuer or a Paying Agent outside the United States; and
- (d) a Note or Coupon will not be subject to U.S. federal estate tax as a result of the death of a Holder who is not a citizen or resident of the United States at the time of death, provided (i) with respect to a Note having an original term to maturity of 184 days or more or any Coupon appertaining thereto, that such Holder did not at the time of death actually or constructively own 10 percent or more of the combined voting power of all classes of stock of the Issuer and (ii) at the time of such Holder's death, payments of interest on such Note or Coupon would not have been effectively connected with the conduct by such Holder of a trade or business in the United States.

U.S. information reporting requirements and backup withholding tax will not apply to payments on a Note or Coupon made outside the United States by the Issuer or any Paying Agent to a Holder that is a U.S. Alien.

Information reporting requirements and backup withholding will not apply to any payment on a Note or Coupon outside the United States by a foreign office of a foreign custodian, foreign nominee or other foreign agent of the beneficial owner of such Note or Coupon, provided that such custodian, nominee or agent (i) derives less than 50 percent of its gross income for certain periods from the conduct of a trade or business in the United States, (ii) is not a controlled foreign corporation for U.S. federal income tax purposes and (iii) is not a foreign partnership that, at any time during its taxable year, is 50 percent or more (by income or capital interest) owned by U.S. Persons or is engaged in the conduct of a U.S. trade or business. Payment on a Note or Coupon outside the United States to the beneficial owner thereof by a foreign office of any other custodian, nominee or agent will not be subject to backup withholding, but will be subject to information reporting requirements unless such custodian, nominee or agent has documentary evidence in its records that the beneficial owner is a U.S. Alien or the beneficial owner otherwise establishes an exemption. Payment on a Note or Coupon by

the U.S. office of a custodian, nominee or other agent of the beneficial owner of such Note or Coupon will be subject to information reporting requirements and backup withholding unless the beneficial owner certifies its non-U.S. status under penalties of perjury or otherwise establishes an exemption.

Information reporting requirements and backup withholding will not apply to any payment of the proceeds of the sale of a Note or Coupon effected outside the United States by a foreign office of a foreign "broker" (as defined in applicable Treasury regulations), provided that such broker (i) derives less than 50 percent of its gross income for certain periods from the conduct of a trade or business in the United States, (ii) is not a controlled foreign corporation for U.S. federal income tax purposes and (iii) is not a foreign partnership that, at any time during its taxable year, is 50 percent or more (by income or capital interest) owned by U.S. Persons or is engaged in the conduct of a U.S. trade or business. Payment of the proceeds of the sale of a Note or Coupon effected outside the United States by a foreign office of any other broker will not be subject to backup withholding, but will be subject to information reporting requirements unless such broker has documentary evidence in its records that the beneficial owner is a U.S. Alien and certain other conditions are met, or the beneficial owner otherwise establishes an exemption. Payment of the proceeds of a sale of a Note or Coupon by the U.S. office of a broker will be subject to information reporting requirements and backup withholding unless the beneficial owner certifies its non-U.S. status under penalties of perjury or otherwise establishes an exemption.

Backup withholding is not an additional tax. Amounts withheld as backup withholding may be credited against a Holder's U.S. federal income tax liability. A Holder may obtain a refund of any excess amounts withheld under the backup withholding rules by filing the appropriate claim for a refund with the U.S. Internal Revenue Service and furnishing the required information.

For purposes of applying the rules set forth under this heading "United States Taxation" to an entity that is treated as fiscally transparent (e.g., a partnership) for U.S. federal income tax purposes, the beneficial owner means each of the ultimate beneficial owners of the entity.

As used in this section, "U.S. Person" means a citizen or resident of the United States, a corporation, partnership or other entity created or organized in or under the laws of the United States or any political subdivision thereof or therein, or an estate or trust described in Section 7701(a)(30) of the Internal Revenue Code.

THE TAX DISCUSSION SET FORTH ABOVE IS INCLUDED FOR GENERAL INFORMATION ONLY AND MAY NOT BE APPLICABLE DEPENDING UPON A HOLDER'S PARTICULAR SITUATION. HOLDERS ARE URGED TO CONSULT THEIR OWN TAX ADVISORS WITH RESPECT TO THE PARTICULAR CONSEQUENCES TO THEM OF PURCHASING, HOLDING AND DISPOSING OF NOTES OR COUPONS IN LIGHT OF THEIR OWN PARTICULAR CIRCUMSTANCES, INCLUDING THE TAX CONSEQUENCES UNDER LOCAL, STATE, FOREIGN AND OTHER TAX LAWS AND POSSIBLE EFFECTS OF CHANGES IN U.S. FEDERAL INCOME OR OTHER TAX LAWS.

