# 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, 2013**

**OR**

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

**Commission File Number 1-5231**

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

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

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

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

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

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

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

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

**995,030,164**
(Number of shares of common stock outstanding as of September 30, 2013)

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, 2013 | December 31, 2012 |
|---|---|---|
| **Assets** | | |
| **Current assets** | | |
| Cash and equivalents | **$ 2,544.3** | $ 2,336.1 |
| Accounts and notes receivable | **1,285.3** | 1,375.3 |
| Inventories, at cost, not in excess of market | **113.1** | 121.7 |
| Prepaid expenses and other current assets | **791.4** | 1,089.0 |
| **Total current assets** | **4,734.1** | 4,922.1 |
| **Other assets** | | |
| Investments in and advances to affiliates | **1,262.5** | 1,380.5 |
| Goodwill | **2,853.8** | 2,804.0 |
| Miscellaneous | **1,619.4** | 1,602.7 |
| **Total other assets** | **5,735.7** | 5,787.2 |
| **Property and equipment** | | |
| Property and equipment, at cost | **39,487.3** | 38,491.1 |
| Accumulated depreciation and amortization | **(14,405.8)** | (13,813.9) |
| **Net property and equipment** | **25,081.5** | 24,677.2 |
| **Total assets** | **$ 35,551.3** | $ 35,386.5 |
| **Liabilities and shareholders' equity** | | |
| **Current liabilities** | | |
| Accounts payable | **$ 858.3** | $ 1,141.9 |
| Dividends payable | **803.0** | — |
| Income taxes | **321.4** | 298.7 |
| Other taxes | **383.3** | 370.7 |
| Accrued interest | **172.1** | 217.0 |
| Accrued payroll and other liabilities | **1,284.2** | 1,374.8 |
| **Total current liabilities** | **3,822.3** | 3,403.1 |
| **Long-term debt** | **13,487.8** | 13,632.5 |
| **Other long-term liabilities** | **1,556.0** | 1,526.2 |
| **Deferred income taxes** | **1,520.3** | 1,531.1 |
| **Shareholders' equity** | | |
| Preferred stock, no par value; authorized—165.0 million shares; issued—none | **—** | — |
| Common stock, $.01 par value; authorized—3.5 billion shares; issued 1,660.6 million shares | **16.6** | 16.6 |
| Additional paid-in capital | **5,962.6** | 5,778.9 |
| Retained earnings | **40,354.6** | 39,278.0 |
| Accumulated other comprehensive income | **516.6** | 796.4 |
| Common stock in treasury, at cost; 665.6 and 657.9 million shares | **(31,685.5)** | (30,576.3) |
| **Total shareholders' equity** | **15,164.9** | 15,293.6 |
| **Total liabilities and shareholders' equity** | **$ 35,551.3** | $ 35,386.5 |

See Notes to condensed consolidated financial statements.

## CONDENSED CONSOLIDATED STATEMENT OF NET INCOME (UNAUDITED)

| In millions, except per share data | Quarters Ended September 30, 2013 | Quarters Ended September 30, 2012 | Nine Months Ended September 30, 2013 | Nine Months Ended September 30, 2012 |
|---|---|---|---|---|
| **Revenues** | | | | |
| Sales by Company-operated restaurants | **$ 4,923.1** | $ 4,838.4 | **$14,129.9** | $13,944.1 |
| Revenues from franchised restaurants | **2,400.3** | 2,314.0 | **6,882.6** | 6,670.8 |
| **Total revenues** | **7,323.4** | 7,152.4 | **21,012.5** | 20,614.9 |
| **Operating costs and expenses** | | | | |
| Company-operated restaurant expenses | **4,004.4** | 3,914.4 | **11,649.9** | 11,392.6 |
| Franchised restaurants—occupancy expenses | **408.4** | 383.4 | **1,202.7** | 1,134.3 |
| Selling, general & administrative expenses | **554.3** | 620.9 | **1,757.8** | 1,830.7 |
| Other operating (income) expense, net | **(60.4)** | (53.5) | **(161.8)** | (149.5) |
| **Total operating costs and expenses** | **4,906.7** | 4,865.2 | **14,448.6** | 14,208.1 |
| **Operating income** | **2,416.7** | 2,287.2 | **6,563.9** | 6,406.8 |
| Interest expense | **130.5** | 128.1 | **388.4** | 387.0 |
| Nonoperating (income) expense, net | **13.6** | 5.5 | **26.2** | 8.8 |
| **Income before provision for income taxes** | **2,272.6** | 2,153.6 | **6,149.3** | 6,011.0 |
| Provision for income taxes | **750.4** | 698.6 | **1,960.4** | 1,942.3 |
| **Net income** | **$ 1,522.2** | $ 1,455.0 | **$ 4,188.9** | $ 4,068.7 |
| **Earnings per common share-basic** | **$ 1.53** | $ 1.45 | **$ 4.19** | $ 4.02 |
| **Earnings per common share-diluted** | **$ 1.52** | $ 1.43 | **$ 4.16** | $ 3.98 |
| **Dividends declared per common share** | **$ 1.58** | $ 1.47 | **$ 3.12** | $ 2.87 |
| **Weighted average shares outstanding-basic** | **997.3** | 1,006.1 | **1,000.5** | 1,012.7 |
| **Weighted average shares outstanding-diluted** | **1,004.2** | 1,015.4 | **1,008.2** | 1,023.3 |

See Notes to condensed consolidated financial statements.

## CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME (UNAUDITED)

| In millions | Quarters Ended September 30, 2013 | Quarters Ended September 30, 2012 | Nine Months Ended September 30, 2013 | Nine Months Ended September 30, 2012 |
|---|---|---|---|---|
| Net income | **$1,522.2** | $1,455.0 | $4,188.9 | $4,068.7 |
| Other comprehensive income (loss), net of tax | | | | |
| **Foreign currency translation adjustments:** | | | | |
| Gain (loss) recognized in accumulated other comprehensive income (AOCI), including net investment hedges | **496.4** | 316.1 | **(253.1)** | 142.0 |
| **Foreign currency translation adjustments-net of tax benefit (expense) of $57.6, $19.4, $5.7 and $3.5** | **496.4** | 316.1 | **(253.1)** | 142.0 |
| **Cash flow hedges:** | | | | |
| Gain (loss) recognized in AOCI | **(17.6)** | 5.9 | **(47.9)** | 10.8 |
| Reclassification of (gain) loss to net income | **8.4** | 1.9 | **20.7** | 5.0 |
| **Cash flow hedges-net of tax benefit (expense) of $3.5, $(2.1), $6.3 and $(5.3)** | **(9.2)** | 7.8 | **(27.2)** | 15.8 |
| **Defined benefit pension plans:** | | | | |
| Gain (loss) recognized in AOCI | **0.0** | 0.7 | **0.1** | 0.1 |
| Reclassification of (gain) loss to net income | **0.2** | 0.1 | **0.4** | 1.9 |
| **Defined benefit pension plans-net of tax benefit (expense) of $0.0, $0.0, $0.0 and $0.8** | **0.2** | 0.8 | **0.5** | 2.0 |
| Total other comprehensive income (loss), net of tax | **487.4** | 324.7 | **(279.8)** | 159.8 |
| **Comprehensive income** | **$2,009.6** | $1,779.7 | **$3,909.1** | $4,228.5 |

See Notes to condensed consolidated financial statements.

## CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS (UNAUDITED)

| In millions | Quarters Ended September 30, 2013 | Quarters Ended September 30, 2012 | Nine Months Ended September 30, 2013 | Nine Months Ended September 30, 2012 |
|---|---|---|---|---|
| **Operating activities** | | | | |
| Net income | **$ 1,522.2** | $ 1,455.0 | **$ 4,188.9** | $ 4,068.7 |
| Adjustments to reconcile to cash provided by operations | | | | |
| Charges and credits: | | | | |
| Depreciation and amortization | **394.5** | 371.9 | **1,176.5** | 1,102.5 |
| Deferred income taxes | **18.7** | 84.3 | **13.4** | 119.7 |
| Share-based compensation | **22.7** | 22.5 | **68.9** | 70.2 |
| Other | **(8.0)** | 32.0 | **78.5** | 4.3 |
| Changes in working capital items | **100.4** | 33.7 | **(279.0)** | (249.4) |
| **Cash provided by operations** | **2,050.5** | 1,999.4 | **5,247.2** | 5,116.0 |
| **Investing activities** | | | | |
| Capital expenditures | **(687.1)** | (753.2) | **(1,920.7)** | (2,053.6) |
| Sales and purchases of restaurant businesses and property sales | **77.1** | 47.8 | **126.7** | 110.7 |
| Other | **24.4** | (18.3) | **127.8** | (63.8) |
| **Cash used for investing activities** | **(585.6)** | (723.7) | **(1,666.2)** | (2,006.7) |
| **Financing activities** | | | | |
| Short-term borrowings and long-term financing issuances and repayments | **(67.8)** | (379.3) | **(91.1)** | 791.1 |
| Treasury stock purchases | **(501.1)** | (651.0) | **(1,273.1)** | (2,234.2) |
| Common stock dividends | **(767.5)** | (703.8) | **(2,310.8)** | (2,125.4) |
| Proceeds from stock option exercises | **25.2** | 83.3 | **203.6** | 233.0 |
| Excess tax benefit on share-based compensation | **8.9** | 33.0 | **82.1** | 101.6 |
| Other | **0.7** | (0.3) | **(6.2)** | (9.3) |
| **Cash used for financing activities** | **(1,301.6)** | (1,618.1) | **(3,395.5)** | (3,243.2) |
| **Effect of exchange rates on cash and cash equivalents** | **102.6** | 36.3 | **22.7** | (23.3) |
| Cash and equivalents increase (decrease) | **265.9** | (306.1) | **208.2** | (157.2) |
| Cash and equivalents at beginning of period | **2,278.4** | 2,484.6 | **2,336.1** | 2,335.7 |
| **Cash and equivalents at end of period** | **$ 2,544.3** | $ 2,178.5 | **$ 2,544.3** | $ 2,178.5 |

See Notes to condensed consolidated financial statements.

**Basis of Presentation**

The accompanying condensed consolidated financial statements should be read in conjunction with the consolidated financial statements contained in the Company's December 31, 2012 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, 2013 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, | 2013 | 2012 |
|---|---|---|
| Conventional franchised | **20,117** | 19,673 |
| Developmental licensed | **4,566** | 4,143 |
| Foreign affiliated | **3,598** | 3,654 |
| Total Franchised | **28,281** | 27,470 |
| Company-operated | **6,642** | 6,540 |
| Systemwide restaurants | **34,923** | 34,010 |

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

**Per Common Share Information**

Diluted earnings per common share is calculated using net income divided by diluted weighted-average shares. Diluted weighted-average shares include weighted-average shares outstanding plus the dilutive effect of share-based compensation, calculated using the treasury stock method, of 6.9 million shares and 9.3 million shares for the quarters 2013 and 2012, respectively, and 7.7 million shares and 10.6 million shares for the nine months 2013 and 2012, respectively. Stock options that would have been antidilutive and therefore were not included in the calculation of diluted weighted-average shares totaled 7.7 million shares and 4.7 million shares for the quarters 2013 and 2012, respectively, and 4.7 million shares for the nine months 2013 and 2012, respectively.

In September 2013, McDonald's Board of Directors declared a fourth quarter cash dividend of $0.81 per share of common stock, resulting in $803.0 million of dividends payable in December 2013.

**Fair Value Measurements**

The Company measures certain financial assets and liabilities at fair value. Fair value disclosures are reflected in a three-level hierarchy, maximizing the use of observable inputs and minimizing the use of unobservable inputs. The Company did not have any significant changes to the valuation techniques used to measure fair value as described in the Company's December 31, 2012 Annual Report on Form 10-K.

- ***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:

| In millions | Level 1 | Level 2 | Carrying Value |
|---|---|---|---|
| *September 30, 2013* | | | |
| Investments | $ 189.0 | | $ 189.0 |
| Derivative assets | 137.9 | $ 73.9 | 211.8 |
| **Total assets at fair value** | **$ 326.9** | **$ 73.9** | **$ 400.8** |
| | | | |
| Derivative liabilities | | $ (158.1) | $ (158.1) |
| **Total liabilities at fair value** | | **$ (158.1)** | **$ (158.1)** |

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

At September 30, 2013, the fair value of the Company's debt obligations was estimated at $14.6 billion, compared to a carrying amount of $13.5 billion. The fair value was based upon quoted market prices, Level 2, within the valuation hierarchy. The carrying amounts of 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 foreign currency exchange rates, interest rates, equity prices, and commodity prices. The Company uses foreign currency denominated debt and derivative instruments to mitigate the impact of these changes. The Company does not hold or issue derivatives for trading purposes.

