A Value Menu for McDonald's

Pershing Square
Capital Management

DISCLAIMER

Pershing Square Capital Management's ("Pershing") analysis and conclusions regarding McDonald's Corporation ("McDonald's") are based on publicly available information. Pershing recognizes that there may be confidential information in the possession of the Company and its advisors that could lead them to disagree with the approach Pershing is advocating.

The analyses provided include certain estimates and projections prepared with respect to, among other things, the historical and anticipated operating performance of the Company. Such statements, estimates, and projections reflect various assumptions by Pershing concerning anticipated results that are inherently subject to significant economic, competitive, and other uncertainties and contingencies and have been included solely for illustrative purposes. No representations, express or implied, are made as to the accuracy or completeness of such statements, estimates or projections or with respect to any other materials herein. Actual results may vary materially from the estimates and projected results contained herein.

Pershing manages funds that are in the business of trading - buying and selling - public securities. It is possible that there will be developments in the future that cause Pershing to change its position regarding the Company and possibly reduce, dispose of, or change the form of its investment in the Company. Pershing recognizes that the Company has a stock market capitalization of approximately $42bn, and that, accordingly it could be more difficult to exert influence over its Board than has been the case with smaller companies.

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I. Overview of McDonald's

Pershing's Involvement with McDonald's

On September 22nd, Pershing Square Capital Management ("Pershing") presented a proposal for increasing shareholder value ("the Proposal") to McDonald's management

- Pershing commends McDonald's management for its strong operational execution over the past two years
- Pershing appreciates the willingness and openness of McDonald's management to discuss the Proposal
- Management has taken our Proposal seriously – our Proposal was presented to McDonald's Board of Directors

Pershing had a follow-up meeting with McDonald's management on October 31 when the Company communicated its response to our Proposal

Pershing is pleased to have the opportunity to share the details of our Proposal with the broader investment community

Review of McDonald's

World's largest foodservice franchisor and retailer

- $42 billion equity market value
- $55 billion in estimated system wide sales
- 32,000 system wide restaurants, globally
- Serves 50 million customers daily in 119 countries
  - Everyday 1 out of 14 Americans eats at a McDonald's

One of the world's most recognized brands

- Consistently named in the top 10 global brands along with Coke and Disney

One of the largest retail property owners in the world

- Estimated owned and controlled real estate market value of $46 billion (1)
- Estimated 18,000 restaurants where McDonald's owns land and/or building

Significant free cash flow business

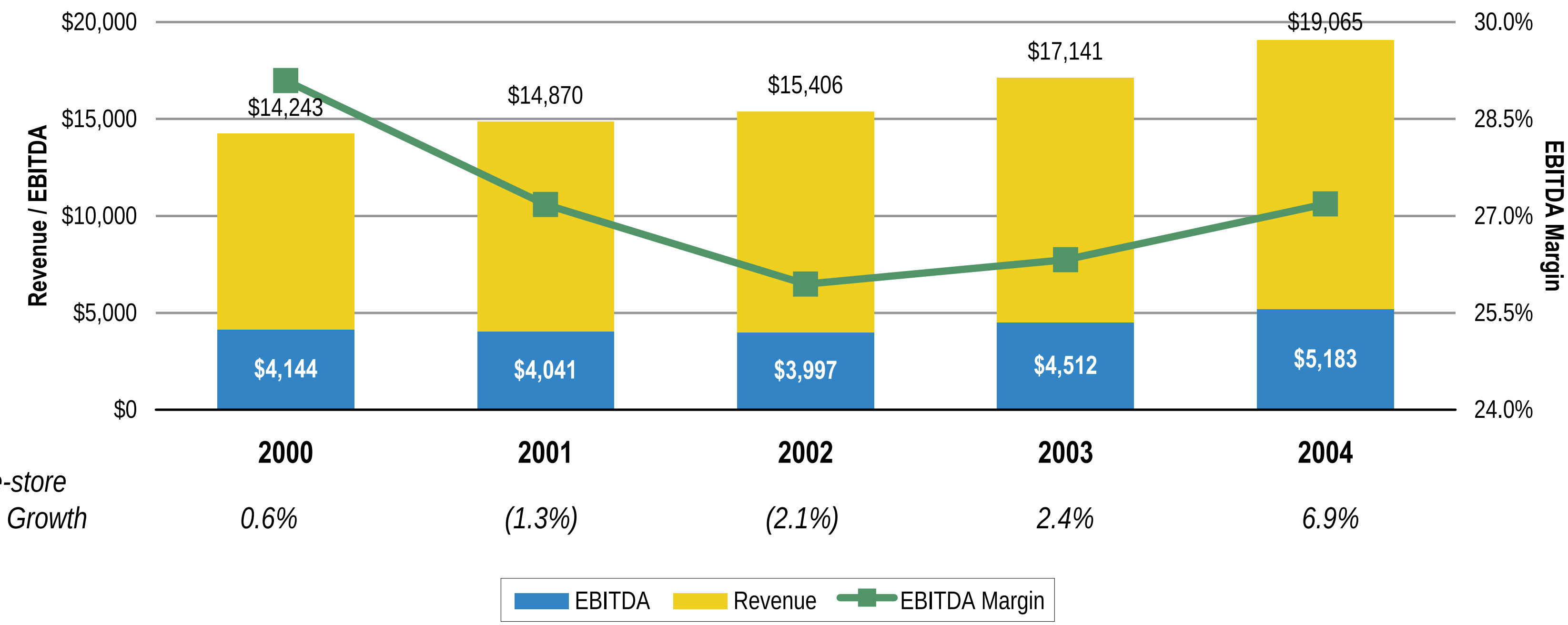
(1) Based on Pershing's assumptions. See page 64 in the appendix.

Historical Financial Performance

Following declines in same-store sales and profitability in 2001 and 2002, Management has improved operations through product innovation, capital discipline and strong execution. As a result, the Company's profitability has increased.

McDonald's Historical Revenue and EBITDA Performance [1]

($ in millions)



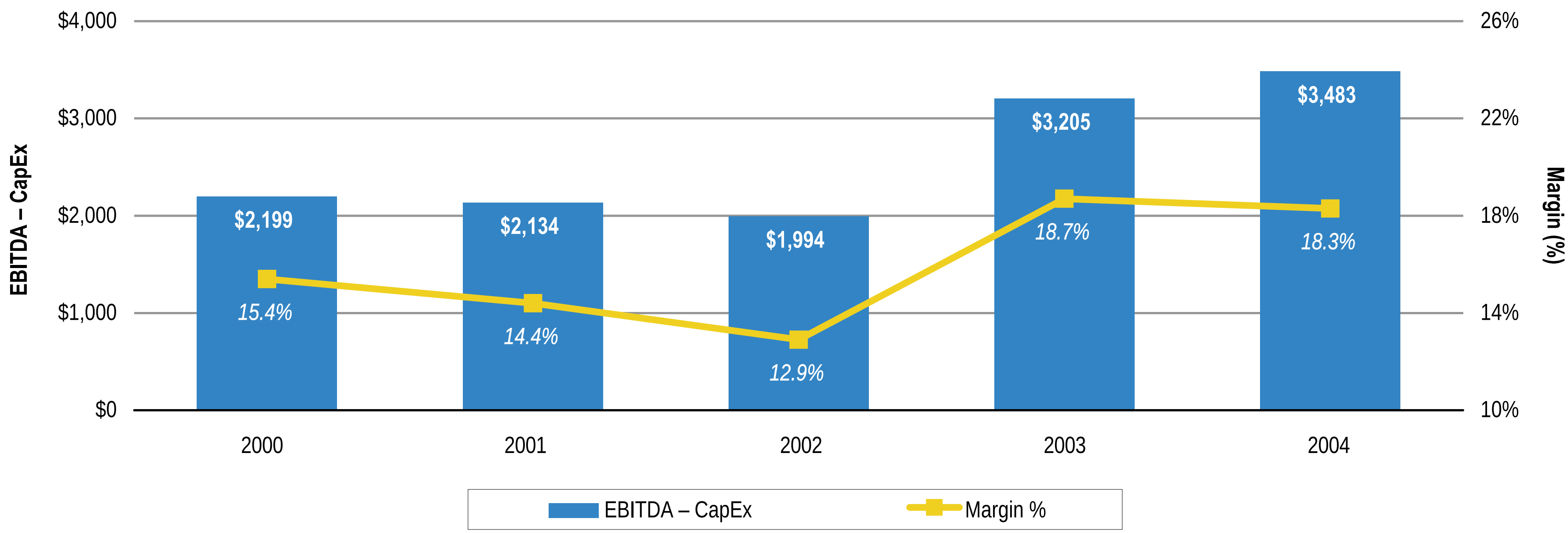
[1] EBITDA is adjusted for certain non-recurring and non-cash items.

Historical Financial Performance (Cont'd)

As a result of the Company's improved capital allocation, pre-tax unlevered free cash flow has increased from a five-year low of $2.0 billion in 2002 to $3.5 billion in 2004.

Historical Pre-Tax Unlevered Free Cash Flow[(1)] Performance

($ in millions)



(1) Denotes Adjusted EBITDA – CapEx. Adjusted EBITDA is adjusted for certain non-recurring and non-cash expenses.

Stock Price Performance

Although McDonald's stock has rebounded from its 2003 lows, it has been range bound in the low $30s for the past five years and is significantly off of its high of $48 per share reached in 1999.

McDonald's Stock Price Performance

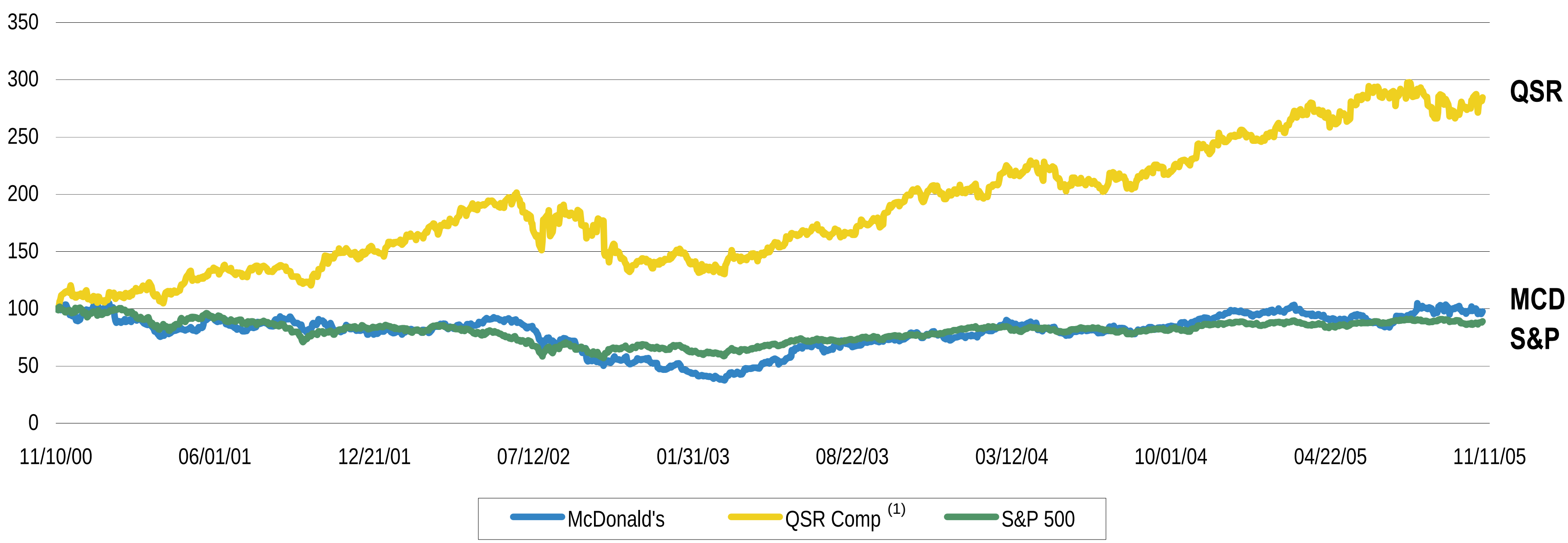
($ per share)

5-Year Indexed Stock Performance

Over the past five years, McDonald's has only slightly outperformed the S&P 500 while its QSR peer group has vastly outperformed the index.

	McDonald's	S&P 500	QSR Index
5 Year Indexed Performance	2.4%	(9.6%)	177.3%

5-Year Indexed Stock Performance



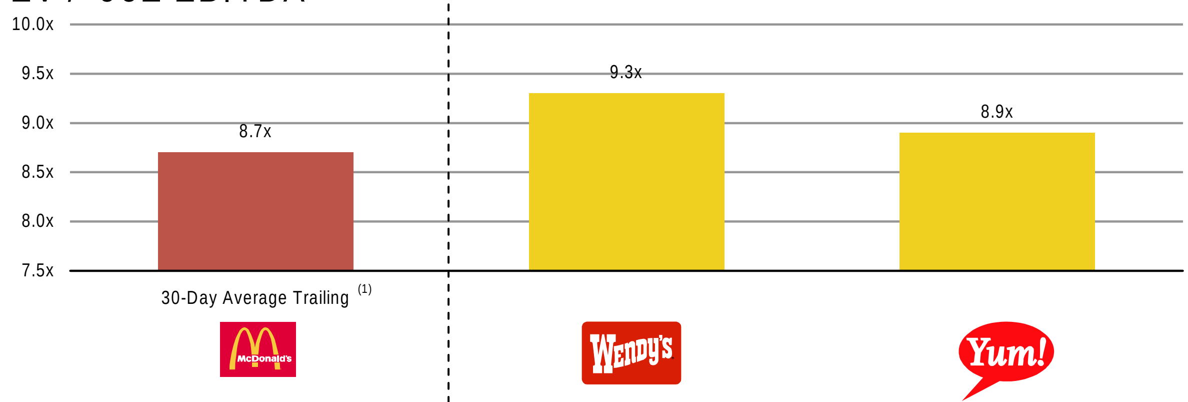
(1) Includes YUM and WEN.

