
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 **March 31, 2015**

OR

TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the transition period from _____ to _____

Commission File Number **1-5231**

McDONALD'S CORPORATION

(Exact Name of Registrant as Specified in Its Charter)

Delaware

(State or Other Jurisdiction of
Incorporation or Organization)

One McDonald's Plaza
Oak Brook, Illinois

(Address of Principal Executive Offices)

36-2361282

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

60523

(Zip Code)

(630) 623-3000

(Registrant's Telephone Number, Including Area Code)

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

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

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

Large accelerated filer

Accelerated filer

Non-accelerated filer (do not check if a smaller reporting company)

Smaller reporting company

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

958,514,890

(Number of shares of common stock
outstanding as of March 31, 2015)

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) March 31, 2015	December 31, 2014
Assets		
Current assets		
Cash and equivalents	\$ 1,634.8	\$ 2,077.9
Accounts and notes receivable	1,091.8	1,214.4
Inventories, at cost, not in excess of market	98.8	110.0
Prepaid expenses and other current assets	767.4	783.2
Total current assets	3,592.8	4,185.5
Other assets		
Investments in and advances to affiliates	900.5	1,004.5
Goodwill	2,593.5	2,735.3
Miscellaneous	1,767.1	1,798.6
Total other assets	5,261.1	5,538.4
Property and equipment		
Property and equipment, at cost	37,551.0	39,126.1
Accumulated depreciation and amortization	(14,249.3)	(14,568.6)
Net property and equipment	23,301.7	24,557.5
Total assets	\$32,155.6	\$34,281.4
Liabilities and shareholders' equity		
Current liabilities		
Accounts payable	\$ 702.0	\$ 860.1
Income taxes	372.1	166.8
Other taxes	317.0	330.0
Accrued interest	182.4	233.7
Accrued payroll and other liabilities	1,178.4	1,157.3
Total current liabilities	2,751.9	2,747.9
Long-term debt	14,291.8	14,989.7
Other long-term liabilities	1,997.6	2,065.9
Deferred income taxes	1,711.0	1,624.5
Shareholders' equity		
Preferred stock, no par value; authorized – 165.0 million shares; issued – none	—	—
Common stock, \$.01 par value; authorized – 3.5 billion shares; issued – 1,660.6 million shares	16.6	16.6
Additional paid-in capital	6,312.3	6,239.1
Retained earnings	43,290.0	43,294.5
Accumulated other comprehensive income	(2,482.0)	(1,519.7)
Common stock in treasury, at cost: 702.1 and 697.7 million shares	(35,733.6)	(35,177.1)
Total shareholders' equity	11,403.3	12,853.4
Total liabilities and shareholders' equity	\$32,155.6	\$34,281.4

See Notes to condensed consolidated financial statements.

CONDENSED CONSOLIDATED STATEMENT OF NET INCOME (UNAUDITED)

In millions, except per share data	Quarters Ended	
	March 31,	
	2015	2014
Revenues		
Sales by Company-operated restaurants	\$3,914.1	\$4,490.5
Revenues from franchised restaurants	2,044.8	2,209.8
Total revenues	5,958.9	6,700.3
Operating costs and expenses		
Company-operated restaurant expenses	3,354.3	3,767.1
Franchised restaurants—occupancy expenses	403.6	417.1
Selling, general & administrative expenses	582.8	620.4
Other operating (income) expense, net	232.7	(40.3)
Total operating costs and expenses	4,573.4	4,764.3
Operating income	1,385.5	1,936.0
Interest expense	147.3	135.5
Nonoperating (income) expense, net	(15.9)	17.2
Income before provision for income taxes	1,254.1	1,783.3
Provision for income taxes	442.6	578.5
Net income	\$ 811.5	\$ 1,204.8
Earnings per common share-basic	\$ 0.84	\$ 1.22
Earnings per common share-diluted	\$ 0.84	\$ 1.21
Dividends declared per common share	\$ 0.85	\$ 0.81
Weighted average shares outstanding-basic	960.6	989.6
Weighted average shares outstanding-diluted	965.5	995.9

See Notes to condensed consolidated financial statements.

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME (UNAUDITED)

In millions	Quarters Ended	
	2015	March 31, 2014
Net income	\$ 811.5	\$1,204.8
Other comprehensive income (loss), net of tax		
Foreign currency translation adjustments:		
Gain (loss) recognized in accumulated other comprehensive income (AOCI), including net investment hedges	(979.7)	(22.3)
Reclassification of (gain) loss to net income	—	13.1
Foreign currency translation adjustments-net of tax benefit (expense) of \$(159.9) and \$17.4	(979.7)	(9.2)
Cash flow hedges:		
Gain (loss) recognized in AOCI	22.2	30.2
Reclassification of (gain) loss to net income	(5.3)	(13.4)
Cash flow hedges-net of tax benefit (expense) of \$(9.5) and \$(7.2)	16.9	16.8
Defined benefit pension plans:		
Gain (loss) recognized in AOCI	(1.4)	6.5
Reclassification of (gain) loss to net income	1.9	2.6
Defined benefit pension plans-net of tax benefit (expense) of \$0.6 and \$(4.4)	0.5	9.1
Total other comprehensive income (loss), net of tax	(962.3)	16.7
Comprehensive income (loss)	\$ (150.8)	\$1,221.5

See Notes to condensed consolidated financial statements.

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS (UNAUDITED)

In millions	Quarters Ended	
	2015	March 31, 2014
Operating activities		
Net income	\$ 811.5	\$ 1,204.8
Adjustments to reconcile to cash provided by operations		
Charges and credits:		
Depreciation and amortization	386.1	410.4
Deferred income taxes	12.5	(24.0)
Share-based compensation	20.0	25.3
Other	242.9	54.7
Changes in working capital items	226.5	236.1
Cash provided by operations	1,699.5	1,907.3
Investing activities		
Capital expenditures	(392.6)	(568.8)
Sales and purchases of restaurant businesses and property sales	47.6	78.7
Other	(4.2)	(118.1)
Cash used for investing activities	(349.2)	(608.2)
Financing activities		
Short-term borrowings and long-term financing issuances and repayments	(289.8)	(235.1)
Treasury stock purchases	(606.4)	(439.5)
Common stock dividends	(816.3)	(801.7)
Proceeds from stock option exercises	98.6	86.4
Excess tax benefit on share-based compensation	19.4	35.0
Other	1.2	(0.2)
Cash used for financing activities	(1,593.3)	(1,355.1)
Effect of exchange rates on cash and cash equivalents	(200.1)	1.1
Cash and equivalents decrease	(443.1)	(54.9)
Cash and equivalents at beginning of period	2,077.9	2,798.7
Cash and equivalents at end of period	\$ 1,634.8	\$ 2,743.8

See Notes to condensed consolidated financial statements.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

Basis of Presentation

The accompanying condensed consolidated financial statements should be read in conjunction with the consolidated financial statements contained in the Company's December 31, 2014 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 ended March 31, 2015 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 March 31,	2015	2014
Conventional franchised	20,787	20,369
Developmental licensed	5,261	4,833
Foreign affiliated	3,508	3,572
Total Franchised	29,556	28,774
Company-operated	6,734	6,719
Systemwide restaurants	36,290	35,493

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 4.9 million shares and 6.3 million shares for the first quarter 2015 and 2014, respectively. Stock options that would have been antidilutive and therefore were not included in the calculation of diluted weighted-average shares totaled 12.7 million shares and 9.2 million shares for the first quarter 2015 and 2014, respectively.

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, 2014 Annual Report on Form 10-K.

At March 31, 2015, the fair value of the Company's debt obligations was estimated at \$16.1 billion, compared to a carrying amount of \$14.3 billion. The fair value was based upon quoted market prices, Level 2 within the valuation hierarchy. The carrying amounts of cash and equivalents, short-term investments and notes receivable approximate fair value.

Financial Instruments and Hedging Activities

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

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

In millions	Derivative Assets		Derivative Liabilities	
	March 31, 2015	December 31, 2014	March 31, 2015	December 31, 2014
Total derivatives designated as hedging instruments	\$ 209.3	\$ 108.2	\$ (40.0)	\$ (42.3)
Total derivatives not designated as hedging instruments	140.4	137.9	(19.0)	(7.9)
Total derivatives	\$ 349.7	\$ 246.1	\$ (59.0)	\$ (50.2)

The following table presents the pretax amounts affecting income and other comprehensive income ("OCI") for quarters ended March 31, 2015 and 2014, respectively:

In millions	Gain (Loss) Recognized in Accumulated OCI		Gain (Loss) Reclassified into Income from Accumulated OCI		Gain (Loss) Recognized in Income on Derivative ⁽¹⁾	
	2015	2014	2015	2014	2015	2014
Cash Flow Hedges	\$ 32.0	\$ 43.2	\$ 5.6	\$ 19.2	\$ 10.0	\$ (0.6)
Net Investment Hedges	\$ 800.5	\$ (46.8)				
Undesignated derivatives					\$ 9.6	\$ 1.3

(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 March 31, 2015, \$2.7 billion of the Company's outstanding fixed-rate debt was effectively converted. For the quarter ended March 31, 2015, the Company recognized an \$8.1 million gain on fair value interest rate swaps, which was exactly offset by a corresponding loss in the fair value of the hedged debt instruments.

- **Cash Flow Hedges**

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

To protect against the reduction in value of forecasted foreign currency cash flows (such as royalties denominated in foreign currencies), the Company uses foreign currency forwards and foreign currency options to hedge a portion of anticipated exposures. The hedges cover the next 18 months for certain exposures and are denominated in various currencies. As of March 31, 2015, the Company had derivatives outstanding with an equivalent notional amount of \$340.5 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 24 months and have an equivalent notional amount of \$142.6 million.

Based on market conditions at March 31, 2015, the \$47.9 million in cumulative cash flow hedging gains, after tax, is not expected to have a significant effect on earnings over the next 12 months.

- **Net Investment Hedges**

The Company primarily uses foreign currency denominated debt (third party and intercompany) to hedge its investments in certain foreign subsidiaries and affiliates. Realized and unrealized translation adjustments from these hedges are included in shareholders' equity in the foreign currency translation component of OCI and offset translation adjustments on the underlying net assets of foreign subsidiaries and affiliates, which also are recorded in OCI. As of March 31, 2015, \$3.8 billion of the Company's third party foreign currency denominated debt, \$3.4 billion of intercompany foreign currency denominated debt and \$714.6 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 March 31, 2015 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.