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

| | Derivative Assets | | Derivative Liabilities | |
|---|---|---|---|---|
| **In millions** | **September 30, 2013** | December 31, 2012 | **September 30, 2013** | December 31, 2012 |
| Total derivatives designated as hedging instruments | **$ 70.1** | $ 85.1 | **$(135.1)** | $ (35.8) |
| Total derivatives not designated as hedging instruments | **141.7** | 133.3 | **(23.0)** | (6.8) |
| Total derivatives | **$ 211.8** | $ 218.4 | **$(158.1)** | $ (42.6) |

The following table presents the pretax amounts affecting income and other comprehensive income ("OCI") for the nine months ended September 30, 2013 and 2012, respectively:

| | Gain (Loss) Recognized in Accumulated OCI | | Gain (Loss) Reclassified into Income from Accumulated OCI | | Gain (Loss) Recognized in Income on Derivative(1) | |
|---|---|---|---|---|---|---|
| **In millions** | **2013** | 2012 | **2013** | 2012 | **2013** | 2012 |
| Cash Flow Hedges | **$ (62.3)** | $ 13.9 | **$ (28.8)** | $ (7.2) | **$ (7.7)** | $ (10.8) |
| Net Investment Hedges | **$(229.8)** | $ 25.3 | **$ —** | $ — | | |
| Undesignated derivatives | | | | | **$ (31.7)** | $ (20.5) |

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

- ***Fair Value Hedges***

The Company enters into fair value hedges which convert a portion of its fixed-rate debt into floating-rate debt by use of interest rate swaps. At September 30, 2013, $2.2 billion of the Company's outstanding fixed-rate debt was effectively converted. For the nine months ended September 30, 2013, the Company recognized a $22.8 million loss on fair value interest rate swaps, which was exactly offset by a corresponding gain in the fair value of the hedged debt instruments.

- ***Cash Flow Hedges***

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

To protect against the reduction in value of forecasted foreign currency cash flows (such as royalties denominated in foreign currencies), the Company uses foreign currency forwards and foreign currency options to hedge a portion of anticipated exposures. The hedges cover the next 19 months for certain exposures and are denominated in various currencies. As of September 30, 2013, the Company had derivatives outstanding with an equivalent notional amount of $713.2 million that hedged a portion of forecasted foreign currency denominated royalties.

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 50 months and have an equivalent notional amount of $338.9 million.

The Company manages its exposure to energy-related transactions in certain markets by entering into commodity forwards and has elected cash flow hedge accounting. The hedges cover periods up to 22 years and have an equivalent gross notional amount of $961.3 million, comprised of offsetting purchases and sales of energy.

Based on market conditions at September 30, 2013, the $8.0 million in cumulative cash flow hedging gains, after tax, is not expected to have a significant effect on earnings over the next 12 months.

- ***Net Investment Hedges***

The Company primarily uses foreign currency denominated debt (third party and intercompany) to hedge its investments in certain foreign subsidiaries and affiliates. Realized and unrealized translation adjustments from these hedges are included in shareholders' equity in the foreign currency translation component of OCI and offset translation adjustments on the underlying net assets of foreign subsidiaries and affiliates, which also are recorded in OCI. As of September 30, 2013, $8.1 billion of intercompany foreign currency denominated debt, $4.5 billion of the Company's third party foreign currency denominated debt and $785.3 million of derivatives were designated to hedge investments in certain foreign subsidiaries and affiliates.

- ***Credit Risk***

The Company is exposed to credit-related losses in the event of non-performance by its derivative counterparties. The Company did not have significant exposure to any individual counterparty at September 30, 2013 and has master agreements that contain netting arrangements. For financial reporting purposes, the Company presents gross derivative balances in the financial statements and supplementary data, including for counterparties subject to netting arrangements.

**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.

| | **Quarters Ended September 30,** | | **Nine Months Ended September 30,** | |
|---|---|---|---|---|
| **In millions** | **2013** | 2012 | **2013** | 2012 |
| **Revenues** | | | | |
| U.S. | **$2,289.0** | $2,256.5 | **$ 6,659.9** | $ 6,601.1 |
| Europe | **2,955.3** | 2,793.1 | **8,378.8** | 8,069.8 |
| APMEA | **1,683.1** | 1,693.6 | **4,866.3** | 4,798.1 |
| Other Countries & Corporate | **396.0** | 409.2 | **1,107.5** | 1,145.9 |
| **Total revenues** | **$7,323.4** | $7,152.4 | **$21,012.5** | $20,614.9 |
| **Operating Income** | | | | |
| U.S. | **$1,021.7** | $ 973.8 | **$ 2,834.3** | $ 2,817.2 |
| Europe | **944.4** | 848.7 | **2,503.3** | 2,355.2 |
| APMEA | **391.8** | 443.2 | **1,128.4** | 1,185.9 |
| Other Countries & Corporate | **58.8** | 21.5 | **97.9** | 48.5 |
| **Total operating income** | **$2,416.7** | $2,287.2 | **$ 6,563.9** | $ 6,406.8 |

**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 34,923 restaurants in 119 countries at September 30, 2013, 28,281 were licensed to franchisees (including 20,117 franchised to conventional franchisees, 4,566 licensed to developmental licensees and 3,598 licensed to foreign affiliates ("affiliates") – primarily Japan) and 6,642 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. 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 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," which includes operations in Canada and Latin America, as well as Corporate activities. For the nine months ended September 30, 2013, the U.S., Europe and APMEA segments accounted for 32%, 40% and 23% of total revenues, respectively.

### Strategic Direction and Financial Performance

The strength of the alignment among 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 ("Plan") provides a common framework for our global business while allowing for local adaptation. Through the execution of multiple initiatives surrounding the five pillars of our Plan (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 nine years. This Plan, combined with financial discipline, has delivered strong results for our shareholders since its inception.

The Company's global growth priorities under the Plan include: optimizing our menu with compelling 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, new store expansion and value initiatives. We believe these priorities are relevant, actionable and, combined with our competitive advantages, will drive long-term sustainable profitable growth. We remain committed to pursuing strategies and investments that strengthen our business momentum over the long term.

Global comparable sales increased 0.9% and 0.3% for the quarter and nine months, respectively. The overall challenging environment, namely flat to declining informal eating out markets, diminishing ability to raise menu prices and heightened competitive activity, continued to pressure performance. On a consolidated basis, comparable guest counts decreased 1.4% for the nine months. Comparable sales are driven by changes in guest counts and average check, which are affected by changes in pricing and product mix. Generally, the goal is to achieve a balanced contribution from both guest counts and average check.

Looking ahead, we expect the overall challenging environment to persist, pressuring comparable sales performance and negatively impacting results for the remainder of the year. Despite the challenges inherent in the external environment, we are differentiating the McDonald's experience by uniting consumer insights, innovation and execution.

U.S. comparable sales increased 0.7% and 0.2% for the quarter and nine months, respectively. New product introductions across the four key growth categories of chicken, beef, breakfast and beverages, and ongoing support for everyday value and McDonald's classic core favorites, contributed to the segment's sales performance. Sales results for the quarter were also positively impacted by the popular Monopoly promotion. Moving forward, U.S. business initiatives are designed to satisfy evolving customer expectations through a balanced approach to value, variety and convenience. Additionally, ongoing restaurant reimaging and customer service initiatives continue to be a priority in enhancing the customer experience.

In Europe, comparable sales increased 0.2% for the quarter and decreased 0.3% for the nine months, respectively, reflecting positive performance in the U.K. and Russia, and continued weak performance in Germany. Solid results in France also contributed to the quarter. Looking ahead, Europe remains focused on reigniting momentum with enhanced premium beverage and menu items and everyday affordability options across all dayparts. In addition, Europe continues to focus on enhancing the customer experience through ongoing restaurant reimaging and technology initiatives.

In APMEA, comparable sales decreased 1.4% and 1.7% for the quarter and nine months, respectively, primarily due to negative results in Japan, China and Australia, partly offset by positive performance in several other markets. APMEA remains focused on driving performance by offering comprehensive value platforms, accelerating growth at breakfast, modernizing the customer experience through ongoing restaurant reimaging, and broadening accessibility through service and convenience initiatives and new restaurant development.

**Third Quarter and Nine Months 2013 Operating Results Included:**

- Global comparable sales increased 0.9% for the quarter and 0.3% for the nine months.
- Consolidated revenues increased 2% (2% in constant currencies) for the quarter and nine months.
- Consolidated operating income increased 6% (6% in constant currencies) for the quarter and increased 2% (3% in constant currencies) for the nine months.
- Diluted earnings per share were $1.52 for the quarter and $4.16 for the nine months, up 6% (7% in constant currencies) and 5% (5% in constant currencies), respectively. Foreign currency translation negatively impacted diluted earnings per share by $0.01 for the quarter and $0.03 for the nine months.
- For the nine months, the Company paid total dividends of $2.3 billion and repurchased 13.3 million shares for $1.3 billion.
- The quarterly cash dividend increased 5% to $0.81 per share - the equivalent of $3.24 annually - effective for the fourth quarter 2013.

**Outlook**

The Company expects the dynamics of the current environment to persist, namely flat to declining informal eating out markets, diminishing ability to raise menu prices, ongoing cost pressures and heightened competitive activity. As a result, for the fourth quarter, the Company expects our global comparable sales performance to be in-line with recent quarterly trends while restaurant margin percentages are expected to decline at a level relatively similar to our first quarter results. 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 2.5 percentage points to 2013 Systemwide sales growth (in constant currencies), most of which will be due to the 1,135 net traditional restaurants added in 2012.
- 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 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 2013, the total basket of goods cost is expected to increase 1.5-2.0% in the U.S. and Europe.
- The Company expects full-year 2013 selling, general and administrative expenses to decrease between 2-3% in constant currencies.
- Based on current interest and foreign currency exchange rates, the Company expects interest expense for the full year 2013 to increase approximately 1-2% compared with 2012.
- 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 25 cents.

- The Company expects the effective income tax rate for the full-year 2013 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 2013 to be about $3.0 billion. Over half of this amount will be used to open new restaurants. The Company expects to open about 1,500 restaurants including about 500 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 1,200 traditional restaurants. The remaining capital will be used to reinvest in existing locations, in part through reimaging. More than 1,600 restaurants worldwide are expected to be reimaged, including locations in affiliated and developmental licensee markets that 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, 2013** | | **Nine Months Ended September 30, 2013** | |
|---|---|---|---|---|
| | **Amount** | **Increase/ (Decrease)** | **Amount** | **Increase/ (Decrease)** |
| **Revenues** | | | | |
| Sales by Company-operated restaurants | $ 4,923.1 | 2% | $ 14,129.9 | 1% |
| Revenues from franchised restaurants | 2,400.3 | 4 | 6,882.6 | 3 |
| **Total revenues** | 7,323.4 | 2 | 21,012.5 | 2 |
| **Operating costs and expenses** | | | | |
| Company-operated restaurant expenses | 4,004.4 | 2 | 11,649.9 | 2 |
| Franchised restaurants—occupancy expenses | 408.4 | 6 | 1,202.7 | 6 |
| Selling, general & administrative expenses | 554.3 | (11) | 1,757.8 | (4) |
| Other operating (income) expense, net | (60.4) | (13) | (161.8) | (8) |
| **Total operating costs and expenses** | 4,906.7 | 1 | 14,448.6 | 2 |
| **Operating income** | 2,416.7 | 6 | 6,563.9 | 2 |
| Interest expense | 130.5 | 2 | 388.4 | 0 |
| Nonoperating (income) expense, net | 13.6 | n/m | 26.2 | n/m |
| **Income before provision for income taxes** | 2,272.6 | 6 | 6,149.3 | 2 |
| Provision for income taxes | 750.4 | 7 | 1,960.4 | 1 |
| **Net income** | $ 1,522.2 | 5% | $ 4,188.9 | 3% |
| **Earnings per common share-basic** | $ 1.53 | 6% | $ 4.19 | 4% |
| **Earnings per common share-diluted** | $ 1.52 | 6% | $ 4.16 | 5% |

n/m Not meaningful

**Impact of Foreign Currency Translation**

While changes in foreign currency exchange rates affect reported results, McDonald's mitigates exposures, where practical, by purchasing goods and services in local currencies, financing in local currencies and hedging certain foreign-denominated cash flows. Management reviews and analyzes business results excluding the effect of foreign currency translation and bases incentive compensation plans on these results because 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,** | **2013** | 2012 | **2013** |
| Revenues | **$ 7,323.4** | $ 7,152.4 | **$ 0.3** |
| Company-operated margins | **918.7** | 924.0 | **(0.8)** |
| Franchised margins | **1,991.9** | 1,930.6 | **(9.7)** |
| Selling, general & administrative expenses | **554.3** | 620.9 | **(1.8)** |
| Operating income | **2,416.7** | 2,287.2 | **(15.3)** |
| Net income | **1,522.2** | 1,455.0 | **(13.7)** |
| Earnings per share-diluted | **$ 1.52** | $ 1.43 | **$(0.01)** |

| | | | Currency Translation (Cost) |
|---|---|---|---|
| **Nine Months Ended September 30,** | **2013** | 2012 | 2013 |
| Revenues | **$21,012.5** | $20,614.9 | **$ (8.2)** |
| Company-operated margins | **2,480.0** | 2,551.5 | **(2.1)** |
| Franchised margins | **5,679.9** | 5,536.5 | **(30.5)** |
| Selling, general & administrative expenses | **1,757.8** | 1,830.7 | **(3.3)** |
| Operating income | **6,563.9** | 6,406.8 | **(44.4)** |
| Net income | **4,188.9** | 4,068.7 | **(37.8)** |
| Earnings per share-diluted | **$ 4.16** | $ 3.98 | **$(0.03)** |

Foreign currency translation had a negative impact on consolidated operating results for the quarter and nine months, due to the stronger Euro, more than offset by the weaker Yen, Australian Dollar and many other foreign currencies.