McDonald's versus its Peers

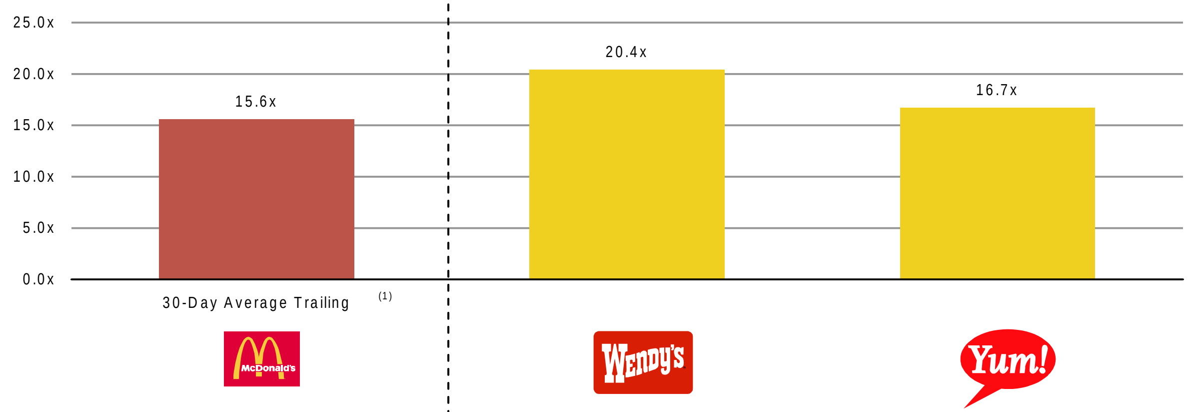
Despite McDonald's strong real estate assets, number one QSR market position and leading brand, McDonald's trades at a discount to its peers.

We believe this discount is due to a fundamental misconception about McDonald's business.

EV / '06E EBITDA



P / '06E EPS



Long-Term EPS Growth	*9%*	*12%*	*12%*

(1) McDonald's stock price is based on a 30-day average trailing price as of 11/11/05.

II. Pershing’s View of McDonald's

McDonald's: How the System Works...

Landlord, Franchisor, Restaurant Operator

- **Franchisor:** Franchises brand and collects fee
- **Operator:** Operates 9,000 McDonald's restaurants
- **Landlord:** Buys and develops real estate and leases to its franchisees
- Real Estate and Franchise estimated pre-tax ROI of 17.5%[(1)]:

Cost of Land	$650k
Cost of Building	650k
Total Cost	**$1,300k**
Est. Average Unit Sales	$1,750k
Rent as a % of Sales	9.0%
Franchise Income as % of sales	4.0%
Rental Income	$158
Franchise Income	70
Total Income	**$228**
Unlevered Pre Tax ROIC	**17.5%**

Franchisees

- **Franchise Fee**: 4% of restaurant sales
- **Rent**: greater of a minimum rent or a percentage of restaurant sales (current avg. ~9% of sales)
- **Franchisee bears all maintenance capital costs**

(1) Illustrative return based on Pershing's assumptions for the cost of land and building and approximate average unit sales in 2004.

A Landlord, Franchisor and Restaurant Operator

Real Estate and Franchise Business

Landlord

- McDonald's controls substantially all of its systemwide real estate
- Estimated 11,700 restaurants where McDonald's owns both the land and buildings and 7,000 restaurants where McDonald's owns only the buildings (1)
- Estimated $1.3 billion of income generated from subleases
- **Estimated real estate value: $46 billion or ~94% of current Enterprise Value (2)**

Franchisor

- Approximately 32,000 restaurants where McDonald's receives 4% of unit sales

McOpCo

Restaurant Operator

- Approximately 9,000 Company-operated restaurants

- **Reported financials have overstated margins due to a lack of transfer pricing**
  - **Currently not charged a franchise fee**
  - **Currently not charged a market rent**

(1) Assumes that McDonald's owns the land and buildings of 37% of its system wide units and owns the buildings of 22% of its system wide units.
(2) Valuation based on Pershing estimates. See page 64 for more detail on real estate valuation.

Characteristics of Cash Flow Streams

McDonald's

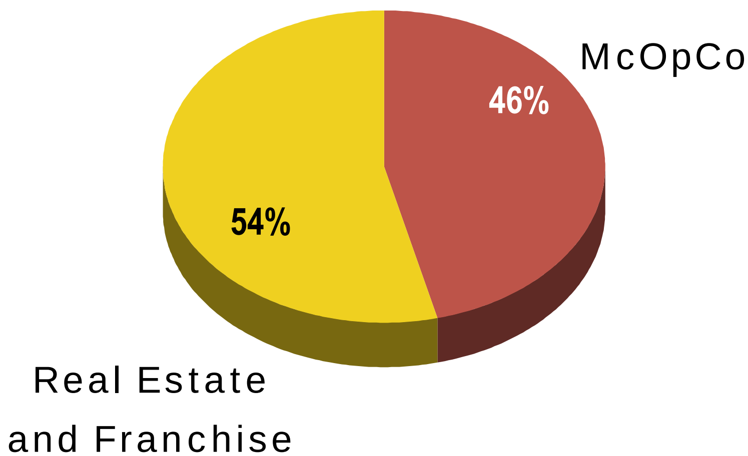
	Real Estate and Franchise Business		McOpCo
	Landlord	**Franchisor**	**Restaurants**
Maintenance Capital Requirements:	**Minimal** ▶ Triple net leases	**Low** ▶ Limited remodel subsidies as well as corporate capex	**High** ▶ Significant maintenance capex
Risk Profile	**Very Stable / Minimal Risk** ▶ Generates the greater of a minimum rent or a % of sales (current average ~ 9%)	**Stable / Low Risk** ▶ Low operating leverage ▶ Diverse and global customer base	**Medium Risk** ▶ High operating leverage ▶ Sensitivity to food costs
Typical EBITDA Margin:	**70%–90% Margins** ▶ Some real estate development expenses	**30%–50% Margins**	**7%–10% Margins (1)** ▶ High food, paper and labor costs ▶ Rent ▶ Franchise fee
Typical average cost of capital:(2)	**Minimal: 5.75%-6.5%** ▶ Real estate holding companies typical asset beta: ~.40 ▶ Hard asset collateral	**Low: 6.5%-7.5%** ▶ Choice Hotels, Coke and Pepsi – typical asset beta: ~.50-.60 ▶ Highly leveragable	**Medium: 8%-9%** ▶ Mature QSR typical asset beta: ~.80-.90

(1) Typical margins are illustrative restaurant EBITDA margins and assume the payment of a market rent and franchisee fee, similar to a franchisee.
(2) Typical betas are Pershing approximations based on selected companies' Barra predictive betas. Average cost of capital estimates are illustrative estimates based on average asset betas.

Adjusting for Market Rent and Franchise Fees

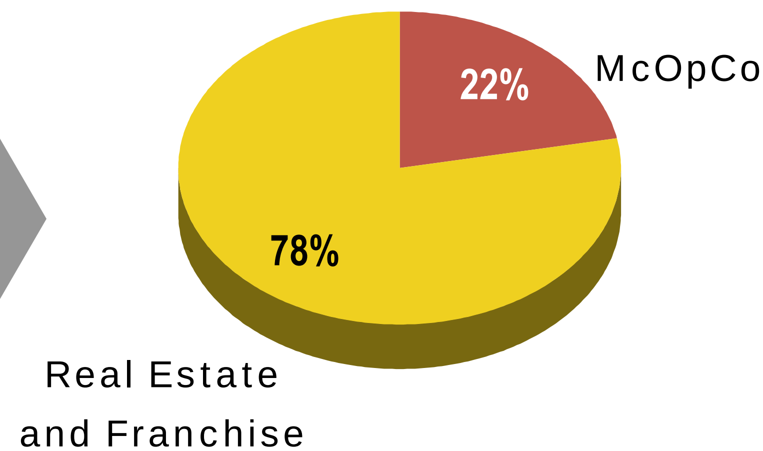
In 2004, McDonald's company-operated restaurants appeared to contribute 46% of total EBITDA. However, once adjusted for a franchise fee and a market rent fee, McOpCo constituted only 22% of total EBITDA, with the higher multiple Real Estate and Franchise businesses contributing 78% of total EBITDA.

2004 Total EBITDA As Reported



	2004 EBITDA	%
McOpCo	$2.4bn	46%
Real Estate and Franchise	2.8bn	54%
Total	**$5.2bn**	**100%**

2004 Total EBITDA Adjusted for Market Rent and Franchise Fees



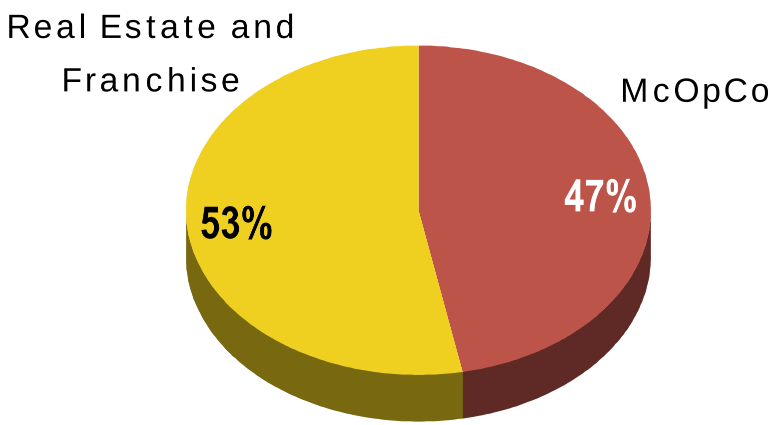
	2004 EBITDA	%
McOpCo	$1.1bn	22%
Real Estate and Franchise	4.0bn	78%
Total	**$5.2bn**	**100%**

Note: The analysis assumes that 75% of the total G&A is allocated to the Real Estate and Franchise business and 25% is allocated to McOpCo. McDonald's management has indicated this is a conservative assumption regarding the Real Estate and Franchise business. Analysis excludes $441 mm of non-recurring other net operating expenses.

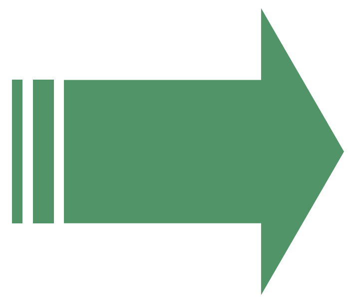
Adjusting for Market Rent and Franchise Fees (Cont'd)

Once adjusted for market rent and franchise fees, McOpCo would be contributing only 14% of total EBITDA-Maintenance Capex, with the Real Estate and Franchise business contributing 86% of total EBITDA-Maintenance Capex ,based on FY 2005E projections.

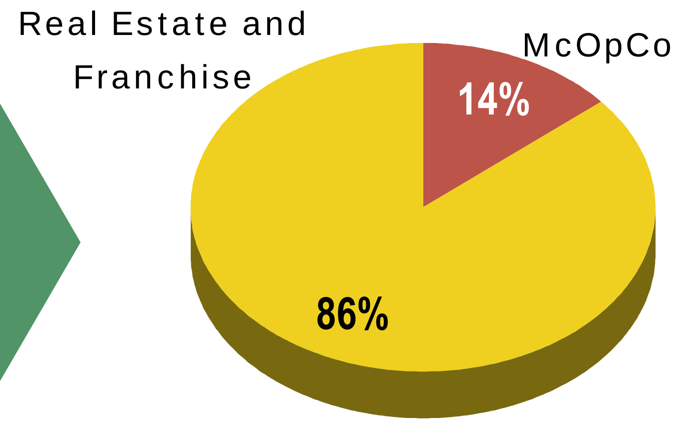
2005E Total EBITDA – Capex As Reported



	'05 EBITDA-Maint. Capex	%
McOpCo	$1.9bn	47%
PF McDonald's	2.2bn	53%
Total	**$4.1bn**	**100%**



2005E Total EBITDA – Capex Adjusted for Market Rent and Franchise Fees



	'05 EBITDA-Maint. Capex	%
McOpCo	$0.6bn	14%
PF McDonald's	3.5bn	86%
Total	**$4.1bn**	**100%**

The analysis assumes that 75% of the total G&A is allocated to the Real Estate and Franchise business and 25% is allocated to McOpCo. McDonald's management has indicated this is a conservative assumption regarding the real estate and franchise business. In addition, we note that 2005E maintenance capex includes certain one-time capital expenditures related to systemwide remodeling program. Please see appendix for full reconciliation

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Reconciling McDonald's 2004A P&L

Set forth below is a table which reconciles McOpCo's, the Real Estate and Franchise businesses' and stand-alone McDonald's FY 2004A income statements, assuming McOpCo pays a market rent and franchise fee. **The analysis demonstrates that the Real Estate and Franchise business contributed approximately 78% of total EBITDA.**

(U.S. $ in millions)

	2004 Income Statement	McOpCo P&L	Real Estate and Franchise P&L	Inter-Company Eliminations	2004 Consolidated Sum of Parts
Sales by Company Operated Restaurants	$14,224	$14,224			$14,224
Rent from Franchise and Affiliate Rest.	3,336		3,336		3,336
Rent From Company Operated Rest.	-		1,280	(1,280)	-
Franchise Fees From Franchise and Affiliate Rest.	1,505		1,505		1,505
Franchise Fees From Company Operated Rest.	-		569	(569)	-
Total Revenue	**$19,065**	**$14,224**	**$6,690**	**($1,849)**	**$19,065**
Company Operated Expenses:					
Food and Paper	4,853	4,853	-	-	4,853
Compensation & Benefits	3,726	3,726	-	-	3,726
Non-Rent Occupancy and Other Expenses (excl. D&A)	2,164	2,164	-	-	2,164
Company Operated D&A	774	427	347		774
Company-Operated Rent Expense	583	583	583	(583)	583
Additional Rent Payable to PropCo	-	697	-	(697)	-
Franchise Fee Payable to FranCo	-	569	-	(569)	-
Total Company Operated Expenses	**$12,100**	**$13,019**	**$930**	**($1,849)**	**$12,100**
Franchised Restaurant Occupancy Costs	576	-	576	-	576
Franchise PPE D&A	427		427		427
Corporate G&A	1,980	495	1,485		1,980
EBIT	3,982	710	3,272	-	3,982
Depreciation & Amortization	1,201	427	774	-	1,201
EBITDA	**$5,183**	**$1,137**	**$4,046**	**$0**	**$5,183**
% of Total EBITDA	*100%*	*22%*	*78%*		*100%*

The analysis assumes that 75% of the total G&A is allocated to the Real Estate and Franchise business and 25% is allocated to McOpCo. McDonald's management has indicated this is a conservative assumption regarding the real estate and franchise business.
Note: Analysis excludes $441 mm of non-recurring other net operating expenses.