In millions	Quarters Ended	
	March 31,	
	2015	2014
Revenues		
U.S.	\$1,978.1	\$2,054.1
Europe	2,164.2	2,712.2
APMEA	1,524.7	1,618.8
Other Countries & Corporate	291.9	315.2
Total revenues	\$5,958.9	\$6,700.3
Operating Income		
U.S.	\$ 731.8	\$ 820.8
Europe	600.9	752.5
APMEA	68.5	345.1
Other Countries & Corporate	(15.7)	17.6
Total operating income	\$1,385.5	\$1,936.0

Recently Issued Accounting Standards

Revenue Recognition

In May 2014, the Financial Accounting Standards Board ("FASB") issued guidance codified in ASC 606, "Revenue Recognition - Revenue from Contracts with Customers," which amends the guidance in former ASC 605, "Revenue Recognition." The provisions of this update are effective as of January 1, 2017; however, in April 2015, the FASB proposed a one-year deferral of the effective date. The Company is currently evaluating the impact of the provisions of ASC 606.

Simplifying the Presentation of Debt Issuance Costs

In April 2015, the FASB issued ASU 2015-03, "Interest - Imputation of Interest (Subtopic 835-30): Simplifying the Presentation of Debt Issuance Costs," which requires debt issuance costs to be recorded as a direct reduction of the debt liability on the balance sheet rather than as an asset. The provisions of this update are effective as of January 1, 2016, and are not expected to significantly impact the Company.

Subsequent Events

The Company evaluated subsequent events through the date the financial statements were issued and filed with the Securities and Exchange Commission. On May 4, 2015, the Company announced a worldwide business restructuring that will combine markets with similar needs, challenges, and opportunities for growth into four new segments effective July 1, 2015, as follows:

- U.S. - the Company's largest segment, accounting for more than 40% of the Company's 2014 operating income;
- International Lead Markets - established markets including Australia, Canada, France, Germany and the UK, which operate within similar economic and competitive dynamics, offer similar growth opportunities and collectively represented about 40% of the Company's 2014 operating income;
- High-Growth Markets - markets with relatively higher restaurant expansion and franchising potential including China, Italy, Poland, Russia, South Korea, Spain, Switzerland and the Netherlands. Together these markets accounted for about 10% of the Company's 2014 operating income; and
- Foundational Markets - the remaining markets in the McDonald's system, each of which has the potential to operate under a largely franchised model. Corporate activities will also be reported within this segment.

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

Overview

The Company franchises and operates McDonald's restaurants. Of the 36,290 restaurants in 119 countries at March 31, 2015, 29,556 were licensed to franchisees (including 20,787 franchised to conventional franchisees, 5,261 licensed to developmental licensees and 3,508 licensed to foreign affiliates ("affiliates")) – primarily Japan) and 6,734 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 business, and by reinvesting in the business over time. The Company owns the land and building or secures long-term leases for both Company-operated and conventional franchised restaurant sites. This maintains long-term occupancy rights, helps control related costs and assists in alignment with franchisees enabling restaurant performance levels that are among the highest in the industry. In certain circumstances, the Company participates in reinvestment for conventional franchised restaurants in an effort to accelerate implementation of certain initiatives.

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 or franchise restaurants within a market.

We view ourselves primarily as a franchisor and believe franchising is paramount to both delivering great, locally-relevant customer experiences and driving profitability. Franchising enables an individual to own a restaurant business and maintain control over personnel, purchasing, marketing and pricing decisions, while also benefiting from the financial strength and global experience of McDonald's. However, directly operating restaurants is important to being a credible franchisor and is essential to providing Company personnel with restaurant operations experience. In our Company-operated restaurants, and in collaboration with franchisees, we further develop and refine operating standards, marketing concepts and product and pricing strategies, so that only those that we believe are most beneficial are introduced in the restaurants. We continually review, and as appropriate adjust, our mix of Company-operated and franchised (conventional franchised, developmental licensed and foreign affiliated) restaurants to help optimize overall performance.

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

The business is managed as distinct geographic segments. Significant reportable segments include the United States ("U.S."), Europe, and Asia/Pacific, Middle East and Africa ("APMEA"). In addition, throughout this report we present "Other Countries & Corporate" that includes operations in Canada and Latin America, as well as Corporate activities. For the quarter ended March 31, 2015, the U.S., Europe and APMEA segments accounted for 33%, 36% and 26% of total revenues, respectively.

Strategic Direction

The strength of the alignment among the Company, its franchisees and suppliers (collectively referred to as the "System") has been key to McDonald's long-term success and in building a powerful and enduring economic advantage. By leveraging our System, we are able to identify, implement and scale ideas that meet customers' changing needs and preferences. In addition, our business model enables McDonald's to consistently deliver locally-relevant restaurant experiences to customers and be an integral part of the communities we serve. The strength of our business model is enduring, but the reality is our performance has not met expectations.

As we celebrate 60 years of McDonald's, we are focused on the urgent need to reset and turn around the business. In our effort to shape McDonald's future as a modern, progressive burger company, our priorities are threefold - driving operational growth, returning excitement to our brand and unlocking financial value.

The immediate priority for our business is restoring growth under a new organizational structure and ownership mix designed to provide greater focus on the customer, improve our operating fundamentals and drive a recommitment to running great restaurants. As we turn around our business, we will look to create more excitement around the brand and ensure that we build on our rich heritage of positively impacting the communities we serve.

Beginning July 1, 2015, McDonald's will operate under a new organizational structure with the following four segments that combine markets with similar needs, challenges, and opportunities for growth:

- **U.S.** - the Company's largest segment, accounting for more than 40% of the Company's 2014 operating income;
- **International Lead Markets** - established markets including Australia, Canada, France, Germany, and the UK, which operate within similar economic and competitive dynamics, offer similar growth opportunities and collectively represented about 40% of the Company's 2014 operating income;
- **High-Growth Markets** - markets with relatively higher restaurant expansion and franchising potential including China, Italy, Poland, Russia, South Korea, Spain, Switzerland and the Netherlands. Together these markets accounted for about 10% of the Company's 2014 operating income; and
- **Foundational Markets** - the remaining markets in the McDonald's system, each of which has the potential to operate under a largely franchised model. Corporate activities will also be reported within this segment.

As we restructure our organization and instill greater customer focus, the turnaround effort will be governed by stronger financial discipline, faster decision making and clear management accountability. The enhancements to McDonald's operating approach will be accompanied by plans to further optimize the Company's restaurant ownership mix, deliver G&A savings and accelerate cash returned to shareholders. Specifically, the Company expects to:

- Accelerate the pace of refranchising by increasing the global franchised percentage from the current 81% to about 90% by the end of 2018 through refranchising about 3,500 restaurants. In conjunction with our refranchising plans, we will take a market-by-market approach, set higher financial screens for markets operating company-operated restaurants, and leverage both conventional and developmental licensee structures across the segments. Our new, more heavily-franchised business model will generate more stable and predictable revenue and cash flow streams and will require a less resource-intensive support structure;
- Deliver approximately \$300 million in net annual G&A savings, most of which will be realized by the end of 2017, in connection with the Company's organizational restructure, refranchising strategy, and more stringent discipline around spending throughout the organization; and
- Return \$8 to \$9 billion to shareholders in 2015 and to reach the top end of its 3-year \$18 to \$20 billion cash return to shareholders target by the end of 2016.

While we continue our efforts to regain our business momentum through our turnaround plan and improve sales at our more than 36,000 restaurants around the world, our current performance reflects the ongoing pressures of the business, which we expect to persist at least through the first half of the year.

Financial Performance

Global comparable sales decreased 2.3% for the quarter, reflecting negative guest traffic in all major segments. On a consolidated basis, comparable guest counts decreased 4.7% for the quarter. Comparable sales are driven by changes in guest counts and average check, which is affected by changes in pricing and product mix. Typically, pricing has a greater impact on average check than product mix. The goal is to achieve a balanced contribution from both guest counts and average check.

U.S. comparable sales decreased 2.6% for the quarter, reflecting negative sales and guest traffic as the segment's product and promotional offers did not overcome the competitive activity. With new U.S. leadership, the U.S. is focused on a strategic roadmap that includes a revamped marketing approach, localization of initiatives that are designed to address customer insights and the competitive dynamics that are unique to each market, and menu simplification. In addition, the U.S. is focused on strengthening its menu pipeline by providing more choice and customization, as well as refining its value proposition to offer the right balance of value and choice to create more logical relationships across menu price tiers.

In Europe, comparable sales decreased 0.6% for the quarter as positive performance in the U.K. was more than offset by weak results in France and Russia. McDonald's Europe continues to target opportunities to improve critical aspects of its business amidst ongoing macro-economic headwinds across much of the segment.

In APMEA, comparable sales decreased 8.3% for the quarter primarily due to the impact of prolonged, broad-based consumer perception issues in Japan, along with negative but improving performance in China. The Company continues to aggressively execute brand recovery efforts related to the 2014 supplier issue in these markets.

First Quarter Operating Results Included:

- Global comparable sales decrease of 2.3%, reflecting negative guest traffic in all major segments
- Consolidated revenues decrease of 11% (1% in constant currencies)
- Consolidated operating income decrease of 28% (20% in constant currencies) due to weaker operating performance and \$195 million of strategic charges related to restaurant closings and other management actions

- Diluted earnings per share of \$0.84, a decrease of 31% (23% in constant currencies), which includes strategic charges totaling \$0.17 per share and a negative foreign currency translation impact of \$0.09 per share. In constant currencies and excluding the strategic charges, earnings per share decreased \$0.11 or 9%
- Return of \$1.4 billion to shareholders through dividends and share repurchases

Outlook

While the Company does not provide specific guidance on earnings per share, the following information is provided to assist in forecasting the Company's future results, both for the remainder of 2015 as well as over the long term in connection with our announced turnaround plan. Our current performance reflects the ongoing pressures of the business, which we expect to persist through at least the first half of 2015.

