
**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 September 30, 2012

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

(State or Other Jurisdiction of
Incorporation or Organization)

36-2361282

(I.R.S. Employer
Identification No.)

**One McDonald's Plaza
Oak Brook, Illinois**

(Address of Principal Executive Offices)

60523

(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

1,003,976,633

(Number of shares of common stock
outstanding as of September 30, 2012)

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) September 30, 2012	December 31, 2011
Assets		
Current assets		
Cash and equivalents	\$ 2,178.5	\$ 2,335.7
Accounts and notes receivable	1,277.3	1,334.7
Inventories, at cost, not in excess of market	109.1	116.8
Prepaid expenses and other current assets	643.0	615.8
Total current assets	4,207.9	4,403.0
Other assets		
Investments in and advances to affiliates	1,460.3	1,427.0
Goodwill	2,744.2	2,653.2
Miscellaneous	1,660.4	1,672.2
Total other assets	5,864.9	5,752.4
Property and equipment		
Property and equipment, at cost	37,320.2	35,737.6
Accumulated depreciation and amortization	(13,568.5)	(12,903.1)
Net property and equipment	23,751.7	22,834.5
Total assets	\$ 33,824.5	\$ 32,989.9
Liabilities and shareholders' equity		
Current liabilities		
Accounts payable	\$ 833.6	\$ 961.3
Dividends payable	770.0	—
Income taxes	123.6	262.2
Other taxes	374.6	338.1
Accrued interest	158.1	218.2
Accrued payroll and other liabilities	1,379.3	1,362.8
Current maturities of long-term debt	512.1	366.6
Total current liabilities	4,151.3	3,509.2
Long-term debt	12,752.0	12,133.8
Other long-term liabilities	1,557.1	1,612.6
Deferred income taxes	1,480.0	1,344.1
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	5,689.0	5,487.3
Retained earnings	37,882.5	36,707.5
Accumulated other comprehensive income	609.5	449.7
Common stock in treasury, at cost; 656.6 and 639.2 million shares	(30,313.5)	(28,270.9)
Total shareholders' equity	13,884.1	14,390.2
Total liabilities and shareholders' equity	\$ 33,824.5	\$ 32,989.9

See Notes to condensed consolidated financial statements.

CONDENSED CONSOLIDATED STATEMENT OF NET INCOME AND COMPREHENSIVE INCOME (UNAUDITED)

In millions, except per share data	Quarters Ended		Nine Months Ended	
	September 30,	2011	September 30,	2011
	2012		2012	
Revenues				
Sales by Company-operated restaurants	\$ 4,838.4	\$ 4,855.5	\$ 13,944.1	\$ 13,705.6
Revenues from franchised restaurants	2,314.0	2,310.8	6,670.8	6,477.7
Total revenues	7,152.4	7,166.3	20,614.9	20,183.3
Operating costs and expenses				
Company-operated restaurant expenses	3,914.4	3,883.3	11,392.6	11,106.8
Franchised restaurants—occupancy expenses	383.4	376.2	1,134.3	1,103.5
Selling, general & administrative expenses	620.9	580.9	1,830.7	1,732.5
Impairment and other charges (credits), net	6.2	(6.6)	6.2	(4.2)
Other operating (income) expense, net	(59.7)	(62.2)	(155.7)	(165.0)
Total operating costs and expenses	4,865.2	4,771.6	14,208.1	13,773.6
Operating income	2,287.2	2,394.7	6,406.8	6,409.7
Interest expense	128.1	124.0	387.0	365.9
Nonoperating (income) expense, net	5.5	7.5	8.8	15.3
Income before provision for income taxes	2,153.6	2,263.2	6,011.0	6,028.5
Provision for income taxes	698.6	755.9	1,942.3	1,902.0
Net income	\$ 1,455.0	\$ 1,507.3	\$ 4,068.7	\$ 4,126.5
Earnings per common share-basic	\$ 1.45	\$ 1.47	\$ 4.02	\$ 3.98
Earnings per common share-diluted	\$ 1.43	\$ 1.45	\$ 3.98	\$ 3.94
Dividends declared per common share	\$ 1.47	\$ 1.31	\$ 2.87	\$ 2.53
Weighted average shares outstanding-basic	1,006.1	1,028.8	1,012.7	1,035.5
Weighted average shares outstanding-diluted	1,015.4	1,041.3	1,023.3	1,048.2
Comprehensive income	\$ 1,779.7	\$ 511.4	\$ 4,228.5	\$ 3,922.1

See Notes to condensed consolidated financial statements.

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS (UNAUDITED)

In millions	Quarters Ended		Nine Months Ended	
	September 30,		September 30,	
	2012	2011	2012	2011
Operating activities				
Net income	\$ 1,455.0	\$ 1,507.3	\$ 4,068.7	\$ 4,126.5
Adjustments to reconcile to cash provided by operations				
Charges and credits:				
Depreciation and amortization	371.9	358.3	1,102.5	1,047.5
Deferred income taxes	84.3	159.7	119.7	185.4
Share-based compensation	22.5	21.2	70.2	65.3
Other	32.0	(1.4)	4.3	(51.0)
Changes in working capital items	33.7	124.5	(249.4)	(8.2)
Cash provided by operations	1,999.4	2,169.6	5,116.0	5,365.5
Investing activities				
Capital expenditures	(753.2)	(692.3)	(2,053.6)	(1,791.4)
Sales and purchases of restaurant businesses and property sales	47.8	54.1	110.7	252.8
Other	(18.3)	(61.6)	(63.8)	(133.5)
Cash used for investing activities	(723.7)	(699.8)	(2,006.7)	(1,672.1)
Financing activities				
Short-term borrowings and long-term financing issuances and repayments	(379.3)	420.2	791.1	935.5
Treasury stock purchases	(651.0)	(874.8)	(2,234.2)	(2,993.4)
Common stock dividends	(703.8)	(627.2)	(2,125.4)	(1,894.3)
Proceeds from stock option exercises	83.3	79.5	233.0	265.4
Excess tax benefit on share-based compensation	33.0	25.8	101.6	83.2
Other	(0.3)	(1.8)	(9.3)	(12.4)
Cash used for financing activities	(1,618.1)	(978.3)	(3,243.2)	(3,616.0)
Effect of exchange rates on cash and cash equivalents	36.3	(172.7)	(23.3)	(75.6)
Cash and equivalents increase (decrease)	(306.1)	318.8	(157.2)	1.8
Cash and equivalents at beginning of period	2,484.6	2,070.0	2,335.7	2,387.0
Cash and equivalents at end of period	\$ 2,178.5	\$ 2,388.8	\$ 2,178.5	\$ 2,388.8

See Notes to condensed consolidated financial statements.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

Basis of Presentation

The accompanying condensed consolidated financial statements should be read in conjunction with the consolidated financial statements contained in the Company's December 31, 2011 Annual Report on Form 10-K. In the opinion of management, all adjustments (consisting of normal recurring accruals) necessary for a fair presentation have been included. The results for the quarter and nine months ended September 30, 2012 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 September 30,	2012	2011
Conventional franchised	19,673	19,367
Developmental licensed	4,143	3,803
Foreign affiliated	3,654	3,581
Total Franchised	27,470	26,751
Company-operated	6,540	6,393
Systemwide restaurants	34,010	33,144

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.

Comprehensive Income

The following table presents the components of comprehensive income for the quarters and nine months 2012 and 2011:

In millions	Quarters Ended		Nine Months Ended	
	September 30,		September 30,	
	2012	2011	2012	2011
Net income	\$ 1,455.0	\$ 1,507.3	\$ 4,068.7	\$ 4,126.5
Other comprehensive income (loss):				
Foreign currency translation adjustments, net of hedging	316.1	(992.1)	142.0	(218.5)
Cash flow hedging adjustments	7.8	(4.6)	15.8	(8.6)
Pension liability adjustment	0.8	0.8	2.0	22.7
Total other comprehensive income (loss)	324.7	(995.9)	159.8	(204.4)
Total comprehensive income	\$ 1,779.7	\$ 511.4	\$ 4,228.5	\$ 3,922.1

In June 2011, the Financial Accounting Standards Board issued an update to Topic 220—Comprehensive Income of the Accounting Standards Codification (ASC). The update is intended to increase the prominence of other comprehensive income in the financial statements. The guidance requires that the Company presents components of comprehensive income in either one continuous statement or two separate consecutive statements and no longer permits the presentation of comprehensive income in the Consolidated statement of shareholders' equity. The Company adopted this new guidance effective January 1, 2012, as required, and included comprehensive income in the Condensed consolidated statement of net income and comprehensive income (unaudited) for interim reporting.

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 9.3 million shares and 12.5 million shares for the quarters 2012 and 2011, respectively, and 10.6 million shares and 12.7 million shares for the nine months 2012 and 2011, respectively. Stock options that would have been antidilutive and therefore were not included in the calculation of diluted weighted-average shares totaled 4.7 million shares for the quarter and nine months 2012 and none for the quarter and nine months 2011.

Fair Value Measurements

The Company measures certain financial assets and liabilities at fair value on a recurring basis, and certain non-financial assets and liabilities on a nonrecurring basis. Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in the principal or most advantageous market in an orderly transaction between market participants on the measurement date. Fair value disclosures are reflected in a three-level hierarchy, maximizing the use of observable inputs and minimizing the use of unobservable inputs.

The valuation hierarchy is based upon the transparency of inputs to the valuation of an asset or liability on the measurement date. The three levels are defined as follows:

- Level 1 – inputs to the valuation methodology are quoted prices (unadjusted) for an identical asset or liability in an active market.
- Level 2 – inputs to the valuation methodology include quoted prices for a similar asset or liability in an active market or model-derived valuations in which all significant inputs are observable for substantially the full term of the asset or liability.
- Level 3 – inputs to the valuation methodology are unobservable and significant to the fair value measurement of the asset or liability.

Certain of the Company's derivatives are valued using various pricing models or discounted cash flow analyses that incorporate observable market parameters, such as interest rate yield curves, option volatilities and currency rates, classified as Level 2 within the valuation hierarchy. Derivative valuations incorporate credit risk adjustments that are necessary to reflect the probability of default by the counterparty or the Company.

• *Certain Financial Assets and Liabilities Measured at Fair Value*

The following table presents financial assets and liabilities measured at fair value on a recurring basis by the valuation hierarchy as defined in the fair value guidance:

In millions	Level 1	Level 2	Level 3	Carrying Value
<i>September 30, 2012</i>				
Cash equivalents	\$ 346.1			\$ 346.1
Investments	157.0 *			157.0
Derivative assets	137.0 *	\$ 76.7		213.7
Total assets at fair value	\$ 640.1	\$ 76.7		\$ 716.8
Derivative liabilities		\$ (18.0)		\$ (18.0)
Total liabilities at fair value		\$ (18.0)		\$ (18.0)
<i>December 31, 2011</i>				
Cash equivalents	\$ 581.7			\$ 581.7
Investments	132.4 *			132.4
Derivative assets	154.5 *	\$ 71.1		225.6
Total assets at fair value	\$ 868.6	\$ 71.1		\$ 939.7
Derivative liabilities		\$ (15.6)		\$ (15.6)
Total liabilities at fair value		\$ (15.6)		\$ (15.6)

* Includes long-term investments and derivatives that hedge market-driven changes in liabilities associated with the Company's supplemental benefit plan.

• *Non-Financial Assets and Liabilities Measured at Fair Value on a Nonrecurring Basis*

Certain assets and liabilities are measured at fair value on a nonrecurring basis; that is, the assets and liabilities are not measured at fair value on an ongoing basis but are subject to fair value adjustments in certain circumstances (e.g., when there is evidence of impairment). At September 30, 2012, no material fair value adjustments or fair value measurements were required for non-financial assets or liabilities.

• **Certain Financial Assets and Liabilities not Measured at Fair Value**

At September 30, 2012, the fair value of the Company's debt obligations was estimated at \$15.4 billion, compared to a carrying amount of \$13.3 billion. The fair value was based on quoted market prices, Level 2 within the valuation hierarchy. The carrying amount for both cash and equivalents 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 use derivatives with a level of complexity or with a risk higher than the exposures to be hedged and does not hold or issue derivatives for trading purposes.

The Company documents its risk management objective and strategy for undertaking hedging transactions, as well as all relationships between hedging instruments and hedged items. The Company's derivatives that are designated as hedging instruments consist mainly of interest rate swaps, foreign currency forwards, foreign currency options, cross-currency swaps, and commodity forwards, further explained in the "Fair Value," "Cash Flow" and "Net Investment" hedge sections.

The Company also enters into certain derivatives that are not designated as hedging instruments. The Company has entered into equity derivative contracts to hedge market-driven changes in certain of its supplemental benefit plan liabilities. Changes in the fair value of these derivatives are recorded in Selling, general & administrative expenses together with the changes in the supplemental benefit plan liabilities. In addition, the Company uses foreign currency forwards to mitigate the change in fair value of certain foreign currency denominated assets and liabilities. Since these derivatives are not designated for hedge accounting, the changes in the fair value of these derivatives are recognized immediately in nonoperating (income) expense together with the currency gain or loss from the hedged balance sheet position. A portion of the Company's foreign currency options (more fully described in the "Cash Flow" hedge section) are undesignated as hedging instruments as the underlying foreign currency royalties are earned.

All derivative instruments designated as hedging instruments are classified as fair value, cash flow or net investment hedges. All derivatives (including those not designated for hedge accounting) are recognized on the Consolidated balance sheet at fair value and classified based on the instruments' maturity date. Changes in the fair value measurements of the derivative instruments are reflected as adjustments to other comprehensive income (OCI) and/or current earnings.