**Net Income and Diluted Earnings per Common Share**

For the quarter, net income increased 5% (6% in constant currencies) to $1,522.2 million and diluted earnings per share increased 6% (7% in constant currencies) to $1.52. Foreign currency translation had a negative impact of $0.01 on diluted earnings per share.

For the nine months, net income increased 3% (4% in constant currencies) to $4,188.9 million and diluted earnings per share increased 5% (5% in constant currencies) to $4.16. Foreign currency translation had a negative impact of $0.03 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 higher franchised margin dollars and lower selling, general and administrative expenses. For the nine months, results were also negatively impacted by lower Company-operated margin dollars. A decrease in diluted weighted average shares outstanding contributed to the growth in diluted earnings per share for both periods, more significantly for the nine months.

During the quarter, the Company repurchased 5.2 million shares of its stock for $506.3 million, bringing total purchases for the nine months to 13.3 million shares or $1.3 billion. In addition, the Company paid a quarterly dividend of $0.77 per share or $767.5 million, bringing the total dividends paid for the nine months to $2.3 billion. The Company also declared a fourth quarter 2013 dividend of $0.81 per share, reflecting an increase of 5%, and expects total cash returned to shareholders for the year to range between $4.5 and $5.0 billion.

## Revenues

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

**REVENUES**
*Dollars in millions*

| **Quarters Ended September 30,** | **2013** | 2012 | Inc/ (Dec) | Inc/ (Dec) Excluding Currency Translation |
|---|---|---|---|---|
| *Company-operated sales* | | | | |
| U.S. | **$ 1,161.9** | $ 1,152.6 | 1% | 1% |
| Europe | **2,123.7** | 2,029.4 | 5 | 3 |
| APMEA | **1,420.9** | 1,423.6 | 0 | 1 |
| Other Countries & Corporate | **216.6** | 232.8 | (7) | (3) |
| Total | **$ 4,923.1** | $ 4,838.4 | 2% | 2% |
| *Franchised revenues* | | | | |
| U.S. | **$ 1,127.1** | $ 1,103.9 | 2% | 2% |
| Europe | **831.6** | 763.7 | 9 | 4 |
| APMEA | **262.2** | 270.0 | (3) | 8 |
| Other Countries & Corporate | **179.4** | 176.4 | 2 | 8 |
| Total | **$ 2,400.3** | $ 2,314.0 | 4% | 4% |
| *Total revenues* | | | | |
| U.S. | **$ 2,289.0** | $ 2,256.5 | 1% | 1% |
| Europe | **2,955.3** | 2,793.1 | 6 | 3 |
| APMEA | **1,683.1** | 1,693.6 | (1) | 2 |
| Other Countries & Corporate | **396.0** | 409.2 | (3) | 2 |
| Total | **$ 7,323.4** | $ 7,152.4 | 2% | 2% |

| **Nine Months Ended September 30,** | **2013** | 2012 | Inc/ (Dec) | Inc/ (Dec) Excluding Currency Translation |
|---|---|---|---|---|
| *Company-operated sales* | | | | |
| U.S. | **$ 3,397.6** | $ 3,394.6 | 0% | 0% |
| Europe | **6,044.1** | 5,858.6 | 3 | 3 |
| APMEA | **4,086.1** | 4,032.5 | 1 | 1 |
| Other Countries & Corporate | **602.1** | 658.4 | (9) | (7) |
| Total | **$ 14,129.9** | $ 13,944.1 | 1% | 1% |
| *Franchised revenues* | | | | |
| U.S. | **$ 3,262.3** | $ 3,206.5 | 2% | 2% |
| Europe | **2,334.7** | 2,211.2 | 6 | 3 |
| APMEA | **780.2** | 765.6 | 2 | 8 |
| Other Countries & Corporate | **505.4** | 487.5 | 4 | 8 |
| Total | **$ 6,882.6** | $ 6,670.8 | 3% | 4% |
| *Total revenues* | | | | |
| U.S. | **$ 6,659.9** | $ 6,601.1 | 1% | 1% |
| Europe | **8,378.8** | 8,069.8 | 4 | 3 |
| APMEA | **4,866.3** | 4,798.1 | 1 | 2 |
| Other Countries & Corporate | **1,107.5** | 1,145.9 | (3) | 0 |
| Total | **$ 21,012.5** | $ 20,614.9 | 2% | 2% |

Consolidated revenues increased 2% (2% in constant currencies) for the quarter and nine months, driven primarily by expansion. Comparable sales and guest counts for both periods were pressured by challenging economic and IEO industry conditions.

- In the U.S., the increase in revenues for the quarter and nine months was driven by expansion and slightly positive comparable sales performance. Innovative new menu options in key growth categories, ongoing support for everyday value and McDonald's classic core favorites contributed to performance. Sales results for the quarter were also positively impacted by the popular Monopoly promotion.
- In Europe, the constant currency increase in revenues for the quarter and nine months was driven by expansion, primarily in Russia (which is entirely Company-operated), and to a lesser extent France. Revenue growth also benefited from positive comparable sales in the U.K. and Russia, partly offset by weaker performance in Germany.
- In APMEA, the constant currency increase in revenues for the quarter and nine months was driven by expansion, partly offset by negative comparable sales, primarily in China. The quarter was also impacted by negative comparable sales in Australia.

The following table presents the percent change in comparable sales for the quarter and nine months ended September 30, 2013 and 2012:

**COMPARABLE SALES**

| | Increase/ (Decrease) | | | |
|---|---|---|---|---|
| | **Quarters Ended September 30,** | | **Nine Months September 30, *** | |
| | **2013** | 2012 | **2013** | 2012 |
| U.S. | **0.7%** | 1.2% | **0.2%** | 4.4% |
| Europe | **0.2** | 1.8 | **(0.3)** | 3.4 |
| APMEA | **(1.4)** | 1.4 | **(1.7)** | 2.5 |
| Other Countries & Corporate | **8.6** | 5.5 | **7.0** | 8.5 |
| Total | **0.9%** | 1.9% | **0.3%** | 4.1% |

* On a consolidated basis, comparable guest counts decreased 1.4% and increased 2.2% for the nine months 2013 and 2012, respectively.

The following table presents the percent change in Systemwide sales for the quarter and nine months ended September 30, 2013:

**SYSTEMWIDE SALES**

| | **Quarter Ended September 30, 2013** | | **Nine Months Ended September 30, 2013** | |
|---|---|---|---|---|
| | Inc/ (Dec) | Increase Excluding Currency Translation | Inc/ (Dec) | Increase Excluding Currency Translation |
| U.S. | 2% | 2% | 1% | 1% |
| Europe | 7 | 3 | 4 | 2 |
| APMEA | (6) | 4 | (4) | 3 |
| Other Countries & Corporate | 3 | 12 | 4 | 10 |
| Total | 1% | 4% | 1% | 3% |

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, | 2013 | 2012 | Inc/ (Dec) | Increase Excluding Currency Translation |
|---|---|---|---|---|
| U.S. | **$ 8,129.9** | $ 7,985.0 | 2% | 2% |
| Europe | **4,677.4** | 4,351.4 | 7 | 3 |
| APMEA | **3,238.0** | 3,551.2 | (9) | 5 |
| Other Countries & Corporate | **2,183.7** | 2,090.5 | 4 | 14 |
| Total* | **$ 18,229.0** | $ 17,978.1 | 1% | 4% |

| Nine Months Ended September 30, | 2013 | 2012 | Inc/ (Dec) | Increase Excluding Currency Translation |
|---|---|---|---|---|
| U.S. | **$ 23,590.0** | $ 23,282.6 | 1% | 1% |
| Europe | **13,126.8** | 12,577.9 | 4 | 2 |
| APMEA | **9,574.6** | 10,180.4 | (6) | 4 |
| Other Countries & Corporate | **6,253.5** | 5,935.0 | 5 | 12 |
| Total* | **$ 52,544.9** | $ 51,975.9 | 1% | 3% |

* Sales from developmental licensed restaurants or foreign affiliated markets where the Company earns a royalty based on a percent of sales were $3,862.8 million and $4,032.1 million for the quarters 2013 and 2012, respectively, and $11,235.7 million and $11,586.1 million for the nine months 2013 and 2012, respectively. Results were negatively impacted by the weaker Yen, which reduced Japan's sales contribution for both periods in 2013. 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*

| | Percent | | Amount | | | Inc/ (Dec) Excluding Currency |
|---|---|---|---|---|---|---|
| **Quarters Ended September 30,** | **2013** | 2012 | **2013** | 2012 | Inc/ (Dec) | Translation |
| *Franchised* | | | | | | |
| U.S. | **84.0%** | 84.1% | **$ 946.3** | $ 928.8 | 2 % | 2 % |
| Europe | **79.3** | 79.7 | **659.1** | 608.8 | 8 | 4 |
| APMEA | **88.1** | 89.1 | **230.8** | 240.7 | (4) | 7 |
| Other Countries & Corporate | **86.8** | 86.3 | **155.7** | 152.3 | 2 | 9 |
| Total | **83.0%** | 83.4% | **$1,991.9** | $1,930.6 | 3 % | 4 % |
| *Company-operated* | | | | | | |
| U.S. | **18.4%** | 19.8% | **$ 214.3** | $ 228.2 | (6)% | (6)% |
| Europe | **21.1** | 20.4 | **448.4** | 415.0 | 8 | 7 |
| APMEA | **15.3** | 16.9 | **217.7** | 240.2 | (9) | (7) |
| Other Countries & Corporate | **17.7** | 17.5 | **38.3** | 40.6 | (6) | (2) |
| Total | **18.7%** | 19.1% | **$ 918.7** | $ 924.0 | (1)% | 0 % |

| | Percent | | Amount | | | Inc/ (Dec) Excluding Currency |
|---|---|---|---|---|---|---|
| **Nine Months Ended September 30,** | **2013** | 2012 | **2013** | 2012 | Inc/ (Dec) | Translation |
| *Franchised* | | | | | | |
| U.S. | **83.7%** | 84.0% | **$2,730.2** | $2,692.0 | 1 % | 1 % |
| Europe | **78.4** | 79.0 | **1,829.4** | 1,746.7 | 5 | 3 |
| APMEA | **87.8** | 88.8 | **685.0** | 680.0 | 1 | 8 |
| Other Countries & Corporate | **86.1** | 85.7 | **435.3** | 417.8 | 4 | 9 |
| Total | **82.5%** | 83.0% | **$5,679.9** | $5,536.5 | 3 % | 3 % |
| *Company-operated* | | | | | | |
| U.S. | **18.2%** | 19.5% | **$ 619.0** | $ 661.1 | (6)% | (6)% |
| Europe | **19.2** | 19.1 | **1,159.7** | 1,121.3 | 3 | 3 |
| APMEA | **14.7** | 16.3 | **602.6** | 659.2 | (9) | (8) |
| Other Countries & Corporate | **16.4** | 16.7 | **98.7** | 109.9 | (10) | (8) |
| Total | **17.6%** | 18.3% | **$2,480.0** | $2,551.5 | (3)% | (3)% |

Franchised margin dollars increased $61.3 million or 3% (4% in constant currencies) for the quarter and increased $143.4 million or 3% (3% in constant currencies) for the nine months.

- In the U.S., the franchised margin percent decreased for the quarter and nine months due to higher depreciation related to reimaging, partly offset by slightly positive comparable sales performance.
- In Europe, the franchised margin percent decreased for the quarter and nine months due to higher rent expense.
- In APMEA, the franchised margin percent decreased for the quarter and nine months primarily due to results in Australia, and the impact of the weaker Yen, which reduced Japan's favorable contribution to the segment's margin percent.

Company-operated margin dollars decreased $5.3 million or 1% (flat in constant currencies) for the quarter and decreased $71.5 million or 3% (3% in constant currencies) for the nine months, reflecting soft comparable sales performance, which impacted our ability to overcome cost pressures.

- In the U.S., the Company-operated margin percent for the quarter and nine months decreased primarily due to higher occupancy and other operating costs and commodities, both of which had a more significant impact in the quarter. Higher labor costs also negatively impacted results for the nine months.
- In Europe, the Company-operated margin percent increased for the quarter and nine months due to positive comparable sales performance in Russia and the U.K. mostly offset by higher commodity and occupancy costs. The margin percent for the quarter also benefited from positive comparable sales in France. Higher labor costs negatively impacted results for the nine months, with limited impact on the quarter.
- In APMEA, the Company-operated margin percent for the quarter and nine months decreased primarily due to higher labor costs throughout the segment and new restaurant openings, mainly in China. 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 September 30, | | Nine Months September 30, | |
|---|---|---|---|---|
| | **2013** | 2012 | **2013** | 2012 |
| Food & paper | **33.7%** | 33.8% | **33.7%** | 34.1% |
| Payroll & employee benefits | **24.7** | 24.7 | **25.6** | 25.2 |
| Occupancy & other operating expenses | **22.9** | 22.4 | **23.1** | 22.4 |
| Total expenses | **81.3%** | 80.9% | **82.4%** | 81.7% |
| Company-operated margins | **18.7%** | 19.1% | **17.6%** | 18.3% |

**Selling, General & Administrative Expenses**

Selling, general and administrative expenses decreased $66.6 million or 11% (11% in constant currencies) for the quarter and $72.9 million or 4% (4% in constant currencies) for the nine months due to lower incentive-based compensation in 2013 and costs in the prior year related to the 2012 London Olympics, partly offset by higher employee costs. In addition, for the nine months, 2012 included costs related to the Worldwide Owner/Operator Convention.