EUROPEAN UNION DIRECTIVE ON THE TAXATION OF SAVINGS INCOME

Under European Council Directive 2003/48/EC on the taxation of savings income (the “**Savings Directive**”), each Member State of the European Union is required to provide to the tax authorities of another Member State details of payments of interest or other similar income paid by a person within its jurisdiction to an individual resident in that other Member State. However, for a transitional period, Austria, Belgium and Luxembourg will (unless during such period they elect otherwise) instead apply withholding systems in relation to such payments. Under such systems, tax will be deducted at rates rising over time from 15 percent to 35 percent unless the recipient of the interest payment elects instead for an exchange of information procedure.

The transitional period is to terminate at the end of the first full fiscal year following agreement by certain non-EU countries to the exchange of information relating to such payments.

A number of non-EU countries, and certain dependent or associated territories of certain Member States, have agreed to adopt similar measures (either provision of information or transitional withholding) in relation to payments made by a person within their respective jurisdictions to an individual resident in a Member State. In addition, the Member States have entered into reciprocal provision of information or transitional withholding arrangements with certain of those dependent or associated territories in relation to payments made by a person in a Member State to an individual resident in one of those territories.

LUXEMBOURG TAXATION

The following general summary of certain Luxembourg tax issues is based upon the tax laws of Luxembourg as in effect on the date of this Base Prospectus and is subject to any change that may come into effect after that date. Under the existing laws of Luxembourg:

Non-Resident Holders of Notes

Holders of Notes will not become residents, or deemed to be residents, in Luxembourg by reason only of the holding of a Note or the execution, performance, delivery and/or enforcement of the Note.

Under Luxembourg tax law currently in effect and with the possible exception of interest paid to individual Holders of Notes and Holders of Notes that are Residual Entities (within the meaning of the Savings Directive), there is no Luxembourg withholding tax on payments of a fixed rate of interest (including accrued but unpaid interest). There is also no Luxembourg withholding tax, with the possible exception of payments made to individual Holders of Notes and Holders of Notes that are Residual Entities (within the meaning of the Savings Directive), upon repayment of principal in case of reimbursement, redemption, repurchase or exchange of the Notes.

Under the Luxembourg laws dated June 21, 2005 implementing the Savings Directive (the “**Luxembourg Laws of June 21, 2005**”) and several agreements concluded between Luxembourg and certain dependent and associated territories of the European Union, a Luxembourg based paying agent (within the meaning of the Luxembourg Laws of June 21, 2005) is required since July 1, 2005 to withhold tax on interest payments as well as in case of repayment, reimbursement, redemption, repurchase or exchange of certain debt instruments paid to (or under certain circumstances, to the benefit of) an individual resident in another Member State or a Residual Entity (within the meaning of the Luxembourg Laws of June 21, 2005) established in another Member State, unless the beneficiary of such interest payments opts for the procedure of exchange of information or for the tax certificate procedure. The same regime may apply for payments made to individuals resident in certain dependent and associated territories of the European Union or Residual Entities (within the meaning of the Luxembourg Laws of June 21, 2005) established in such dependent and associated territories.

The withholding tax rate is 15% during the first three years, 20% for the subsequent three years and 35% thereafter. The withholding tax system applies during a transitional period, the ending of which depends on the conclusion of certain agreements relating to information exchange with certain third countries.

Luxembourg Resident Holders of Notes

Luxembourg Resident Individuals

A 10% withholding tax has been introduced, as from January 1, 2006, on interest payments made by Luxembourg paying agents (within the meaning of the Luxembourg Laws of June 21, 2005) to Luxembourg individual Holders of Notes not holding the

Notes as business assets or foreign residual entities securing the interest payment for such Luxembourg resident Holders of Notes. Only interest accrued after July 1, 2005 falls within the scope of the withholding tax. This withholding tax represents the final tax liability for the Luxembourg individual resident taxpayers on the interest income received (annual abatements of EUR 1,500 for singles or EUR 3,000 for interest income may be available).

Luxembourg resident individual Holders of Notes not holding the Notes as business assets are not subject to taxation on capital gains upon the disposal of the Notes, unless the disposal of the Notes precedes the acquisition of the Notes or the Notes are disposed of within six months of the date of acquisition of these Notes. Upon redemption or exchange of the Notes, the portion of the redemption or exchange price corresponding to accrued but unpaid interest is subject to the aforementioned 10% withholding tax. Individual Luxembourg resident Holders of Notes holding the Notes as business assets are in principle taxed in the same way as described in the section below, "Luxembourg Resident Companies".