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

<i>In millions</i>	<i>Balance Sheet Classification</i>	Derivative Assets		Derivative Liabilities		
		September 30, 2012	December 31, 2011	<i>Balance Sheet Classification</i>	September 30, 2012	December 31, 2011
Derivatives designated as hedging instruments						
Foreign currency	Prepaid expenses and other current assets	\$ 6.9	\$ 6.7	Accrued payroll and other liabilities	\$ (1.4)	\$ (0.3)
Interest rate	Prepaid expenses and other current assets	9.6	9.4			
Commodity	Miscellaneous other assets	13.4	—			
Foreign currency	Miscellaneous other assets	2.3	0.7	Other long-term liabilities	(12.0)	(0.3)
Interest rate	Miscellaneous other assets	39.7	46.0	Other long-term liabilities	—	(14.0)
Total derivatives designated as hedging instruments		\$ 71.9	\$ 62.8		\$ (13.4)	\$ (14.6)
Derivatives not designated as hedging instruments						
Foreign currency	Prepaid expenses and other current assets	\$ 4.8	\$ 8.3	Accrued payroll and other liabilities	\$ (4.6)	\$ (1.0)
Equity	Miscellaneous other assets	137.0	154.5			
Total derivatives not designated as hedging instruments		\$ 141.8	\$ 162.8		\$ (4.6)	\$ (1.0)
Total derivatives		\$ 213.7	\$ 225.6		\$ (18.0)	\$ (15.6)

The following table presents the pretax amounts affecting income and OCI for the nine months 2012 and 2011, respectively:

In millions						
Derivatives in Fair Value Hedging Relationships	Gain (Loss) Recognized in Income on Derivative		Hedged Items in Fair Value Hedging Relationships	Gain (Loss) Recognized in Income on Related Hedged Items		
	2012	2011		2012	2011	
Interest rate	\$ (6.1)	\$ (6.8)	Fixed-rate debt	\$ 6.1	\$ 6.8	

Derivatives in Cash flow Hedging Relationships	Gain (Loss) Recognized in Accumulated OCI on Derivative (Effective Portion)		Gain (Loss) Reclassified from Accumulated OCI into Income (Effective Portion)		Gain (Loss) Recognized in Income on Derivative (Amount Excluded from Effectiveness Testing and Ineffective Portion)	
	2012	2011	2012	2011	2012	2011
Commodity	\$ 13.4	\$ —	\$ —	\$ —	\$ —	\$ —
Foreign currency	5.1	(4.3)	(7.6)	(3.2)	(10.8)	(6.1)
Interest rate ⁽¹⁾	(4.6)	(10.5)	0.4	1.7	—	—
Total	\$ 13.9	\$ (14.8)	\$ (7.2)	\$ (1.5)	\$ (10.8)	\$ (6.1)

Net Investment Hedging Relationships	Gain (Loss) Recognized in Accumulated OCI on Derivative (Effective Portion)		Gain (Loss) Reclassified from Accumulated OCI into Income (Effective Portion)		Derivatives Not Designated as Hedging Instruments	Gain (Loss) Recognized in Income on Derivative	
	2012	2011	2012	2011		2012	2011
Foreign currency denominated debt	\$ 34.8	\$ (73.6)	\$ —	\$ —	Foreign Currency	\$ (9.0)	\$ (5.6)
Foreign currency derivatives ⁽²⁾	(9.5)	(9.4)	—	(8.2)	Equity ⁽³⁾	(11.5)	16.9
Total	\$ 25.3	\$ (83.0)	\$ —	\$ (8.2)	Interest Rate	—	1.5
					Total	\$ (20.5)	\$ 12.8

Gains (losses) recognized in income on derivatives are recorded in “Nonoperating (income) expense, net” unless otherwise noted.

- (1) The amount of gain (loss) reclassified from accumulated OCI into income is recorded in Interest expense.
- (2) The amount of gain (loss) reclassified from accumulated OCI into income is recorded in Impairment and other charges (credits), net.
- (3) The amount of gain (loss) recognized in income on the derivatives used to hedge the supplemental benefit plan liabilities is recorded in Selling, general & administrative expenses.

• **Fair Value Hedges**

The Company enters into fair value hedges to reduce the exposure to changes in the fair values of certain liabilities. The fair value hedges the Company enters into consist of interest rate swaps that convert a portion of its fixed-rate debt into floating-rate debt. All of the Company’s interest rate swaps meet the shortcut method requirements. Accordingly, changes in the fair values of the interest rate swaps are exactly offset by changes in the fair value of the underlying debt. No ineffectiveness has been recorded to net income related to interest rate swaps designated as fair value hedges for the nine months 2012. A total of \$1.9 billion of the Company’s outstanding fixed-rate debt was effectively converted to floating-rate debt resulting from the use of interest rate swaps.

• **Cash Flow Hedges**

The Company enters into cash flow hedges to reduce the exposure to variability in certain expected future cash flows. The types of cash flow hedges the Company enters into include interest rate swaps, foreign currency forwards, foreign currency options, cross currency swaps, and commodity forwards.

The Company periodically uses interest rate swaps to effectively convert a portion of floating-rate debt, including forecasted debt issuances, into fixed-rate debt and the agreements are intended to reduce the impact of interest rate changes on future interest expense. At September 30, 2012, none of the Company’s anticipated debt issuances were effectively converted to fixed-rate resulting from the use of interest rate swaps.

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.

When the U.S. dollar strengthens against foreign currencies, the decline in value of future foreign denominated royalties is offset by gains in the fair value of the foreign currency forwards and/or foreign currency options. Conversely, when the U.S. dollar weakens, the increase in the value of future foreign denominated royalties is offset by losses in the fair value of the foreign currency forwards and/or foreign currency options.

Although the fair value changes in the foreign currency options may fluctuate over the period of the contract, the Company's total loss on a foreign currency option is limited to the upfront premium paid for the contract. However, the potential gains on a foreign currency option are unlimited as the settlement value of the contract is based upon the difference between the exchange rate at inception of the contract and the spot exchange rate at maturity. In limited situations, the Company uses foreign currency collars, which limit the potential gains and lower the upfront premium paid, to protect against currency movements.

The hedges cover the next 18 months for certain exposures and are denominated in various currencies. As of September 30, 2012, the Company had derivatives outstanding with an equivalent notional amount of \$623.1 million that were used to hedge a portion of forecasted foreign currency denominated royalties.

The Company excludes the time value of foreign currency options from its effectiveness assessment on its cash flow hedges. As a result, changes in the fair value of the derivatives due to these components, as well as the ineffectiveness of the hedges, are recognized in earnings currently. The effective portion of the gains or losses on the derivatives is reported in the cash flow hedging component of OCI in shareholders' equity and reclassified into earnings in the same period or periods in which the hedged transaction affects earnings.

The Company uses cross-currency swaps to hedge the risk of cash flows associated with certain foreign-currency denominated debt, including forecasted interest payments, and has elected cash flow hedge accounting. The hedges cover periods up to 54 months and have an equivalent notional amount of \$199.6 million.

The Company manages its exposure to the variability of cash flows for energy-related transactions in certain markets by entering into commodity forwards and has elected cash flow hedge accounting as appropriate. The hedges cover periods up to 22 years and have an equivalent notional amount of \$490.5 million.

The Company recorded after tax adjustments to the cash flow hedging component of accumulated OCI in shareholders' equity. The Company recorded a net increase of \$15.8 million for the nine months 2012 and a net decrease of \$8.6 million for the nine months 2011. Based on interest rates, foreign exchange rates, and commodity prices at September 30, 2012, the \$20.4 million in cumulative cash flow hedging gains, after tax, at September 30, 2012, is not expected to have a significant effect on earnings over the next 12 months.

- ***Net Investment Hedges***

The Company uses foreign currency denominated debt (third party and intercompany) and derivatives 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 are also recorded in OCI. As of September 30, 2012, a total of \$4.1 billion of the Company's foreign currency denominated debt and \$514.9 million 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 the counterparties to its hedging instruments. The counterparties to these agreements consist of a diverse group of financial institutions. The Company continually monitors its positions and the credit ratings of its counterparties and adjusts positions as appropriate. The Company did not have significant exposure to any individual counterparty at September 30, 2012 and has master agreements that contain 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 September 30, 2012, neither the Company nor its counterparties were required to post collateral on any derivative position, other than on hedges of certain of the Company's supplemental benefit plan liabilities where its 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. The following table presents the Company's revenues and operating income by geographic segment. The APMEA segment represents operations in Asia/Pacific, Middle East and Africa. Other Countries & Corporate represents operations in Canada and Latin America, as well as Corporate activities.

In millions	Quarters Ended		Nine Months Ended	
	September 30,		September 30,	
	2012	2011	2012	2011
Revenues				
U.S.	\$ 2,256.5	\$ 2,229.9	\$ 6,601.1	\$ 6,324.4
Europe	2,793.1	2,904.2	8,069.8	8,166.7
APMEA	1,693.6	1,601.6	4,798.1	4,511.8
Other Countries & Corporate	409.2	430.6	1,145.9	1,180.4
Total revenues	\$ 7,152.4	\$ 7,166.3	\$20,614.9	\$20,183.3
Operating Income				
U.S.	\$ 973.8	\$ 986.8	\$ 2,817.2	\$ 2,731.8
Europe	848.7	917.1	2,355.2	2,425.8
APMEA	443.2	431.2	1,185.9	1,144.8
Other Countries & Corporate	21.5	59.6	48.5	107.3
Total operating income	\$ 2,287.2	\$ 2,394.7	\$ 6,406.8	\$ 6,409.7

Subsequent Events

The Company evaluated subsequent events through the date the financial statements were issued and filed with the Securities and Exchange Commission. There were no 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 34,010 restaurants in 119 countries at September 30, 2012, 27,470 were licensed to franchisees (including 19,673 franchised to conventional franchisees, 4,143 licensed to developmental licensees and 3,654 licensed to foreign affiliates (affiliates) – primarily Japan) and 6,540 were operated by the Company. Under our conventional franchise arrangement, franchisees provide a portion of the capital required by initially investing in the equipment, signs, seating and décor of their restaurant businesses, 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. In certain circumstances, the Company participates in reinvestment for conventional franchised restaurants. Under our 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 and/or franchise restaurants within a market.

We view ourselves primarily as a franchisor and believe franchising is important to delivering great, locally-relevant customer experiences and driving profitability. However, directly operating restaurants is paramount to being a credible franchisor and is essential to providing Company personnel with restaurant operations experience. In our Company-operated restaurants, and in collaboration with franchisees, we further develop and refine operating standards, marketing concepts and product and pricing strategies, so that only those that we believe are most beneficial are introduced in the restaurants. We continually review, and as appropriate adjust, our mix of Company-operated and franchised (conventional franchised, developmental licensed and foreign affiliated) restaurants to help optimize overall performance.

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.

The business is managed as distinct geographic segments. Significant reportable segments include the United States (U.S.), Europe, and Asia/Pacific, Middle East and Africa (APMEA). In addition, throughout this report we present "Other Countries & Corporate" that includes operations in Canada and Latin America, as well as Corporate activities. For the nine months ended September 30, 2012, the U.S., Europe and APMEA segments accounted for 32%, 39% and 23% of total revenues, respectively.

Strategic Direction and Financial Performance

The strength of the alignment between the Company, its franchisees and suppliers (collectively referred to as the System) has been key to McDonald's success. This business model enables McDonald's to consistently deliver locally-relevant restaurant experiences to customers and be an integral part of the communities we serve. In addition, it facilitates our ability to identify, implement and scale innovative ideas that meet customers' changing needs and preferences.

McDonald's customer-focused Plan to Win—which concentrates on being better, not just bigger—provides a common framework for our global business while allowing for local adaptation. Through the execution of multiple initiatives surrounding the five elements of our Plan to Win—People, Products, Place, Price and Promotion—we have enhanced the restaurant experience for customers worldwide and grown comparable sales and customer visits in each of the last eight years. This Plan, combined with financial discipline, has delivered strong results for our shareholders.

The Company's growth priorities under the Plan to Win include: optimizing the menu with the right food and beverage offerings, modernizing the customer experience by upgrading nearly every aspect of our restaurants from service to designs, and broadening our accessibility through continued convenience and value initiatives. The combination of all of these efforts drove increases in comparable sales and customer visits in many countries despite global economic and competitive challenges and a relatively flat or contracting Informal Eating Out (IEO) market. Overall results also reflected sales and cost pressures, some of which were the result of planned strategic decisions, including actions taken to enhance our value platforms, and invest in technology and our Olympic sponsorship.

We expect our revenues and operating income will remain under pressure at least for the next few quarters. Our near-term focus is on increasing guest counts and market share by emphasizing exceptional value across the menu, including products offered at an affordable entry price point that may negatively impact average check. We plan to build on this foundation by featuring premium products and promotions that encourage purchases of higher margin products and generate a higher average check.

Every area of the world contributed to global comparable sales, which increased 1.9% and 4.1% for the quarter and nine months 2012, respectively. On a consolidated basis, comparable guest counts increased 2.2% for the nine months 2012. Comparable sales are driven by changes in guest counts and average check, which is affected by changes in pricing and product mix. Generally, our goal is to achieve a balanced contribution from both guest counts and average check.

U.S. comparable sales increased 1.2% for the quarter and 4.4% for the nine months amid broad competitive activity. During both periods, the U.S. showcased beverages, breakfast and classic core favorites; featured everyday value; and continued to upgrade McDonald's existing restaurant base with fresh, modern designs. Ongoing U.S. initiatives include optimizing the menu with premium product additions; modernizing our restaurants through reimagining and technology enhancements; and broadening accessibility with all-day everyday value and expanded operating hours.

Europe's emphasis on everyday affordability, premium product innovation and restaurant reimagining contributed to 1.8% comparable sales growth for the quarter and 3.4% for the nine months. Europe's strategic priorities include increasing local relevance by providing value across the menu complemented by a variety of promotional food events; enhancing the customer experience through ongoing restaurant reimagining and technology initiatives; and reducing our impact on the environment with energy management tools.

APMEA's comparable sales increase of 1.4% for the quarter and 2.5% for the nine months reflected the segment's unique value platforms, menu variety and convenience strategies. APMEA will continue efforts to become our customers' first choice for eating out by providing compelling value and menu variety and by focusing on the restaurant experience through convenience initiatives, such as expanding delivery service and extended operating hours. In addition, APMEA will grow by opening approximately 750 new restaurants, reimagining existing restaurants and elevating customer service and operations to drive efficiencies.

Highlights from the Quarter and Nine Months 2012 Included:

- Global comparable sales increased 1.9% for the quarter and 4.1% for the nine months, with positive comparable sales in each geographic segment.
- Consolidated revenues were flat (up 4% in constant currencies) for the quarter and increased 2% (6% in constant currencies) for the nine months.
- Consolidated operating income decreased 4% (flat in constant currencies) for the quarter and were flat (increased 4% in constant currencies) for the nine months.
- Diluted earnings per share were \$1.43 for the quarter and \$3.98 for the nine months, decreased 1% (increased 4% in constant currencies) and up 1% (5% in constant currencies), respectively. Foreign currency translation negatively impacted diluted earnings per share by \$0.08 for the quarter and \$0.16 for the nine months.
- For the nine months, the Company repurchased 24.1 million shares for \$2.3 billion and paid total dividends of \$2.1 billion.
- The quarterly cash dividend increased 10% to \$0.77 per share - the equivalent of \$3.08 annually - effective for the fourth quarter 2012.

