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, 2018

OR

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

Commission File Number 1-5231

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

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

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

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

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

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a smaller reporting company, or an emerging growth company. See the definitions of “large accelerated filer,” “accelerated filer,” “smaller reporting company,” and "emerging growth company" in Rule 12b-2 of the Exchange Act.

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

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. ☐

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

785,177,398
(Number of shares of common stock outstanding as of March 31, 2018)

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, 2018	December 31, 2017
Assets		
Current assets		
Cash and equivalents	**$ 2,468.0**	$ 2,463.8
Accounts and notes receivable	**1,951.6**	1,976.2
Inventories, at cost, not in excess of market	**53.8**	58.8
Prepaid expenses and other current assets	**435.9**	828.4
Total current assets	**4,909.3**	5,327.2
Other assets		
Investments in and advances to affiliates	**1,147.4**	1,085.7
Goodwill	**2,404.8**	2,379.7
Miscellaneous	**2,557.4**	2,562.8
Total other assets	**6,109.6**	6,028.2
Property and equipment		
Property and equipment, at cost	**37,164.7**	36,626.4
Accumulated depreciation and amortization	**(14,460.7)**	(14,178.1)
Net property and equipment	**22,704.0**	22,448.3
Total assets	**$ 33,722.9**	$ 33,803.7
Liabilities and shareholders' equity		
Current liabilities		
Accounts payable	**$ 779.9**	$ 924.8
Income taxes	**462.0**	265.8
Other taxes	**308.7**	275.4
Accrued interest	**280.7**	278.4
Accrued payroll and other liabilities	**990.1**	1,146.2
Total current liabilities	**2,821.4**	2,890.6
Long-term debt	**30,869.5**	29,536.4
Long-term income taxes	**2,009.5**	2,370.9
Deferred revenues - initial franchise fees	**607.4**	—
Other long-term liabilities	**1,154.0**	1,154.4
Deferred income taxes	**979.9**	1,119.4
Shareholders' equity (deficit)		
Preferred stock, no par value; authorized – 165.0 million shares; issued – none	**—**	—
Common stock, $.01 par value; authorized – 3.5 billion shares; issued – 1,660.6 million shares	**16.6**	16.6
Additional paid-in capital	**7,122.2**	7,072.4
Retained earnings	**48,396.5**	48,325.8
Accumulated other comprehensive income (loss)	**(2,146.5)**	(2,178.4)
Common stock in treasury, at cost; 875.4 and 866.5 million shares	**(58,107.6)**	(56,504.4)
Total shareholders' equity (deficit)	**(4,718.8)**	(3,268.0)
Total liabilities and shareholders' equity (deficit)	**$ 33,722.9**	$ 33,803.7

See Notes to condensed consolidated financial statements.

CONDENSED CONSOLIDATED STATEMENT OF INCOME (UNAUDITED)

In millions, except per share data	Quarters Ended March 31, 2018	2017
Revenues		
Sales by Company-operated restaurants	**$ 2,535.6**	$ 3,411.9
Revenues from franchised restaurants	**2,603.3**	2,264.0
Total revenues	**5,138.9**	5,675.9
Operating costs and expenses		
Company-operated restaurant expenses	**2,130.9**	2,816.4
Franchised restaurants-occupancy expenses	**480.3**	430.1
Selling, general & administrative expenses	**533.1**	521.3
Other operating (income) expense, net	**(148.5)**	(125.9)
Total operating costs and expenses	**2,995.8**	3,641.9
Operating income	**2,143.1**	2,034.0
Interest expense	**236.8**	218.6
Nonoperating (income) expense, net	**18.4**	7.9
Income before provision for income taxes	**1,887.9**	1,807.5
Provision for income taxes	**512.5**	592.7
Net income	**$ 1,375.4**	$ 1,214.8
Earnings per common share-basic	**$ 1.74**	$ 1.48
Earnings per common share-diluted	**$ 1.72**	$ 1.47
Dividends declared per common share	**$ 1.01**	$ 0.94
Weighted-average shares outstanding-basic	**790.9**	818.8
Weighted-average shares outstanding-diluted	**798.7**	825.2

See Notes to condensed consolidated financial statements.

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME (UNAUDITED)

In millions	Quarters Ended March 31, 2018	2017
Net income	**$1,375.4**	$1,214.8
Other comprehensive income (loss), net of tax		
Foreign currency translation adjustments:		
Gain (loss) recognized in accumulated other comprehensive income (AOCI), including net investment hedges	**25.7**	287.6
Reclassification of (gain) loss to net income	**—**	109.0
Foreign currency translation adjustments-net of tax benefit (expense) of $72.3 and $44.5	**25.7**	396.6
Cash flow hedges:		
Gain (loss) recognized in AOCI	**(7.5)**	(7.1)
Reclassification of (gain) loss to net income	**12.0**	(3.9)
Cash flow hedges-net of tax benefit (expense) of $(1.2) and $6.2	**4.5**	(11.0)
Defined benefit pension plans:		
Gain (loss) recognized in AOCI	**(1.1)**	(0.3)
Reclassification of (gain) loss to net income	**2.8**	2.6
Defined benefit pension plans-net of tax benefit (expense) of $(0.9) and $(0.5)	**1.7**	2.3
Total other comprehensive income (loss), net of tax	**31.9**	387.9
Comprehensive income (loss)	**$1,407.3**	$1,602.7

See Notes to condensed consolidated financial statements.

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS (UNAUDITED)

In millions	**Quarters Ended March 31, 2018**	**2017**
Operating activities		
Net income	**$ 1,375.4**	$ 1,214.8
Adjustments to reconcile to cash provided by operations		
Charges and credits:		
Depreciation and amortization	**362.9**	325.3
Deferred income taxes	**29.2**	85.9
Share-based compensation	**39.8**	22.7
Other	**(54.9)**	(112.7)
Changes in working capital items	**(107.2)**	8.0
Cash provided by operations	**1,645.2**	1,544.0
Investing activities		
Capital expenditures	**(552.8)**	(427.7)
Purchases of restaurant businesses	**(23.7)**	(3.1)
Sales of restaurant businesses	**186.7**	545.8
Sales of property	**71.7**	65.3
Other	**(41.0)**	(42.2)
Cash provided by (used for) investing activities	**(359.1)**	138.1
Financing activities		
Net short-term borrowings	**556.0**	(769.2)
Long-term financing issuances	**1,499.7**	1,993.0
Long-term financing repayments	**(1,001.6)**	(402.1)
Treasury stock purchases	**(1,632.9)**	(748.0)
Common stock dividends	**(797.5)**	(770.6)
Proceeds from stock option exercises	**75.3**	116.2
Other	**(5.2)**	(6.5)
Cash used for financing activities	**(1,306.2)**	(587.2)
Effect of exchange rates on cash and cash equivalents	**24.3**	54.7
Cash and equivalents increase	**4.2**	1,149.6
Change in cash balances of businesses held for sale	—	39.2
Cash and equivalents at beginning of period	**2,463.8**	1,223.4
Cash and equivalents at end of period	**$ 2,468.0**	$ 2,412.2

See Notes to condensed consolidated financial statements.

CONDENSED CONSOLIDATED STATEMENT OF SHAREHOLDERS' EQUITY (UNAUDITED)

In millions, except per share data	*Common stock issued*		*Additional paid-in capital*	*Retained earnings*	*Accumulated other comprehensive income (loss)*			*Common stock in treasury*		*Total shareholders' equity*
	Shares	*Amount*			*Pensions*	*Cash flow hedges*	*Foreign currency translation*	*Shares*	*Amount*	
Balance at December 31, 2017	1,660.6	$ 16.6	$ 7,072.4	$ 48,325.8	$ (190.2)	$ (16.5)	$ (1,971.7)	(866.5)	$ (56,504.4)	$ (3,268.0)
Net income				1,375.4						1,375.4
Other comprehensive income (loss), net of tax					1.7	4.5	25.7			31.9
Comprehensive income										1,407.3
Adoption of ASC 606 (1)				(450.2)						(450.2)
Adoption of ASU 2016-16 (2)				(57.0)						(57.0)
Common stock cash dividends ($1.01 per share)				(797.5)						(797.5)
Treasury stock purchases								(10.4)	(1,666.8)	(1,666.8)
Share-based compensation			39.8							39.8
Stock option exercises and other			10.0					1.5	63.6	73.6
Balance at March 31, 2018	1,660.6	16.6	7,122.2	48,396.5	(188.5)	(12.0)	(1,946.0)	(875.4)	(58,107.6)	(4,718.8)

(1) Accounting Standards Codification ("ASC") 606, "Revenue Recognition - Revenue from Contracts with Customers." Refer to the ***Recent Accounting Pronouncements*** footnote on page 8 for further details.

