UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, DC 20549

FORM 10-Q

☒ **QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**
For the quarterly period ended June 30, 2016

OR

☐ **TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**
For the transition period from______ to______

Commission File Number 1-5231

McDONALD'S CORPORATION
(Exact Name of Registrant as Specified in Its Charter)

Delaware	**36-2361282**
(State or Other Jurisdiction of Incorporation or Organization)	(I.R.S. Employer Identification No.)
One McDonald's Plaza **Oak Brook, Illinois**	**60523**
(Address of Principal Executive Offices)	(Zip Code)

(630) 623-3000
(Registrant's Telephone Number, Including Area Code)

Indicate by check mark whether the registrant: (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes ☒ No ☐

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes ☒ No ☐

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of "large accelerated filer," "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer ☒	Accelerated filer ☐
Non-accelerated filer ☐ (do not check if a smaller reporting company)	Smaller reporting company ☐

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes ☐ No ☒

853,361,988
(Number of shares of common stock
outstanding as of June 30, 2016)

McDONALD’S CORPORATION

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PART I – FINANCIAL INFORMATION

Item 1. Financial Statements

CONDENSED CONSOLIDATED BALANCE SHEET

In millions, except per share data	(unaudited) June 30, 2016	December 31, 2015
Assets		
Current assets		
Cash and equivalents	**$ 3,128.0**	$ 7,685.5
Accounts and notes receivable	**1,267.1**	1,298.7
Inventories, at cost, not in excess of market	**87.4**	100.1
Prepaid expenses and other current assets	**564.1**	558.7
Total current assets	**5,046.6**	9,643.0
Other assets		
Investments in and advances to affiliates	**852.1**	792.7
Goodwill	**2,498.6**	2,516.3
Miscellaneous	**1,899.3**	1,869.1
Total other assets	**5,250.0**	5,178.1
Property and equipment		
Property and equipment, at cost	**37,814.4**	37,692.4
Accumulated depreciation and amortization	**(14,964.5)**	(14,574.8)
Net property and equipment	**22,849.9**	23,117.6
Total assets	**$ 33,146.5**	$ 37,938.7
Liabilities and shareholders' equity		
Current liabilities		
Accounts payable	**$ 574.6**	$ 874.7
Income taxes	**219.3**	154.8
Other taxes	**302.1**	309.0
Accrued interest	**212.7**	233.1
Accrued payroll and other liabilities	**1,358.5**	1,378.8
Total current liabilities	**2,667.2**	2,950.4
Long-term debt	**26,010.0**	24,122.1
Other long-term liabilities	**2,208.0**	2,074.0
Deferred income taxes	**1,621.3**	1,704.3
Shareholders' equity		
Preferred stock, no par value; authorized – 165.0 million shares; issued – none	**—**	—
Common stock, $.01 par value; authorized – 3.5 billion shares; issued – 1,660.6 million shares	**16.6**	16.6
Additional paid-in capital	**6,137.5**	6,533.4
Retained earnings	**45,272.5**	44,594.5
Accumulated other comprehensive income	**(2,674.8)**	(2,879.8)
Common stock in treasury, at cost; 807.3 and 753.8 million shares	**(48,111.8)**	(41,176.8)
Total shareholders' equity	**640.0**	7,087.9
Total liabilities and shareholders' equity	**$ 33,146.5**	$ 37,938.7

See Notes to condensed consolidated financial statements.

CONDENSED CONSOLIDATED STATEMENT OF INCOME (UNAUDITED)

In millions, except per share data	Quarters Ended June 30, 2016	Quarters Ended June 30, 2015	Six Months Ended June 30, 2016	Six Months Ended June 30, 2015
Revenues				
Sales by Company-operated restaurants	**$ 3,916.6**	$ 4,261.1	**$ 7,670.1**	$ 8,175.2
Revenues from franchised restaurants	**2,348.4**	2,236.6	**4,498.8**	4,281.4
Total revenues	**6,265.0**	6,497.7	**12,168.9**	12,456.6
Operating costs and expenses				
Company-operated restaurant expenses	**3,248.1**	3,596.3	**6,423.4**	6,950.6
Franchised restaurants—occupancy expenses	**430.9**	411.0	**846.0**	814.6
Selling, general & administrative expenses	**596.1**	592.4	**1,174.1**	1,175.2
Other operating (income) expense, net	**132.0**	48.7	**87.2**	281.4
Total operating costs and expenses	**4,407.1**	4,648.4	**8,530.7**	9,221.8
Operating income	**1,857.9**	1,849.3	**3,638.2**	3,234.8
Interest expense	**223.9**	149.2	**442.2**	296.5
Nonoperating (income) expense, net	**(16.2)**	(12.3)	**(30.6)**	(28.2)
Income before provision for income taxes	**1,650.2**	1,712.4	**3,226.6**	2,966.5
Provision for income taxes	**557.3**	510.0	**1,008.9**	952.6
Net income	**$ 1,092.9**	$ 1,202.4	**$ 2,217.7**	$ 2,013.9
Earnings per common share-basic	**$ 1.27**	$ 1.26	**$ 2.53**	$ 2.10
Earnings per common share-diluted	**$ 1.25**	$ 1.26	**$ 2.51**	$ 2.09
Dividends declared per common share	**$ 0.89**	$ 0.85	**$ 1.78**	$ 1.70
Weighted-average shares outstanding-basic	**864.0**	953.2	**876.4**	956.9
Weighted-average shares outstanding-diluted	**871.2**	957.6	**883.8**	961.7

See Notes to condensed consolidated financial statements.

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME (UNAUDITED)

In millions	Quarters Ended June 30, 2016	Quarters Ended June 30, 2015	Six Months Ended June 30, 2016	Six Months Ended June 30, 2015
Net income	**$1,092.9**	$1,202.4	**$2,217.7**	$2,013.9
Other comprehensive income (loss), net of tax				
Foreign currency translation adjustments:				
Gain (loss) recognized in accumulated other comprehensive income (AOCI), including net investment hedges	**(275.5)**	389.2	**204.3**	(590.5)
Reclassification of (gain) loss to net income	**—**	0.2	**18.3**	0.2
Foreign currency translation adjustments-net of tax benefit (expense) of $(168.2), $67.0, $(97.3) and $(92.9)	**(275.5)**	389.4	**222.6**	(590.3)
Cash flow hedges:				
Gain (loss) recognized in AOCI	**2.9**	(10.2)	**(7.1)**	12.0
Reclassification of (gain) loss to net income	**(1.2)**	(9.4)	**(12.0)**	(14.7)
Cash flow hedges-net of tax benefit (expense) of $(1.1), $11.0 and $10.7, $1.5	**1.7**	(19.6)	**(19.1)**	(2.7)
Defined benefit pension plans:				
Gain (loss) recognized in AOCI	**0.1**	—	**(0.8)**	(1.4)
Reclassification of (gain) loss to net income	**1.5**	2.2	**2.3**	4.1
Defined benefit pension plans-net of tax benefit (expense) of $0.0, $0.0 and $0.0, $0.6	**1.6**	2.2	**1.5**	2.7
Total other comprehensive income (loss), net of tax	**(272.2)**	372.0	**205.0**	(590.3)
Comprehensive income (loss)	**$ 820.7**	$1,574.4	**$2,422.7**	$1,423.6

See Notes to condensed consolidated financial statements.

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS (UNAUDITED)

In millions	Quarters Ended June 30, 2016	2015	Six Months Ended June 30, 2016	2015
Operating activities				
Net income	**$ 1,092.9**	$ 1,202.4	**$ 2,217.7**	$ 2,013.9
Adjustments to reconcile to cash provided by operations				
Charges and credits:				
Depreciation and amortization	**383.3**	392.2	**767.0**	778.3
Deferred income taxes	**(190.3)**	2.8	**(158.7)**	15.3
Share-based compensation	**27.3**	27.7	**67.8**	47.7
Other	**238.7**	19.2	**186.2**	262.1
Changes in working capital items	**(303.5)**	(130.8)	**(86.4)**	95.7
Cash provided by operations	**1,248.4**	1,513.5	**2,993.6**	3,213.0
Investing activities				
Capital expenditures	**(352.5)**	(415.9)	**(744.3)**	(808.5)
Purchases of restaurant businesses	**(11.6)**	(32.8)	**(37.0)**	(55.7)
Sales of restaurant businesses and property	**181.3**	83.8	**354.4**	154.3
Other	**(20.9)**	18.4	**(32.7)**	14.2
Cash used for investing activities	**(203.7)**	(346.5)	**(459.6)**	(695.7)
Financing activities				
Net short-term borrowings	**146.7**	(293.8)	**(662.9)**	(38.8)
Long-term financing issuances	**3,371.4**	4,227.3	**3,372.1**	4,227.8
Long-term financing repayments	**(600.4)**	(501.4)	**(813.9)**	(1,046.7)
Treasury stock purchases	**(3,380.7)**	(1,555.4)	**(7,692.4)**	(2,161.8)
Common stock dividends	**(759.3)**	(811.0)	**(1,540.1)**	(1,627.3)
Proceeds from stock option exercises	**82.5**	36.6	**213.8**	135.2
Excess tax benefit on share-based compensation	**—**	6.0	**—**	25.4
Other	**3.0**	(20.7)	**7.9**	(19.5)
Cash (used for) provided by financing activities	**(1,136.8)**	1,087.6	**(7,115.5)**	(505.7)
Effect of exchange rates on cash and cash equivalents	**(90.0)**	109.1	**24.0**	(91.0)
Cash and equivalents increase (decrease)	**(182.1)**	2,363.7	**(4,557.5)**	1,920.6
Cash and equivalents at beginning of period	**3,310.1**	1,634.8	**7,685.5**	2,077.9
Cash and equivalents at end of period	**$ 3,128.0**	$ 3,998.5	**$ 3,128.0**	$ 3,998.5

See Notes to condensed consolidated financial statements.

Basis of Presentation

The accompanying condensed consolidated financial statements should be read in conjunction with the consolidated financial statements contained in the Company's December 31, 2015 Annual Report on Form 10-K. In the opinion of management, all adjustments (consisting of normal recurring accruals) necessary for a fair presentation have been included. The results for the quarter and six months ended June 30, 2016 do not necessarily indicate the results that may be expected for the full year.

Restaurant Information

The following table presents restaurant information by ownership type:

Restaurants at June 30,	**2016**	2015
Conventional franchised	**21,329**	20,903
Developmental licensed	**5,674**	5,293
Foreign affiliated	**3,364**	3,516
Total Franchised	**30,367**	29,712
Company-operated	**6,137**	6,656
Systemwide restaurants	**36,504**	36,368

The results of operations of restaurant businesses purchased and sold in transactions with franchisees were not material either individually or in the aggregate to the condensed consolidated financial statements for the periods prior to purchase and sale.

Per Common Share Information

Diluted earnings per common share is calculated using net income divided by diluted weighted-average shares. Diluted weighted-average shares include weighted-average shares outstanding plus the dilutive effect of share-based compensation, calculated using the treasury stock method, of 7.2 million shares and 4.4 million shares for the quarters 2016 and 2015, respectively, and 7.4 million shares and 4.8 million shares for the six months 2016 and 2015, respectively. Stock options that would have been antidilutive, and therefore were not included in the calculation of diluted weighted-average shares, totaled 4.2 million shares and 9.5 million shares for the quarters 2016 and 2015, respectively, and 3.4 million shares and 10.0 million shares for the six months 2016 and 2015, respectively.

In the first quarter 2016, the Company entered into an Accelerated Share Repurchase agreement ("ASR") to purchase up to $2.7 billion of the Company's common stock and received an initial delivery of 18.5 million shares, which represented 80% of the total shares the Company expected to receive based on the market price at the time of initial delivery. In May 2016, the purchase period for this ASR ended, and an additional 3.4 million shares were delivered and retired.

In the second quarter 2016, the Company paid $2.6 billion under a new ASR and received an initial delivery of 16.2 million shares, which represented 80% of the total shares the Company expected to receive based on the market price at the time of initial delivery. The final number of shares delivered upon settlement of the agreement, which was expected to be between July 1, 2016 and August 11, 2016, was set to be determined with reference to the volume weighted-average price per share of the Company's common stock over the term of the agreement, less a negotiated discount. The transaction is accounted for as an equity transaction and is included in Treasury stock when the shares are received, at which time there is an immediate reduction in the weighted-average common shares calculation for basic and diluted earnings per share. The purchase period for this ASR ended in July 2016. Refer to the Subsequent Events footnote for more information.

Fair Value Measurements

The Company measures certain financial assets and liabilities at fair value. Fair value disclosures are reflected in a three-level hierarchy, maximizing the use of observable inputs and minimizing the use of unobservable inputs. The Company did not have any significant changes to the valuation techniques used to measure fair value as described in the Company's December 31, 2015 Annual Report on Form 10-K.

At June 30, 2016, the fair value of the Company's debt obligations was estimated at $28.6 billion, compared to a carrying amount of $26.0 billion. The fair value was based upon quoted market prices, Level 2 within the valuation hierarchy. The carrying amounts of cash and equivalents, short-term investments and notes receivable approximate fair value.

Financial Instruments and Hedging Activities

The Company is exposed to global market risks, including the effect of changes in interest rates and foreign currency fluctuations. The Company uses foreign currency denominated debt and derivative instruments to mitigate the impact of these changes. The Company does not hold or issue derivatives for trading purposes.

The following table presents the fair values of derivative instruments included on the condensed consolidated balance sheet:

In millions	Derivative Assets		Derivative Liabilities	
	June 30, 2016	December 31, 2015	**June 30, 2016**	December 31, 2015
Total derivatives designated as hedging instruments	**$ 21.3**	$ 60.9	**$ (10.5)**	$ (38.9)
Total derivatives not designated as hedging instruments	**136.4**	144.4	**(8.1)**	(5.5)
Total derivatives	**$157.7**	$205.3	**$ (18.6)**	$ (44.4)

The following table presents the pretax amounts affecting income and other comprehensive income ("OCI") for the six months ended June 30, 2016 and 2015, respectively:

	Gain (Loss) Recognized in Accumulated OCI		Gain (Loss) Reclassified into Income from Accumulated OCI		Gain (Loss) Recognized in Income on Derivative[(1)]	
In millions	**2016**	2015	**2016**	2015	**2016**	2015
Cash Flow Hedges	**$(11.5)**	$ 19.3	**$ 18.3**	$ 23.4	**—**	$ 20.3
Net Investment Hedges	**$ 19.8**	$491.2	**$(18.3)**	$ (0.2)		
Undesignated derivatives					**$ 3.1**	$ 0.5

(1) Includes amounts excluded from effectiveness testing, ineffectiveness, and undesignated gains (losses).

- ***Fair Value Hedges***

The Company enters into fair value hedges that convert a portion of its fixed-rate debt into floating-rate debt by use of interest rate swaps. At June 30, 2016, $2.2 billion of the Company's outstanding fixed-rate debt was effectively converted. For the six months ended June 30, 2016, the Company recognized an $8.4 million gain on fair value interest rate swaps, which was exactly offset by a corresponding loss in the fair value of the hedged debt instruments.

- ***Cash Flow Hedges***

The Company enters into cash flow hedges to reduce the exposure to variability in certain expected future cash flows.

To protect against the reduction in value of forecasted foreign currency cash flows (such as royalties denominated in foreign currencies), the Company uses foreign currency forwards and foreign currency options to hedge a portion of anticipated exposures. The hedges cover the next 14 months for certain exposures and are denominated in various currencies. As of June 30, 2016, the Company had derivatives outstanding with an equivalent notional amount of $440.7 million that hedged a portion of forecasted foreign currency denominated royalties.

Based on market conditions at June 30, 2016, the $0.9 million in cumulative cash flow hedging gains, after tax, is not expected to have a significant effect on earnings over the next 12 months.

- ***Net Investment Hedges***

The Company primarily uses foreign currency denominated debt (third party and intercompany) to hedge its investments in certain foreign subsidiaries and affiliates. Realized and unrealized translation adjustments from these hedges are included in shareholders' equity in the foreign currency translation component of OCI and offset translation adjustments on the underlying net assets of foreign subsidiaries and affiliates, which also are recorded in OCI. As of June 30, 2016, $7.1 billion of the Company's third party foreign currency denominated debt, $3.2 billion of intercompany foreign currency denominated debt and $627.5 million of derivatives were designated to hedge investments in certain foreign subsidiaries and affiliates.

- ***Credit Risk***

The Company is exposed to credit-related losses in the event of non-performance by its derivative counterparties. The Company did not have significant exposure to any individual counterparty at June 30, 2016 and has master agreements that contain netting arrangements. For financial reporting purposes, the Company presents gross derivative balances in the financial statements and supplementary data, including for counterparties subject to netting arrangements. Some of these agreements also require each party to post collateral if credit ratings fall below, or aggregate exposures exceed, certain contractual limits. At June 30, 2016, the Company was required to post an immaterial amount of collateral due to certain derivatives having negative positions. The Company's counterparties were not required to post collateral on any derivative position, other than on hedges of certain of the Company's supplemental benefit plan liabilities where the counterparties were required to post collateral on their liability positions.

Segment Information

The Company franchises and operates McDonald's restaurants in the global restaurant industry. In September 2015, the Company issued segment summary financial information and segment historical data in accordance with its new reporting structure, effective July 1, 2015, for the previously reported years ended 2010 through 2014 and quarters ended March 31, 2014 through June 30, 2015. The segment information included herein is presented in accordance with the change in reporting structure for all periods presented.