Outlook

While the Company does not provide specific guidance on earnings per share, the following 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 2 percentage points to 2012 Systemwide sales growth (in constant currencies), most of which will be due to the 872 net traditional restaurants added in 2011.
- 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 increase in comparable sales for either the U.S. or Europe would increase annual diluted earnings per share by about 3-4 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 2012, the total basket of goods cost is expected to increase 3.5-4.5% in the U.S. and 2.5-3.5% in Europe.
- The Company expects full-year 2012 selling, general & administrative expenses to increase approximately 6% in constant currencies, driven by certain technology investments, primarily to accelerate future restaurant capabilities, and costs related to the 2012 Worldwide Owner/Operator Convention in the second quarter and the 2012 London Olympics in the third quarter. The Company expects the magnitude of the increase to be confined to 2012.
- Based on current interest and foreign currency exchange rates, the Company expects interest expense for the full year 2012 to increase between 4% and 6% compared with 2011.

- A significant part of the Company's operating income is generated outside the U.S., and about 35% 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 65% 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 about 24 cents.
- The Company expects the effective income tax rate for the full-year 2012 to be 31% to 33%. Some volatility may be experienced between the quarters resulting in a quarterly tax rate that is outside the annual range.
- The Company expects capital expenditures for 2012 to be approximately \$2.9 billion. About half of this amount will be used to open new restaurants. The Company expects to open more than 1,300 restaurants including about 450 restaurants in affiliated and developmental licensee markets, such as Japan and Latin America, where the Company does not fund any capital expenditures. The Company expects net additions of about 900 restaurants. The remaining capital will be used for reinvestment in existing restaurants. Nearly half of this reinvestment will be used to reimage more than 2,400 locations worldwide, some of which will require no capital investment from the Company.

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

- Information in constant currency 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.
- Systemwide sales 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.
- Comparable sales represent sales at all restaurants and comparable guest counts 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. 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. The number of weekdays and weekend days, referred to as the calendar shift/trading day adjustment, can impact comparable sales and guest counts. In addition, the timing of holidays can also impact comparable sales and guest counts.

CONSOLIDATED OPERATING RESULTS

Dollars in millions, except per share data	Quarter Ended September 30, 2012		Nine Months Ended September 30, 2012	
	Amount	% Increase/ (Decrease)	Amount	% Increase/ (Decrease)
Revenues				
Sales by Company-operated restaurants	\$ 4,838.4	0	\$13,944.1	2
Revenues from franchised restaurants	2,314.0	0	6,670.8	3
Total revenues	7,152.4	0	20,614.9	2
Operating costs and expenses				
Company-operated restaurant expenses	3,914.4	1	11,392.6	3
Franchised restaurants—occupancy expenses	383.4	2	1,134.3	3
Selling, general & administrative expenses	620.9	7	1,830.7	6
Impairment and other charges (credits), net	6.2	n/m	6.2	n/m
Other operating (income) expense, net	(59.7)	4	(155.7)	6
Total operating costs and expenses	4,865.2	2	14,208.1	3
Operating income	2,287.2	(4)	6,406.8	0
Interest expense	128.1	3	387.0	6
Nonoperating (income) expense, net	5.5	(25)	8.8	(42)
Income before provision for income taxes	2,153.6	(5)	6,011.0	0
Provision for income taxes	698.6	(8)	1,942.3	2
Net income	\$ 1,455.0	(3)	\$ 4,068.7	(1)
Earnings per common share-basic	\$ 1.45	(1)	\$ 4.02	1
Earnings per common share-diluted	\$ 1.43	(1)	\$ 3.98	1

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 financing in local currencies, hedging certain foreign-denominated cash flows, and purchasing goods and services in local currencies. 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. 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 September 30,	2012	2011	2012
Revenues	\$ 7,152.4	\$ 7,166.3	\$ (317.0)
Company-operated margins	924.0	972.2	(44.5)
Franchised margins	1,930.6	1,934.6	(84.0)
Selling, general & administrative expenses	620.9	580.9	17.1
Operating income	2,287.2	2,394.7	(111.5)
Net income	1,455.0	1,507.3	(73.9)
Earnings per share-diluted	1.43	1.45	(0.08)
			Currency Translation Benefit/ (Cost)
Nine Months Ended September 30,	2012	2011	2012
Revenues	\$20,614.9	\$20,183.3	\$ (724.9)
Company-operated margins	2,551.5	2,598.8	(99.2)
Franchised margins	5,536.5	5,374.2	(185.8)
Selling, general & administrative expenses	1,830.7	1,732.5	40.4
Operating income	6,406.8	6,409.7	(244.7)
Net income	4,068.7	4,126.5	(167.5)
Earnings per share-diluted	3.98	3.94	(0.16)

Foreign currency translation had a negative impact on consolidated operating results for the quarter and nine months primarily due to the weaker Euro, along with most other currencies.

Net Income and Diluted Earnings per Common Share

For the quarter, net income decreased 3% (increased 1% in constant currencies) to \$1,455.0 million and diluted earnings per share decreased 1% (increased 4% in constant currencies) to \$1.43. Foreign currency translation had a negative impact of \$0.08 per share on diluted earnings per share.

For the nine months, net income decreased 1% (increased 3% in constant currencies) to \$4,068.7 million and diluted earnings per share increased 1% (5% in constant currencies) to \$3.98. Foreign currency translation had a negative impact of \$0.16 per share on diluted earnings per share.

For the quarter and nine months, net income and diluted earnings per share growth in constant currencies were positively impacted by franchised margin dollars and a decrease in diluted weighted average shares outstanding, partly offset by higher selling, general and administrative expenses. The quarter also benefited from a lower effective income tax rate, while the nine months were negatively impacted by a higher effective income tax rate.

During the quarter, the Company repurchased 6.7 million shares of its stock for \$596.8 million, bringing total repurchases for the nine months to 24.1 million shares or \$2.3 billion. In addition, the Company paid a quarterly dividend of \$0.70 per share or \$703.8 million, bringing the total dividends paid for the nine months to \$2.1 billion. The Company also declared a fourth quarter 2012 dividend of \$0.77 per share, reflecting an increase of 10%, and expects total cash returned to shareholders to be at least \$5.5 billion for 2012.

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.

REVENUES

Dollars in millions

Quarters Ended September 30,	2012	2011	% Inc/ (Dec)	% Inc/ (Dec) Excluding Currency Translation
<i>Company-operated sales</i>				
U.S.	\$ 1,152.6	\$ 1,153.7	0	0
Europe	2,029.4	2,088.0	(3)	7
APMEA	1,423.6	1,353.6	5	6
Other Countries & Corporate	232.8	260.2	(11)	(9)
Total	\$ 4,838.4	\$ 4,855.5	0	4
<i>Franchised revenues</i>				
U.S.	\$ 1,103.9	\$ 1,076.2	3	3
Europe	763.7	816.2	(6)	4
APMEA	270.0	248.0	9	11
Other Countries & Corporate	176.4	170.4	4	10
Total	\$ 2,314.0	\$ 2,310.8	0	5
<i>Total revenues</i>				
U.S.	\$ 2,256.5	\$ 2,229.9	1	1
Europe	2,793.1	2,904.2	(4)	6
APMEA	1,693.6	1,601.6	6	7
Other Countries & Corporate	409.2	430.6	(5)	(2)
Total	\$ 7,152.4	\$ 7,166.3	0	4
Nine Months Ended September 30,	2012	2011	% Inc/ (Dec)	% Inc/ (Dec) Excluding Currency Translation
<i>Company-operated sales</i>				
U.S.	\$ 3,394.6	\$ 3,285.0	3	3
Europe	5,858.6	5,895.0	(1)	8
APMEA	4,032.5	3,809.3	6	6
Other Countries & Corporate	658.4	716.3	(8)	(6)
Total	\$13,944.1	\$13,705.6	2	5
<i>Franchised revenues</i>				
U.S.	\$ 3,206.5	\$ 3,039.4	5	5
Europe	2,211.2	2,271.7	(3)	6
APMEA	765.6	702.5	9	10
Other Countries & Corporate	487.5	464.1	5	11
Total	\$ 6,670.8	\$ 6,477.7	3	6
<i>Total revenues</i>				
U.S.	\$ 6,601.1	\$ 6,324.4	4	4
Europe	8,069.8	8,166.7	(1)	7
APMEA	4,798.1	4,511.8	6	6
Other Countries & Corporate	1,145.9	1,180.4	(3)	1
Total	\$20,614.9	\$20,183.3	2	6

Consolidated revenues were flat (increased 4% in constant currencies) for the quarter and increased 2% (6% in constant currencies) for the nine months. The constant currency growth was driven primarily by positive comparable sales and expansion.

- In the U.S., revenues increased for the quarter and nine months due to positive comparable sales. Everyday value offerings, menu variety and the enhanced customer experience provided by reimaged restaurants contributed to results, despite broad competitive activity.
- In Europe, the constant currency increases in revenues for the quarter and nine months were primarily driven by strong comparable sales in Russia (which is entirely Company-operated) and the U.K., as well as expansion in Russia. France also contributed to the increase in revenues for both periods.
- In APMEA, the constant currency increases in revenues for the quarter and nine months were primarily driven by comparable sales increases in China, Australia and many other markets, as well as expansion in China.

The following table presents the percent change in comparable sales for the quarters and nine months 2012 and 2011:

COMPARABLE SALES

	% Increase			
	Quarters Ended		Nine Months Ended	
	September 30,		September 30, *	
	2012	2011	2012	2011
U.S.	1.2	4.4	4.4	4.0
Europe	1.8	4.9	3.4	5.5
APMEA	1.4	3.4	2.5	3.9
Other Countries & Corporate	5.5	11.4	8.5	9.9
Total	1.9	5.0	4.1	4.9

* On a consolidated basis, comparable guest counts increased 2.2% and 3.4% for the nine months 2012 and 2011, respectively.

The following table presents the percent change in Systemwide sales for the quarter and nine months 2012:

SYSTEMWIDE SALES

	Quarter Ended		Nine Months Ended	
	September 30, 2012		September 30, 2012	
	% Inc/ (Dec)	% Inc Excluding Currency Translation	% Inc/ (Dec)	% Inc Excluding Currency Translation
U.S.	2	2	5	5
Europe	(5)	5	(2)	6
APMEA	4	6	7	7
Other Countries & Corporate	0	8	4	11
Total	0	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 September 30,	2012	2011	% Inc/ (Dec)	% Inc Excluding Currency Translation
U.S.	\$ 7,985.0	\$ 7,802.5	2	2
Europe	4,351.4	4,653.8	(6)	4
APMEA	3,551.2	3,426.9	4	6
Other Countries & Corporate	2,090.5	2,070.7	1	10
Total*	\$17,978.1	\$17,953.9	0	4

Nine Months Ended September 30,	2012	2011	% Inc/ (Dec)	% Inc Excluding Currency Translation
U.S.	\$23,282.6	\$22,081.3	5	5
Europe	12,577.9	12,934.7	(3)	6
APMEA	10,180.4	9,530.1	7	7
Other Countries & Corporate	5,935.0	5,647.7	5	13
Total*	\$51,975.9	\$50,193.8	4	7

* Sales from developmental licensed restaurants or foreign affiliated markets where the Company earns a royalty based on a percent of sales were \$4,032.1 million and \$4,105.8 million for the quarters 2012 and 2011, respectively, and \$11,586.1 million and \$11,034.0 million for the nine months 2012 and 2011, respectively. 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 September 30,	Percent		Amount		% Inc/ (Dec)	% Inc/ (Dec) Excluding Currency Translation
	2012	2011	2012	2011		
<i>Franchised</i>						
U.S.	84.1	84.5	\$ 928.8	\$ 909.6	2	2
Europe	79.7	80.1	608.8	653.6	(7)	4
APMEA	89.1	89.9	240.7	223.0	8	10
Other Countries & Corporate	86.3	87.0	152.3	148.4	3	10
Total	83.4	83.7	\$1,930.6	\$1,934.6	0	4
<i>Company-operated</i>						
U.S.	19.8	21.1	\$ 228.2	\$ 244.0	(6)	(6)
Europe	20.4	20.9	415.0	435.5	(5)	5
APMEA	16.9	18.4	240.2	248.5	(3)	(3)
Other Countries & Corporate	17.5	17.0	40.6	44.2	(8)	(7)
Total	19.1	20.0	\$ 924.0	\$ 972.2	(5)	0

Nine Months Ended September 30,	Percent		Amount		% Inc/ (Dec)	% Inc/ (Dec) Excluding Currency Translation
	2012	2011	2012	2011		
<i>Franchised</i>						
U.S.	84.0	83.9	\$2,692.0	\$2,550.0	6	6
Europe	79.0	79.0	1,746.7	1,795.3	(3)	6
APMEA	88.8	89.4	680.0	627.8	8	9
Other Countries & Corporate	85.7	86.4	417.8	401.1	4	11
Total	83.0	83.0	\$5,536.5	\$5,374.2	3	6
<i>Company-operated</i>						
U.S.	19.5	20.5	\$ 661.1	\$ 673.2	(2)	(2)
Europe	19.1	19.3	1,121.3	1,139.3	(2)	7
APMEA	16.3	17.6	659.2	671.8	(2)	(2)
Other Countries & Corporate	16.7	16.0	109.9	114.5	(4)	(1)
Total	18.3	19.0	\$2,551.5	\$2,598.8	(2)	2

Franchised margin dollars decreased \$4.0 million or 0% (increased 4% in constant currencies) for the quarter and increased \$162.3 million or 3% (6% in constant currencies) for the nine months.

- In the U.S., the franchised margin percent decreased for the quarter and increased only modestly for the nine months as comparable sales performance was offset by higher depreciation related to reimaging.
- In Europe, the franchised margin percent decreased for the quarter and was flat for the nine months as positive comparable sales were offset by higher rent expense.
- In APMEA, while the franchised margin dollars increased for the quarter and nine months, the margin percent decreased for both periods primarily due to the 2012 change in classification of certain amounts from revenues to restaurant occupancy expenses in Australia. Although the change in classification results in a decrease to the franchised margin percentage, there is no impact on the reported franchised margin dollars.

Company-operated margin dollars decreased \$48.2 million or 5% (flat in constant currencies) for the quarter and \$47.3 million or 2% (increased 2% in constant currencies) for the nine months.

