McDonald's Corp

STANDARD &POOR'S

S&P Recommendation BUY ★★★★☆

Price $87.23 (as of Aug 19, 2011)

12-Mo. Target Price $99.00

Investment Style Large-Cap Growth

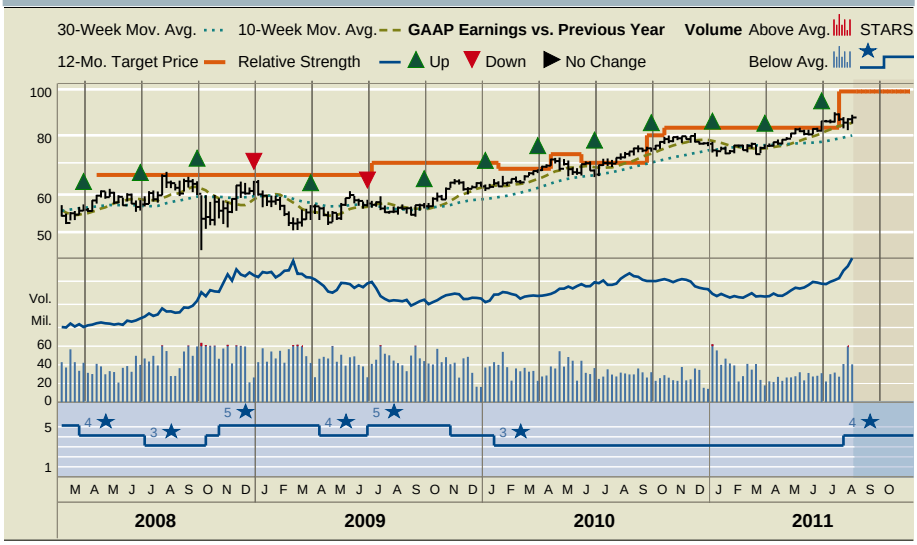
GICS Sector Consumer Discretionary
Sub-Industry Restaurants

Summary McDonald's is the largest fast-food restaurant company in the world, with about 32,900 restaurants in 117 countries.

Key Stock Statistics (Source S&P, Vickers, company reports)

52-Wk Range	$89.57– 72.14	S&P Oper. EPS 2011E	5.29	Market Capitalization(B)	$90.000	Beta	0.50
Trailing 12-Month EPS	$4.94	S&P Oper. EPS 2012E	5.85	Yield (%)	2.80	S&P 3-Yr. Proj. EPS CAGR(%)	9
Trailing 12-Month P/E	17.7	P/E on S&P Oper. EPS 2011E	16.5	Dividend Rate/Share	$2.44	S&P Credit Rating	A
$10K Invested 5 Yrs Ago	$28,305	Common Shares Outstg. (M)	1,031.8	Institutional Ownership (%)	69		

Price Performance



Options: ASE, CBOE, P, Ph

Analysis prepared by Equity Analyst **Jim Yin, CFA** on Aug 08, 2011, when the stock traded at **$83.75**.

Highlights

- We expect revenues to rise 13% in 2011, following a 5.8% advance in 2010. We project systemwide U.S. sales to be up about 5%, while they are likely to climb about 7% in local currencies in Europe and 13% in Asia Pacific/Middle East/Africa. We believe MCD will benefit from its ongoing restaurant modernization efforts as well as new additions to its menus. In addition to stronger demand, we believe sales will be aided by favorable foreign currency exchange.
- We look for company-operated restaurant margins in 2011 of 18.4%, down slightly from 19.6% in 2010. Higher menu prices should partially offset higher food and other commodity costs. We also think labor costs will be restrained and that selling, general and administrative expenses will decline as a percentage of revenues due to economies of scale. We see operating margins remaining at 2010's level of 31% in 2011.
- We project EPS of $5.29 and $5.85 for 2011 and 2012, respectively, compared to $4.58 in 2010. Besides higher revenues, we see EPS growth coming from fewer shares outstanding as a result of MCD's share repurchase program.

Investment Rationale/Risk

- We recently raised our recommendation to buy, from hold, on valuation. Although we are concerned about a slowdown in the global economy, we believe consumers are still willing to make small discretionary purchases. We see significant growth opportunities in international markets, in particular in Asia Pacific, the Middle East and Africa. We also think MCD can gain market share with new menu items, including frappes and smoothies. Although food input costs have been rising, we see less price appreciation in the second half of 2011.
- Risks to our recommendation and target price include higher-than-expected food costs, poor customer acceptance of MCD's new menu offerings, and exchange rate risk in light of MCD's substantial international business.
- Our 12-month target price of $99 is based on a multiple of approximately 17X our 2012 EPS estimate of $5.85, a slight premium to the peer group average. The 2010 fourth-quarter increase in the annual dividend rate to $2.44 provides a 2.9% dividend yield at recent stock prices.

Qualitative Risk Assessment

LOW	**MEDIUM**	HIGH

McDonald's competes in the global fast food industry, where it arguably has the most dominant brand name presence. However, results can vary widely due to fluctuations in food costs, competitive discounting, and exchange rate volatility. Our risk assessment reflects our view that global economic weakness has started to subside, although recovery prospects remain uncertain.

Quantitative Evaluations

S&P Quality Ranking A

D	C	B-	B	B+	A-	**A**	A+

Relative Strength Rank STRONG

92

LOWEST = 1 HIGHEST = 99

Revenue/Earnings Data

Revenue (Million $)

	1Q	2Q	3Q	4Q	Year
2011	6,112	6,905	--	--	--
2010	5,610	5,946	6,305	6,214	24,075
2009	5,077	5,647	6,047	5,973	22,745
2008	5,615	6,075	6,267	5,565	23,522
2007	5,293	5,839	5,901	5,754	22,787
2006	4,914	5,367	5,671	5,634	21,586

Earnings Per Share ($)

2011	1.15	1.35	E1.41	E1.39	E5.29
2010	1.00	1.13	1.29	1.16	4.58
2009	0.87	0.98	1.15	1.11	4.11
2008	0.81	1.04	1.05	0.87	3.76
2007	0.63	-0.59	0.83	1.06	1.93
2006	0.46	0.56	0.67	0.61	2.30

Fiscal year ended Dec. 31. Next earnings report expected: NA. EPS Estimates based on S&P Operating Earnings; historical GAAP earnings are as reported.