The following table presents the Company's revenues and operating income by segment.

	Quarters Ended June 30,		**Six Months Ended June 30,**	
In millions	**2016**	2015	**2016**	2015
Revenues				
U.S.	**$2,122.8**	$2,174.2	**$ 4,142.7**	$ 4,152.3
International Lead Markets	**1,842.8**	1,936.9	**3,571.3**	3,727.7
High Growth Markets	**1,550.6**	1,612.9	**2,992.8**	3,069.2
Foundational Markets & Corporate	**748.8**	773.7	**1,462.1**	1,507.4
Total revenues	**$6,265.0**	$6,497.7	**$12,168.9**	$12,456.6
Operating Income				
U.S.	**$1,018.9**	$ 925.8	**$ 1,859.1**	$ 1,657.6
International Lead Markets	**718.9**	688.6	**1,373.1**	1,272.1
High Growth Markets	**273.7**	218.9	**494.6**	342.0
Foundational Markets & Corporate	**(153.6)**	16.0	**(88.6)**	(36.9)
Total operating income	**$1,857.9**	$1,849.3	**$ 3,638.2**	$ 3,234.8

Recently Issued Accounting Standards

Employee Share-Based Payment Accounting

In March 2016, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") 2016-09, "Compensation-Stock Compensation (Topic 718): Improvements to Employee Share-Based Payment Accounting." The goal of this update is to simplify several aspects of the accounting for share-based payment transactions, including the income tax consequences, classification of awards as either equity or liabilities and classification on the statement of cash flows. This update is effective beginning January 1, 2017 with early adoption permitted.

The Company elected to early adopt ASU 2016-09 in the second quarter 2016, which requires reflection of any adjustments as of January 1, 2016. The primary impact of adoption was the recognition of excess tax benefits as a reduction to the provision for income taxes of $17.6 million and $43.8 million for the three and six months ended June 30, 2016, respectively, and a benefit to previously reported quarterly earnings per common share - basic and diluted for March 31, 2016 of $0.03 and $0.02, respectively. Excess tax benefits of $26.1 million previously reported in financing activities in the consolidated statement of cash flows for the three months ended March 31, 2016 have been reclassified to operating activities in the consolidated statement of cash flows for the six months ended June 30, 2016.

Additional amendments to ASU 2016-09 related to income taxes and minimum statutory withholding tax requirements had no impact to retained earnings, where the cumulative effect of these changes are required to be recorded. The Company also elected to continue estimating forfeitures when determining the amount of compensation costs to be recognized in each period.

The presentation requirements for cash flows related to excess tax benefits will be applied prospectively; as such, prior years have not been restated. The presentation requirements for cash flows related to employee taxes paid for withheld shares had no impact to any of the periods presented in the consolidated statement of cash flows, since such cash flows have historically been presented in financing activities.

Lease Accounting

In February 2016, the FASB issued ASU 2016-02, "Leases (Topic 842)," to increase transparency and comparability among organizations by recognizing lease assets and lease liabilities on the balance sheet and disclosing key information about leasing arrangements. ASU 2016-02 is effective for fiscal years beginning after December 15, 2018, including interim periods within those fiscal years, with early adoption permitted. The Company anticipates ASU 2016-02 to have a material impact on the consolidated balance sheet. The impact on the Company's consolidated statement of income is currently being evaluated. The impact of ASU 2016-02 is non-cash in nature, as such, it will not affect the Company's cash position.

Revenue Recognition

In May 2014, the FASB issued guidance codified in ASC 606, "Revenue Recognition - Revenue from Contracts with Customers," which amends the guidance in former ASC 605, "Revenue Recognition." In July 2015, the FASB made a decision to defer by one year the effective date of its new standard to January 1, 2018, although early adoption is permitted as of January 1, 2017. The Company is currently evaluating the impact of ASC 606.

Subsequent Events

The Company evaluated subsequent events through the date the financial statements were issued and filed with the Securities and Exchange Commission. In the second quarter 2016, the Company entered into a new ASR to purchase up to $2.6 billion of the Company's common stock and received an initial delivery of 16.2 million shares, which represented 80% of the total shares the Company expected to receive based on the market price at the time of initial delivery. In July 2016, the purchase period for this ASR ended, and an additional 5.1 million shares were delivered and retired. There were no other subsequent events that required recognition or disclosure.

Item 2. Management’s Discussion and Analysis of Financial Condition and Results of Operations

Overview

The Company franchises and operates McDonald’s restaurants. Of the 36,504 restaurants in 120 countries at June 30, 2016, 30,367 were licensed to franchisees (comprised of 21,329 franchised to conventional franchisees, 5,674 licensed to developmental licensees and 3,364 licensed to foreign affiliates (“affiliates”) – primarily in Japan) and 6,137 were operated by the Company.

Under McDonald's conventional franchise arrangement, franchisees provide a portion of the capital required by initially investing in the equipment, signs, seating and décor of their restaurant business, and by reinvesting in the business over time. The Company owns the land and building or secures long-term leases for both Company-operated and conventional franchised restaurant sites. This maintains long-term occupancy rights, helps control related costs and assists in alignment with franchisees enabling restaurant performance levels that are among the highest in the industry. In certain circumstances, the Company participates in the reinvestment for conventional franchised restaurants in an effort to accelerate implementation of certain initiatives.

Under McDonald's developmental license arrangement, licensees provide capital for the entire business, including the real estate interest, and the Company has no capital invested. In addition, the Company has an equity investment in a limited number of affiliates that invest in real estate and operate or franchise restaurants within a market.

McDonald's is primarily a franchisor and believes franchising is paramount to delivering great-tasting food, locally-relevant customer experiences and driving profitability. Franchising enables an individual to own a restaurant business and maintain control over staffing, purchasing, marketing and pricing decisions, while also benefiting from the financial strength and global experience of McDonald's. However, directly operating restaurants is important to being a credible franchisor and provides Company personnel with restaurant operations experience. In Company-operated restaurants, and in collaboration with franchisees, McDonald's further develops and refines operating standards, marketing concepts and product and pricing strategies, so that only those that the Company believes are most beneficial are introduced in the restaurants. McDonald's continually reviews its mix of Company-operated and franchised restaurants to help optimize overall performance, with a goal to be 95% franchised over the long term.

The Company’s revenues consist of sales by Company-operated restaurants and fees from restaurants operated by franchisees. Revenues from conventional franchised restaurants include rent and royalties based on a percent of sales along with minimum rent payments, and initial fees. Revenues from restaurants licensed to affiliates and developmental licensees include a royalty based on a percent of sales, and generally include initial fees. Fees vary by type of site, amount of Company investment, if any, and local business conditions. These fees, along with occupancy and operating rights, are stipulated in franchise/license agreements that generally have 20-year terms.

In September 2015, the Company issued segment summary financial information and segment historical data in accordance with its new reporting structure, effective July 1, 2015, for the previously reported years ended 2010 through 2014 and quarters ended March 31, 2014 through June 30, 2015. The segment information included herein is presented in accordance with the change in reporting structure for all periods presented.

For the six months ended June 30, 2016, the U.S., the International Lead segment and the High Growth segment accounted for 34%, 29% and 25% of total revenues, respectively.

Strategic Direction

The strength of the alignment among the Company, its franchisees and suppliers (collectively referred to as the “System”) has been key to McDonald's long-term success. By leveraging the System, McDonald’s is able to identify, implement and scale ideas that meet customers' changing needs and preferences. In addition, the Company’s business model enables the System to consistently deliver locally-relevant restaurant experiences to customers and be an integral part of the communities it serves.

McDonald’s aspires to be viewed by its customers as a modern and progressive burger company delivering a contemporary customer experience. In 2015, the Company and its Board of Directors took steps to reset the business and restore growth, putting the customer back at the center of everything the Company is doing. The priorities of the turnaround plan are threefold: drive operating growth, build brand excitement and enhance financial value. The turnaround plan is grounded on running great restaurants by providing customers with what matters most to them - hot and fresh food, fast and friendly service, and a contemporary restaurant experience at the value and convenience of McDonald’s. The Company is also building on its competitive advantages of scale, geographic diversification and System alignment that have been created over time. While execution against the turnaround plan continues to be the near-term priority, the Company is also working to identify and pursue opportunities for longer-term growth in the areas of menu and service innovation.

Midway through 2016, management is encouraged by the steps taken to turn around the business - including the decision to expand the All-Day Breakfast menu in the U.S. this fall, initiatives around food quality and sustainability, and efforts to create a more modern customer experience as part of the Experience of the Future. The Company is also making progress towards achieving the financial targets outlined in 2015, including refranchising restaurants, building stronger G&A discipline, and returning cash to shareholders.

Financial Performance

The Company's current initiatives and ongoing investments continue to yield positive results not just from improving efficiencies and reducing costs, but most importantly from top-line growth, despite a challenging environment in several key markets. For the second quarter and six months, global comparable sales increased 3.1% and 4.6%, respectively, driven by stronger operating performance across all segments, with second quarter marking the Company's fourth consecutive quarter of positive comparable sales growth across all segments.

U.S. comparable sales increased 1.8% for the quarter and 3.5% for the six months, with continued contributions from All Day Breakfast and McPick 2 despite softening industry growth during the quarter. The U.S. is focused on adding more breakfast sandwich favorites - Biscuits, McMuffins and McGriddles - to the All Day Breakfast menu this fall. This platform extension will be complemented by initiatives around core menu enhancements and restaurant operations designed to deliver an outstanding customer experience.

Comparable sales in the International Lead segment grew 2.6% for the quarter and 3.8% for the six months, led by positive performance in the U.K., Canada and Australia, and slightly positive results in Germany, as strong execution of core menu, compelling value and convenience strategies continued to resonate with consumers.

In the High Growth segment, comparable sales increased 1.6% for the quarter and 2.6% for the six months, led by positive comparable sales performance in China and Russia, along with solid performance across various other markets.

Results for the quarter and six months benefited from stronger operating performance and higher gains on sales of restaurant businesses. Both periods were impacted by approximately $230 million, or $0.20 per share, of strategic charges, consisting primarily of non-cash impairment charges incurred in second quarter 2016 related to the Company's ongoing refranchising and G&A initiatives, as well as the decision to relocate the Company's headquarters. Results also benefited from comparison to the prior year's charges of $45 million in the second quarter 2015 and $240 million for the six months 2015.

The Company's substantial cash flow, strong investment grade credit rating and continued access to credit provides McDonald's flexibility to fund capital expenditures as well as return cash to shareholders. In May, the Company completed a $2.7 billion Accelerated Share Repurchase agreement ("ASR") and also entered into a new $2.6 billion ASR, in connection with the Company's previously-announced plans to optimize its capital structure. During the same period, the Company issued an aggregate principal amount of €3.0 billion Euro-denominated medium-term notes.

Second Quarter and Six Months 2016 Highlights:

- Global comparable sales increased 3.1% for the quarter and 4.6% for the six months, reflecting positive comparable sales in all segments
- Due to the impact of refranchising, consolidated revenues decreased 4% (1% in constant currencies) for the quarter and decreased 2% (increased 1% in constant currencies) for the six months
- Consolidated operating income was relatively flat (increased 3% in constant currencies) for the quarter and increased 12% (16% in constant currencies) for the six months, which included approximately $230 million of previously-announced strategic charges
- Diluted earnings per share of $1.25 for the quarter decreased 1% (increased 1% in constant currencies) and $2.51 for the six months increased 20% (23% in constant currencies), which included strategic charges totaling $0.20 per share. Excluding the impact of these strategic charges and prior year restructuring charges of $0.04 per share, diluted earnings per share increased 13% in constant currencies for the quarter, with no significant impact for the six months
- Returned $4.1 billion to shareholders through share repurchases and dividends for the quarter. This brings the cumulative return to shareholders to $24.4 billion against our targeted return of about $30 billion for the three-year period ending 2016

Outlook

While the Company does not provide specific guidance on earnings per share, the following global and certain segment-specific information is provided to assist in forecasting the Company's future results.

- Changes in Systemwide sales are driven by comparable sales and net restaurant unit expansion. The Company expects net restaurant additions to add approximately 1 percentage point to 2016 Systemwide sales growth (in constant currencies).
- The Company does not generally provide specific guidance on changes in comparable sales. However, as a perspective, assuming no change in cost structure, a 1 percentage point change in comparable sales for either the U.S. or the International Lead segment would change annual diluted earnings per share by about 4 cents.
- With about 75% of McDonald's grocery bill comprised of 10 different commodities, a basket of goods approach is the most comprehensive way to look at the Company's commodity costs. For the full-year 2016, costs for the total basket of goods are expected to decrease about 3.5-4.5% in the U.S. and remain relatively flat in the International Lead segment.

- The Company expects full-year 2016 selling, general and administrative expense to decrease about 1-2% in constant currencies, excluding changes in incentive-based compensation based on business performance and the impact from changes in timing of certain refranchising transactions. The current outlook includes expenses associated with our sponsorship of the Summer Olympic games in third quarter 2016. Some volatility may be experienced between quarters.
- Based on current interest and foreign currency exchange rates, the Company expects interest expense for the full-year 2016 to increase about 40-45% compared with 2015 due to higher average debt balances in connection with the Company's previously-announced plans to optimize its capital structure.
- A significant part of the Company's operating income is generated outside the U.S., and about 40% of its total debt is denominated in foreign currencies. Accordingly, earnings are affected by changes in foreign currency exchange rates, particularly the Euro, British Pound, Australian Dollar and Canadian Dollar. Collectively, these currencies represent approximately 70% of the Company's operating income outside the U.S. If all four of these currencies moved by 10% in the same direction, the Company's annual diluted earnings per share would change by up to 25 cents.
- The Company expects the effective income tax rate for the full-year 2016 to be in the 31-33% range. Some volatility may be experienced between the quarters resulting in a quarterly tax rate outside of the annual range.
- The Company expects capital expenditures for 2016 to be approximately $2.0 billion, about half of which are expected to be used to open new restaurants. The Company expects to open about 1,000 restaurants, including about 400 restaurants in affiliated and developmental-licensee markets where the Company does not fund any capital expenditures. The Company expects net additions of about 500 restaurants. The remaining capital is expected to be used to reinvest in existing locations.
- The Company continues to optimize its capital structure and expects to return about $30 billion to shareholders for the three-year period ending 2016. The cumulative return through the June 30, 2016 was approximately $24 billion, leaving about $6 billion to be completed by the end of 2016.

<u>Long-term</u>

- The Company expects to refranchise about 4,000 restaurants through 2018 with a long-term goal to become 95% franchised. The majority of the refranchising is expected to take place in the High Growth and Foundational markets.
- The Company expects to realize net annual G&A savings of about $500 million from our G&A base of $2.6 billion at the beginning of 2015, the vast majority of which is expected to be realized by the end of 2017. These savings will be realized through our refranchising efforts, streamlining across corporate, segment and market organizations, primarily in non-customer facing functions, and realizing greater efficiencies in the Company's Global Business Services platform. This target excludes the impact of foreign currency changes. We expect to realize a cumulative total of about $150 million in savings by the end of 2016, with about half of these savings already achieved in 2015.
- In connection with executing against our refranchising and G&A targets, we may incur additional strategic charges associated with asset dispositions and restructuring.

The Following Definitions Apply to these Terms as Used Throughout this Form 10-Q:

- Information in <u>constant currency</u> is calculated by translating current year results at prior year average exchange rates. Management reviews and analyzes business results excluding the effect of foreign currency translation and bases incentive compensation plans on these results because they believe this better represents the Company’s underlying business trends.
- <u>Systemwide sales</u> include sales at all restaurants, whether operated by the Company or by franchisees. While franchised sales are not recorded as revenues by the Company, management believes the information is important in understanding the Company’s financial performance because these sales are the basis on which the Company calculates and records franchised revenues and are indicative of the financial health of the franchisee base.
- <u>Comparable sales</u> represent sales at all restaurants and <u>comparable guest counts</u> represent the number of transactions at all restaurants, whether operated by the Company or by franchisees, in operation at least thirteen months including those temporarily closed. Some of the reasons restaurants may be temporarily closed include reimaging or remodeling, rebuilding, road construction and natural disasters. Comparable sales exclude the impact of currency translation. Comparable sales are driven by changes in guest counts and average check, which is affected by changes in pricing and product mix. Typically, pricing has a greater impact on average check than product mix. Management reviews the increase or decrease in comparable sales and comparable guest counts compared with the same period in the prior year to assess business trends.

CONSOLIDATED OPERATING RESULTS

Dollars in millions, except per share data	Quarter Ended June 30, 2016		Six Months Ended June 30, 2016	
	Amount	Increase/ (Decrease)	Amount	Increase/ (Decrease)
Revenues				
Sales by Company-operated restaurants	$ 3,916.6	(8)%	$ 7,670.1	(6)%
Revenues from franchised restaurants	2,348.4	5	4,498.8	5
Total revenues	6,265.0	(4)	12,168.9	(2)
Operating costs and expenses				
Company-operated restaurant expenses	3,248.1	(10)	6,423.4	(8)
Franchised restaurants—occupancy expenses	430.9	5	846.0	4
Selling, general & administrative expenses	596.1	1	1,174.1	0
Other operating (income) expense, net	132.0	n/m	87.2	(69)
Total operating costs and expenses	4,407.1	(5)	8,530.7	(7)
Operating income	1,857.9	0	3,638.2	12
Interest expense	223.9	50	442.2	49
Nonoperating (income) expense, net	(16.2)	(33)	(30.6)	(9)
Income before provision for income taxes	1,650.2	(4)	3,226.6	9
Provision for income taxes	557.3	9	1,008.9	6
Net income	$ 1,092.9	(9)%	$ 2,217.7	10 %
Earnings per common share-basic	$ 1.27	1 %	$ 2.53	20 %
Earnings per common share-diluted	$ 1.25	(1)%	$ 2.51	20 %

n/m Not meaningful

Impact of Foreign Currency Translation

While changes in foreign currency exchange rates affect reported results, McDonald's mitigates exposures, where practical, by purchasing goods and services in local currencies, financing in local currencies and hedging certain foreign-denominated cash flows. Management reviews and analyzes business results excluding the effect of foreign currency translation and bases incentive compensation plans on these results, because the Company believes this better represents underlying business trends. Results excluding the effect of foreign currency translation (also referred to as constant currency) are calculated by translating current year results at prior year average exchange rates.