- In the U.S., the Company-operated margin percent for the quarter and nine months decreased as positive comparable sales were more than offset by higher commodity and labor costs.
- In Europe, despite strong comparable sales in Russia and the U.K., the Company-operated margin percent decreased for the quarter and nine months primarily due to higher labor and commodity costs.
- In APMEA, the Company-operated margin percent for the quarter and nine months decreased as positive comparable sales were more than offset by higher labor and occupancy costs. Higher commodity costs also negatively impacted the margin percent for the nine months. In addition, acceleration of new restaurant openings in China negatively impacted the margin percent for the quarter and nine months. Similar to other markets, new restaurants in China initially open with lower margins that grow significantly over time.

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		Nine Months Ended	
	September 30,		September 30,	
	2012	2011	2012	2011
Food & paper	33.8	33.7	34.1	33.7
Payroll & employee benefits	24.7	24.5	25.2	25.2
Occupancy & other operating expenses	22.4	21.8	22.4	22.1
Total expenses	80.9	80.0	81.7	81.0
Company-operated margins	19.1	20.0	18.3	19.0

Selling, General & Administrative Expenses

Selling, general & administrative expenses increased 7% (10% in constant currencies) for the quarter and 6% (8% in constant currencies) for the nine months primarily due to higher employee costs, the 2012 London Olympics, and higher technology related costs. The nine months were further impacted by the 2012 Worldwide Owner/Operator Convention.

For the nine months, selling, general & administrative expenses as a percent of revenues increased to 8.9% for 2012 compared with 8.6% for 2011, and as a percent of Systemwide sales increased to 2.8% for 2012 compared with 2.7% for 2011.

Other Operating (Income) Expense, Net

OTHER OPERATING (INCOME) EXPENSE, NET

Dollars in millions

	Quarters Ended		Nine Months Ended	
	September 30,		September 30,	
	2012	2011	2012	2011
Gains on sales of restaurant businesses	\$ (38.6)	\$ (15.8)	\$ (79.6)	\$ (42.4)
Equity in earnings of unconsolidated affiliates	(37.4)	(47.1)	(111.4)	(126.9)
Asset dispositions and other (income) expense, net	16.3	0.7	35.3	4.3
Total	\$ (59.7)	\$ (62.2)	\$ (155.7)	\$ (165.0)

Gains on sales of restaurant businesses for the quarter and nine months increased primarily due to sales of restaurants in China to developmental licensees.

The decrease in equity in earnings of unconsolidated affiliates for the quarter and nine months reflects lower operating results in Japan and other markets, as well as fewer joint partnerships in the U.S.

Asset dispositions and other expense increased for the quarter and nine months primarily due to higher gains on unconsolidated partnership dissolutions in the U.S. in 2011.

Operating Income

OPERATING INCOME

Dollars in millions

Quarters Ended September 30,	2012	2011	% Inc/ (Dec)	% Inc/ (Dec) Excluding Currency Translation
U.S.	\$ 973.8	\$ 986.8	(1)	(1)
Europe	848.7	917.1	(7)	3
APMEA	443.2	431.2	3	4
Other Countries & Corporate	21.5	59.6	(64)	(46)
Total	\$2,287.2	\$2,394.7	(4)	0

Nine Months Ended September 30,	2012	2011	% Inc/ (Dec)	% Inc/ (Dec) Excluding Currency Translation
U.S.	\$2,817.2	\$2,731.8	3	3
Europe	2,355.2	2,425.8	(3)	6
APMEA	1,185.9	1,144.8	4	4
Other Countries & Corporate	48.5	107.3	(55)	(30)
Total	\$6,406.8	\$6,409.7	0	4

Consolidated operating income decreased 4% (flat in constant currencies) for the quarter and was flat (increased 4% in constant currencies) for the nine months. The impact of the challenging global operating and economic environment, evolving value offerings and increased costs pressured operating income for both periods.

- In the U.S., operating results decreased for the quarter as higher franchised margin dollars were more than offset by lower Company-operated margin dollars and lower other operating income. Operating results increased for the nine months due to higher franchised margin dollars, partially offset by lower other operating income.
 - In Europe, constant currency operating results increased for the quarter and nine months driven by higher margin dollars, primarily due to stronger operating performance in Russia and the U.K. and, to a lesser extent, France. The quarter's operating results were partly offset by weaker performance in Germany. Operating results for both periods were negatively impacted by higher selling, general and administrative expenses, primarily due to the 2012 London Olympics.
 - In APMEA, constant currency operating results increased for the quarter and nine months primarily due to higher franchised margin dollars and gains on sales of restaurants in China to developmental licensees, offset by higher selling, general and administrative expenses mostly due to higher employee costs, and lower Company-operated margin dollars.
- **Combined Operating Margin**

Combined operating margin is defined as operating income as a percent of total revenues. Combined operating margin was 31.1% and 31.8% for the nine months 2012 and 2011, respectively, as positive comparable sales were more than offset by higher restaurant expenses and planned increases in selling, general and administrative expenses.

Interest Expense

Interest expense increased 3% for the quarter and 6% for the nine months primarily due to higher average debt balances, partly offset by lower average interest rates.

Nonoperating (Income) Expense, Net

NONOPERATING (INCOME) EXPENSE, NET

Dollars in millions

	Quarters Ended		Nine Months Ended	
	September 30,		September 30,	
	2012	2011	2012	2011
Interest Income	\$ (5.0)	\$ (10.3)	\$ (23.0)	\$ (27.6)
Foreign currency and hedging activity	0.8	6.5	8.4	7.6
Other (income) expense, net	9.7	11.3	23.4	35.3
Total	\$ 5.5	\$ 7.5	\$ 8.8	\$ 15.3

Income Taxes

The effective income tax rate was 32.4% and 33.4% for the quarters 2012 and 2011, respectively, and 32.3% and 31.6% for the nine months 2012 and 2011, respectively. The 2011 effective income tax rate for the quarter reflected a non-cash deferred tax cost related to certain foreign operations. The 2011 effective income tax rate for the nine months also reflected a non-cash deferred tax benefit related to certain foreign operations.

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 \$5.1 billion and exceeded capital expenditures by \$3.1 billion for the nine months 2012. Cash provided by operations decreased \$249.5 million compared with the nine months 2011 primarily due to higher income tax payments.

Cash used for investing activities totaled \$2.0 billion for the nine months 2012, an increase of \$334.6 million compared with the nine months 2011 primarily due to higher planned capital expenditures in the U.S. and lower proceeds from sales of restaurant businesses, partly offset by fewer purchases of restaurant businesses.

Cash used for financing activities totaled \$3.2 billion for the nine months 2012, a decrease of \$372.8 million compared with the nine months 2011, primarily due to lower treasury stock purchases, partly offset by higher dividend payments and lower net debt issuances.

Debt obligations at September 30, 2012 totaled \$13.3 billion compared with \$12.5 billion at December 31, 2011. The increase was primarily due to net debt issuances of \$791.1 million.

Risk Factors and Cautionary Statement Regarding Forward-Looking Statements

The information on this report includes forward-looking statements about our plans and future performance, including those under Outlook. These statements use such words as “may,” “will,” “expect,” “believe” and “plan.” They reflect our expectations and speak only as of the date of this report. 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 and execution of our strategic plan, the Plan to Win, are subject to risks. The most important of these is whether we can remain relevant to our customers and a brand they trust. Meeting customer expectations is complicated by the risks inherent in our global operating environment. The IEO segment of the restaurant industry, although largely mature in our major markets, is highly fragmented and competitive. The IEO segment has been flat or contracting in many of our markets, including some of our major markets, due to unfavorable global economic conditions, and this environment is expected to continue. Persistently high unemployment rates in many of these markets, and declining economic growth rates or recessionary conditions in some of them, have also increased consumer focus on value and heightened pricing sensitivity. Combined with pressure on labor and occupancy costs and volatility in commodity prices, as well as aggressive competitive activity, these circumstances affect restaurant sales and are expected to continue to pressure margins during 2012 in all of our geographic segments. We have the added challenge of the cultural, economic and regulatory differences that exist within and among the more than 100 countries where we operate. Initiatives we undertake may not have universal appeal among different segments of our customer base and can drive unanticipated changes in guest counts and customer perceptions. Our operations, plans and results are also affected by regulatory and similar initiatives around the world, notably the focus on nutritional content and the production, processing and preparation of food “from field to front counter,” as well as industry marketing practices.

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

Our ability to remain a relevant and trusted brand and to increase sales and profits depends largely on how well we execute the Plan to Win.

The Plan to Win addresses the key drivers of our business and results—people, products, place, price and promotion. The quality of our execution depends mainly on the following:

- Our ability to anticipate and respond effectively to trends or other factors that affect the IEO segment and our competitive position in the diverse markets we serve, such as spending patterns, demographic changes, trends in food preparation, consumer preferences and publicity about us, all of which can drive popular perceptions of our business or affect the willingness of other companies to enter into site, supply or other arrangements or alliances with us;
- The risks associated with our franchise business model, including whether our franchisees and developmental licensees will have the experience and financial resources to be effective operators and remain aligned with us on operating, promotional and capital-intensive initiatives and the potential impact on us if they 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 by law or otherwise, costly to exercise or subject to litigation;
- Our ability to drive restaurant improvements that achieve optimal capacity, particularly during peak mealtime hours, and to motivate our restaurant personnel and our franchisees to achieve consistency and high service levels so as to improve consumer perceptions of our ability to meet expectations for quality food served in clean and friendly environments;
- The success of our tiered approach to menu offerings and our ability to introduce new offerings, as well as the impact of our competitors' actions, including in response to our menu changes, and our ability to continue robust menu development and manage the complexity of our restaurant operations;
- Our ability to differentiate the McDonald's experience in a way that balances consumer value with margin levels, particularly in markets where pricing or cost pressures are significant or have been exacerbated by the current challenging economic and operating environment;
- The impact of pricing, marketing and promotional plans on sales and margins and our ability to adjust these plans to respond quickly to changing economic and heightened competitive conditions;
- Whether we can complete our restaurant reimagining and rebuilding plans as and when projected and whether we are able to identify and develop restaurant sites consistent with our plans for net growth of Systemwide restaurants, as well as sales and profitability targets;

- The costs and risks associated with our increasing reliance on a limited number of information systems (e.g., point-of-sale and other in-store systems or platforms) we make available to franchisees along with related services, including the risk that we will not realize fully the benefits of the significant investments we are making; the potential for system failures, programming errors, security breaches involving our systems or those of third-party system operators; legal and tax risks associated with providing these services to franchisees, including those relating to data protection and management; and litigation risk involving intellectual property rights or our rights and obligations to others under related contractual arrangements;
- The success of our initiatives to support menu choice, physical activity and nutritional awareness and to address these and other matters of social responsibility in a way that communicates our values effectively and inspires trust and confidence;
- Our ability to respond effectively to adverse perceptions about the quick-service category of the IEO segment or about our products (including their nutritional content and preparation), promotions and premiums, such as Happy Meals (collectively, our products), how we source the commodities we use, and our ability to manage the potential impact on McDonald's of food-borne illnesses or product safety issues;
- The impact of campaigns by non-governmental organizations and other activists or the use of social media and other mobile communications and applications to promote adverse perceptions of our operations or those of our suppliers, or to promote or threaten boycotts or other actions involving us or our suppliers, with significantly greater speed and scope than traditional media outlets;
- The impact of events such as boycotts or protests, labor strikes and supply chain interruptions (including due to lack of supply or price increases) that can adversely affect us directly or adversely affect vendors, franchisees and others that are also part of the McDonald's System and whose performance has a material impact on our results;
- Our ability to recruit and retain qualified personnel to manage our operations and growth; and
- Our ability to leverage promotional or operating successes in individual markets into other markets in a timely and cost-effective way.

Our results and financial condition are affected by global and local market conditions, and the prolonged challenging economic environment can be expected to continue to pressure our results.

Our results of operations are substantially affected by economic conditions, both globally and in local markets, and conditions can also vary substantially by market. The current global environment has been characterized by persistently weak economies, high unemployment rates, inflationary pressures and volatility in financial markets. Many major economies, both advanced and developing, are also facing significant economic issues. These include, in the U.S., concerns about the federal deficit and the expected adverse effects of the automatic spending cuts and increased income tax rates, which become effective in 2013 absent further legislation. The Eurozone debt crisis is ongoing and continues to depress consumer and business confidence and spending in many markets. Important markets in Asia, which have been key drivers of global growth, have been experiencing declining growth rates, in part due to the economic situation in Europe. Uncertainty about the long-term investment environment could further depress capital investment and economic activity.

These conditions are adversely affecting sales and/or guest counts in many of our markets, including some of our major markets. To mitigate their impact, we have intensified our focus on value as a driver of guest counts through menu, pricing and promotional actions. These actions have adversely affected our margin percent, and margins will remain under pressure. The key factors that can affect our operations, plans and results in this environment are the following:

- Whether our strategies will be effective in enabling the continued market share gains that we have included in our plans, while at the same time enabling us to achieve our targeted operating income growth despite the current adverse economic conditions, resurgent competitors and a more costly and competitive advertising environment;
- The effectiveness of our supply chain management to assure reliable and sufficient product supply on favorable terms;
- The impact on consumer disposable income levels and spending habits of governmental actions 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;
- The impact on restaurant sales and margins of ongoing commodity price volatility (including beef and gasoline), and the effectiveness of pricing, hedging and other actions taken to address this environment;
- The impact on our margins of labor costs given our labor-intensive business model, the long-term trend toward higher wages and social expenses in both mature and developing markets and any potential impact of union organizing efforts;
- The impact of foreign exchange and interest rates on our financial condition and results;

- The impact of an exit from the Eurozone by any of the EU Member States, which could entail disruption to business as the existing Member State establishes a new currency, risks to supply chain as suppliers address challenges associated with redenomination, contractual disputes over the proper payment currency, risks to repatriation of funds if capital controls are implemented, and increased foreign exchange risk;
- The challenges and uncertainties 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, all of which are exacerbated in many cases by a lack of an independent and experienced judiciary and uncertainties in how local law is applied and enforced, including in areas most relevant to commercial transactions and foreign investment;
- The nature and timing of decisions about underperforming markets or assets, including decisions that result in impairment charges that reduce our earnings;
- The increasing focus on workplace practices and conditions, which may drive changes in practices or in the general commercial and regulatory environment that affect perceptions of our business or our cost of doing business; and
- The impact of changes in our debt levels 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.

Increasing legal and regulatory complexity will continue to affect our operations and results in material ways.