Dividend Data (Dates: mm/dd Payment Date: mm/dd/yy)

Amount ($)	Date Decl.	Ex-Div. Date	Stk. of Record	Payment Date
0.610	09/23	11/29	12/01	12/15/10
0.610	01/27	02/25	03/01	03/15/11
0.610	05/19	05/27	06/01	06/15/11
0.610	07/22	08/30	09/01	09/16/11

Dividends have been paid since 1976. Source: Company reports.

Please read the Required Disclosures and Analyst Certification on the last page of this report.

McDonald's Corp

STANDARD &POOR'S

Business Summary August 08, 2011

CORPORATE OVERVIEW. With one of the world's most widely known brand names, McDonald's operates and franchises about 32,500 restaurants around the world. Systemwide sales totaled $76.7 billion in 2010, up from $72.4 billion in 2009 and $70.7 billion in 2008.

In the U.S., the McDonald's chain leads the $160 billion quick-service restaurant industry. With U.S. systemwide sales of $31 billion, its domestic business is several times larger than its closest competitors, Burger King and Wendy's Old Fashioned Hamburgers. MCD's international segment has supplied much of its earnings growth over the past two decades, and, in 2010, contributed 54% of operating income (before corporate expenses and one-time charges). All restaurants are operated by MCD, franchisees, or affiliates under joint venture agreements.

In August 2007, the company completed the sale of its existing businesses in Brazil, Argentina, Mexico, Puerto Rico, Venezuela and 13 other countries in Latin America and the Caribbean to a developmental licensee (the Latam transaction). The company recorded impairment charges totaling approximately $1.7 billion, substantially all of which was non-cash. The charges included approximately $892 million for the difference between the net book value of the Latam business and the approximately $680 million in cash proceeds, and $773 million in foreign currency translation losses previously included in comprehensive income.

CORPORATE STRATEGY. In 2011, the company will continue its "Plan to Win" corporate strategy that it commenced in 2003. MCD's stated operating priorities include fixing operating inadequacies in existing restaurants; taking a more integrated and focused approach to growth, with an emphasis on increasing sales, margins and returns in existing restaurants; and ensuring the correct operating structure and resources, aligned behind focusing priorities that create benefits for its customers and restaurants.

A significant part of the new corporate strategy was to de-emphasize Partner Brands concepts in order to focus on the McDonald's brand. In 2006 and 2007, MCD disposed of interests in the Chipotle Mexican Grill restaurant concept as well as the Boston Market chain, and it sold its minority interest in Pret a Manger in 2008.

CORPORATE GOVERNANCE. McDonald's Corp. has explicitly stated governance principles, guidelines and standards regarding the independence and conduct of its executives and directors, as well as its global workforce. It also has extensive policies regarding labor diversity, materials procurement, as well as health and the environment, among other issues.

FINANCIAL TRENDS. U.S. same-store sales results were up 5.0% in 2010, as well as in the fourth quarter. We believe that sales comparisons reflected a customer preference for MCD's value menu and smoothie drinks.

Sales trends were also better internationally in 2010, as we believe locally targeted efforts under the Plan to Win strategy were successful, and MCD gained market share as weak economic conditions led consumers to increasingly opt for MCD's low-priced fare. We also believe that much of the improvement relates to new product introductions and an increased focus on non-traditional items for sale during non-peak hours. With better sales results and a focus on restraining corporate costs, operating margins also improved significantly.

In September 2007, the company announced a new long-term goal to spend a combined $15 billion-$17 billion over the 2007-2009 period for share repurchases and dividends. Over the period, the company completed share repurchases and paid cash dividends of a combined $16.6 billion. As part of this plan, in September 2008, MCD increased its cash dividend to an annual rate of $2.00, double the dividend it had paid in 2006, and increased it further in September 2009 to an annual rate of $2.20, and in December 2010 to $2.44.

For the one- and three-year periods ended December 31, 2010, returns on invested capital were 23.2% and 19.0%, respectively.

Concurrent with the company's primary growth focus outside the U.S., operating income from non-U.S. operations was 54% of total operating income (before unallocated corporate and other expenses) during 2010, up from 53% in 2009. U.S. operating profit grew 6.6%, while profits in all other geographies increased 11.6%.

Corporate Information

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Officers

Chrmn
A.J. McKenna

Pres & COO
D. Thompson

Vice Chrmn & CEO
J. Skinner

EVP, Secy & General Counsel
G. Santona

SVP & Cntlr
K.M. Ozan

Board Members
S. E. Arnold
R. A. Eckert
E. Hernandez, Jr.
J. P. Jackson
R. H. Lenny
W. E. Massey
A. J. McKenna
C. D. McMillan
S. A. Penrose
J. W. Rogers, Jr.
J. Skinner
R. W. Stone
D. Thompson
M. D. White

Domicile
Delaware

Founded
1948

Employees
400,000

Stockholders
1,198,000

McDonald's Corp

STANDARD &POOR'S

Quantitative Evaluations

S&P Fair Value Rank 1+

1	2	3	4	5

LOWEST HIGHEST

Based on S&P's proprietary quantitative model, stocks are ranked from most overvalued (1) to most undervalued (5).

Fair Value Calculation $69.10

Analysis of the stock's current worth, based on S&P's proprietary quantitative model suggests that MCD is overvalued by $18.13 or 20.8%.

Investability Quotient Percentile 100

LOWEST = 1 HIGHEST = 100

MCD scored higher than 100% of all companies for which an S&P Report is available.

Volatility LOW | AVERAGE | HIGH

Technical Evaluation NEUTRAL

Since August, 2011, the technical indicators for MCD have been NEUTRAL.