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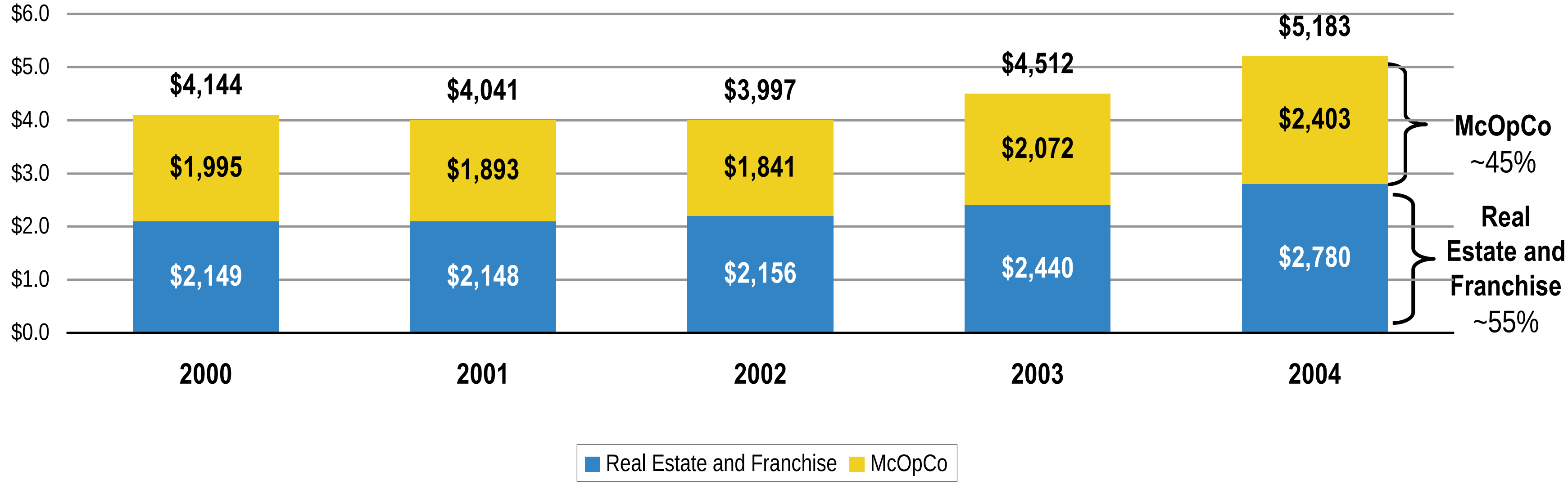
Historical EBITDA by Business Type: As Currently Reported

Assuming 75% of G&A is allocated to the Real Estate and Franchise business, an allocation that McDonald's management indicates is conservative, we indicate below the EBITDA for **McOpCo** and the **Real Estate and Franchise** businesses, as depicted in the reported financials. We note that McOpCo has historically appeared to contribute approximately ~45% of consolidated EBITDA.

McDonald's Consolidated EBITDA

($ in millions)



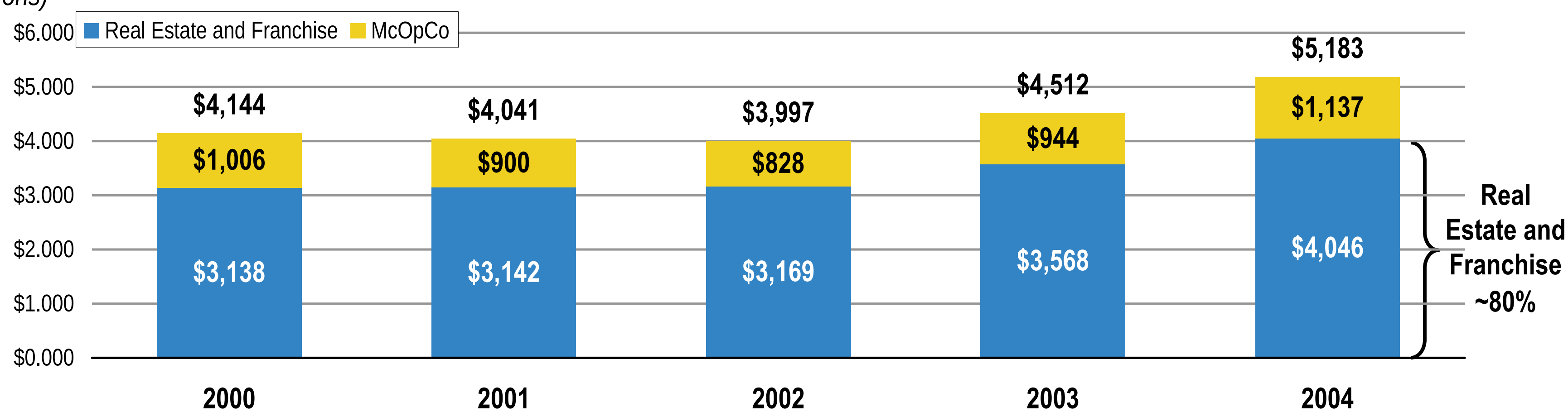
Assumes McOpCo G&A to be 25% of consolidated G&A and Real Estate and Franchise G&A to be 75% of consolidated G&A. Management has indicated this is a conservative assumption regarding the Real Estate and Franchise business.

Historical EBITDA by Business Type: Adjusted for a Market Rent and Franchise Fee

Despite an economic recession in 2001-2003, significant dips in McDonald's system wide same-store sales growth and declines in McDonald's stock prices, the Real Estate and Franchise business has grown every year over the last five years.

McDonald's Consolidated EBITDA

($ in millions)



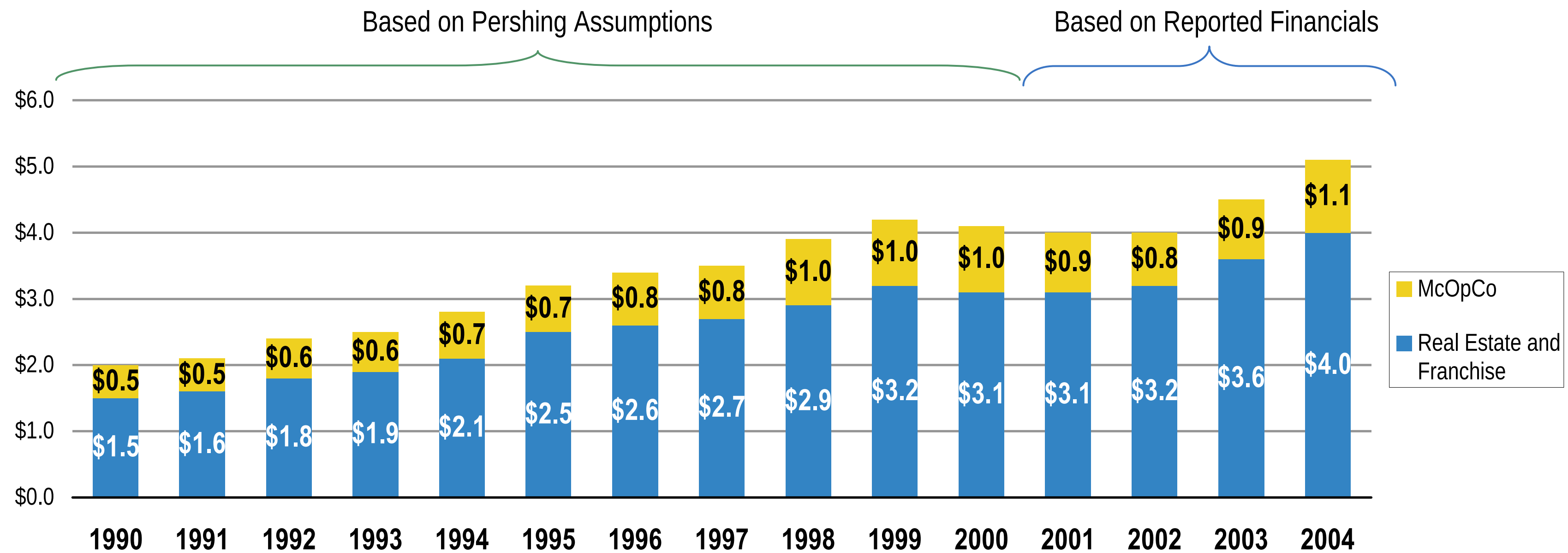
	2000	2001	2002	2003	2004
Same-store sales	*0.6%*	*(1.3%)*	*(2.1%)*	*2.4%*	*6.9%*
McOpCo Growth	*(1.1%)*	*(10.6%)*	*(7.9%)*	*14.0%*	*20.4%*
RE/Franchise Growth	*(0.5)%*	*0.1%*	*0.9%*	*12.6%*	*13.4%*

Notes:
Assumes McOpCo G&A to be 25% of consolidated G&A and Real Estate and Franchise G&A to be 75% of consolidated G&A.
Assumes McOpCo pays franchise fees of 4% of sales and rent of 9% of sales.

Real Estate and Franchise Business: Stable and Growing

McDonald's Consolidated EBITDA

($ in billions)



	1990	1991	1992	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004
McOpCo EBITDA Growth		2.3%	18.1%	(2.2%)	17.0%	14.1%	3.6%	6.3%	18.0%	5.1%	(1.1%)	(10.6%)	(7.9%)	14.0%	20.4%
Real Estate & Franchise EBITDA Growth:		4.9%	11.7%	8.5%	10.4%	15.3%	4.0%	4.3%	10.1%	7.4%	(0.5%)	0.1%	0.9%	12.6%	13.4%
Change in Year-End Stock Price:	(15.6%)	30.5%	28.3%	16.9%	2.6%	54.3%	0.6%	5.2%	60.9%	5.0%	(15.7%)	(22.1%)	(39.3%)	54.4%	29.1%

Notes:
Assumes McOpCo G&A to be 25% of consolidated G&A and Real Estate and Franchise G&A to be 75% of consolidated G&A.
Assumes McOpCo pays franchise fees of 4% of sales and rent of 9% of sales.

Historical Perspectives on McOpCo

McDonald's did not historically operate restaurants

The Company initially entered the business of operating restaurants only as a defensive measure

- Limited number of restaurants

> *"The idea emerged that we should operate a base of ten or so stores as a company. This would give us a firm base of income in the event the McDonald brothers claimed default on our contract…"* (1)
>
> --Ray Kroc / Founder

Expansion of McOpCo units first occurred in the late 1960s

- Veteran franchisees were approaching retirement and needed liquidity
- McDonald's stock was provided as a tax-free exchange for the restaurants

> *"Some of our operators had tremendous wealth but no money. <u>And we were using McDonald's stock that was trading at 25 times earnings to buy restaurants for seven times earnings</u>"* (2)
>
> --Fred Turner / Former President and CEO

Turner realized in the mid 70s that owning too many McOpCo units was not in the best interest of the Company

(1) From *Grinding It Out: The Making of McDonald's*, p. 108.
(2) From *McDonald's: Behind the Golden Arches*, pgs. 288 - 291.

Superior Franchisee Economics

"Running a McDonald's is a 363-day-a-year business and an owner/operator, with his personal interests and incentives, can inherently do a better job than a chain manager." **(1)**

--Fred Turner / Former President and CEO

Illustrative Characteristics of Company Operated versus Franchisee Operated Restaurants (2)

	Company Operated	Franchisee Operated
Structure	C-Corporation	LLC / Partnership
Taxes	Corporate level tax	No corporate level tax
Leverage	10% - 30%	75% - 90%
Levered Returns	Low teens	40% and higher
General manager	Salaried employee/ corporate manager	Owner / Entrepreneur

(1) From *McDonald's: Behind the Golden Arches*, pgs. 288 - 291.
(2) Illustrative leverage and equity return figures. Not based on company data.

III. Pershing’s Proposal to McDonald's: McOpCo IPO

Pershing's Proposal: McOpCo IPO

Step 1: IPO of 65% McOpCo

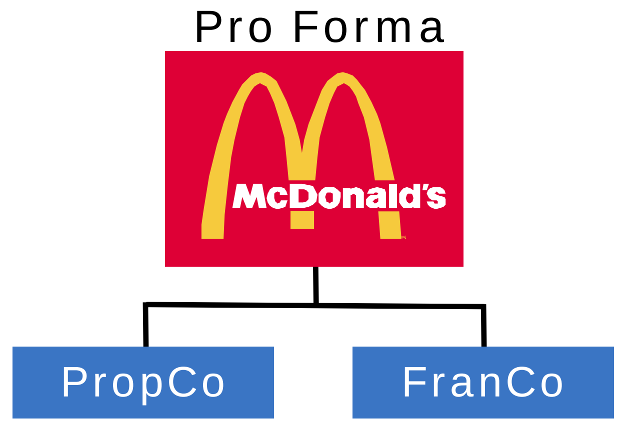
- IPO 65% of McOpCo
- IPO generates estimated $3.27bn of after tax proceeds
  - Assumes a 7x EV/FY'06E EBITDA multiple
  - Assumes $1.35 bn of Net Debt allocated to McOpCo

Step 2: Issue Debt and Pursue Leveraged Self Tender

- Issue $14.7bn of financing secured against PF McDonald's real estate
- Debt financing and IPO proceeds used to
  - Refinance all of the existing $5 bn of net debt at Pro Forma McDonald's
  - Repurchase 316mm shares at $40 per share
  - Pay $300mm in fees and transaction costs

Pershing's Proposal: McOpCo IPO (cont'd)

- At the time of IPO, McOpCo signs market lease and franchise agreements with Pro Forma McDonald's ("PF McDonald's")



- Resulting Pro Forma McDonald's is a world-class real estate and franchise business
  - McOpCo financials deconsolidated from PF McDonald's
- Leverage is placed only on PropCo
- FranCo is unlevered, maximizing its credit rating

McOpCo IPO:
A Transformational Transaction

An IPO of McOpCo would have several positive strategic and financial implications for both Pro Forma McDonald's as well as McOpCo.