Our legal and regulatory environment worldwide exposes us to complex compliance, litigation and similar risks that affect our operations and results in material ways. In many of our markets, including the United States and Europe, we are subject to increasing regulation, which has increased our cost of doing business. In developing markets, we face the risks associated with new and untested laws and judicial systems. Among the more important regulatory and litigation risks we face and must manage are the following:

- The cost, compliance and other risks associated with the often conflicting and highly prescriptive regulations we face, especially in the United States where inconsistent standards imposed by local, state and federal authorities can adversely affect popular perceptions of our business and increase our exposure to litigation or governmental investigations or proceedings;
- The impact of new, potential or changing regulation that can affect our business plans, such as those relating to product packaging, marketing and the nutritional content and safety of our food and other products, as well as the risks and costs of our labeling and other disclosure practices, particularly given varying legal requirements and practices for testing and disclosure within our industry, 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;
- The impact of nutritional, health and other scientific inquiries and conclusions, which constantly evolve and often have contradictory implications, but nonetheless drive popular opinion, litigation and regulation, including taxation, in ways that could be material to our business;
- The impact of litigation trends, particularly in our major markets, including class actions, labor, employment and personal injury claims, franchisee litigation, landlord/tenant disputes and intellectual property claims (including often aggressive or opportunistic attempts to enforce patents used in information technology systems); 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 or judgments, which may require us to make disclosures or take other actions that may affect perceptions of our brand and products; and the scope and terms of insurance or indemnification protections that we may have;
- 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;
- The risks and costs to us, our franchisees and our supply chain of the effects of climate change, as well as of increased focus by U.S. and overseas governmental and non-governmental organizations on environmental sustainability matters (e.g., climate change, land use, energy and water resources, packaging and waste, and animal health and welfare) and the increased pressure to make commitments or set targets and take actions to meet them, which could expose the Company to market, operational and execution costs or risks, particularly when actions are undertaken Systemwide;
- The increasing costs and other effects of compliance with U.S. and overseas regulations affecting our workforce and labor practices, including regulations relating to wage and hour practices, workplace conditions, healthcare, immigration, retirement and other employee benefits and unlawful workplace discrimination;
- Disruptions in our operations or price volatility in a market that can result from governmental actions, such as price, foreign exchange or import-export controls, increased tariffs or government-mandated closure of our or our vendors' operations, and the cost and disruption of responding to governmental investigations or proceedings, whether or not they have merit;

- The legal and compliance risks and costs associated with privacy, consumer data protection and similar laws, particularly as they apply to children, the potential costs (including the loss of consumer confidence) arising from alleged security breaches of our information systems, and the risk of criminal penalties or civil liability to consumers, employees or franchisees whose data is alleged to have been collected or used inappropriately; and
- The impact of changes in financial reporting requirements, accounting principles or practices, including with respect to our critical accounting estimates, changes in tax accounting or tax laws (or related authoritative interpretations), particularly if corporate tax reform becomes a key component of budgetary initiatives in the United States and elsewhere, and the impact of 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.

The trading volatility and price of our common stock may be 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, some of which are outside our control, are the following:

- The continuing unfavorable global economic and volatile 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;
- Changes in financial or tax reporting and accounting principles or practices that materially affect our reported financial condition and results and investor perceptions of our performance;
- Trading activity in our common stock or trading activity in derivative instruments with respect to our common stock or debt securities, which can reflect market commentary (including commentary that may be unreliable or incomplete in some cases) or expectations about our business, our creditworthiness or 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 other corporate actions, such as those we may take from time to time as part of our continuous review of our corporate structure 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, 2011 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 September 30, 2012. 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 confirm that there was no change in the Company's internal control over financial reporting during the quarter ended September 30, 2012 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, 2011 regarding these matters.

Item 1A. Risk Factors

This report contains certain forward-looking statements which reflect management's expectations regarding future events and operating performance and speak only as of the date hereof. These forward-looking statements involve a number of risks and uncertainties. These and other risks are noted in the Risk Factors and Cautionary Statement Regarding Forward-Looking Statements following Management's Discussion and Analysis.

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 nine months ended September 30, 2012:

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⁾
July 1 - 31, 2012	2,216,463	\$ 89.48	2,216,463	(1)
August 1 - 31, 2012	2,628,241	88.60	2,628,241	\$ 9,767,148,708
September 1 - 30, 2012	1,808,058	91.58	1,808,058	9,601,573,136
Total	6,652,762	\$ 89.70	6,652,762	(1)

* 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 September 24, 2009, the Company's Board of Directors approved a share repurchase program that authorized the purchase of up to \$10 billion of the Company's outstanding common stock with no specified expiration date (2009 Program). On July 19, 2012, the Company's Board of Directors terminated the 2009 Program, effective July 31, 2012, and replaced it with a new share repurchase program, effective August 1, 2012 (2012 Program), that authorizes the purchase of up to \$10 billion of the Company's outstanding common stock with no specified expiration date. As of July 31, 2012, no further share repurchases may be made under the 2009 Program; future share repurchases will be made pursuant to the 2012 Program.

Item 6. Exhibits

<u>Exhibit Number</u>	<u>Description</u>
(3)	(a) Restated Certificate of Incorporation, effective as of June 14, 2012, incorporated herein by reference from Form 10-Q, for the quarter ended June 30, 2012.
	(b) By-Laws, as amended and restated with effect as of July 19, 2012, incorporated herein by reference from Form 8-K, filed July 20, 2012.
(4)	Instruments defining the rights of security holders, including Indentures:*
	(a) Senior Debt Securities Indenture, 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, 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 Form 8-K, filed December 4, 2007.**
	(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 Form 10-Q, 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 Form 10-K, 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 Form 10-K, 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 Form 10-K, for the year ended December 31, 2004.**
	(d) 1975 Stock Ownership Option Plan, as amended and restated July 30, 2001, incorporated herein by reference from Form 10-Q, for the quarter ended September 30, 2001.**
	(i) First Amendment to McDonald's Corporation 1975 Stock Ownership Option Plan, as amended and restated, effective as of February 14, 2007, incorporated herein by reference from Form 10-Q, for the quarter ended March 31, 2007.**
	(e) 1992 Stock Ownership Incentive Plan, as amended and restated January 1, 2001, incorporated herein by reference from Form 10-Q, 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 Form 10-Q, for the quarter ended March 31, 2007.**
	(f) McDonald's Corporation Executive Retention Replacement Plan, effective as of December 31, 2007 (as amended and restated on December 31, 2008), incorporated herein by reference from Form 10-K, for the year ended December 31, 2008.**
	(g) McDonald's Corporation Amended and Restated 2001 Omnibus Stock Ownership Plan, effective July 1, 2008, incorporated herein by reference from Form 10-Q, 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 Form 10-K, 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 Form 10-K, for the year ended December 31, 2010.**
	(h) McDonald's Corporation 2012 Omnibus Stock Ownership Plan, effective June 1, 2012, filed herewith.**
	(i) Form of McDonald's Corporation Tier I Change of Control Employment Agreement, incorporated herein by reference from Form 10-Q, for the quarter ended September 30, 2008.**

Exhibit Number**Description**

-
- (j) McDonald's Corporation 2009 Cash Incentive Plan, effective as of May 27, 2009, incorporated herein by reference from Form 10-Q, for the quarter ended June 30, 2009.**
 - (k) 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 Form 10-K, for the year ended December 31, 2011.**
 - (l) Form of Executive Performance-based Restricted Stock Unit Award Agreement in connection with the Amended and Restated 2001 Omnibus Stock Ownership Plan, as amended, incorporated herein by reference from Form 10-K, for the year ended December 31, 2011.**
 - (m) McDonald's Corporation Severance Plan, effective January 1, 2008, incorporated by reference from Form 8-K, filed December 4, 2007.**
 - (i) First Amendment of McDonald's Corporation Severance Plan, effective as of October 1, 2008, incorporated herein by reference from Form 10-Q, for the quarter ended September 30, 2008.**
 - (ii) Second Amendment of McDonald's Corporation Severance Plan, effective as of December 5, 2011, incorporated herein by reference from Form 10-K, for the year ended December 31, 2011.**
 - (n) Amended Assignment Agreement between Timothy Fenton and the Company, dated January 2008, incorporated herein by reference from Form 10-Q, for the quarter ended March 31, 2008.**
 - (i) 2009 Amendment to the Amended Assignment Agreement between Timothy Fenton and the Company, effective as of January 1, 2009, incorporated herein by reference from Form 10-Q, for the quarter ended March 31, 2009.**
 - (o) Description of Restricted Stock Units granted to Andrew J. McKenna, incorporated herein by reference from Form 10-Q, for the quarter ended June 30, 2012**
 - (p) Terms of the Restricted Stock Units granted pursuant to the Company's Amended and Restated 2001 Omnibus Stock Ownership Plan, incorporated herein by reference from Form 10-K, for the year ended December 31, 2010.**
 - (q) McDonald's Corporation Target Incentive Plan, effective as of January 1, 2008, incorporated herein by reference from Form 8-K, filed January 29, 2008.**
 - (r) McDonald's Corporation Cash Performance Unit Plan 2010-2012, effective as of February 9, 2010, incorporated herein by reference from Form 8-K, filed February 16, 2010.**
 - (s) Executive Supplement describing the special terms of equity compensation awards granted to certain executive officers, pursuant to the Company's Amended and Restated 2001 Omnibus Stock Ownership Plan, as amended, incorporated herein by reference from Form 10-Q, for the quarter ended March 31, 2011.**
 - (t) Transaction Settlement Agreement between Denis Hennequin and the Company dated December 20, 2010 incorporated herein by reference from Form 8-K, filed December 20, 2010.**
- (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/ Peter J. Bensen

Peter J. Bensen
Corporate Executive Vice President and
Chief Financial Officer

November 1, 2012

McDONALD'S CORPORATION
2012 OMNIBUS STOCK OWNERSHIP PLAN
Approved by shareholders May 24, 2012

THE PLAN

McDonald's Corporation, a Delaware corporation (the "Company"), established the McDonald's Corporation 2012 Omnibus Stock Ownership Plan, and the Plan was approved by the Company's shareholders at the May 24, 2012 Annual Meeting. The Plan became effective as of June 1, 2012 and permits the grant of stock options, stock bonuses, dividend equivalents, restricted stock units and other stock-based awards. The Plan replaces the Amended and Restated 2001 Omnibus Stock Ownership Plan, as amended through February 9, 2011, and applies to all Awards (as hereinafter defined) granted on or after June 1, 2012, subject to variations as required to comply with local laws and regulations applicable outside the United States.

1. Purpose

The purpose of this Plan is to advance the interest of the Company by encouraging and enabling the acquisition of a larger personal financial interest in the Company by those Employees and non-Employee directors upon whose judgment and efforts the Company is largely dependent for the successful conduct of its operations. It is anticipated that the acquisition of such financial interest and Stock ownership will stimulate the efforts of such Employees and directors on behalf of the Company, strengthen their desire to continue in the service of the Company, and encourage shareholder and entrepreneurial perspectives through Stock ownership. It is also anticipated that the opportunity to obtain such financial interest and Stock ownership will prove attractive to promising new Employees and will assist the Company in attracting such Employees.

2. Definitions

As used in this Plan, the terms set forth below shall have the following meanings (such meanings to be equally applicable to both the singular and plural forms of the terms defined):

(a) "Award" means any stock options, restricted stock units, stock bonuses, dividend equivalents and other stock-based awards granted under this Plan. In addition, for purposes of Section 3(d) only, "Award" means any award granted under any Prior Plan.

(b) "Award Agreement" has the meaning specified in Section 4(c)(iv).

(c) "Board" means the Board of Directors of the Company.

(d) "Business Combination" has the meaning specified in Section 2(g)(iii).

(e) "Business Day" means any day on which the principal securities exchange on which the shares of the Company's common stock are then listed or admitted to trading is open.

(f) "Cause" means (i) in the case of a Grantee who is an Employee of the Company or a Subsidiary, the Grantee's commission of any act or acts involving dishonesty, fraud, illegality or moral turpitude, and (ii) in the case of a Grantee who is a non-Employee director or senior director of the Company, cause pursuant to Article Twelfth (c) of the Company's Restated Certificate of Incorporation.

(g) "Change in Control" means the happening of any of the following events:

(i) the acquisition by any Person of "beneficial ownership" (within the meaning of Rule 13d-3 promulgated under the 1934 Act) of 20% or more of either (A) the then-outstanding shares of Stock ("Outstanding Company Common Stock") or (B) the combined voting power of the then-outstanding voting securities of the Company entitled to vote generally in the election of directors (the "Outstanding Company Voting Securities"); provided, however, that, for purposes of this Section 2(g)(i), the following acquisitions shall not constitute a Change in Control: (1) any acquisition directly from the Company, (2) any acquisition by the Company, (3) any acquisition by any Employee benefit plan (or related trust) sponsored or maintained by the Company or any entity controlled by the Company or (4) any acquisition by any entity pursuant to a transaction that complies with Sections 2(g)(iii)(A), (B) and (C); or

(ii) individuals who, as of the date hereof, constitute the Board (the "Incumbent Board") cease for any reason to constitute at least a majority of the Board; provided, however, that any individual becoming a director subsequent to the date hereof whose election, or nomination for election by the Company's shareholders, was approved by a vote of at least a majority of the directors then comprising the Incumbent Board shall be considered as though such individual were a member of the Incumbent Board, but excluding, for this purpose, any such individual whose initial assumption of office occurs as a result of an actual or threatened election contest with respect to the election or removal of directors or other actual or threatened solicitation of proxies or consents by or on behalf of a Person other than the Board; or

(iii) consummation of a reorganization, merger, statutory share exchange or consolidation or similar corporate transaction involving the Company and/or any entity controlled by the Company, or a sale or other disposition of all or substantially all of the assets of the Company, or the acquisition of assets or stock of another entity by the Company or any entity controlled by the Company (each, a “Business Combination”), in each case, unless, following such Business Combination, (A) all or substantially all of the individuals and entities that were the beneficial owners of the Outstanding Company Common Stock and Outstanding Company Voting Securities immediately prior to such Business Combination beneficially own, directly or indirectly, more than 60% of the then-outstanding shares of common stock and the combined voting power of the then-outstanding voting securities entitled to vote generally in the election of directors, as the case may be, of the corporation resulting from such Business Combination (including, without limitation, an entity that, as a result of such transaction, owns the Company or all or substantially all of the Company's assets either directly or through one or more subsidiaries) in substantially the same proportions as their ownership, immediately prior to such Business Combination of the Outstanding Company Common Stock and Outstanding Company Voting Securities, as the case may be, (B) no Person (excluding any entity resulting from such Business Combination or any employee benefit plan (or related trust) of the Company or such entity resulting from such Business Combination) beneficially owns, directly or indirectly, 20% or more of, respectively, the then-outstanding shares of common stock of the corporation resulting from such Business Combination or the combined voting power of the then-outstanding voting securities of such corporation, except to the extent that such ownership existed prior to the Business Combination, and (C) at least a majority of the members of the board of directors of the entity resulting from such Business Combination were members of the Incumbent Board at the time of the execution of the initial agreement, or of the action of the Board, providing for such Business Combination; or

(iv) approval by the shareholders of the Company of a complete liquidation or dissolution of the Company.