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

			Currency Translation Benefit/ (Cost)
Quarters Ended June 30,	**2016**	2015	**2016**
Revenues	**$ 6,265.0**	$ 6,497.7	**$ (193.9)**
Company-operated margins	**668.5**	664.8	**(27.1)**
Franchised margins	**1,917.5**	1,825.6	**(20.4)**
Selling, general & administrative expenses	**596.1**	592.4	**6.3**
Operating income	**1,857.9**	1,849.3	**(42.2)**
Net income	**1,092.9**	1,202.4	**(16.6)**
Earnings per share-diluted	**$ 1.25**	$ 1.26	**$ (0.02)**

			Currency Translation Benefit/ (Cost)
Six Months Ended June 30,	**2016**	2015	2016
Revenues	**$12,168.9**	$12,456.6	**$ (438.6)**
Company-operated margins	**1,246.7**	1,224.6	**(52.4)**
Franchised margins	**3,652.8**	3,466.8	**(72.7)**
Selling, general & administrative expenses	**1,174.1**	1,175.2	**17.4**
Operating income	**3,638.2**	3,234.8	**(110.0)**
Net income	**2,217.7**	2,013.9	**(54.8)**
Earnings per share-diluted	**$ 2.51**	$ 2.09	**$ (0.06)**

The impact of foreign currency translation on consolidated operating results for the quarter and six months reflected the strengthening of the U.S. Dollar against the British Pound and most other currencies, partly offset by the stronger Euro in the quarter.

Net Income and Diluted Earnings per Common Share

For the quarter, net income decreased 9% (8% in constant currencies) to $1,092.9 million, and diluted earnings per share decreased 1% (up 1% in constant currencies) to $1.25. Foreign currency translation had a negative impact of $0.02 on diluted earnings per share.

For the six months, net income increased 10% (13% in constant currencies) to $2,217.7 million, and diluted earnings per share increased 20% (23% in constant currencies) to $2.51. Foreign currency translation had a negative impact of $0.06 on diluted earnings per share.

Results for the quarter and six months benefited from stronger operating performance and higher gains on sales of restaurant businesses. Both periods were impacted by approximately $230 million of strategic charges, consisting primarily of non-cash impairment charges incurred in the quarter related to the Company’s ongoing refranchising and G&A initiatives, as well as the decision to relocate the Company's headquarters.

Results also benefited from comparison to the prior year's charges of $45 million in the second quarter 2015 and $240 million for the six months 2015. Excluding the impact of the current and prior year charges, diluted earnings per share increased 13% in constant currencies for the quarter, with no significant impact for the six months. This supplemental information is provided to help investors understand the impact of the current and prior year charges on the Company’s results.

Diluted earnings per share benefited from a decrease in diluted weighted-average shares outstanding due to share repurchases. During the quarter, the Company repurchased 25.7 million shares of stock for $3.4 billion, bringing total purchases for the six months to 57.0 million shares or $7.1 billion. In addition, the Company paid a quarterly dividend of $0.89 per share, or $759.3 million, bringing the total dividends paid for the six months to $1.5 billion.

Revenues

Revenues consist of sales by Company-operated restaurants and fees from restaurants operated by franchisees. Revenues from conventional franchised restaurants include rent and royalties based on a percent of sales along with minimum rent payments and initial fees. Revenues from franchised restaurants that are licensed to affiliates and developmental licensees include a royalty based on a percent of sales and generally include initial fees.

The Company is accelerating the pace of refranchising to optimize its restaurant ownership mix, generate more stable and predictable revenue and cash flow streams, and operate with a less resource-intensive structure. The shift to a greater percentage of franchised restaurants negatively impacts consolidated revenues as Company-operated sales are replaced by franchised sales, where the Company receives rent and/or royalty revenue based on a percentage of sales.

REVENUES
Dollars in millions

Quarters Ended June 30,	**2016**	2015	Inc/ (Dec)	Inc/ (Dec) Excluding Currency Translation
Company-operated sales				
U.S.	**$ 975.3**	$ 1,074.2	(9)%	(9)%
International Lead Markets	**1,100.3**	1,231.8	(11)	(8)
High Growth Markets	**1,357.2**	1,431.5	(5)	3
Foundational Markets & Corporate	**483.8**	523.6	(8)	(3)
Total	**$ 3,916.6**	$ 4,261.1	(8)%	(4)%
Franchised revenues				
U.S.	**$ 1,147.5**	$ 1,100.0	4 %	4 %
International Lead Markets	**742.5**	705.1	5	7
High Growth Markets	**193.4**	181.4	7	7
Foundational Markets & Corporate	**265.0**	250.1	6	9
Total	**$ 2,348.4**	$ 2,236.6	5 %	6 %
Total revenues				
U.S.	**$ 2,122.8**	$ 2,174.2	(2)%	(2)%
International Lead Markets	**1,842.8**	1,936.9	(5)	(2)
High Growth Markets	**1,550.6**	1,612.9	(4)	3
Foundational Markets & Corporate	**748.8**	773.7	(3)	1
Total	**$ 6,265.0**	$ 6,497.7	(4)%	(1)%

Six Months Ended June 30,	2016	2015	Inc/ (Dec)	Inc/ (Dec) Excluding Currency Translation
Company-operated sales				
U.S.	**$ 1,941.7**	$ 2,064.4	(6)%	(6)%
International Lead Markets	**2,151.9**	2,372.9	(9)	(5)
High Growth Markets	**2,622.0**	2,719.6	(4)	4
Foundational Markets & Corporate	**954.5**	1,018.3	(6)	(1)
Total	**$ 7,670.1**	$ 8,175.2	(6)%	(2)%
Franchised revenues				
U.S.	**$ 2,201.0**	$ 2,087.9	5 %	5 %
International Lead Markets	**1,419.4**	1,354.8	5	8
High Growth Markets	**370.8**	349.6	6	8
Foundational Markets & Corporate	**507.6**	489.1	4	10
Total	**$ 4,498.8**	$ 4,281.4	5 %	7 %
Total revenues				
U.S.	**$ 4,142.7**	$ 4,152.3	0 %	0 %
International Lead Markets	**3,571.3**	3,727.7	(4)	0
High Growth Markets	**2,992.8**	3,069.2	(2)	4
Foundational Markets & Corporate	**1,462.1**	1,507.4	(3)	3
Total	**$ 12,168.9**	$ 12,456.6	(2)%	1 %

- ***Revenues:*** Revenues decreased 4% (1% in constant currencies) for the quarter and decreased 2% (increased 1% in constant currencies) for the six months.
  - ***U.S.:*** Revenues decreased for the quarter and were flat for the six months, due to the impact of refranchising, offset by positive comparable sales.
  - ***International Lead Markets:*** Revenues decreased for both periods due to negative foreign currency translation. In constant currencies, revenues decreased for the quarter and were flat for the six months, due to the impact of refranchising, offset by positive comparable sales, primarily in the U.K., Canada and Australia.
  - ***High Growth Markets:*** Revenues decreased for both periods due to negative foreign currency translation. In constant currencies, revenues increased for both periods due to positive comparable sales, primarily in China, Russia and several other markets, and continued expansion in Russia.

Comparable Sales and Guest Counts

The following table presents the percent change in comparable sales for the quarters and six months ended June 30, 2016 and 2015:

COMPARABLE SALES

	Increase/ (Decrease)			
	Quarters Ended June 30,*		Six Months Ended June 30,*	
	2016	2015	**2016**	2015
U.S.	**1.8%**	(2.0)%	**3.5%**	(2.3)%
International Lead Markets	**2.6**	3.8	**3.8**	2.4
High Growth Markets	**1.6**	(1.4)	**2.6**	(2.3)
Foundational Markets & Corporate	**7.7**	(3.4)	**9.3**	(4.3)
Total	**3.1%**	(0.7)%	**4.6%**	(1.5)%

* On a consolidated basis, comparable guest counts (the number of transactions at all restaurants, whether operated by the Company or by franchisees, in operation at least thirteen months, including those temporarily closed) increased 0.3% and decreased 4.4% for the six months ended 2016 and 2015, respectively.

Systemwide Sales and Franchised Sales

The following table presents the percent change in Systemwide sales for the quarter and six months ended June 30, 2016:

SYSTEMWIDE SALES

	Quarter Ended June 30, 2016		**Six Months Ended June 30, 2016**	
	Inc/ (Dec)	Inc/ (Dec) Excluding Currency Translation	Inc/ (Dec)	Inc/ (Dec) Excluding Currency Translation
U.S.	2%	2%	3%	3%
International Lead Markets	2	4	1	5
High Growth Markets	0	5	1	6
Foundational Markets & Corporate	5	9	4	11
Total	2%	4%	3%	6%

Franchised sales are not recorded as revenues by the Company, but are the basis on which the Company calculates and records franchised revenues and are indicative of the health of the franchisee base. The following table presents Franchised sales and the related increases/(decreases):

FRANCHISED SALES
Dollars in millions

Quarters Ended June 30,	**2016**	2015	Inc/ (Dec)	Inc/ (Dec) Excluding Currency Translation
U.S.	**$ 8,255.4**	$ 8,002.4	3%	3%
International Lead Markets	**4,321.5**	4,107.8	5	7
High Growth Markets	**1,205.8**	1,130.5	7	8
Foundational Markets & Corporate	**3,615.7**	3,374.5	7	11
Total*	**$ 17,398.4**	$ 16,615.2	5%	6%

Six Months Ended June 30,	**2016**	2015	Inc/ (Dec)	Inc/ (Dec) Excluding Currency Translation
U.S.	**$ 15,965.4**	$ 15,249.8	5%	5%
International Lead Markets	**8,226.7**	7,868.1	5	8
High Growth Markets	**2,330.6**	2,191.3	6	9
Foundational Markets & Corporate	**6,991.8**	6,654.6	5	12
Total*	**$ 33,514.5**	$ 31,963.8	5%	8%

* Sales from developmental licensed restaurants and foreign affiliated markets where the Company earns a royalty based on a percent of sales totaled $3,222.6 million and $2,989.4 million for the quarters 2016 and 2015, respectively, and $6,284.4 million and $5,932.7 million for the six months 2016 and 2015, respectively. Results primarily reflected improved performance and the stronger Yen in Japan, partly offset by weaker currencies in Latin America. The remaining balance of franchised sales is derived from conventional franchised restaurants where the Company earns rent and royalties based primarily on a percent of sales.

Restaurant Margins

FRANCHISED AND COMPANY-OPERATED RESTAURANT MARGINS
Dollars in millions

Quarters Ended June 30,	Percent		Amount		Inc/ (Dec)	Inc/ (Dec) Excluding Currency Translation
	2016	2015	**2016**	2015		
Franchised						
U.S.	**83.0%**	82.9%	**$ 953.0**	$ 911.6	5 %	5 %
International Lead Markets	**80.1**	80.0	**595.0**	564.4	5	7
High Growth Markets	**69.8**	71.1	**135.0**	129.0	5	5
Foundational Markets & Corporate	**88.6**	88.2	**234.5**	220.6	6	10
Total	**81.7%**	81.6%	**$1,917.5**	$1,825.6	5 %	6 %
Company-operated						
U.S.	**16.8%**	16.5%	**$ 163.7**	$ 177.2	(8)%	(8)%
International Lead Markets	**20.7**	19.9	**227.7**	245.7	(7)	(4)
High Growth Markets	**15.4**	12.6	**208.8**	179.7	16	26
Foundational Markets & Corporate	**14.1**	11.9	**68.3**	62.2	10	14
Total	**17.1%**	15.6%	**$ 668.5**	$ 664.8	1 %	5 %

Six Months Ended June 30,	Percent		Amount		Inc/ (Dec)	Inc/ (Dec) Excluding Currency Translation
	2016	2015	**2016**	2015		
Franchised						
U.S.	**82.6%**	82.1%	**$1,818.3**	$1,715.1	6 %	6 %
International Lead Markets	**79.6**	79.4	**1,130.4**	1,076.3	5	9
High Growth Markets	**69.0**	70.2	**255.9**	245.5	4	6
Foundational Markets & Corporate	**88.3**	87.9	**448.2**	429.9	4	11
Total	**81.2%**	81.0%	**$3,652.8**	$3,466.8	5 %	7 %
Company-operated						
U.S.	**15.5%**	15.9%	**$ 300.5**	$ 328.3	(8)%	(8)%
International Lead Markets	**20.2**	19.5	**435.3**	463.1	(6)	(2)
High Growth Markets	**14.4**	11.7	**378.2**	319.1	19	27
Foundational Markets & Corporate	**13.9**	11.2	**132.7**	114.1	16	22
Total	**16.3%**	15.0%	**$1,246.7**	$1,224.6	2 %	6 %

- ***Franchised:*** Franchised margin dollars increased $91.9 million or 5% (6% in constant currencies) for the quarter and increased $186.0 million or 5% (7% in constant currencies) for the six months. Both periods benefited from expansion and refranchising, as well as positive comparable sales performance.
  - ***U.S.:*** The increase in the franchised margin percent for the quarter and six months was due to positive comparable sales performance.
  - ***International Lead Markets:*** The increase in the franchised margin percent for the quarter and six months reflected the benefit from positive comparable sales performance partly offset by refranchising.
  - ***High Growth Markets:*** The decrease in the franchised margin percent for the quarter and six months was primarily due to refranchising and higher occupancy costs.

  In general, refranchising may have a dilutive effect on the franchised margin percent, but results in higher franchised margin dollars.
- ***Company-operated:*** Company-operated margin dollars increased $3.7 million or 1% (5% in constant currencies) for the quarter and increased $22.1 million or 2% (6% in constant currencies) for the six months, partly due to improved performance in China.
  - ***U.S.:*** The Company-operated margin percent increased for the quarter and decreased for the six months. Both periods reflected positive comparable sales and lower commodity costs. The incremental investment in wages and benefits for eligible Company-operated restaurant employees significantly impacted results for both periods.
  - ***International Lead Markets:*** The Company-operated margin percent increased for the quarter and six months primarily due to positive comparable sales, partly offset by higher labor and occupancy costs.

- ***High Growth Markets:*** The Company-operated margin percent increased for the quarter and six months due to improved performance in China and positive comparable sales performance in Russia. Higher labor and occupancy costs across the segment pressured margins for both periods.

The following table presents Company-operated restaurant margin components as a percent of sales:

CONSOLIDATED COMPANY-OPERATED RESTAURANT EXPENSES AND MARGINS AS A PERCENT OF SALES

	Quarters Ended June 30,		Six Months Ended June 30,	
	2016	2015	**2016**	2015
Food & paper	**31.8%**	33.9%	**32.2%**	33.9%
Payroll & employee benefits	**27.1**	26.3	**27.4**	26.6
Occupancy & other operating expenses	**24.0**	24.2	**24.1**	24.5
Total expenses	**82.9%**	84.4%	**83.7%**	85.0%
Company-operated margins	**17.1%**	15.6%	**16.3%**	15.0%

Selling, General & Administrative Expenses

- Selling, general and administrative expenses increased $3.7 million or 1% for the quarter and decreased $1.1 million or were flat for the six months benefiting from negative foreign currency translation. In constant currencies, selling, general and administrative expenses increased 2% and 1% for the quarter and six months, respectively. These results were due to higher incentive-based compensation costs reflecting improved performance and costs associated with the 2016 Worldwide Owner/Operator Convention incurred during the quarter, partly offset by lower employee-related costs resulting from the Company's recent restructuring initiatives.
- For the six months, selling, general and administrative expenses as a percent of revenues increased to 9.6% for 2016 compared with 9.4% for 2015, and as a percent of Systemwide sales remained flat at 2.9% for both 2016 and 2015.

Other Operating (Income) Expense, Net

OTHER OPERATING (INCOME) EXPENSE, NET
Dollars in millions

	Quarters Ended June 30,		Six Months Ended June 30,	
	2016	2015	**2016**	2015
Gains on sales of restaurant businesses	**$ (89.9)**	$ (39.3)	**$(149.5)**	$ (63.9)
Equity in earnings of unconsolidated affiliates	**(2.2)**	24.3	**1.5**	87.7
Asset dispositions and other (income) expense, net	**(4.3)**	11.8	**5.6**	102.8
Impairment and other charges, net	**228.4**	51.9	**229.6**	154.8
Total	**$132.0**	$ 48.7	**$ 87.2**	$ 281.4

- Gains on sales of restaurant businesses increased for the quarter and six months, primarily due to a higher number of restaurant sales in the U.S. and, to a lesser extent, in Canada.
- Equity in earnings of unconsolidated affiliates improved for the quarter and six months due to continued sales recovery in Japan. In addition, the six months benefited from comparison against first quarter 2015 strategic charges in Japan.
- Asset dispositions and other expense decreased for the quarter and six months. The six months benefited from comparison to the first quarter 2015 asset write-offs resulting from the decision to close under-performing restaurants, mostly in the U.S. and China.
- Impairment and other charges, net increased for the quarter and six months due to strategic charges related to the Company’s ongoing refranchising and G&A initiatives, as well as the decision to relocate the Company's headquarters. This was partly offset by the impact of the prior year's strategic charges relating to asset write-offs as part of the Company's refranchising initiative in certain Foundational markets, and global restructuring charges.