Significant value creation for shareholders

- PF McDonald's would trade at an approximate 37%–52% premium over where it trades today, in the range of approximately $45–50 per share [(1)]

Creates investor transparency

- Deconsolidation provides investors with transparent insight into PF McDonald's profitability (60% EBITDA margins), attractive FCF profile (35% levered FCF margins) and world-class real estate/franchise assets
- Separation of McOpCo highlights the significant value of rental income and franchise fees currently eliminated in consolidation

Enhances management focus and incentives at both entities

- Enhances ability to attract and retain top McOpCo management
- Allows PF McDonald's management team to focus on new product innovation, improved marketing efforts, stronger real estate development programs and higher quality franchisee performance monitoring / training

(1) Based on recent stock price of $33 per share.

A Transformational Transaction (Cont'd)

Improves operating and financial metrics at every level

- Significantly improves PF McDonald's EBITDA and free cash flow margins
- Enhances return on capital and overall capital allocation for the PF McDonald's
- Improves ability of PF McDonald's to pay significant ongoing dividends

$ in millions	McDonald's Standalone FY 2006E	McDonald's Pro Forma FY 2006E	Typical Mature QSR
Revenue	$20,816	$7,393	
EBITDA	5,594	4,464	
EBITDA Margin	*26.9%*	*60.4%*	*15% - 20%*
EBITDA-Capex	4,335	3,739	
EBITDA-Capex Margin	*20.8%*	*50.6%*	*7.5% - 12.5%*
EBITDA-Maintenance Capex	4,651	4,025	
EBITDA - Maint. Capex Margin	*22.3%*	*54.4%*	*10% - 15%*
FCF (1)	3,059	2,440	
FCF Margin	*14.7%*	*33.0%*	*5% - 10%*

We note that CapEx projections are net of proceeds obtained from store closures.

(1) Typical QSR margin based on Wall Street estimates for YUM! Brands and Wendy's.

A Transformational Transaction (Cont'd)

An IPO of McOpCo would have several positive strategic and financial implications for both Pro Forma McDonald's as well as McOpCo.

Will likely lead to improved operating margins at McOpCo

- Separation from PF McDonald's will make margin improvement an imperative

Improves capital structure while maintaining investment grade credit rating

- Low-cost secured debt to replace current debt or issued incrementally on current structure
  - Cheap CMBS structured financing issued at PropCo could judiciously utilize strong real estate collateral
  - CMBS financing is non-recourse to McDonald's (parent)
  - FranCo remains unlevered and is at least a AA credit
  - PF McDonald's, the holding company, remains investment grade

Improves alignment with franchisees [(1)]

Allows for share buybacks of higher return business

- Separation of McOpCo allows for share buybacks to be targeted predominantly at PF McDonald's, the stronger free cash flow business

(1) Will be discussed at length later in the presentation.

A Transformational Transaction (Cont'd)

An IPO of McOpCo would have several positive strategic and financial implications for both McDonald's as well as McOpCo.

Allows for a voice in McOpCo through governance

- Given its 35% stake in McOpCo post spin-off, PF McDonald's will be able to elect several Board seats to the new entity
- Governance affords visibility in McOpCo operations, which will help in:
  - managing the McDonald's brand
  - extending new products through the franchisee system
  - remaining in touch with unit-level economics and issues

Supported by highly similar, successful precedent transactions

- Coca Cola Company carved-out its owned bottling operations in 1986 in what is widely viewed as one of the most successful restructurings of all time
- PepsiCo followed suit in a similar transaction in 1999, with unanimous support from the Wall Street research analyst community

Allows for an accelerated McOpCo refranchising program

Increases overall size of PF McDonald's investor base

- Strong potential to attract both dividend / income-focused investors and real estate-focused investors

Publicly Traded Comparable Companies

PF McDonald's operating metrics are much closer to a typical Real Estate C-Corporation or a high branded intellectual property business such as PepsiCo or Coca-Cola than they are a typical mature QSR.

	Pro Forma McDonald's	Typical Mature QSR [1]	Typical Real Estate C-Corp	High Branded Intangible Property: Choice Hotels	PepsiCo	Coca-Cola
2005E Operating Metrics:						
EBITDA Margins	60%	~15% - 20%	~70% - 80%	66%	23%	31%
EBITDA – CapEx Margins	50%	~7.5 % - 12.5%	~65% - 75%	61%	18%	27%
EPS Growth	9%	~10% - 12%	NA	16%	11%	9%
Trading Multiples						
Adjusted Enterprise Value [2] /						
CY 2006E EBITDA		~8.5x - 9.5x	~13x - 16x	15.1x	12.3x	12.6x
CY 2006E EBITDA – CapEx		~12x - 15x	~17x - 20x	16.0x	15.5x	14.2x
Price /						
CY 2006E EPS		~15x - 19x	NA	24.3x	20.1x	18.8x
CY 2006E FCF [3]		~16x - 20x	~20x - 25x	24.0x	20.8x	18.9x
Leverage Multiples						
Net Debt / EBITDA		~0.5x - 1.8x	~5x - 10x	1.7x	0.0x	NM
Total Debt / Enterprise Value		~7.5% - 20%	~35% - 60%	11%	4%	4%

Stock prices as of 11/11/05. Projections based on Wall Street estimates.

(1) Typical mature QSR based on YUM! Brands and Wendy's.

(2) Adjusted for unconsolidated assets.

(3) FCF denotes Net Income plus D&A less CapEx.

REITs: Typical Trading Multiples

We believe REITs trade in the range of 13x-17x EV/'06E EBITDA, depending on the type of real estate and the businesses the properties support.

Company	EV / '06E EBITDA	Div. Yield	P / '06E FFO	P / '06E AFFO
Health Care	14.7x	6.3%	12.6x	13.3x
Industrial	16.3x	4.2%	13.9x	17.2x
Multifamily	17.0x	4.8%	16.6x	19.4x
Office	15.2x	4.7%	13.8x	19.6x
Regional Mall	16.3x	3.8%	14.2x	16.9x
Self Storage	17.5x	3.8%	16.7x	18.3x
Strip Center	15.5x	4.5%	14.4x	16.5x
Triple Net Lease	13.1x	6.4%	12.8x	13.4x
REIT Industry Total / Wtd. Avg.	**15.7x**	**4.8%**	**14.4x**	**16.8x**

Based on Wall Street research estimates at the time of Pershing's initial Proposal to the Company.

Significant Value Creation for Shareholders

Based on relevant publicly traded comparable companies, including several real estate holding C-Corporations, Pro Forma McDonald's would trade in the range of 12.5x–13.5x EV/CY '06E EBITDA. **We believe PF McDonald's would trade at a 37%–52% premium over where it trades today.**

$ in millions	Low	High
EV/'06E EBITDA Multiple Range	12.5x	13.5x
Enterprise Value	**$55,799**	**$60,263**
Less: Net Debt (12/31/05E) (1)	14,650	14,650
Plus: Remaining Stake in McOpCo (2)	2,097	2,493
Equity Value	**$43,247**	**$48,106**
Ending Shares Outstanding (12/31/05E) (3)	957.3	957.3
Price Per Share	**$45**	**$50**
Premium to recent price (4)	*36.9%*	*52.3%*
Implied P/FY 2006 EPS Multiple	**19.9x**	**22.2x**
Implied P/FY 2006 FCF Multiple (5)	**19.8x**	**21.9x**
Implied FCF / Dividend Yield	**5.1%**	**4.6%**

(1) Assumes $1.35 bn of net debt allocated to McOpCo and $5.0 bn of net debt allocated to PF McDonald's. In addition, assumes $9.7 bn of incremental leverage placed on PF McDonald's.
(2) Represents 35% of the market equity value of McOpCo.
(3) Assumes incremental leverage and the after-tax proceeds from McOpCo IPO (net of fees and expenses) are used to buy back approximately 316 mm shares at an average price of $40.
(4) Assumes a recent stock price of $33.
(5) P / FY '06E FCF multiple adjusted for Pro Forma McDonald's 35% stake in McOpCo.

McOpCo Valuation Summary and Potential IPO Proceeds

McOpCo would likely be valued at $6.0 billion to $7.1 billion of equity market value or 6.5x–7.5x EV/'06E EBITDA.

McOpCo Financial Summary

$ in millions

McOpCo Financial Summary	FY 2006E
Company operated revenues	$15,429
Segment EBITDA, pre G&A	1,690
EBITDA Margin, pre G&A	*11.0%*
Assumed G&A for McOpCo	560
Assumed G&A as a Percentage of Total G&A	*25.0%*
EBITDA post G&A	**$1,130**
EBITDA Margins	7.3%
Net Income	$308
EPS	$0.24

McOpCo Valuation Summary

$ in millions	Low	High
EV/'06E EBITDA Multiple Range	**6.5x**	**7.5x**
McOpCo Enterprise Value	**$7,343**	**$8,472**
Net Debt (12/31/05)	1,350	1,350
Equity Value of McOpCo	**$5,993**	**$7,122**
Ending Shares Outstanding	1,274	1,274
Price per share	**$4.70**	**$5.59**
Estimated After-Tax IPO Proceeds [1]	**$3,042**	**$3,497**

See appendix for after-tax IPO proceeds schedule

(1) See appendix for McOpCo IPO after-tax proceeds schedule.

Pro Forma McDonald's: Valuation Summary

The valuation of PF McDonald's suggests a valuation range of $45–$50 per share. Based on the midpoint of the valuation analysis, PF McDonald's could be worth $47.50 per share, a 44% premium over where it trades today.

PF McDonald's Summary Financials

$ in millions

Financial Summary	**FY 2006E**
Franchise Revenue	$2,275
Real Estate Revenue	5,118
Total Revenue	$7,393
Franchise EBITDA, Pre G&A	$2,275
Real Estate EBITDA, Pre G&A	3,869
Less: Allocated G&A	1,680
Assumed G&A as a Percentage of Total G&A	75.0%
Total EBITDA	**$4,464**
EBITDA Margins	*60.4%*
Net Income	2,141
EPS	$2.27

PF McDonald's Valuation

$ in millions	**Low**	**High**
EV/'06E EBITDA Multiple Range	12.5x	13.5x
Enterprise Value	**$55,799**	**$60,263**
Less: Net Debt (12/31/05E) (1)	14,650	14,650
Plus: Remaining Stake in McOpCo (2)	2,097	2,493
Equity Value	**$43,247**	**$48,106**
Ending Shares Outstanding (12/31/05E) (3)	957.3	957.3
Price Per Share	**$45**	**$50**
Premium to recent price (4)	*36.9%*	*52.3%*
Implied P/FY 2006 EPS Multiple	**19.9x**	**22.2x**
Implied P/FY 2006 FCF Multiple (5)	**19.8x**	**21.9x**
Implied FCF / Dividend Yield	**5.1%**	**4.6%**

Memo:Share Buyback:	
Incremental Debt Issued	$9,685
Less Transaction Fees and Expenses (6)	($300)
Approximate Cash Received From IPO, after Tax	$3,270
Total Funds Available for Repurchase	$12,654
# of shares repurchased (mm)	316
Average price of stock purchased	$40

(1) Assumes $1.35 billion of net debt allocated to McOpCo and $5.0 billion of net debt allocated to PF McDonald's. In addition, assumes $9.7 billion of incremental leverage placed on PF McDonald's.
(2) Represents 35% of the market equity value of McOpCo.
(3) Assumes incremental leverage and the after-tax proceeds from McOpCo IPO (net of fees and expenses) are used to buy back approximately shares 316 million shares at an average price of $40.
(4) Assumes a recent stock price of $33.
(5) P / FY '06E FCF multiple adjusted for Pro Forma McDonald's 35% stake in McOpCo.
(6) Fees and expenses associated with the IPO and financing transactions.

Capitalization and Credit Profile of Pro Forma McDonald's

Set forth below are the sources and uses of proceeds associated with a $14.7 bn issuance of secured collateralized financing (net of cash on hand), or an incremental $9.7 of net debt, based on expected net debt as of FY 2005E. We have assumed a 5% fixed rate for this collateralized financing. After this transaction, Pro Forma McDonald's would be leveraged approximately 3.5x Total Debt/EBITDA or at a 25% Debt to Enterprise Value ratio. Proceeds from this issuance would be used to repay existing debt, buyback shares and pay financing fees and expenses.