Luxembourg Resident Companies

Corporate Holders of Notes who are residents of Luxembourg or non-resident Holders of Notes who have a permanent establishment in Luxembourg with which the holding of the Notes is connected, must, for corporate tax purposes, include any interest received—or accrued—in their taxable income. They will not be liable to any Luxembourg corporate tax on repayment of principal. Luxembourg resident companies (*sociétés de capitaux*) Holders of Notes or foreign entities which have a permanent establishment in Luxembourg with which the holding of the Notes is connected must include in their taxable income the difference between the sale or redemption price (including accrued but unpaid interest) and the lower of the cost or book value of the Notes sold or redeemed, unless such Holders of Notes are exempt from tax under a specific provision of Luxembourg law.

Other Taxes

Unless a Holder of Notes is exempt from net wealth tax under a specific provision of Luxembourg law, Luxembourg net wealth tax will be levied on a Holder of the Notes, if such Notes are attributable to a business enterprise or part thereof which is carried on in Luxembourg or through a permanent establishment or a permanent representative of a non-resident company in Luxembourg.

Luxembourg inheritance taxes will only be levied on the transfer of a Note on the death of a Holder of Notes, if such Holder of Notes is inhabitant in Luxembourg. Under Article 1 of the Inheritance Tax Law dated December 27, 1817, an inhabitant of Luxembourg is a person whose domicile or seat of wealth is located in Luxembourg.

Luxembourg gift tax will be levied on the transfer of a Note by way of gift by the Holder of Notes, if this gift is registered in Luxembourg.

There is no Luxembourg registration tax, capital tax, stamp duty or any other similar tax or duty (other than nominal court fees and contributions for the registration with the Chamber of Commerce) payable in Luxembourg in respect of or in connection with the execution, delivery and enforcement by legal proceedings (including any foreign judgment in the courts of Luxembourg) of the Notes or the performance of the Issuer's obligations under the Notes, except that in the case of court proceedings in a Luxembourg court or the presentation of the documents relating to the Notes, other than the Notes, to an "*autorité constituée*," such court or "*autorité constituée*" may require registration thereof, in which case the documents will be subject to registration duties depending on the nature of the documents and, in particular, a loan agreement, not represented by the Notes, will be subject to an *ad valorem* registration duty of 0.24% calculated on the amounts mentioned therein.

SUBSCRIPTION AND SALE

Notes may be sold from time to time by the Issuer to any one or more of ABN AMRO Bank N.V., Banc of America Securities Limited, Barclays Bank PLC, Bayerische Hypo- und Vereinsbank AG, BNP Paribas, Citigroup Global Markets Limited, Credit Suisse Securities (Europe) Limited, Fortis Bank NV/SA, Goldman Sachs International, HSBC Bank plc, ING Bank N.V., J.P. Morgan Securities Ltd., Merrill Lynch International, Mizuho International Plc, Morgan Stanley & Co. International plc, Coöperatieve Centrale Raiffeisen-Boerenleenbank B.A. (trading as Rabobank International), London Branch, Scotia Capital Inc., Société Générale, Standard Chartered Bank, Wachovia Securities International Limited and WestLB AG (the “Dealers”). Notes may also be sold by the Issuer directly to institutions who are not Dealers. The arrangements under which Notes may from time to time be agreed to be sold by the Issuer to, and purchased by, Dealers are set out in the Amended and Restated Dealership Agreement, dated December 14, 2007 (the “Dealership Agreement”), by and among the Issuer and the Dealers. Any such agreement will, *inter alia*, make provision for the form and terms and conditions of the relevant Notes, the price at which such Notes will be purchased by the Dealers and the commissions or other agreed deductibles (if any) payable or allowable by the Issuer in respect of such purchase. The Dealership Agreement makes provision for the resignation or termination of appointment of existing Dealers and for the appointment of additional or other Dealers either generally in respect of the Program or in relation to a particular Tranche of Notes. The Issuer has agreed to indemnify the Dealers against certain liabilities in connection with the offer and sale of the Notes. Settlement arrangements will be agreed between the Issuer, the relevant Dealers and the Fiscal Agent in relation to each Tranche of Notes. The price and amount of Notes to be issued under the Program will be determined by the Issuer and the relevant Dealer at the time of issue in accordance with prevailing market conditions. Notes that have a maturity of less than one year and that qualify as money market instruments will be subject to all applicable legal, regulatory and central bank requirements relating to money market instruments as well as any other requirements governing notes that have a maturity of less than one year.