(2) Accounting Standards Update ("ASU") 2016-16, "Income Taxes (Topic 740): Intra-Entity Transfers of Assets Other Than Inventory." Refer to the ***Recent Accounting Pronouncements*** footnote on page 8 for further details.

See Notes to condensed consolidated financial statements.

Basis of Presentation

The accompanying condensed consolidated financial statements should be read in conjunction with the consolidated financial statements contained in the Company's December 31, 2017 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, 2018, 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,	2018	2017
Conventional franchised	**21,425**	21,168
Developmental licensed	**6,972**	6,800
Foreign affiliated	**5,882**	3,360
Total Franchised	**34,279**	31,328
Company-operated	**3,007**	5,577
Systemwide restaurants	**37,286**	36,905

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

Per Common Share Information

Diluted earnings per common share is calculated using net income divided by diluted weighted-average shares. Diluted weighted-average shares include weighted-average shares outstanding plus the dilutive effect of share-based compensation, calculated using the treasury stock method, of 7.8 million shares and 6.4 million shares for the first quarter 2018 and 2017, respectively. Stock options that would have been antidilutive, and therefore were not included in the calculation of diluted weighted-average shares, totaled 2.5 million shares and 4.6 million shares for the first quarter 2018 and 2017, respectively.

Recent Accounting Pronouncements

Recently Issued Accounting Standards

Measurement Period - Tax Cuts and Jobs Act of 2017

In December 2017, the Securities and Exchange Commission published Staff Accounting Bulletin No. 118 ("SAB 118"), which provides guidance on reporting for accounting impacts of the Tax Cuts and Jobs Act of 2017 ("Tax Act"). SAB 118 allowed the Company to provide reasonable estimates in its 2017 consolidated financial statements for the income tax effects of the Tax Act and to report those effects as provisional amounts in its financial statements through a limited measurement period. Under SAB 118, the measurement period may not extend beyond one year from the enactment of the Tax Act.

The Company has not completed the accounting for the tax effects of the enactment of the Tax Act, although it has made reasonable estimates of the effects on existing deferred tax balances and on the one-time transition tax on earnings of certain foreign subsidiaries. A net provisional tax cost of approximately $700 million was originally recognized in the Company's 2017 consolidated financial statements, and subsequently increased by $52 million in the first quarter of 2018.

Lease Accounting

In February 2016, the FASB issued ASU 2016-02, "Leases (Topic 842)," to increase transparency and comparability among organizations by recognizing lease assets and lease liabilities on the balance sheet and disclosing key information about leasing arrangements. Most prominent among the amendments is the recognition of assets and liabilities by lessees for those leases classified as operating leases under current U.S. GAAP. ASU 2016-02 is effective for fiscal years beginning after December 15, 2018, including interim periods within those fiscal years, with early adoption permitted. The Company will adopt the new standard effective January 1, 2019.

At transition, the Company will recognize and measure leases using the required modified retrospective approach. The Company anticipates ASU 2016-02 will have a material impact to the consolidated balance sheet due to the significance of the Company's operating lease portfolio. The Company will elect an optional practical expedient to retain the current classification of leases, and, therefore, anticipates a minimal initial impact on the consolidated statement of income. The impact of ASU 2016-02 is non-cash in nature; therefore, it will not affect the Company's cash flows.

Recently Adopted Accounting Standards

Derivatives and Hedging

In August 2017, the FASB issued ASU 2017-12, “Derivatives and Hedging (Topic 815): Targeted Improvements to Accounting for Hedging Activities.” ASU 2017-12 expands components of fair value hedging, specifies the recognition and presentation of the effects of hedging instruments, and eliminates the separate measurement and presentation of hedge ineffectiveness. The Company elected to early adopt the new standard in the first quarter of 2018 and applied the presentation and disclosure guidance on a prospective basis. The adoption of the new standard did not have a material impact on the Company's condensed consolidated financial statements.

Income Taxes

In October 2016, the FASB issued ASU 2016-16, “Income Taxes (Topic 740): Intra-Entity Transfers of Assets Other Than Inventory.” The goal of this update is to improve the accounting for the income tax consequences of intra-entity transfers of assets other than inventory. The Company adopted this standard on January 1, 2018 using a modified retrospective method, resulting in a cumulative catch up adjustment of $57 million, the majority of which was recorded within miscellaneous other assets on the condensed consolidated balance sheet. The adoption of this standard does not have a material impact on the condensed consolidated statements of income and cash flows.

Revenue Recognition

In May 2014, the FASB 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 core principle of the standard is to recognize revenue when control of the promised goods or services is transferred to customers in an amount that reflects the consideration expected to be received for those goods or services. The standard also requires additional disclosures around the nature, amount, timing, and uncertainty of revenue and cash flows arising from contracts with customers.

On January 1, 2018, the Company adopted ASC 606 using the modified retrospective method. Refer to the ***Revenues*** footnote below for further details.

Revenues

The Company’s revenues consist of sales by Company-operated restaurants and fees from franchised restaurants operated by conventional franchisees, developmental licensees and foreign affiliates. Revenues from conventional franchised restaurants include rent and royalties based on a percent of sales with minimum rent payments, and initial fees. Revenues from restaurants licensed to foreign affiliates and developmental licensees include a royalty based on a percent of sales, and may include initial fees.

ASC 606 provides that revenues are to be recognized when control of promised goods or services is transferred to a customer in an amount that reflects the consideration expected to be received for those goods or services. This new standard does not impact the Company's recognition of revenue from Company-operated restaurants as those sales are recognized on a cash basis at the time of the underlying sale and are presented net of sales tax and other sales-related taxes. The standard also does not change the recognition of royalties from restaurants operated by franchisees or licensed to affiliates and developmental licensees, which are based on a percent of sales and recognized at the time the underlying sales occur. Rental income from restaurants operated by conventional franchisees is also not impacted by this new standard as those revenues are subject to the guidance in ASC 840, "Leases." The standard does change the timing in which the Company recognizes initial fees from franchisees for new restaurant openings and new franchise terms. The Company's accounting policy through December 31, 2017, was to recognize initial franchise fees when received, upon new restaurant opening and at the start of a new franchise term. Beginning in January 2018, initial franchise fees are being recognized as the Company satisfies the performance obligation over the franchise term, which is generally 20 years.

The Company adopted ASC 606 as of January 1, 2018, using the modified retrospective method. This method allows the new standard to be applied retrospectively through a cumulative catch up adjustment recognized upon adoption. As such, comparative information in the Company’s financial statements has not been restated and continues to be reported under the accounting standards in effect for those periods. The cumulative adjustment recorded upon adoption of ASC 606 consisted of deferred revenue of approximately $600 million within long-term liabilities and approximately $150 million of associated adjustments to the deferred tax balances which are recorded in Deferred income taxes and Miscellaneous other assets on the condensed consolidated balance sheet.

The following table presents revenue disaggregated by revenue source (in millions):

Quarters Ended March 31,	**2018**	2017
Company-operated sales		
U.S.	**$ 708.7**	$ 835.6
International Lead Markets	**1,007.1**	941.2
High Growth Markets	**700.3**	1,345.3
Foundational Markets & Corporate	**119.5**	289.8
Total	**$ 2,535.6**	$ 3,411.9
Franchised revenues		
U.S.	**$ 1,158.5**	$ 1,093.4
International Lead Markets	**870.4**	702.3
High Growth Markets	**271.9**	191.9
Foundational Markets & Corporate	**302.5**	276.4
Total*	**$ 2,603.3**	$ 2,264.0
Total revenues		
U.S.	**$ 1,867.2**	$ 1,929.0
International Lead Markets	**1,877.5**	1,643.5
High Growth Markets	**972.2**	1,537.2
Foundational Markets & Corporate	**422.0**	566.2
Total	**$ 5,138.9**	$ 5,675.9

* Although the Company expects the application of ASC 606 to negatively impact 2018 annual franchised revenues by approximately $50 million, results for the quarter ended March 31, 2018, only reflected an impact of approximately $5 million due to the timing of new restaurant openings and new franchise terms.

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, 2017 Annual Report on Form 10-K.

At March 31, 2018, the fair value of the Company’s debt obligations was estimated at $32.5 billion, compared to a carrying amount of $30.9 billion. The fair value was based upon quoted market prices, Level 2 within the valuation hierarchy. The carrying amounts of cash and equivalents, short-term investments and notes receivable approximate fair value.