$ in millions

Sources	
New CMBS Financing (net of cash)	$14,650
Percentage Loan to Value	44%
Total	**$14,650**

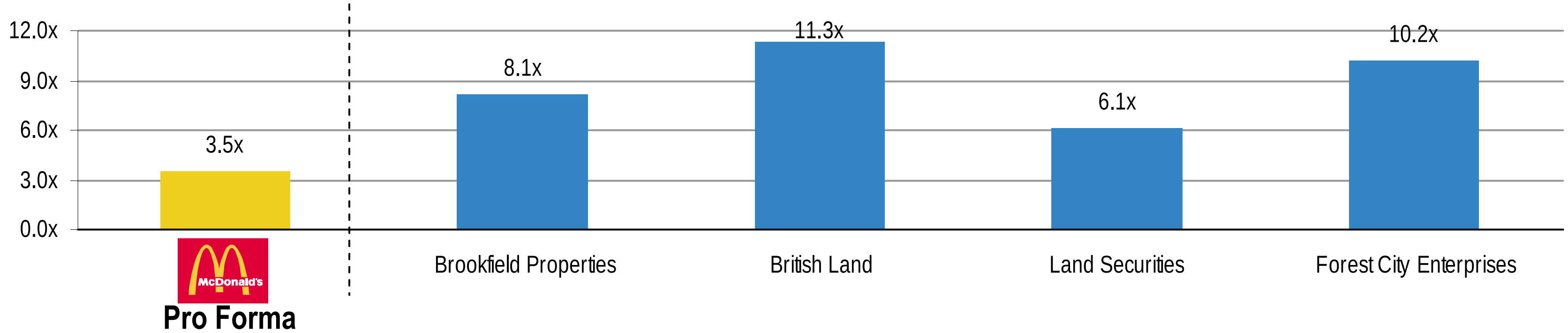
Uses	
Repay Existing Net Debt at **PF McDonald's**	$4,965
Buyback Shares	9,535
Fees and Expenses	150
Total	**$14,650**

PF McDonald's Capital Structure	**FY2005E**
Total Net Debt at Stand-alone McDonalds	$6,315
Less: Net Debt Allocated to McOpCo	(1,350)
Net Debt at PF McDonalds	$4,965
Incremental Debt Issued through CMBS	9,685
Total Net Debt	**$14,650**
Total Debt / EBITDA	**3.5x**
Net Debt / EBITDA	3.4x
Assumed Corporate Credit	**Investment Grade**
Total Debt / Total Capitalization	24.5%

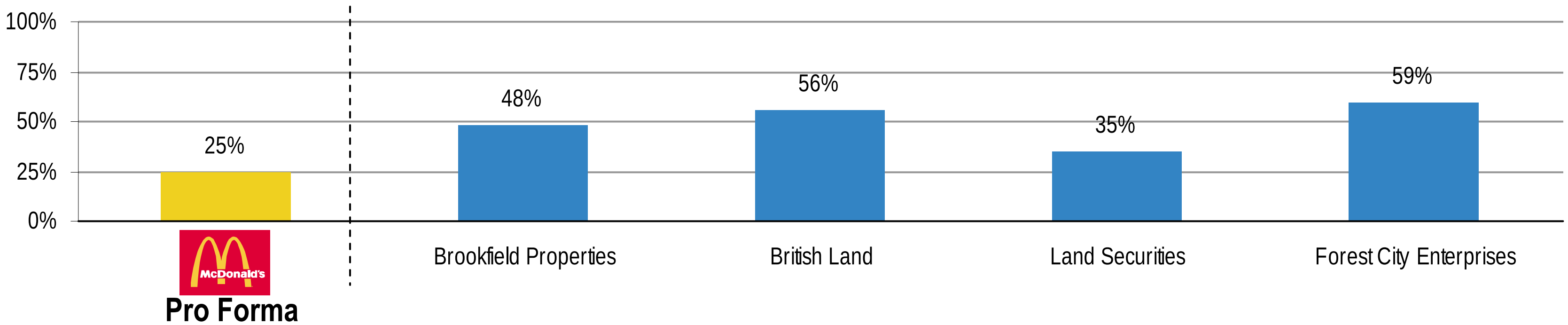
III. Pershing's Proposal to McDonald's: McOpCo IPO

Comparing PF McDonald's Credit Stats with Comparable Real Estate Holding C-Corporations

Total Debt / '05E EBITDA [1]



Debt / Enterprise Value



EBITDA/Interest:	**5.8x** [2]	**2.3x**	**1.5x**	**2.5x**	**NA**
Rating:		**BBB**	**BBB**	**NR**	**BB+**

[1] Based on Wall Street research estimates. Pro Forma McDonald's EV assumes a valuation multiple of 13x EV/FY'06 EBITDA.
[2] Assumes an average 5% fixed rate on PF McDonald's debt.

Credit Ratings of Large Public REITs

A review of large REITs indicates that these businesses support investment grade ratings with a debt to enterprise value of 36% on average, as compared to Pro Forma McDonald's which would have a debt to enterprise value of 25%.

Company Name	Total Debt/ Enterprise Value	Moody's Rating	Moody's Outlook	S&P Rating	S&P Outlook
Simon Property Group Inc.	47.2%	Baa2	Stable	BBB+	Stable
Equity Office Properties Trust	50.9%	Baa3	Stable	BBB+	Stable
Vornado Realty Trust	37.4%	Baa3	Stable	BBB+	Stable
Equity Residential	38.4%	Baa1	Stable	BBB+	Stable
Prologis	31.5%	Baa1	Stable	BBB+	Stable
Archstone-Smith Trust	33.5%	Baa1	Stable	BBB+	Stable
Boston Properties Inc.	36.0%	NR	NR	BBB+	Stable
Kimco Realty Corp.	25.2%	Baa1	Stable	A-	Stable
AvalonBay Communities Inc.	27.3%	Baa1	Stable	BBB+	Stable

Median Total Debt/EV	**36%**
Average Total Debt/EV	**36%**

PF McDonald's Total Debt/EV	**25%**

Notes:
Stock prices as of 11/11/2005.
PF McDonald's EV assumes a valuation multiple of 13x EV/FY'06 EBITDA.
Total Debt includes Preferred.

Pro Forma McDonald's Has A Superior Credit Profile to a Typical REIT

Despite being a C-Corp and lacking the tax advantages of a REIT, PF McDonald's has several superior credit characteristics

- REITs are required to pay 90% of earnings through dividends, whereas Pro Forma McDonald's has much more credit flexibility
- PF McDonald's has significant brand value to support its cash flows and overall credit

IV. Company Response to Pershing

Company Response to Pershing

McDonald’s asked its Advisors to help review the Proposal

Goal was to review the proposal to assess 4 critical areas:

Advisors reported back with judgments on

- **(1) Valuation**
- **(2) Credit Impact**

McDonald’s Management reviewed the Proposal to assess

- **(3) Friction Costs**
- **(4) Governance / Alignment Issues**

Management Concerns: Friction Costs, Credit Impact and Governance Issues

Friction Costs	Credit Impact	Alignment Issues
Some friction costs associated with the CMBS financing structure, but not a gating issue	Incremental $9bn of leverage as proposed may put pressure on credit rating	Separation of McOpCo from PF McDonald's may cause alignment issues in the system

Friction Costs

- Potential property tax revaluations
- Legal costs
- Large transaction for CMBS market
- Mostly driven by CMBS financing

Credit Impact

- Rating agency consolidation of McOpCo
- Lease commitments viewed as leverage

McDonald's management stated that, assuming adequate value creation, none of these issues would prevent a restructuring

Valuation: Judgments Made by Advisors

- Advisors were assigned to review the Proposal
- In general, Advisors agreed with Pershing on:
  - ✓ McOpCo valuation
  - ✓ Relative allocation of EBITDA between McOpCo and PF McDonald's
- However, their judgment was that PF McDonald's would not enjoy significant multiple expansion

"PF McDonald's would trade like a restaurant stock"

V. Developing a Response to the Company

Pershing's Response Regarding Friction Costs and Credit Impact

Friction Costs	Credit Impact
✓ Friction costs immaterial in the context of value creation ✓ Friction costs and transaction delays were driven by CMBS financing ✓ Similar transaction could be effected with corporate debt	✓ Stability of PF McDonald's cash flow stream and robust asset base should allow it to incur additional debt without a material adverse change in rating ✓ YUM's credit rating is BBB-

Franchisee Alignment: "Skin in the Game"

Franchisor/Franchisee Conflict

- Top Line (percent of sales) vs. Bottom Line

Some believe this conflict is mitigated by owning and operating units

However, many of the most successful franchisors operate few, if any, units

- Historical McDonald's
- Subway
- Dunkin' Donuts
- Tim Hortons

McDonald's current "skin in the game" is overstated due to lack of transfer pricing

- We believe McOpCo represents ~10% of McDonald's total value

PF McDonald's role as landlord, franchisor, 35% shareholder and board member, leaves them with ample skin in the game

Franchisee Alignment: Benefits to Franchisees of an independent McOpCo

McOpCo IPO would shift some power to the franchise base—A good thing

- Franchisees know what's best operationally
- Franchisees have been the source of most product innovations (i.e. **Big Mac, Egg McMuffin, Filet-o-Fish, Apple Pie**)
- Driving force behind current process innovations (call centers at drive-thru)
- IPO would sharpen focus on being best in class franchisor

Level the playing field: McOpCo should compete on the same basis as franchisees

- Pay market rent and franchise fees
- Be focused on bottom-line profitability
- Be run by equity compensated management

Opportunity for Franchisees to expand unit count

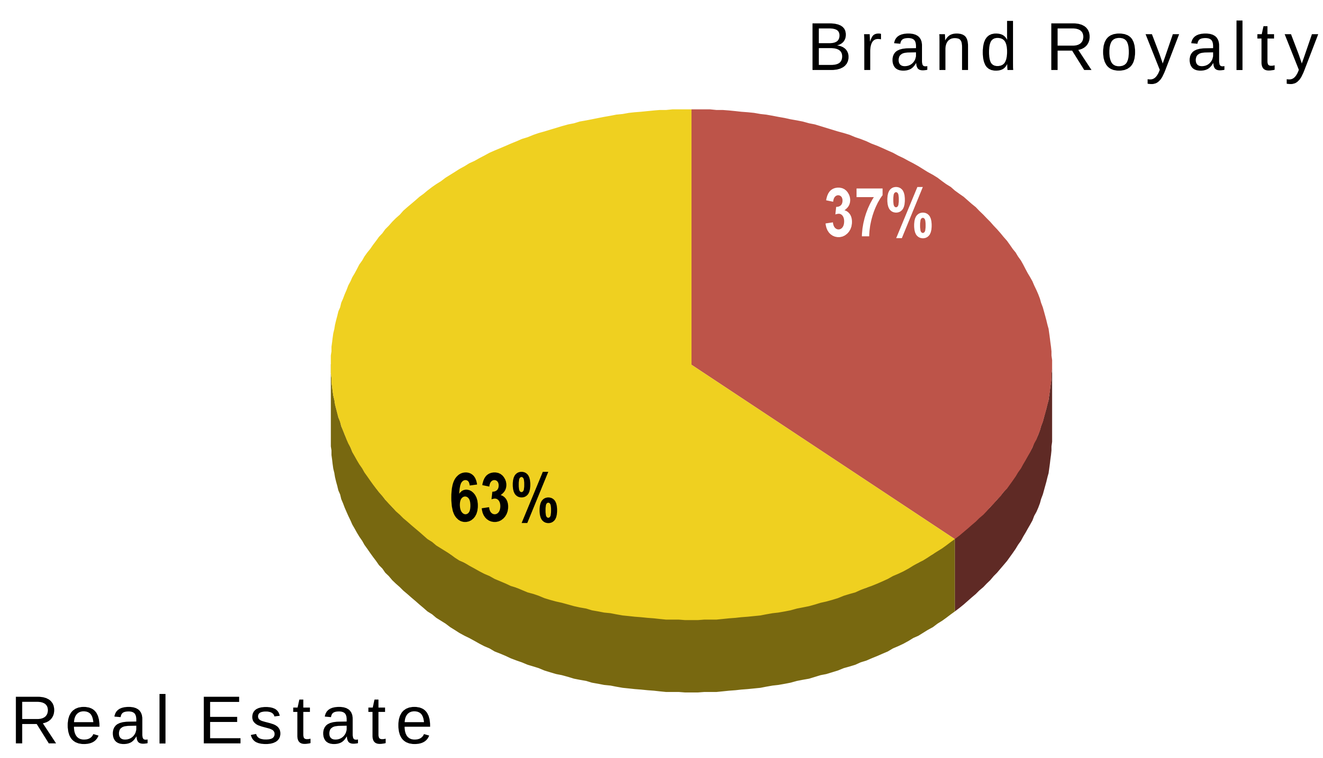
- Heavy demand among operators to acquire/manage additional units
- McOpCo should refranchise units better managed by franchisees

What It Boils Down To:
Valuation of PF McDonald's

Although there are some differences in opinion regarding friction costs, leverage and potential alignment issues, the key disparity between Pershing and the Company's views was regarding the Valuation of Pro Forma McDonald's…

PF McDonald's FY2005E EBITDA pre-G&A Contribution

Pro Forma McDonald's is Not a Restaurant Company



Comparable Companies

PF McDonald's operating metrics are much closer to a typical Real Estate C-Corporation or a high branded intellectual property business such as PepsiCo or Coca-Cola than they are a typical QSR.

Assumes PF McDonald's price of ~$47.50	Pro Forma McDonald's	Typical Real Estate C-Corp	High Branded Intangible Property: Choice Hotels	High Branded Intangible Property: PepsiCo	High Branded Intangible Property: Coca-Cola	Typical Mature QSR
2005E Operating Metrics:						
EBITDA Margins	**60%**	~70% - 80%	66%	23%	31%	~15% - 20%
EBITDA – CapEx Margins	**50%**	~65% - 75%	61%	18%	27%	~7.5 % - 12.5%
EPS Growth	**9%**	NA	16%	11%	9%	~10% - 12%
Trading Multiples						
Adjusted Enterprise Value (2) /						
CY 2006E EBITDA	**13.0x**	~13x - 16x	15.1x	12.3x	12.6x	~8.5x - 9.5x
CY 2006E EBITDA – CapEx	**15.5x**	~17x - 20x	16.0x	15.5x	14.2x	~12x - 15x
Price /						
CY 2006E EPS	**21.1x**	NA	24.3x	20.1x	18.8x	~15x - 19x
CY 2006E FCF (3)	**20.9x**	~20x - 25x	24.0x	20.8x	18.9x	~16x - 20x
Leverage Multiples						
Net Debt / EBITDA	**3.4x**	~5x - 10x	1.7x	0.0x	NM	~0.5x - 1.8x
Total Debt / Enterprise Value	**24%**	~35% - 60%	11%	4%	4%	~7.5% - 20%

Stock prices as of 11/11/05. Projections based on Wall Street estimates.
(1) Typical mature QSR based on YUM! Brands and Wendy's.
(2) Adjusted for unconsolidated assets.
(3) FCF denotes Net Income plus D&A less CapEx.