Insider Activity UNFAVORABLE | NEUTRAL | FAVORABLE

Expanded Ratio Analysis

	2010	2009	2008	2007
Price/Sales	3.44	3.04	3.03	3.13
Price/EBITDA	9.69	8.89	9.57	10.68
Price/Pretax Income	11.85	10.66	11.57	19.98
P/E Ratio	16.76	15.19	16.52	30.57
Avg. Diluted Shares Outstg (M)	1,080.3	1,107.4	1,146.0	1,211.8

Figures based on calendar year-end price

Key Growth Rates and Averages

Past Growth Rate (%)	1 Year	3 Years	5 Years	9 Years
Sales	5.85	1.32	2.90	5.76
Net Income	8.69	25.93	16.03	17.10
Ratio Analysis (Annual Avg.)				
Net Margin (%)	20.55	19.63	16.49	13.60
% LT Debt to Capitalization	43.98	42.82	38.65	39.20

Company Financials Fiscal Year Ended Dec. 31

Per Share Data ($)	2010	2009	2008	2007	2006	2005	2004	2003	2002	2001
Tangible Book Value	11.43	10.78	10.00	11.14	11.01	10.45	9.74	8.18	6.88	6.30
Cash Flow	5.76	5.21	4.78	2.87	3.29	3.05	2.73	2.08	1.59	2.08
Earnings	4.58	4.11	3.76	1.93	2.30	2.04	1.79	1.18	0.77	1.25
S&P Core Earnings	4.53	3.99	3.60	1.88	2.28	2.00	1.66	0.96	0.51	1.01
Dividends	2.26	2.05	1.63	1.50	1.00	0.67	0.55	0.40	0.24	0.23
Payout Ratio	49%	50%	43%	78%	43%	33%	31%	34%	31%	18%
Prices:High	80.94	64.75	67.00	63.69	44.68	35.69	32.96	27.01	30.72	35.06
Prices:Low	61.06	50.44	45.79	42.31	31.73	27.36	24.54	12.12	15.17	24.75
P/E Ratio:High	18	16	18	33	19	17	18	23	40	28
P/E Ratio:Low	13	12	12	22	14	13	14	10	20	20
Income Statement Analysis (Million $)										
Revenue	24,075	22,745	23,522	22,787	21,586	20,460	19,065	17,141	15,406	14,870
Operating Income	8,560	7,774	7,445	6,683	5,829	5,243	4,742	3,980	3,164	3,983
Depreciation	1,276	1,216	1,162	1,145	1,250	1,250	1,201	1,148	1,051	1,086
Interest Expense	451	473	535	417	402	356	358	388	360	452
Pretax Income	7,000	6,487	6,158	3,572	4,166	3,702	3,202	2,346	1,662	2,330
Effective Tax Rate	NA	29.8%	30.0%	34.6%	31.0%	29.7%	28.9%	35.7%	40.3%	29.8%
Net Income	4,946	4,551	4,313	2,335	2,873	2,602	2,279	1,508	992	1,637
S&P Core Earnings	4,895	4,416	4,127	2,277	2,848	2,540	2,100	1,226	667	1,328
Balance Sheet & Other Financial Data (Million $)										
Cash	2,388	1,796	2,063	1,981	2,136	4,260	1,380	493	330	418
Current Assets	4,369	3,416	3,518	3,582	3,625	5,850	2,858	1,885	1,715	1,819
Total Assets	31,975	30,225	28,462	29,392	29,024	29,989	27,838	25,525	23,971	22,535
Current Liabilities	2,925	2,989	2,538	4,499	3,008	4,036	3,521	2,486	2,422	2,248
Long Term Debt	11,497	10,564	10,186	7,310	8,417	8,937	8,357	9,343	9,704	8,556
Common Equity	14,634	14,034	13,383	15,280	15,458	15,146	14,202	11,982	10,281	9,488
Total Capital	26,140	24,616	24,514	23,551	24,941	25,060	23,340	22,340	20,988	19,156
Capital Expenditures	2,136	1,952	2,136	1,947	1,742	1,607	1,419	1,307	2,004	1,906
Cash Flow	6,223	5,767	5,475	3,480	4,123	3,852	3,480	2,656	2,043	2,723
Current Ratio	1.5	1.1	1.4	0.8	1.2	1.4	0.8	0.8	0.7	0.8
% Long Term Debt of Capitalization	44.0	Nil	41.6	31.0	33.7	35.7	35.8	41.8	46.2	44.7
% Net Income of Revenue	20.6	20.0	18.3	10.3	13.3	12.7	12.0	8.8	6.4	11.0
% Return on Assets	NA	NA	NA	8.9	9.7	9.0	8.5	6.1	4.3	7.4
% Return on Equity	NA	NA	NA	15.2	18.8	17.7	17.4	13.5	10.0	17.5

Data as orig reptd.; bef. results of disc opers/spec. items. Per share data adj. for stk. divs.; EPS diluted. E-Estimated. NA-Not Available. NM-Not Meaningful. NR-Not Ranked. UR-Under Review.

Sub-Industry Outlook

Our fundamental outlook for the restaurants sub-industry is neutral, as we expect meaningful top-line growth to remain difficult in the face of high joblessness and an ongoing troubled housing market, offset by our outlook for GDP growth through 2012.

We see generally stabilizing fundamentals among companies in the full-service dining segment, including most casual dining and fine dining establishments. Specifically, we believe global economic growth has the potential to offset more lackluster domestic prospects.

For the full-service restaurant segment, we believe the group will continue to be affected by the after-effects of the recession. That said, we think consumers are demonstrating a willingness to resume spending, albeit at a lower level. We note that operators with a large proportion of their locations in states where housing prices are likely to remain weak, or where unemployment is above the national average, are likely to experience weaker results.

We estimate revenues for full-service dining restaurants were roughly flat for 2010, and we expect a modest low single digit uptick in 2011, as the sub-group will likely stabilize following the muted economic rebound that started in late 2009. After economic factors including high unemployment likely contributed to approximately 4% lower segment traffic in 2010, we think traffic trends will be about flat in 2011 as customers return to restaurants, but preferences will likely favor less expensive menu choices.

Quick-service restaurants did not suffer as greatly in 2009 and 2010, with sales rising 1.5% and 1.8%, respectively, as we believe consumers traded down from eating out at full-service outfits. We see a similar increase for 2011; however, we see a lack of ability to materially raise prices across the sector, which has increasingly relied on promotional pricing to drive traffic. In total, we estimate a low single digit sales increase for 2011.

When considering all types of venues for eating outside the home, 2009 marked the first time total industry guest traffic fell two years in a row, and the first year in the history of the modern restaurant industry that sales fell. Despite lower sales, margins were aided by cost cutting and sharply reduced food costs. Given the depth of these cuts, we think it is unlikely that meaningful improvement will continue in 2011.