(h) “Code” means the U.S. Internal Revenue Code of 1986, as amended, and regulations and rulings thereunder. References to a particular section of, or rule under, the Code shall include references to successor provisions.

(i) “Committee” has the meaning specified in Section 4(a).

(j) “Company” has the meaning specified in the first paragraph.

(k) “Disability” as it regards Employees, shall mean (a) a mental or physical condition for which the Employee is receiving or is eligible to receive benefits under the McDonald's Corporation Long-Term Disability Plan or other long-term disability plan maintained by the Employee's employer or (b) a mental or physical condition which, with or without reasonable accommodations, renders an Employee permanently unable or incompetent to carry out the job responsibilities he held or tasks to which he was assigned at the time the condition was incurred, with such determination to be made by the Committee on the basis of such medical and other competent evidence as the Committee in its sole discretion shall deem relevant.

“Disability” as it regards non-Employee directors and senior directors means a physical or mental condition that prevents the director from performing his or her duties as a member of the Board or a senior director, as applicable, and that is expected to be permanent or for an indefinite duration exceeding one year.

(l) “Dividend equivalent” means an Award made pursuant to Section 6(d).

(m) “Employee” means any individual designated as an employee of the Company, its Affiliate, and/or its Subsidiaries who is on the current payroll records thereof; an Employee shall not include any individual during any period he or she is classified or treated by the Company, Affiliate, and/or Subsidiary as an independent contractor, a consultant, or any employee of an employment, consulting, or temporary agency or any other entity other than the Company, Affiliate, and/or Subsidiary, without regard to whether such individual is subsequently determined to have been, or is subsequently retroactively reclassified as a common-law employee of the Company, Affiliate, and/or Subsidiary during such period. “Employment” shall have the correlative meaning. The Committee in its discretion may, in the applicable Award Agreement, adopt a different definition of “Employee” and “Employment” for Awards granted to Grantees working outside the United States.

(n) “Effective Date” means June 1, 2012.

(o) “Fair Market Value” of any security of the Company means, as of any applicable date, the closing price of the security at the close of normal trading hours on the New York Stock Exchange, or, if no such sale of the security shall have occurred on such date, on the next preceding date on which there was such a sale.

(p) “Foreign Equity Incentive Plan” has the meaning specified in Section 14.

(q) “Grant Date” has the meaning specified in Section 6(a)(i).

(r) “Grantee” means an individual who has been granted an Award.

(s) “including” or “includes” means “including, without limitation,” or “includes, without limitation.”

(t) “Incumbent Board” has the meaning specified in Section 2(g)(ii).

- (u) “*Minimum Consideration*” means \$.01 per share or such larger amount determined pursuant to resolution of the Board to be “capital” (within the meaning of Section 154 of the Delaware General Corporation Law).
- (v) “*Minimum Vesting Requirement*” means that Awards subject to the Minimum Vesting Requirement shall not become nonforfeitable prior to the first anniversary of the Grant Date, subject to Sections 12, 13 and 21.
- (w) “*1934 Act*” means the Securities Exchange Act of 1934, as amended, and regulations and rulings thereunder. References to a particular section of, or rule under, the 1934 Act shall include references to successor provisions.
- (x) “*non-Employee director*” means a member of the Board who is not an Employee of the Company.
- (y) “*Option Price*” means the per-share purchase price of Stock subject to a stock option.
- (z) “*other stock-based award*” means an Award made pursuant to Section 6(f).
- (aa) “*Outstanding Company Common Stock*” has the meaning specified in Section 2(g)(i).
- (bb) “*Outstanding Company Voting Securities*” has the meaning specified in Section 2(g)(i).
- (cc) “*Person*” means any “*individual*,” “*entity*” or “*group*,” within the meaning of Section 13(d)(3) or 14(d)(2) of the 1934 Act.
- (dd) “*Prior Plan*” means the McDonald's Corporation Amended and Restated 2001 Omnibus Stock Ownership Plan, as amended and restated, the McDonald's Corporation 1992 Stock Ownership Incentive Plan, as amended and restated, and the McDonald's Corporation 1975 Stock Ownership Option Plan, as amended and restated.
- (ee) “*Qualified Performance-Based Award*” means any Award that is intended to qualify for the Section 162(m) Exemption, as provided in Section 23.
- (ff) “*Qualified Performance Goal*” means a performance goal established by the Committee in connection with the grant of a Qualified Performance-Based Award, which (i) is based on the attainment of specified levels of one or more Specified Performance Goals, and (ii) is set by the Committee within the time period prescribed by Section 162(m) of the Code; provided, that in the case of a stock option or stock appreciation right, the Qualified Performance Goal shall be considered to have been established without special action by the Committee, by virtue of the fact that the Stock subject to such Award must increase in value over its Fair Market Value on the Grant Date (or over a higher value) in order for the Grantee to realize any compensation from exercising the stock option or stock appreciation right.
- (gg) “*Restricted Stock Unit*” or “*RSU*” means an Award made pursuant to Section 6(e).
- (hh) “*Section 16 Grantee*” means an individual subject to potential liability under Section 16(b) of the 1934 Act with respect to transactions involving equity securities of the Company.
- (ii) “*Section 162(m) Exemption*” means the exemption from the limitation on deductibility imposed by Section 162(m) of the Code that is set forth in Section 162(m)(4)(C) of the Code.
- (jj) “*Service-Vesting Award*” means an Award, the vesting of which is contingent solely on the continued service of the Grantee as an Employee of the Company and its Subsidiaries or as a non-Employee director of the Company.
- (kk) “*Specified Performance Goal*” means any of the following measures as applied to the Company as a whole or to any Subsidiary, division or other unit of the Company: revenue; operating income; net income; basic or diluted earnings per share; return on revenue; return on assets; return on equity; return on total capital; total shareholder return; or any other measure of financial performance that can be determined pursuant to U.S. generally accepted accounting principles.
- (ll) “*Stock*” means the common stock of the Company, par value \$.01 per share.
- (mm) “*Subsidiary*” means any entity in which the Company directly or through intervening subsidiaries owns 25% or more of the total combined voting power or value of all classes of stock, or, in the case of an unincorporated entity, a 25% or more interest in the capital and profits.
- (nn) “*Termination of Directorship*” means the first date upon which a non-Employee director is neither a member of the Board.
- (oo) “*Termination of Employment*” of a Grantee means the termination of the Grantee's Employment with the Company and the Subsidiaries, as determined by the Company.

3. Scope of this Plan

(a) As of December 31, 2011, 27,610,823 shares were available for future grant under Prior Plans. If this Plan is approved, those shares (including any portion of those shares subject to awards granted from December 31, 2011 through May 31, 2012), an additional 27,500,000 shares, and any shares returned to the Prior Plans as described in (d) below, will become available for future grants under this Plan, up to a total number of shares of Stock delivered to Grantees pursuant to this Plan of 56 million, subject to the other provisions of this Section 3 and to adjustment as provided in Section 22. Such shares may be treasury shares or newly-issued shares or both, as may be determined from time to time by the Board or by the Committee appointed pursuant to Section 4.

(b) Subject to adjustment as provided in Section 22, the maximum number of shares of Stock for which stock options and stock appreciation rights may be granted to any Grantee in any one-year period shall be 2 million, and the maximum number of shares of Stock that may be granted to any Grantee in any one-year period in the form of restricted stock, and other stock-based awards, in each case that are Qualified Performance-based Awards, shall be 500,000. Subject to the other provisions of this Section 3 and subject to adjustment as provided in Section 22, not more than 1,000,000 bonus shares of Stock may be granted under this Plan.

(c) If and to the extent an Award granted under this Plan shall, after the Effective Date, expire or terminate for any reason without having been exercised in full, or shall be forfeited or settled for cash, the shares of Stock (including restricted stock) associated with the expired, terminated or forfeited portion of such Award shall become available for other Awards. In no event shall the number of shares of Stock considered to be delivered pursuant to the exercise of a stock appreciation right include the shares that represent the grant or exercise price thereof, which shares are not delivered to the Grantee upon exercise.

(d) If and to the extent an Award granted under a Prior Plan shall, after the Effective Date, expire or terminate for any reason without having been exercised in full, or shall be forfeited or settled for cash, the shares of Stock (including restricted stock) associated with the expired, terminated or forfeited portion of such Award shall become available for Awards under this Plan. If, after the Effective Date, a Grantee uses shares of Stock owned by the Grantee (by either actual delivery or by attestation) to pay the Option Price of any stock option granted under this Plan or a Prior Plan or to satisfy any tax-withholding obligation with respect to an Award granted under this Plan or a Prior Plan, the number of shares of Stock delivered or attested to shall be added to the number of shares of Stock available for delivery under this Plan. To the extent any shares of Stock subject to a stock option granted under this Plan are withheld, after the Effective Date, to satisfy the Option Price of that stock option, or any shares of Stock subject to an Award granted under this Plan are withheld to satisfy any tax-withholding obligation, such shares shall not be deemed to have been delivered for purposes of determining the maximum number of shares of Stock available for delivery under this Plan. To the extent any shares of Stock subject to an Award granted under a Prior Plan are withheld, after the Effective Date, to satisfy any tax-withholding obligation, such shares shall be added to the maximum number of shares of Stock available for delivery under this Plan. Notwithstanding the foregoing, no shares of Stock that become available for Awards granted under this Plan pursuant to the foregoing provisions of this Section 3(d) shall be available for grants of incentive stock options pursuant to Section 6(f).

4. Administration

(a) Subject to Section 4(b), this Plan shall be administered by a committee appointed by the Board (the "Committee"). All members of the Committee shall be "outside directors" (as defined or interpreted for purposes of the Section 162(m) Exemption). The composition of the Committee also shall be subject to such limitations as the Board deems appropriate to permit transactions in Stock pursuant to this Plan to be exempt from liability under Rule 16b-3 under the 1934 Act and to satisfy the "independence" requirements of any national securities exchange on which the Stock is listed.

(b) The Board may, in its discretion, reserve to itself any or all of the authority and responsibility of the Committee. To the extent that the Board has reserved to itself the authority and responsibility of the Committee, all references to the Committee in this Plan shall be deemed to refer to the Board.

(c) The Committee shall have full and final authority, in its discretion, but subject to the express provisions of this Plan (including without limitation Section 23(e)), as follows:

- (i) to grant Awards,
- (ii) to determine (A) when Awards may be granted, and (B) whether or not specific Awards shall be identified with other specific Awards, and, if so, whether they shall be exercisable cumulatively with or alternatively to such other specific Awards,
- (iii) to interpret this Plan,
- (iv) to determine all terms and provisions of all Awards, including without limitation any restrictions or conditions (including specifying such performance criteria as the Committee deems appropriate, and imposing restrictions with respect to Stock acquired upon exercise of a stock option, which restrictions may continue beyond the Grantee's Termination of Employment or Termination of Directorship, as applicable), which shall be set forth in a written (including in an electronic form) agreement for each Award (the "Award Agreements"), which need not be identical, and, with the consent of the Grantee, to modify any such Award Agreement at any time,

(v) to adopt or to authorize foreign Subsidiaries to adopt Foreign Equity Incentive Plans as provided in Section 14,

(vi) to delegate any or all of its duties and responsibilities under this Plan to any individual or group of individuals it deems appropriate, except its duties and responsibilities with respect to Section 16 Grantees and with respect to Qualified Performance-Based Awards, and (A) the acts of such delegates shall be treated hereunder as acts of the Committee and (B) such delegates shall report to the Committee regarding the delegated duties and responsibilities,

(vii) to accelerate the exercisability of, and to accelerate or waive any or all of the restrictions and conditions applicable to, any Award or any group of Awards, other than the Minimum Vesting Requirement, for any reason, solely to the extent that any such acceleration or waiver would not cause any tax to become due under Section 409A of the Code,

(viii) subject to Section 6(a)(ii), to extend the time during which any Award or group of Awards may be exercised or earned, solely to the extent that any such extension would not cause any tax to become due under Section 409A of the Code,

(ix) to make such adjustments or modifications to Awards granted to or held by Grantees working outside the United States as are necessary and advisable to fulfill the purposes of this Plan or to accommodate the specific requirements of local laws, procedures or practices,

(x) to impose such additional conditions, restrictions and limitations upon the grant, exercise or retention of Awards as the Committee may, before or concurrently with the grant thereof, deem appropriate, including requiring simultaneous exercise of related identified Awards and limiting the percentage of Awards that may from time to time be exercised by a Grantee,

(xi) notwithstanding Section 8, to prescribe rules and regulations concerning the transferability of any Awards, and

(xii) to make all other decisions and determinations that may be required pursuant to the Plan or as the Committee deems necessary or advisable to administer the Plan.

(d) The determination of the Committee on all matters relating to this Plan or any Award Agreement shall be made in its sole discretion, and shall be conclusive and final. No member of the Committee shall be liable for any action or determination made in good faith with respect to this Plan or any Award.

5. Eligibility

Awards may be granted to any Employee (including any officer) of the Company or any of its domestic Subsidiaries, any Employee, officer or director of any of the Company's foreign Subsidiaries (provided, that in the case of an Employee, officer or director of a domestic or foreign Subsidiary in which the Company owns less than 50% of the total combined voting power or value of all classes of stock, Awards may be granted only where there is a sufficient nexus between such Employee, officer or director and the Company so that the grant serves a genuine business purpose of the Company) and to any non-Employee director of the Company. In selecting the individuals to whom Awards may be granted, as well as in determining the number of shares of Stock subject to, and the other terms and conditions applicable to, each Award, the Committee shall take into consideration such factors as it deems relevant in promoting the purposes of this Plan.

6. Conditions to Grants

(a) *General conditions.*

(i) The "Grant Date" of an Award shall be the date on which the Committee grants the Award or such later date as specified in advance by the Committee.

(ii) The term of each Award shall be a period not longer than 10 years from the Grant Date.

(iii) A Grantee may, if otherwise eligible, be granted additional Awards in any combination.