United States of America: *Regulation S Category 2; TEFRA D*

Notes have not been and will not be registered under the Securities Act and may not be offered or sold within the United States or to or for the account or benefit of U.S. persons except in certain transactions exempt from, or not subject to, the registration requirements of the Securities Act. Each Dealer has agreed that, except as permitted by the Dealership Agreement, it will not offer, sell or deliver Notes, (i) as part of their distribution at any time or (ii) otherwise until 40 days after the completion of the distribution of the Notes comprising the relevant Tranche, as certified to the Fiscal Agent or the Issuer by such Dealer (or, in the case of a sale of a Tranche of Notes to or through more than one Dealer, by each of such Dealers as to Notes of such Tranche purchased by or through it, in which case the Fiscal Agent or the Issuer shall notify each such Dealer when all such Dealers have so certified), within the United States or to or for the account or benefit of U.S. persons, and such Dealer will have sent to each dealer to which it sells Notes during the restricted period relating thereto a confirmation or other notice setting forth the restrictions on offers and sales of the Notes within the United States or to or for the account or benefit of U.S. persons. In addition, until 40 days after the commencement of the offering of Notes comprising any Tranche, any offer or sale of Notes within the United States by any Dealer (whether or not participating in the offering) may violate the registration requirements of the Securities Act. Terms used in this paragraph have the meanings given to them by Regulation S under the Securities Act.

Notes are subject to U.S. tax law requirements and may not be offered, sold or delivered within the United States or its possessions or to U.S. Persons, except in certain transactions permitted by U.S. tax regulations. Terms used in the preceding sentence have the meanings given to them by the Internal Revenue Code and regulations thereunder.

Notes having an original term to maturity of 184 days or more shall be represented upon issuance by a Temporary Global Note which shall not be exchangeable for definitive notes until the expiration of the 40 day restricted period and until certification of beneficial ownership by non-U.S. Persons.

European Economic Area

In relation to each Member State of the European Economic Area that has implemented the Prospectus Directive (each such Member State, a “Relevant Member State”), each Dealer has represented and agreed, and each further Dealer appointed under the Program will be required to represent and agree, that with effect from and including the date on which the Prospectus Directive is implemented in that Relevant Member State (the “Relevant Implementation Date”), it has not made and will not make an offer of Notes which are the subject of the offering contemplated by this Base Prospectus as contemplated by the final terms in relation thereto to the public in that Relevant Member State, except that it may, with effect from and including the Relevant Implementation Date, make an offer of Notes to the public in that Relevant Member State:

(a) if the final terms in relation to the Notes specify that an offer of those Notes may be made other than pursuant to Article 3(2) of the Prospectus Directive in that Relevant Member State (a “Non-exempt Offer”) following the date of publication of a prospectus in relation to those Notes which has been approved by the competent authority in that Relevant Member State or, where appropriate, approved in another Relevant Member State and notified to the competent authority in that Relevant Member State, provided that any such prospectus has subsequently been completed by the final terms contemplating such Non-exempt Offer, in accordance with the Prospectus Directive, in the period beginning and ending on the dates specified in such prospectus or final terms, as applicable;

(b) at any time to legal entities that are authorized or regulated to operate in the financial markets or, if not so authorized or regulated, whose corporate purpose is solely to invest in securities;

(c) at any time to any legal entity which has two or more of (1) an average of at least 250 employees during the last financial year; (2) a total balance sheet of more than €43,000,000; and (3) an annual net turnover of more than €50,000,000, as shown in its last annual or consolidated accounts;

(d) at any time to fewer than 100 natural or legal persons (other than qualified investors as defined in the Prospectus Directive) subject to obtaining the prior consent of the relevant Dealer or Dealers nominated by the Issuer for any such offer; or

(d) at any time in any other circumstances falling within Article 3(2) of the Prospectus Directive,

provided that no such offer of Notes referred to in (b) to (e) above shall require the Issuer or any Dealer to publish a prospectus pursuant to Article 3 of the Prospectus Directive or supplement a prospectus pursuant to Article 16 of the Prospectus Directive.

For the purposes of this provision, the expression an “offer of Notes to the public” in relation to any Notes in any Relevant Member State means the communication in any form and by any means of sufficient information on the terms of the offer and the Notes to be offered so as to enable an investor to decide to purchase or subscribe for the Notes, as the same may be varied in that Member State by any measure implementing the Prospectus Directive in that Member State and the expression “Prospectus Directive” means Directive 2003/71/EC and includes any relevant implementing measure in each Relevant Member State.

The Kingdom of the Netherlands

In addition to the provisions identified in the foregoing section “European Economic Area,” the following provisions shall apply in respect of the Kingdom of the Netherlands:

Each Dealer has represented and agreed, and any further Dealer appointed under the Program will be required to represent and agree, that any Notes with a maturity of less than 12 months will either have a minimum denomination of €50,000 or be offered in the Netherlands only to professional market parties as defined in the Financial Supervision Act (*Wet op het financieel toezicht*) and the decrees issued pursuant thereto.