Financial Instruments and Hedging Activities

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

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

	Derivative Assets			Derivative Liabilities		
In millions	Balance Sheet Classification	**March 31, 2018**	December 31, 2017	Balance Sheet Classification	**March 31, 2018**	December 31, 2017
Derivatives designated as hedging instruments						
Foreign currency	Prepaid expenses and other current assets	**$ 2.9**	$ 0.5	Accrued payroll and other liabilities	**$ (29.0)**	$ (31.0)
Interest Rate				Accrued payroll and other liabilities	**(1.0)**	(0.3)
Foreign currency	Miscellaneous other assets	**0.8**	0.1	Other long-term liabilities	**(0.9)**	(1.4)
Interest rate				Other long-term liabilities	**(17.5)**	(5.9)
Total derivatives designated as hedging instruments		**$ 3.7**	$ 0.6		**$ (48.4)**	$ (38.6)
Derivatives not designated as hedging instruments						
Equity				Accrued payroll and other liabilities	**$ (5.2)**	$ (1.3)
Foreign currency				Accrued payroll and other liabilities	**(2.1)**	(5.5)
Equity	Miscellaneous other assets	**$ 152.3**	$ 167.3			
Total derivatives not designated as hedging instruments		**$ 152.3**	$ 167.3		**$ (7.3)**	$ (6.8)
Total derivatives		**$ 156.0**	$ 167.9		**$ (55.7)**	$ (45.4)

The following table presents the pre-tax amounts from derivative instruments affecting income and other comprehensive income ("OCI") for the quarters ended March 31, 2018 and 2017, respectively:

	Location of Gain or Loss Recognized in Income on Derivative	Gain (Loss) Recognized in Accumulated OCI		Gain (Loss) Reclassified into Income from Accumulated		Gain (Loss) Recognized in Income on Derivative	
In millions		**2018**	2017	**2018**	2017	**2018**	2017
Foreign currency	Nonoperating income/expense	**$ (9.8)**	$ (11.1)	**$ (15.3)**	$ 6.2		
Interest rate	Interest expense	**—**	—	**(0.2)**	(0.1)		
Cash flow hedges		**$ (9.8)**	$ (11.1)	**$ (15.5)**	$ 6.1		
Foreign currency denominated debt	Nonoperating income/expense	**$ (404.5)**	$ (152.2)	**$ —**	$ —		
Foreign currency derivatives	Nonoperating income/expense	**—**	(6.5)	**—**	(109.0)		
Net investment hedges		**$ (404.5)**	$ (158.7)	**$ —**	$ (109.0)		
Foreign currency	Nonoperating income/expense					**$ 3.2**	$ (16.1)
Equity	Selling, general & administrative expenses					**(16.3)**	19.4
Undesignated derivatives						**$ (13.1)**	$ 3.3

Fair Value Hedges

The Company enters into fair value hedges to reduce the exposure to changes in fair values of certain liabilities. The Company enters into fair value hedges that convert a portion of its fixed rate debt into floating rate debt by use of interest rate swaps. At March 31, 2018, the carrying amount of fixed-rate debt that was effectively converted was $731.5 million, which included a decrease of $18.5 million of cumulative hedging adjustments. For the first quarter 2018, the Company recognized a $12.3 million loss on the fair value of interest rate swaps, and a corresponding gain on the fair value of the related hedged debt instrument to Interest expense.

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 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, 2018, the Company had derivatives outstanding with an equivalent notional amount of $782.1 million that hedged a portion of forecasted foreign currency denominated royalties.

Based on market conditions at March 31, 2018, the $12.0 million in cumulative cash flow hedging losses, 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, 2018, $12.4 billion of the Company's third party foreign currency denominated debt and $4.2 billion of intercompany foreign currency denominated debt were designated to hedge investments in certain foreign subsidiaries and affiliates.

Undesignated Derivatives

The Company enters into certain derivatives that are not designated for hedge accounting, therefore the changes in the fair value of these derivatives are recognized immediately in earnings together with the gain or loss from the hedged balance sheet position. As an example, the Company enters into equity derivative contracts, including total return swaps, to hedge market-driven changes in certain of its supplemental benefit plan liabilities. Changes in the fair value of these derivatives are recorded in Selling, general & administrative expenses together with the changes in the supplemental benefit plan liabilities. In addition, the Company uses foreign currency forwards to mitigate the change in fair value of certain foreign currency denominated assets and liabilities. The changes in the fair value of these derivatives are recognized in Nonoperating (income) expense, net, along with the currency gain or loss from the hedged balance sheet position.

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, 2018 and has master agreements that contain netting arrangements. For financial reporting purposes, the Company presents gross derivative balances in the financial statements and supplementary data, including for counterparties subject to netting arrangements. Some of these agreements also require each party to post collateral if credit ratings fall below, or aggregate exposures exceed, certain contractual limits. At March 31, 2018, the Company was required to post an immaterial amount of collateral due to the negative fair value of certain derivative positions. The Company's counterparties were not required to post collateral on any derivative position, other than on hedges of certain of the Company’s supplemental benefit plan liabilities where the counterparties were required to post collateral on their liability positions.

Segment Information

The Company franchises and operates McDonald’s restaurants in the global restaurant industry. The following reporting segments reflect how management reviews and evaluates operating performance.

- U.S. - the Company's largest segment
- International Lead Markets - established markets including Australia, Canada, France, Germany, the U.K. and related markets
- High Growth Markets - markets the Company believes have relatively higher restaurant expansion and franchising potential including China, Italy, South Korea, Poland, Russia, Spain, Switzerland, the Netherlands and related markets
- Foundational Markets & Corporate - the remaining markets in the McDonald's system, most of which operate under a largely franchised model. Corporate activities are also reported within this segment

The following table presents the Company’s revenues and operating income by segment:

	Quarters Ended March 31,	
In millions	**2018**	2017
Revenues		
U.S.	**$ 1,867.2**	$ 1,929.0
International Lead Markets	**1,877.5**	1,643.5
High Growth Markets	**972.2**	1,537.2
Foundational Markets & Corporate	**422.0**	566.2
Total revenues	**$ 5,138.9**	$ 5,675.9
Operating Income		
U.S.	**$ 998.0**	$ 947.9
International Lead Markets	**809.7**	666.6
High Growth Markets	**234.3**	300.7
Foundational Markets & Corporate	**101.1**	118.8
Total operating income	**$ 2,143.1**	$ 2,034.0

Subsequent Events

The Company evaluated subsequent events through the date the financial statements were issued and filed with the Securities and Exchange Commission. There were no subsequent events that required recognition or disclosure.

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

Overview

The Company franchises and operates McDonald's restaurants. Of the 37,286 restaurants in 120 countries at March 31, 2018, 34,279 were licensed to franchisees (comprised of 21,425 franchised to conventional franchisees, 6,972 licensed to developmental licensees and 5,882 licensed to foreign affiliates ("affiliates") – primarily in Japan and China) and 3,007 were operated by the Company.

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

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

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

The strength of the alignment among the Company, its franchisees and suppliers (collectively referred to as the "System") is key to McDonald's long-term success. By leveraging the System, McDonald's is able to identify, implement and scale ideas that meet customers' changing needs and preferences. McDonald's continually builds on its competitive advantages of System alignment and geographic diversification to deliver consistent, yet locally-relevant restaurant experiences to customers as an integral part of their communities.

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 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 structured into segments that combine markets with similar characteristics and opportunities for growth, and reflect how management reviews and evaluates operating performance. Significant reportable segments include the United States ("U.S."), International Lead Markets and High Growth Markets. In addition, throughout this report we present the Foundational Markets & Corporate segment which includes markets in over 80 countries, as well as Corporate activities. For the quarter ended March 31, 2018, the U.S., the International Lead Markets and the High Growth Markets accounted for 36%, 37% and 19% of total revenues, respectively.

Strategic Direction

The Company is focused on delivering long-term growth through execution of its customer-centric growth strategy - the Velocity Growth Plan. The plan is designed to drive sustainable guest count growth, a reliable long-term measure of the Company's strength that is vital to growing sales and shareholder value.

Building on 2017 progress, the Company continues to focus on restaurant execution and enhancing customer awareness of the many ways in which McDonald's is elevating convenience, value, food offerings and the overall experience. This will enable the Company to deliver on the plan's key pillars of retaining existing customers, regaining lost customers and converting casual customers to committed customers.

In each of these pillars, McDonald's has established sustainable platforms that enable each market to execute the plan with greater speed, efficiency and impact. Additionally, the Company continues to scale the following growth accelerators:

- **Experience of the Future ("EOTF").** Focuses on restaurant modernization and technology, in order to transform the restaurant service experience and enhance the brand in the eyes of the customer. The modernization efforts are designed to drive incremental customer visits and higher average check. McDonald's currently has EOTF deployed in about one-third of the restaurants globally, with half of the U.S. restaurants expected to be deployed by the end of 2018.

- **Digital.** Places renewed emphasis on improving the Company's existing service model (i.e., eat in, take out, or drive-thru) and strengthens its relationships with customers through technology. By evolving the technology platform, the Company is expanding choices for how customers order, pay and are served through additional functionality on its global mobile app, self-order kiosks and technology-driven models that enable table service and curb-side pick-up. In the U.S. alone, McDonald's now has over 20 million registered users of the McDonald's application.