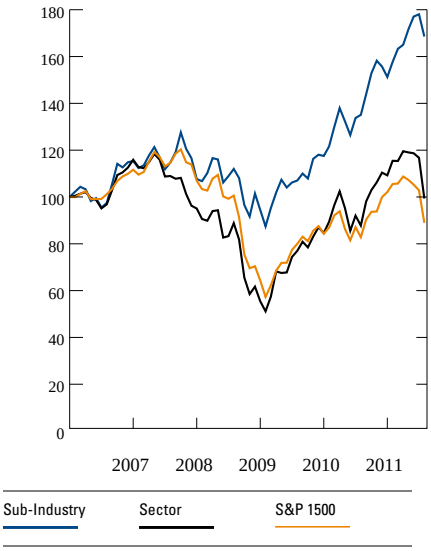
Year to date through July 22, the S&P Restaurants Index was up 17.7% versus a 7.2% increase for the S&P 1500. In 2010, the index outperformed the 1500, with a gain of 31.9% versus a 14.2% rise.

--Jim Yin, CFA

Stock Performance

GICS Sector: Consumer Discretionary
Sub-Industry: Restaurants

Based on S&P 1500 Indexes
Month-end Price Performance as of 07/29/11



NOTE: All Sector & Sub-Industry information is based on the Global Industry Classification Standard (GICS)

Sub-Industry : Restaurants Peer Group*: Fast-food - Larger

Peer Group	Stock Symbol	Stk.Mkt. Cap. (Mil. $)	Recent Stock Price($)	52 Week High/Low($)	Beta	Yield (%)	P/E Ratio	Fair Value Calc.($)	Quality Ranking	S&P IQ %ile	Return on Revenue (%)	LTD to Cap (%)
McDonald's Corp	**MCD**	**90,000**	**87.23**	**89.57/72.14**	**0.50**	**2.8**	**18**	**69.10**	**A**	**100**	**20.6**	**44.0**
Biglari Holdings	BH	393	320.08	464.77/265.15	1.46	Nil	13	NA	B-	28	4.2	5.4
Domino's Pizza	DPZ	1,521	25.02	28.74/12.45	1.11	Nil	17	16.10	NR	15	5.6	601.0
Jack in the Box	JACK	873	18.82	24.51/18.25	0.78	Nil	16	19.80	B+	42	3.1	39.8
Papa John's Intl	PZZA	701	27.70	34.75/23.20	0.58	Nil	14	27.20	B	39	4.9	32.3
Starbucks Corp	SBUX	26,188	35.10	41.11/22.50	1.22	1.5	23	28.10	B+	95	8.8	13.0
Yum Brands	YUM	22,947	49.41	57.75/41.00	1.00	2.0	20	44.40	A	99	10.4	62.3

NA-Not Available NM-Not Meaningful NR-Not Rated. *For Peer Groups with more than 15 companies or stocks, selection of issues is based on market capitalization.

S&P Analyst Research Notes and other Company News

August 17, 2011
McDonald's Corp. announced that Steve Easterbrook will resign as President of the company's Europe effective September 30, 2011. Easterbrook, 44, is joining the privately owned Gondola Group and will assume operational leadership of the international restaurant brand PizzaExpress as Chief Executive. The board of directors has elected Doug Goare, current Executive Vice President of the company's Global Supply Chain and Real Estate Development, as President of the company's Europe, effective October 1, 2011. Goare, 59, will oversee operations of more than 7,000 the company's restaurants in 40 European countries. A 33-year veteran of the company's, Goare will relocate to Geneva, Switzerland, headquarters for McDonald's Europe. He will continue to report to Don Thompson, the company's President and Chief Operating Officer. The board also elected Jose Armario, current Group President of the company's Canada and Latin America, to succeed Goare as Executive Vice President of Global Supply Chain, Real Estate Development and Franchising. Armario, 52, will be responsible for the company's $23 billion procurement of food, packaging and premiums, worldwide purchasing and supplier relationships, and food safety and quality systems strategy. Armario will also lead the company's efforts in developing locations for the company's restaurants around the world. He remains responsible for overseeing all international franchising. Armario will continue to report to Thompson.

August 8, 2011
12:52 pm ET ... S&P UPGRADES OPINION ON SHARES OF MCDONALD'S TO BUY FROM HOLD (MCD 83.68****): Our upgrade is based mostly on valuation, as MCD shares have declined with the overall market. Although we are concerned about a slower global economy, we believe consumers are still willing to make small discretionary purchases. We expect MCD to continue to gain market share with new menu items and its modernization efforts. We also think the recent decline in commodity prices will aid gross and operating margins. We keep our EPS estimates of $5.29 and $5.85 for '11 and '12, respectively, and our target price at $99. /J. Yin-CFA

July 25, 2011
09:07 am ET ... MCDONALD'S CORP. (MCD 88.74) UP 2.2, MCDONALD'S (MCD) REPORTS Q2 EPS GAIN. LAZARD CAPITAL REITERATES BUY... Analyst Matthew DiFrisco tells salesforce MCD's $1.35 Q2 EPS exceeded his Street-high $1.31 estimate due to strong June same-store sales. Notes gross margin was in line at McDonald's company.-operated stores, at 19%. Continues to anticipate upside to MCD shares as steady reinvestment into the system and international expansion drive relative top-line outperformance while sustaining peak margins given pricing power coupled with operating efficiencies. Boosts $5.15 '11 EPS estimate to $5.25, $5.75 '12 to $5.80. Raises $92 target price to $98. B.Egli

July 22, 2011
MCD posts $1.35 vs. $1.13 Q2 EPS on 5.6% higher global comparable sales (with U.S. up 4.5%, Europe up 5.9% and Asia/Pacific, Middle East and Africa up 5.2%), 16% higher total sales. Capital IQ consensus forecast was $1.28.

July 22, 2011
11:13 am ET ... S&P MAINTAINS HOLD OPINION ON SHARES OF MCDONALDS (MCD 89.18***): Q2 EPS of $1.35, vs. $1.13, beats our $1.27 forecast. Sales rose 16%, with global sales comps up 5.6%, fueled by the McCafe line-up and aided by favorable foreign currency exchange. We also think MCD is benefitting from its ongoing restaurant modernization efforts and the focus on increasing traffic throughput. We believe these steps as well as increases in menu prices will offset rising commodity prices. We raise our '11 EPS estimate by $0.23 to $5.29, '12's by $0.34 to $5.85, and our target price by $16 to $99, based on 17X our 2012 EPS estimate, a slight premium to its peers. /J. Yin-CFA

June 8, 2011
MCD posts 3.1% higher May global same-store sales, 12% higher systemwide sales or 4.7% in constant currencies.