(b) *Grant of Stock Options and Option Price.* A stock option represents the right to purchase a share of Stock at a predetermined Option Price. No later than the Grant Date of any stock option, the Committee shall establish the Option Price of such stock option. The per-share Option Price of a stock option shall not be less than 100% of the Fair Market Value of a share of the Stock on the Grant Date. Such Option Price shall be subject to adjustment as provided in Section 22. The applicable Award Agreement may provide that the stock option shall be exercisable for restricted stock. The Committee shall not without the approval of the Company's shareholders, other than pursuant to Section 22, (i) reduce the per-share Option Price of a stock option after it is granted, (ii) cancel a stock option when the per-share Option Price exceeds the Fair Market Value of a share of the Stock in exchange for cash or another Award (other than in connection with a Change in Control), or (iii) take any other action with respect to a stock option that would be treated as a repricing under the rules and regulations of the New York Stock Exchange.

(c) *Grant of Stock Bonuses.* The Committee may, in its discretion, grant shares of Stock to any Employee eligible under Section 5 to receive Awards, other than executive officers of the Company.

(d) *Grant of Dividend Equivalents.* The Committee may, in its discretion, grant dividend equivalents, which represent the right to receive cash payments or shares of Stock measured by the dividends payable with respect to specific shares of Stock or a specified number of shares of Stock. Dividend equivalents may be granted as part of another type of Award, and shall be subject to such terms and conditions as the Committee shall determine; provided, that the Committee shall not provide for payment of dividend equivalents in a manner that would cause any tax to become due under Section 409A of the Code.

(e) *Grant of Restricted Stock Units ("RSUs").* The Committee may, in its discretion, grant RSUs, which Awards are denominated in, payable in, and valued, in whole or in part, by reference to, shares of Stock. An RSU shall represent the right to receive a payment, in cash, shares of Stock or both (as determined by the Committee), and shall be subject to such terms and conditions as the Committee shall determine.

(f) *Grant of Other Stock-Based Awards.* The Committee may, in its discretion, grant other stock-based awards. These are Awards, other than stock options (not including incentive stock options), stock bonuses, dividend equivalents and restricted stock units that are denominated in, valued, in whole or in part, by reference to, or otherwise based on or related to, Stock. The purchase, exercise, exchange or conversion of other stock-based awards granted under this Section 6(f) shall be on such terms and conditions and by such methods as shall be specified by the Committee. If the value of any other stock-based award is based on the difference between the excess of the Fair Market Value, on the date such Fair Market Value is determined, over such Award's exercise or grant price, the exercise or grant price for such an Award will not be less than 100% of the Fair Market Value on the Grant Date. If the value of such an Award is based on the full value of a share of Stock, and the Award is a Service-Vesting Award, then such Award shall be subject to the Minimum Vesting Requirement. The Committee shall not without the approval of the Company's shareholders, other than pursuant to Section 22, (i) lower the exercise price of a stock appreciation right after it is granted, (ii) cancel a stock appreciation right when the exercise price exceeds the Fair Market Value of a share of the Stock in exchange for cash or another Award (other than in connection with a Change in Control), or (iii) take any other action with respect to a stock appreciation right that would be treated as a repricing under the rules and regulations of the New York Stock Exchange.

7. Grantee's Agreement to Serve

The Committee may, in its discretion, require each Grantee who is granted an Award to, execute such Grantee's Award Agreement, and to agree that such Grantee will remain in the employ of the Company or any of its Subsidiaries or remain as a non-Employee director, as applicable, for at least one year after the Grant Date. No obligation of the Company or any of its Subsidiaries as to the length of any Grantee's employment or service as a non-Employee director shall be implied by the terms of this Plan, any grant of an Award hereunder or any Award Agreement. The Company and its Subsidiaries reserve the same rights to terminate employment of any Grantee as existed before the Effective Date.

8. Non-Transferability

No Award granted hereunder shall be assigned, encumbered, pledged, sold, transferred, or otherwise disposed of other than by will or the laws of descent and distribution; provided however, that unless otherwise determined by the Committee, a Grantee may designate in writing a beneficiary to exercise or hold, as applicable, his or her Award after such Grantee's death. In the case of a holder after the Grantee's death, an Award shall be transferable solely by will or by the laws of descent and distribution.

9. Exercise

(a) *Exercise of Stock Options.* Subject to Sections 4(c)(vii), 12, 13 and 21 and such terms and conditions as the Committee may impose, each stock option shall be exercisable as and when determined by the Committee; provided that, unless the Committee determines otherwise, each stock option shall be exercisable in one or more installments commencing not earlier than the first anniversary of the Grant Date of such stock option.

Each stock option shall be exercised by delivery of notice of intent to purchase a specific number of shares of Stock subject to such stock option. Such notice shall be in a manner specified by and satisfactory to the Company. The Option Price of any shares of Stock as to which a stock option shall be exercised shall be paid in full at the time of the exercise. Payment may, at the election of the Grantee, be made in any one or any combination of the following:

- (i) cash,
- (ii) unless otherwise determined by the Committee, Stock owned by the Grantee, valued at its Fair Market Value at the time of exercise,
- (iii) with the approval of the Committee, shares of restricted stock held by the Grantee, each valued at the Fair Market Value of a share of Stock at the time of exercise, or
- (iv) unless otherwise determined by the Committee, through simultaneous sale through a broker of shares acquired on exercise, as permitted under Regulation T of the Board of Governors of the Federal Reserve System.

If shares of Stock are used to pay the Option Price, such shares of Stock must have been held by the Grantee for more than six months prior to exercise of the stock option, unless otherwise determined by the Committee. Such payment may be made by actual delivery or attestation.

(b) *Time of Exercise/Expiration.* Notwithstanding anything to the contrary herein, in the event that the final date on which any stock option would otherwise be exercisable in accordance with the provisions of this Plan (including without limitation Section 12 hereof) is not a Business Day, the last day on which such stock option may be exercised is the last Business Day immediately preceding such date.

10. Notification under Section 83(b)

The Committee may, on the Grant Date or any later date, prohibit a Grantee from making the election described below. If the Committee has not prohibited such Grantee from making such election, and the Grantee shall, in connection with the exercise of any stock option, or the grant of any share of restricted stock, make the election permitted under Section 83(b) of the Code (i.e., an election to include in such Grantee's gross income in the year of transfer the amounts specified in Section 83(b) of the Code), such Grantee shall notify the Company of such election within 10 days of filing notice of the election with the U.S. Internal Revenue Service, in addition to complying with any filing and notification required pursuant to regulations issued under the authority of Section 83(b) of the Code.

11. Withholding Taxes

(a) Whenever, under this Plan, cash or Stock is to be delivered upon exercise or payment of an Award, or any other event occurs that results in taxation of a Grantee with respect to an Award, the Company shall be entitled to require (i) that the Grantee remit an amount sufficient to satisfy all U.S. federal, state and local withholding tax requirements related thereto, (ii) the withholding of such sums from compensation otherwise due to the Grantee or from any shares of Stock due to the Grantee under this Plan, (iii) any other method prescribed by the Committee from time to time or (iv) any combination of the foregoing.

(b) If any disqualifying disposition (as defined in Section 421(b) of the Code) is made with respect to shares of Stock acquired under an incentive stock option granted pursuant to this Plan or any election described in Section 10 is made, then the individual making such disqualifying disposition or election shall remit to the Company an amount sufficient to satisfy all U.S. federal, state and local withholding taxes thereby incurred; provided, that in lieu of or in addition to the foregoing, the Company shall have the right to withhold such sums from compensation otherwise due to the Grantee or from any shares of Stock due to the Grantee under this Plan.

(c) Notwithstanding the foregoing, in no event shall the amount withheld or remitted in the form of shares of Stock due to a Grantee under this Plan exceed the minimum required by applicable law, except in the case of amounts due to a Grantee working outside the United States where the amount withheld may exceed such minimum, provided that it is not in excess of the actual amount required to be withheld with respect to the Grantee under applicable tax law or regulations.

(d) Although the Company may endeavor to qualify an Award for favorable tax treatment under the laws of the United States or jurisdictions outside of the United States or to avoid adverse tax treatment, the Company makes no representation to that effect and expressly disavows any covenant to maintain favorable or avoid unfavorable tax treatment, notwithstanding anything contrary in this Plan and the Company will have no liability to a Grantee or any other party if a payment under an Award does not receive or maintain such favorable treatment or does not avoid such unfavorable treatment. The Company shall be unconstrained in its corporate activities without regard to the potential tax impact on Grantees.

12. Termination of Employment

(a) The applicable Award Agreement shall specify the treatment of such Award upon the Grantee's Termination of Employment. Unless otherwise provided in the applicable Award Agreement, all unvested Awards shall forfeit upon the Grantee's Termination of Employment, and vested stock options shall remain exercisable until the 90th day following Termination of Employment.

(b) *Committee Discretion.* Notwithstanding the foregoing, the Committee may determine that the consequences of a Termination of Employment for a particular Award will differ from those in the applicable Grant Agreement after it is granted if the change is favorable to the Grantee, unless otherwise required to comply with applicable laws; provided, that the Committee shall have no authority (i) after the Grant Date, to extend the time to exercise unexercised stock options or stock appreciation rights to any date later than the 10th anniversary of the Grant Date (or, if earlier, the original expiration date of the Award) or (ii) otherwise to provide for terms of an Award that would cause any tax to become due under Section 409A of the Code.

13. Termination of Directorship

(a) The applicable Award Agreement shall specify the treatment of such Award upon the Director's Termination of Directorship with the Company. Unless otherwise provided in the applicable Award Agreement, all unvested Awards shall forfeit upon the Director's Termination of Directorship.

(b) *Committee Discretion.* Notwithstanding the foregoing, the Committee may determine that the consequences of Termination of Directorship for a particular Award will differ from those in the Applicable Award Agreement after the Award is granted, if the change is favorable to the Grantee; provided, that the Committee shall have no authority (i) after the Grant Date, to extend the time to exercise unexercised stock options or stock appreciation rights to any date later than the 10th anniversary of the Grant Date (or, if earlier, the original expiration date of the Award) or (ii) otherwise to provide for terms of an Award that would cause any tax to become due under Section 409A of the Code.

14. Equity Incentive Plans of Foreign Subsidiaries

The Committee may adopt or authorize any foreign Subsidiary to adopt a plan for granting Awards (a “Foreign Equity Incentive Plan”). All awards granted under such Foreign Equity Incentive Plans shall be treated as grants under this Plan. Such Foreign Equity Incentive Plans shall have such terms and provisions as the Committee permits not inconsistent with the provisions of this Plan.

15. Securities Law Matters

(a) If the Committee deems it necessary to comply with the Securities Act of 1933, as amended, and the regulations and rulings thereunder, the Committee may require a written investment intent representation by the Grantee and may require that a restrictive legend be affixed to certificates for shares of Stock.

(b) If, based upon the opinion of counsel for the Company, the Committee determines that the exercise or nonforfeitability of, or delivery of benefits pursuant to, any Award would violate any applicable provision of (i) U.S. federal, state, foreign or local securities law or (ii) the listing requirements of any national securities exchange on which are listed any of the Company's equity securities (together, referred to herein as “Securities Law Requirements”), then the Committee may (A) postpone any such exercise, nonforfeitability or delivery, as the case may be, for not more than 30 days after the date on which such exercise, nonforfeitability or delivery would no longer violate such law or requirements, or (B) amend or cancel some or all of the Awards affected by such Securities Law Requirements, with or without consideration to the relevant Grantees.

16. Funding

Benefits payable under this 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 this Plan.

17. No Employment Rights

Neither the establishment of this Plan, nor the granting of any Award, shall be construed to (a) give any Grantee the right to remain employed by the Company or any of its Subsidiaries or to any benefits not specifically provided by this Plan or (b) in any manner modify the right of the Company or any of its Subsidiaries to modify, amend, or terminate any of its employee benefit plans.

18. Rights as a Stockholder

A Grantee shall not, by reason of any Award (other than restricted stock), have any right as a stockholder of the Company with respect to the shares of Stock that may be deliverable upon exercise or payment of such Award until such shares have been delivered to him or her.

19. Nature of Payments

Any and all grants, payments of cash, or deliveries of shares of Stock hereunder shall constitute special incentive payments to the Grantee, and shall not be taken into account in computing the amount of salary or compensation of the Grantee for the purposes of determining any pension, retirement, death or other benefits under (a) any pension, retirement, profit-sharing, bonus, life insurance or other employee benefit plan of the Company or any of its Subsidiaries or (b) any agreement between the Company or any Subsidiary, on the one hand, and the Grantee, on the other hand, except as such plan or agreement shall otherwise expressly provide.

20. Non-Uniform Determinations

Neither the Committee's nor the Board's determinations under this Plan need be uniform, and may be made by the Committee or the Board selectively among individuals who receive, or are eligible to receive, Awards (whether or not such individuals are similarly situated). Without limiting the generality of the foregoing, the Committee shall be entitled, among other things, to make non-uniform and selective determinations, to enter into non-uniform and selective Award Agreements as to (a) the identity of the Grantees, (b) the terms and provisions of Awards, and (c) the treatment, under Section 12, of Terminations of Employment.

21. Change in Control Provisions

Notwithstanding any other provision of this Plan to the contrary, the provisions of this Section 21 shall apply in the event of a Change in Control, unless otherwise determined by the Committee in connection with the grant of an Award (as reflected in the applicable Award Agreement).

(a) Upon a Change in Control, each then-outstanding stock option and stock appreciation right, and each other then-outstanding Award that is a Service-Vesting Award (each, a “Replaced Award”), shall be replaced with another Award meeting the requirements of Section 21(b) (a “Replacement Award”); provided that (i) if a Replacement Award meeting the requirements of Section 21(b) cannot be issued (because, for example, there are no publicly traded equity securities available, such that the requirement described in clause (iii) of the first sentence of Section 21(b) cannot be met), or (ii) the Committee so determines at any time prior to the Change in Control, upon a Change in Control each Replaced Award shall instead become fully vested, exercisable and free of restrictions. The treatment of any Awards which are not Replaced Awards (i.e., Awards other than stock options and stock appreciation rights, which are not Service-Vesting Awards) shall be as determined by the Committee in connection with the grant thereof, as reflected in the applicable Award Agreement.

(b) An Award shall meet the conditions of this Section 21(b) (and hence qualify as a Replacement Award) if: (i) it is of the same type as the Replaced Award; (ii) it has a value at least equal to the value of the Replaced Award; (iii) it relates to publicly traded equity securities of the Company or its successor in the Change in Control or another entity that is affiliated with the Company or its successor following the Change in Control; (iv) its terms and conditions comply with Section 21(c) below; and (v) its other terms and conditions are not less favorable to the Grantee than the terms and conditions of the Replaced Award (including the provisions that would apply in the event of a subsequent Change in Control). Without limiting the generality of the foregoing, the Replacement Award may take the form of a continuation of the Replaced Award if the requirements of the preceding sentence are satisfied. The determination of whether the conditions of this Section 21(b) are satisfied shall be made by the Committee, as constituted immediately before the Change in Control, in its sole discretion. Without limiting the generality of the foregoing, the Committee may determine the value of Awards and Replacement Awards that are stock options by reference to either their intrinsic value or their fair value.