Operating Income

OPERATING INCOME
Dollars in millions

Quarters Ended June 30,	2016	2015	Inc/ (Dec)	Inc/ (Dec) Excluding Currency Translation
U.S.	**$ 1,018.9**	$ 925.8	10%	10%
International Lead Markets	**718.9**	688.6	4	7
High Growth Markets	**273.7**	218.9	25	32
Foundational Markets & Corporate	**(153.6)**	16.0	n/m	n/m
Total	**$ 1,857.9**	$ 1,849.3	0%	3%

Six Months Ended June 30,	2016	2015	Inc/ (Dec)	Inc/ (Dec) Excluding Currency Translation
U.S.	**$ 1,859.1**	$ 1,657.6	12%	12%
International Lead Markets	**1,373.1**	1,272.1	8	12
High Growth Markets	**494.6**	342.0	45	52
Foundational Markets & Corporate	**(88.6)**	(36.9)	n/m	(46)
Total	**$ 3,638.2**	$ 3,234.8	12%	16%

n/m Not meaningful

- ***Operating Income:*** Operating income increased $8.6 million or was relatively flat (increased 3% in constant currencies) for the quarter and increased $403.4 million or 12% (16% in constant currencies) for the six months. Results were impacted by approximately $230 million of strategic charges incurred in the quarter, offset by a benefit from comparison to the prior year's charges of $45 million for the second quarter 2015 and $240 million for the six months 2015.
  - ***U.S.:*** The increase in operating income for the quarter and six months was primarily due to higher sales-driven franchised margin dollars and higher gains from restaurant refranchising. In addition, the six months included the benefit from comparison to the first quarter 2015 restructuring and restaurant closing charges.
  - ***International Lead Markets:*** The constant currency operating income increase for the quarter and six months was primarily due to higher franchised margin dollars benefiting from positive comparable sales performance. In addition, the six months benefited from higher other operating income.
  - ***High Growth Markets:*** The constant currency operating income increase for the quarter and six months primarily reflected improved results in China. In addition, the six months benefited from comparison to first quarter 2015 restaurant closing charges in China.
  - ***Foundational Markets and Corporate:*** The constant currency operating income decrease for the quarter and six months primarily reflected the impact of strategic charges incurred in the quarter, consisting primarily of non-cash impairment charges related to the Company's ongoing refranchising and G&A initiatives, as well as the decision to relocate the Company's headquarters. In addition, selling, general and administrative expenses were higher, largely due to the centralization of certain costs. For both periods, results benefited from comparison to the prior year's strategic charges and improved performance in Japan.
- ***Operating Margin:*** Operating margin is defined as operating income as a percent of total revenues. Operating margin was 29.9% and 26.0% for the six months ended 2016 and 2015, respectively.

Interest Expense

- Interest expense increased 50% (51% in constant currencies) for the quarter and increased 49% (50% in constant currencies) for the six months primarily due to higher average debt balances in connection with the Company's previously-announced plans to optimize its capital structure.

Nonoperating (Income) Expense, Net

NONOPERATING (INCOME) EXPENSE, NET
Dollars in millions

	Quarters Ended June 30,		Six Months Ended June 30,	
	2016	2015	**2016**	2015
Interest Income	**$ (3.0)**	$ (1.7)	**$ (6.8)**	$ (4.0)
Foreign currency and hedging activity	**(15.6)**	(19.0)	**(27.7)**	(34.9)
Other (income) expense, net	**2.4**	8.4	**3.9**	10.7
Total	**$ (16.2)**	$ (12.3)	**$(30.6)**	$(28.2)

Income Taxes

- The effective income tax rate was 33.8% and 29.8% for the quarters ended 2016 and 2015, respectively, and 31.3% and 32.1% for the six months ended 2016 and 2015, respectively. The 2016 effective income tax rate for the quarter and the six months included an increase in tax reserves resulting from audit progression, partially offset by a lower tax cost associated with the Company's ongoing foreign cash repatriation. The effective income tax rate for both periods benefited from the early adoption of new accounting guidance related to share-based compensation.

Cash Flows and Financial Position

The Company generates significant cash from operations and has substantial credit capacity to fund operating and discretionary spending such as capital expenditures, debt repayments, dividends and share repurchases.

Cash provided by operations totaled $3.0 billion and exceeded capital expenditures by $2.3 billion for the six months 2016. Cash provided by operations decreased $219 million compared with the six months 2015, primarily due to changes in working capital, partly offset by improved operating results.

Cash used for investing activities totaled $460 million for the six months 2016, a decrease of $236 million compared with the six months 2015, primarily due to higher proceeds from sales of restaurant businesses.

Cash used for financing activities totaled $7.1 billion for the six months 2016, an increase of $6.6 billion compared with the six months 2015, primarily due to higher treasury stock purchases and a decrease in net borrowings.

Debt obligations at June 30, 2016 totaled $26.0 billion compared with $24.1 billion at December 31, 2015. The increase was primarily due to long-term debt issuances of $3.4 billion, party offset by net debt repayments of $1.5 billion.

Recently Issued Accounting Standards

Employee Share-Based Payment Accounting

In March 2016, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") 2016-09, "Compensation-Stock Compensation (Topic 718): Improvements to Employee Share-Based Payment Accounting." The goal of this update is to simplify several aspects of the accounting for share-based payment transactions, including the income tax consequences, classification of awards as either equity or liabilities and classification on the statement of cash flows. This update is effective beginning January 1, 2017 with early adoption permitted.

The Company elected to early adopt ASU 2016-09 in the second quarter 2016, which requires reflection of any adjustments as of January 1, 2016. The primary impact of adoption was the recognition of excess tax benefits as a reduction to the provision for income taxes of $17.6 million and $43.8 million for the three and six months ended June 30, 2016, respectively, and a benefit to previously reported quarterly earnings per common share - basic and diluted for March 31, 2016 of $0.03 and $0.02, respectively. Excess tax benefits of $26.1 million previously reported in financing activities in the consolidated statement of cash flows for the three months ended March 31, 2016 have been reclassified to operating activities in the consolidated statement of cash flows for the six months ended June 30, 2016.

Additional amendments to ASU 2016-09 related to income taxes and minimum statutory withholding tax requirements had no impact to retained earnings, where the cumulative effect of these changes are required to be recorded. The Company also elected to continue estimating forfeitures when determining the amount of compensation costs to be recognized in each period.

The presentation requirements for cash flows related to excess tax benefits will be applied prospectively; as such, prior years have not been restated. The presentation requirements for cash flows related to employee taxes paid for withheld shares had no impact to any of the periods presented in the consolidated statement of cash flows, since such cash flows have historically been presented in financing activities.

Lease Accounting

In February 2016, the FASB issued ASU 2016-02, “Leases (Topic 842),” to increase transparency and comparability among organizations by recognizing lease assets and lease liabilities on the balance sheet and disclosing key information about leasing arrangements. ASU 2016-02 is effective for fiscal years beginning after December 15, 2018, including interim periods within those fiscal years, with early adoption permitted. The Company anticipates ASU 2016-02 to have a material impact on the consolidated balance sheet. The impact on the Company’s consolidated statement of income is currently being evaluated. The impact of ASU 2016-02 is non-cash in nature, as such, it will not affect the Company’s cash position.

Revenue Recognition

In May 2014, the FASB issued guidance codified in ASC 606, “Revenue Recognition - Revenue from Contracts with Customers,” which amends the guidance in former ASC 605, “Revenue Recognition.” In July 2015, the FASB made a decision to defer by one year the effective date of its new standard to January 1, 2018, although early adoption is permitted as of January 1, 2017. The Company is currently evaluating the impact of ASC 606.

Risk Factors and Cautionary Statement Regarding Forward-Looking Statements

The information in this report includes forward-looking statements about future events and circumstances and their effects upon revenues, expenses and business opportunities. Generally speaking, any statement in this report not based upon historical fact is a forward-looking statement. Forward-looking statements can also be identified by the use of forward-looking words, such as “may,” “will,” “expect,” “believe” and “plan” or similar expressions. In particular, statements regarding our plans, strategies, prospects and expectations regarding our business and industry, including those under “Outlook”, are forward-looking statements. They reflect our expectations, are not guarantees of performance and speak only as of the date of this report. Except as required by law, we do not undertake to update them. Our expectations (or the underlying assumptions) may change or not be realized, and you should not rely unduly on forward-looking statements. Our business results are subject to a variety of risks, including those that are reflected in the following considerations and factors, as well as elsewhere in our filings with the SEC. If any of these considerations or risks materialize, our expectations may change and our performance may be adversely affected.

If we do not successfully design and execute our business strategies, we may not be able to increase operating income or market share.

To drive future results, our business strategies must be effective in achieving market share gains while at the same time delivering operating income growth. Whether we successfully execute these strategies depends mainly on our System’s ability to:

- Continue to innovate and differentiate in all aspects of the McDonald’s experience in a way that balances value to our customers with profitability;
- Reinvest in our restaurants and identify and develop restaurant sites consistent with our System’s plans for net growth of System-wide restaurants;
- Provide clean and friendly environments that deliver a consistent McDonald's experience and demonstrate high service levels;
- Drive restaurant improvements that achieve optimal capacity, particularly during peak mealtime hours; and
- Manage the complexity of our restaurant operations.

If we are delayed or unsuccessful in executing our strategies, or if our strategies do not yield the desired results, our business, financial condition and results of operations may suffer.

The implementation of our turnaround plan may intensify the risks we face and may not be successful in driving improved performance.

Our turnaround plan includes an accelerated pace of refranchising, cost savings and global restructuring. In addition, we have increased our leverage. As we continue to implement our plans, the existing risks we face in our business may be intensified. Our efforts to reduce costs and capital expenditures depend, in part, upon our refranchising efforts, which, in turn, depend upon our ability to identify qualified and capable franchisees and licensees. Our cost savings initiatives also depend upon our ability to achieve efficiencies through the consolidation of global, back-office functions. Therefore, if our turnaround-related initiatives are not successful, take longer to complete than initially projected, or are not executed well, or if our cost reduction efforts adversely impact our effectiveness, our business operations, financial results and results of operations could be adversely affected.

We face intense competition in our markets, which could hurt our business.

We compete primarily in the “informal eating out” (IEO) segment, which is highly competitive. We are facing slowing restaurant industry trends in several key markets, as well as sustained, intense competition from traditional, fast casual and other competitors, which may include many non-traditional market participants such as convenience stores, grocery stores and coffee shops. We expect our environment to continue to be highly competitive and in any particular reporting period our results may be impacted by new actions of our competitors, which may have a short- or long-term impact on our results.

We compete on the basis of product choice, quality, affordability, service and location. In particular, we believe our ability to compete successfully in the current market environment depends on our ability to improve existing products, develop new products, price our products appropriately, manage the complexity of our restaurant operations and respond effectively to our competitors’ actions. Recognizing these dependencies, we have intensified our focus in recent periods on strategies to achieve these goals, including the turnaround plan described above, and we will likely continue to modify our strategies and implement new strategies in the future. There can be no assurance these strategies will be effective, and some strategies may be effective at improving some metrics while adversely affecting other metrics.

If we do not anticipate and address evolving consumer preferences, our business could suffer.

Our continued success depends on our System’s ability to anticipate and respond effectively to continuously shifting consumer demographics, trends in food sourcing, food preparation and consumer preferences in the IEO segment. We must continuously adapt to deliver a relevant experience for our customers amidst a highly competitive, value-driven operating environment. We continue to implement initiatives to address these shifts at an aggressive pace. There is no assurance that these initiatives will be successful and, if they are not, our financial results could be adversely impacted.

If our pricing, promotional and marketing plans are not effective, our results may be negatively impacted.

Our results depend on the impact of our pricing, promotional and marketing plans and our System's ability to efficiently adjust these plans to respond quickly and effectively to evolving customer preferences, as well as economic and competitive conditions. Our existing or future pricing strategies and the value proposition they represent will continue to be important components of our overall plan, may not be successful and could negatively impact sales and margins. The promotion of our menu offerings, including through expanded digital engagement with our customers, may yield results below desired levels.

Additionally, we operate in an increasingly complex and costly advertising environment. Our marketing and advertising programs may not be successful and we may fail to attract and retain customers. We have expanded engagement with our customers through digital media and loyalty initiatives. Our success depends in part on whether our allocation of our advertising and marketing resources across different channels allows us to effectively reach our customers. If our advertising and marketing programs are not successful, or are not as successful as those of our competitors, our sales, guest counts and market share could decrease.

Failure to preserve the value and relevance of our brand could have a negative impact on our financial results.

To be successful in the future, we believe we must preserve, enhance and leverage the value of our brand. Brand value is based in part on consumer perceptions on a variety of factors, including the nutritional content and preparation of our food, the ingredients we use, our business practices and the manner in which we source the commodities we use. Consumer acceptance of our offerings is subject to change for a variety of reasons. For example, nutritional, health and other scientific studies and conclusions, which constantly evolve and often have contradictory implications, drive popular opinion, litigation and regulation (including initiatives intended to drive consumer behavior) in ways that affect the IEO segment or perceptions of our brand and could be material to our business. Perceptions may also be affected by third parties presenting or promoting adverse commentary or perceptions of the quick-service category of the IEO segment, our brand and/or our operations, our suppliers or our franchisees. If we are unsuccessful in addressing such adverse commentary or perceptions, our brand and our financial results may suffer.

Additionally, the ongoing relevance of our brand may depend on the success of our sustainability initiatives, which will require System-wide coordination and alignment. If we are not effective in addressing social responsibility matters, trust in our brand may suffer. Also, if we are unable to articulate and achieve relevant sustainability goals, consumers may lose confidence in our brand. In particular, business incidents that erode consumer trust or confidence, particularly if such incidents receive considerable publicity or result in litigation, can significantly reduce brand value and have a negative impact on our financial results.

Unfavorable general economic conditions could adversely affect our business and financial results.

Our results of operations are substantially affected by economic conditions, which can vary significantly by market and can impact consumer disposable income levels and spending habits. Economic conditions can also be impacted by a variety of factors including hostilities, epidemics and actions taken by governments to manage national economic matters, whether through austerity or stimulus measures and initiatives intended to control wages, unemployment, credit availability, inflation, taxation and other economic drivers. Many major economies, both advanced and developing, continue to face weak economies, high unemployment rates and other ongoing economic issues. Continued adverse economic conditions or adverse changes in economic conditions in our markets could pressure our operating performance, and our business and financial results may suffer.

Supply chain interruptions may increase costs or reduce revenues.

We depend on the effectiveness of our supply chain management to assure reliable and sufficient product supply, including on favorable terms. The products we sell are sourced from a wide variety of suppliers in countries around the world. Supply chain interruptions, including due to lack of supply or price increases, can adversely affect us or the suppliers and franchisees that are also part of our System and whose performance has a significant impact on our results. Such shortages or disruptions could be caused by factors beyond the control of our suppliers or us. If we experience interruptions in our supply chain, our costs could increase and it could limit the availability of products critical to our operations.

Food safety concerns may have an adverse effect on our business.

Our ability to increase sales and profits depends on our System's ability to meet expectations for safe food and on our ability to manage the potential impact on McDonald's of food-borne illnesses and food or product safety issues that may arise in the future. Food safety is a top priority, and we dedicate substantial resources to ensure that our customers enjoy safe food products, including as our menu evolves. However, food safety events, including instances of food-borne illness, have occurred in the food industry in the past, and could occur in the future. Instances of food tampering, food contamination or food-borne illness, whether actual or perceived, could adversely affect our brand and reputation as well as our revenues and profits.

Our franchise business model presents a number of risks.

Our success relies in part on the financial success and cooperation of our franchisees, yet we have limited influence over their operations. Our restaurant margins arise from two sources: Company-operated restaurants and franchised restaurants. Our franchisees manage their businesses independently, and therefore are responsible for the day-to-day operation of their restaurants. The revenues we realize from franchised restaurants are largely dependent on the ability of our franchisees to grow their sales. If our franchisees do not experience sales growth, our revenues and margins could be negatively affected as a result. Also, if sales trends worsen for franchisees, their financial results may deteriorate, which could result in, among other things, restaurant closures or delayed or reduced payments to us. Our refranchising effort will increase that dependence and the effect of those factors.

Our success also depends on the willingness and ability of our independent franchisees to implement major initiatives, which may include financial investment, and to remain aligned with us on operating, promotional and capital-intensive reinvestment plans. The ability of our franchisees to contribute to the achievement of our plans is dependent in large part on the availability of funding at reasonable interest rates and may be negatively impacted by the financial markets in general or by the creditworthiness of our franchisees or the Company. Our operating performance could also be negatively affected if our franchisees experience food safety or other operational problems or project a brand image inconsistent with our values, particularly if our contractual and other rights and remedies are limited, costly to exercise or subject to litigation. If franchisees do not successfully operate restaurants in a manner consistent with our required standards, the brand's image and reputation could be harmed, which in turn could hurt our business and operating results.