- **Delivery.** Offers a platform of added convenience, bringing McDonald's food to customers on their terms. Including previously offering delivery in Asia and the Middle East, McDonald's is now delivering meals from over 11,500 restaurants. In addition to added convenience, delivery transactions tend to realize a higher average check and a high customer satisfaction rating. In 2018, while the Company expects to continue to expand the number of restaurants offering delivery, the focus will shift to growing awareness and demand in the areas where delivery is already offered.

The Company continues to build upon the broad-based momentum created by the Velocity Growth Plan and remains aggressively focused on unlocking more of the plan's potential to drive long-term sustainable growth.

Financial Performance

Management reviews and analyzes business results excluding the effect of foreign currency translation, impairment and other strategic charges and gains, as well as adjustments to the provisional amounts recorded in December 2017 under the Tax Cuts and Jobs Act of 2017 ("Tax Act"), and generally bases incentive compensation plans on these results, because the Company believes this better represents underlying business trends.

Financial performance in the first quarter reflected broad-based strength and momentum across the business. Global comparable sales increased 5.5% for the quarter. The refranchising strategy has been a key part of transforming McDonald's into a more purposeful, more stable and more efficient organization focused on continuing to grow top-line sales.

U.S. comparable sales increased 2.9% for the quarter, driven by growth in average check resulting from menu price increases and shifts in product mix.

Comparable sales for the International Lead segment increased 7.8% for the quarter, reflecting positive results across all markets, primarily driven by the U.K. and Germany.

In the High Growth segment, comparable sales increased 4.7% for the quarter, led by strong performance in China and Italy and positive results across most of the segment, partly offset by continued challenges in South Korea.

Results for the quarter reflected an increase in sales-driven franchised margin dollars and the benefit from a lower effective tax rate, partly offset by lower Company-operated margin dollars driven by refranchising. Net income for the quarter was $1,375.4 million, an increase of 13% (8% in constant currencies) and diluted earnings per share was $1.72, an increase of 17% (12% in constant currencies).

Results included approximately $52 million, or $0.07 per share, of additional income tax expense associated with adjustments to the provisional amounts recorded in December 2017 under the Tax Act. Excluding these adjustments, net income was $1,427.7 million, an increase of 18% (12% in constant currencies) and diluted earnings per share was $1.79, an increase of 22% (16% in constant currencies).

First Quarter Highlights:

- Global comparable sales increased 5.5% and global comparable guest counts increased 0.8%
- Due to the impact of the Company's strategic refranchising initiative, consolidated revenues decreased 9% (15% in constant currencies)
- Systemwide sales increased 7% in constant currencies
- Consolidated operating income increased 5% (flat in constant currencies) due to growth in franchised margin dollars, offset by the impact of the Company's strategic refranchising initiative
- Diluted earnings per share of $1.72 increased 17% (12% in constant currencies), reflecting $0.07 per share of additional income tax expense associated with adjustments to the provisional amounts recorded in December 2017 under the Tax Act. Excluding this impact, diluted earnings per share was $1.79, an increase of 22% (16% in constant currencies)
- Returned $2.5 billion to shareholders through share repurchases and dividends

Outlook

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

- Changes in Systemwide sales are driven by comparable sales, net restaurant unit expansion, and the potential impacts of hyper-inflation. The Company expects net restaurant additions to add approximately 1 percentage point to 2018 Systemwide sales growth (in constant currencies).
- The Company does not generally provide specific guidance on changes in comparable sales. However, as a perspective, assuming no change in cost structure, a 1 percentage point change in comparable sales for either the U.S. or the International Lead segment would change annual diluted earnings per share by about 5 to 6 cents.

- Effective January 1, 2018, the Company adopted the guidance issued in Accounting Standards Codification 606, "Revenue Recognition - Revenue from Contracts with Customers." This standard changed the way initial fees from franchisees for new restaurant openings and new franchise terms are recognized. Under the new guidance, initial franchise fees will be recognized evenly over the franchise term. The Company expects the adoption of this guidance to negatively impact 2018 Consolidated franchised revenues and franchised margins by approximately $50 million.
- 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 2018, costs for the total basket of goods are expected to increase about 1% to 2% in the U.S. and increase about 2% in the International Lead segment.
- The Company expects full-year 2018 selling, general and administrative expenses to decrease about 1% in constant currencies.
- Based on current interest and foreign currency exchange rates, the Company expects interest expense for the full-year 2018 to increase about 5% to 7% compared with 2017 due primarily to higher average debt balances.
- A significant part of the Company's operating income is generated outside the U.S., and about 40% of its total debt is denominated in foreign currencies. Accordingly, earnings are affected by changes in foreign currency exchange rates, particularly the Euro, British Pound, Australian Dollar and Canadian Dollar. Collectively, these currencies represent approximately 70% of the Company's operating income outside the U.S. If all four of these currencies moved by 10% in the same direction, the Company's annual diluted earnings per share would change by about 30 cents.
- The Company expects the effective income tax rate for the full-year 2018 to be in the 25-27% range, with volatility between the quarters. Certain aspects of the Tax Act are expected to be clarified, and as such, could impact the Company's tax rate.
- The Company expects capital expenditures for 2018 to be approximately $2.4 billion. About $1.5 billion will be dedicated to our U.S. business, primarily focused on accelerating the pace of EOTF. We expect to complete EOTF at nearly 4,000 additional U.S. restaurants in 2018, and, as a result, about half of the total U.S. restaurants will have EOTF by the end of 2018. Of the remaining capital, about half will be dedicated to new restaurant openings and the remainder will be allocated to reinvestment in continued expansion of EOTF around the world. The Company will contribute capital towards about 250 restaurant openings, while developmental licensees and affiliates will contribute capital towards the opening of approximately 750 restaurants, for a total of about 1,000 expected restaurant openings in 2018. The Company expects net additions of about 600 restaurants in 2018.

In addition, the Company has other long-term targets that are detailed in its Form 10-K for the year ended December 31, 2017.

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, impairment and other strategic charges and gains, as well as adjustments to the provisional amounts recorded in December 2017 under the Tax Act, and bases incentive compensation plans on these results, because the Company believes this better represents underlying business trends.
- Systemwide sales include sales at all restaurants, whether operated by the Company or by franchisees. While franchised sales are not recorded as revenues by the Company, management believes the information is important in understanding the Company's financial performance, because these sales are the basis on which the Company calculates and records franchised revenues and are indicative of the financial health of the franchisee base.
- Comparable sales represent sales at all restaurants and comparable guest counts represent the number of transactions at all restaurants, whether operated by the Company or by franchisees, in operation at least thirteen months including those temporarily closed. Some of the reasons restaurants may be temporarily closed include reimaging or remodeling, rebuilding, road construction and natural disasters. Comparable sales exclude the impact of currency translation and sales from hyper-inflationary markets (currently only Venezuela). Management generally identifies hyper-inflationary markets as those markets whose cumulative inflation rate over a three-year period exceeds 100%. Management believes that these exclusions more accurately reflect the underlying business trends. Comparable sales are driven by changes in guest counts and average check, which is affected by changes in pricing and product mix. Typically, pricing has a greater impact on average check than product mix. Management reviews the increase or decrease in comparable sales and comparable guest counts compared with the same period in the prior year to assess business trends.

CONSOLIDATED OPERATING RESULTS

Dollars in millions, except per share data	**Quarter Ended March 31, 2018**	
	Amount	**Increase/ (Decrease)**
Revenues		
Sales by Company-operated restaurants	$ 2,535.6	(26)%
Revenues from franchised restaurants	2,603.3	15
Total revenues	5,138.9	(9)
Operating costs and expenses		
Company-operated restaurant expenses	2,130.9	(24)
Franchised restaurants-occupancy expenses	480.3	12
Selling, general & administrative expenses	533.1	2
Other operating (income) expense, net	(148.5)	(18)
Total operating costs and expenses	2,995.8	(18)
Operating income	2,143.1	5
Interest expense	236.8	8
Nonoperating (income) expense, net	18.4	n/m
Income before provision for income taxes	1,887.9	4
Provision for income taxes	512.5	(14)
Net income	$ 1,375.4	13 %
Earnings per common share-basic	$ 1.74	18 %
Earnings per common share-diluted	$ 1.72	17 %

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 currency denominated cash flows. 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,	2018	2017	Currency Translation Benefit/ (Cost) 2018
Revenues	**$ 5,138.9**	$ 5,675.9	**$ 287.3**
Company-operated margins	**404.7**	595.5	**26.9**
Franchised margins	**2,123.0**	1,833.9	**102.4**
Selling, general & administrative expenses	**533.1**	521.3	**(16.0)**
Operating income	**2,143.1**	2,034.0	**116.6**
Net income	**1,375.4**	1,214.8	**68.2**
Earnings per share-diluted	**$ 1.72**	$ 1.47	**$ 0.08**

The positive impact of foreign currency translation on consolidated operating results for the quarter primarily reflected the stronger Euro and British Pound.