Significant Free Cash Flow Yield / Dividend Yield Assuming No Incremental Debt

At McDonald's current price of approximately $33 per share, we estimate Pro Forma McDonald's dividend / FCF yield would be approximately 6.7%. (1)

McDonald's Stock Price	$33.00	$37.00	$41.00	$45.00	$49.00	$53.00	$57.00
McOpCo Share Price (7x EV / EBITDA Multiple)	$5.15	$5.15	$5.15	$5.15	$5.15	$5.15	$5.15
Implied Pro Forma McDonald's Share Price	**27.85**	**31.85**	**35.85**	**39.85**	**43.85**	**47.85**	**51.85**
Yield on Pro Forma McDonald's	*6.7%*	*5.9%*	*5.2%*	*4.7%*	*4.3%*	*3.9%*	*3.6%*

Memo: Pro Forma McDonald's Free Cash Flow	
2006E EBITDA	$4,464.0
Less: Maintenance Capital Expenditures	(438.6)
Less: Growth Capital Expenditures	(285.9)
Plus / Less: Decreases / (Increases) in Working Capital	6.2
Less: Interest (1)	(250.0)
Less: Cash Taxes	(1,112.7)
Free Cash Flow	**$2,383.0**
PFMcDonald's Shares Out (assuming no self-tender)	1,273.7
Free Cash Flow per Share	$1.87

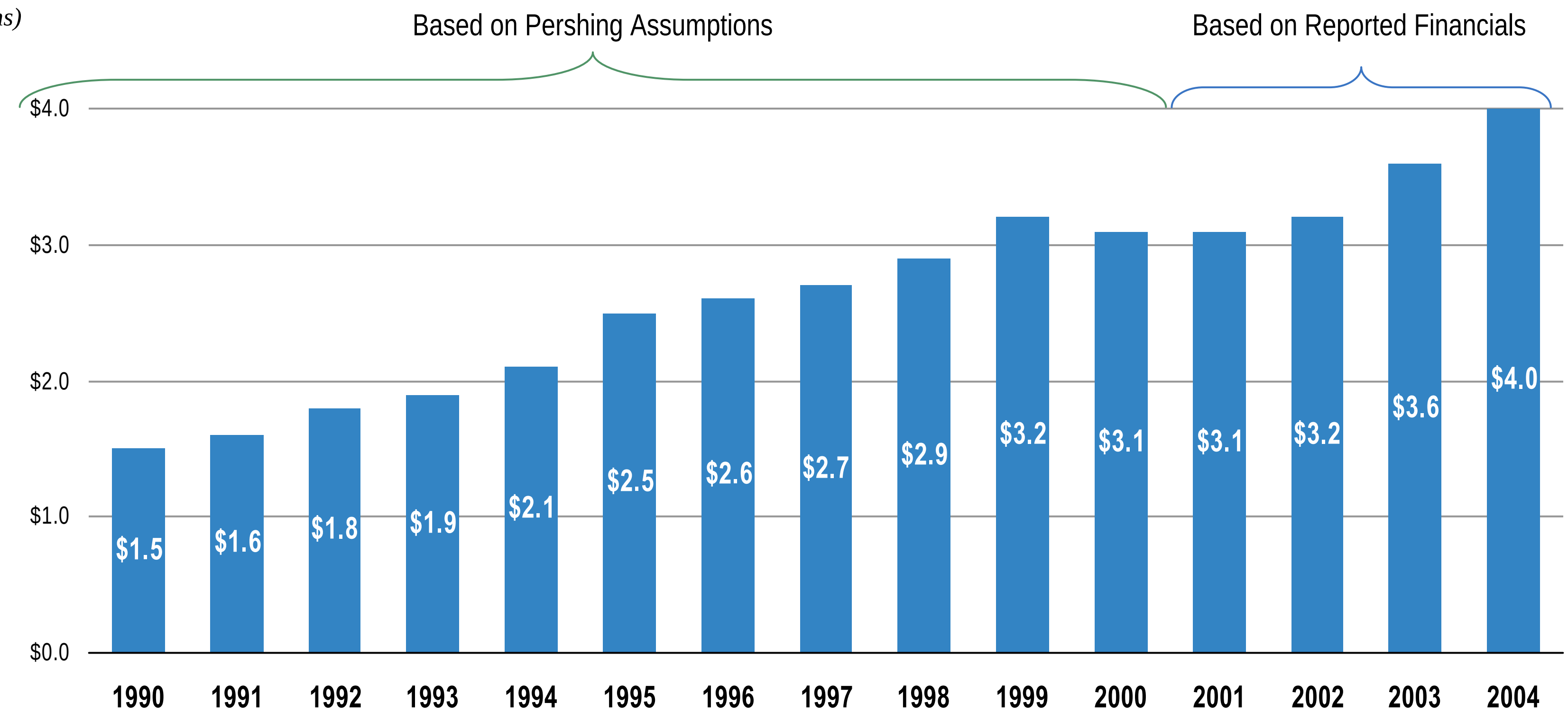
(1) Assuming PF McDonald's pays out 100% of its FCF as dividends.
(2) Assumes no incremental leverage and an average cost of debt of 5% on the existing $5 bn of net debt at Pro Forma McDonald's.

Pro Forma McDonald's: Stable and Growing

Pershing believes the best way to think about Pro Forma McDonald's is as a growing annuity.

Real Estate and Franchise EBITDA

($ in billions)



	1990	1991	1992	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004
Real Estate & Franchise EBITDA Growth:		4.9%	11.7%	8.5%	10.4%	15.3%	4.0%	4.3%	10.1%	7.4%	(0.5%)	0.1%	0.9%	12.6%	13.4%

Notes:
Assumes McOpCo G&A to be 25% of consolidated G&A and Real Estate and Franchise G&A to be 75% of consolidated G&A.
Assumes McOpCo pays franchise fees of 4% of sales and rent of 9% of sales.

V. Developing a Response to the Company

Which Would You Rather Own:
Pro Forma McDonald's or a Large Retail REIT?

	McDonald's Stock Price	$33.15	$35.15	$40.15	$45.15	$50.15	$55.15	$60.15	Typical
	McOpCo Stock Price	5.15	5.15	5.15	5.15	5.15	5.15	5.15	Large Retail
	PF McDonald's Stock Price	$28.00	$30.00	$35.00	$40.00	$45.00	$50.00	$55.00	REIT [1]
Scenario 1: No Sharebuyback, No Incremental Leverage	Pre-Tax Yield [2]	6.7%	5.9%	5.2%	4.7%	4.3%	3.9%	3.6%	4.0%
	After-Tax Investor Yield [3]	5.7%	5.0%	4.4%	4.0%	3.6%	3.3%	3.1%	2.6%
	Estimated LT Dividend Growth			3% - 4%					3%- 6%
Scenario 2: Proposed Sharebuyback	PF McDonald's Stock Price	$28.00	$30.00	$35.00	$40.00	$45.00	$50.00	$55.00	
	Pre-Tax Yield [4]	8.5%	7.9%	6.7%	5.8%	5.1%	4.6%	4.1%	
	After-Tax Investor Yield [4]	7.2%	6.7%	5.7%	4.9%	4.3%	3.9%	3.5%	
	Estimated LT Dividend Growth			3% - 4%					

Note: Assumes a 7x EV / FY '06E EBITDA multiple on McOpCo.

(1) Retail / REIT dividend yield based on Simon Property Group. Illustrative LT Dividend growth based on Pershing's estimates.
(2) Assumes full payout of free cash flows for PF McDonald's.
(3) Assumes 15% tax rate on PF McDonald's dividend and a 35% tax rate on the REIT dividend.
(4) Scenario 2 Pre-Tax and After-Tax Yields are adjusted for a 35% stake in McOpCo.

Which Would You Rather Own: Pro Forma McDonald's or 10-Year U.S. Treasury?

	McDonald's Stock Price	$33.15	$35.15	$40.15	$45.15	$50.15	$55.15	$60.15	
	McOpCo Stock Price	5.15	5.15	5.15	5.15	5.15	5.15	5.15	10 Year
	PF McDonald's Stock Price	$28.00	$30.00	$35.00	$40.00	$45.00	$50.00	$55.00	Treasury
Scenario 1: No Sharebuyback No Incremental Leverage	Pre-Tax Yield (1)	6.7%	5.9%	5.2%	4.7%	4.3%	3.9%	3.6%	4.6%
	After-Tax Investor Yield (2)	5.7%	5.0%	4.4%	4.0%	3.6%	3.3%	3.1%	3.0%
	Estimated LT Dividend Growth			3% - 4%				3% - 4%	0%

Scenario 2 Proposed Sharebuyback	PF McDonald's Stock Price	$28.00	$30.00	$35.00	$40.00	$45.00	$50.00	$55.00
	Pre-Tax Yield (3)	8.5%	7.9%	6.7%	5.8%	5.1%	4.6%	4.1%
	After-Tax Investor Yield (3)	7.2%	6.7%	5.7%	4.9%	4.3%	3.9%	3.5%
	Estimated LT Dividend Growth			3% - 4%				3% - 4%

Note: Assumes a 7x EV / FY '06E EBITDA multiple on McOpCo.
(1) Assumes full payout of free cash flows for PF McDonald's.
(2) Assumes 15% tax rate on PF McDonald's dividend and a 35% tax rate on the 10-Year Treasury dividend.
(3) Scenario 2 Pre-Tax and After-Tax Yields are adjusted for a 35% stake in McOpCo.

Which Would You Rather Own: Pro Forma McDonald's or a Treasury Inflation Protected Security (TIPS)?

	McDonald's Stock Price	$33.15	$35.15	$40.15	$45.15	$50.15	$55.15	$60.15	
	McOpCo Stock Price	5.15	5.15	5.15	5.15	5.15	5.15	5.15	10 Year
	PF McDonald's Stock Price	$28.00	$30.00	$35.00	$40.00	$45.00	$50.00	$55.00	TIPS
Scenario 1: No Sharebuyback No Incremental Leverage	Pre-Tax Yield [1]	6.7%	5.9%	5.2%	4.7%	4.3%	3.9%	3.6%	2.1%
	After-Tax Investor Yield [2]	5.7%	5.0%	4.4%	4.0%	3.6%	3.3%	3.1%	3.0%
	Estimated LT Dividend Growth	3% - 4%							2.5%
Scenario 2 Proposed Sharebuyback	PF McDonald's Stock Price	$28.00	$30.00	$35.00	$40.00	$45.00	$50.00	$55.00	
	Pre-Tax Yield [3]	8.5%	7.9%	6.7%	5.8%	5.1%	4.6%	4.1%	
	After-Tax Investor Yield [3]	7.2%	6.7%	5.7%	4.9%	4.3%	3.9%	3.5%	
	Estimated LT Dividend Growth	3% - 4%							

Note: Assumes a 7x EV / FY '06E EBITDA multiple on McOpCo.

(1) Assumes full payout of free cash flows for PF McDonald's.

(2) Assumes 15% tax rate on PF McDonald's dividend and a 35% tax rate on the TIPS dividend.

(3) Scenario 2 Pre-Tax and After-Tax Yields are adjusted for a 35% stake in McOpCo.

Valuation of McDonald's as a Growing Annuity

Based on a review of the cost of capital of Real Estate holding corporations and Intangible Property / Franchise businesses like Coca Cola and Choice Hotels, we believe that Pro Forma McDonald's levered FCF could have a discount rate in the area 7.25% - 7.75%. As such, we believe PF McDonald's would have a FCF Yield of 4.25% - 5.25%. This implies a midpoint equity valuation range of $48 per share.

	Low	High
Estimated Discount Rate	7.75%	7.25%
Implied Perpetuity Growth Rate	2.50%	3.00%
Implied FCF Yield	5.25%	4.25%
Implied FCF Multiple	19.0x	23.5x
FY'06E Free Cash Flow per Share [(1)]	$2.17	$2.17
(Note: FCF Assumes Proposal Scenario)		

Midpoint of PF McDonald's Equity Value per Share[(2)]: $48

[(1)] Assumes no dividend paid in FCF calculation.
[(2)] Includes the value of PF McDonald's 35% equity stake in McOpCo (approx. $2 per share). Assumes a 7x EV / FY '06E EBITDA McOpCo valuation multiple.

Conclusions

- McDonald’s is significantly undervalued today
  - Over 80% of its cash flows comes from real estate income and franchise income
- Proposal creates value for several reasons
  - Increases shareholder value
  - Improves management focus
  - Increases transparency
  - Improves capital allocation
  - Improves franchise alignment
- There are multiple ways to unlock value
  - Pershing’s Initial Proposal
  - Variations on Pershing’s Initial Proposal

Next Steps

- Engage constituents regarding proposal
  - Shareholders
  - Franchisees
  - Broad investment community
- Incorporate your feedback
- Consider revised proposal

Q & A

Appendix

A. Pershing's Proposal: Assumptions

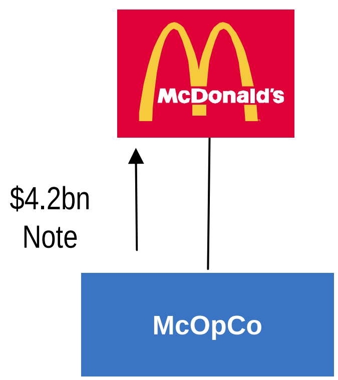
McOpCo IPO: General Assumptions

Pershing has assumed the following structural and tax assumptions with respect to an IPO spin-off of McOpCo.