Our ownership mix also affects our results and financial condition. The decision to own restaurants or to operate under franchise or license agreements is driven by many factors whose interrelationship is complex and changing. Our ability to achieve the benefits of our refranchising strategy, which involves a shift to a greater percentage of franchised restaurants, in a timely manner or at all, will depend on various factors, including our ability to timely and effectively identify franchisees and/or licensees that meet our rigorous standards and/or to complete transactions on favorable terms and to manage associated risks, and will also depend on the performance of our franchisees, and whether the resulting ownership mix supports our financial objectives.

Changes in commodity and other operating costs could adversely affect our results of operations.

The profitability of our Company-operated restaurants depends in part on our ability to anticipate and react to changes in commodity costs, including food, paper, supply, fuel, utilities, distribution and other operating costs. Any volatility in certain commodity prices could adversely affect our operating results by impacting restaurant profitability. The commodity market for some of the ingredients we use, such as beef and chicken, is particularly volatile and is subject to significant price fluctuations due to seasonal shifts, climate conditions, industry demand, international commodity markets, food safety concerns, product recalls, government regulation and other factors, all of which are beyond our control and, in many instances, unpredictable. We can only partially address future price risk through hedging and other activities, and therefore increases in commodity costs could have an adverse impact on our profitability.

The global scope of our business subjects us to risks that could negatively affect our business.

We face differing cultural, regulatory and economic environments that exist within and among the more than 100 countries where McDonald's restaurants operate, and our ability to achieve our business objectives depends on the System's success in these environments. Meeting customer expectations is complicated by the risks inherent in our global operating environment, and our global success is partially dependent on our System's ability to leverage operating successes across markets. Planned initiatives may not have broad appeal with McDonald's customers and could drive unanticipated changes in customer perceptions and guest counts.

Disruptions in operations or price volatility in a market can also result from governmental actions, such as price, foreign exchange or import-export controls, increased tariffs, government-mandated closure of our, our franchisees' or our suppliers' operations and asset seizures. The cost and disruption of responding to governmental investigations or inquiries, whether or not they have merit, may impact our results and could cause reputational or other harm. Our international success depends in part on the effectiveness of our strategies and brand-building initiatives to reduce our exposure to such governmental investigations or inquiries. Our results of operations and financial condition are also affected by fluctuations in currency exchange rates, which may adversely affect reported earnings.

Additionally, challenges and uncertainties are associated with operating in developing markets, which may entail a relatively higher risk of political instability, economic volatility, crime, corruption and social and ethnic unrest. Such challenges are exacerbated in many cases by a lack of an independent and experienced judiciary and uncertainties in how local law is applied and enforced, including in areas most relevant to commercial transactions and foreign investment. An inability to effectively manage the risks associated with our international operations could have a material adverse effect on our business and financial condition.

The U.K.'s decision to leave the European Union could adversely affect our business.

As a result of the U.K.'s decision to leave the European Union through a negotiated exit over a period of time, it is possible that there will be increased regulatory complexities, as well as potential referenda in the U.K. and/or other European countries that could cause uncertainty in European or worldwide economic conditions. In the short term, the decision created volatility in certain foreign currency exchange rates, which may continue. Any of these effects, and others we cannot anticipate, could adversely affect our business, results of operations, financial condition and cash flows.

Challenges with respect to talent management could harm our business.

Effective succession planning is important to our long-term success. Failure to effectively identify, develop and retain key personnel, recruit high-quality candidates and ensure smooth management and personnel transitions (which may be increased as we continue to execute our turnaround plans) could disrupt our business and adversely affect our results.

Our success depends in part on our System's ability to identify, recruit, motivate and retain a qualified workforce to work in our restaurants in an intensely competitive environment. Increased costs associated with recruiting, motivating and retaining qualified employees to work in our Company-operated restaurants could have a negative impact on our Company-operated margins.

We are also impacted by the costs and other effects of compliance with U.S. and international regulations affecting our workforce, which includes our staff and employees working in our Company-operated restaurants. These regulations are increasingly focused on employment issues including wage and hour, healthcare, immigration, retirement and other employee benefits and unlawful workplace discrimination. Our potential exposure to reputational and other harm regarding our workplace practices or conditions or those of our independent franchisees or suppliers (or perceptions thereof) could have a negative impact on our business. Additionally, economic action, such as boycotts, protests, work stoppages or campaigns by labor organizations, could adversely affect (including the ability to recruit and retain talent) us or the franchisees and suppliers that are also part of the McDonald's System and whose performance may have a material impact on our results.

Information technology system failures or interruptions or breaches of network security may interrupt our operations.

We are increasingly reliant on technological systems (e.g., point-of-sale and other in-store systems or platforms) as well as technologies which facilitate communication and collaboration internally, with affiliated entities, or with independent third parties to conduct our business, including technology-enabled solutions provided to us by third parties; and any failure of these systems could significantly impact our operations and customer perceptions. Despite the implementation of security measures, those technology systems and solutions could become vulnerable to damage, disability or failures due to theft, fire, power loss, telecommunications failure or other catastrophic events. The third party solutions also present the risks faced by the third party's business. If those systems or solutions were to fail or otherwise be unavailable, and we were unable to recover in a timely way, we could experience an interruption in our operations. We may also not fully realize the benefits of the significant investments we are making to enhance the customer experience through digital engagement and social media. Furthermore, security breaches involving our systems, the systems of the parties we communicate or collaborate with, or those of third party providers may occur, such as unauthorized access, denial of service, computer viruses and other disruptive problems caused by hackers. Our information technology systems contain personal, financial and other information that is entrusted to us by our customers and employees as well as financial, proprietary and other confidential information related to our business. An actual or alleged security breach could result in system disruptions, shutdowns, theft or unauthorized disclosure of confidential information. The occurrence of any of these incidents could result in adverse publicity, loss of consumer confidence, reduced sales and profits, and criminal penalties or civil liabilities.

Increasing regulatory complexity may adversely affect restaurant operations and our financial results.

Our regulatory environment worldwide exposes us to complex compliance and similar risks that could affect our operations and results in material ways. In many of our markets we are subject to increasing regulation, which has increased our cost of doing business. We are affected by the cost, compliance and other risks associated with the often conflicting and highly prescriptive regulations we face, including where inconsistent standards imposed by multiple governmental authorities can adversely affect our business and increase our exposure to litigation or governmental investigations or proceedings.

Our success depends in part on our ability to manage the impact of new, potential or changing regulations that can affect our business plans. These regulations may relate to, among others, product packaging, marketing and the nutritional content and safety of our food and other products, labeling and other disclosure practices, ordinary variations in food preparation among our own restaurants, and the need to rely on the accuracy and completeness of information from third-party suppliers (particularly given varying requirements and practices for testing and disclosure).

Additionally, we are working to manage the risks and costs to us, our franchisees and our supply chain of the effects of climate change, greenhouse gases, energy and water resources. The increased public focus, including by governmental and nongovernmental organizations, on these and other environmental sustainability matters (e.g., packaging and waste, animal health and welfare, deforestation and land use) and the increased pressure to make commitments, set targets or establish additional goals and take actions to meet them, could expose us to market, operational and execution costs or risks. If we are unable to effectively manage the risks associated with our complex regulatory environment, it could have a material adverse effect on our business and financial condition.

We are subject to increasing legal complexity and could be party to litigation that could adversely affect us.

Increasing legal complexity will continue to affect our operations and results in material ways. We could be subject to legal proceedings that may adversely affect our business, including class actions, administrative proceedings, government investigations, employment and personal injury claims, landlord/tenant disputes, disputes with current or former suppliers, claims by current or former franchisees, and intellectual property claims (including claims that we infringed another party's trademarks, copyrights, or patents). Inconsistent standards imposed by governmental authorities can adversely affect our business and increase our exposure to litigation.

Litigation involving our relationship with franchisees and the legal distinction between our franchisees and us for employment law purposes, if determined adversely, could increase costs, negatively impact the business prospects of our franchisees and subject us to incremental liability for their actions. Similarly, although our commercial relationships with our suppliers remain independent, there may be attempts to challenge that independence, which, if determined adversely, could also increase costs, negatively impact the business prospects of our suppliers, and subject us to incremental liability for their actions. We are also subject to legal and compliance risks and associated liability, such as in the areas of privacy, data collection, protection and management, as it relates to information we collect and share when we provide optional technology-related services and platforms to third parties.

Our operating results could also be affected by the following:

- The relative level of our defense costs, which vary from period to period depending on the number, nature and procedural status of pending proceedings;
- The cost and other effects of settlements, judgments or consent decrees, which may require us to make disclosures or take other actions that may affect perceptions of our brand and products;
- Adverse results of pending or future litigation, including litigation challenging the composition and preparation of our products, or the appropriateness or accuracy of our marketing or other communication practices; and
- The scope and terms of insurance or indemnification protections that we may have.

A judgment significantly in excess of any applicable insurance coverage could materially adversely affect our financial condition or results of operations. Further, adverse publicity resulting from these claims may hurt our business.

We may not be able to adequately protect our intellectual property or adequately ensure that we are not infringing the intellectual property of others, which could harm the value of the McDonald's brand and our business.

The success of our business depends on our continued ability to use our existing trademarks and service marks in order to increase brand awareness and further develop our branded products in both domestic and international markets. We rely on a combination of trademarks, copyrights, service marks, trade secrets, patents and other intellectual property rights to protect our brand and branded products. We cannot ensure that franchisees and other third parties who hold licenses to our intellectual property will not take actions that hurt the value of our intellectual property.

We have registered certain trademarks and have other trademark registrations pending in the United States and certain foreign jurisdictions. The trademarks that we currently use have not been registered in all of the countries outside of the United States in which we do business or may do business in the future and may never be registered in all of these countries. The steps we have taken to protect our intellectual property in the United States and foreign countries may not be adequate. In addition, the steps we have taken may not adequately ensure that we do not infringe the intellectual property of others and third parties may claim infringement by us in the future. In particular, we may be involved in intellectual property claims, including often aggressive or opportunistic attempts to enforce patents used in information technology systems, which might affect our operations and results. Any claim of infringement, whether or not it has merit, could be time-consuming, could result in costly litigation and could harm our business.

Changes in tax laws and unanticipated tax liabilities could adversely affect the taxes we pay and our profitability.

We are subject to income and other taxes in the United States and foreign jurisdictions, and our operations, plans and results are affected by tax and other initiatives around the world. In particular, we are affected by the impact of changes to tax laws or related authoritative interpretations, particularly if corporate tax reform becomes a key component of budgetary initiatives in the United States and elsewhere. We are also impacted by settlements of pending or any future adjustments proposed by the IRS or other taxing authorities in connection with our tax audits, all of which will depend on their timing, nature and scope. Any increases in income tax rates, changes in income tax laws or unfavorable resolution of tax matters could have a material adverse impact on our financial results.

Changes in accounting standards or the recognition of impairment or other charges may adversely affect our future operations and results.

New accounting standards or changes in financial reporting requirements, accounting principles or practices, including with respect to our critical accounting estimates, could adversely affect our future results. We may also be affected by the nature and timing of decisions about underperforming markets or assets, including decisions that result in impairment or other charges that reduce our earnings. In assessing the recoverability of our long-lived assets, we consider changes in economic conditions and make assumptions regarding estimated future cash flows and other factors. These estimates are highly subjective and can be significantly impacted by many factors such as global and local business and economic conditions, operating costs, inflation, competition, consumer and demographic trends, and our restructuring activities. If our estimates or underlying assumptions change in the future, we may be required to record impairment charges. If we experience any such changes, they could have a significant adverse effect on our reported results for the affected periods.

A decrease in our credit ratings or an increase in our funding costs could adversely affect our profitability.

We may be negatively affected by the impact of changes in our debt levels or our results of operations on our credit ratings, interest expense, availability of acceptable counterparties, ability to obtain funding on favorable terms or our operating or financial flexibility, especially if lenders impose new operating or financial covenants.

Our operations may also be impacted by regulations affecting capital flows, financial markets or financial institutions, which can limit our ability to manage and deploy our liquidity or increase our funding costs. If any of these events were to occur, they could have a material adverse effect on our business and financial condition.

Trading volatility and price of our common stock may be adversely affected by many factors.

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

- The continuing unpredictable global economic and market conditions;
- Governmental action or inaction in light of key indicators of economic activity or events that can significantly influence financial markets, particularly in the United States which is the principal trading market for our common stock, and media reports and commentary about economic or other matters, even when the matter in question does not directly relate to our business;
- Trading activity in our common stock or trading activity in derivative instruments with respect to our common stock or debt securities, which can be affected by market commentary (including commentary that may be unreliable or incomplete); unauthorized disclosures about our performance, plans or expectations about our business; our actual performance and creditworthiness; investor confidence generally; actions by shareholders and others seeking to influence our business strategies; portfolio transactions in our stock by significant shareholders; or trading activity that results from the ordinary course rebalancing of stock indices in which McDonald’s may be included, such as the S&P 500 Index and the Dow Jones Industrial Average;
- The impact of our stock repurchase program or dividend rate; and
- The impact on our results of corporate actions and market and third-party perceptions and assessments of such actions, such as those we may take from time to time as we review our corporate structure and strategies in light of business, legal and tax considerations.

Our results and prospects can be adversely affected by events such as severe weather conditions, natural disasters, hostilities and social unrest, among others.

Severe weather conditions, natural disasters, hostilities and social unrest, terrorist activities, health epidemics or pandemics (or expectations about them) can adversely affect consumer spending and confidence levels or other factors that affect our results and prospects, such as commodity costs. Our receipt of proceeds under any insurance we maintain with respect to certain of these risks may be delayed or the proceeds may be insufficient to offset our losses fully.

Item 3. Quantitative and Qualitative Disclosures About Market Risk

There were no material changes to the disclosure made in our Annual Report on Form 10-K for the year ended December 31, 2015 regarding this matter.

Item 4. Controls and Procedures

An evaluation was conducted under the supervision and with the participation of the Company’s management, including the Chief Executive Officer (“CEO”) and Chief Financial Officer (“CFO”), of the effectiveness of the design and operation of the Company’s disclosure controls and procedures as of June 30, 2016. Based on that evaluation, the CEO and CFO concluded that the Company’s disclosure controls and procedures were effective as of such date to ensure that information required to be disclosed in the reports that it files or submits under the Securities Exchange Act of 1934, as amended, is recorded, processed, summarized and reported within the time periods specified in Securities and Exchange Commission rules and forms. Such officers also confirmed that there was no change in the Company’s internal control over financial reporting during the quarter ended June 30, 2016 that has materially affected, or is reasonably likely to materially affect, the Company’s internal control over financial reporting.

PART II – OTHER INFORMATION

Item 1. Legal Proceedings

There were no material changes to the disclosure made in our Annual Report on Form 10-K for the year ended December 31, 2015 regarding these matters.

Item 1A. Risk Factors

For a discussion of risk factors affecting our business, refer to statements appearing under the caption "Risk Factors and Cautionary Statement Regarding Forward-Looking Statements" in "Management's Discussion and Analysis of Financial Condition and Results of Operations."

Item 2. Unregistered Sales of Equity Securities and Use of Proceeds

Issuer Purchases of Equity Securities*

The following table presents information related to repurchases of common stock the Company made during the three months ended June 30, 2016:

Period	Total Number of Shares Purchased	Average Price Paid per Share	Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs (1)	Approximate Dollar Value of Shares that May Yet Be Purchased Under the Plans or Programs (1)
April 1-30, 2016	3,997,690	$ 127.48	3,997,690	$ 10,811,203,227
May 1-31, 2016	21,709,739	127.99	21,709,739	7,908,313,720
June 1-30, 2016	6,471	120.33	6,471	7,907,535,048
Total	25,713,900	$ 127.91	25,713,900	

* Subject to applicable law, the Company may repurchase shares directly in the open market, in privately negotiated transactions, or pursuant to derivative instruments and plans complying with Rule 10b5-1, among other types of transactions and arrangements.

(1) On December 3, 2015, the Company's Board of Directors approved a share repurchase program, effective January 1, 2016, that authorizes the purchase of up to $15 billion of the Company's outstanding common stock with no specified expiration date.

In February 2016, the Company entered into an Accelerated Share Repurchase agreement ("ASR") to purchase up to $2.7 billion of the Company's common stock and received an initial delivery of 18.5 million shares, which represented 80% of the total shares the Company expected to receive based on the market price at the time of initial delivery. In May 2016, the purchase period for this ASR ended, and an additional 3.4 million shares were delivered and retired. In total, 21.9 million shares were delivered under this ASR at an average purchase price of $123.44 per share.

In May 2016, the Company entered into a new ASR to purchase up to $2.6 billion of the Company's common stock and received an initial delivery of 16.2 million shares, which represented 80% of the total shares the Company expected to receive based on the market price at the time of initial delivery. In July 2016, the purchase period for this ASR ended, and an additional 5.1 million shares were delivered and retired. In total, 21.3 million shares were delivered under this ASR at an average purchase price of $122.25 per share.