2015

- Changes in Systemwide sales are driven by comparable sales and net restaurant unit expansion. The Company expects net restaurant additions to add approximately 2 percentage points to 2015 Systemwide sales growth (in constant currencies), most of which will be due to the 829 net restaurants (981 net traditional openings less 152 net satellite closings) added in 2014.
- The Company does not generally provide specific guidance on changes in comparable sales. However, as a perspective, assuming no change in cost structure, a 1 percentage point change in comparable sales for either the U.S. or Europe would change annual diluted earnings per share by about 4 cents.
- With about 75% of McDonald's grocery bill comprised of 10 different commodities, a basket of goods approach is the most comprehensive way to look at the Company's commodity costs. For the full year 2015, the total basket of goods cost is expected to increase 1.5%-2.5% in the U.S. and 2%-3% in Europe.
- The Company is currently analyzing the impact of the turnaround plan on full-year 2015 selling, general and administrative expenses, including the potential impact and timing of any one-time items. Guidance will be provided when the Company reports results for the quarter and six months ended June 30, 2015.
- Based on current interest and foreign currency exchange rates, the Company expects interest expense for the full-year 2015 to increase about 15% compared with 2014 based on plans to return \$8 to \$9 billion to shareholders this year.
- 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 70% of the Company's operating income outside the U.S. If all four of these currencies moved by 10% in the same direction, the Company's annual diluted earnings per share would change by about 25 cents.
- The Company expects the effective income tax rate for the full-year 2015 to be at the high end of the existing 31%-33% range. Some volatility may be experienced between the quarters resulting in a quarterly tax rate outside of the annual range.
- The Company expects capital expenditures for 2015 to be approximately \$2.0 billion. About half of this amount will be used to open new restaurants. The Company expects to open more than 1,000 restaurants including about 450 restaurants in affiliated and developmental licensee markets where the Company does not fund any capital expenditures. The Company expects net additions of about 300 restaurants, reflecting 700 restaurant closings. The remaining capital will be used to reinvest in existing locations.

Long-term

- The Company expects to return \$8 to \$9 billion to shareholders in 2015 and to reach the top end of its 3-year \$18 to \$20 billion cash return to shareholders target by the end of 2016 through a combination of dividends and share repurchases.
- The Company expects to rebrand about 3,500 restaurants with franchised restaurants accounting for approximately 90% of global restaurants by the end of 2018.
- The Company expects to achieve net annual savings on selling, general and administrative expenses of about \$300 million, most of which will be realized by the end of 2017, in connection with the Company's organizational restructure, rebranding strategy, and more stringent discipline around spending throughout the organization.

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 reimagining or remodeling, rebuilding, road construction and natural disasters. Comparable sales exclude the impact of currency translation. Comparable sales are driven by changes in guest counts and average check, which is affected by changes in pricing and product mix. Typically, pricing has a greater impact on average check than product mix. Management reviews the increase or decrease in comparable sales and comparable guest counts compared with the same period in the prior year to assess business trends. 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 March 31, 2015	
	Amount	Increase/ (Decrease)
Revenues		
Sales by Company-operated restaurants	\$ 3,914.1	(13)%
Revenues from franchised restaurants	2,044.8	(7)
Total revenues	5,958.9	(11)
Operating costs and expenses		
Company-operated restaurant expenses	3,354.3	(11)
Franchised restaurants—occupancy expenses	403.6	(3)
Selling, general & administrative expenses	582.8	(6)
Other operating (income) expense, net	232.7	n/m
Total operating costs and expenses	4,573.4	(4)
Operating income	1,385.5	(28)
Interest expense	147.3	9
Nonoperating (income) expense, net	(15.9)	n/m
Income before provision for income taxes	1,254.1	(30)
Provision for income taxes	442.6	(23)
Net income	\$ 811.5	(33)%
Earnings per common share-basic	\$ 0.84	(31)%
Earnings per common share-diluted	\$ 0.84	(31)%

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

Quarters Ended March 31,	2015	2014	Currency Translation
			Benefit/ (Cost)
	2015	2014	2015
Revenues	\$ 5,958.9	\$ 6,700.3	\$(700.7)
Company-operated margins	559.8	723.4	(71.2)
Franchised margins	1,641.2	1,792.7	(142.4)
Selling, general & administrative expenses	582.8	620.4	39.9
Operating income	1,385.5	1,936.0	(157.3)
Net income	811.5	1,204.8	(84.6)
Earnings per share-diluted	\$ 0.84	\$ 1.21	\$(0.09)

The impact of foreign currency translation on consolidated operating results for the quarter reflected the weaker Euro, Russian Ruble, Australian Dollar and most other currencies.

Net Income and Diluted Earnings per Common Share

For the quarter, net income decreased 33% (26% in constant currencies) to \$811.5 million, and diluted earnings per share decreased 31% (23% in constant currencies) to \$0.84. Foreign currency translation had a negative impact of \$0.09 on diluted earnings per share.

In the first quarter, as part of our focus to optimize the business, the Company recognized strategic charges of \$195 million in operating income, negatively impacting earnings per share by \$0.17. This included the following costs:

- \$85 million of asset write-offs related to the Company's previously-announced refranchising initiative and other charges;
- \$72 million of asset write-offs related to management's decision to close about 220 under-performing restaurants, primarily in the U.S. and China, and the decision by McDonald's Japan to close about 130 restaurants. These restaurant closings are in addition to the 350 planned closures globally; and
- \$38 million of restructuring charges in the U.S. in connection with management's initiative to create a flatter, more efficient organization.

In constant currencies and excluding the impact of these charges, earnings per share decreased \$0.11 or 9%, reflecting lower company-operated margins, weaker results in Japan and a higher effective tax rate, partly offset by a benefit from a decrease in diluted weighted average shares outstanding due to share repurchases.

During the quarter, the Company paid a quarterly dividend of \$0.85 per share or \$816.3 million and repurchased 6.6 million shares of its stock for \$624.5 million.

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 March 31,	2015	2014	(Decrease)	Inc/ (Dec) Excluding Currency Translation
<i>Company-operated sales</i>				
U.S.	\$ 990.2	\$ 1,040.9	(5)%	(5)%
Europe	1,494.7	1,925.8	(22)	1
APMEA	1,274.0	1,356.9	(6)	(2)
Other Countries & Corporate	155.2	166.9	(7)	5
Total	\$ 3,914.1	\$ 4,490.5	(13)%	(1)%
<i>Franchised revenues</i>				
U.S.	\$ 987.9	\$ 1,013.2	(2)%	(2)%
Europe	669.5	786.4	(15)	2
APMEA	250.7	261.9	(4)	5
Other Countries & Corporate	136.7	148.3	(8)	9
Total	\$ 2,044.8	\$ 2,209.8	(7)%	1 %
<i>Total revenues</i>				
U.S.	\$ 1,978.1	\$ 2,054.1	(4)%	(4)%
Europe	2,164.2	2,712.2	(20)	1
APMEA	1,524.7	1,618.8	(6)	(1)
Other Countries & Corporate	291.9	315.2	(7)	7
Total	\$ 5,958.9	\$ 6,700.3	(11)%	(1)%

Consolidated revenues decreased 11% (1% in constant currencies) for the quarter. The constant currency decrease reflected the impact of negative comparable sales, mostly offset by expansion.

- In the U.S., revenues decreased for the quarter due to negative comparable sales, reflecting negative comparable guest counts as the segment's product and promotional offers did not offset competitive activity.
- In Europe, the constant currency results for the quarter reflected a benefit from expansion, primarily in Russia and France, and positive comparable sales in the U.K. This was mostly offset by negative comparable sales in France and Russia and the impact of refranchising.

- In APMEA, the constant currency decrease for the quarter was driven by negative comparable sales primarily in China and Japan, mostly offset by a benefit from expansion in the segment and positive comparable sales in Australia.

The following table presents the percent change in comparable sales for the quarters ended March 31, 2015 and 2014:

COMPARABLE SALES

Quarters Ended March 31,*	Increase/ (Decrease)	
	2015	2014
U.S.	(2.6)%	(1.7)%
Europe	(0.6)	1.4
APMEA	(8.3)	0.8
Other Countries & Corporate	6.4	6.1
Total	(2.3)%	0.5 %

* On a consolidated basis, comparable guest counts decreased 4.7% and 3.1% for the quarters 2015 and 2014, respectively.

The following table presents the percent change in Systemwide sales for the quarter ended March 31, 2015:

SYSTEMWIDE SALES

Quarter Ended March 31, 2015	(Decrease)	Inc/ (Dec) Excluding Currency Translation
U.S.	(2)%	(2)%
Europe	(17)	2
APMEA	(12)	(5)
Other Countries & Corporate	(11)	9
Total	(9)%	0 %

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 March 31,	2015	2014	(Decrease)	Inc/ (Dec) Excluding Currency Translation
U.S.	\$ 7,247.4	\$ 7,338.1	(1)%	(1)%
Europe	3,780.0	4,402.2	(14)	2
APMEA	2,673.2	3,108.8	(14)	(6)
Other Countries & Corporate	1,648.0	1,867.6	(12)	9
Total*	\$ 15,348.6	\$ 16,716.7	(8)%	0 %

* Sales from developmental licensed restaurants and foreign affiliated markets where the Company earns a royalty based on a percent of sales totaled \$2,943.3 million and \$3,548.5 million for the quarters 2015 and 2014, respectively. Results were impacted by negative comparable sales and the weaker Yen in Japan, and many weaker currencies in Latin America. The remaining balance of franchised sales is derived from conventional franchised restaurants where the Company earns rent and royalties based primarily on a percent of sales.

Restaurant Margins

FRANCHISED AND COMPANY-OPERATED RESTAURANT MARGINS

Dollars in millions

Quarters Ended March 31,	Percent		Amount		(Decrease)	Inc/ (Dec) Excluding Currency Translation
	2015	2014	2015	2014		
<i>Franchised</i>						
U.S.	81.3%	82.5%	\$ 803.5	\$ 836.1	(4)%	(4)%
Europe	76.0	76.9	509.1	604.8	(16)	1
APMEA	84.9	86.3	212.8	226.1	(6)	3
Other Countries & Corporate	84.8	84.8	115.8	125.7	(8)	11
Total	80.3%	81.1%	\$1,641.2	\$1,792.7	(8)%	(1)%
<i>Company-operated</i>						
U.S.	15.3%	17.3%	\$ 151.1	\$ 180.1	(16)%	(16)%
Europe	16.3	17.0	243.8	328.0	(26)	(8)
APMEA	11.3	14.0	143.4	190.5	(25)	(20)
Other Countries & Corporate	13.9	14.9	21.5	24.8	(13)	(2)
Total	14.3%	16.1%	\$ 559.8	\$ 723.4	(23)%	(13)%

Franchised margin dollars decreased \$151.5 million or 8% (1% in constant currencies) for the quarter.