Net Income and Diluted Earnings per Common Share

For the quarter, net income increased 13% (8% in constant currencies) to $1,375.4 million, and diluted earnings per share increased 17% (12% in constant currencies) to $1.72. Foreign currency translation had a positive impact of $0.08 on diluted earnings per share.

Results for the quarter reflected an increase in sales-driven franchised margin dollars and the benefit from a lower effective tax rate, partly offset by lower Company-operated margin dollars driven by refranchising. Results included approximately $52 million, or $0.07 per share, of additional income tax expense associated with adjustments to the provisional amounts recorded in December 2017 under the Tax Act. Excluding these adjustments, net income was $1,427.7 million, an increase of 18% (12% in constant currencies), and diluted earnings per share was $1.79, an increase of 22% (16% in constant currencies).

Diluted earnings per share benefited from a decrease in diluted weighted average shares outstanding due to share repurchases. During the quarter, the Company repurchased 10.4 million shares of stock for $1.7 billion, and paid a quarterly dividend of $1.01 per share, or $797.5 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 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.

Between 2015 and 2017, the Company accelerated the pace of refranchising to optimize its restaurant ownership mix, generate more stable and predictable revenue and cash flow streams, and operate with a less resource-intensive structure. The shift to a greater percentage of franchised restaurants negatively impacts consolidated revenues as Company-operated sales are replaced by franchised revenues, where the Company receives rent and/or royalty revenue based on a percentage of sales.

Effective January 1, 2018, the Company adopted the guidance issued in Accounting Standards Codification 606, "Revenue Recognition - Revenue from Contracts with Customers." This standard changed the way initial fees from franchisees for new restaurant openings and new franchise terms are recognized. Under the new guidance, initial franchise fees are being recognized evenly over the franchise term rather than immediately upon receipt. Although the Company expects this change to negatively impact 2018 annual franchised revenues by approximately $50 million, results for the quarter only reflected an impact of approximately $5 million due to the timing of new restaurant openings and new franchise terms.

REVENUES
Dollars in millions

Quarters Ended March 31,	**2018**	2017	Inc/ (Dec)	Inc/ (Dec) Excluding Currency Translation
Company-operated sales				
U.S.	**$ 708.7**	$ 835.6	(15)%	(15)%
International Lead Markets	**1,007.1**	941.2	7	(3)
High Growth Markets	**700.3**	1,345.3	(48)	(52)
Foundational Markets & Corporate	**119.5**	289.8	(59)	(62)
Total	**$ 2,535.6**	$ 3,411.9	(26)%	(30)%
Franchised revenues				
U.S.	**$ 1,158.5**	$ 1,093.4	6 %	6 %
International Lead Markets	**870.4**	702.3	24	12
High Growth Markets	**271.9**	191.9	42	27
Foundational Markets & Corporate	**302.5**	276.4	9	4
Total	**$ 2,603.3**	$ 2,264.0	15 %	9 %
Total revenues				
U.S.	**$ 1,867.2**	$ 1,929.0	(3)%	(3)%
International Lead Markets	**1,877.5**	1,643.5	14	3
High Growth Markets	**972.2**	1,537.2	(37)	(42)
Foundational Markets & Corporate	**422.0**	566.2	(25)	(30)
Total	**$ 5,138.9**	$ 5,675.9	(9)%	(15)%

- ***Revenues:*** Revenues decreased 9% (15% in constant currencies) for the quarter.
    - ***U.S.:*** Revenues decreased as positive comparable sales were more than offset by the impact of refranchising.
    - ***International Lead Markets:*** Revenues increased due to strong performance in the U.K. and Germany as well as positive comparable sales across all markets, partly offset by the impact of refranchising.
    - ***High Growth Markets:*** Revenues decreased as positive comparable sales across most markets were more than offset by the impact of refranchising the Company's businesses in China and Hong Kong in third quarter 2017.

Comparable Sales and Guest Counts

The following table presents the percent change in comparable sales for the quarters ended March 31, 2018 and 2017:

COMPARABLE SALES

	Increase/ (Decrease)	
Quarters Ended March 31,	**2018**	2017
U.S.	**2.9%**	1.7%
International Lead Markets	**7.8**	2.8
High Growth Markets	**4.7**	3.8
Foundational Markets & Corporate	**8.7**	8.5
Total	**5.5%**	3.6%

On a consolidated basis, comparable guest counts (the number of transactions at all restaurants, whether operated by the Company or by franchisees, in operation at least thirteen months, including those temporarily closed) increased 0.8% and 0.6% for the quarters ended 2018 and 2017, respectively. Both periods reflected positive comparable guest counts in all segments with the exception of the U.S.

Systemwide Sales and Franchised Sales

The following table presents the percent change in Systemwide sales for the quarter ended March 31, 2018:

SYSTEMWIDE SALES*

Quarter Ended March 31, 2018	Inc/ (Dec)	Inc/ (Dec) Excluding Currency Translation
U.S.	3%	3%
International Lead Markets	21	9
High Growth Markets	19	9
Foundational Markets & Corporate	16	12
Total	12%	7%

* Unlike comparable sales, the Company has not excluded hyper-inflationary market results from Systemwide sales as these sales are the basis on which the Company calculates and records revenues.

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,	**2018**	2017	Inc/ (Dec)	Inc/ (Dec) Excluding Currency Translation
U.S.	**$ 8,349.4**	$ 7,979.2	5%	5%
International Lead Markets	**5,000.7**	4,042.9	24	12
High Growth Markets*	**2,375.6**	1,237.1	92	74
Foundational Markets & Corporate	**4,873.1**	3,999.3	22	18
Total	**$ 20,598.8**	$ 17,258.5	19%	14%
Ownership type				
Conventional franchised	**$ 14,883.9**	$ 13,526.5	10%	5%
Developmental licensed	**3,351.3**	2,554.7	31	29
Foreign affiliated*	**2,363.6**	1,177.3	101	90
Total	**$ 20,598.8**	$ 17,258.5	19%	14%

* The franchised sales increases reflect the impact of refranchising the Company's businesses in China and Hong Kong in the third quarter of 2017.

Restaurant Margins

FRANCHISED AND COMPANY-OPERATED RESTAURANT MARGINS
Dollars in millions

Quarters Ended March 31,	Percent 2018	Percent 2017	Amount 2018	Amount 2017	Inc/ (Dec)	Inc/ (Dec) Excluding Currency Translation
Franchised						
U.S.	**81.3%**	81.6%	**$ 941.4**	$ 891.9	6 %	6 %
International Lead Markets	**79.9**	79.5	**695.9**	558.1	25	12
High Growth Markets	**74.9**	69.4	**203.7**	133.1	53	37
Foundational Markets & Corporate	**93.3**	90.7	**282.0**	250.8	12	7
Total	**81.6%**	81.0%	**$2,123.0**	$1,833.9	16 %	10 %
Company-operated						
U.S.	**15.8%**	15.3%	**$ 112.2**	$ 128.1	(12)%	(12)%
International Lead Markets	**20.1**	20.1	**202.5**	189.0	7	(3)
High Growth Markets	**10.2**	17.1	**71.2**	230.3	(69)	(72)
Foundational Markets & Corporate	**15.8**	16.6	**18.8**	48.1	(61)	(64)
Total	**16.0%**	17.5%	**$ 404.7**	$ 595.5	(32)%	(37)%

- ***Franchised:*** Franchised margin dollars increased $289.1 million or 16% (10% in constant currencies) for the quarter. The quarter benefited from expansion and the impact of refranchising, as well as positive comparable sales performance across all segments.
  - ***U.S.:*** The decrease in the franchised margin percent was primarily due to higher depreciation costs related to EOTF, partly offset by the benefit of positive comparable sales.
  - ***International Lead Markets:*** The increase in the franchised margin percent reflected the benefit from strong comparable sales performance, partly offset by higher occupancy costs and the impact of refranchising.
  - ***High Growth Markets:*** The increase in the franchised margin percent was primarily due to the impact of refranchising, largely related to the July 2017 China and Hong Kong transaction, and strong comparable sales performance.
- ***Company-operated:*** Company-operated margin dollars decreased $190.8 million or 32% (37% in constant currencies) for the quarter, reflecting the impact of refranchising.
  - ***U.S.:*** The Company-operated margin percent increase reflected positive comparable sales performance and the impact of refranchising, partly offset by higher labor and commodity costs.
  - ***International Lead Markets:*** The Company-operated margin percent was flat as strong comparable sales were offset by higher labor, commodity and occupancy costs.
  - ***High Growth Markets:*** The decrease in the Company-operated margin percent was primarily due to the impact of refranchising in China and Hong Kong as well as negative comparable sales in South Korea.