For the nine months, selling, general and administrative expenses as a percent of revenues decreased to 8.4% for 2013 compared with 8.9% for 2012, and as a percent of Systemwide sales decreased to 2.6% for 2013 compared with 2.8% for 2012.

**Other Operating (Income) Expense, Net**

**OTHER OPERATING (INCOME) EXPENSE, NET**
*Dollars in millions*

| | Quarters Ended September 30, | | Nine Months September 30, | |
|---|---|---|---|---|
| | **2013** | 2012 | **2013** | 2012 |
| Gains on sales of restaurant businesses | **$ (45.4)** | $ (38.6) | **$(129.5)** | $ (79.6) |
| Equity in earnings of unconsolidated affiliates | **(23.6)** | (37.4) | **(67.2)** | (111.4) |
| Asset dispositions and other (income) expense, net | **8.6** | 22.5 | **34.9** | 41.5 |
| Total | **$ (60.4)** | $ (53.5) | **$(161.8)** | $ (149.5) |

Gains on sales of restaurant businesses increased for the nine months primarily in Australia and Europe. The quarter and nine months were also impacted by lower gains on sales of restaurants in China to developmental licensees and higher gains in the U.S. The Company's sales of restaurants to its franchisees are aimed at achieving an optimal ownership mix in each market.

The decrease in equity in earnings of unconsolidated affiliates for the quarter and nine months reflected lower operating results, primarily in Japan, and the impact of the weaker Yen.

### Operating Income

**OPERATING INCOME**
*Dollars in millions*

| **Quarters Ended September 30,** | **2013** | 2012 | Inc/ (Dec) | Inc/ (Dec) Excluding Currency Translation |
|---|---|---|---|---|
| U.S. | **$ 1,021.7** | $ 973.8 | 5% | 5% |
| Europe | **944.4** | 848.7 | 11 | 8 |
| APMEA | **391.8** | 443.2 | (12) | (4) |
| Other Countries & Corporate | **58.8** | 21.5 | n/m | n/m |
| Total | **$ 2,416.7** | $ 2,287.2 | 6% | 6% |

| **Nine Months Ended September 30,** | **2013** | 2012 | Inc/ (Dec) | Increase Excluding Currency Translation |
|---|---|---|---|---|
| U.S. | **$ 2,834.3** | $ 2,817.2 | 1% | 1% |
| Europe | **2,503.3** | 2,355.2 | 6 | 5 |
| APMEA | **1,128.4** | 1,185.9 | (5) | 0 |
| Other Countries & Corporate | **97.9** | 48.5 | n/m | n/m |
| Total | **$ 6,563.9** | $ 6,406.8 | 2% | 3% |

n/m Not meaningful

Operating income increased $129.5 million or 6% (6% in constant currencies) for the quarter and $157.1 million or 2% (3% in constant currencies) for the nine months.

- In the U.S., operating results increased for the quarter and nine months due to higher franchised margin dollars and lower selling, general and administrative expenses, partly offset by lower Company-operated margin dollars. The quarter was also positively impacted by higher other operating income.
- In Europe, constant currency operating results for the quarter and nine months were driven by higher franchised and Company-operated margin dollars and lower selling, general and administrative expenses. The nine months were also positively impacted by higher gains on sales of restaurants.
- In APMEA, constant currency operating results for the quarter and nine months reflected lower Company-operated margin dollars, mostly offset by higher franchised margin dollars. The quarter was also negatively impacted by lower other operating income.

- ***Combined Operating Margin***

Combined operating margin is defined as operating income as a percent of total revenues. Combined operating margin was 31.2% and 31.1% for the nine months 2013 and 2012, respectively.

### Interest Expense

Interest expense increased 2% for the quarter and was flat for the nine months.

**Nonoperating (Income) Expense, Net**

**NONOPERATING (INCOME) EXPENSE, NET**
*Dollars in millions*

| | Quarters Ended September 30, | | Nine Months September 30, | |
|---|---|---|---|---|
| | **2013** | 2012 | **2013** | 2012 |
| Interest Income | **$ (3.4)** | $ (5.0) | **$(10.5)** | $(23.0) |
| Foreign currency and hedging activity | **3.7** | 0.8 | **9.8** | 8.4 |
| Other (income) expense, net | **13.3** | 9.7 | **26.9** | 23.4 |
| Total | **$13.6** | $ 5.5 | **$ 26.2** | $ 8.8 |

**Income Taxes**

The effective income tax rate was 33.0% and 32.4% for the quarters 2013 and 2012, respectively, and 31.9% and 32.3% for the nine months 2013 and 2012, respectively. The 2013 effective income tax rate for the nine months included a tax benefit of nearly $50 million, reflecting the retroactive impact of certain tax benefits as a result of the American Taxpayer Relief Act of 2012.

**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 $5.2 billion and exceeded capital expenditures by $3.3 billion for the nine months 2013. Cash provided by operations increased $131.2 million compared with the nine months 2012.

Cash used for investing activities totaled $1.7 billion for the nine months 2013, a decrease of $340.5 million compared with the nine months 2012, primarily due to the maturity of certain short-term time deposits and lower capital expenditures.

Cash used for financing activities totaled $3.4 billion for the nine months 2013, an increase of $152.3 million compared with the nine months 2012, reflecting lower debt issuances and higher dividend payments.  The increase was mostly offset by lower treasury stock purchases.

Debt obligations at September 30, 2013 totaled $13.5 billion compared with $13.6 billion at December 31, 2012. The decrease was primarily due to net debt repayments.

**Risk Factors and Cautionary Statement Regarding Forward-Looking Statements**

The information in 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 and a brand customers trust. Meeting customer expectations is complicated by the risks inherent in our global operating environment. Our business model is built around growing comparable sales to realize margin leverage, and we expect unfavorable economic conditions in many markets to continue to pressure our financial performance, with continued flat or contracting IEO segments in many markets, broad-based consumer caution and price sensitivity, reduced pricing power and intensifying competitive activity. Given these conditions and persistent cost pressures, we expect our results in the near term to remain challenged.

We have the added challenge of the cultural 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, tax and other initiatives around the world, notably the focus on nutritional content and the sourcing, 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 and our global growth priorities.**

*The Plan to Win addresses the key drivers of our business and results - people, products, place, price and promotion - and we are focused on our three global growth priorities that represent the greatest opportunities under our Plan to Win: optimizing our menu, modernizing the customer experience and broadening accessibility to our brand. 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 perceptions of our business or affect the willingness of other companies to enter into site, supply or other arrangements with us;
- Our continued innovation in all aspects of the McDonald's experience to differentiate the McDonald's experience in a way that balances value with margin levels;
- The impact of planned changes to our value menu, which has been an important component of our overall menu strategy; our ability to continue robust menu development and manage the complexity of our restaurant operations; our ability to adapt our plans to deliver a locally-relevant experience in a highly competitive, value-driven operating environment; our ability to leverage promotional or operating successes across markets; and whether sales gains associated with new product introductions are sustained;
- The risks associated with our franchise business model, including whether our franchisees 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, costly to exercise or subject to litigation;
- The success of our tiered approach to menu offerings; the impact of pricing, product, marketing and promotional plans on sales and margins; and our ability to adjust these plans to respond quickly to changing economic and competitive conditions;
- Our ability to drive restaurant improvements that achieve optimal capacity, particularly during peak mealtime hours, and motivate our restaurant personnel and our franchisees to achieve consistency and high service levels so as to improve perceptions of our ability to meet expectations for quality food served in clean and friendly environments;
- Our plans for restaurant reimaging and rebuilding, and whether we are able to identify and develop restaurant sites consistent with our plans for net growth of Systemwide restaurants and achieve our sales and profitability targets;
- Whether our global digital initiatives will drive growth in guest counts and customer engagement, and the impact that third-party loyalty programs and other customer data aggregators may have on our ability to do so;
- The success of our sustainability initiatives to support our brand ambition of good food, good people and good neighbor, which will require Systemwide coordination and alignment, including with our franchisees, and whether we will be effective in addressing these and other matters of social responsibility in a way that inspires trust and confidence;

- The costs and risks associated with our increasing use of technological and digital systems (e.g., point-of-sale and other in-store systems or platforms) that support our restaurants and that are made available to franchisees along with related services; the risk that we will not fully realize the benefits of the significant investments we are making to enhance the customer experience; the potential for system performance failures, security breaches involving our systems or those of third-party providers; legal risks associated with providing technology-related services to franchisees, including those relating to data collection, protection and management; and litigation risk involving intellectual property rights;
- Our ability to respond effectively to adverse perceptions about the quick-service category of the IEO segment or about our food (including its nutritional content and preparation), promotions and premiums, such as Happy Meal toys (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 labor organizations and activists, including through the use of social media and other mobile communications and applications, to promote adverse perceptions of the quick-service category of the IEO segment or our brand, management, suppliers or franchisees, or to promote or threaten boycotts, strikes or other actions involving the industry, McDonald's or our suppliers and franchisees;
- 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 or the suppliers, franchisees and others that are also part of the McDonald's System and whose performance has a material impact on our results; and
- Our ability to recruit and retain qualified personnel to manage our operations and growth.

**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 potential adverse effects of the automatic government spending cuts in 2013 and 2014 as well as the potential impact from any future government shutdown. In the Eurozone, consumer and business confidence and spending continue to be depressed in many markets. Important markets in Asia, which have been key drivers of global growth, have also been experiencing declining growth rates. 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 most of our major markets. We are also facing increasing competition from an expanded set of competitors that include many non-traditional market participants such as conventional retailers and coffee shops. To address this environment, 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 further market share gains, which have been achieved at declining rates in recent periods, while at the same time enabling us to achieve our targeted operating income growth despite the current adverse economic conditions, resurgent competitors and an increasingly complex and costly 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, and the effectiveness of pricing, hedging and other actions taken to address this environment;
- The impact on our margins of labor costs that we cannot offset through price increases, and the long-term trend toward higher wages and social expenses in both mature and developing markets, which may intensify with increasing public focus on these issues;
- The impact of foreign exchange and interest rates on our financial condition and results;
- 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; 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, including where inconsistent standards imposed by governmental 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 regulations 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 studies and conclusions, which constantly evolve and often have contradictory implications, but nonetheless drive popular opinion, litigation and regulation (including tax initiatives intended to drive consumer behavior) 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, litigation with or involving our relationship with franchisees, 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, greenhouse gases, energy and water resources, as well as the increased public focus, including by governmental and non-governmental organizations, on these and other environmental sustainability matters (e.g., land use, 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 focus on workplace practices and conditions and costs and other effects of compliance with U.S. and overseas regulations affecting our workforce and labor practices, including those relating to wage and hour practices, healthcare, immigration, retirement and other employee benefits and unlawful workplace discrimination, and our exposure to reputational and other harm as a result of perceptions about our workplace practices or conditions or those of our franchisees;
- 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 suppliers' 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, 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 information systems, and the risk of resulting criminal penalties or civil liability related to such breaches;
- The impact on our operations of tax and other regulations affecting capital flows, financial markets or financial institutions, which can limit our ability to manage and deploy our liquidity or increase our funding costs; 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.

**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 be affected by market commentary (including commentary that may be unreliable or incomplete); unauthorized disclosures about our performance, plans or expectations about our business; our actual performance and creditworthiness; investor confidence generally; actions by shareholders and others seeking to influence our business strategies; portfolio transactions in our stock by significant shareholders; or trading activity that results from the ordinary course rebalancing of stock indices in which McDonald's may be included, such as the S&P 500 Index and the Dow Jones Industrial Average;
- The impact of our stock repurchase program or dividend rate; and
- The impact on our results of 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, 2012 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, 2013. 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, 2013 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, 2012 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 three months ended September 30, 2013:

| 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, 2013 | 1,951,516 | $ 98.31 | 1,951,516 | $ 8,274,161,538 |
| August 1 - 31, 2013 | 1,919,624 | 95.98 | 1,919,624 | 8,089,907,002 |
| September 1 - 30, 2013 | 1,342,498 | 96.97 | 1,342,498 | 7,959,727,224 |
| Total | 5,213,638 | $ 97.11 | 5,213,638 | |

* 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 July 19, 2012, the Company's Board of Directors approved a share repurchase program, effective August 1, 2012, that authorizes the purchase of up to $10 billion of the Company's outstanding common stock with no specified expiration date.