Zero coupon Notes in bearer form on which interest does not become due and payable during their term but only at maturity and other Notes in bearer form that qualify as savings certificates (*spaarbewijzen*) within the meaning of the Dutch Savings Certificates Act (*Wet inzake spaarbewijzen*) may be transferred or accepted only through the mediation of either the Issuer or a member of Euronext Amsterdam N.V. and with due observance of the Dutch Savings Certificates Act and its implementing regulations, provided that no such mediation is required in respect of (i) the initial issue of such Notes to the first holders thereof, (ii) any transfer and delivery by natural persons who do not act in the conduct of a profession or trade, and (iii) the issue and trading of such Notes, if such Notes are physically issued outside the Netherlands and not distributed in the Netherlands in the course of primary trading or immediately thereafter. In addition (i) certain identification requirements in relation to the issue and transfer of, and payment on, such Notes have to be complied with, (ii) any reference in publications concerning such Notes to the words “to bearer” is prohibited, (iii) so long as such Notes are not listed at Euronext Amsterdam N.V., each transaction involving a transfer of such Notes must be recorded in a transaction note, containing, at least, the name and address of the counterparty to the transaction, the nature of the transaction, and a description of the amount, registration number(s), and type of the Notes concerned, and (iv) the requirement described under (iii) must be printed on such Notes.

The United Kingdom

In addition to the provisions identified in the foregoing section “European Economic Area,” the following provisions shall apply in respect of the United Kingdom:

Each Dealer has represented and agreed, and each further Dealer appointed under the Program will be required to represent and agree, that:

(a) in relation to any Notes that have a maturity of less than one year, (i) it is a person whose ordinary activities involve it in acquiring, holding, managing or disposing of investments (as principal or agent) for the purposes of its business and (ii) it has not offered or sold and will not offer or sell any Notes other than to persons whose ordinary activities involve them in acquiring, holding, managing or disposing of investments (as principal or as agent) for the purposes of their businesses or who it is reasonable to expect will acquire, hold, manage or dispose of investments (as principal or agent) for the purposes of their businesses where the issue of the Notes would otherwise constitute a contravention of Section 19 of the FSMA by the Issuer;

(b) it has only communicated or caused to be communicated and will only communicate or cause to be communicated an invitation or inducement to engage in investment activity (within the meaning of Section 21 of the FSMA) received by it in connection with the issue or sale of any Notes in circumstances in which Section 21(1) of the FSMA does not apply to the Issuer; and

(c) it has complied and will comply with all applicable provisions of the FSMA with respect to anything done by it in relation to any Notes in, from or otherwise involving the United Kingdom.

The French Republic

Each Dealer and the Issuer has represented and agreed, and each further Dealer under the Program will be required to confirm and agree, that in connection with their initial distribution of the Notes, (i) no prospectus (including any amendment, supplement or replacement thereto) has been prepared in connection with the offering of the Notes that has been approved by the *Autorité des marchés financiers* or by the competent authority of another state that is a contracting party to the Agreement on the European Economic Area and notified to the *Autorité des marchés financiers*, and (ii) it has not offered or sold and will not offer or sell, directly or indirectly, the Notes to the public in France, and has not distributed or caused to be distributed and will not distribute or cause to be distributed to the public in France, the Base Prospectus or any other offering material relating to the Notes, and that such offers, sales and distributions have been and shall only be made in France to persons licensed to provide the investment service of portfolio management for the account of third parties and/or qualified investors (*investisseurs qualifiés*) other than individuals, investing for their own account, all as defined in Articles L. 411-2, D. 411-1, D. 411-2, D. 411-3, D. 734-1, D. 744-1, D. 754-1 and D. 764-1 of the *Code monétaire et financier*. The direct or indirect distribution to the public in France of any so acquired Notes may be made only as provided by Articles L. 411-1, L. 411-2, L. 412-1 and L. 621-8 to L. 621-8-3 of the *Code monétaire et financier* and applicable regulations thereunder.

The Italian Republic

The offering of the Notes has not been registered pursuant to Italian securities legislation and, accordingly, no Notes may be offered, sold or delivered, nor may copies of the Prospectus or of any other document relating to the Notes be distributed in the Italian Republic, except:

(i) to qualified investors (*investitori qualificati*), as defined in Article 100 of Legislative Decree No. 58 of February 24, 1998, as amended (the “**Financial Services Act**”) and the relevant implementing CONSOB regulations, as amended from time to time, and in Article 2 of Directive No. 2003/71/EC of November 4, 2003; or

(ii) in other circumstances which are exempted from the rules on solicitation of investments pursuant to Article 100 of the Financial Services Act and Article 33, first paragraph, of CONSOB Regulation No. 11971 of May 14, 1999, as amended (“**Regulation No. 11971**”).

