

Supplemental Information on Franchisor Updates in McDonald's U.S. and Canada

We are providing a summary of a recent communication to McDonald's franchisees that is designed to better position the McDonald's System for long-term growth and ensure greater global consistency to keep our franchising terms in line with the value of the Brand.

Effective January 1, 2024, we will adopt a royalty rate of 5% across the U.S. and our International Operated Markets. Because the royalty rate is currently at 5% in all owned markets, except for the U.S. and Canada, this royalty rate increase will not apply to a majority of the existing restaurant portfolio. In addition, this increase will be applied in limited scenarios in the U.S. and Canada.

Scenarios where the increased royalty rate will apply are:

- A franchisee opens a new restaurant
- A franchisee purchases a restaurant as a result of a McOpCo sale
- A franchisee-to-franchisee sale where McDonald's exercises its right of first refusal

We expect the impact of this royalty rate increase to be immaterial to franchisee revenue in the near-term as we estimate the impact will be limited to hundreds of restaurants in the U.S. and Canada in a given year. As the scenarios detailed above gradually impact more restaurants as they are built or sold, the increase in royalty rate will begin to apply to a larger portion of the restaurant portfolio.

Existing franchisee equity in existing restaurants will not be impacted by this royalty rate increase, as the royalty rate will not increase in the following scenarios in the U.S. and Canada:

- Family and Next Generation restaurant transactions and ownership transfers
- Existing franchisees sign a new 20-year agreement ("New Term") on existing restaurants
- A franchisee-to-franchisee restaurant sale where McDonald's does not exercise its right of first refusal
- A rebuild of an existing restaurant location with an existing franchisee

This increase in royalty rate applies to the U.S. and Canada markets and does not apply to other International Operated Markets or to International Developmental Licensed Markets.