June 8, 2011
10:41 am ET ... S&P MAINTAINS HOLD OPINION ON SHARES OF MCDONALD'S (MCD 80.90***): MCD reports a 3.1% increase in global comparable sales for May, which included a 2.4% increase for the U.S., on relative strength for recently launched frozen beverages and breakfast items. This tally came in somewhat below our expectations. Going forward, we think the pace of growth will remain below that experienced during last year's recovery, although we think the above food categories will remain a boon. Coupled with international growth and currency translation benefits, we continue to see 5.0% total revenue growth for '11, and keep our 12-month target price of $83. /EKolb

June 1, 2011
McDonald's Corp. announced that Bridget Coffing, currently Vice President of Global External Communications, has been promoted to Senior Vice President of McDonald's Corporate Relations. In her new role, Coffing will be the chief communications officer for McDonald's and will oversee corporate functions including media relations, marketing communications, public relations, corporate social responsibility, internal communications and government relations. She fills the position previously held by Jack Daly, who passed away in February. Coffing will report to McDonald's Chief Executive Officer Jim Skinner. A 25-year veteran of McDonald's, Coffing will lead a global team of company communicators to invigorate dialogue with customers, employees, international media, stakeholders, and the NGO community. Coffing joined McDonald's in 1985 from Golin/Harris Communications, where she specialized in food and consumer marketing. She previously worked in the advertising and retail promotion industry.

May 9, 2011
MCD posts 6% higher April global comparable sales, with U.S. up 4%, Europe up 6.5%, Asia/Pacific, Middle East and Africa up 6.5%.

May 9, 2011
09:49 am ET ... S&P MAINTAINS HOLD OPINION ON SHARES OF MCDONALDS (MCD 79.55***): MCD reports a 6.0% increase in global comparable sales for April, which included a 4.0% increase for the U.S., on relative strength for McCafe beverages and breakfast items. This tally came in somewhat ahead of our expectations. Going forward, we think the pace of growth will remain below that experienced during last year's recovery. We think the above food categories will remain a boon. Coupled with MCD's international growth efforts, we see 5.0% total revenue growth for '11, and keep our 12-month target price of $83. /EKolb

April 21, 2011
03:03 pm ET ... S&P MAINTAINS HOLD OPINION ON SHARES OF MCDONALDS (MCD 76.68***): Q1 EPS of $1.15, vs. $1.00, is below our $1.20 forecast, on a 4.2% increase in global comps. Domestic comps, up 2.9%, were aided by McCafe and oatmeal offerings. MCD now sees 4%-5% higher food costs in the U.S. and Europe for '11, from 2%-2.5% previously, and we are concerned that efforts to preserve growth will erode margins. We think consumers remain extremely sensitive to price increases. That said, we believe international growth will continue to aid results, and we raise our '11 EPS estimate to $5.06 from $5.04, and keep our $83 target price. /EKolb

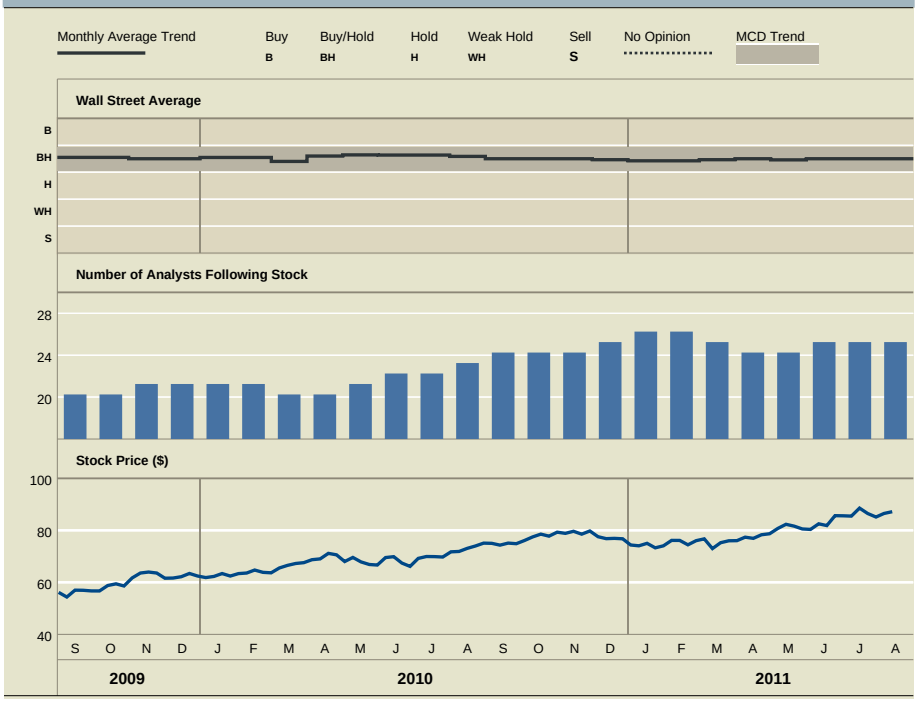
March 18, 2011
McDonald's Corp. appointed the Shanduka Group's executive chairman, Cyril Ramaphosa, as the development licensee for its South African operations.

March 8, 2011
MCD posts Feb. global same-store sales rise of 3.9%, 8.1% higher systemwide sales, or 5.2% rise in constant currencies.

McDonald's Corp

STANDARD &POOR'S

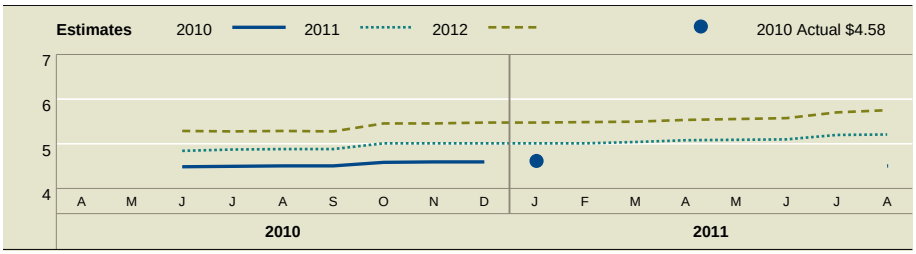
Analysts' Recommendations



Of the total 30 companies following MCD, 25 analysts currently publish recommendations.