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,	2018	2017
Food & paper	**31.7%**	31.9%
Payroll & employee benefits	**30.2**	27.8
Occupancy & other operating expenses	**22.1**	22.8
Total expenses	**84.0%**	82.5%
Company-operated margins	**16.0%**	17.5%

Selling, General & Administrative Expenses

- Selling, general and administrative expenses increased $11.8 million or 2% (decreased 1% in constant currencies) for the quarter. The constant currency decrease was primarily due to lower employee-related costs resulting from the Company's ongoing G&A initiatives, partly offset by higher restaurant technology spending as well as costs related to the 2018 Worldwide Owner/Operator Convention and sponsorship of the 2018 Winter Olympics.
- Selling, general and administrative expenses as a percent of Systemwide sales decreased to 2.3% for 2018 compared with 2.5% for 2017.

Other Operating (Income) Expense, Net

OTHER OPERATING (INCOME) EXPENSE, NET
Dollars in millions

Quarters Ended March 31,	2018	2017
Gains on sales of restaurant businesses	**$ (96.5)**	$ (60.0)
Equity in (earnings) losses of unconsolidated affiliates	**(42.6)**	(40.9)
Asset dispositions and other (income) expense, net	**(11.0)**	(24.5)
Impairment and other charges (gains), net	**1.6**	(0.5)
Total	**$ (148.5)**	$ (125.9)

- Gains on sales of restaurant businesses increased for the quarter primarily due to a higher number of restaurant sales in the U.S.
- Equity in (earnings) losses of unconsolidated affiliates reflected improved performance in Japan, more than offset by a higher effective tax rate in Japan in 2018 compared with 2017. Results in 2018 also reflect the retained 20% ownership in the entity that operates the Company's businesses in China and Hong Kong subsequent to the refranchising transaction that occurred in third quarter 2017.
- The change in asset dispositions and other (income) expense, net was primarily due to a gain from the strategic sale of a restaurant property in the U.S. in 2017.

Operating Income

OPERATING INCOME
Dollars in millions

Quarters Ended March 31,	2018	2017	Inc/ (Dec)	Increase Excluding Currency Translation
U.S.	**$ 998.0**	$ 947.9	5%	5%
International Lead Markets	**809.7**	666.6	21	9
High Growth Markets	**234.3**	300.7	(22)	(29)
Foundational Markets & Corporate	**101.1**	118.8	(15)	(27)
Total	**$ 2,143.1**	$ 2,034.0	5%	0%

- ***Operating Income:*** Operating income increased $109.1 million or 5% (flat in constant currencies) for the quarter.
  - ***U.S.:*** The increase in operating income reflected higher franchised margin dollars and higher gains on sales of restaurants, partly offset by lower Company-operated margin dollars and comparison to the prior year gain from the strategic sale of a restaurant property.
  - ***International Lead Markets:*** The constant currency operating income increase was primarily due to sales-driven improvements in franchised margin dollars across all markets.
  - ***High Growth Markets:*** The constant currency operating income decrease reflected the impact of refranchising, and to a lesser extent, the continued challenges in South Korea.
  - ***Foundational Markets & Corporate:*** The constant currency operating income decrease reflected the Company's refranchising initiatives, higher restaurant technology spending as well as costs related to the 2018 Worldwide Owner/Operator Convention and sponsorship of the 2018 Winter Olympics.
- ***Operating Margin:*** Operating margin is defined as operating income as a percent of total revenues. Operating margin was 41.7% and 35.8% for the quarters ended 2018 and 2017, respectively.

Interest Expense

- Interest expense increased 8% (5% in constant currencies) for the quarter, primarily reflecting higher average debt balances, partly offset by lower average interest rates.

Nonoperating (Income) Expense, Net

NONOPERATING (INCOME) EXPENSE, NET
Dollars in millions

Quarters Ended March 31,	2018	2017
Interest income	**$ (5.5)**	$ 1.8
Foreign currency and hedging activity	**16.5**	(1.9)
Other (income) expense, net	**7.4**	8.0
Total	**$ 18.4**	$ 7.9

Income Taxes

- The effective income tax rate was 27.1% and 32.8% for the quarters ended 2018 and 2017, respectively. The decrease in the tax rate for the quarter reflects the lower enacted U.S. corporate tax rate, partly offset by adjustments to the provisional amounts recorded in December 2017 under the Tax Act.
- Excluding the impact of these provisional adjustments, the effective income tax rate was 24.4% for the quarter.

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 $1.6 billion and exceeded capital expenditures by $1.1 billion for the first quarter 2018. Cash provided by operations increased $101.2 million compared with the first quarter 2017.

Cash used for investing activities totaled $359.1 million for the first quarter 2018, an increase of $497.2 million compared with the first quarter 2017. The increase was primarily due to fewer proceeds in 2018 associated with the sale of restaurant businesses due to comparison to the Company's first quarter 2017 sale of its businesses in Denmark, Finland, Norway and Sweden (referred to as the "Nordics") to a developmental licensee.

Cash used for financing activities totaled $1.3 billion for the first quarter 2018, an increase of $719.0 million compared with the first quarter 2017, primarily due to higher treasury stock purchases partially offset by higher net debt issuances.

Debt obligations at March 31, 2018 totaled $30.9 billion compared with $29.5 billion at December 31, 2017. The increase was primarily due to net debt issuances and the impact of foreign currency translation.

Recent Accounting Pronouncements

Recent accounting pronouncements are discussed in Part I, Item 1, page 8 of this Form 10-Q.

Risk Factors and Cautionary Statement Regarding Forward-Looking Statements

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

If we do not successfully evolve and execute against our business strategies, we may not be able to increase operating income.

To drive future results, our business strategies must be effective in delivering increased guest counts to drive operating income growth. Whether these strategies are successful depends mainly on our System’s ability to:

- Continue to innovate and differentiate the McDonald’s experience by preparing and serving our food in a way that balances value and convenience to our customers with profitability;
- Capitalize on our global scale, iconic brand and local market presence to enhance our ability to retain, regain and convert key customer groups;
- Utilize our more adaptive organizational structure to execute against our initiatives at an accelerated pace;
- Strengthen customer appeal and augment our digital initiatives, including mobile ordering and delivery, along with Experience of the Future (“EOTF”), particularly in the U.S.;
- Identify and develop restaurant sites consistent with our plans for net growth of Systemwide restaurants; and
- Operate restaurants with high service levels and optimal capacity while managing the increasing complexity of our restaurant operations.

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

Our investments to enhance the customer experience, including through technology, may not generate the expected returns.

We will continue to build upon our investments in EOTF, which focus on restaurant modernization and technology and digital engagement in order to transform the restaurant experience. As we accelerate our pace of converting restaurants to EOTF, we are placing renewed emphasis on improving our service model and strengthening relationships with customers, in part through digital channels and loyalty initiatives, as well as mobile ordering and payment systems. We also continue to build on delivery initiatives, which may not generate expected returns. We may not fully realize the intended benefits of these significant investments, or these initiatives may not be well executed, and therefore our business results may suffer.

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, and trends in food sourcing, food preparation, food offerings and consumer preferences in the “informal eating out” (“IEO”) segment. In order to deliver a relevant experience for our customers amidst a highly competitive, value-driven operating environment, we must implement initiatives to adapt at an aggressive pace. There is no assurance that these initiatives will be successful and, if they are not, our financial results could be adversely impacted.

Activities relating to our refranchising and cost savings initiatives remain ongoing and entail various risks.

Our previously announced refranchising and cost saving initiatives remain ongoing. As we continue on those initiatives, the existing risks we face in our business may be intensified. Our efforts to reduce costs and capital expenditures depend, in part, upon our refranchising efforts, which, in turn, depend upon our selection and integration of capable third parties. Our cost savings initiatives also depend upon a variety of factors, including our ability to achieve efficiencies through the consolidation of global, back-office functions. If these various initiatives are not successful, take longer to complete than initially projected, or are not well executed, or if our cost reduction efforts adversely impact our effectiveness, our business operations, financial results and results of operations could be adversely affected.

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

Our results depend on the impact of pricing, promotional and marketing plans across the System, and the ability to adjust these plans to respond quickly and effectively to evolving customer preferences, as well as shifting economic and competitive conditions. Existing or future pricing strategies, and the value proposition they represent, are expected to continue to be important components of our business strategy; however, they may not be successful and could negatively impact sales and margins. Further, the promotion of menu offerings may yield results below the desired levels.

Additionally, we operate in a complex and costly advertising environment. Our marketing and advertising programs may not be successful, and we may fail to attract and retain customers. Our success depends in part on whether the allocation of our advertising and marketing resources across different channels allows us to reach our customers effectively. If the advertising and marketing programs are not successful, or are not as successful as those of our competitors, our sales, guest counts and market share could decrease.