## Item 6. Exhibits

| Exhibit Number | Description |
|---|---|
| (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) 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.** |
| | (e) 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.** |
| | (f) 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.** |
| | (g) McDonald's Corporation 2012 Omnibus Stock Ownership Plan, effective June 1, 2012, incorporated herein by reference from Form 10-Q, for the quarter ended September 30, 2012.** |
| | (h) 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.** |
| | (i) McDonald's Corporation Target Incentive Plan, effective January 1, 2013, incorporated herein by reference from Form 10-Q, for the quarter ended March 31, 2013.** |
| | (j) McDonald's Corporation Cash Performance Unit Plan, effective February 13, 2013, incorporated herein by reference from Form 10-Q, for the quarter ended March 31, 2013.** |
| | (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.** |

| Exhibit Number | | Description |
|---|---|---|
| | (m) | Form of Executive Stock Option Award Agreement in connection with the 2012 Omnibus Stock Ownership Plan, incorporated herein by reference from Form 10-Q, for the quarter ended March 31, 2013.** |
| | (n) | Form of Executive Performance-Based Restricted Stock Unit Award Agreement in connection with the 2012 Omnibus Stock Ownership Plan, incorporated herein by reference from Form 10-Q, for the quarter ended March 31, 2013.** |
| | (o) | Form of Special CPUP Performance-Based Restricted Stock Unit Award Agreement in connection with the 2012 Omnibus Stock Ownership Plan, incorporated herein by reference from Form 10-Q, for the quarter ended March 31, 2013.** |
| | (p) | McDonald’s Corporation Severance Plan, as Amended and Restated, effective September 9, 2013, filed herewith.** |
| | (q) | 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.** |
| | (r) | 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.** |
| | (s) | Description of Restricted Stock Units granted to Andrew J. McKenna, incorporated herein by reference from Form 10-Q, for the quarter ended June 30, 2013.** |
| | (t) | 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.** |
| | (u) | 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.** |
| | (v) | Separation Agreement between Janice Fields and the Company, dated May 15, 2013, incorporated herein by reference from Form 10-Q, for the quarter ended June 30, 2013.** |
| | (w) | Later Date Agreement between Janice Fields and the Company, dated May 15, 2013, incorporated herein by reference from Form 10-Q, for the quarter ended June 30, 2013.** |
| (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

October 30, 2013

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

Exhibit 10(p)

# McDonald’s Corporation
# Severance Plan

## As Amended and Restated Effective September 9, 2013

## TABLE OF CONTENTS

# McDONALD'S CORPORATION
# SEVERANCE PLAN

## ARTICLE I.
## Statement of Purpose

McDonald's Corporation has established the McDonald's Corporation Severance Plan to provide financial assistance through severance payments and other benefits to employees on the United States payroll who are subject to United States taxation and whose employment with an Employer hereunder is terminated in a Covered Termination.

The Plan is intended to be an unfunded welfare benefit plan for purposes of the Employee Retirement Income Security Act of 1974, as amended, and a severance pay plan within the meaning of the United States Department of Labor regulation section 2510.3-2(b). All prior existing severance pay plans, programs and practices for employees (other than the McDonald's Corporation Change of Control Severance Plan), whether formal or informal, are hereby revoked and terminated for Covered Employees. This document applies to Covered Employees whose Covered Termination occurs on and after September 9, 2013. Except as provided in Section 4.1 of the Plan, the payment of severance benefits to any Employee who had a Covered Termination prior to September 9, 2013 shall be determined in accordance with the terms of the Plan in effect at the time of such Employee's Covered Termination.

## ARTICLE II.
## Definitions

**Cash Performance Unit Plan or CPUP.** "Cash Performance Unit Plan" or "CPUP" means the McDonald's Cash Performance Unit Plan, the long-term incentive plan for eligible Officers or, if applicable, such other long-term cash incentive plan of an Employer as may be in effect as of a Qualifying Employee's Termination Date.

**Cause.** "Cause" means any one or more of the following:

(a) an Employee's commission of any act or acts involving dishonesty, fraud, illegality or moral turpitude;

(b) an Employee's willful or reckless material misconduct in the performance of his or her duties;

(c) an Employee's willful habitual neglect of material duties; or

(d) an Employee's serious and reckless or intentional violation of McDonald's Standards of Business Conduct.

**Change of Control Severance Plan.** "Change of Control Severance Plan" means (i) the McDonald's Change of Control Severance Plan or (ii) a McDonald's Corporation Tier I or Tier

II Change of Control Employment Agreement, established as of January 1, 2008, as each is amended from time to time.

**Claim.** "Claim" means a written application for Severance Benefits under Section 9.1 of the Plan.

**Claimant.** "Claimant" means any individual who believes that he or she is eligible for Severance Benefits under this Plan and files a claim pursuant to Section 9.1 of the Plan.

**COBRA.** "COBRA" means the provisions regarding healthcare continuation coverage set forth in Section 601 *et seq*. of ERISA and Section 4980B of the Code.

**COBRA Premium.** "COBRA Premium" means the monthly cost of providing healthcare continuation coverage for a qualified beneficiary under COBRA, as adjusted from time to time.

**Code.** "Code" means the Internal Revenue Code of 1986, as amended.

**Company Service Date.** "Company Service Date" means an Employee's first day of full-time employment or benefits eligible part-time employment with an Employer as determined by McDonald's Human Resources Department.

**Compensation.** "Compensation" means the defined term under McDonald's Corporation Profit Sharing and Savings Plan, McDonald's Corporation Excess Benefit and Deferred Bonus Plan and any other long-term incentive plan, welfare benefits plan, deferred compensation arrangement, fringe benefit, practice or policy maintained by an Employer as described in Section 6.3 of the Plan.

**Covered Employee.** "Covered Employee" means an Employee who has been notified by McDonald's Corporation that he or she has a Covered Termination making them eligible for Severance Benefits under the Plan as described in Article III.

**Covered Termination.** "Covered Termination" means an Employee's Separation from Service due to:

(a) Reduction in the work force;

(b) Elimination of a position or job restructuring;

(c) Elimination of a position due to outsourcing; or

(d) Termination of employment by an Employer without Cause.

A Covered Termination does not include the Separation from Service of (i) any Employee who is being terminated for performance reasons, (ii) an Officer who is entitled to receive benefits under the Executive Retention Replacement Plan or (iii) an Employee who is eligible to receive benefits under the Change of Control Severance Plan with respect to such Separation from Service. In addition, an Employee's Separation from Service will not be treated as a Covered Termination hereunder if the Employee fails to return all property of the Employers (including, without limitation, automobiles (unless previously purchased in accordance with the applicable Schedule), keys, credit cards, documents and records, identification cards, equipment, phones, computers, etc.) within fifteen (15) days after the Employee's Separation from Service.

**Employee.** "Employee" means an employee (including an Officer) of an Employer who is on the Employer's United States payroll and is subject to taxation in the United States, but excluding those employees who are classified as Interns and restaurant management employees hired on a temporary basis for a period that does not exceed six months.

**Employer.** "Employer" means for purposes of this Plan, McDonald's Corporation and the following Related Entities: McDonald's USA, LLC; McDonald's Latin America, LLC; McDonald's APMEA, LLC; McDonald's International, LLC and McDonald's Europe, Inc. and Restaurant Application Development International.

**ERISA.** "ERISA" means the Employee Retirement Income Security Act of 1974, as amended.

**Executive Retention Replacement Plan.** "Executive Retention Replacement Plan" means the McDonald's Corporation Executive Retention Replacement Plan and its predecessor, the McDonald's Corporation Executive Retention Plan.

**Key Employee.** "Key Employee" means a "specified employee" as determined in accordance with the McDonald's Corporation Section 409A Specified Key Employee Policy adopted as in effect on January 1, 2008 and as amended from time to time in accordance with Treasury Regulation Section 1.409A-1(i).

**McDonald's Corporation.** "McDonald's Corporation" means McDonald's Corporation and its successors and assigns.

**Officer.** "Officer" means an Employee in the leadership band and above.

**Plan.** "Plan" means the McDonald's Corporation Severance Plan as set forth in this document.

**Plan Administrator.** "Plan Administrator" means the person responsible for administration of the Plan as set forth in Article VIII of the Plan.

**Plan Year.** The "Plan Year" shall be the calendar year for record keeping purposes.

**Prorated CPUP.** "Prorated CPUP" means the cash lump sum payment described in Section 4.8 for certain Qualifying Employees who are eligible for a pro rata long-term cash incentive bonus under CPUP for the performance period during which the Qualifying Employee's Termination Date occurs.

**Prorated TIP.** "Prorated TIP" means the cash lump sum payment for certain Qualifying Employees described in Section 4.6 of the Plan who are eligible for a pro rata bonus under McDonald's TIP.

**Qualifying Employee.** "Qualifying Employee" means each Covered Employee who meets the requirements set forth in the Plan, including, without limitation, the requirement to sign a

Release Agreement within the time frame described in Section 6.1 and not revoke or rescind the Release Agreement.

**Related Entity.** "Related Entity" means a corporation, trade, or business if it and McDonald's Corporation are members of a controlled group of corporations as defined in Section 414(b) of the Code or under common control as defined in Section 414(c) of the Code.

**Release Date.** "Release Date" means the date upon which a Qualifying Employee's signed Release Agreement required under Section 6.1 of the Plan becomes irrevocable and non-rescindable.

**Schedule.** "Schedule" means the schedules attached as Appendix I to the Plan which describe the duration and which Severance Benefits under the Plan are available for different categories of Qualifying Employees.

**Separation from Service.** "Separation from Service" means an Employee's cessation of the performance of services for McDonald's Corporation and all of its Related Entities; provided that a "Separation from Service" shall not be deemed to have occurred for purposes of this Plan unless the relevant circumstances constitute the Employee's "Separation from Service" with McDonald's Corporation and all of its Related Entities within the meaning of Section 409A of the Code. In general, neither a transfer of employment from an Employer to another Related Entity nor a change in status from Employee to independent contractor or similar non-employee service provider to an Employer or any Related Entity will be treated as a Separation from Service.

**Severance Benefits.** "Severance Benefits" means the Severance Pay and any other benefit payable pursuant to this Plan.

**Severance Pay.** "Severance Pay" means the lump sum cash payment made to a Qualifying Employee pursuant to Section 4.1 of the Plan.

**Severance Period.** "Severance Period" means the period of time equal to the Qualifying Employee's Weeks of Severance commencing on his or her Termination Date.

**Termination Date.** A Covered Employee's "Termination Date" is the date on which a Covered Termination becomes effective.

**Termination Notice Date.** A "Termination Notice Date" is the date on which a Covered Employee receives notice that he or she has a Covered Termination under the Plan.

**TIP.** "TIP" means McDonald's Target Incentive Plan or any annual bonus plan that replaces the Target Incentive Plan.

**TIP-Eligible.** A Qualifying Employee is "TIP-Eligible" if his or her Termination Date is on or after March 1 of a calendar year and the Qualifying Employee is eligible to participate in TIP for the calendar year in which his or her Covered Termination occurs.

**Weekly Base Pay.** "Weekly Base Pay" means the base salary or base wages that a Qualifying Employee earns during a week, based upon rate of pay in effect for the Qualifying Employee immediately before the Qualifying Employee's Termination Date, excluding overtime or any special payments, and is used to compute the amount of Severance Pay under Section 4.1 of the Plan. For part-time employees weekly pay is determined by the average number of weekly hours worked during the preceding 12 months, or shorter period of employment, if applicable. However, for part-time employees of Restaurant Application Development International, average weekly base pay shall be determined using the six weeks immediately preceding termination of employment.

**Offsets for Foreign Severance Benefits.** If a Qualifying Employee is entitled to receive severance compensation as a statutory or government-funded benefit under the laws of a foreign country, the Severance Benefits that would otherwise be payable under this Plan may be offset by such severance compensation as the Plan Administrator determines in his or her discretion.

**Weeks of Severance.** "Weeks of Severance" means the weeks for each Year of Service of a Qualifying Employee subject to the minimum and maximum Weeks of Severance as set forth in the Schedule applicable to such Qualifying Employee.

**Year of Service.** A "Year of Service" for purposes of computing the amount of Severance Pay under Section 4.1 of the Plan means each complete twelve-month period beginning on the Qualifying Employee's Company Service Date and ending on the Qualifying Employee's Termination Date, with any period of less than 6 months being rounded down to the nearest complete twelve-month period and any period of 6 months or more being rounded up to the nearest complete twelve-month period. For example, a period of 10 years, 8 months and 3 days shall equal eleven Years of Service and a period of 10 years, 5 months and 3 days shall equal ten Years of Service.

## ARTICLE III.
## Eligibility

To be eligible for Severance Benefits under the Plan, an Employee must be subject to United States taxation and must be on the United States active payroll of an Employer (or must be an Employee who would be on the United States payroll but for the fact that, immediately prior to his or her Termination Date, the Employee is on a leave of absence or receiving short-term disability benefits) immediately before his or her Termination Date. Such an Employee must be designated for a Covered Termination by McDonald's Corporation and be notified that he or she has been so designated under the Plan as a Covered Employee. The fact that an Employee receives notice of termination of employment, or an Employee's employment actually terminates, shall not automatically entitle such Employee to be considered a Covered Employee nor automatically cause such termination to be considered a Covered Termination.

McDonald's Corporation shall establish procedures and processes for implementing Covered Terminations. These procedures and processes may differ depending on the business needs and priorities of the affected work unit. In the case of any Officer who is an officer of McDonald's Corporation within the meaning of Rule 16a-1(f) under the Securities Exchange Act of 1934, as amended (as determined by the Board of Directors of McDonald's Corporation), the Compensation Committee of the Board of Directors of McDonald's Corporation shall determine whether such Officer shall be treated as a Covered Employee and to what extent such Officer will be entitled to receive Severance Benefits under this Plan and the determinations of the Compensation Committee shall be final and binding. Officers who are entitled to receive benefits under the Executive Retention Replacement Plan are not eligible for benefits under this Plan. In addition, any Employee who is entitled to receive benefits under the Change of Control Severance Plan with respect to his or her Separation from Service shall not be eligible for benefits under this Plan.