(c) Upon a Termination of Employment or Termination of Directorship of a Grantee occurring in connection with or during the period of two years after such Change in Control, other than for Cause, (i) all Replacement Awards held by the Grantee shall become fully vested and (if applicable) exercisable and free of restrictions, and (ii) all stock options and stock appreciation rights held by the Grantee immediately before the Termination of Employment or Termination of Directorship that the Grantee held as of the date of the Change in Control or that constitute Replacement Awards shall remain exercisable for not less than two years following such termination or until the expiration of the stated term of such stock option, whichever period is shorter (provided, that if the applicable Award Agreement provides for a longer period of exercisability, that provision shall control). The treatment described in the preceding sentence shall not apply if the Termination of Employment is initiated by the Employee.

22. Adjustments Upon Certain Changes

The following shall be subject to any action by the shareholders of the Company required by law, applicable tax rules or the rules of any exchange on which shares of Stock of the Company are listed for trading:

(a) Shares Available for Grants. In the event of any change in the number of shares of Stock of the Company outstanding by reason of any stock dividend or split, recapitalization, merger, consolidation, combination or exchange of shares or similar corporate change, the maximum aggregate number of shares of Stock with respect to which the Committee may grant Awards and the maximum aggregate number of shares of Stock with respect to which the Committee may grant Awards to any individual Grantee in any year shall be appropriately adjusted by the Committee. In the event of any change in the number of shares of Stock of the Company outstanding by reason of any other event or transaction, the Committee may, to the extent deemed appropriate by the Committee, make such adjustments in the number and class of shares of Stock with respect to which Awards may be granted.

(b) Increase or Decrease in Issued Shares Without Consideration. In the event of any increase or decrease in the number of issued shares of Stock of the Company resulting from a subdivision or consolidation of shares of Stock of the Company or the payment of a stock dividend (but only on the shares of Stock of the Company), or any other increase or decrease in the number of such shares effected without receipt or payment of consideration by the Company, the Committee may, to the extent deemed appropriate by the Committee, adjust the number of shares of Stock subject to each outstanding Award and the exercise price per share of Stock of each such Award.

(c) Certain Mergers. In the event of any merger, consolidation or similar transaction as a result of which the holders of shares of Stock receive consideration consisting exclusively of securities of the surviving corporation in such transaction, the Committee may, to the extent deemed appropriate by the Committee, adjust each Award outstanding on the date of such merger or consolidation so that it pertains and applies to the securities which a holder of the number of shares of Stock subject to such Award would have received in such merger or consolidation.

(d) Certain Other Transactions. In the event of (i) a dissolution or liquidation of the Company, (ii) a sale of all or substantially all of the Company's assets (on a consolidated basis), or (iii) a merger, consolidation or similar transaction involving the Company in which the holders of shares of Stock receive securities and/or other property, including cash, other than shares of the surviving corporation in such transaction, the Committee shall, in its sole discretion, have the power to:

(i) cancel, effective immediately prior to the occurrence of such event, each Award (whether or not then exercisable or vested), and, in full consideration of such cancellation, pay to the Grantee to whom such Award was granted an amount in cash, for each share of Stock subject to such Award, equal to the value, as determined by the Committee, of such Award, provided that with respect to any outstanding stock option such value shall be equal to the excess of (A) the value, as determined by the Committee, of the property (including cash) received by the holder of a share of Stock as a result of such event over (B) the exercise price of such stock option; or

(ii) provide for the exchange of each Award (whether or not then exercisable or vested) for an Award with respect to some or all of the property which a holder of the number of shares of Stock subject to such Award would have received in such transaction and, incident thereto, make an equitable adjustment as determined by the Committee in the exercise price of the Award, or the number of shares or amount of property subject to the Award or provide for a payment (in cash or other property) to the Grantee to whom such Award was granted in partial consideration for the exchange of the Award.

(e) Other Changes. In the event of any change in the capitalization of the Company or corporate change other than those specifically referred to in paragraphs 22(b), (c) or (d), the Committee may make such adjustments in the number and class of shares subject to Awards outstanding on the date on which such change occurs and in such other terms of such Awards as the Committee may consider appropriate, provided that if any such Award is intended to be a Qualified Performance-Based Award such adjustment is consistent with the requirements of Section 162(m) Exemption.

(f) No Other Rights. Except as expressly provided in the Plan, no Grantee shall have any rights by reason of any subdivision or consolidation of shares of stock of any class, the payment of any dividend, any increase or decrease in the number of shares of stock of any class or any dissolution, liquidation, merger or consolidation of the Company or any other corporation. Except as expressly provided in the Plan, no issuance by the Company of shares of stock of any class, or securities convertible into shares of stock of any class, shall affect, and no adjustment by reason thereof shall be made with respect to, the number of shares or amount of other property subject to, or the terms related to, any Award.

(g) Savings Clause. No provision of this Section 22 shall be given effect to the extent that such provision would cause any tax to become due under Section 409A of the Code.

23. Qualified Performance-Based Awards

(a) The provisions of this Plan are intended to ensure that all stock options and stock appreciation rights granted hereunder to any Grantee who is or may be a "covered employee" (within the meaning of Section 162(m)(3) of the Code) at the time of exercise qualify for the Section 162(m) Exemption, and all such Awards shall therefore be considered Qualified Performance-Based Awards and this Plan shall be interpreted and operated consistent with that intention. The provisions referred to in the preceding sentence include without limitation the limitation on the total amount of such Awards to any Grantee set forth in Section 3(b); the requirement of Section 4(a) that the Committee satisfy the requirements for being "outside directors" for purposes of the Section 162(m) Exemption; the limitations on the discretion of the Committee with respect to Qualified Performance-Based Awards; and the requirements of Sections 6(b) that the Option Price of stock options be not less than the Fair Market Value of the Stock on the Grant Date (which requirement constitutes the Qualified Performance Goal). The base price for determining the value of stock appreciation rights shall not be less than the Fair Market Value of the Stock on the Grant Date (which requirement constitutes the Qualified Performance Goal).

(b) The Committee may designate any Award (other than a stock option or stock appreciation right) as a Qualified Performance-Based Award upon grant, in each case based upon a determination that (i) the Grantee is or may be a "covered employee" (within the meaning of Section 162(m)(3) of the Code) with respect to such Award, and (ii) the Committee wishes such Award to qualify for the Section 162(m) Exemption. The provisions of this Section 23 shall apply to all such Qualified Performance-Based Awards, notwithstanding any other provision of this Plan, other than Section 21.

(c) Each Qualified Performance-Based Award (other than a stock option or stock appreciation right) shall be earned, vested and payable (as applicable) only upon the achievement of one or more Qualified Performance Goals, together with the satisfaction of any other conditions, such as continued employment, as the Committee may determine to be appropriate; provided that (i) the Committee may provide, either in connection with the grant thereof or by amendment thereafter, that achievement of such Performance Goals will be waived upon the death or Disability of the Grantee, and (ii) the provisions of Section 21 shall apply notwithstanding this sentence.

(d) Qualified Performance Goals may take the form of absolute goals or goals relative to the performance of one or more other companies comparable to the Company or of an index covering multiple companies. In establishing Qualified Performance Goals, the Committee may specify that there shall be excluded the effect of restructuring charges, discontinued operations, extraordinary items, cumulative effects of accounting changes, and other unusual or nonrecurring items, and asset impairment and the effect of foreign currency fluctuations, in each case as those terms are defined under generally accepted accounting principles and provided in each case that such excluded items are objectively determinable by reference to the Company's financial statements, notes to the Company's financial statements and/or management's discussion and analysis in the Company's financial statements.

(e) Except as specifically provided in Section 23(d), no Qualified Performance-Based Award may be amended, nor may the Committee exercise any discretionary authority it may otherwise have under this Plan with respect to a Qualified Performance-Based Award under this Plan, in any manner to waive the achievement of the applicable Qualified Performance Goals or to increase the amount payable pursuant thereto or the value thereof, or otherwise in a manner that would cause the Qualified Performance-Based Award to cease to qualify for the Section 162(m) Exemption.

24. Amendment of this Plan

The Board or the Committee may from time to time in its discretion amend this Plan or Awards, without the approval of the shareholders of the Company, except (i) to the extent required under the listing requirements of any national securities exchange on which are listed any of the Company's equity securities and (ii) to the extent the amendment would result in (A) the reduction of the Option Price of any stock option, (B) cancellation of a stock option when the Option Price exceeds the Fair Market Value of a share of Stock in exchange for cash or another Award (other than in connection with a Change in Control), or (C) any other action with respect to a stock option that would be treated as a repricing under the rules and regulations of the New York Stock Exchange. No such amendment shall adversely affect any previously-granted Award without the consent of the Grantee, except for (x) amendments made to comply with applicable law, stock exchange rules or accounting rules, and (y) amendments that do not materially decrease the value of such Awards. In addition, no such amendment may be made that would cause a Qualified Performance Based Award to cease to qualify for the Section 162(m) Exemption.

25. Termination of this Plan

This Plan shall terminate on the 10th anniversary of the Effective Date or at such earlier time as the Board may determine. Any termination, whether in whole or in part, shall not affect any Award then outstanding under this Plan.

26. No Illegal Transactions

This Plan and all Awards granted pursuant to it are subject to all laws and regulations of any governmental authority that may be applicable thereto; and, notwithstanding any provision of this Plan or any Award, Grantees shall not be entitled to exercise Awards or receive the benefits thereof and the Company shall not be obligated to deliver any Stock or pay any benefits to a Grantee if such exercise, delivery, receipt or payment of benefits would constitute a violation by the Grantee or the Company of any provision of any such law or regulation. Such circumstances or the inability or impracticability of the Company to obtain or maintain authority from any regulatory body (which authority is deemed by the Company to be necessary for the lawful issuance and/or sale of Stock hereunder) shall relieve the Company of any liability for the failure to issue and/or sell such Stock and shall constitute circumstances in which the Committee may determine to amend or cancel Awards pertaining to such Stock, with or without consideration to the affected Grantees.

27. Controlling Law

The law of the State of Illinois, except its law with respect to choice of law, shall be controlling in all matters relating to this Plan.

28. Severability

If all or any part of this Plan is declared by any court or governmental authority to be unlawful or invalid, such unlawfulness or invalidity shall not serve to invalidate any portion of this Plan not declared to be unlawful or invalid. Any Section or part of a Section so declared to be unlawful or invalid shall, if possible, be construed in a manner that will give effect to the terms of such Section or part of a Section to the fullest extent possible while remaining lawful and valid.

29. Section 409A

No provision of this Plan shall be given effect to the extent that such provision would cause any tax to become due under Section 409A of the Code. No action, or failure to act, pursuant to this Section 29 or to any other provision of the Plan that references Section 409A of the Code shall subject the Committee, the Board or the Company to any claim, liability or expense, and neither the Committee, the Board nor the Company shall have any obligation to indemnify or otherwise protect any Grantee from the obligation to pay any taxes pursuant to Section 409A of the Code.

Exhibit 12. Computation of Ratios**Ratio of Earnings to Fixed Charges***Dollars in millions*

	Nine Months Ended September 30,		Years Ended December 31,				
	2012	2011	2011	2010	2009	2008	2007
Earnings available for fixed charges							
- Income from continuing operations before provision for Income taxes and cumulative effect of accounting changes	\$6,011.0	\$6,028.5	\$8,012.2	\$7,000.3	\$6,487.0	\$6,158.0	\$3,572.1 ⁽¹⁾
- Noncontrolling interest expense in operating results of majority-owned subsidiaries, including fixed charges related to redeemable preferred stock, less equity in undistributed operating results of less than 50%-owned affiliates	8.9	9.9	13.3	10.4	7.5	10.7	7.2
- Income tax provision (benefit) of 50%-owned affiliates included in income from continuing operations before provision for income taxes	50.9	52.7	65.5	28.7	47.7	30.0	22.4
- Portion of rent charges (after reduction for rental income from subleased properties) considered to be representative of interest factors*	265.9	254.7	339.4	315.4	302.8	321.3	312.8
- Interest expense, amortization of debt discount and issuance costs, and depreciation of capitalized interest*	409.2	386.8	520.5	479.1	504.5	556.8	442.7
	<u>\$6,745.9</u>	<u>\$6,732.6</u>	<u>\$8,950.9</u>	<u>\$7,833.9</u>	<u>\$7,349.5</u>	<u>\$7,076.8</u>	<u>\$4,357.2</u>
Fixed charges							
- Portion of rent charges (after reduction for rental income from subleased properties) considered to be representative of interest factors*	\$ 265.9	\$ 254.7	\$ 339.4	\$ 315.4	\$ 302.8	\$ 321.3	\$ 312.8
- Interest expense, amortization of debt discount and issuance costs, and fixed charges related to redeemable preferred stock*	400.3	373.7	503.0	461.5	486.9	539.7	425.9
- Capitalized interest*	11.9	10.2	14.0	12.0	11.9	12.5	7.0
	<u>\$ 678.1</u>	<u>\$ 638.6</u>	<u>\$ 856.4</u>	<u>\$ 788.9</u>	<u>\$ 801.6</u>	<u>\$ 873.5</u>	<u>\$ 745.7</u>
Ratio of earnings to fixed charges	<u>9.95</u>	<u>10.54</u>	<u>10.45</u>	<u>9.93</u>	<u>9.17</u>	<u>8.10</u>	<u>5.84</u>

* 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.

(1) Includes pretax charges of \$1.7 billion primarily related to impairment in connection with the Company's sale of its Latin American businesses to a developmental licensee.

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

I, Donald Thompson, 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: November 1, 2012

/s/ Donald Thompson

Donald Thompson

President and Chief Executive Officer

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

I, Peter J. Bensen, 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: November 1, 2012

/s/ Peter J. Bensen

Peter J. Bensen

*Corporate Executive Vice President and
Chief Financial Officer*

**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 September 30, 2012 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: November 1, 2012

/s/ Donald Thompson

Donald Thompson

President and Chief Executive Officer

**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 September 30, 2012 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: November 1, 2012

/s/ Peter J. Bensen

Peter J. Bensen

*Corporate Executive Vice President and
Chief Financial Officer*