- 65% of McOpCo shares are IPO'ed in the transaction
  - 35% stake retained by PF McDonald's allows for McOpCo's business to be deconsolidated
- McOpCo is assumed to be essentially a debt free subsidiary
- Immediately prior to the IPO, $1.35bn of McDonald's consolidated FY '05E net debt is allocated to McOpCo
  - $1.5 billion of total debt allocated
  - $150mm of cash and cash equivalents allocated
- The remaining $5bn of FY '05E net debt is allocated to PF McDonald's
  - $5.15bn of total debt
  - $150mm of cash and cash equivalents
- McOpCo's tax basis is assumed to be approximately $1.65 billion
  - Tax basis is equal to $3 billion of initial assumed basis (based on an assessment of net equipment and other property at McDonald's) less $1.35 billion of allocated net debt
- To the extent that the IPO distribution exceeds PF McDonald's tax basis in McOpCo, then the tax cost for the IPO would be the amount by which the IPO distribution exceeds McDonald's basis multiplied by McDonald's corporate and state/local tax rate

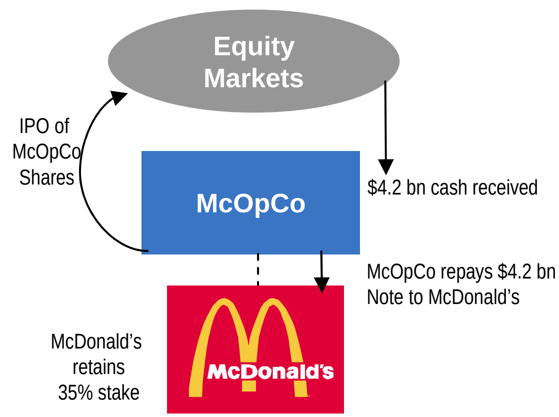
McOpCo IPO: *Structural And Tax Observations*

Step 1: McOpCo dividends a $4.2bn Note to McDonald's (parent)



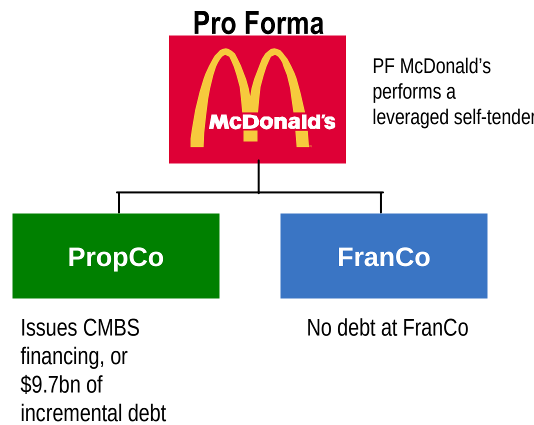
- McOpCo declares and pays a dividend to McDonald's (parent) in the form of a Note in an amount equal to the anticipated proceeds from an initial public offering of McOpCo
- For illustrative purposes, we assume the Note is for $4.2bn, or 65% of the equity market value of McOpCo (assumed to be $6.5bn)

Step 2: IPO of McOpCo and Tax Costs



- McOpCo undertakes the IPO and uses the proceeds to repay the dividend note.
- The tax cost for the IPO would be the amount by which the IPO distribution exceeded McDonald's basis in the McOpCo stock multiplied by McDonald's corporate and state/local tax rate
- Assuming a $4.2bn of IPO distribution, the tax cost would be approximately $1bn
  - Tax cost equals $4.2 billion of distribution less $1.65 billion of basis multiplied by the tax rate of 38%
- As such, after tax proceeds of the McOpCo IPO will be approximately $3.2 billion

Step 3: Leveraged Self-Tender at Pro Forma McDonald's



- PF McDonald's is organized as a real estate business ("PropCo") and a franchise business ("FranCo")
- PropCo issues secured financing with proceeds used for
  - Repaying existing debt at PF McDonald's
  - Buying back shares
- PF McDonald's performs a self tender using proceeds from:
  - New CMBS financings
  - After tax proceeds of IPO

McOpCo IPO Proceeds

Set forth herein is a schedule of the after-tax proceeds from the McOpCo IPO.

McOpCo IPO After Tax Proceeds

	Low	High	Average
Taxes payable			
McOpCo Equity Market Value	$5,993	$7,122	$6,558
IPO Percentage	65%	65%	65%
Distribution to PF McDonald's	$3,895	$4,630	$4,262
Book Basis of McOpCo	3,000	3,000	3,000
Net Debt Allocated to McOpCo	(1,350)	(1,350)	(1,350)
Adjusted Basis in McOpCo	1,650	1,650	1,650
Taxable Gain	$2,245	$2,980	$2,612
Tax Rate	38%	38%	38%
Taxes payable	$853	$1,132	$993
After Tax Proceeds			
Distribution	$3,895	$4,630	$4,262
Taxes Payable	(853)	(1,132)	(993)
After Tax Distributions	**$3,042**	**$3,497**	**$3,270**

Collateralized Financing

Assuming PF McDonald's owns the land and building of 37% of its system wide units and owns the buildings of 22% of its system wide units, then a preliminary valuation of McDonald's real estate suggests a value of $33 billion.

$ in million	Avg. Annual Rev. Per Unit	Est. Market Rent %	Est. Market Rent $	Est. # of Units	Est. Rent Income	Cap Rate	Total Real Estate Value
Property Value							
Owns Land and Building	1.75	9.0%	0.16	11,709	1,844.2	7.0%	$26,346
Owns Building (Leases Land)	1.75	4.5%	0.08	6,962	548.3	8.0%	$6,854
					Estimated Property Value		**$33,200**

$ in million	Est. Rent Spread Per Avg unit	Est. # of Units	Est. Rent Income, Net	Cap Rate	Total Real Estate Value
Leasehold Value					
Leaseholds	0.10	12,975	1,322.8	10.0%	$13,228
			Estimated Leasehold Value		**$13,228**
		Total Real Estate Collateral Value			**$46,428**

A. Pershing's Proposal: Assumptions

PF McDonald's: Cost of Capital

We estimated the asset betas of several Real Estate holding C-Corporations and several high branded intellectual property businesses.

High Branded Intangible Property Business Betas
(Dollar values in millions)

Company	Adjusted Equity Beta	Cost of Equity	Equity Value	Total Debt	Preferred Stock	Marginal Tax Rate	Unlevered Beta	Total Debt & Preferred / TEV
Coca Cola Co.	0.49	7.3%	$101,776.1	$4,200.0	-	38.0%	0.48	4.2%
Pepsico Inc.	0.46	7.2%	99,498.9	4,607.0	41.0	38.0%	0.45	4.7%
Choice Hotels	0.86	9.3%	2,285.7	296.7	-	38.0%	0.79	11.7%
Mean	**0.60**	**7.9%**	**$67,853.6**	**$3,034.6**	**$13.7**	**38.0%**	**0.57**	**6.8%**
Median	**0.49**	**7.3%**	**99,498.9**	**4,200.0**	**-**	**38.0%**	**0.48**	**4.7%**

Real Estate Business Betas
(Dollar values in millions)

Company	Adjusted Equity Beta	Cost of Equity	Equity Value	Total Debt	Preferred Stock	Marginal Tax Rate	Unlevered Beta	Total Debt & Preferred / TEV
British Land	0.62	8.0%	$8,913.9	$11,391.1	-	38.0%	0.34	56.8%
Brookfield Properties	0.80	9.0%	6,805.9	6,208.0	1,477.0	38.0%	0.45	60.5%
Forest City Enterprises	0.66	8.2%	3,863.9	5,566.0	-	38.0%	0.35	59.3%
Land Securities	0.55	7.7%	12,279.2	6,484.2	-	38.0%	0.42	34.6%
Mean	**0.66**	**8.2%**	**$7,965.7**	**$7,412.3**	**$369.3**	**38.0%**	**0.39**	**52.8%**
Median	**0.64**	**8.1%**	**7,859.9**	**6,346.1**	**-**	**38.0%**	**0.38**	**58.0%**

Note: Market information as of 11/10/05. Utilized treasury stock method.
Sources: Barra, company reports, Factset, and Wall Street Equity research.

PF McDonald's: Cost of Capital (Cont'd)

Based on a blended asset beta calculation we determined a range of values for the WACC of PF McDonald's.

Blended Asset Beta Calculation

	Asset Beta	% Contribution from Real Estate		Asset Beta	% Contribution from High Branded Intellectual Property	Blended Average Unlevered Asset Beta
Average Real Estate Unlevered Asset Beta	0.38	60.0%	Average High Branded Intellectual Property Unlevered Asset Beta	0.57	40.0%	0.45

Main Target Assumptions	
PreTax Cost of Debt	6.0%
Risk-Free Rate	4.6%
Equity Risk Premium	5.0%
Tax Rate	38.0%

WACC Calculation	
Unlevered Asset Beta	0.46
Releverd Beta	0.56
Levered Cost of Equity	7.4%
Equity Weight	75.0%
AfterTax Cost of Debt	3.7%
Target Debt & Pref. / TEV	25.0%
Implied Debt / Equity	33.3%
WACC	**6.5%**

WACC Sensitivity Analysis

		Levered Beta				
		0.45	**0.50**	**0.55**	**0.60**	**0.65**
Equity Risk Premium	4.0%	5.8%	5.9%	6.1%	6.2%	6.4%
	5.0%	6.1%	6.3%	6.5%	6.7%	6.8%
	6.0%	6.4%	6.7%	6.9%	7.1%	7.3%
	7.0%	6.8%	7.0%	7.3%	7.6%	7.8%

		Levered Beta				
		0.45	**0.50**	**0.55**	**0.60**	**0.65**
Debt / TEV	15.0%	6.4%	6.6%	6.8%	7.0%	7.3%
	20.0%	6.2%	6.4%	6.6%	6.8%	7.0%
	25.0%	6.1%	6.3%	6.5%	6.7%	6.8%
	30.0%	5.9%	6.1%	6.3%	6.5%	6.6%
	35.0%	5.8%	5.9%	6.1%	6.3%	6.4%

Note: Market information as of 11/10/05. Utilized treasury stock method.
Sources: Barra, company reports, Factset, and Wall Street Equity research.

B. PF McDonald's Financial Analysis

Pro Forma McDonald's: Model Key Drivers

Set forth herein are the assumptions for the Pro Forma McDonald's business.

- **Net Unit Growth**
  - Approximates 1.5% - 2.0% of total franchise system unit growth annually or 1.0% - 1.5% of systemwide unit growth
- **Revenue drivers:**
  - Average systemwide same-store sales CAGR of ~2.5% annually
  - Rental revenue from franchisees of 9.0% of franchise & affiliated system sales
  - Rental revenue from McOpCo of 9.0% of McOpCo sales
  - Franchise revenue from franchisees of 4.0% of franchise & affiliated system sales
  - Franchise revenue from McOpCo of 4.0% of McOpCo sales
- **Cost drivers:**
  - Franchise rental expense based on a historical % of rental revenue from franchisees
  - McOpCo rental expense based on a historical % of rental revenue from McOpCo
  - D&A calculated assuming a 20-year useful life for existing net depreciable PP&E of approximately $12.5 billion (excluding land), and a 20-year useful life for depreciable PP&E purchased in the future
  - 75% of SG&A allocated to Pro Forma McDonald's
- **Net CapEx drivers:**
  - **All CapEx is net of proceeds received from store closures**
  - $1.3 million of CapEx for each new unit where Pro Forma McDonald's owns the land and the building in 2005 and 2006, growing at an inflationary rate of 2.0% thereafter
  - $650K million of CapEx for each new unit where Pro Forma McDonald's owns the building but not the land in 2005 and 2006, growing at an inflationary rate of 2.0% thereafter
  - Run-rate maintenance CapEx of approximately $320 million, implying approximately $10K per system wide unit, growing at 2%
  - Allocation of 75% of consolidated McDonald's corporate CapEx
  - Consolidated corporate CapEx held constant at 0.7% of sales
- **Other**
  - Incremental total debt of $9.7 billion, resulting in total debt of approximately $14.8 billion (net debt of $14.65bn)
  - Free cash used to buy back shares and pay dividends
  - $150 mm minimum cash balance
  - Tax rate of 32%
  - Minimal working capital requirements
  - 25% Debt to Cap ratio increasing to 30% in 2008
  - Assumes an illustrative 30% dividend payout ratio to match current consolidated McDonald's

2004 McDonald's P&L As Reported McDonald's

Set forth below is table which reconciles McOpCo's, the Real Estate and Franchise businesses' and stand-alone McDonald's FY 2004 income statements, as they are currently reported. The analysis demonstrates how McOpCo is paying neither a market rent nor a franchise fee.

(U.S. $ in millions)

	2004 Income Statement	McOpCo P&L	Real Estate and Franchise P&L	2004 Consolidated Sum of Parts
Sales by Company Operated Restaurants	$14,224	$14,224		$14,224
Rent from Franchise and Affiliate Rest.	3,336		3,336	3,336
Franchise Fees From Franchise and Affiliate Rest.	1,505		1,505	1,505
Total Revenue	**$19,065**	**$14,224**	**$4,841**	**$19,065**
Company Operated Expenses:				
Food and Paper	4,853	4,853	-	4,853
Compensation & Benefits	3,726	3,726	-	3,726
Occupancy and Other Expenses (excl. D&A)	2,747	2,747	-	2,747
Company Operated D&A	774	427	347	774
Total Company Operated Expenses	**$12,100**	**$11,753**	**$347**	**$12,100**
Franchised Restaurant Occupancy Costs	576	-	576	576
Franchise PPE D&A	427		427	427
Corporate G&A	1,980	495	1,485	1,980
EBIT	3,982	1,976	2,006	3,982
Depreciation & Amortization	1,201	427	774	1,201
EBITDA	**$5,183**	**$2,403**	**$2,780**	**$5,183**
% of Total EBITDA	*100%*	*46%*	*54%*	*100%*

The analysis assumes that 75% of the total G&A is allocated to the Real Estate and Franchise business and 25% is allocated to McOpCo. To the extent that there should be more G&A allocated to McOpCo, then there would be a greater percentage of total EBITDA at the Real Estate and Franchise business than what is shown here.
Note: Analysis excludes $441 mm of non-recurring other net operating expenses.

2005E P&L Reconciliation

Set forth below is a table which reconciles McOpCo's, Pro Forma McDonald's and standalone McDonald's FY 2005E income statements. The analysis demonstrates the flow of rent income, franchise income and rent expense upon separation of the businesses.

(U.S. $ in millions)

	2005 Projected Income Statement	McOpCo P&L	Pro Forma McDonald's P&L	Inter-Company Eliminations	2005 Consolidated Sum of Parts
Sales by Company Operated Restaurants	$15,042	$15,042			$15,042
Rent from Franchise and Affiliate Rest.	3,578		3,578		3,578
Rent From Company Operated Rest.	-		1,354	(1,354)	-
Franchise Fees From Franchise and Affiliate Rest.	1,590		1,590		1,590
Franchise Fees From Company Operated Rest.	-		602	(602)	-
Total Revenue	**$20,211**	**$15,042**	**$7,124**	**($1,956)**	**$20,211**
Company Operated Expenses:					
Food and Paper	5,132	5,132	-	-	5,132
Compensation & Benefits	3,926	3,926	-	-	3,926
Non-Rent Occupancy and Other Expenses (excl. D&A)	2,400	2,400	-	-	2,400
Company Operated D&A	789	576	214		789
Company-Operated Rent Expense	616	616	616	(616)	616
Additional Rent Payable to PropCo	-	737	-	(737)	-
Franchise Fee Payable to FranCo	-	602	-	(602)	-
Total Company Operated Expenses	**$12,863**	**$13,989**	**$830**	**($1,956)**	**$12,863**
Franchised Restaurant Occupancy Costs	600	-	600	-	600
Franchise PPE D&A	499		499		499
Corporate G&A	2,174	544	1,631		2,174
EBIT	4,075	510	3,564	-	4,075
Depreciation & Amortization	1,288	576	712	-	1,288
EBITDA	**$5,362**	**$1,086**	**$4,277**	**$0**	**$5,362**
% of Total EBITDA	*100%*	*20%*	*80%*		*100%*
Maintenance Capex	1,250	501	749		1,250
EBITDA - Maintenance Capex	4,113	585	3,528		4,113
% of Total EBITDA - Maintenance Capex	***100%***	***14%***	***86%***		***100%***

(1) Assumes total PF McDonald's D&A of approximately $712 million, which is composed of $499 million (or 70%) of franchise PP&E and $214 million (or 30%) of D&A associated with company-operated units.