## ARTICLE IV.
## Benefits

**In General.** Each Qualifying Employee shall be entitled to Severance Pay and other Severance Benefits in accordance with this Article IV and Article V below, together with the Schedules included in Appendix I to this Plan applicable to the different categories of Qualifying Employees. Except as provided in Section 5.2, to the extent there is any conflict between the provisions of the Plan and an applicable Schedule, the provisions of the Schedule shall control. If a Qualifying Employee would be covered by both (i) Schedule A, B, C or D and (ii) the Schedules dealing with special circumstances (Schedule E, F or G), then Schedule E, F or G, as applicable, shall be the only Schedule that applies to that Qualifying Employee, except to the extent that provisions of another Schedule are incorporated by reference in the special circumstance Schedules. If a Qualifying Employee is a part-time Employee who is not benefits eligible as described in Schedule H, the only benefit payable under the Plan shall be Severance Pay for the duration specified in Schedule H.

**Section 4.1. Computation of Severance Pay.** A Qualifying Employee shall receive Severance Pay in a lump sum amount equal to his or her Weekly Base Pay multiplied by the Qualifying Employee's Weeks of Severance.

**Section 4.2 Medical, Dental and Vision Coverage.** Unless otherwise provided in the applicable Schedule, if a Qualifying Employee is entitled to file, and does timely file, an election to continue any health benefits under a medical, dental and/or vision benefit program sponsored by McDonald's Corporation in accordance with the provisions of COBRA, the Employer shall pay a portion of such COBRA Premiums, as specified in the next sentence, during the Severance Period, out of the total period of eighteen months normally provided for by COBRA. During the Severance Period, the Qualifying Employee shall be required to pay a portion of the COBRA Premiums equal to what he or she would pay for such health benefits under the applicable program of McDonald's Corporation, if he or she had remained employed, and the Employer shall pay the balance of such COBRA Premiums. The Employer's payments, as applicable, shall be made to the entity funding the applicable plan coverage, and not to the Qualifying Employee. The Qualifying Employee must pay his or her share of such COBRA Premiums and may not have such cost withheld from the Severance Pay nor contributed to any cafeteria or flexible spending account. After the Severance Period ends, any further COBRA to which the Qualifying Employee may be entitled shall continue only if the Qualifying Employee pays the full cost thereof at the rate of 102% of both the employee and the employer premium costs under the applicable plans. The Employers shall not pay any portion of the COBRA Premiums for more than twelve months, regardless of whether the Qualifying Employee or his or her eligible dependents have an additional qualifying event under COBRA. Notwithstanding the foregoing, if COBRA is no longer required to be provided to a Qualifying Employee under the federal laws governing COBRA during the Severance Period, all payments of COBRA Premiums for that Qualifying Employee under this Plan will also end.

**Section 4.3 Transitional Assistance.** The Employers shall provide each Qualifying Employee with transitional assistance only if and only to the extent set forth in the applicable Schedule. The Qualifying Employee must start the transitional process within 60 days of the Termination Date. In no event shall any Qualifying Employee be entitled to receive cash or other benefits in lieu of such transitional assistance.

**Section 4.4 Stock Options and Restricted Stock Units.** Any equity compensation (including, without limitation, stock options and restricted stock units) granted to a Covered Employee under any equity incentive plan maintained by McDonald's Corporation that is outstanding immediately before the Termination Date shall be treated in accordance with the terms of the equity incentive plan, prospectus and grant applicable to such equity compensation.

**Section 4.5 Sabbatical.** A Qualifying Employee shall receive a lump sum sabbatical payment equal to eight weeks of Weekly Base Pay if: (a) the Qualifying Employee was entitled to take a sabbatical leave immediately before his or her Termination Date; or (b) the Qualifying Employee was eligible for McDonald's Corporation's sabbatical program and the Termination Date occurs on or after the ninth, nineteenth, twenty-ninth or thirty-ninth anniversary of the Qualifying Employee's Company Service Date but before the beginning of the year in which the tenth, twentieth, thirtieth or fortieth anniversary thereof occurs. In no event shall a Qualifying Employee receive more than one sabbatical payment or more than a total of eight weeks of Weekly Base Pay under this Section 4.5.

**Section 4.6 Prorated TIP Bonuses.** A Qualifying Employee who is TIP-Eligible shall also be entitled to receive a Prorated TIP payment, if the Qualifying Employee terminated employment on or after March 1 of a calendar year. The Prorated TIP payment shall be prorated based on a fraction, the numerator of which is the number of days from January 1 through the Termination Date in the calendar year and the denominator of which is 365 (or 366 in a leap year). The Prorated TIP payment shall be based on the actual performance of McDonald's Corporation and its subsidiaries and business units during the annual performance period and shall be subject to supervisory discretion for the individual performance factor. The Prorated TIP payment will be made at the same time TIP payments are made to active employees.

**Section 4.7 Company Vehicle.** A Qualifying Employee who has a company-provided vehicle may purchase it and, in certain cases, may receive a prorated cash reimbursement for recent upgrades related to such vehicle, as determined by McDonald's Fleet Management Department and the terms of the McDonald's Corporation Vehicle Program applicable to the Qualifying Employee. In no event will the initial salary reduction of $1,200 paid by Home Office employees ($1,500 in the case of Officers) be refunded or repaid to the Employee.

In order to exercise the right to purchase his or her company-provided vehicle, a Qualifying Employee must provide notice of such exercise and complete the purchase in accordance with the procedures determined by McDonald's Fleet Management Department, but in no event may the purchase take place before his or her Release Date. If the Covered Employee's Termination Date occurs before his or her Release Date, the Covered Employee must return his or her company-provided vehicle on his or her Termination Date, and the vehicle shall be returned to him or her when such purchase can be completed.

**Section 4.8 Prorated CPUP Payment.** A Qualifying Employee who is eligible to participate in CPUP shall also be entitled to receive a Prorated CPUP payment. The Prorated CPUP payment shall be prorated based on a fraction, the numerator of which is the number of days from the beginning of the performance period through the Termination Date and the denominator of which is the total number of days from the first day of the performance period through the date on which the performance period would have ended if the Qualifying Employee had remained in active employment through the end of the scheduled performance period. The Prorated CPUP payment, if any, shall be based on the actual performance of McDonald's Corporation during the applicable performance period. The Prorated CPUP payment will be paid to the Qualifying Employee at the same time CPUP payments are made to other eligible active employees.

## ARTICLE V.
## Payment of Severance Pay and Sabbatical Pay

**Section 5.1. Form and Timing of Payments.** Except as provided in Section 5.2, a Qualifying Employee's Severance Pay and sabbatical pay, if any, shall be paid to the Qualifying Employee in a single lump sum as soon as reasonably practicable following the later of the Termination Date or the Release Date, but in no event later than 90 days after the Termination Date; provided, however that the Plan Administrator may, in his or her sole discretion, cause the Employer to make such payments at any time during the 90 day period following the Termination Date even if prior to the Release Date. Notwithstanding the foregoing, payment of the Severance Pay and the sabbatical pay is expressly conditioned on timely execution of a Release Agreement in accordance with Section 6.1. If a Qualifying Employee fails to execute the Release Agreement during the time frame specified in Section 6.1, the Covered Employee shall forfeit his or her right to receive the Severance Pay and sabbatical pay and shall repay any Severance Pay and sabbatical pay the Covered Employee previously received. The Employers shall have the right to seek enforcement of this repayment right in any court of competent jurisdiction.

**Section 5.2. Delayed Payment Date for Key Employees.** Notwithstanding any provision in this Plan or any applicable Schedule to the contrary, if a Qualifying Employee is a Key Employee as of his or her Termination Date, the payment of such Qualifying Employee's Severance Pay and sabbatical pay, if any, shall be delayed until and shall be paid on the date that is six months after his or her Termination Date or in accordance with Section 5.3 if the Qualifying Employee dies before the end of such six month period.

**Section 5.3. Death of Qualifying Employee.** In the event a Qualifying Employee (including a Qualifying Employee who is a Key Employee) dies before receiving his or her Severance Pay and sabbatical pay under the Plan, the Qualifying Employee's Severance Pay and sabbatical pay shall be paid in a lump sum as soon as practicable following the Qualifying Employee's death, but not later than 90 days following the Qualifying Employee's death, to the beneficiary designated by the Qualifying Employee under the McDonald's Corporation Profit Sharing and Savings Plan. If a deceased Qualifying Employee has failed to designate a specific beneficiary under the McDonald's Corporation Profit Sharing and Savings Plan, or if the designated beneficiary dies before the Qualifying Employee has received his or her Severance Pay and sabbatical pay, payment of the Qualifying Employee's Severance Pay and sabbatical pay shall be made to the Qualifying Employee's spouse if the Qualifying Employee is married as of the date of his or her death or otherwise to the Qualifying Employee's estate.

**Section 5.4 Offsets for Foreign Severance Benefits.** If a Qualifying Employee is entitled to receive severance compensation as a statutory or government-funded benefit under the laws of a foreign country, the Severance Benefits that would otherwise be payable under this Plan may be offset by such severance compensation as the Plan Administrator determines in his or her discretion.

## ARTICLE VI.
## Requirement of Effective Release; Integration with Other Benefits

**Section 6.1. Releases Generally.** In addition to the requirements of Article III of the Plan, it shall be a condition of eligibility for Severance Benefits under the Plan that the Covered Employee shall have timely signed a release agreement (the "Release Agreement") within the period of time specified below and shall not have timely revoked or rescinded such Release Agreement. Such Release Agreement shall be in a form acceptable to the Plan Administrator that complies with applicable law and which is appropriate for the Covered Employee's classification. The Release Agreement may include a covenant not to compete with McDonald's Corporation or its subsidiaries. A Release Agreement must be signed no later than the date specified in the form of Release Agreement provided to the Covered Employee by the Plan Administrator; provided, however, that such date shall not be more than 60 days after the Covered Employee's Termination Date. McDonald's Corporation shall provide a Covered Employee with an executable form of Release Agreement no later than five (5) business days following the Covered Employee's Termination Date.

Except as provided in Section 5.1, no Severance Pay or sabbatical pay will be paid to a Covered Employee unless and until the Covered Employee timely signs the Release Agreement and the period of time for revoking or rescinding such agreement under applicable law has expired without the Covered Employee having revoked or rescinded such agreement. Severance Benefits other than Severance Pay and sabbatical payments shall be provided to a Covered Employee in accordance with Article III until such time as the Covered Employee either (a) fails to sign a Release Agreement within the time specified above or (b) timely revokes or rescinds an executed Release Agreement, at which time the Covered Employee shall cease to receive any further Severance Benefits under this Plan and shall repay McDonald's Corporation the cost of any Severance Benefits previously received by the Covered Employee. The Employers shall have the right to seek enforcement of this repayment right in any court of competent jurisdiction.

If a Covered Employee dies prior to the expiration of the time frame for signing the Release Agreement, the requirement for executing the Release Agreement shall be waived and the Severance Pay and sabbatical pay shall be paid in accordance with Section 5.3.

**Section 6.2. Benefit Programs Generally.** Except as provided in Section 6.5 below, Severance Benefits under this Plan are in addition to all pay and other benefits normally payable to a Qualifying Employee as of his or her Termination Date according to the established applicable policies, plans, and procedures of McDonald's Corporation and its Related Entities (other than severance pay plans, programs and practices, which have been revoked and terminated for Covered Employees pursuant to Article I above). Without limiting the generality of the foregoing, each Qualifying Employee shall be paid for any accrued but unused vacation as of his or her Termination Date. If a Qualifying Employee's Termination Date occurs in a year when he or she is eligible for an extra week of vacation under the "Splash Program," the Qualifying Employee will be paid for any unused Splash vacation. In addition, any benefit continuation or conversion rights to which a Qualifying Employee is entitled as of his or her Termination Date shall be made available to him or her. On a Qualifying Employee's Termination Date, all benefit plans, policies, fringe benefits and pay practices in which the Qualifying Employee was participating shall cease to apply to the Qualifying Employee in accordance with the terms of such benefits plans, policies, procedures and practices that apply to any other employee terminating employment with McDonald's Corporation or its Related Entities, as applicable and in accordance with the requirements of any applicable law, unless such benefits are specifically continued as a Severance Benefit under this Plan. In addition, the Employers will waive repayment by a Qualifying Employee of sabbatical, relocation and/or short-term disability benefits that otherwise would be required if the Qualifying Employee did not return to active employment under the terms of the applicable sabbatical, relocation or short-term disability program of the Employer. Finally, the Employers will continue to provide educational assistance for any class that the Qualifying Employee has begun to attend before his or her Termination Notice Date, provided that the Qualifying Employee complies with all requirements for such assistance and notifies the educational assistance service center of his or her Covered Termination within two weeks after his or her Termination Notice Date.