	No. of Ratings	% of Total	1 Mo. Prior	3 Mos. Prior
Buy	9	36	9	8
Buy/Hold	9	36	7	7
Hold	7	28	9	9
Weak Hold	0	0	0	0
Sell	0	0	0	0
No Opinion	0	0	0	0
Total	**25**	**100**	**25**	**24**

Wall Street Consensus Estimates



Fiscal Years	Avg Est.	High Est.	Low Est.	# of Est.	Est. P/E
2012	5.77	6.44	5.60	26	15.1
2011	5.22	5.29	5.15	27	16.7
2012 vs. 2011	▲ 11%	▲ 22%	▲ 9%	▼ -4%	▼ -10%
Q3'12	1.62	1.67	1.55	11	53.8
Q3'11	1.46	1.50	1.43	24	59.7
Q3'12 vs. Q3'11	▲ 11%	▲ 11%	▲ 8%	▼ -54%	▼ -10%

A company's earnings outlook plays a major part in any investment decision. Standard & Poor's organizes the earnings estimates of over 2,300 Wall Street analysts, and provides their consensus of earnings over the next two years. This graph shows the trend in analyst estimates over the past 15 months.

Wall Steet Consensus Opinion

BUY/HOLD

Companies Offering Coverage

Argus Research Company
BMO Capital Markets-us
Barclays Capital
Bofa Merrill Lynch
Buckingham Research
Citi
Cowen AND Company
Credit Suisse - North America
Crowell, Weedon & Co.
Deutsche Bank North America
Dolmen Securities
First Global Stockbroking Ltd.
Goldman Sachs & Co.
Janney Montgomery Scott LLC
Jefferies & Co.
Jpmorgan
Lazard Capital Markets
Morgan Stanley
Morningstar, Inc.
Oppenheimer & Co.
Piper Jaffray
RBC Capital Markets
Robert W. Baird & Co., Inc.
Sanford C. Bernstein & Co., LLC
Sterne, Agee & Leach
Stifel Nicolaus & Company,inc.
Susquehanna Financial Group
UBS (us)
Wall Street Strategies
Wells Fargo Securities, LLC

Wall Street Consensus vs. Performance

For fiscal year 2011, analysts estimate that MCD will earn $5.22. For the 2nd quarter of fiscal year 2011, MCD announced earnings per share of $1.35, representing 26% of the total annual estimate. For fiscal year 2012, analysts estimate that MCD's earnings per share will grow by 11% to $5.77.

McDonald's Corp

STANDARD &POOR'S

Glossary

S&P STARS
Since January 1, 1987, Standard and Poor's Equity Research Services has ranked a universe of common stocks based on a given stock's potential for future performance. Under proprietary STARS (STock Appreciation Ranking System), S&P equity analysts rank stocks according to their individual forecast of a stock's future total return potential versus the expected total return of a relevant benchmark (e.g., a regional index (S&P Asia 50 Index, S&P Europe 350 Index or S&P 500 Index)), based on a 12-month time horizon. STARS was designed to meet the needs of investors looking to put their investment decisions in perspective. Data used to assist in determining the STARS ranking may be the result of the analyst's own models as well as internal proprietary models resulting from dynamic data inputs.

S&P 12-Month Target Price
The S&P equity analyst's projection of the market price a given security will command 12 months hence, based on a combination of intrinsic, relative, and private market valuation metrics, including S&P Fair Value.

Investment Style Classification
Characterizes the stock as Growth or Value, and indicates its capitalization level. Growth is evaluated along three dimensions (earnings, sales and internal growth), while Value is evaluated along four dimensions (book-to-price, cash flow-to-price, dividend yield and sale-to-price). Growth stocks score higher than the market average on growth dimensions and lower on value dimensions. The reverse is true for Value stocks. Certain stocks are classified as Blend, indicating a mixture of growth and value characteristics and cannot be classified as purely growth or value.

S&P EPS Estimates
Standard & Poor's earnings per share (EPS) estimates reflect analyst projections of future EPS from continuing operations, and generally exclude various items that are viewed as special, non-recurring, or extraordinary. Also, S&P EPS estimates reflect either forecasts of S&P equity analysts; or, the consensus (average) EPS estimate, which are independently compiled by Capital IQ, a data provider to Standard & Poor's Equity Research. Among the items typically excluded from EPS estimates are asset sale gains; impairment, restructuring or merger-related charges; legal and insurance settlements; in process research and development expenses; gains or losses on the extinguishment of debt; the cumulative effect of accounting changes; and earnings related to operations that have been classified by the company as discontinued. The inclusion of some items, such as stock option expense and recurring types of other charges, may vary, and depend on such factors as industry practice, analyst judgment, and the extent to which some types of data is disclosed by companies.

S&P Core Earnings
Standard & Poor's Core Earnings is a uniform methodology for adjusting operating earnings by focusing on a company's after-tax earnings generated from its principal businesses. Included in the Standard & Poor's definition are employee stock option grant expenses, pension costs, restructuring charges from ongoing operations, write-downs of depreciable or amortizable operating assets, purchased research and development, M&A related expenses and unrealized gains/losses from hedging activities. Excluded from the definition are pension gains, impairment of goodwill charges, gains or losses from asset sales, reversal of prior-year charges and provision from litigation or insurance settlements.

Qualitative Risk Assessment
The S&P equity analyst's view of a given company's operational risk, or the risk of a firm's ability to continue as an ongoing concern. The Qualitative Risk Assessment is a relative ranking to the S&P U.S. STARS universe, and should be reflective of risk factors related to a company's operations, as opposed to risk and volatility measures associated with share prices.

Quantitative Evaluations
In contrast to our qualitative STARS recommendations, which are assigned by S&P analysts, the quantitative evaluations described below are derived from proprietary arithmetic models. These computer-driven evaluations may at times contradict an analyst's qualitative assessment of a stock. One primary reason for this is that different measures are used to determine each. For instance, when designating STARS, S&P analysts assess many factors that cannot be reflected in a model, such as risks and opportunities, management changes, recent competitive shifts, patent expiration, litigation risk, etc.