Failure to preserve the value and relevance of our brand could have an adverse 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. Those perceptions are affected by a variety of factors, including the nutritional content and preparation of our food, the ingredients we use, our business practices and the manner in which we source the commodities we use. Consumer acceptance of our offerings is subject to change for a variety of reasons, and some changes can occur rapidly. For example, nutritional, health and other scientific studies and conclusions, which constantly evolve and may 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 generally or relative to available alternatives. Consumer perceptions may also be affected by third parties presenting or promoting adverse commentary or portrayals of the quick-service category of the IEO segment, our brand and/or our operations, our suppliers or our franchisees. If we are unsuccessful in addressing such adverse commentary or portrayals, our brand and our financial results may suffer.

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

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

We compete primarily in the IEO segment, which is highly competitive. We also face sustained, intense competition from traditional, fast casual and other competitors, which may include many non-traditional market participants such as convenience stores, grocery stores and coffee shops. We expect our environment to continue to be highly competitive, and our results in any particular reporting period may be impacted by new or continuing actions of our competitors, which may have a short- or long-term impact on our results.

We compete on the basis of product choice, quality, affordability, service and location. In particular, we believe our ability to compete successfully in the current market environment depends on our ability to improve existing products, develop new products, price our products appropriately, deliver a relevant customer experience, manage the complexity of our restaurant operations and respond effectively to our competitors' actions or disruptive actions from others which we do not foresee. Recognizing these dependencies, we have intensified our focus in recent periods on strategies to achieve these goals, and we will likely continue to modify our strategies and implement new strategies in the future. There can be no assurance these strategies will be effective, and some strategies may be effective at improving some metrics while adversely affecting other metrics.

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 and international economic matters, whether through austerity, stimulus measures or trade measures, and initiatives intended to control wages, unemployment, credit availability, inflation, taxation and other economic drivers. 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.

Our results of operations are also affected by fluctuations in currency exchange rates, which may adversely affect reported earnings.

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. Although many of the products we sell are sourced from a wide variety of suppliers in countries around the world, certain products have limited suppliers, which may increase our reliance on those suppliers. Supply chain interruptions, including shortages and transportation issues, and price increases can adversely affect us as well as our suppliers and franchisees whose performance may have a significant impact on our results. Such shortages or disruptions could be caused by factors beyond the control of our suppliers, franchisees or us. If we experience interruptions in our System's supply chain, our costs could increase and it could limit the availability of products critical to our System's operations.

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

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

Our franchise business model presents a number of risks.

Our success increasingly relies on the financial success and cooperation of our franchisees, including our developmental licensees and affiliates. Our restaurant margins arise from two sources: fees from franchised restaurants (e.g., rent and royalties based on a percentage of sales) and, to a lesser degree, sales from Company-operated restaurants. Our franchisees and developmental licensees manage their businesses independently, and therefore are responsible for the day-to-day operation of their restaurants. The revenues we realize from franchised restaurants are largely dependent on the ability of our franchisees to grow their sales. If our franchisees do not experience sales growth, our revenues and margins could be negatively affected as a result. Also, if sales trends worsen for franchisees, their financial results may deteriorate, which could result in, among other things, restaurant closures, or delayed or reduced payments to us. Our refranchising efforts will continue to increase that dependence and the potential effect of those factors.

Our success also increasingly depends on the willingness and ability of our independent franchisees and affiliates to implement major initiatives, which may include financial investment, and to remain aligned with us on operating, promotional and capital-intensive reinvestment plans. Franchisees' ability to contribute to the achievement of our plans is dependent in large part on the availability to them 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 an image inconsistent with our brand and values, particularly if our contractual and other rights and remedies are limited, costly to exercise or subjected to litigation and potential delays. If franchisees do not successfully operate restaurants in a manner consistent with our required standards, our 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 significant percentage of franchised restaurants, including an increased number of restaurants run by developmental licensees and affiliates, depends on various factors. Those factors include whether we have effectively selected franchisees, licensees and/or affiliates that meet our rigorous standards, and whether their performance and the resulting ownership mix supports our brand and financial objectives.

Challenges with respect to talent management could harm our business.

Effective succession planning is important to our long-term success. Failure to effectively identify, develop and retain key personnel, recruit high-quality candidates and ensure smooth management and personnel transitions could disrupt our business and adversely affect our results.

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

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

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

We are increasingly reliant on technological systems, such as point-of-sale and other systems or platforms, technologies supporting McDonald's order, delivery and digital solutions, as well as technologies that facilitate communication and collaboration internally, with affiliated entities, customers, employees or independent third parties to conduct our business, including technology-enabled systems provided to us by third parties. Any failure of these systems could significantly impact our operations and customer experience and perceptions.

Despite the implementation of security measures, those technology systems and solutions could become vulnerable to damage, disability or failures due to theft, fire, power loss, telecommunications failure or other catastrophic events. Our increasing reliance on third party systems also present the risks faced by the third party's business, including the operational, security and credit risks of those parties. If those systems were to fail or otherwise be unavailable, and we were unable to recover in a timely way, we could experience an interruption in our operations.

Furthermore, security breaches have from time to time occurred and may in the future occur involving our systems, the systems of the parties we communicate or collaborate with (including franchisees), or those of third party providers. These may include such things as unauthorized access, denial of service, computer viruses, introduction of malware or ransomware 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, our employees and other third parties, as well as financial, proprietary and other confidential information related to our business. An actual or alleged security breach could result in disruptions, shutdowns, theft or unauthorized disclosure of personal, financial, proprietary or other confidential information. The occurrence of any of these incidents could result in reputational damage, adverse publicity, loss of consumer confidence, reduced sales and profits, complications in executing our growth initiatives and criminal penalties or civil liabilities.

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

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

Disruptions in operations or price volatility in a market can also result from governmental actions, such as price, foreign exchange or changes in trade-related tariffs or controls, government-mandated closure of our, our franchisees' or our suppliers' operations, and asset seizures. The cost and disruption of responding to governmental investigations or inquiries, whether or not they have merit, may impact our results and could cause reputational or other harm. Our international success depends in part on the effectiveness of our strategies and brand-building initiatives to reduce our exposure to such governmental investigations or inquiries.

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

We may also face challenges and uncertainties in developed markets. For example, as a result of the U.K.'s decision to leave the European Union through a negotiated exit over a period of time, including its recent formal commencement of exit proceedings, it is possible that there will be increased regulatory complexities, as well as potential referenda in the U.K. and/or other European countries, that could cause uncertainty in European or worldwide economic conditions. In the short term, the decision created volatility in certain foreign currency exchange rates, and the resulting depression in those exchange rates may continue. Any of these effects, and others we cannot anticipate, could adversely affect our business, results of operations, financial condition and cash flows.

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 U.S. 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 policy or related authoritative interpretations, including changes and uncertainties resulting from proposals for comprehensive or corporate tax reforms in the U.S. or elsewhere. On December 22, 2017, the Tax Cuts and Jobs Act ("Tax Act") was signed into law. While we have estimated the effects of the Tax Act, we continue to refine those estimates with the possibility they could change, and those changes could be material. We are also impacted by settlements of pending or any future adjustments proposed by taxing authorities inside and outside of the U.S. in connection with our tax audits, all of which will depend on their timing, nature and scope. Any significant 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 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, supplies, fuel, utilities and distribution, and other operating costs, including labor. Any volatility in certain commodity prices or fluctuation in labor costs could adversely affect our operating results by impacting restaurant profitability. The commodity markets for some of the ingredients we use, such as beef and chicken, are particularly volatile due to factors such as seasonal shifts, climate conditions, industry demand, international commodity markets, food safety concerns, product recalls and government regulation, 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.

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

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

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

Additionally, we are working to manage the risks and costs to us, our franchisees and our supply chain of the effects of climate change, greenhouse gases, and diminishing energy and water resources. These risks include the increased public focus, including by governmental and nongovernmental organizations, on these and other environmental sustainability matters, such as packaging and waste, animal health and welfare, deforestation and land use. These risks also include the increased pressure to make commitments, set targets or establish additional goals and take actions to meet them. These risks 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 regulatory proceedings or litigation.

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

Our operating results could also be affected by the following:

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

A judgment significantly in excess of any applicable insurance coverage or third party indemnity 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 have registered certain trademarks and have other trademark registrations pending in the U.S. and certain foreign jurisdictions. The trademarks that we currently use have not been registered in all of the countries outside of the U.S. 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 U.S. 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, result in costly litigation and harm our business.

We cannot ensure that franchisees and other third parties who hold licenses to our intellectual property will not take actions that hurt the value of our intellectual property.

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

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

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

Our credit ratings may be negatively affected by our results of operations or changes in our debt levels. As a result, our interest expense, the availability of acceptable counterparties, our ability to obtain funding on favorable terms, collateral requirements and our operating or financial flexibility could all be negatively affected, especially if lenders impose new operating or financial covenants.