**Section 6.3. Severance Not Compensation; Severance Period Not Service.** Payments for vacation pursuant to Section 6.2 shall be Compensation for purposes of determining any benefits provided under McDonald's Corporation Profit Sharing and Savings Plan and the McDonald's Corporation Excess Benefit and Deferred Bonus Plan to the extent so provided in the applicable plan documents. Except as provided in the preceding sentence, Severance Benefits under this Plan shall not be construed as Compensation for purposes of determining any benefits provided under McDonald's Corporation Profit Sharing and Savings Plan, the McDonald's Corporation Excess Benefit and Deferred Bonus Plan, any long-term incentive plan, or any other welfare benefit plan, deferred compensation arrangement, fringe benefit, practice or policy maintained by an Employer for its employees. The period of time during which Severance Benefits are being paid out or provided shall not count as credited service for any benefit program, payroll practice (such as entitlement to vacation or sabbatical) or for any other welfare benefit, profit sharing, savings, retirement or deferred compensation benefit or fringe benefit plan, practice or policy of any Employer.

**Section 6.4. Increases in Compensation, Stock Option Grants and Restricted Stock Units.** After a Covered Employee's Termination Notice Date, he or she shall not be entitled to any increases in compensation, including, without limitation, regularly scheduled merit increases in Weekly Base Pay or grants of stock options or restricted stock units.

**Section 6.5. Limitations on Severance.** To the extent that any federal, state or local law, including, without limitation, the Worker Adjustment and Retraining Notification Act and so-called "plant closing" laws, requires an Employer or any Related Entity to give advance notice or make a payment of any kind to a Covered Employee because of that Covered Employee's involuntary termination due to layoff, reduction in force, plant or facility closing, sale of business, change of control, or any other similar event or reason, the Severance Pay provided under this Plan shall be reduced or eliminated, as the case may be, by the amount of wages, benefits, or voluntary and unconditional payments paid in lieu of notice. The Severance Benefits provided under this Plan (together with the wages, benefits, or other payments described in this Section that reduce or eliminate the Severance Pay) are intended to satisfy any and all statutory obligations that may arise out of a Covered Employee's Covered Termination.

## ARTICLE VII.
## Discontinuance or Repayment of Benefits Upon Re-Employment or For Cause

**Section 7.1. Discontinuance or Repayment upon Re-Employment.** If a Qualifying Employee is subsequently re-employed by an Employer or any Related Entity before or after all of the Qualifying Employee's Severance Benefits under this Plan have been paid or provided, Schedule G shall set forth the Qualifying Employee's rights to receive or retain Severance Benefits under this Plan, unless the Plan Administrator, on behalf of the Employers, agrees otherwise in writing.

**Section 7.2. Discontinuance or Repayment for Cause.** Notwithstanding any other provision of the Plan, if the Plan Administrator determines at any time that a Qualifying Employee committed any act or omission that would constitute Cause while he or she was employed by an Employer or any Related Entity, the Employers may (i) cease payment of any benefit otherwise payable to a Qualifying Employee under the Plan and (ii) require the Qualifying Employee to repay any and all Severance Pay, sabbatical pay and Prorated TIP previously paid to such Qualifying Employee under the terms of this Plan. The Employers shall have the right to seek enforcement of their rights under clause (ii) above in any court of competent jurisdiction.

## ARTICLE VIII.
## Plan Administration

McDonald's Corporation may appoint one or more individuals to serve as Plan Administrator for the Plan. Currently, the McDonald's Welfare Plan Administrative Committee serves as Plan Administrator.

The Plan Administrator shall have the discretionary authority to determine eligibility for Severance Benefits under the Plan and to construe the terms of the Plan, including the making of factual determinations. Benefits under the Plan shall be paid only if the Plan Administrator decides in his or her discretion that the Claimant is entitled to such benefits. The decisions of the Plan Administrator shall be final and conclusive with respect to all questions concerning administration of the Plan. The Plan Administrator may delegate to other persons responsibilities for performing certain of the duties of the Plan Administrator under the terms of the Plan and may seek such expert advice as the Plan Administrator deems reasonably necessary with respect to the Plan. The Plan Administrator shall be entitled to rely upon the information and advice furnished by such delegates and experts, unless the Plan Administrator has actual knowledge that such information and advice is inaccurate or unlawful. Notwithstanding the foregoing, the Compensation Committee of the Board of Directors of McDonald's Corporation shall have the final authority with respect to all Severance Benefits under the Plan for executive Officers subject to Section 16 of the Securities Exchange Act of 1934.

McDonald's Corporation intends for the Plan to comply with the requirements of Section 409A of the Code and regulations, rulings and other guidance issued thereunder, and the Plan shall be interpreted and administered accordingly.

## ARTICLE IX.
## Claims Procedure

**Section 9.1. Filing a Claim.** Any individual who believes he or she is eligible for Severance Benefits under this Plan that have not been provided may submit his or her application for Severance Benefits to the Plan Administrator (or to such other person who may be designated by the Plan Administrator) in writing in such form as is provided or approved by the Plan Administrator. A Claimant shall have no right to seek review of a denial of Severance Benefits, or to bring any action in any court to enforce a Claim, prior to filing a Claim and exhausting rights under this Article IX.

When a Claim has been filed properly, it shall be evaluated and the Claimant shall be notified of the approval or the denial of the Claim within ninety (90) days after the receipt of such Claim unless special circumstances require an extension of time for processing the Claim. If such an extension of time for processing is required, written notice of the extension shall be furnished to the Claimant prior to the termination of the initial ninety (90) day period, which notice shall specify the special circumstances requiring an extension and the date by which a final decision will be reached (which date shall not be later than one hundred and eighty (180) days after the date on which the Claim was filed). A Claimant shall be given a written notice in which the Claimant shall be advised as to whether the Claim is granted or denied, in whole or in part. If a Claim is denied, in whole or in part, the notice shall contain (a) the specific reasons for the denial, (b) references to pertinent Plan provisions upon which the denial is based, (c) a description of any additional material or information necessary to perfect the Claim and an explanation of why such material or information is necessary, and (d) the Claimant's right to seek review of the denial.

**Section 9.2. Review of Claim Denial.** If a Claim is denied, in whole or in part, the Claimant shall have the right to (a) request that the Plan Administrator review the denial, (b) review pertinent documents, and (c) submit issues and comments in writing, provided that the Claimant files a written request for review with the Plan Administrator within sixty (60) days after the date on which the Claimant received written notification of the denial. Within sixty (60) days after a request for review is received, the review shall be made and the Claimant shall be advised in writing of the decision on review, unless special circumstances require an extension of time for processing the review, in which case the Claimant shall be given a written notification within such initial sixty (60) day period specifying the reasons for the extension and when such review shall be completed (provided that such review shall be completed within one hundred and twenty (120) days after the date on which the request for review was filed). The decision on review by the Plan Administrator shall be forwarded to the Claimant in writing and shall include specific reasons for the decision and reference to Plan provisions upon which the decision is based. A decision on review shall be final and binding on all persons for all purposes.

## ARTICLE X.
## Amendment and Termination

McDonald's Corporation reserves the right to amend the Plan from time to time or to terminate the Plan; provided, however, that no such amendment or termination shall reduce the amount of Severance Benefits payable to any Qualifying Employee whose Termination Date has already occurred, who has signed and not revoked or rescinded a Release Agreement required by Section 6.1, and who has completed all other applicable paperwork on or before the effective date of such amendment or termination. Notwithstanding the foregoing, the Plan Administrator may amend or modify the terms of the Plan hereunder (i) to the extent necessary or advisable to comply with or obtain the benefits or advantages under the provisions of applicable law, regulations or rulings or requirements of the Internal Revenue Service or other governmental agency or of changes in such law, regulations, rulings or requirements (including, without limitation, any amendment necessary to comply with or secure an exemption from Section 409A of the Code) or (ii) to adopt any other procedural or cosmetic amendment that does not materially change the benefits to Qualifying Employees or materially increase the cost of the benefits provided hereunder. No person may amend this Plan in a manner that would subject any Covered Employee to taxation of his or her Severance Pay or any other Severance Benefits under Section 409A(a)(1) of the Code.

## ARTICLE XI.
## Miscellaneous

**Section 11.1. Qualifying Employee Information.** Each Qualifying Employee shall notify the Plan Administrator of his or her mailing address and each change of mailing address. In addition, each Qualifying Employee shall be required to furnish the Plan Administrator with any other information and data that McDonald's Corporation or the Plan Administrator considers necessary for the proper administration of the Plan. The information provided by the Qualifying Employee under this provision shall be binding upon the Qualifying Employee, his or her dependents and any beneficiary for all purposes of the Plan, and McDonald's Corporation and the Plan Administrator shall be entitled to rely on any representations regarding personal facts made by a Qualifying Employee, his or her dependents or beneficiary, unless such representations are known to be false. The receipt of Severance Benefits under the Plan by each Qualifying Employee is conditioned upon the Qualifying Employee furnishing full, true and complete data, evidence or other information and the Qualifying Employee's timely signature of any document related to the Plan, requested by McDonald's Corporation or the Plan Administrator.

**Section 11.2. Successors and Assigns.** The obligations of McDonald's Corporation under the Plan shall be assumed by its successors and assigns.

**Section 11.3. Employment Rights.** The existence of the Plan shall not confer any legal or other rights upon any employee to continuation of employment. McDonald's Corporation and its Related Entities reserve the right to terminate any employee with or without cause at any time, notwithstanding the provisions of this Plan.

**Section 11.4. Controlling Law.** The provisions of this Plan shall be governed, construed and administered in accordance with ERISA. To the extent that ERISA does not apply, the laws of the State of Illinois shall be controlling, other than Illinois law concerning conflicts of law.

**Section 11.5. Notices.** Any notice, request, election or other communication under this Plan shall be in writing and shall be considered given when delivered personally or mailed by first class mail properly addressed (which, in the case of a Qualifying Employee, shall include mailing to the last address provided to the Plan Administrator by such Qualifying Employee). Notice to McDonald's Corporation or the Plan Administrator by fax shall be acceptable notice if faxed to the number designated by McDonald's Corporation or the Plan Administrator, as applicable, for receipt of notices under this Plan.

**Section 11.6. Interests Not Transferable.** The interest of persons entitled to Severance Benefits under the Plan are not subject to their debts or other obligations and, except as provided in Sections 5.3 and 11.2 above and Section 11.12 below, as required by federal or state garnishment orders issued to the Plan or McDonald's Corporation or any Employer, or as may be required by ERISA, may not be voluntarily or involuntarily sold, transferred, alienated, assigned or encumbered.

**Section 11.7. Mistake of Fact or Law.** Any mistake of fact or misstatement of fact shall be corrected when it becomes known and proper adjustment made by reason thereof. A Qualifying Employee shall be required to return any payment, or portion thereof, made by mistake of fact or law to the applicable Employer that made such payment.

**Section 11.8. Representations Contrary to the Plan.** No employee, Officer, or director of McDonald's Corporation has the authority to alter, vary or modify the terms of the Plan or the Severance Benefits available to any Qualifying Employee except by means of a written amendment duly authorized by the Board of Directors of McDonald's Corporation or its delegate, in accordance with the provisions of the Plan. No verbal or written representations contrary to the terms of the Plan and any duly authorized written amendment in effect as of the date such representation was made shall be binding upon the Plan, the Plan Administrator, McDonald's Corporation or any Related Entity.

**Section 11.9. Plan Funding.** No Qualifying Employee or beneficiary thereof shall acquire by reason of the Plan any right in or title to any assets, funds, or property of McDonald's Corporation or any Employer. Any Severance Benefits that become payable under the Plan are unfunded obligations of the Qualifying Employee's Employer, and shall be paid from the general assets of such Employer. No employee, Officer, director or agent of McDonald's Corporation or any Related Entity guarantees in any manner the payment of Severance Benefits.

**Section 11.10. Headings.** The headings in this Plan are for convenience of reference and shall not be given substantive effect.

**Section 11.11. Severability.** If any provision of this Plan is held illegal or invalid for any reason, the other provisions of this Plan shall not be affected.

**Section 11.12. Withholding.** Notwithstanding any other provision of this Plan, the Employers may withhold from any and all Severance Benefits such United States federal, state or local or foreign taxes as may be required to be withheld pursuant to any applicable law or regulation.

**Section 11.13. Indemnification.** Any individual serving as Plan Administrator without compensation, and each and every individual who is an employee of an Employer or any Related Entity to whom are delegated duties, responsibilities and authority with respect to the Plan, shall be indemnified to the fullest extent permitted by applicable law and the McDonald's Corporation Bylaws.

Executed this 9th day of September, 2013

McDONALD'S CORPORATION

/s/ Richard Floersch

Richard Floersch
Corporate Executive Vice President and
Chief Human Resources Officer

**Appendix I**

**McDonald's Corporation Severance Plan**

**Schedule A:**

**<u>Severance Benefits for</u>**
**<u>Qualifying Employees who are Officers</u>**

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

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

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

**Medical/Dental Coverage:** The Employers shall make the payments for COBRA Premiums provided for in Section 4.2 of the Plan during the Qualifying Employee's Severance Period.

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

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

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

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

**McDonald's Corporation Severance Plan**

**Schedule B:**

**<u>Severance Benefits for</u>**
**<u>Qualifying Employees in the Direction and Senior Direction Compensation Bands</u>**

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

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

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

**Medical/Dental Coverage:** The Employers shall make the payments for COBRA Premiums provided for in Section 4.2 of the Plan during the Qualifying Employee's Severance Period.