S&P Quality Ranking
Growth and stability of earnings and dividends are deemed key elements in establishing S&P's Quality Rankings for common stocks, which are designed to capsulize the nature of this record in a single symbol. It should be noted, however, that the process also takes into consideration certain adjustments and modifications deemed desirable in establishing such rankings. The final score for each stock is measured against a scoring matrix determined by analysis of the scores of a large and representative sample of stocks. The range of scores in the array of this sample has been aligned with the following ladder of rankings:

A+	Highest	B	Below Average
A	High	B-	Lower
A-	Above Average	C	Lowest
B+	Average	D	In Reorganization
NR	Not Ranked		

S&P Fair Value Rank
Using S&P's exclusive proprietary quantitative model, stocks are ranked in one of five groups, ranging from Group 5, listing the most undervalued stocks, to Group 1, the most overvalued issues. Group 5 stocks are expected to generally outperform all others. A positive (+) or negative (-) Timing Index is placed next to the Fair Value ranking to further aid the selection process. A stock with a (+) added to the Fair Value Rank simply means that this stock has a somewhat better chance to outperform other stocks with the same Fair Value Rank. A stock with a (-) has a somewhat lesser chance to outperform other stocks with the same Fair Value Rank. The Fair Value rankings imply the following: 5-Stock is significantly undervalued; 4-Stock is moderately undervalued; 3-Stock is fairly valued; 2-Stock is modestly overvalued; 1-Stock is significantly overvalued.

S&P Fair Value Calculation
The price at which a stock should trade at, according to S&P's proprietary quantitative model that incorporates both actual and estimated variables (as opposed to only actual variables in the case of S&P Quality Ranking). Relying heavily on a company's actual return on equity, the S&P Fair Value model places a value on a security based on placing a formula-derived price-to-book multiple on a company's consensus earnings per share estimate.

Insider Activity
Gives an insight as to insider sentiment by showing whether directors, officers and key employees who have proprietary information not available to the general public, are buying or selling the company's stock during the most recent six months.

Funds From Operations FFO
FFO is Funds from Operations and equal to a REIT's net income, excluding gains or losses from sales of property, plus real estate depreciation.

Investability Quotient (IQ)
The IQ is a measure of investment desirability. It serves as an indicator of potential medium-to-long term return and as a caution against downside risk. The measure takes into account variables such as technical indicators, earnings estimates, liquidity, financial ratios and selected S&P proprietary measures.

S&P's IQ Rationale:
McDonald's Corp

	Raw Score	Max Value
Proprietary S&P Measures	47	115
Technical Indicators	32	40
Liquidity/Volatility Measures	18	20
Quantitative Measures	63	75
IQ Total	**160**	**250**

Volatility
Rates the volatility of the stock's price over the past year.

Technical Evaluation
In researching the past market history of prices and trading volume for each company, S&P's computer models apply special technical methods and formulas to identify and project price trends for the stock.

Relative Strength Rank
Shows, on a scale of 1 to 99, how the stock has performed versus all other companies in S&P's universe on a rolling 13-week basis.

Global Industry Classification Standard (GICS)
An industry classification standard, developed by Standard & Poor's in collaboration with Morgan Stanley Capital International (MSCI). GICS is currently comprised of 10 Sectors, 24 Industry Groups, 68 Industries, and 154 Sub-Industries.

S&P Issuer Credit Rating
A Standard & Poor's Issuer Credit Rating is a current opinion of an obligor's overall financial capacity (its creditworthiness) to pay its financial obligations. This opinion focuses on the obligor's capacity and willingness to meet its financial commitments as they come due. It does not apply to any specific financial obligation, as it does not take into account the nature of and provisions of the obligation, its standing in bankruptcy or liquidation, statutory preferences, or the legality and enforceability of the obligation. In addition, it does not take into account the creditworthiness of the guarantors, insurers, or other forms of credit enhancement on the obligation. The Issuer Credit Rating is not a recommendation to purchase, sell, or hold a financial obligation issued by an obligor, as it does not comment on market price or suitability for a particular investor. Issuer Credit Ratings are based on current information furnished by obligors or obtained by Standard & Poor's from other sources it considers reliable. Standard & Poor's does not perform an audit in connection with any Issuer Credit Rating and may, on occasion, rely on unaudited financial information. Issuer Credit Ratings may be changed, suspended, or withdrawn as a result of changes in, or unavailability of, such information, or based on other circumstances.

Exchange Type
ASE - American Stock Exchange; NNM - Nasdaq National Market; NSC - Nasdaq SmallCap; NYSE - New York Stock Exchange; BB - OTC Bulletin Board; OT - Over-the-Counter; TO - Toronto Stock Exchange.

S&P Equity Research Services
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Abbreviations Used in S&P Equity Research Reports
CAGR- Compound Annual Growth Rate; **CAPEX**- Capital Expenditures; **CY**- Calendar Year; **DCF**- Discounted Cash Flow; **EBIT**- Earnings Before Interest and Taxes; **EBITDA**- Earnings Before Interest, Taxes, Depreciation and Amortization; **EPS**- Earnings Per Share; **EV**- Enterprise Value; **FCF**- Free Cash Flow; **FFO**- Funds From Operations; **FY**- Fiscal Year; **P/E**- Price/Earnings ; **PEG Ratio**- P/E-to-Growth Ratio; **PV**- Present Value; **R&D**- Research & Development; **ROE**- Return on Equity; **ROI**- Return on Investment; **ROIC**- Return on Invested Capital; **ROA**- Return on Assets; **SG&A**- Selling, General & Administrative Expenses; **WACC**- Weighted Average Cost of Capital

Dividends on American Depository Receipts (ADRs) and American Depository Shares (ADSs) are net of taxes (paid in the country of origin).

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In contrast to the qualitative STARS recommendations covered in this report, which are determined and assigned by S&P equity analysts, S&P's quantitative evaluations are derived from S&P's proprietary Fair Value quantitative model. In particular, the Fair Value Ranking methodology is a relative ranking methodology, whereas the STARS methodology is not. Because the Fair Value model and the STARS methodology reflect different criteria, assumptions and analytical methods, quantitative evaluations may at times differ from (or even contradict) an equity analyst's STARS recommendations. As a quantitative model, Fair Value relies on history and consensus estimates and does not introduce an element of subjectivity as can be the case with equity analysts in assigning STARS recommendations.

S&P Global STARS Distribution

In North America: As of June 30, 2011, research analysts at Standard & Poor's Equity Research Services North America recommended 38.4% of issuers with buy recommendations, 54.8% with hold recommendations and 6.8% with sell recommendations.

In Europe: As of June 30, 2011, research analysts at Standard & Poor's Equity Research Services Europe recommended 36.0% of issuers with buy recommendations, 48.3% with hold recommendations and 15.7% with sell recommendations.