- In the U.S., the franchised margin percent decreased for the quarter primarily due to higher lease expense and negative comparable sales.
- In Europe, the franchised margin percent decreased for the quarter primarily due to higher lease expense, the impact of refranchising and lower rental income as a percentage of franchised sales.
- In APMEA, the franchised margin percent decreased for the quarter partly due to weaker operating performance in Japan, which reduced Japan's favorable contribution to the segment's margin percent. In addition, higher lease expense and refranchising negatively impacted the margin percent. While refranchising may have a dilutive effect on the franchised margin percent, it results in higher franchised margin dollars.

Company-operated margin dollars decreased \$163.6 million or 23% (13% in constant currencies) for the quarter. The constant currency decrease was primarily due to weak performance across all segments.

- In the U.S., the Company-operated margin percent decreased for the quarter due to the impact of negative comparable guest counts and higher labor and commodity costs, partly offset by a higher average check.
- In Europe, the Company-operated margin percent decreased for the quarter reflecting weaker results in Russia due to negative comparable sales performance and the impact of currency and inflationary pressures on commodity costs.
- In APMEA, the Company-operated margin percent decreased for the quarter primarily due to weak performance in China and other Asian markets. The ongoing impact from the 2014 supplier issue continued to pressure sales and commodity costs in China.

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 March 31,	2015	2014
Food & paper	33.9%	33.7%
Payroll & employee benefits	26.8	26.2
Occupancy & other operating expenses	25.0	24.0
Total expenses	85.7%	83.9%
Company-operated margins	14.3%	16.1%

Selling, General & Administrative Expenses

Selling, general and administrative expenses decreased \$37.6 million or 6% (0% in constant currencies) for the quarter. The constant currency results reflect the benefit from comparison to prior year costs related to the 2014 Winter Olympics, partly offset by higher marketing costs.

Selling, general and administrative expenses as a percent of revenues increased to 9.8% for the quarter 2015 compared with 9.3% for 2014, and as a percent of Systemwide sales increased to 3.0% for the quarter 2015 compared with 2.9% for 2014, as weaker foreign currencies are having a bigger impact on revenues and sales.

Other Operating (Income) Expense, Net

OTHER OPERATING (INCOME) EXPENSE, NET

Dollars in millions

Quarters Ended March 31,	2015	2014
Gains on sales of restaurant businesses	\$ (24.6)	\$ (29.0)
Equity in earnings of unconsolidated affiliates	63.4	(16.5)
Asset dispositions and other (income) expense, net	193.9	5.2
Total	\$232.7	\$ (40.3)

Equity in earnings of unconsolidated affiliates decreased for the quarter primarily due to results in Japan, reflecting negative operating performance and the impact of the decision by McDonald's Japan to close under-performing restaurants.

Asset dispositions and other expense increased for the quarter, primarily due to asset write-offs related to the decision to close under-performing restaurants, mostly in the U.S. and China, other asset write-offs as part of the refranchising initiative and U.S. restructuring charges.

Operating Income

OPERATING INCOME

Dollars in millions

Quarters Ended March 31,	2015	2014	(Decrease)	(Decrease) Excluding Currency Translation
U.S.	\$ 731.8	\$ 820.8	(11)%	(11)%
Europe	600.9	752.5	(20)	(4)
APMEA	68.5	345.1	(80)	(77)
Other Countries & Corporate	(15.7)	17.6	n/m	(57)
Total	\$1,385.5	\$1,936.0	(28)%	(20)%

Operating income decreased \$550.5 million or 28% (20% in constant currencies) for the quarter, partly reflecting strategic charges of \$195 million.

- In the U.S., operating income for the quarter decreased due to lower restaurant margin dollars, and restructuring and restaurant closing charges.
- In Europe, constant currency operating income for the quarter decreased primarily due to lower Company-operated margin dollars in Russia and lower other operating income, partly offset by lower selling, general and administrative expenses which benefited from prior year costs related to the 2014 Winter Olympics.
- In APMEA, constant currency operating income for the quarter decreased primarily due to strategic charges related to the impact from restaurant closings incremental to plan and other management actions, negative operating performance in Japan and lower Company-operated margin dollars.
- **Combined Operating Margin**

Combined operating margin is defined as operating income as a percent of total revenues. Combined operating margin was 23.3% and 28.9% for the quarters 2015 and 2014, respectively.

Interest Expense

Interest expense increased 9% (15% in constant currencies) for the quarter primarily due to higher average debt balances, partly offset by weaker foreign currencies.

Nonoperating (Income) Expense, Net

NONOPERATING (INCOME) EXPENSE, NET

Dollars in millions

Quarters Ended March 31,	2015	2014
Interest Income	\$ (2.3)	\$ (3.4)
Foreign currency and hedging activity	(15.9)	12.0
Other (income) expense, net	2.3	8.6
Total	\$ (15.9)	\$ 17.2

Income Taxes

The effective income tax rate was 35.3% and 32.4% for the quarters 2015 and 2014, respectively. The higher effective tax rate for 2015 was primarily due to certain first quarter strategic charges that had limited tax benefits and weaker operating performance in certain foreign markets that resulted in an unfavorable shift in the mix of income.

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 \$1.7 billion and exceeded capital expenditures by \$1.3 billion for the first quarter 2015. Cash provided by operations decreased \$207.8 million compared with the first quarter 2014, primarily due to lower operating results.

Cash used for investing activities totaled \$349.2 million for the first quarter 2015, a decrease of \$259.0 million compared with the first quarter 2014, primarily due to lower capital expenditures and a decrease in other investing activities related to short-term time deposits.

Cash used for financing activities totaled \$1.6 billion for the first quarter 2015, an increase of \$238.2 million compared with the first quarter 2014, primarily due to higher treasury stock purchases.

Debt obligations at March 31, 2015 totaled \$14.3 billion compared with \$15.0 billion at December 31, 2014. The decrease was primarily due to net debt repayments and the impact of foreign currency translation.

Recently Issued Accounting Standards

Revenue Recognition

In May 2014, the Financial Accounting Standards Board issued guidance codified in Accounting Standards Codification (ASC) 606, "Revenue Recognition - Revenue from Contracts with Customers," which amends the guidance in former ASC 605, "Revenue Recognition." The provisions of this update are effective as of January 1, 2017; however, in April 2015, the FASB proposed a one-year deferral of the effective date. The Company is currently evaluating the impact of the provisions of ASC 606.

Simplifying the Presentation of Debt Issuance Costs

In April 2015, the FASB issued ASU 2015-03, "Interest - Imputation of Interest (Subtopic 835-30): Simplifying the Presentation of Debt Issuance Costs," which requires debt issuance costs to be recorded as a direct reduction of the debt liability on the balance sheet rather than as an asset. The provisions of this update are effective as of January 1, 2016, and are not expected to significantly impact the Company.

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 results are subject to a variety of risks that are reflected in the following considerations and factors that we believe are most likely to affect our performance.

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

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

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

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

If our announced turnaround plans are not successful in driving improved performance, our results may suffer.

On May 4, 2015, we announced our initial turnaround plans with several components: restructure market segments, optimize restaurant ownership mix through accelerated refranchising effort and deliver cost savings. If our initial turnaround plans are not successful, take longer than initially projected, or are not executed effectively, our business operations and financial results could be adversely affected.

In addition, the initial turnaround plans present various risks to the McDonald’s System and increase the chances that existing risks described elsewhere in this section will have an adverse effect. A more detailed description of the initial turnaround plans can be found in our Strategic Direction section of this report.

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

We compete primarily in the IEO segment, which is highly competitive. In some of our major markets, IEO segments have remained stagnant in recent periods, have experienced only modest growth or have declined. As a result, we are facing sustained, intense competition from both traditional and other competitors, which include many non-traditional market participants such as convenience stores and coffee shops. In addition, in recent periods we have experienced emerging and growing competition from the fast casual category of restaurants. We expect our environment to continue to be highly competitive and in any particular reporting period our results may be impacted by new actions of our competition, which may have a short- or long-term impact.

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

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

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

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

Our results depend on the impact of our pricing, promotional and marketing plans and our System’s ability to adjust these plans to respond quickly to economic and competitive conditions. Our existing or future pricing strategies and the value proposition they represent will continue to be important components of our overall plan, may not be successful and could negatively impact sales and margins. The promotion of our menu offerings may yield results below desired levels.

Additionally, we operate in an increasingly complex and costly advertising environment. Our marketing and advertising programs may not be successful and we may fail to attract and retain customers. We have increased our emphasis on digital offerings and customer loyalty initiatives, and our success depends in part on whether we can effectively execute such offerings and initiatives in a way that will enhance customer engagement. If our pricing, promotional and marketing plans are not successful, or are not as successful as those of our competitors, our sales, guest counts and market share could decrease.

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

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

Additionally, the ongoing relevance of our brand may depend on the success of our sustainability initiatives to support our brand ambition of good food, good people and good neighbor, which will require System-wide coordination and alignment. If we are not effective in achieving our stated sustainability goals and addressing these and other matters of social responsibility in a way that inspires trust and confidence, trust in our brand could suffer. In particular, business incidents that erode consumer trust, particularly if such incidents receive considerable publicity or result in litigation, can significantly reduce brand value and have a negative impact on our financial results.

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

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

Supply chain interruptions may increase costs or reduce revenues.

We depend on the effectiveness of our supply chain management to assure reliable and sufficient product supply, including on favorable terms. The products we sell are sourced from a wide variety of suppliers in countries around the world. Supply chain interruptions, including due to lack of supply or price increases, can adversely affect us or the suppliers and franchisees that are also part of our System and whose performance has a significant impact on our results. Such shortages or disruptions could be caused by factors beyond the control of our suppliers or us, including inclement weather, natural disasters, increased demand, problems in production or distribution, disruptions in third party logistics or transportation systems, the inability of our suppliers to obtain credit, or food safety warnings or advisories. If we experience interruptions in our supply chain, our costs could increase and it could limit the availability of products critical to our operations.

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

Our ability to increase sales and profits depends on our System's ability to meet expectations for safe food and on our ability to manage the potential impact on McDonald's of food-borne illnesses and food or product safety issues that may arise in the future. Food safety is a top priority, and we dedicate substantial resources to ensure that our customers enjoy safe food products. However, food safety events, including instances of food-borne illness, have occurred in the food industry in the past, and could occur in the future. In 2014, food quality issues were discovered at a supplier to McDonald's and other food companies in China. As a consequence of this issue, results in China, Japan and certain other markets were negatively impacted due to lost sales and profitability, including expenses associated with rebuilding customer trust. Any future instances of food tampering, food contamination or food-borne illness could adversely affect our brand and reputation as well as our revenues and profits.