Item 6. Exhibits

Exhibit Number	Description
(3)	(a) Restated Certificate of Incorporation, effective as of June 14, 2012, incorporated herein by reference from Exhibit 3(a) of Form 10-Q (File No. 001-05231), for the quarter ended June 30, 2012.
	(b) By-Laws, as amended and restated with effect as of October 26, 2015, incorporated herein by reference from Exhibit 3(b) of Form 8-K (File No. 001-05231), filed October 28, 2015.
(4)	Instruments defining the rights of security holders, including Indentures:*
	(a) Senior Debt Securities Indenture, dated as of October 19, 1996, incorporated herein by reference from Exhibit (4)(a) of Form S-3 Registration Statement (File No. 333-14141), filed October 15, 1996.
	(b) Subordinated Debt Securities Indenture, dated as of October 18, 1996, incorporated herein by reference from Exhibit (4)(b) of Form S-3 Registration Statement (File No. 333-14141), filed October 15, 1996.
(10)	Material Contracts
	(a) Directors' Deferred Compensation Plan, effective as of January 1, 2008, incorporated herein by reference from Exhibit 99.4 of Form 8-K (File No. 001-05231), filed December 4, 2007.**
	(i) Directors' Deferred Compensation Plan, amended and restated effective as of May 26, 2016, filed herewith.**
	(b) McDonald's Excess Benefit and Deferred Bonus Plan, effective January 1, 2011, as amended and restated March 22, 2010, incorporated herein by reference from Exhibit 10(b) of Form 10-Q (File No. 001-05231), for the quarter ended March 31, 2010.**
	(c) McDonald's Corporation Supplemental Profit Sharing and Savings Plan, effective as of September 1, 2001, incorporated herein by reference from Exhibit 10(c) of Form 10-K (File No. 001-05231), for the year ended December 31, 2001.**
	(i) First Amendment to the McDonald's Corporation Supplemental Profit Sharing and Savings Plan, effective as of January 1, 2002, incorporated herein by reference from Exhibit 10(c)(i) of Form 10-K (File No. 001-05231), for the year ended December 31, 2002.**
	(ii) Second Amendment to the McDonald's Corporation Supplemental Profit Sharing and Savings Plan, effective January 1, 2005, incorporated herein by reference from Exhibit 10(c)(ii) of Form 10-K (File No. 001-05231), for the year ended December 31, 2004.**
	(d) 1992 Stock Ownership Incentive Plan, as amended and restated January 1, 2001, incorporated herein by reference from Exhibit 10(e) of Form 10-Q (File No. 001-05231), for the quarter ended March 31, 2001.**
	(i) First Amendment to McDonald's Corporation 1992 Stock Ownership Incentive Plan, as amended and restated, effective as of February 14, 2007, incorporated herein by reference from Exhibit 10(e)(i) of Form 10-Q (File No. 001-05231), for the quarter ended March 31, 2007.**
	(e) McDonald's Corporation Amended and Restated 2001 Omnibus Stock Ownership Plan, effective July 1, 2008, incorporated herein by reference from Exhibit 10(h) of Form 10-Q (File No. 001-05231), for the quarter ended June 30, 2009.**
	(i) First Amendment to the McDonald's Corporation Amended and Restated 2001 Omnibus Stock Ownership Plan, incorporated herein by reference from Exhibit 10(h)(i) of Form 10-K (File No. 001-05231), for the year ended December 31, 2008.**
	(ii) Second Amendment to the McDonald's Corporation Amended and Restated 2001 Omnibus Stock Ownership Plan as amended, effective February 9, 2011, incorporated herein by reference from Exhibit 10(h)(ii) of Form 10-K (File No. 001-05231), for the year ended December 31, 2010.**
	(f) McDonald's Corporation 2012 Omnibus Stock Ownership Plan, effective June 1, 2012, incorporated herein by reference from Exhibit 10(h) of Form 10-Q (File No. 001-05231), for the quarter ended September 30, 2012.**
	(g) McDonald's Corporation 2009 Cash Incentive Plan, effective as of May 27, 2009, incorporated herein by reference from Exhibit 10(j) of Form 10-Q (File No. 001-05231), for the quarter ended June 30, 2009.**

Exhibit Number		Description
	(h)	McDonald’s Corporation Target Incentive Plan, effective January 1, 2013, incorporated herein by reference from Exhibit 10(j) of Form 10-Q (File No. 001-05231), for the quarter ended March 31, 2013.**
	(i)	McDonald’s Corporation Cash Performance Unit Plan, effective February 13, 2013, incorporated herein by reference from Exhibit 10(k) of Form 10-Q (File No. 001-05231), for the quarter ended March 31, 2013.**
	(j)	Form of Executive Stock Option Grant Agreement in connection with the Amended and Restated 2001 Omnibus Stock Ownership Plan, as amended, incorporated herein by reference from Exhibit 10(j) of Form 10-K (File No. 001-05231), for the year ended December 31, 2011.**
	(k)	Form of Executive Stock Option Award Agreement in connection with the 2012 Omnibus Stock Ownership Plan, incorporated herein by reference from Exhibit 10(n) of Form 10-Q (File No. 001-05231), for the quarter ended March 31, 2013.**
	(l)	McDonald’s Corporation Severance Plan, as Amended and Restated, effective September 30, 2015, incorporated herein by reference from Exhibit 10(o) of Form 10-Q (File No. 001-05231), for the quarter ended September 30, 2015.**
		(i) First Amendment to the McDonald's Corporation Severance Plan, effective June 1, 2016, filed herewith.**
		(ii) Second Amendment to the McDonald's Corporation Severance Plan, effective June 1, 2016, filed herewith.**
		(iii) Third Amendment to the McDonald's Corporation Severance Plan, effective as of July 15, 2016, filed herewith.**
	(m)	Form of McDonald’s Corporation Tier I Change of Control Employment Agreement, incorporated herein by reference from Exhibit 10(i) of Form 10-Q (File No. 001-05231), for the quarter ended September 30, 2008.**
	(n)	Description of Restricted Stock Units granted to Andrew J. McKenna, incorporated herein by reference from Exhibit 10(r) of Form 10-Q (File No. 001-05231), for the quarter ended September 30, 2015.**
	(o)	Assignment Agreement between Douglas Goare and the Company, effective January 1, 2012, incorporated herein by reference from Exhibit 10(x) of Form 10-K (File No. 001-05231), for the year ended December 31, 2013.**
	(p)	Assignment Agreement between David Hoffmann and the Company, effective April 13, 2011, incorporated herein by reference from Exhibit 10(y) of Form 10-Q (File No. 001-05231), for the quarter ended March 31, 2014. **
		(i) 2015 Extension of the Assignment Agreement between David Hoffmann and the Company, dated as of January 7, 2015, incorporated herein by reference from Exhibit 10(w)(i) of Form 10-Q (File No. 001-05231), for the quarter ended March 31, 2015.**
	(q)	Form of 2014 Executive Stock Option Award Agreement in connection with the 2012 Omnibus Stock Ownership Plan, incorporated herein by reference from Exhibit 10(z) of Form 10-Q (File No. 001-05231), for the quarter ended March 31, 2014.**
	(r)	Retirement Agreement between Timothy Fenton and the Company, dated July 9, 2014, incorporated herein by reference from Exhibit 10(z) of Form 10-Q (File No. 001-05231), for the quarter ended September 30, 2014.**
	(s)	Retirement and Consulting Agreement between Donald Thompson and the Company, effective March 1, 2015, incorporated herein by reference from Exhibit 99 to Form 8-K (File No. 001-05231), filed on March 3, 2015.**
	(t)	Form of 2015 Executive Performance-Based Restricted Stock Unit Award Agreement in connection with the 2012 Omnibus Stock Ownership Plan, incorporated herein by reference from Exhibit 10(aa) of Form 10-Q (File No. 001-05231), for the quarter ended March 31, 2015.**
	(u)	Offer Letter between Christopher Kempczinski and the Company, dated September 23, 2015, filed herewith.**
(12)	Computation of Ratios.	

Exhibit Number	Description
(31.1)	Rule 13a-14(a) Certification of Chief Executive Officer.
(31.2)	Rule 13a-14(a) Certification of Chief Financial Officer.
(32.1)	Certification pursuant to 18 U.S.C. Section 1350 by the Chief Executive Officer, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
(32.2)	Certification pursuant to 18 U.S.C. Section 1350 by the Chief Financial Officer, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
(101.INS)	XBRL Instance Document.
(101.SCH)	XBRL Taxonomy Extension Schema Document.
(101.CAL)	XBRL Taxonomy Extension Calculation Linkbase Document.
(101.DEF)	XBRL Taxonomy Extension Definition Linkbase Document.
(101.LAB)	XBRL Taxonomy Extension Label Linkbase Document.
(101.PRE)	XBRL Taxonomy Extension Presentation Linkbase Document.

* Other instruments defining the rights of holders of long-term debt of the registrant, and all of its subsidiaries for which consolidated financial statements are required to be filed and which are not required to be registered with the Commission, are not included herein as the securities authorized under these instruments, individually, do not exceed 10% of the total assets of the registrant and its subsidiaries on a consolidated basis. An agreement to furnish a copy of any such instruments to the Commission upon request has been filed with the Commission.

** Denotes compensatory plan.

SIGNATURE

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

McDONALD'S CORPORATION
(Registrant)

/s/ Kevin M. Ozan

August 4, 2016

Kevin M. Ozan
Corporate Executive Vice President and
Chief Financial Officer

Exhibit 10(a)(i)

McDONALD'S CORPORATION
DIRECTORS' DEFERRED COMPENSATION PLAN

Section 1
Introduction

1.1 The Plan. McDonald's Corporation (the "Company") first established the McDonald's Directors' Deferred Compensation Plan (the "Plan") for the members of its Board of Directors (the "Board") who are not officers or employees of the Company ("Outside Director" or "Outside Directors") on July 1, 1984. Effective January 19, 1995, in order to reflect the Plan's focus on creating an identity of interest between the Company's Outside Directors and its shareholders, the Plan was renamed the "Directors' Stock Plan." The Plan was later amended and restated effective September 19, 1996, July 15, 1997, May 17, 2001, December 3, 2003, March 22, 2007 (at which time the Plan was renamed the "Directors' Deferred Compensation Plan"), and January 1, 2008 to comply with the requirements of Section 409A of the Internal Revenue Code of 1986, as amended (the "Code"). The Plan is hereby further amended effective as of May 26, 2016 (the "Effective Date") to clarify the status of the Chairman Emeritus as a continuing participant in the Plan and to make such other conforming or clarifying changes as the Board deemed necessary or appropriate for the efficient administration of the Plan.

1.2 Purpose. The purposes of the Plan are: to advance the Company's interests by attracting and retaining well-qualified Outside Directors; to provide such individuals with incentives to put forth maximum efforts for the long term success of the Company's business; and to provide a vehicle to increase the identity of interest between Directors and shareholders. As of the Effective Date the term "Director" shall include (i) Outside Directors and (ii) the position of Chairman Emeritus.

1.3 Plan Administration. The Plan shall be administered by the Controller of the Company (the "Plan Administrator"). The Plan Administrator shall have discretionary authority to interpret and administer the Plan, to correct errors in administration, and otherwise to implement the Plan, in each case consistent with its purposes and intent. The Plan Administrator shall also have the power to take such other actions as are necessary so that transactions pursuant to the Plan do not result in liability under Section 16(b) of the Securities Exchange Act of 1934. All actions of the Plan Administrator with respect to the Plan shall be final and binding on all persons.

1.4 Compliance with Section 409A. This Plan is intended to comply with the requirements of Section 409A of the Code and applicable regulations and rulings promulgated thereunder ("Section 409A") with respect to all amounts deferred after December 31, 2004, and the earnings thereon, and this Plan shall be interpreted accordingly.

Amounts deferred prior to December 31, 2004, and earnings thereon, shall be credited to the Directors' "Grandfathered Accounts" maintained pursuant to Section 2.1(a) and distributed in accordance with the provisions of Section 5. The distribution provisions applicable to Grandfathered Accounts have not been materially modified on or after October 3, 2004. Accordingly, the Grandfathered Accounts are not subject to the requirements of Section 409A.

Notwithstanding any other provision of this Plan, there shall be no acceleration of payment of amounts deferred after December 31, 2004 or the earnings thereon that is not permitted by Section 409A. Furthermore, no amendment or termination of the Plan shall be effective to the extent that it would cause the Grandfathered Accounts hereunder to become subject to Section 409A.

Section 2
Accounts

2.1 Accounts. The Plan shall establish the following Accounts, as applicable, for each Director:

(a) Grandfathered Accounts. An Account for compensation that is not subject to Section 409A because it was deferred on or before December 31, 2004, and the earnings thereon, hereinafter, the "Grandfathered Account." Each Grandfathered Account may be further divided into amounts deferred pursuant to a particular year's deferral election.

(b) Nongrandfathered Accounts. An Account for compensation that is subject to Section 409A because it was deferred after December 31, 2004, and the earning thereon, hereinafter, the "Nongrandfathered Account." Each Nongrandfathered Account may be further divided into amounts deferred pursuant to a particular year's deferral election.

Section 3
Deferred Benefit Feature: Participation and Deferral Elections

3.1 Elected Deferred Benefits. Each Director may make an election (a "Deferral Election") to defer all or any part of the fees to be received by such Director for periods of service on the Board after the Effective Date ("Elected Deferred Benefits") in accordance with Section 3.3. Elected Deferred Benefits shall be credited to the Nongrandfathered Account for each Director on a quarterly basis at a time and in a manner reasonably determined by the Plan Administrator.

3.2 Stock Equivalent Benefit.

(a) In addition to any Elected Deferred Benefits, each Director shall receive a stock equivalent benefit, which shall be determined in the manner described in this Section 3.2 ("Stock Equivalent Benefit") and credited to his or her Nongrandfathered Account.

(b) On December 31 of each calendar year commencing on or after the Effective Date, the Nongrandfathered Account of each Director, who was a Director for all of that calendar year, shall be credited with a Stock Equivalent Benefit equal to such amount as may be determined by the Board for such year (the "Annual Stock Equivalent Amount"). The Nongrandfathered Account of each Director, who was a Director for less than the entire calendar year, shall be credited with a Stock Equivalent Benefit equal to the Annual Stock Equivalent Benefit Amount for such calendar year times the number of days during that calendar year on which such individual was a Director divided by the total number of days in that calendar year.

3.3 Timing of Deferral Elections. Each Director may make a Deferral Election with respect to fees earned in a calendar year as provided in Section 3.1 by filing a written election with the Company on or before December 31 the calendar year preceding the year in which the Director will earn the fees to be deferred. A person who becomes a Director during a calendar year may make a Deferral Election as provided in Section 3.1 with respect to fees for services performed during the portion of such calendar year following the delivery of such Deferral Election to the Company. Such a Deferral Election must be made in writing and delivered to the Company within 30 days after becoming a Director. Any Deferral Election made for a calendar year pursuant to this Section 3.3 shall be irrevocable.

3.4 Payment Form Election. A Director electing to defer Elected Deferred Benefits may make an irrevocable election to have those Elected Deferred Benefits (and any earnings thereon) paid (within 30 days after, or beginning within 30 days after, a Specified Payment Date (as defined below)). Notwithstanding any such election, if a Specified Payment Date is later than the Director's General Payment Date (as defined in Section 4.2(b)), such Elected Deferred Benefits (and any earnings thereon) shall be paid or begin to be paid in accordance with Section 4.2(b).

A "Specified Payment Date" means a date specified by the Director at the time he or she elects to defer the Elected Deferred Benefits in question, which date must be March 31, June 30 or September 30 of a specified year in the future, but no earlier than the March 31st of the calendar year following the year in which the deferred amounts would have been paid (if they had not been deferred).

Section 4
Payment of Benefits - Nongrandfathered Account

4.1 Form of Payment. All payments shall be made in cash, in an amount equal to the market value of a share of McDonald's Stock (determined in accordance with Section 7.8) on the day before the date of payment, times the number of shares and fractions thereof for which payment is being made.

4.2 Payment Date. A Director's "Payment Date" shall mean either the Specified Payment Date or the General Payment Date (as defined in Section 4.2(b)), as applicable.

(a) Specified Payment Date. If a Specified Payment Date applies to a portion of a Director's Nongrandfathered Account (including the specified payment date in effect as of the Effective Date with respect to any amounts deferred prior to the Effective Date), such portion of the Director's Nongrandfathered Account shall be paid, or begin to be paid, within 30 days after such Specified Payment Date unless the Director's General Payment Date occurs prior to the Specified Payment Date.

(b) General Payment Date. The balance in a Director's Nongrandfathered Account, other than the portion, if any, of the Director's Nongrandfathered Account for which payment has previously commenced pursuant to Section 4.2(a), shall be paid, or begin to be paid, in April of the calendar year following the year of the Director's Termination or death, whichever occurs first (the "General Payment Date").

4.3 Form of Payment.

(a) Distributions Prior to Death. Except as provided in (b) below, a Director's Nongrandfathered Account shall automatically be paid in a single lump sum promptly following the applicable Payment Date(s), unless and to the extent a valid written installment distribution election has been filed in accordance with Section 4.4 (including any valid written installment distribution election filed prior to the Effective Date with respect to amounts deferred prior to the Effective Date). Installment payments shall be made annually in substantially equal installments over the installment period specified in the installment distribution election, beginning at or within 30 days after the applicable Payment Date. Each installment payment shall be computed by dividing the balance of the portion of the Nongrandfathered Account that is to be paid in installments by the number of payments remaining in the installment period.

(b) Acceleration of Distributions on Death. During the first month of the first calendar quarter following the death of a current or former Director, the entire unpaid balance of his Nongrandfathered Account shall automatically be paid in a single lump sum notwithstanding any valid written installment distribution election then in effect.