Any offer, sale or delivery of the Notes or distribution of copies of the Prospectus or any other document relating to the Notes in the Italian Republic under (i) or (ii) above must be:

(a) made by an investment firm, bank or financial intermediary permitted to conduct such activities in the Italian Republic in accordance with the Financial Services Act, CONSOB Regulation No. 16190 of October 29, 2007, as amended from time to time, and Legislative Decree No. 385 of September 1, 1993, as amended (the “**Banking Act**”); and

(b) in compliance with Article 129 of the Banking Act, as amended, and the implementing guidelines of the Bank of Italy, as amended from time to time, pursuant to which the Bank of Italy may request information on the issue or the offer of securities in the Italian Republic; and

(c) in compliance with any other applicable laws and regulations or requirement imposed by CONSOB or other Italian authority.

Please note that in accordance with Article 100-bis of the Financial Services Act, where no exemption from the rules on solicitation of investments applies under (i) and (ii) above, the subsequent distribution of the Notes on the secondary market in Italy must be made in compliance with the public offer and the prospectus requirement rules provided under the Financial Services Act and Regulation No. 11971. Failure to comply with such rules may result in the sale of such Notes being declared null and void and in the liability of the intermediary transferring the financial instruments for any damages suffered by the investors.

Japan

The Notes have not been and will not be registered under the Financial Instruments and Exchange Law of Japan (Law No. 25 of 1948, as amended, the “FIEL”) and each Dealer agrees that it will not offer or sell any Notes, directly or indirectly, in Japan or to, or for the benefit of, any resident of Japan (which term as used herein means any person resident in Japan, including any corporation or other entity organized under the laws of Japan), or to others for re-offering or resale, directly or indirectly, in Japan or to a resident of Japan except pursuant to an exemption from the registration requirements of, and otherwise in compliance with, the FIEL and any other applicable laws, regulations and ministerial guidelines of Japan.

Commonwealth of Australia

No prospectus or other disclosure document (as defined in the Corporations Act 2001 of Australia) in relation to the Program or the Notes has been or will be lodged with the Australian Securities and Investments Commission (“ASIC”). Each Dealer has represented and agreed that it (a) has not (directly or indirectly) offered or invited applications, and will not offer or invite applications, for the issue, sale or purchase of the Notes in Australia (including an offer or invitation which is received by a person in Australia) and (b) has not distributed or published, and will not distribute or publish, any draft, preliminary or definitive Prospectus or any other offering material or advertisement relating to the Notes in Australia, unless (i) the minimum aggregate consideration payable by each offeree or invitee is A\$500,000 (or its equivalent in other currencies) (disregarding monies lent by the offeror or its associates) or the offer or invitation otherwise does not require disclosure to investors in accordance with Part 6D.2 of the Corporations Act 2001 of Australia, (ii) such action complies with all applicable laws, regulations and directives, and (iii) such action does not require any document to be lodged with ASIC.

Canada

The Notes will not be qualified for sale under the securities laws of any province or territory of Canada. Each Dealer has represented and agreed that: (a) it has not offered, sold or distributed and will not offer, sell or distribute any Notes, directly or indirectly, in Canada or to or for the benefit of any resident of Canada, other than in compliance with applicable securities laws and (b) it has not and will not distribute or deliver the Prospectus, or any other offering material in connection with any offering of Notes in Canada, other than in compliance with applicable securities laws.

If the Notes may be offered, sold or distributed in Canada, the issue of the Notes will be subject to such additional selling restrictions as the Issuer and the relevant Dealers may agree, as specified in the relevant Final Terms. Each Dealer will be required to agree that it will offer, sell and distribute such Notes only in compliance with such additional Canadian selling restrictions.

Federal Republic of Germany

Not Applicable.

Swiss Confederation

Not Applicable.

General

Other than the approval of this Base Prospectus as a base prospectus in accordance with Article 5.4 of the Prospectus Directive and in relation to any issue of Notes, as may be specified in the relevant Final Terms, no action has been or will be taken in any country or jurisdiction by the Issuer or the Dealers that would permit a public offering of Notes, or possession or distribution of any offering material in relation thereto, in any country or jurisdiction where action for that purpose is required. Persons into whose

hands the Base Prospectus or any Final Terms comes are required by the Issuer and the Dealers to comply with all applicable laws and regulations in each country or jurisdiction in or from which they purchase, offer, sell or deliver Notes or have in their possession or distribute such offering material, in all cases at their own expense.

Subject to the provisions of the immediately preceding paragraph, the Dealership Agreement provides that the Dealers shall not be bound by any of the restrictions relating to any specific jurisdiction (set out above) to the extent that such restrictions shall, as a result of change(s) or change(s) in official interpretation, after the date hereof, in applicable laws and regulations, no longer be applicable.

Selling restrictions may be supplemented or modified with the agreement of the Issuer. Any such supplement or modification will be set out in the relevant Final Terms.