Our franchise business model presents a number of risks.

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

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

Our ownership mix also affects our results and financial condition. The decision to own restaurants or to operate under franchise or license agreements is driven by many factors whose interrelationship is complex and changing. Our ability to achieve the benefits of our refranchising strategy, which involves a shift to a greater percentage of franchised restaurants, will depend on various factors, including our ability to identify franchisees that meet our rigorous standards, the performance of our existing franchisees and whether the resulting ownership mix supports our financial objectives.

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

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

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

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

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

Additionally, we face 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. Such challenges are exacerbated in many cases by a lack of an independent and experienced judiciary and uncertainties in how local law is applied and enforced, including in areas most relevant to commercial transactions and foreign investment. If we are unable to effectively manage the risks associated with our international operations, it could have a material adverse effect on our business and financial condition.

Challenges with respect to talent management could harm our business.

Our success depends in part on our System's ability to recruit and retain qualified personnel to work in our restaurants. Increased costs associated with recruiting and retaining such qualified personnel, whether because of the trend toward higher statutory minimum wages and social expenses or because of voluntary increases in wages necessitated by labor market conditions, could have a negative impact on the margins of our company-operated restaurants. Additionally, economic action, such as boycotts, protests, work stoppages or campaigns by labor organizations, could adversely affect us or the franchisees and suppliers that are also part of the McDonald's System and whose performance has a material impact on our results.

We are also impacted by the costs and other effects of compliance with U.S. and overseas regulations affecting our workforce, which includes our staff and employees working in our company-operated restaurants. These regulations are increasingly focused on wage and hour, healthcare, immigration, retirement and other employee benefits and unlawful workplace discrimination. Our potential exposure to reputational and other harm regarding our workplace practices or conditions or those of our independent franchisees or suppliers (or perceptions thereof) could have a negative impact on our business.

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

We are increasingly reliant on our technological systems (e.g., point-of-sale and other in-store systems or platforms) to conduct our business, and any failure of these systems could significantly impact our operations. Despite our implementation of security measures, our technology systems could become vulnerable to damage, disability or failures due to theft, fire, power loss, telecommunications failure or

other catastrophic events. If these systems were to fail, and we were unable to recover in a timely way, we could experience an interruption in our operations. We may also not fully realize the benefits of the significant investments we are making to enhance the customer experience through digital engagement and social media.

Furthermore, security breaches involving our systems or those of third party providers may occur, such as unauthorized access, denial of service, computer viruses and other disruptive problems caused by hackers. Our information technology systems contain personal, financial and other information that is entrusted to us by our customers and employees as well as financial, proprietary and other confidential information related to our business. An actual or alleged security breach could result in system disruptions, shutdowns, theft or unauthorized disclosure of confidential information. The occurrence of any of these incidents could result in adverse publicity, loss of consumer confidence, reduced sales and profits, and criminal penalties or civil liabilities.

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

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

Our success depends in part on our ability to manage the impact of new, potential or changing regulations that can affect our business plans. These regulations may relate to product packaging, marketing and the nutritional content and safety of our food and other products, labeling and other disclosure practices (particularly given varying requirements and practices for testing and disclosure), 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.

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

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

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

Litigation involving our relationship with franchisees and the legal distinction between our franchisees and us for employment law purposes, if determined adversely, could increase costs, negatively impact the business prospects of our franchisees and subject us to incremental liability for their actions. We are also subject to the legal and compliance risks associated with privacy, data collection, protection and management, in particular as it relates to information we collect when we provide optional technology-related services to franchisees.

Our operating results could also be affected by the following:

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

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

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

The success of our business depends on our continued ability to use our existing trademarks and service marks in order to increase brand awareness and further develop our branded products in both domestic and international markets. We rely on a combination of trademarks, copyrights, service marks, trade secrets, patents and other intellectual property rights to protect our brand and branded

products. We also license our intellectual property to franchisees and other third parties and we cannot assure you that they will not take actions that hurt the value of our intellectual property.

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

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

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

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

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

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

We may be negatively affected by the impact of changes in our debt levels or our results of operations on our credit ratings, interest expense, availability of acceptable counterparties, ability to obtain funding on favorable terms or our operating or financial flexibility, especially if lenders impose new operating or financial covenants. Our operations may also be impacted by regulations affecting capital flows, financial markets or financial institutions, which can limit our ability to manage and deploy our liquidity or increase our funding costs. If any of these events were to occur, they could have a material adverse effect on our business and financial condition.

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

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

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

Item 3. Quantitative and Qualitative Disclosures About Market Risk

There were no material changes to the disclosure made in our Annual Report on Form 10-K for the year ended December 31, 2014 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 March 31, 2015. 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 March 31, 2015 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, 2014 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 March 31, 2015:

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⁾
January 1 - 31, 2015	2,500,965	\$ 91.93	2,500,965	\$ 7,837,806,495
February 1 - 28, 2015	1,931,341	93.97	1,931,341	7,656,317,525
March 1 - 31, 2015	2,191,424	97.23	2,191,424	7,443,246,188
Total	6,623,730	\$ 94.28	6,623,730	

* 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 May 21, 2014, the Company's Board of Directors approved a share repurchase program, effective July 1, 2014, 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)	<ul style="list-style-type: none">(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:*
	<ul style="list-style-type: none">(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
	<ul style="list-style-type: none">(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.**<ul style="list-style-type: none">(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.**<ul style="list-style-type: none">(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.**<ul style="list-style-type: none">(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.**

Exhibit Number**Description**

-
- (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.**
 - (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, incorporated herein by reference from Form 10-Q, for the quarter ended September 30, 2013.**
 - (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, 2014.**
 - (t) 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.**
 - (u) 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.**
 - (v) Assignment Agreement between Douglas Goare and the Company, effective January 1, 2012, incorporated herein by reference from Form 10-K, for the year ended December 31, 2013.**
 - (w) Assignment Agreement between David Hoffmann and the Company, effective April 13, 2011, incorporated herein by reference from Form 10-Q, for the quarter ended March 31, 2014.**
 - (i) 2015 Extension of the Assignment Agreement between David Hoffmann and the Company, dated as of January 7, 2015, filed herewith.**
 - (x) Form of 2014 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, 2014.**
 - (y) Retirement Agreement between Timothy Fenton and the Company, dated July 9, 2014, incorporated herein by reference from Form 10-Q, for the quarter ended September 30, 2014.**
 - (z) Retirement and Consulting Agreement between Donald Thompson and the Company, effective March 1, 2015, incorporated herein by reference from Form 8-K, filed on March 3, 2015.**
 - (aa) Form of 2015 Executive Performance-Based Restricted Stock Unit Award Agreement in connection with the 2012 Omnibus Stock Ownership Plan, filed herewith.**
- (12) Computation of Ratios.

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

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

** Denotes compensatory plan.

SIGNATURE

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

McDONALD'S CORPORATION
(Registrant)

/s/ Kevin M. Ozan

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

May 7, 2015



David Hoffmann
President McDonald's APMEA

January 7, 2015

Extension of the Assignment to McDonald's APMEA Franchising Pte. Ltd.

Dear Dave,

With reference to the assignment letter dated April 13, 2011, we are pleased to inform that we would like to amend the terms of your assignment, which began on May 1, 2011, and offer an extension of your assignment from May 1, 2014 to July 31, 2016.

Purpose of Your Assignment

The primary purpose of your assignment to MAF is to temporarily fill a position. The duration of the assignment extension is expected to be two years, commencing May 1, 2014. This assignment may be extended by mutual agreement.

During your assignment, you will act as President - McDonald's APMEA. You will be based at the offices of McDonald's APMEA at at No. 11 North Buona Vista Drive, #08-07/08 The Metropolis Tower 2, Singapore 138589 and you will report to the President & CEO of McDonald's Corporation.

Base Salary

Your annual gross base salary effective September 1, 2014 is US\$570,000. You will receive annual salary and performance reviews based on McD APMEA's guidelines. Your next salary review will be on March 1, 2015.

Target Incentive Program (TIP)

You will be eligible to be considered for a TIP payment under McD APMEA's targeted incentive program at your target level (currently 85%). In the event you are promoted while on assignment to a position with a different target percentage, the percentages will be pro-rated during the year in which the promotion occurs. The team performance factor of TIP will be pro-rated based on the locations and business units to which you were assigned during the course of the year. The TIP calculation will be based on the year-end business performance of each applicable business unit. The timing of the TIP payment is governed by the Global Assignee Policy.

Long Term Incentives

McDonald's Corporation has advised that during this assignment you will continue to be eligible for long term incentives under McDonald's Corporation's LTI program, which include stock awards and CPUP, based on McD Corp's guidelines.

Termination While Overseas

Your assignment to MAF may be voluntarily ended by you or involuntarily by either McD APMEA or MAF at will, with or without notice or reason, and without payment of any indemnity therefore unless expressly required by the law applicable to MAF. If your assignment ends for whatever reason and you continue to be an employee of McD APMEA or a McDonald's subsidiary or joint venture, you will be provided or reimbursed for return airfare (coach/economy class unless the flight is over 6 hours in length in which case business class airfare will be used) for you, your spouse/domestic partner and your eligible dependents. Within prescribed limits and in accordance with policy, your household goods will be shipped to your point of origin or, if appropriate, to the place of your next assignment, whether in or outside U.S.

If you voluntarily terminate your employment with McD APMEA while on assignment, you are solely responsible for your own and your family's relocation and repatriation. If your employment with McD APMEA is involuntarily terminated while you are on assignment, McD APMEA will provide or reimburse you for return airfare (coach/economy class unless the flight is over 6 hours in length in which case business class airfare will be used) for you, your spouse, and your eligible dependents, and will provide for shipment of your household goods within prescribed limits to your point of origin. This reimbursement and shipment is contingent on your moving back to U.S. within 60 days of termination.

Additionally, depending on the reason for your involuntary termination from McDonald's APMEA, you may be eligible to receive severance under the terms of the McDonald's Corporation Severance Plan. Please consult the terms of the McDonald's Corporation Severance Plan in order to determine your eligibility and benefits.

Position Upon Repatriation

Upon successful completion of your assignment, subject to the approval of the Board of Directors of McD Corp, we will place you in a position equivalent to your current position/level of Executive Vice President. You agree that this need not be in the same department in which you were placed prior to the assignment. If no mutually agreeable position is available, your employment with McD Corp will end, and you may be eligible for severance pursuant to the terms of the McDonald's Corporation's Severance Plan.