4.4 Installment Payments. A Director may make a separate installment distribution election for each calendar year's Stock Equivalent Benefit and Elected Deferred Benefit (if any). An installment distribution election may apply to all or any portion of the Stock Equivalent Benefit and Elected Deferred Benefit (if any) deferred for such calendar year (and any earnings thereon) and shall specify the period of years (up to a maximum of 15 years) over which installment payments are to be made. Installment distribution elections with respect to a calendar year's Stock Equivalent Benefit and Elected Deferred Benefit deferred must be made at the time the Director elects to defer the Elected Deferred Benefit for the calendar year in question or, if no Elected Deferred Benefit is elected for that calendar year, not later than the latest time at which such an election would be permitted. Except as provided in Section 4.3 (b), an installment distribution election is irrevocable once made, and payments of both the Stock Equivalent Benefit and any Elected Deferred Benefit for the applicable calendar year (and any earnings thereon) will be made in accordance with such election notwithstanding the subsequent Termination of the Director.

Section 5
Payment of Benefits - Grandfathered Account

5.1 Form of Payment. All payments shall be made in cash, in an amount equal to the market value of a share of McDonald's Stock (determined in accordance with Section 7.8) on the day before the date of payment, times the number of shares and fractions thereof for which payment is being made.

5.2 Payment Date. A Director's "Payment Date" shall mean either the Specified Payment Date (as defined in Section 5.2(a)) or the General Payment Date (as defined in Section 5.2(b)), as applicable.

(a) Specified Payment Date. If the Director designated a specified payment date (a "Specified Payment Date") in accordance with the terms of the Plan in effect prior to October 3, 2004 with respect to any amounts deferred prior to January 1, 2005, the portion of the Director's Grandfathered Account to which such Specified Payment Date applies shall be paid, or begin to be paid, promptly after such Specified Payment Date unless the Director's death or Termination occurs prior to the Specified Payment Date.

(b) General Payment Date. The balance in a Director's Grandfathered Account, other than the portion, if any, that is distributable pursuant to Section 5.2(a), shall be paid, or begin to be paid, in April of the calendar year following the year of the Director's Termination or death, whichever occurs first (the "General Payment Date").

5.3 Method of Payment. A Director's Grandfathered Account shall automatically be paid in a single lump sum promptly following the applicable Payment Date(s), unless and to the extent a valid written installment distribution election has been filed in accordance with this Section 5.3. Installment payments shall be made annually in substantially equal installments over the installment period specified, beginning at or promptly following the applicable Payment Date. Each installment payment shall be computed by dividing the balance of the Grandfathered Account that is to be paid in installments by the number of payments remaining in the installment period.

5.4 Installment Distribution Elections. An installment distribution election must be made on or before December 31 of the calendar year preceding the calendar year in which the applicable Payment Date occurs. An installment distribution election may apply to all or any portion of the Grandfathered Account for which payment is to be made, and shall specify the period of years (up to a maximum of 15 years) over which installment payments are to be made. Installment distribution elections with respect to a Director's Grandfathered Account may be made during the Director's lifetime only by the Director. Except as provided below in this Section 5.4, an installment distribution election is irrevocable once made, and payments will be made in accordance with the installment distribution election in effect as of the applicable Payment Date notwithstanding the subsequent Termination or death of the Director.

(a) If a Director's Termination occurs before a Specified Payment Date for any portion of his or her Grandfathered Account, the Director may, on or before December 31 of the calendar year in which the Termination occurs, revoke or change an installment distribution election the Director had made with respect to that portion of his or her Grandfathered Account before the Termination.

(b) If a Director dies before his or her Termination, any installment distribution elections with respect to any portions of his or her Grandfathered Account to which a Specified Payment Date before the date of death applied shall continue to govern the payout of those portions of his or her Grandfathered Account.

(c) If a Director dies before his or her Termination, installment distribution elections with respect to any portions of his or her Grandfathered Account other than those governed by Section 5.4(b) shall automatically be considered revoked, the Beneficiaries entitled to receive the Account under Section 7.2 shall be entitled to make an irrevocable installment distribution election at any time on or before December 31 of the calendar year in which the Director's death occurs, and the remainder of the Director's Grandfathered Account shall be paid to such Beneficiaries in accordance with Section 5.3, taking into account any installment distribution elections that remain in effect pursuant Section 5.4(b).

Section 6
Investments, Earnings, and Vesting

6.1 Investments. All amounts deferred under this Plan in any Account shall be treated as if such Account was invested in McDonald's Corporation common stock ("McDonald's Stock").

6.2 Adjustment of Accounts. Each Director's Account shall be adjusted periodically (but no less than once each year), at a time or times and in a manner reasonably determined by the Plan Administrator and as of the date of any payment from the Account, in order to treat such Account as though all amounts credited to it had been invested in shares of McDonald's Stock by reflecting income (including dividends), gains and losses in the amounts and at the times as such would have occurred if an amount equal to each credit to such Account were invested in shares (including fractional shares) of McDonald's Stock at a per-share price equal to the market value of a share of McDonald's Stock on the date such credit was made (determined in accordance with Section 7.8).

6.3 Funding. Benefits payable under the Plan to any person shall be paid directly by the Company. The Company shall not be required to fund or otherwise segregate assets to be used for payment of benefits under the Plan. While the Company may cause investments in shares of McDonald's Stock to be made through open market purchases in amounts equal or unequal to amounts payable hereunder, the Company shall not be under any obligation to make such investments and any such investment shall remain subject to the claims of its general creditors and the amounts payable to any Directors under the Plan shall not be affected by any such investment. Notwithstanding the foregoing, the Company, in its discretion, may maintain one or more trusts to hold assets to be used for payment of benefits under the Plan; provided that the assets of such trust shall be subject to the creditors of the Company in the event that the Company becomes insolvent or is subject to bankruptcy or insolvency proceedings. Any payments by such a trust of benefits provided hereunder shall be considered payment by the Company and shall discharge the Company of any further liability for the payments made by such trust.

6.4 Vesting. Each Director shall be fully vested at all times in the balance of his or her Account.

Section 7
General Provisions

7.1 Termination. For purposes of this Plan, a Director's "Termination" shall occur when he or she ceases to be a Director, (as defined herein); provided, that with respect to a Director's Nongrandfathered Account, the term "Termination" shall be interpreted in a manner consistent with the definition of "separation from service" within the meaning of Section 409A(a)(2)(A)(i) of the Code and Treasury Regulation Section 1.409A-1(h). For avoidance of doubt, a change in status from an Outside Director to Chairman Emeritus shall not constitute a separation from service until such individual ceases to be the Chairman Emeritus.

7.2 Beneficiaries. Each Director shall have the right to name a beneficiary or beneficiaries who shall receive the benefits hereunder in the event of the Director's death prior to the payment of his or her entire Accounts. If the Director fails to designate beneficiaries or if all such beneficiaries predecease the Director, benefits shall be paid to the Director's surviving spouse, and if none, then to the Director's estate. To be effective, any beneficiary designation shall be filed in writing with the Company. A Director may revoke an existing beneficiary designation by filing another written beneficiary designation with the Company. The latest beneficiary designation received by the Company shall be controlling.

7.3 Retention Rights. Establishment of the Plan shall not be construed to give a Director the right to be retained on the Board or to any benefits not specifically provided by the Plan.

7.4 Interests Not Transferable. Except as to withholding of any tax required under the laws of the United States or any state or locality and except with respect to designation of a beneficiary to receive benefits in the event of the death of a Director, no benefit payable at any time under the Plan shall be subject in any manner to alienation, sale, transfer, assignment, pledge, attachment, or other legal process, or encumbrance of any kind. Any attempt by a Director to alienate, sell, transfer, assign, pledge or otherwise encumber any such benefits whether current or thereafter payable, shall be void. No benefit shall, in any manner, be liable for or subject to the debts or liabilities of any person entitled to such benefits. If any person shall attempt to, or shall alienate, sell, transfer, assign, pledge or otherwise encumber his or her benefits under the Plan, or if by any reason of his or her bankruptcy or other event happening at any time, such benefits would devolve upon any other person or would not be enjoyed by the person entitled thereto under the Plan, then the Company in its discretion, may terminate the interest in any such benefits of the person entitled thereto under the Plan and hold or apply them to or for the benefit of such person entitled thereto under the Plan or his or her spouse, children or other dependents, or any of them, in such manner as the Company may deem proper.

7.5 Amendment and Termination. The Board intends the Plan to be permanent, but reserves the right at any time to modify, amend or terminate the Plan, provided, however, that benefits credited as provided herein shall constitute an irrevocable obligation of the Company.

7.6 Controlling Law. The law of Illinois, except its law with respect to choice of law, shall be controlling in all manners relating to the Plan.

7.7 Number. Words in the plural shall include the singular and the singular shall include the plural.

7.8 Value of McDonald's Stock. The market value of McDonald's Stock for purposes hereof on a given day shall be the closing price, at the close of normal trading hours, of McDonald's Stock on the New York Stock Exchange Composite Tape on that day (or, if quotations for McDonald's Stock are not reported on the New York Stock Exchange Composite Tape on that day, such closing price of McDonald's Stock on the New York Stock Exchange Composite Tape on the first day preceding such day on which such quotations are so reported).

[Signature Page Follows]

Executed this 14th day of July, 2016.

McDonald's Corporation

/s/ Gloria Santona

Gloria Santona,
Corporate Executive Vice President,
General Counsel and Secretary

Exhibit 10(l)(i)

FIRST AMENDMENT TO THE McDONALD'S CORPORATION SEVERANCE PLAN

The McDonald's Corporation Severance Plan, as most recently amended and restated effective September 30, 2015, is hereby amended as set forth below, effective as of June 1, 2016:

I.

A new Article III-A is hereby added immediately following Article III to read as follows:

ARTICLE III-A
Special Voluntary Separation Window

McDonald's Corporation hereby establishes a Special Voluntary Separation Window program pursuant to which an Eligible Employee (as defined below) may voluntarily elect to sever his or her employment with his or her Employer and if such election is accepted by his or her Employer, such Eligible Employee's voluntary Separation from Service in accordance with the terms of this Article III-A will be treated as a Covered Termination for purposes of this Plan and such Eligible Employee will be treated as a Covered Employee under this Plan.

For purposes of this Article III-A, an "Eligible Employee" means any Employee: (1) who is in the Leadership, Senior Direction or Direction compensation band and (2) who is designated for inclusion in this Special Voluntary Separation Window program by the Corporate Executive Vice President - Chief People Officer.

Each Eligible Employee will receive a written notification (which may be made by email) from his or her Employer no later than June 10, 2016 informing such individual that he or she is an Eligible Employee under this Special Voluntary Separation Window program. Such written notification will explain the terms of the program and what the Eligible Employee must do to participate in this program.

The Employers expressly reserve the right to reject any Eligible Employee's election to participate in the program. Each Eligible Employee who timely files an election to participate in the program in the manner specified by the Corporate Executive Vice President - Chief People Officer will be notified, in writing (including email notification), on or before August 1, 2016 whether his or her election has been accepted and the date on which such Eligible Employee is expected to terminate employment with his or her Employer. The Employers expressly reserve the right to accelerate or delay an Eligible Employee's anticipated termination date; provided, however, that such Eligible Employee's Separation from Service under this Special Voluntary Window program will occur no later than February 10, 2017.

If an Eligible Employee's election to participate in this program is accepted by his or her Employer, such Eligible Employee satisfies the foregoing conditions of this Article III-A, and such Eligible Employee's employment is terminated on his or her scheduled termination date, such Eligible Employee's Separation from Service will be treated as a Covered Termination and such Eligible Employee will be treated a Covered Employee for all purposes under this Plan. Consequently, if such individual meets all other requirements set forth in the Plan, including, without limitation, the requirement to sign a Release Agreement within the time frame described in Section 6.1 and not revoke or rescind such Release Agreement, such individual will be treated as a Qualifying Employee for purposes of this Plan and will receive the Severance Benefits described in Schedule A (for employees in the Leadership band) or Schedule B (for employees in the Senior Direction and Direction bands), as applicable. Except as expressly provided in this Article III-A, all other terms and conditions of the Plan shall continue to apply.

II.

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

Executed in multiple originals this 23 day of June, 2016.

McDONALD'S CORPORATION

By: /s/ David Ogden Fairhurst

Its: Corporate Executive Vice President &
Chief People Officer

Exhibit 10(l)(ii)

SECOND AMENDMENT TO THE
McDONALD'S CORPORATION SEVERANCE PLAN
(As Amended and Restated September 1, 2015)

The McDonald's Corporation Severance Plan, as amended and restated effective September 1, 2015 (the "Plan") is hereby amended effective June 1, 2016, as follows:

I

Schedules A through D of Appendix I of the Plan are amended in their entirety to read as follows:

Schedule A:
Severance Benefits for
Qualifying Employees who are Officers

This Schedule sets forth the Severance Benefits under the Plan for those Qualifying Employees who are employed as Officers and who are full-time Employees or benefits-eligible part-time Employees immediately before their Termination Dates. A Qualifying Employee under this Schedule who is a Key Employee as of his or her Termination Date, as determined under Section 5.2, shall be subject to the six month delay in payment of Severance Pay and sabbatical pay described in Section 5.2 in order to comply with Internal Revenue Code Section 409A.

Weeks of Severance: Each Qualifying Employee covered by this Schedule shall be credited with two (2) Weeks of Severance for each Year of Service with a minimum of twenty six (26) Weeks of Severance and a maximum of fifty-two (52) Weeks of Severance.

Severance Pay: Each Qualifying Employee shall receive Severance Pay in a lump sum in an amount equal to his or her Weekly Base Pay multiplied by his or her Weeks of Severance.

Medical/Dental Coverage: The Employers shall make the payments for COBRA premiums provided for in Section 4.2 of the Plan, beginning on the Qualifying Employee's COBRA start date, for the longer of (i) six months or (ii) the period equal to the number of the Qualifying Employee's Weeks of Severance, rounded to the end of the month.

For example, if the termination date is June 6th and the Qualifying Employee is entitled to 30 Weeks of Severance, the active health plan coverage will continue through June 30, 2016. The subsidized COBRA will begin on July 1, 2016. The 30 weeks will end on January 27, 2017, so the subsidized COBRA will end on January 31, 2017. After that date, the Qualifying Employee will pay the full COBRA premium for the remainder of the COBRA period.

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

Prorated TIP/CPUP: Each Qualifying Employee who is TIP-Eligible may receive a Prorated TIP, if any, computed in accordance with Section 4.6 of the Plan and each Qualifying Employee who is eligible for a long-term cash bonus under CPUP may receive a Prorated CPUP, if any, computed in accordance with Section 4.8 of the Plan.

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

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

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

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

Weeks of Severance: Each Qualifying Employee covered by this Schedule shall be credited with two (2) Weeks of Severance for each Year of Service with a minimum of sixteen (16) Weeks of Severance and a maximum of thirty-eight (38) Weeks of Severance.

Severance Pay: Each Qualifying Employee shall receive Severance Pay in a lump sum in an amount equal to his or her Weekly Base Pay multiplied by his or her Weeks of Severance.

Medical/Dental Coverage: The Employers shall make the payments for COBRA Premiums provided for in Section 4.2 of the Plan, beginning on the Qualifying Employee's COBRA start date, for the longer of (i) six months or (ii) the period equal to the number of the Qualifying Employee's Weeks of Severance, rounded to the end of the month.

For example, if the termination date is June 6, 2016 and the Qualifying Employee is entitled to 30 Weeks of Severance, active health plan coverage will continue through June 30, 2016. The subsidized COBRA will begin on July 1, 2016. The 30 weeks will end on January 27, 2017, so the subsidized COBRA will end on January 31, 2017. After that date, the Qualifying Employee will pay the full COBRA premium for the remainder of the COBRA period.

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

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

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

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

Schedule C:
Severance Benefits for Qualifying Employees
In the Specialist, Supervisory/Consulting or Management/Advisory Bands

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

Weeks of Severance: Each Qualifying Employee covered by this Schedule shall be credited with two (2) Weeks of Severance for each Year of Service with a minimum of twelve (12) Weeks of Severance and a maximum of twenty-six (26) Weeks of Severance.

Severance Pay: Each Qualifying Employee shall receive Severance Pay in a lump sum in an amount equal to his or her Weekly Base Pay multiplied by his or her Weeks of Severance.

Medical/Dental Coverage: The Employers shall make the payments for COBRA Premiums provided for in Section 4.2 of the Plan for the first six months of the Qualifying Employee's COBRA coverage. The Employers shall make the payments for COBRA Premiums provided for in Section 4.2 of the Plan, beginning on the Qualifying Employee's COBRA start date, for the longer of (i) six months or (ii) the period equal to the number of the Qualifying Employee's Weeks of Severance, rounded to the end of the month.

For example, if the termination date is September 23, 2016 and the Qualifying Employee is entitled to 26 Weeks of Severance, active health plan coverage will continue through September 30, 2016. The subsidized COBRA will begin on October 1, 2016. The 26 weeks will end on April 1, 2017, so the subsidized COBRA will end on April 30, 2017. After that date, the Qualifying Employee will pay the full COBRA premium for the remainder of the COBRA period.

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

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

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

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

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

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

Weeks of Severance: Each Qualifying Employee covered by this Schedule shall be credited with two (2) Weeks of Severance for each Year of Service with a minimum of eight (8) Weeks of Severance and a maximum of twenty (20) Weeks of Severance.

Severance Pay: Each Qualifying Employee shall receive Severance Pay in a lump sum in an amount equal to his or her Weekly Base Pay multiplied by his or her Weeks of Severance.

Medical/Dental Coverage: The Employers shall make the payments for COBRA Premiums provided for in Section 4.2 of the Plan for the first six month of the Qualifying Employee's COBRA coverage.