EXPERTS

Ernst & Young LLP, independent auditors, have audited the Issuer's consolidated financial statements included in this Base Prospectus for the year ended December 31, 2006 in accordance with the standards of the Public Company Accounting Oversight Board (United States) ("PCAOB"), as set forth in their report, which is included in this Base Prospectus. Ernst & Young LLP is an independent public accounting firm registered with the PCAOB. The Issuer's consolidated financial statements are included in this Base Prospectus in reliance on Ernst & Young LLP's report, given on their authority as experts in accounting and auditing. Ernst & Young LLP is located at 233 S. Wacker Drive, Chicago, Illinois 60606, United States.

DOCUMENTS INCORPORATED BY REFERENCE

The Issuer is subject to the informational requirements of the U.S. Securities Exchange Act of 1934, as amended (the "Exchange Act"), and in accordance therewith files reports and other information with the U.S. Securities and Exchange Commission (the "Commission"). Such reports and other information can be inspected and copied at the public reference facilities maintained by the Commission at 100 F Street, N.E., Washington, D.C. 20549, United States or through the Commission's Web site on the Internet at <http://www.sec.gov> (this uniform resource locator (URL) is an inactive textual reference only and is not intended to incorporate the Commission's Web site into this Base Prospectus).

The following documents have been filed with (i) the Commission, pursuant to the Exchange Act, and (ii) the *Commission de Surveillance du Secteur Financier*. These documents and the information they contain, excluding any information already contained in this Base Prospectus, are incorporated by reference in, and made a part of, this Base Prospectus:

- (1) the Issuer's Annual Report on Form 10-K, for the year ended December 31, 2006;
- (2) the Issuer's Quarterly Reports on Form 10-Q, for the quarterly periods ended September 30, 2007, June 30, 2007 and March 31, 2007; and
- (3) the Issuer's Current Reports on Form 8-K, filed with the Commission on January 18, January 24, January 30, February 8, February 21, March 6 (two separate reports), March 9, March 23, April 16, April 20, May 8, June 11, July 16, July 24 (two separate reports), August 8, September 11, September 13, October 12, October 19, November 13, November 19, December 4, and December 10, 2007.

The information required to be included in this Base Prospectus under the Prospectus Directive has been included in the text of this Base Prospectus. For purposes of listing on the Luxembourg Stock Exchange and offerings pursuant to the Prospectus Directive, the above documents are incorporated by reference for informational purposes only. Copies of each of the documents incorporated by reference in this Base Prospectus can be viewed at the Luxembourg Stock Exchange's Web site on the Internet at <http://www.bourse.lu> (this uniform resource locator (URL) is an inactive textual reference only and is not intended to incorporate the Luxembourg Stock Exchange's Web site into this Base Prospectus).

All reports filed by the Issuer pursuant to Sections 13(a) or 15(d) of the Exchange Act after the date hereof and prior to termination of the offering of Notes under the Program shall be deemed to be incorporated by reference into this Base Prospectus and to be a part hereof from the date of filing such documents. Any statement contained in this Base Prospectus or in any of the documents incorporated by reference in, and forming part of, this Base Prospectus shall be deemed to be modified or superseded for the purpose

of this Base Prospectus to the extent that a statement contained in any document subsequently incorporated by reference modifies or supersedes such statement.

Publication

The Issuer has undertaken, in connection with the listing of the Notes, that if, while Notes of the Issuer are outstanding and traded on the regulated market of the Luxembourg Stock Exchange, there shall occur any significant new factor, material mistake or inaccuracy relating to information included in this Base Prospectus (or any of the documents incorporated by reference in this Base Prospectus), which is capable of affecting the assessment of any Notes, the Issuer will prepare or procure the preparation of a supplement to this Base Prospectus or, as the case may be, publish a new Prospectus for use in connection with any subsequent offering of Notes to be traded on the regulated market of the Luxembourg Stock Exchange. This Base Prospectus, the Final Terms and the documents incorporated by reference can be viewed at the Luxembourg Stock Exchange's Web site on the Internet at <http://www.bourse.lu> (this uniform resource locator (URL) is an inactive textual reference only and is not intended to incorporate the Luxembourg Stock Exchange's resource Web site into this Base Prospectus).