All other terms and conditions of the assignment letter dated April 1, 2011 shall remain in effect for the extended duration of this assignment.

Please return a signed copy of this letter to Brian Madine to accept this extension.

Yours sincerely,

/s/ Donald Thompson
McDonald's Corporation
Donald Thompson
President & CEO

/s/ David Hoffmann
David Hoffmann
President - McDonald's APMEA

/s/ Manish Yadav
McDonald's APMEA Franchising Pte. Ltd.
Manish Yadav
Director

CC: Lisa Emerson, Varsha Vig, Tim Kane - Global Total Compensation
Doyoung Yong, Deloitte Tax LLP - Chicago
Carol Davis - Corporate HR
Shaun Ruming, Sunny Fong - APMEA HR

**McDONALD’S CORPORATION
2012 OMNIBUS STOCK OWNERSHIP PLAN**

PERFORMANCE-BASED RESTRICTED STOCK UNIT AWARD AGREEMENT

EXECUTIVE OFFICERS

McDONALD’S CORPORATION (the “Company” or “McDonald’s”), hereby grants to the individual named in the chart below (the “Grantee”), the number of restricted stock units (“RSUs”) with respect to shares of the Company’s Stock set forth in the chart below. Each RSU represents the equivalent in value of one share of Stock. The RSUs shall vest upon satisfaction of performance and service conditions and/or in accordance with the termination provisions described below in this Performance-Based Restricted Stock Unit Award Agreement, including any Appendices (the “Agreement”). The RSUs shall be subject to the terms and conditions set forth in this Agreement and in the McDonald’s Corporation 2012 Omnibus Stock Ownership Plan, as amended (the “Plan”).

To the extent the Grantee is a “covered employee” (within the meaning of Section 162(m)(3) of the Code), the RSUs are intended to be a Qualified Performance-Based Award, and the provisions of Section 23 of the Plan shall apply to the RSUs, notwithstanding any conflicting provision of this Agreement.

The schedule of performance goals (“Performance Goals”) shall be established by the Committee not later than 90 days after the commencement of the Performance Period, provided that the outcome of the Performance Goals is substantially uncertain at the time the Committee establishes them. The schedule of Performance Goals shall be attached to this Agreement as Appendix A.

Capitalized terms not otherwise defined in this Agreement shall have the meaning provided in the Plan. The Plan is incorporated into, and made a part of, this Agreement.

Important Notice: To avoid cancellation of the RSUs, the Grantee must accept the RSUs on the terms and conditions on which they are offered, as set forth in this Agreement and in the Plan, by signing and returning this Agreement to the Executive Vice President of Human Resources, or his designee, no later than 60 days following the Grant Date specified in the chart below. If the Grantee fails to accept the RSUs in writing within this 60 day period, the RSUs will be cancelled.

The Grantee:	
Target Number of RSUs (“<u>Target Award</u>”)	
Grant Date:	March 16, 2015
Performance Period:	January 1, 2015 - December 31, 2017
Vesting Schedule: (other than on termination or change in control)	0% - 200% of the Target Award shall vest on the third anniversary of the Grant Date, as determined by achievement of the Performance Goals set forth in Appendix A.
Vesting Period	March 16, 2015 - March 16, 2018

1. **Vesting of RSUs.** As set forth in the chart above, if and to the extent the Performance Goals are achieved, the RSUs will vest on the third anniversary of the Grant Date (the “Vesting Date”), as long as the Grantee remains continuously employed by the Company or a Subsidiary until the Vesting Date, unless

otherwise provided in Sections 4 or 7 below. The number of RSUs that shall vest will range from 0% to 200% of the Target Award, as determined by the extent to which the Performance Goals set forth in Appendix A to this Agreement are achieved. The Grantee will have no rights to the shares of Stock until the RSUs have vested. Prior to settlement, the RSUs represent an unfunded and unsecured obligation of the Company.

2. Settlement of RSUs. On the Vesting Date, or no later than 90 days thereafter, the Company will issue and deliver to the Grantee (at the Company's sole discretion) either the number of shares of Stock equal to the number of vested RSUs or the cash equivalent value based on the New York Stock Exchange closing price of a share of Stock on the Vesting Date (or if the Vesting Date is a date on which the Stock is not traded, based on the closing price on the last date immediately preceding the Vesting Date on which the Stock was traded), subject to satisfaction of applicable tax and/or other obligations as described in Section 6 below and certification (in writing) by the Committee that the Performance Goals set forth in Appendix A have been attained. Notwithstanding the foregoing, (i) if the RSUs vest upon the Grantee's Termination of Employment on account of death or Disability (within the meaning of Code Section 409A), the RSUs will be settled within 90 days of the Grantee's Termination of Employment, and (ii) if the RSUs vest upon a Change in Control pursuant to Section 7(a) below, the RSUs will be settled as provided in Section 7(a) below, unless otherwise provided in Section 9 below. For purposes of the settlement timing provisions of this Section 2 and Sections 7 and 9 below, if the 60th or 90th day, as applicable, following the settlement event is not a business day, the vested RSUs will be settled on or prior to the business day immediately preceding the 60th or 90th day, as applicable.

3. Executive Retention Replacement Plan. If the Grantee participates in the Company's Executive Retention Replacement Plan (the "ERRP"), the treatment of the RSUs upon the Grantee's termination of employment (within the meaning of the ERRP) is governed by the terms of the ERRP, which terms will supersede any provisions of this Agreement and the Plan to the extent they are inconsistent with the ERRP.

4. Termination of Employment. For purposes of this Section 4, the date of Termination of Employment will be the last date that the Grantee is classified as an employee in the payroll system of the Company or applicable Subsidiary, provided that in the case of a Grantee who is subject to U.S. federal income tax (a "U.S. Taxpayer"), the date of Termination of Employment will be the date that the Grantee experiences a "separation from service," in accordance with the requirements of Code Section 409A. The Company shall have the exclusive discretion to determine when the Grantee is no longer employed for purposes of the RSUs, this Agreement and the Plan. Subject to Section 7:

(a) Termination Within One Year of the Grant Date. If the Grantee has a Termination of Employment for any reason other than death or Disability prior to the 12-month anniversary of the Grant Date, the RSUs will be immediately forfeited.

(b) Termination for Cause or Policy Violation. If the Grantee has a Termination of Employment for Cause, including on account of a Policy Violation (which means a termination resulting from the commission of any act or acts which violate the Standards of Business Conduct of the Company or a Subsidiary or any successor thereto (including underlying polices or policies specifically referenced therein), as the same is effect and applicable to the Grantee at of the time of the Grantee's violation), as determined by the Committee or its delegee in its sole and absolute discretion, the RSUs will be immediately forfeited.

(c) Termination on Account of Death or Disability. If the Grantee has a Termination of Employment on account of death or Disability (including during the first 12 months following the Grant Date), the Performance Goals requirement will be waived and 100% of the Target Award will immediately vest and will be settled in accordance with Section 2 above, unless otherwise provided in Section 9(b) below.

For purposes of subsections (d) and (e) that follow, the term “Company Service” means the Grantee’s aggregate number of years of employment with the Company and any Subsidiary, including employment with any Subsidiary during the period before it became a Subsidiary.

(d) Termination on Account of Retirement.

(i) Termination with At Least 68 Years of Combined Age and Service. If the Grantee voluntarily terminates employment and (i) the Grantee’s combined age and years of Company Service is equal to or greater than 68, (ii) the Grantee provides 6 months advance written notice of his or her intention to terminate employment to the Corporate Vice President - Global Total Compensation, (iii) the Grantee executes and delivers (and does not revoke) a release agreement satisfactory to the Company and (iv) the Grantee executes and delivers a non-competition agreement covering a period of 18 months in a form satisfactory to the Company as permitted by applicable law (as the Committee or its delegatee may require), all of the RSUs shall be eligible for vesting to the extent the Performance Goals are achieved. Settlement of any of such vested RSUs will occur in accordance with Section 2 above, unless otherwise provided in Section 9(a) or (b) below. If the Grantee executes and delivers a non-competition agreement, and then violates the provisions of that agreement, the Company may seek to administratively or judicially enforce the covenants under the non-competition agreement and any failure to enforce that right does not waive that right.

(ii) Termination of Employment After Attaining Age 60 with 20 or More Years of Service. If the Grantee voluntarily terminates employment after attaining age 60 with 20 years or more of Company Service and the Grantee executes and delivers (and does not revoke) a release agreement satisfactory to the Company, all of the RSUs shall be eligible for vesting to the extent the Performance Goals are achieved. Settlement of any of such vested RSUs will occur in accordance with Section 2 above, unless otherwise provided in Section 9(a) or (b) below.

(e) Termination on Account of Special Circumstances or Disaffiliation. If the Grantee has a Termination of Employment due to Special Circumstances (which means, a Termination of Employment due to the Grantee becoming an owner-operator of a McDonald’s restaurant in connection with his or her Termination of Employment or a Termination of Employment by the Company or a Subsidiary without Cause) or a Disaffiliation (Disaffiliation of a Subsidiary means the Subsidiary’s ceasing to be a Subsidiary for any reason (including, without limitation, as a result of a public offering, or a spinoff or sale by the Company, of the stock of the Subsidiary)) and (i) the Grantee’s combined age and years of Company Service is equal to or greater than 48, (ii) the Grantee executes and delivers (and does not revoke) a release agreement satisfactory to the Company and (iii) the Grantee executes and delivers a non-competition agreement covering a period of 18 months in a form satisfactory to the Company as permitted by applicable law (as the Committee or its delegatee may require), a pro-rata portion of the RSUs, as determined in accordance with Section 5 below, shall be eligible for vesting to the extent the Performance Goals are achieved. Settlement of any of such vested RSUs will occur in accordance with Section 2 above, unless otherwise provided in Section 9(a) or (b) below.

(f) Any Other Reason. If the Grantee has a Termination of Employment for a reason other than those specified in Sections 4(a)-(e) above, all unvested RSUs shall be immediately forfeited.

(g) Selection of Rule. If the Grantee’s Termination of Employment is covered by more than one of the foregoing rules, the applicable rule that is the most favorable to the Grantee shall apply, except that (i) in the case of a Termination of Employment as described in Section 4(a), Section 4(a) shall apply and (ii) in the case of a Termination of Employment as described in Section 4(b), Section 4(b) shall apply.