B. PF McDonald's Financial Analysis

2006E P&L Reconciliation

Set forth below is a table which reconciles McOpCo's, Pro Forma McDonald's and standalone McDonald's FY 2006E income statements. The analysis demonstrates the flow of rent income, franchise income and rent expense upon separation of the businesses.

(U.S. $ in millions)

(U.S. $ in millions)	2006 Projected Income Statement	McOpCo P&L	Pro Forma McDonald's P&L	Inter-Company Eliminations	2006 Consolidated Sum of Parts
Sales by Company Operated Restaurants	$15,429	$15,429			$15,429
Rent from Franchise and Affiliate Rest.	3,730	-	3,730	-	3,730
Rent From Company Operated Rest.	-	-	1,389	(1,389)	-
Franchise Fees From Franchise and Affiliate Rest.	1,658	-	1,658	-	1,658
Franchise Fees From Company Operated Rest.	-	-	617	(617)	-
Total Revenue	**$20,816**	**$15,429**	**$7,393**	**($2,006)**	**$20,816**
Company Operated Expenses:					
Food and Paper	5,264	5,264	-	-	5,264
Compensation & Benefits	4,012	4,012	-	-	4,012
Non-Rent Occupancy and Other Expenses (excl. D&A)	2,458	2,458	-	-	2,458
Company Operated D&A	808	587	221	-	808
Company-Operated Rent Expense	632	632	632	(632)	632
Additional Rent Payable to PropCo	-	756	-	(756)	-
Franchise Fee Payable to FranCo	-	617	-	(617)	-
Total Company Operated Expenses	**$13,174**	**$14,327**	**$853**	**($2,006)**	**$13,174**
Franchised Restaurant Occupancy Costs	617	-	617	-	617
Franchise PPE D&A	516	-	516	-	516
Corporate G&A	2,240	560	1,680	-	2,240
EBIT	4,269	542	3,727	-	4,269
Depreciation & Amortization	1,324	587	737	-	1,324
EBITDA from Operations	**$5,594**	**$1,130**	**$4,464**	**$0**	**$5,594**
% of Total EBITDA	*100%*	*20%*	*80%*		*100%*
Maintenance Capex	943	504	439		943
EBITDA - Maintenance Capex	4,651	626	4,025		4,651
% of Total EBITDA - Maintenance Capex	***100%***	***13%***	***87%***		***100%***

(1) Assumes total PF McDonald's D&A of approximately $737 million, which is composed of $516 million (or 70%) of franchise PP&E and $221 million (or 30%) of D&A associated with company-operated units.

2006E Net Capital Expenditures Reconciliation

Set forth herein is a table which demonstrates net capital expenditures by category for McOpCo, PF McDonald's and the standalone (consolidated) McDonald's.

<u>Note:</u> Our Free Cash Flows are derived using Net Capital Expenditures, net of proceeds received from closures. We note that the Company typically generates $300 - $400mm of proceeds annually from closings.

2006E Net Capital Expenditures

(U.S. $ in millions)

	Consolidated McDonald's	McOpCo	Pro Forma McDonald's
New Restaurants, Net	$316	$30	$286
Existing Restaurants	787	465	322
Corporate/Other	156	39	117
Net Capital Expenditures	**$1,259**	**$534**	**$724**

PF McDonald's: Summary Income Statement

Below are the summary projections for Pro Forma McDonald's based on the assumptions detailed on page 68.

($ in millions, except per share data)

	2002A	2003A	2004A	2005E	2006E	2007E	2008E	2009E	2010E	2011E	2006 - 2011 CAGR
Income Statement Data											
Revenue	$5,401.0	$6,008.5	$6,690.0	$7,124.1	$7,393.1	$7,676.7	$7,969.9	$8,276.2	$8,596.2	$8,930.9	*3.9%*
% Growth		*11.2%*	*11.3%*	*6.5%*	*3.8%*	*3.8%*	*3.8%*	*3.8%*	*3.9%*	*3.9%*	
EBITDA	**$3,168.7**	**$3,568.2**	**$4,046.0**	**$4,276.7**	**$4,464.0**	**$4,653.4**	**$4,849.3**	**$5,054.9**	**$5,270.8**	**$5,497.5**	*4.3%*
% Margin	*58.7%*	*59.4%*	*60.5%*	*60.0%*	*60.4%*	*60.6%*	*60.8%*	*61.1%*	*61.3%*	*61.6%*	
EBITDA - CapEx			4,046.0	3,312.7	3,739.5	3,909.2	4,085.0	4,258.5	4,440.1	4,630.1	*4.4%*
% Margin			*60.5%*	*46.5%*	*50.6%*	*50.9%*	*51.3%*	*51.5%*	*51.7%*	*51.8%*	
D&A			774.0	712.3	736.9	768.5	794.5	821.5	849.6	878.8	
EBIT	**$2,492.7**	**$2,827.4**	**$3,272.0**	**$3,564.4**	**$3,727.0**	**$3,884.9**	**$4,054.8**	**$4,233.4**	**$4,421.2**	**$4,618.6**	*4.4%*
% Margin	*46.2%*	*47.1%*	*48.9%*	*50.0%*	*50.4%*	*50.6%*	*50.9%*	*51.2%*	*51.4%*	*51.7%*	
Net Interest Expense					(736.6)	(801.5)	(889.7)	(932.5)	(971.8)	(1,012.7)	
Equity Income from OpCo			*35.0%*		107.9	121.9	137.5	151.7	162.4	171.9	
Net Income					**$2,141.4**	**$2,218.6**	**$2,289.8**	**$2,396.3**	**$2,507.9**	**$2,623.9**	*4.1%*
EPS					$2.27	$2.47	$2.72	$2.97	$3.24	$3.54	*9.3%*
Average Shares Outstanding					945.4	897.8	842.8	806.4	773.3	741.8	

PF McDonald's: Summary Cash Flow and Balance Sheet

Below are the summary cash flow projections for Pro Forma McDonald's based on the assumptions detailed on page 68.

($ in millions, except per share data)

	2002A	2003A	2004A	2005E	2006E	2007E	2008E	2009E	2010E	2011E	2006 - 2011 CAGR
Cash Flow Data											
EBITDA					$4,464.0	$4,653.4	$4,849.3	$5,054.9	$5,270.8	$5,497.5	
less: Cash Taxes					(956.9)	(986.7)	(1,012.8)	(1,056.3)	(1,103.8)	(1,153.9)	
less: Cash Interest Expense					(736.6)	(801.5)	(889.7)	(932.5)	(971.8)	(1,012.7)	
less: Dividends					(653.2)	(676.8)	(698.5)	(731.0)	(765.0)	(800.4)	
less: Change in Working Capital					6.2	6.5	6.7	7.0	7.2	7.5	
less: Growth CapEx					(285.9)	(291.6)	(297.4)	(314.7)	(333.5)	(354.0)	
less: Maintenance CapEx					(438.6)	(452.6)	(466.9)	(481.7)	(497.2)	(513.4)	
plus: After-tax Dividends from McOpCo					0.0	0.0	0.0	0.0	0.0	0.0	
Free Cash Flow (post dividends)					**$1,398.9**	**$1,450.8**	**$1,490.7**	**$1,545.7**	**$1,606.7**	**$1,670.6**	
Free Cash Flow (pre dividends)					**2,052.1**	**2,127.6**	**2,189.2**	**2,276.7**	**2,371.7**	**2,471.0**	
FCF per Share (pre dividends)					**$2.17**	**$2.37**	**$2.60**	**$2.82**	**$3.07**	**$3.33**	*8.9%*
Balance Sheet Data											
Cash				150.0	150.0	150.0	150.0	150.0	150.0	150.0	
Revolver				0.0	0.0	0.0	0.0	0.0	0.0	0.0	
Long-Term Debt				$14,800.0	14,800.0	17,393.4	18,331.6	19,104.0	19,904.5	20,740.4	
Total Debt / Capitalization				24.5%	26.8%	30.0%	30.0%	30.0%	30.0%	30.0%	
Total Debt / EBITDA				3.5x	3.3x	3.7x	3.8x	3.8x	3.8x	3.8x	
Net Debt / EBITDA				3.4x	3.3x	3.7x	3.7x	3.7x	3.7x	3.7x	

C. McOpCo Financial Analysis

McOpCo: Model Key Drivers

Set forth herein are the assumptions for the McOpCo business.

- **Net Unit Growth**
  - 90 **net** new owned restaurants in 2005
  - **Net** unit growth thereafter only in the franchised system. Assumes 200 new gross units and 200 closed units annually.
- **Revenue drivers:**
  - Average same-store sales growthof 2.5% -2.7% annually on a total company basis
  - Average unit sales of $1.6mm on a global basis in FY 2005
- **Cost drivers:**
  - Food and paper costs held constant at 34.1% of sales, based on historicals
  - Payroll and employee costs of 26.1% in 2005, stepping down to 25.5% percent by 2011
  - Occupancy and other costs (excluding D&A) held constant at 20.5% of sales
  - D&A calculated as 110% of capex in 2006 trailing to approximately 107% of CapEx by 2015
  - 4.0% of sales paid to Pro Forma McDonald's as a franchise fee
  - 25% of consolidated SG&A allocated to McOpCo
- **CapEx drivers:**
  - Average maintenance CapEx per unit of approximately $50k in 2005 and 2006, growing at an inflationary rate of 2.0% thereafter
  - Allocation of 25% of consolidated McDonald's corporate CapEx
  - Consolidated corporate CapEx held constant at 0.7% of sales
- **Other**
  - No dividends
  - Total Debt of $1.5 billion allocated (Net Debt of $1.35bn)
  - Free cash used to pay down debt and then buy back shares
  - $150 mm minimum cash balance
  - Tax rate of 32%
  - Minimal working capital requirements

McOpCo Summary Income Statement

Set forth below are the summary projections for McOpCo based on the assumptions detailed on page 76.

(U.S. $ in millions)

	2004A	2005E	2006E	2007E	2008E	2009E	2010E	2011E	2006 - 2011 CAGR
Income Statement Data									
Revenue	$14,223.8	$15,042.4	$15,428.9	$15,838.3	$16,259.2	$16,692.0	$17,136.9	$17,594.4	*2.7%*
% Growth	*11.2%*	*5.8%*	*2.6%*	*2.7%*	*2.7%*	*2.7%*	*2.7%*	*2.7%*	
EBITDA	**$1,136.7**	**$1,085.7**	**$1,129.6**	**$1,173.3**	**$1,218.5**	**$1,265.4**	**$1,313.9**	**$1,364.2**	*3.8%*
% Margin	*8.0%*	*7.2%*	*7.3%*	*7.4%*	*7.5%*	*7.6%*	*7.7%*	*7.8%*	
EBITDA - CapEx	1,136.7	562.5	595.6	628.1	662.0	697.3	734.0	772.2	*5.3%*
% Margin	*8.0%*	*3.7%*	*3.9%*	*4.0%*	*4.1%*	*4.2%*	*4.3%*	*4.4%*	
D&A	427.0	575.5	587.4	599.6	609.3	622.0	635.0	645.2	
EBIT	**$709.7**	**$510.2**	**$542.2**	**$573.6**	**$609.2**	**$643.3**	**$678.9**	**$718.9**	*5.8%*
% Margin	*5.0%*	*3.4%*	*3.5%*	*3.6%*	*3.7%*	*3.9%*	*4.0%*	*4.1%*	
Net Interest Expense			(90.9)	(68.5)	(43.9)	(17.0)	0.2	3.4	
Net Income			**$306.9**	**$343.5**	**$384.4**	**$425.9**	**$461.8**	**$491.2**	*9.9%*
EPS			$0.24	$0.27	$0.30	$0.33	$0.37	$0.41	*11.3%*
Average Shares Outstanding			1,273.7	1,273.7	1,273.7	1,273.7	1,248.1	1,191.9	

McOpCo Summary Cash Flow and Balance Sheet

Set forth below are the summary cash flow projections for McOpCo based on the assumptions detailed on page 76.

	2004A	2005E	2006E	2007E	2008E	2009E	2010E	2011E	2006 - 2011 CAGR
Cash Flow Data									
EBITDA			$1,129.6	$1,173.3	$1,218.5	$1,265.4	$1,313.9	$1,364.2	
less: Cash Taxes			(145.1)	(163.9)	(184.9)	(203.9)	(218.3)	(231.1)	
less: Cash Interest Expense			(88.7)	(61.5)	(31.4)	(6.1)	3.4	3.4	
less: Dividends			0.0	0.0	0.0	0.0	0.0	0.0	
less: Change in Working Capital			6.2	6.5	6.7	7.0	7.2	7.5	
less: Growth CapEx			(30.0)	(30.6)	(31.2)	(31.8)	(32.5)	(33.1)	
less: Maintenance CapEx			(504.0)	(514.5)	(525.3)	(536.2)	(547.4)	(558.8)	
Free Cash Flow (after dividends)			**$367.9**	**$409.3**	**$452.5**	**$494.3**	**$526.3**	**$552.0**	*8.5%*
Free Cash Flow per share (before dividends)			**$0.29**	**$0.32**	**$0.36**	**$0.39**	**$0.44**	**$0.49**	*11.1%*
Balance Sheet Data									
Cash		150.0	150.0	150.0	150.0	150.0	150.0	150.0	
Revolver		0.0	0.0	0.0	0.0	0.0	0.0	0.0	
Long-Term Debt		1,500.0	1,132.1	722.8	270.3	0.0	0.0	0.0	
Total Debt / EBITDA		1.4x	1.0x	0.6x	0.2x	0.0x	0.0x	0.0x	
Net Debt / EBITDA		1.2x	0.9x	0.5x	0.1x	-0.1x	-0.1x	-0.1x	