Requests for Copies of Documents

The Issuer will, at the specified offices of the Paying Agents, provide, free of charge, upon oral or written request, a copy of this Base Prospectus (or any document incorporated by reference herein). Written or oral requests for such documents should be directed to the specified office of any Paying Agent or the specified office of the listing agent in Luxembourg. For so long as the Program remains in effect or any Notes shall be outstanding, copies (in English) of the following documents may be inspected during normal business hours at the specified office of the Paying Agent in Luxembourg or through electronic means by sending a request via e-mail to laa@fortis.lu, namely:

- (a) the constitutional documents of the Issuer;
- (b) all reports, letters, and other documents, historical financial information, valuations and statements prepared by any expert at the Issuer's request any part of which is included or referred to in the Base Prospectus, if any;
- (c) the Fiscal Agency Agreement (as defined in the section "Terms and Conditions of the Notes" contained herein);
- (d) the Dealership Agreement (as defined in the section "Subscription and Sale" contained herein); and
- (e) the historical financial information of the Issuer for each of the two financial years preceding the publication of the Base Prospectus.

GENERAL INFORMATION

1. Application has been made to the Luxembourg Stock Exchange for Notes issued under the Program to be admitted to trading on the Luxembourg Stock Exchange's regulated market and to be listed on the Official List of the Luxembourg Stock Exchange. However, Notes may be issued pursuant to the Program which will not be admitted to trading on the Luxembourg Stock Exchange's regulated market or any other stock exchange or which will be listed on such stock exchange as the Issuer and the relevant Dealer(s) may agree. Further, Notes which are initially listed may subsequently be de-listed as described in the section "European Union Transparency Directive."

2. The Program was authorized by the respective corporate authorities of the Issuer on September 12, 2007.

3. Except as described in this Base Prospectus, there has been no material adverse change in the prospects of the Issuer and its consolidated subsidiaries, taken as a whole, since December 31, 2006, the last day of the financial period in respect of which the most recent published audited financial statements of the Issuer have been prepared.

Except as described in this Base Prospectus, there has been no significant change in the financial or trading position of the Issuer and its consolidated subsidiaries, taken as a whole, which has occurred since September 30, 2007, the last day of the financial period in respect of which the most recent published unaudited interim financial statements of the Issuer have been prepared.

Except as described in this Base Prospectus, neither the Issuer nor any of its consolidated subsidiaries has been involved in any governmental, legal or arbitration proceeding (including any such proceedings that are pending of which the Issuer is aware as of the date of this Base Prospectus) in the 12 months before the date of this Base Prospectus that have had or may have had a significant effect on the financial position or profitability of the Issuer and its consolidated subsidiaries.

4. The Notes have been accepted for clearance through Euroclear and Clearstream, Luxembourg. The address of Euroclear is 1 Boulevard du Roi Albert II, B-1210 Brussels, Belgium and the address of Clearstream, Luxembourg is 42 Avenue JF Kennedy, L-1855, Luxembourg. The appropriate common code and the International Securities Identification Number in relation to the Notes of each Series will be specified in the Final Terms relating thereto. The relevant Final Terms shall specify any other clearing system as shall have accepted the relevant Notes for clearance, together with any further appropriate information.

5. The price and amount of Notes to be issued under the Program will be determined by the Issuer and each relevant Dealer at the time of issue in accordance with prevailing market conditions.

6. This Base Prospectus will be updated on an annual basis.

PRINCIPAL EXECUTIVE OFFICES OF THE ISSUER

MCDONALD'S CORPORATION

One McDonald's Plaza
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United States

DEALERS

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London EC2M 4AA
England

Barclays Bank PLC
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London E14 4BB
England

BNP Paribas
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London NW1 6AA
England

Credit Suisse Securities (Europe) Limited
One Cabot Square
London E14 4QJ
England

Goldman Sachs International
Peterborough Court
133 Fleet Street
London EC4A 2BB
England

ING Bank N.V.
Foppingadreef 7
1102 BD Amsterdam
The Netherlands

Merrill Lynch International
Merrill Lynch Financial Centre
2 King Edward Street
London EC1A 1HQ
England

Morgan Stanley & Co. International plc
25 Cabot Square
Canary Wharf
London E14 4QA
England

Scotia Capital Inc.
33 Finsbury Square
London EC2A 1BB
England

Standard Chartered Bank
6 Battery Road # 03-00
Singapore 049909

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London E14 5AQ
England

Bayerische Hypo- und Vereinsbank AG
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Canary Wharf
London E14 5LB
England

Fortis Bank NV/SA
Warandeberg 3
1000 Brussels
Belgium

HSBC Bank plc
8 Canada Square
London E14 5HQ
England

J.P. Morgan Securities Ltd.
125 London Wall
London EC2Y 5AJ
England

Mizuho International Plc
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**Coöperatieve Centrale
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London Branch**
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United States

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United States

To the Dealers

Allen & Overy LLP
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London E1 6AO
England

FISCAL AGENT AND PRINCIPAL PAYING AGENT

Fortis Banque Luxembourg S.A.
50, Avenue J.F. Kennedy
2951 Luxembourg
Luxembourg

LISTING AGENT

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2951 Luxembourg
Luxembourg