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

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

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

II

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

Exhibit 10(l)(iii)

THIRD AMENDMENT TO THE McDONALD'S CORPORATION SEVERANCE PLAN

The McDonald's Corporation Severance Plan, as most recently amended and restated effective September 30, 2015 and as subsequently amended by the First and Second Amendments, is hereby further amended as set forth below, effective as of July 15, 2016:

I.

Article III-A is hereby amended by adding the following paragraph to the end thereof:

> Notwithstanding the foregoing, McDonald's Corporation may, at the direction of McDonald's Corporation Corporate Executive Vice President - Chief People Officer and Corporate Executive Vice President - CFO, implement one or more supplemental Special Voluntary Separation Window benefit programs covering such Employees of McDonald's as determined by McDonald's Corporation in its sole discretion. Such Special Voluntary Separation Window benefit programs shall be subject to terms and conditions that are substantially similar to the terms and conditions set forth in this Article III-A except for terms and conditions relating to the timing of elections, notifications and Separations from Service; provided, however, that any such supplemental Special Voluntary Separation Window program must expire and each Eligible Employee who elects to terminate employment under any such supplemental Special Voluntary Separation Window program must Separate from Service no later than February 10, 2017.

II.

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

Exhibit 10(u)

McDonald's Corporation
2915 Jorie Blvd.
Oak Brook, IL 60523

September 23, 2015

Chris Kempczinski

Dear Chris:

We are delighted to confirm our offer for the position of Executive Vice President - Strategy, Business Development and Innovation. We are confident you will make a valuable contribution to the Company, and believe, in turn, you will find the work both challenging and rewarding.

The offer contained in this letter is contingent upon formal approval by the McDonald's Corporation Compensation Committee.

In regard to your compensation and benefits, we offer the following:

- A start date of October 26, 2015.

- An annual base salary rate of **$600,000** effective on your start date. You will be eligible for a salary increase and performance review in March 2016.

- You will be eligible for an annual incentive payment under McDonald's **Target Incentive Plan ("TIP")**. The current target percentage for the offered position is **80%** of your base pay as of December 31 of the performance year. For 2015, you will be eligible for a pro-rated TIP payment based on your start date, payable in March 2016. Your 2015 TIP will be administered consistent with the TIP requirements, as applied to all other Executive Officers as determined by the Compensation Committee. Any TIP payout will be based on TIP's performance criteria.

- You will be eligible for an annual **Long Term Incentive** (LTI) equity award beginning in 2017. The grant will consist of stock options and performance-based restricted stock units (RSUs) based upon the guideline ranges for an Officer level employee, subject to approval by McDonald's Compensation Committee. The award value will be based on the standard criteria in use at the time of the grant. For the offered position, the current award range is $0 - $1,252,500, with a **target of $835,000**.

- You will be eligible to participate in the **Cash Performance Unit Plan (CPUP)**, which makes up the cash component of the long-term incentive compensation. The payout factor at the end of the three-year cycle is tied to performance against specified business measures. Your target award for the 2015 CPUP is **$415,000**, which will be pro-rated based on your start date. Any payout under the 2015 CPUP will occur in March 2018 pursuant to Company results against the CPUP performance thresholds.

- You will receive a McDonald's Sign-On Package which consists of the following:
  - a **Stay Cash Bonus Payment of $400,000 gross** subject to the terms in the attached Stay Cash Bonus Agreement. This signed document must be returned to McDonald's Corporation before any portion of the bonus will be paid.

  - a **sign-on LTI equity grant valued at $1,250,000** will be granted to you following your start date, consistent with the Company's practice of granting equity awards. 50% of the value of this grant will be in the form of stock options which will vest equally on the first 4 anniversaries of the grant

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date and 50% of the value in the form of performance-based RSUs, which will vest in full on the third anniversary of the grant date, subject to achievement of the performance conditions.

– an additional **sign-on LTI equity grant valued at $750,000** will be granted to you following your start date, consistent with the Company's practice of granting equity awards. 100% of the value of this grant will be in the form of time-vested RSUs, which will vest according to the following schedule:

  - 1/3 on the first anniversary of the grant date
  - 1/3 on the second anniversary of the grant date
  - 1/3 on the third anniversary of the grant date

- In the event your employment is involuntarily terminated (excluding for cause) prior to April 26, 2017 the special sign-on LTI equity awards listed above will not forfeit and will continue to vest and be exercisable per their regular vesting and exercisability schedules. The vesting of any performance-based RSUs within the sign-on grants will remain subject to achievement of the performance conditions.

- In the event your employment is terminated (excluding for cause) after April 26, 2017 the special sign-on LTI equity awards listed above will not forfeit and will continue to vest and be exercisable per their regular vesting and exercisability schedules. The vesting of any performance-based RSUs within the sign-on grants will remain subject to achievement of the performance conditions.

- You will be subject to the McDonald's Corporation Severance Plan ("the Plan"), and will be eligible for severance upon your separation from the Company according to the terms of the Plan. However, in exchange for the favorable termination treatment applicable to your LTI sign-on equity awards, you agree that if your employment ends for any reason prior to April 26, 2017, you will not be eligible for any benefits under the Plan, regardless of whether you would otherwise be eligible under the terms of the Plan. After the conclusion of the first 18 months following your start date, if you remain employed by the Company, you will be eligible for benefits under the Plan according to the terms of the Plan.

- For the avoidance of doubt, any other grants made to you as an employee of McDonald's will be subject to the terms and conditions of the 2012 Omnibus Stock Ownership Plan (or any newly adopted plan) and the respective stock option and restricted stock unit award agreements, which will be provided at the time of grant.

- You are eligible to receive an **$800 monthly car allowance**, taxed as ordinary income and not eligible for 401 (k) contributions per our Company Car Allowance Program as outlined by our Fleet Services Department.

- You will be subject to the McDonald's Corporation Stock Ownership and Retention Policy, which requires you to attain, and then remain at or above, an ownership level equal to **four times your base salary** within five years of your start date. See enclosed attachment for details.

- You will be eligible for entry into the unmatched Profit Sharing/401(k) program effective the first of the month following one month of service.

- You will be eligible for entry into the matched Profit Sharing/401(k) program effective the first of the month following your one year anniversary with at least 1,000 hours of service.

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- You will be eligible to participate in the salary and TIP deferral portion of the Excess Benefit and Deferred Bonus Plan on January 1, 2017.

- You will be eligible to elect to defer any potential 2016-2018 CPUP payout into the Excess Benefit and Deferral Bonus Plan in November 2015.

- You will be eligible for life, accident, medical/dental, and long-term disability insurance effective the first of the month following one full calendar month of service.

- You will be eligible for short term disability effective the first of the month following three months of employment.

- For each calendar year, you will be eligible for four (4) weeks of vacation. For the remainder of 2015, you will be eligible for four (4) days of vacation.

- For each calendar year, you are eligible for (10) ten days of sick time and (2) two days of paid personal time. For the remainder of 2015, you will be eligible for one (1) personal day.

- You will be eligible to participate in **McDonald's Executive Physical Program**.

- You will be eligible to participate in **McDonald's Executive Financial Counseling Program**.

You will be entitled to the protection of the indemnification provisions set forth in the Company's Limited Liability Company Agreement, as amended from time to time.

This offer is extended and contingent upon a successful background check investigation.

You informed us that you have no non-compete, confidentiality or other agreement that would restrict your employment with McDonald's. This offer is contingent upon there being no employment agreement, covenant not to compete, confidentiality agreement or other arrangement that would prohibit or restrict the performance of all of your duties for McDonald's. You also agree that in the course of your work for McDonald's you will not use or disclose any confidential information of a third party (including your current employer).

As an employee of McDonald's, you would be subject to all of McDonald's policies and procedures. As an officer of the Company, you would also be subject to all of McDonald's policies and procedures applicable to officers at your level. Obviously, McDonald's reserves to its sole discretion the right to amend, modify or discontinue its policies and procedures and any element of the benefits package that McDonald's provides to its employees.

I have enclosed our McDonald's Benefit Handbooks for your review. If there are any discrepancies between these policies and McDonald's Summary Plan Description or official benefit plan documents, the official plan documents govern. Please also refer to the handbooks for an explanation of the medical and dental benefits and familiarize yourself with this material prior to your benefits orientation. **Please bring this information with you to benefits orientation, which will be scheduled shortly after your hire date.** To obtain a list of providers within the McDonald's medical plans, please access this information via the internet at www.bcbsil.com/mcd. If you have any specific questions about the benefits prior to your start date, please contact the Employee Service Center at 1-877-623-1955.

McDonald's Corporation
2915 Jorie Blvd.
Oak Brook, IL 60523

One of our Employee Service Specialists will be able to assist you with answering any questions you may have. An understanding of the benefit selections is imperative in order for you to make your elections at orientation.

Nothing in this letter should be construed as an employment contract or agreement for a specific duration. As is the case for all our employees, your employment remains "at will" which means you or the Company is free to terminate the employment relationship at any time, for any reason, with or without notice. In addition, McDonald's reserves the right to amend or terminate its compensation plans or programs, and benefits and any of these related changes that are applicable to the Executive Vice President level will also be applicable to you.

Prior to your first day, I will forward to you new hire forms to fill out. Please bring these with you at your first meeting with HR. There are instructions that will be attached with specifics on what you need to fill out. McDonald's is required by law to verify employment eligibility of all new hires. <u>Please refer to the backside of the Employment Eligibility Form (I-9) for a list of acceptable documents you will need to provide.</u>

Once again, congratulations and welcome to the McDonald's team! We look forward to your joining us.

Please feel free to call if you have any questions.

Sincerely,

/s/ Rich Floersch

Rich Floersch
Executive Vice President & Chief Human Resources Officer

ACCEPTED and AGREED:

/s/ Chris Kempczinski
Chris Kempczinski

McDonald’s Corporation
2915 Jorie Blvd.
Oak Brook, IL 60523

Stay Cash Bonus Agreement

McDonald’s Corporation (“McDonald’s”) has agreed to provide a one-time stay cash bonus (“Stay Cash Bonus”) in connection with my employment. In consideration for this, I agree as follows:

1. The Stay Cash Bonus shall be in the total gross amount of $400,000. A portion of the Stay Cash Bonus in the amount of $200,000 will be paid to me within one (1) month after the commencement of my employment with McDonald’s and the remaining portion in the amount of $200,000 will be paid to me on the twelve-month anniversary of the commencement of my employment with McDonald’s (the “Stay Cash Bonus Date”), provided I am still employed by McDonald’s (or a successor) on that date. All required taxes and other authorized withholding will be deducted from each Stay Cash Bonus payment. I understand and agree (a) that the purpose of the Stay Cash Bonus is to induce me to accept and continue my employment with McDonald’s (or a successor) through the Stay Cash Bonus Payment Date, (b) that the Stay Cash Bonus is not intended to, and will not, accrue, vest or be earned over time or be paid pro rata if my employment terminates before the Stay Cash Payment Date, and (c) that I must be on the payroll of McDonald’s (or a successor) on the Stay Cash Payment Bonus Date, unless my employment has been terminated earlier because of the elimination of my position, in order to receive the second Stay Cash Bonus payment.

2. If my employment terminates prior to the Stay Cash Bonus Date for any reason or no reason, with or without cause, voluntarily or involuntarily, except in the case of the elimination of my position, then I agree I will not receive the second Stay Cash Bonus payment or any portion thereof.

3. I agree to pay the reasonable attorney's fees and costs incurred by McDonald’s (or its successor) in seeking to enforce its rights and my obligations under paragraph, above.

4. I understand that nothing herein shall be construed to constitute a guarantee, contract or agreement of employment for any particular period of time and that my employment remains at-will, which means that either I or McDonald’s (or its successor) may terminate the employment relationship at any time, for any reason, without notice, warning or cause. In addition I understand that McDonald’s reserves the right to amend or terminate its compensation plans or programs, benefits, and other terms and conditions of employment at any time, without affecting my obligation to remain employed by McDonald’s through the Stay Cash Payment Date in order to receive the Stay Cash Bonus.

5. This Stay Cash Bonus Agreement shall be governed by and construed in accordance with the laws of the State of Illinois, without regard to conflicts of law principles, and contains the entire agreement of the parties relating to the subject matter hereof. This agreement may not be amended except in writing signed by an officer of McDonald’s and me.

6. I agree that any lawsuit which may arise out of or in connection with this Stay Cash Bonus Agreement will be subject to the exclusive jurisdictions of the Circuit Court of the 18th Judicial Circuit, DuPage County, Illinois, or of the United States District Court for the Northern District of Illinois, Eastern Division. I hereby irrevocably (i) submit to the personal jurisdiction of such courts over me in connection with any lawsuit or other legal action arising out of or in connection with this Stay Cash Bonus Agreement; and (ii) waive to the fullest extent permitted by law any objection to the venue of any such litigation, proceeding or action which is brought in any such court.

McDonald's Corporation
2915 Jorie Blvd.
Oak Brook, IL 60523

I FURTHER AGREE that in any dispute relating to this agreement, I HEREBY WAIVE MY RIGHT TO A TRIAL BY JURY and agree that any such lawsuit will be decided by a judge without a jury. I acknowledge that McDonald's (or its successor) likewise agrees to waive its right to trial by jury in any such lawsuit and agrees to the other provisions in this paragraph.

ACCEPTED and AGREED:

Chris Kempczinski	/s/ Chris Kempczinski
Print Name	Signature

Exhibit 12. Computation of Ratios

Ratio of Earnings to Fixed Charges

Dollars in millions

	Six Months Ended June 30,		Years Ended December 31,				
	2016	**2015**	**2015**	**2014**	**2013**	**2012**	**2011**
Earnings available for fixed charges							
- Income before provision for income taxes	$3,226.6	$2,966.5	$6,555.7	$7,372.0	$8,204.5	$8,079.0	$8,012.2
- Noncontrolling interest expense in operating results of majority-owned subsidiaries less equity in undistributed operating results of less than 50%-owned affiliates	6.1	2.9	7.3	6.3	9.0	11.1	13.3
- Income tax provision (benefit) of 50%-owned affiliates included in income from continuing operations before provision for income taxes	0.6	3.0	3.7	(0.1)	23.8	64.0	65.5
- Portion of rent charges (after reduction for rental income from subleased properties) considered to be representative of interest factors*	174.8	179.7	365.1	374.6	374.6	358.1	339.4
- Interest expense, amortization of debt discount and issuance costs, and depreciation of capitalized interest*	458.1	311.2	660.4	596.1	548.9	550.1	520.5
	$3,866.2	$3,463.3	$7,592.2	$8,348.9	$9,160.8	$9,062.3	$8,950.9
Fixed charges							
- Portion of rent charges (after reduction for rental income from subleased properties) considered to be representative of interest factors*	$ 174.8	$ 179.7	$ 365.1	$ 374.6	$ 374.6	$ 358.1	$ 339.4
- Interest expense, amortization of debt discount and issuance costs*	449.9	302.8	643.7	579.8	532.1	532.8	503.0
- Capitalized interest*	3.5	4.8	9.4	14.8	15.6	16.1	14.0
	$ 628.2	$ 487.3	$1,018.2	$ 969.2	$ 922.3	$ 907.0	$ 856.4
Ratio of earnings to fixed charges	6.15	7.11	7.46	8.61	9.93	9.99	10.45

* Includes amounts of the Company and its majority-owned subsidiaries, and one-half of the amounts of 50%-owned affiliates. The Company records interest expense on unrecognized tax benefits in the provision for income taxes. This interest is not included in the computation of fixed charges.

Exhibit 31.1.

Rule 13a-14(a) Certification of Chief Executive Officer

I, Stephen J. Easterbrook, certify that:

(1) I have reviewed this quarterly report on Form 10-Q of McDonald's Corporation;

(2) Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

(3) Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

(4) The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

(a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

(b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

(c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

(d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

(5) The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

(a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

(b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: August 4, 2016

/s/ Stephen J. Easterbrook
Stephen J. Easterbrook
President and Chief Executive Officer

Exhibit 31.2.

Rule 13a-14(a) Certification of Chief Financial Officer

I, Kevin M. Ozan, certify that:

(1) I have reviewed this quarterly report on Form 10-Q of McDonald's Corporation;

(2) Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

(3) Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

(4) The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

  (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

  (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

  (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

  (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

(5) The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

  (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

  (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: August 4, 2016

/s/ Kevin M. Ozan

Kevin M. Ozan

Corporate Executive Vice President and
Chief Financial Officer

Exhibit 32.1.

Certification pursuant to 18 U.S.C. Section 1350 by the Chief Executive Officer, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002

Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 (subsections (a) and (b) of Section 1350, Chapter 63 of Title 18, United States Code), the undersigned officer of McDonald’s Corporation (the “Company”), does hereby certify, to such officer’s knowledge, that the Quarterly Report on Form 10-Q for the quarter ended June 30, 2016 of the Company fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934 and information contained in the Form 10-Q fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: August 4, 2016

/s/ Stephen J. Easterbrook
Stephen J. Easterbrook
President and Chief Executive Officer

Exhibit 32.2.

Certification pursuant to 18 U.S.C. Section 1350 by the Chief Financial Officer, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002

Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 (subsections (a) and (b) of Section 1350, Chapter 63 of Title 18, United States Code), the undersigned officer of McDonald's Corporation (the "Company"), does hereby certify, to such officer's knowledge, that the Quarterly Report on Form 10-Q for the quarter ended June 30, 2016 of the Company fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934 and information contained in the Form 10-Q fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: August 4, 2016

/s/ Kevin M. Ozan

Kevin M. Ozan

Corporate Executive Vice President and
Chief Financial Officer