5. Pro-Rata Vesting Formula. The number of RSUs that shall vest on a pro-rata basis upon the Grantee’s Termination of Employment in accordance with Section 4 above is the number of RSUs

determined to have been earned based on achievement of the Performance Goals (“Number of Earned RSUs”) multiplied by the number of months (counting partial months as whole months) from the Grant Date through the date of the Grantee’s Termination of Employment, divided by the total number of months between the Grant Date and the Vesting Date, as is illustrated below:

$$\frac{\text{Number of Earned RSUs x Number of Months Worked in Vesting Period}}{\text{Total Number of Months in Vesting Period (36 months)}}$$

Any fractional share amount determined upon application of the above formula will be rounded up to the next whole share.

6. Responsibility for Taxes.

(a) Grantee’s Liability for Tax-Related Items. Except to the extent prohibited by law, regardless of any action the Company or the Grantee’s employer (the “Employer”) takes with respect to any or all income tax, social insurance, payroll tax, payment on account or other tax-related items related to Grantee’s participation in the Plan and legally applicable to the Grantee or deemed by the Company or the Employer in their discretion to be an appropriate charge to the Grantee even if legally applicable to the Company or the Employer (“Tax-Related Items”), the Grantee acknowledges that the ultimate liability for all Tax-Related Items is and remains the Grantee’s responsibility and may exceed the amount actually withheld by the Company or the Employer. The Grantee further acknowledges that the Company and/or the Employer (i) make no representations or undertakings regarding the treatment of any Tax-Related Items in connection with any aspect of the RSUs, including the grant, vesting or settlement of the RSUs, the subsequent sale of any shares of Stock acquired as a result of such settlement and/or the receipt of any dividends after settlement; and (ii) do not commit to and are under no obligation to structure the terms of the grant or any aspect of the RSUs to reduce or eliminate the Grantee’s liability for Tax-Related Items or achieve any particular tax result. Furthermore, the Grantee acknowledges that the Company and/or the Employer (or former employer, as applicable) may be required to withhold or account for Tax-Related Items in more than one jurisdiction.

(b) Tax-Related Items Withholding Procedures. The Grantee authorizes the use of the withholding procedures set forth below in this subsection (b) to satisfy all Tax-Related Items

obligations of the Company and/or the Employer that may arise upon the vesting of the RSUs or any other taxable or tax withholding event. In the event that any amount of such Tax-Related Items cannot be satisfied by the means set forth in this subsection (b), the Grantee shall be required to pay such amount to the Company or the Employer. The Company shall not be required to issue or deliver the shares of Stock or the cash equivalent (if applicable) if the Grantee fails to comply with his or her obligations in connection with the Tax-Related Items. Further, the Company may withhold or account for Tax-Related Items by considering applicable minimum statutory withholding amounts or other applicable withholding rates.

(i) Stock Settlement. If the RSUs are settled in shares of Stock and the Grantee is not subject to the short-swing profit rules of Section 16(b) of the 1934 Act, the Grantee authorizes the Company to satisfy the obligations with regard to all Tax-Related Items by withholding in shares of Stock to be issued upon settlement of the RSUs. Alternatively, or in addition, the Grantee authorizes the Company and/or the Employer, or their respective agents, at their discretion, to satisfy the obligations with regard to Tax-Related Items by one or a combination of the following: (A) withholding from proceeds of the sale of shares of Stock acquired upon settlement of the RSUs, either through a voluntary sale or through a mandatory sale arranged by the Company (on the Grantee's behalf pursuant to this authorization); or (B) withholding from the Grantee's wages or other cash compensation paid to the Grantee by the Company and/or the Employer. If the RSUs are settled in shares of Stock and the Grantee is subject to the short-swing profit rules of Section 16(b) of the 1934 Act, the Company will withhold in shares of Stock upon the relevant tax withholding event, unless the use of such withholding method is prevented by applicable law or has materially adverse accounting or tax consequences, in which case, the Tax-Related Items withholding obligation may be satisfied by one or a combination of methods (A) and (B) above.

If the obligation for Tax-Related Items is satisfied by withholding in shares of Stock, for tax purposes, the Grantee is deemed to have been issued the full number of shares of Stock subject to the vested RSUs, notwithstanding that a number of the shares of Stock are held back solely for the purpose of paying the applicable Tax-Related Items.

(ii) Cash Settlement. If the RSUs are settled in cash, the Grantee authorizes the Company and/or the Employer, or their respective agents, at their discretion, to satisfy any obligation for Tax-Related Items by withholding from the cash amount paid to the Grantee in settlement of the RSUs, or from the Grantee's wages or other cash compensation paid to the Grantee by the Company and/or the Employer.

7. Change in Control.

(a) Treatment of RSUs Upon a Change in Control. In the event of a Change in Control, notwithstanding any other provision of this Agreement, the Performance Goals requirement will be waived and 100% of the Target Award will immediately vest and be settled at such time or within 60 days after the Change in Control if (i) after such Change in Control, the Stock ceases to be publicly-traded and (ii) the Grantee does not receive Replacement Awards. Notwithstanding the foregoing, if the Change in Control does not qualify as a change in control for purposes of Code Section 409A, any RSUs held by a U.S. Taxpayer will be settled within 90 days following the earliest of (A) the Vesting Date or (B) the Grantee's death or "disability" within the meaning of Code Section 409A.

(b) Termination After Change in Control. If the immediate vesting described in the preceding paragraph does not apply, but the Company or a Subsidiary terminates the Grantee's employment for any reason other than Cause within two years following the Change in Control, the Performance Goals requirement will be waived and 100% of the Target Award will immediately vest and be settled within 90 days of Termination of Employment in accordance with Section 2 above, unless otherwise provided in Section 9(b) below. Notwithstanding the foregoing, if the Change in Control does not qualify as a change in control

for purposes of Code Section 409A, any RSUs held by a U.S. Taxpayer will be settled within 90 days following the earliest of (A) the Vesting Date or (B) the Grantee's death or "disability" within the meaning of Code Section 409A.

8. Settlement Upon Death of the Grantee. In any case under this Agreement in which the RSUs are to be settled following the Grantee's death, the shares of Stock or cash due in settlement of the RSUs shall be issued to (i) the Grantee's personal representative or the person to whom the RSUs are transferred by will or the applicable laws of descent and distribution, (ii) the Grantee's beneficiary designated in accordance with Section 8 of the Plan, or (iii) the then-acting trustee of the trust described in Section 8 (b) of the Plan.

9. Code Section 409A.

(a) Settlement Conditioned upon Termination Requirements. Notwithstanding any provision in this Agreement to the contrary (but except as provided in Section 9(b) hereof), in the event that (i) the vesting and settlement of RSUs in connection with a Termination of Employment is conditioned on the Grantee's execution and delivery of a release or a non-competition agreement and (ii) the settlement period commences in one calendar year and ends in the next calendar year (where the portion of the settlement period in the next calendar year contains at least one business day), the RSUs held by a U.S. Taxpayer will be settled in the second calendar year.

(b) Specified Employee Termination of Employment. Notwithstanding any provision in this Agreement to the contrary, if the Grantee is a U.S. Taxpayer and a specified employee under the Company's Specified Key Employee Policy (Grantees meeting both criteria are referred to herein as "Specified Employees") on the date of the Grantee's Termination of Employment, any settlement of the RSUs that the Grantee is entitled to receive under this Agreement upon Termination of Employment will be made as follows:

(i) Settlement Due to Termination Pursuant to Section 4. If the Grantee's Termination of Employment is covered by (1) Section 4(c) and the Grantee's Disability does not constitute a "disability" for purposes of Code Section 409A, or (2) Sections 4(d) or 4(e), the RSUs will be settled within 90 days following the earliest of (A) the Vesting Date, (B) the date that is six months after the Grantee's Termination of Employment and (C) the Grantee's death. For avoidance of doubt, if the Grantee's Termination of Employment is covered by Section 4(c) and the Grantee's Disability does constitute a "disability" for purposes of Code Section 409A, then the Grantee's vested RSUs will be settled within 90 days of the Grantee's Termination of Employment.

(ii) Settlement Due to Termination After Change in Control. If the Grantee's Termination of Employment is covered by Section 7(b), the RSUs will be settled within 90 days following the earliest of (A) the Vesting Date, (B) the date that is six months after the Grantee's Termination of Employment and (C) the Grantee's death or "disability" within the meaning of Code Section 409A.

(c) **No Company Liability.** All RSUs granted hereunder are intended to be compliant with Code Section 409A, and shall be interpreted, construed and operated to reflect this intent. Notwithstanding the foregoing, this Agreement and the Plan may be amended at any time, without the consent of any party, to the extent that is necessary or desirable to satisfy any of the requirements under Code Section 409A, but the Company shall not be under any obligation to make any such amendment. Nothing in this Agreement or the Plan shall provide a basis for any person to take action against the Company or any Subsidiary based on matters covered by Code Section 409A, including the tax treatment of any amount paid or RSUs granted under this Agreement, and neither the Company nor any of its Subsidiaries shall under any circumstances have any liability to the Grantee or his or her estate or any other party for any taxes, penalties or interest due on amounts paid or payable under this Agreement, including taxes, penalties or interest imposed under Code Section 409A.

10. Repayment/Forfeiture. Any benefits the Grantee may receive hereunder shall be subject to repayment or forfeiture as may be required to comply with (i) any applicable listing standards of a national securities exchange adopted in accordance with Section 954 of the Dodd-Frank Wall Street Reform and Consumer Protection Act (regarding recovery of erroneously awarded compensation) and any implementing rules and regulations of the U.S. Securities and Exchange Commission adopted thereunder, (ii) similar rules under the laws of any other jurisdiction and (iii) any policies adopted by the Company to implement such requirements, all to the extent determined by the Company in its discretion to be applicable to the Grantee.

11. No Employment or Service Contract. Nothing in this Agreement or in the Plan shall confer upon the Grantee any right to continue in the employ of the Company or any Subsidiary for any period of specific duration or interfere with or restrict in any way the right of the Company or any Subsidiary, which is hereby expressly reserved, to remove, terminate or discharge the Grantee at any time for any reason whatsoever, with or without Cause and with or without advance notice.

12. Governing Law. The RSUs are governed by, and subject to, United States federal and Illinois state law (without regard to the conflict of law provisions) and the requirements of the New York Stock Exchange as well as the terms and conditions set forth in the Plan and this Agreement.