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

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

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

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

**McDonald's Corporation Severance Plan**

**Schedule C:**

**Severance Benefits for Qualifying Employees**
**in the Specialist, Supervisory/Consulting or Management/Advisory Bands**

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

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

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

**Medical/Dental Coverage:** The Employers shall make the payments for COBRA Premiums provided for in Section 4.2 of the Plan during the Qualifying Employee's Severance Period.

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

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

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

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

**McDonald's Corporation Severance Plan**

**Schedule D:**

**Severance Benefits for**
**Qualifying Employees in the Associate or Coordination Compensation Bands**

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

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

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

**Medical/Dental Coverage:** The Employers shall make the payments for COBRA Premiums provided for in Section 4.2 of the Plan during the Qualifying Employee's Severance Period.

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

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

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

**McDonald's Corporation Severance Plan**

**Schedule E:**

**Severance Benefits for**
**Qualifying Employees becoming Restaurant Operators**

**This Schedule sets forth the Severance Benefits under the Plan for those Qualifying Employees who are full-time Employees or benefits-eligible part-time Employees immediately before their Termination Dates and who become restaurant operators (either as owner/operators or in a joint venture with an Employer).**

**Weeks of Severance:** Each Qualifying Employee covered by this Schedule shall be credited with the lesser of sixteen (16) Weeks of Severance or the number of Weeks of Severance equal to the number of weeks from the Qualifying Employee's Termination Date until the Qualifying Employee is projected to begin operation of a restaurant franchised by McDonald's Corporation as determined by the Plan Administrator in his sole discretion.

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

**Medical/Dental Coverage:** The Employers shall make the payments for COBRA Premiums provided for in Section 4.2 of the Plan during the Qualifying Employee's Severance Period.

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

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

**Other Severance Benefits:** A Qualifying Employee who is covered by this Schedule E shall also receive, if otherwise eligible, the Severance Benefits provided for in Sections 4.4 (equity awards) and 4.5 (sabbatical) of the Plan, but shall not receive the Severance Benefits provided for in Section 4.3 (Transitional Assistance) of the Plan.

**McDonald's Corporation Severance Plan**

**Schedule F:**

**<u>Severance Benefits for</u>**
**<u>Qualifying Outsourced Employees</u>**

**This Schedule sets forth the Severance Benefits under the Plan for each Qualifying Employee (1) who is a full-time Employee or a benefits-eligible part-time Employee before his or her Termination Date, (2) whose Covered Termination occurs as a result of the elimination of his or her job because the functional area is outsourced, and (3) who is offered employment with the entity that will be providing services on an outsourced basis to McDonald's Corporation or a Related Entity in a position with a level of responsibility comparable to his or her job that was eliminated (as determined by the Plan Administrator in his or her sole discretion), at a rate of Weekly Base Pay not less than 80% of his or her rate of Weekly Base Pay immediately before the Termination Date, and located not more than 25 miles from the location of his or her eliminated job, regardless of whether the Qualifying Employee accepts or rejects such offer (referred to as a "Qualifying Outsourced Employee").**

**Weeks of Severance:** Each Qualifying Employee covered by this Schedule shall be credited with four (4) Weeks of Severance.

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

**Medical/Dental Coverage:** The Employers shall make the payments for COBRA Premiums provided for in Section 4.2 of the Plan during the Qualifying Employee's Severance Period.

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

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

**Other Severance Benefits:** A Qualifying Outsourced Employee shall also receive, if otherwise eligible, the Severance Benefits provided for in Section 4.4 (equity awards) and Section 4.5 (sabbatical), but shall not receive the Severance Benefits provided for in Section 4.3 (Transitional Assistance) of the Plan.

**McDonald's Corporation Severance Plan**

**Schedule G:**

**<u>Severance Benefits for</u>**
**<u>Certain Rehired Qualifying Employees</u>**

**This Schedule sets forth the Severance Benefits under the Plan for each Qualifying Employee who was a full-time Employee or a benefits-eligible part-time Employee immediately before his or her Termination Date, and who commences work with McDonald's Corporation or any Related Entity after his or her Termination Date.**

**Severance Pay, Sabbatical Pay and Prorated TIP:** A rehired Qualifying Employee shall be entitled to receive or retain his or her (1) sabbatical pay (if any) under Section 4.5, and (2) Prorated TIP (if any) under Section 4.6. A rehired Qualifying Employee shall be entitled to receive or retain the portion of his or her Severance Pay that is attributable to the Weeks of Severance (including any fraction of a Week of Severance) from the Termination Date through the date the Qualifying Employee is rehired and he or she shall repay the portion, if any, of the Severance Pay previously received by the Qualifying Employee that is attributable to the Weeks of Severance (including any fraction of a Week of Severance) on or after the date the Qualifying Employee is rehired. The Employers shall have the right to seek enforcement of their right to repayment in any court of competent jurisdiction.

**Medical/Dental Coverage:** The Employer's payments for COBRA Premiums provided for in Section 4.2 of the Plan shall end upon the Qualifying Employee's reemployment.

**Transitional Assistance:** Any transitional assistance under Section 4.3 shall cease upon the Qualifying Employee's reemployment.

**Company Vehicle:** A rehired Qualifying Employee may keep any company-provided vehicle that he or she purchased or was in the process of purchasing under Section 4.7 of the Plan.

**Equity Awards:** A rehired Qualifying Employee shall be treated as a new employee for stock option and restricted stock unit purposes.

**McDonald's Corporation Severance Plan**

**Schedule H:**

**<u>Severance Benefits for Certain Part-Time Employees</u>**

**This Schedule sets forth the Severance Benefits under the Plan for each Qualifying Employee who is a part-time Employee who is not benefits-eligible before his or her Termination Date.**

A Qualifying Employee who is a part-time Employee and who is not benefits eligible shall receive Severance Pay in an amount equal to his or her Weekly Base Pay multiplied by his or her Weeks of Severance determined in accordance with his or her compensation band as set forth in the chart below, as applicable, but shall not receive any other Severance Benefits under the Plan.

| | Weeks of Severance | | |
|---|---|---|---|
| **Compensation Band** | **Weeks/Years of Service** | **Minimum** | **Maximum** |
| **Associate and Coordination** | **2 weeks** | **8 weeks** | **20 weeks** |
| **Specialist, Supv/Consulting & Mgmt/Advisory** | **2 weeks** | **12 weeks** | **26 weeks** |
| **Direction and Sr. Direction** | **2 weeks** | **16 weeks** | **38 weeks** |
| **Leadership and above** | **2 weeks** | **26 weeks** | **52 weeks** |

**McDonald's Corporation Severance Plan**

**Schedule I:**

**Severance Benefits for**
**Qualifying McOpCo Restaurant Management Employees and Shared Restaurant Support Employees**

**This Schedule sets forth the Severance Benefits under the Plan for each Qualifying Employee (1) who is salaried Restaurant Management Employee or a full time salaried or hourly Shared Restaurant Support Employee (as determined by the Plan Administrator) before his or her Termination Date, (2) whose Covered Termination occurs as a result of the elimination of his or her job because of the sale of one or more restaurants, and (3) who is either (i) not offered employment with the purchasing Operator of the restaurant or (ii) offered employment (x) with a level of responsibility not comparable to his or her job that was eliminated (as determined by the Plan Administrator in his or her sole discretion), (y) at a rate of monthly Base Pay less than 80% of his or her rate of monthly Base Pay immediately before the Termination Date, or (z) at a location more than 35 miles from the location of his or her eliminated job.**

**Weeks of Severance:** Each Qualifying Employee covered by this Schedule shall be credited with four (4) Weeks of Severance.

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

**Medical/Dental Coverage:** The Employers shall make the payments for COBRA Premiums provided for in Section 4.2 of the Plan during the Qualifying Employee's Severance Period (4 weeks).

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

**Other Severance Benefits:** A Qualifying Employee shall also receive, if otherwise eligible, the Severance Benefits provided for in Section 4.4 (equity awards) and Section 4.5 (sabbatical), but shall not receive the Severance Benefits provided for in Section 4.3 (Transitional Assistance) of the Plan.

**McDonald's Corporation Severance Plan**

**Schedule J:**

**<u>Severance Benefits for</u>**
**<u>Employees of Restaurant Application Development International</u>**

**This schedule modified the Severance Benefits under the Plan for each Qualifying Employee who is, immediately before his or her Termination Date, an employee of Restaurant Application Development International (RDI) and whose Termination Date occurs on or after October 1, 2012.**

Employees of RDI will receive the following Severance Benefits under the Plan. No other benefits will be paid for employees of RDI. The amount of Severance will depend on how long the employee worked for RDI, including time worked for the predecessor company YGOMI LLC (prior to May 1, 2010) or for RTS (between May 1, 2010 and October 1, 2012). Each RDI employee will receive Weeks of Severance times the number of continuous years of service with each partial year of service rounded up to the next whole year.

| Position | Weeks of Severance | |
|---|---|---|
| | Minimum | Maximum |
| Officer | 26 weeks | 52 weeks |
| Director | 13 weeks | 26 weeks |
| Manager | 6 weeks | 26 weeks |
| All Others | 2 weeks | 13 weeks |

Notwithstanding the foregoing, in no event will aggregate severance payments to an RDI employee under the Plan exceed two times the lesser of: (1) the RDI employee's annualized compensation based upon his or her annual rate of pay for the taxable year preceding the taxable year in which the employee's Termination Date occurs (adjusted for any increase during that year that was expected to continue indefinitely if the employee had not been terminated ), or (2) the maximum amount that may be taken into account under a qualified plan pursuant to Section 401(a)(17) of the Internal Revenue Code of 1986, as amended (the "Code") for the year in which the RDI employee's Termination Date occurs (in 2013 this limit is $255,000).

**Exhibit 12. Computation of Ratios**

**Ratio of Earnings to Fixed Charges**

*Dollars in millions*

| | Nine Months Ended September 2013 | Nine Months Ended September 2012 | Years Ended December 31, 2012 | 2011 | 2010 | 2009 | 2008 |
|---|---|---|---|---|---|---|---|
| **Earnings available for fixed charges** | | | | | | | |
| - Income from continuing operations before provision for income taxes and cumulative effect of accounting changes | $6,149.3 | $6,011.0 | $8,079.0 | $8,012.2 | $7,000.3 | $6,487.0 | $6,158.0 |
| - Noncontrolling interest expense in operating results of majority-owned subsidiaries less equity in undistributed operating results of less than 50%-owned affiliates | 6.7 | 8.9 | 11.1 | 13.3 | 10.4 | 7.5 | 10.7 |
| - Income tax provision (benefit) of 50%-owned affiliates included in income from continuing operations before provision for income taxes | 23.6 | 50.9 | 64.0 | 65.5 | 28.7 | 47.7 | 30.0 |
| - Portion of rent charges (after reduction for rental income from subleased properties) considered to be representative of interest factors* | 279.3 | 265.9 | 358.1 | 339.4 | 315.4 | 302.8 | 321.3 |
| - Interest expense, amortization of debt discount and issuance costs, and depreciation of capitalized interest* | 408.9 | 409.2 | 550.1 | 520.5 | 479.1 | 504.5 | 556.8 |
| | $6,867.8 | $6,745.9 | $9,062.3 | $8,950.9 | $7,833.9 | $7,349.5 | $7,076.8 |
| **Fixed charges** | | | | | | | |
| - Portion of rent charges (after reduction for rental income from subleased properties) considered to be representative of interest factors* | $ 279.3 | $ 265.9 | $ 358.1 | $ 339.4 | $ 315.4 | $ 302.8 | $ 321.3 |
| - Interest expense, amortization of debt discount and issuance costs* | 396.2 | 400.3 | 532.8 | 503.0 | 461.5 | 486.9 | 539.7 |
| - Capitalized interest* | 11.7 | 11.9 | 16.1 | 14.0 | 12.0 | 11.9 | 12.5 |
| | $ 687.2 | $ 678.1 | $ 907.0 | $ 856.4 | $ 788.9 | $ 801.6 | $ 873.5 |
| **Ratio of earnings to fixed charges** | 9.99 | 9.95 | 9.99 | 10.45 | 9.93 | 9.17 | 8.10 |

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

**Exhibit 31.1.**

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

I, 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: October 30, 2013

/s/ Donald Thompson

Donald Thompson

*President and Chief Executive Officer*

**Exhibit 31.2.**

# 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: October 30, 2013

/s/ Peter J. Bensen

Peter J. Bensen

*Corporate Executive Vice President and*
*Chief Financial Officer*

**Exhibit 32.1.**

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

Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 (subsections (a) and (b) of Section 1350, Chapter 63 of Title 18, United States Code), the undersigned officer of McDonald's Corporation (the "Company"), does hereby certify, to such officer's knowledge, that the Quarterly Report on Form 10-Q for the quarter ended September 30, 2013 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: October 30, 2013

/s/ Donald Thompson

Donald Thompson

*President and Chief Executive Officer*

**Exhibit 32.2.**

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

Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 (subsections (a) and (b) of Section 1350, Chapter 63 of Title 18, United States Code), the undersigned officer of McDonald's Corporation (the "Company"), does hereby certify, to such officer's knowledge, that the Quarterly Report on Form 10-Q for the quarter ended September 30, 2013 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: October 30, 2013

/s/ Peter J. Bensen

Peter J. Bensen

*Corporate Executive Vice President and*
*Chief Financial Officer*