In Asia: As of June 30, 2011, research analysts at Standard & Poor's Equity Research Services Asia recommended 45.1% of issuers with buy recommendations, 47.7% with hold recommendations and 7.2% with sell recommendations.

Globally: As of June 30, 2011, research analysts at Standard & Poor's Equity Research Services globally recommended 38.6% of issuers with buy recommendations, 53.2% with hold recommendations and 8.2% with sell recommendations.

★★★★★ **5-STARS (Strong Buy)**: Total return is expected to outperform the total return of a relevant benchmark, by a wide margin over the coming 12 months, with shares rising in price on an absolute basis.

★★★★☆ **4-STARS (Buy)**: Total return is expected to outperform the total return of a relevant benchmark over the coming 12 months, with shares rising in price on an absolute basis.

★★★☆☆ **3-STARS (Hold)**: Total return is expected to closely approximate the total return of a relevant benchmark over the coming 12 months, with shares generally rising in price on an absolute basis.

★★☆☆☆ **2-STARS (Sell)**: Total return is expected to underperform the total return of a relevant benchmark over the coming 12 months, and the share price not anticipated to show a gain.

★☆☆☆☆ **1-STARS (Strong Sell)**: Total return is expected to underperform the total return of a relevant benchmark by a wide margin over the coming 12 months, with shares falling in price on an absolute basis.

Relevant benchmarks: In North America the relevant benchmark is the S&P 500 Index, in Europe and in Asia, the relevant benchmarks are generally the S&P Europe 350 Index and the S&P Asia 50 Index.

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S&P Global Quantitative Recommendations Distribution

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In Asia: As of June 30, 2011, Standard & Poor's Quantitative Services Asia recommended 45.1% of issuers with buy recommendations, 21.0% with hold recommendations and 36.0% with sell recommendations.

Globally: As of June 30, 2011, Standard & Poor's Quantitative Services globally recommended 42.0% of issuers with buy recommendations, 20.0% with hold recommendations and 36.0% with sell recommendations.

Additional information is available upon request.

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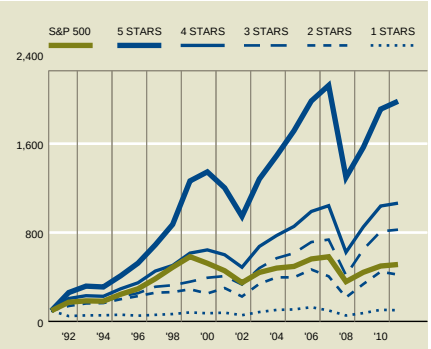
U.S. STARS Cumulative Model Performance
Hypothetical Growth Due to Price Appreciation of $100
For the Period 12/31/1986 through 07/31/2011



The performance above represents only the results of Standard & Poor's model portfolios. Model performance has inherent limitations. Standard & Poor's maintains the models and calculates the model performance shown, but does not manage actual assets. The U.S. STARS model performance chart is only an illustration of Standard & Poor's (S&P) research; it shows how U.S. common stocks, ADRs (American Depositary Receipts) and ADSs (American Depositary Shares), collectively "equities", that received particular STARS rankings performed. STARS categories are models only; they are not collective investment funds. The STARS performance does not show how any actual portfolio has performed. STARS model performance does not represent the results of actual trading of investor assets. Thus, the model performance shown does not reflect the impact that material economic and market factors might have had on decision-making if actual investor money had been managed. Performance is calculated using a time-weighted rate of return. While model performance for some or all STARS categories performed better than the S&P 500 for the period shown, the performance during any shorter period may not have, and there is no assurance that they will perform better than the S&P 500 in the future. STARS does not take into account any particular investment objective, financial situation or need and is not intended as an investment recommendation or strategy. Investments based on the STARS methodology may lose money. High returns are not necessarily the norm and there is no assurance that they can be sustained. Past model performance of STARS is no guarantee of future performance.

For model performance calculation purposes, the equities within each STARS category at December 31, 1986 were equally weighted. Thereafter, additions to the composition of the equities in each STARS category are made at the average value of the STARS category at the preceding month end with no rebalancing. Deletions are made at the closing price of the day that the deletion is made. Performance was calculated from inception through March 31, 2003 on a monthly basis. Thereafter, performance is calculated daily. Equities in each STARS category will change over time, and some or all of the equities that received STARS rankings during the time period shown may not have maintained their STARS ranking during the entire period.

The model performance does not consider taxes and brokerage commissions, nor does it reflect the deduction of any advisory or other fees charged by advisors or other parties that investors will incur when their accounts are managed in accordance with the models. The imposition of these fees and charges would cause actual performance to be lower than the performance shown. For example, if a model returned 10 percent on a $100,000 investment for a 12-month period (or $10,000) and an annual asset-based fee of 1.5 percent were imposed at the end of the period (or $1,650), the net return would be 8.35 percent (or $8,350) for the year. Over 3 years, an annual 1.5% fee taken at year end with an assumed 10% return per year would result in a cumulative gross return of 33.1%, a total fee of $5,375 and a cumulative net return of 27.2% (or $27,200). Fees deducted on a frequency other than annual would result in a different cumulative net return in the preceding example.

The Standard & Poor's 500 index is the benchmark for U.S. STARS. The S&P 500 index is calculated in U.S. dollars and does not take into account the reinvestment of dividends. Indexes are unmanaged, statistical composites and their returns do not include payment of any sales charges or fees an investor would pay to purchase the securities they represent. Such costs would lower performance. It is not possible to invest directly in an index. The S&P 500 index includes a different number of constituents and has different risk characteristics than the STARS equities. Some of the STARS equities may have been included in the S&P 500 index for some (but not necessarily all) of the period covered in the chart, and some such equities may not have been included at all. The S&P 500 excludes ADRs and ADSs. The methodology for calculating the return of the S&P 500 index differs from the methodology of calculating the return for STARS. Past performance of the S&P 500 index is no guarantee of future performance.

An investment based upon the models should only be made after consulting with a financial advisor and with an understanding of the risks associated with any investment in securities, including, but not limited to, market risk, currency risk, political and credit risks, the risk of economic recession and the risk that issuers of securities or general stock market conditions may worsen, over time. Foreign investing involves certain risks, including currency fluctuations and controls, restrictions on foreign investments, less governmental supervision and regulation, less liquidity and the potential for market volatility and political instability. As with any investment, investment returns and principal value will fluctuate, so that when redeemed, an investor's shares may be worth more or less than their original cost.

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