13. Electronic Delivery and Acceptance. The Company may, in its sole discretion, decide to deliver any documents related to current or future participation in the Plan by electronic means and/or require the Grantee to accept any future restricted stock unit grant by electronic means. The Grantee hereby consents to receive such documents by electronic delivery and, if required by the Company, agrees to accept any future grant of restricted stock units through an on-line or electronic system established and maintained by the Company or a third party designated by the Company.

14. Severability. The provisions of this Agreement are severable and if any one or more provisions are determined to be illegal or otherwise unenforceable, in whole or in part, the remaining provisions shall nevertheless be binding and enforceable.

15. Waiver. The waiver by the Company with respect to compliance of any provision of this Agreement by the Grantee shall not operate or be construed as a waiver of any other provision of this Agreement, or of any subsequent breach of such party of a provision of this Agreement.

16. **Headings.** The headings in this Agreement have been inserted for convenience of reference only, and are to be ignored in any construction of the provisions of this Agreement.

17. **Appendices.** The Appendices constitute part of this Agreement. Notwithstanding the provisions in this Agreement, the RSUs shall be subject to any special terms and conditions set forth in the Appendices to this Agreement.

18. **Entire Agreement.** Except as set forth in Section 3 above, this Agreement and the Plan reflect the exclusive agreement between the parties regarding the subject matter herein and supersedes any prior understandings or agreements, whether oral or written, in respect of such subject matter.

By accepting the RSUs, the Grantee agrees to the terms of this Agreement and the Plan.

BY: _____

PRINT NAME: _____

DATE : _____

APPENDIX A

March 16, 2015 RSUs Grant - Performance Targets											
Base Period EPS:	\$ 4.82	(Full Year 2014)									
CAGR						5% — 7%					
EPS (constant currency basis)											
Year 1 EPS	4.82	4.87	4.92	4.96	5.01	5.06	5.16	5.21	5.25	5.30	5.35
Year 2 EPS	4.82	4.92	5.01	5.11	5.21	5.31	5.52	5.62	5.73	5.83	5.94
Year 3 EPS	<u>4.82</u>	<u>4.97</u>	<u>5.12</u>	<u>5.27</u>	<u>5.42</u>	<u>5.58</u>	<u>5.90</u>	<u>6.07</u>	<u>6.24</u>	<u>6.42</u>	<u>6.59</u>
CUMULATIVE EPS*	\$14.46	\$14.76	\$15.05	\$15.34	\$15.64	\$15.95 — \$16.58		\$16.90	\$17.22	\$17.55	\$17.88
Payout %						100%					
<p>*The Company's Cumulative EPS for the performance period shall mean the Company's diluted net income per share, as reported in the Company's financial statements for the period ended December 31, 2017, but determined without regard to the effect of foreign currency translation, extraordinary items, restatements, accounting changes, charges for discontinued operations, asset impairment charges, and other non-recurring items as determined by the Compensation Committee of the Board of Directors ("Committee") in accordance with the guidelines approved from time to time by the Committee with respect to exclusions applied in compensation programs.</p> <p><u>Notes</u></p> <ul style="list-style-type: none"> • Base Period EPS Shall mean the Company's diluted net income per share for the period ended December 31, 2014. • 2CAGR means compound annual growth rate. • Payout percentages will be interpolated if CAGR is positive and less than 5% and/or over 7%. • In calculating payouts, any fractional share shall be rounded up to the next whole share 											

APPENDIX B

Power of Attorney

This Appendix B to the Agreement is a Power of Attorney Grantee authorizes by participating in the Plan. Certain capitalized terms used but not defined in this Appendix B have the meanings set forth in the Agreement (including the Appendices) or the Plan.

I hereby irrevocably constitute and appoint the Corporate Secretary and each Assistant Corporate Secretary of McDonald's Corporation as my true and lawful attorney-in-fact ("Attorney") with full power and authority and full power of substitution and resubstitution, to take in my name and on my behalf any and all actions necessary or desirable to meet any withholding obligation for Tax-Related Items as contemplated by the Agreement, including any and all of the following actions:

- (i) To sell in my name and on my behalf such number of shares of the common stock of McDonald's I acquire at vesting to the extent that McDonald's, in its sole discretion, determines that such sale is necessary and/or advisable in connection with tax withholding requirements under local law and/or regulations as a result of the vesting of any RSUs and to pay in my name and on my behalf my proportionate share of any lawful dealer's commission or discount and related expenses of such sale;
- (ii) To direct in my name and on my behalf the payment to McDonald's of the proceeds of such sale (net of any brokerage commissions) to the extent that McDonald's, in its sole discretion, determines is necessary and/or advisable in order to satisfy and discharge any such withholding obligation, with any excess to be returned to me by depositing the same in my Merrill Lynch account; and
- (iii) To execute such agreements and other documents and to take such other and further actions as may be necessary or desirable, as determined by the Attorney, to effectuate the foregoing.

This Power of Attorney is an agency coupled with an interest and all authority conferred hereby shall be irrevocable and shall not be terminated by me or by operation of law, whether by my death or incapacity or by the occurrence of any other event or events. If, after the execution hereof and prior to the vesting of the RSUs, I should die or become incapacitated, actions taken by the Attorney hereunder and under the Agreement shall be as valid as if such death or incapacity had not occurred, regardless of whether the Attorney or McDonald's has received notice of such death or incapacity.

To induce any transfer agent or other third party to act, I hereby agree that any transfer agent or other third party receiving a duly executed copy or facsimile of this Power of Attorney may act upon it. I for myself and for my heirs, executors, legal representatives and assigns hereby agree to indemnify and hold harmless any such transfer agent or other third party from and against any and all claims that may arise against such transfer agent or other third party by reason of such transfer agent or third party having relied on this Power of Attorney.

This Power of Attorney shall automatically terminate (without affecting any lawful action taken hereunder, which shall survive such termination) immediately upon the satisfaction and

discharge of all withholding obligations for Tax-Related Items in connection with any RSUs to me under the Plan.

The Attorney shall be entitled to act and rely upon any representation, warranty, agreement, statement, request, notice or instruction respecting this Power of Attorney given by me, not only as to the authorization, validity and effectiveness thereof, but also as to the truth and accuracy of information therein contained. I agree that the Attorney assumes no responsibility or liability to any person, including me, other than to direct the transactions expressly contemplated hereby. I also agree that the Attorney makes no representation about, and has no responsibility for, any aspect of the Plan or the RSUs, and the Attorney shall not be liable for any error of judgment, for any act done or omitted or for any mistake of fact or law except for the Attorney's own willful misconduct, gross negligence or bad faith.

This Power of Attorney shall be governed by and construed in accordance with the laws of the State of Illinois, without regard to any otherwise applicable conflicts of law or choice of law principles.

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

	Three Months Ended March 31,		Years Ended December 31,				
	2015	2014	2014	2013	2012	2011	2010
Earnings available for fixed charges							
- Income before provision for income taxes	\$1,254.1	\$1,783.3	\$7,372.0	\$8,204.5	\$8,079.0	\$8,012.2	\$7,000.3
- Noncontrolling interest expense in operating results of majority-owned subsidiaries less equity in undistributed operating results of less than 50%-owned affiliates	0.4	2.4	6.3	9.0	11.1	13.3	10.4
- Income tax provision (benefit) of 50%-owned affiliates included in income from continuing operations before provision for income taxes	4.2	5.5	(0.1)	23.8	64.0	65.5	28.7
- Portion of rent charges (after reduction for rental income from subleased properties) considered to be representative of interest factors*	87.7	95.0	374.6	374.6	358.1	339.4	315.4
- Interest expense, amortization of debt discount and issuance costs, and depreciation of capitalized interest*	153.9	141.9	596.1	548.9	550.1	520.5	479.1
	<u>\$1,500.3</u>	<u>\$2,028.1</u>	<u>\$8,348.9</u>	<u>\$9,160.8</u>	<u>\$9,062.3</u>	<u>\$8,950.9</u>	<u>\$7,833.9</u>
Fixed charges							
- Portion of rent charges (after reduction for rental income from subleased properties) considered to be representative of interest factors*	\$ 87.7	\$ 95.0	\$ 374.6	\$ 374.6	\$ 358.1	\$ 339.4	\$ 315.4
- Interest expense, amortization of debt discount and issuance costs*	149.7	137.8	579.8	532.1	532.8	503.0	461.5
- Capitalized interest*	2.6	3.4	14.8	15.6	16.1	14.0	12.0
	<u>\$ 240.0</u>	<u>\$ 236.2</u>	<u>\$ 969.2</u>	<u>\$ 922.3</u>	<u>\$ 907.0</u>	<u>\$ 856.4</u>	<u>\$ 788.9</u>
Ratio of earnings to fixed charges	<u>6.25</u>	<u>8.59</u>	<u>8.61</u>	<u>9.93</u>	<u>9.99</u>	<u>10.45</u>	<u>9.93</u>

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

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

I, Stephen J. Easterbrook, certify that:

- (1) I have reviewed this quarterly report on Form 10-Q of McDonald's Corporation;
- (2) Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
- (3) Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
- (4) The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
- (5) The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: May 7, 2015

/s/ Stephen J. Easterbrook

Stephen J. Easterbrook

President and Chief Executive Officer

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

I, Kevin M. Ozan, certify that:

- (1) I have reviewed this quarterly report on Form 10-Q of McDonald's Corporation;
- (2) Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
- (3) Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
- (4) The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
- (5) The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: May 7, 2015

/s/ Kevin M. Ozan

Kevin M. Ozan

*Corporate Executive Vice President and
Chief Financial Officer*

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

Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 (subsections (a) and (b) of Section 1350, Chapter 63 of Title 18, United States Code), the undersigned officer of McDonald's Corporation (the "Company"), does hereby certify, to such officer's knowledge, that the Quarterly Report on Form 10-Q for the quarter ended March 31, 2015 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: May 7, 2015

/s/ Stephen J. Easterbrook

Stephen J. Easterbrook

President and Chief Executive Officer

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

Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 (subsections (a) and (b) of Section 1350, Chapter 63 of Title 18, United States Code), the undersigned officer of McDonald's Corporation (the "Company"), does hereby certify, to such officer's knowledge, that the Quarterly Report on Form 10-Q for the quarter ended March 31, 2015 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: May 7, 2015

/s/ Kevin M. Ozan

Kevin M. Ozan

*Corporate Executive Vice President and
Chief Financial Officer*