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

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

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

- The unpredictable nature of 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 U.S., 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, driven in part by expectations about our performance; actions by shareholders and others seeking to influence our business strategies; portfolio transactions in our stock by significant shareholders; or trading activity that results from the ordinary course rebalancing of stock indices in which McDonald’s may be included, such as the S&P 500 Index and the Dow Jones Industrial Average;
- The impact of our stock repurchase program or dividend rate; and
- The impact on our results of corporate actions and market and third-party perceptions and assessments of such actions, such as those we may take from time to time as we implement our strategies in light of changing business, legal and tax considerations and evolve our corporate structure.

Events such as severe weather conditions, natural disasters, hostilities and social unrest, among others, can adversely affect our results and prospects.

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 and supply availability and costs, as well as the local operations in impacted markets, all of which can affect our results and prospects. Our receipt of proceeds under any insurance we maintain with respect to some of these risks may be delayed or the proceeds may be insufficient to cover 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, 2017 regarding this matter.

Item 4. Controls and Procedures

Disclosure Controls

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, 2018. 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.

Internal Control Over Financial Reporting

The Company's management, including the CEO and CFO, confirm that there was no change in the Company's internal control over financial reporting during the quarter ended March 31, 2018 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, 2017 regarding these matters.

Item 1A. Risk Factors

For a discussion of risk factors affecting our business, refer to statements appearing under the caption "Risk Factors and Cautionary Statement Regarding Forward-Looking Statements" in "Management's Discussion and Analysis of Financial Condition and Results of Operations" in this Form 10-Q.

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 quarter ended March 31, 2018:

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, 2018	202,370	$ 170.11	202,370	$ 12,227,536,784
February 1-28, 2018	5,827,528	162.34	5,827,528	11,281,477,229
March 1-31, 2018	4,382,736	156.58	4,382,736	10,595,228,781
Total	10,412,634	$ 160.07	10,412,634	

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

(1) On July 27, 2017, the Company's Board of Directors approved a share repurchase program, effective July 28, 2017 that authorizes the purchase of up to $15 billion of the Company's outstanding common stock with no specified expiration date.

Item 6. Exhibits

Exhibit Number	Description
(3)	(a) Restated Certificate of Incorporation, effective as of June 14, 2012, incorporated herein by reference from Exhibit 3(a) of Form 10-Q (File No. 001-05231), for the quarter ended June 30, 2012.
	(b) By-Laws, as amended and restated with effect as of October 26, 2015, incorporated herein by reference from Exhibit 3(b) of Form 8-K (File No. 001-05231), filed October 28, 2015.
(4)	Instruments defining the rights of security holders, including Indentures:*
	(a) Senior Debt Securities Indenture, incorporated herein by reference from Exhibit (4)(a) of Form S-3 Registration Statement (File No. 333-14141), filed October 15, 1996.
	(b) Subordinated Debt Securities Indenture, incorporated herein by reference from Exhibit (4)(b) of Form S-3 Registration Statement (File No. 333-14141), filed October 15, 1996.
(10)	Material Contracts
	(a) Directors' Deferred Compensation Plan, amended and restated effective as of May 26, 2016, incorporated herein by reference from Exhibit 10(a)(i) of Form 10-Q (File No. 001-05231), for the quarter ended June 30, 2016.**
	(b) McDonald’s Deferred Compensation Plan, effective January 1, 2017, incorporated herein by reference from Exhibit 10(b) of Form 10-K (file No. 001-05231), for the year ended December 31, 2016.**
	(c) McDonald’s Corporation Supplemental Profit Sharing and Savings Plan, effective as of September 1, 2001, incorporated herein by reference from Exhibit 10(c) of Form 10-K (File No. 001-05231), for the year ended December 31, 2001.**
	(i) First Amendment to the McDonald’s Corporation Supplemental Profit Sharing and Savings Plan, effective as of January 1, 2002, incorporated herein by reference from Exhibit 10(c)(i) of Form 10-K (File No. 001-05231), for the year ended December 31, 2002.**
	(ii) Second Amendment to the McDonald’s Corporation Supplemental Profit Sharing and Savings Plan, effective January 1, 2005, incorporated herein by reference from Exhibit 10(c)(ii) of Form 10-K (File No. 001-05231), for the year ended December 31, 2004.**
	(d) McDonald’s Corporation Amended and Restated 2001 Omnibus Stock Ownership Plan, effective July 1, 2008, incorporated herein by reference from Exhibit 10(h) of Form 10-Q (File No. 001-05231), for the quarter ended June 30, 2009.**
	(i) First Amendment to the McDonald’s Corporation Amended and Restated 2001 Omnibus Stock Ownership Plan, incorporated herein by reference from Exhibit 10(h)(i) of Form 10-K (File No. 001-05231), for the year ended December 31, 2008.**
	(ii) Second Amendment to the McDonald’s Corporation Amended and Restated 2001 Omnibus Stock Ownership Plan as amended, effective February 9, 2011, incorporated herein by reference from Exhibit 10(h)(ii) of Form 10-K (File No. 001-05231), for the year ended December 31, 2010.**
	(e) McDonald's Corporation 2012 Omnibus Stock Ownership Plan, effective June 1, 2012, incorporated herein by reference from Exhibit 10(h) of Form 10-Q (File No. 001-05231), for the quarter ended September 30, 2012.**
	(f) McDonald’s Corporation 2009 Cash Incentive Plan, effective as of May 27, 2009, incorporated herein by reference from Exhibit 10(j) of Form 10-Q (File No. 001-05231), for the quarter ended June 30, 2009.**
	(g) McDonald's Corporation Target Incentive Plan, effective January 1, 2013, incorporated herein by reference from Exhibit 10(j) of Form 10-Q (File No. 001-05231), for the quarter ended March 31, 2013.**
	(h) McDonald's Corporation Cash Performance Unit Plan, effective February 13, 2013, incorporated herein by reference from Exhibit 10(k) of Form 10-Q (File No. 001-05231), for the quarter ended March 31, 2013.**
	(i) Form of Executive Stock Option Grant Agreement in connection with the Amended and Restated 2001 Omnibus Stock Ownership Plan, as amended, incorporated herein by reference from Exhibit 10(j) of Form 10-K (File No. 001-05231), for the year ended December 31, 2011.**
	(j) Form of 2013 Executive Stock Option Award Agreement in connection with the 2012 Omnibus Stock Ownership Plan, incorporated herein by reference from Exhibit 10(n) of Form 10-Q (File No. 001-05231), for the quarter ended March 31, 2013.**
	(k) McDonald’s Corporation Severance Plan, as Amended and Restated, effective September 30, 2015, incorporated herein by reference from Exhibit 10(o) of Form 10-Q (File No. 001-05231), for the quarter ended September 30, 2015.**
	(i) First Amendment to the McDonald's Corporation Severance Plan, effective June 1, 2016, incorporated herein by reference from Exhibit 10(l)(i) of Form 10-Q (File No. 001-05231), for the quarter ended June 30, 2016.**

Exhibit Number	Description
	(ii) Second Amendment to the McDonald's Corporation Severance Plan, effective June 1, 2016, incorporated herein by reference from Exhibit 10(l)(ii) of Form 10-Q (File No. 001-05231), for the quarter ended June 30, 2016.**
	(iii) Third Amendment to the McDonald's Corporation Severance Plan, effective as of July 15, 2016, incorporated herein by reference from Exhibit 10(l)(iii) of Form 10-Q (File No. 001-05231), for the quarter ended June 30, 2016.**
	(iv) Fourth Amendment to the McDonald's Corporation Severance Plan, effective as of July 1, 2017, incorporated herein by reference from Exhibit 10(k)(iv) of Form 10-Q (File No. 001-05231), for the quarter ended September 30, 2017.**
	(l) Form of 2014 Executive Stock Option Award Agreement in connection with the 2012 Omnibus Stock Ownership Plan, incorporated herein by reference from Exhibit 10(z) of Form 10-Q (File No. 001-05231), for the quarter ended March 31, 2014.**
	(m) Form of 2015 Executive Performance-Based Restricted Stock Unit Award Agreement in connection with the 2012 Omnibus Stock Ownership Plan, incorporated herein by reference from Exhibit 10(aa) of Form 10-Q (File No. 001-05231), for the quarter ended March 31, 2015.**
	(n) Offer Letter between Christopher Kempczinski and the Company, dated September 23, 2015, incorporated herein by reference from Exhibit 10(u) of Form 10-Q (File No. 001-05231), for the quarter ended June 30, 2016.**
	(o) Form of Executive Confidentiality, Intellectual Property and Restrictive Covenant Agreement, incorporated herein by reference from Exhibit 10(o) of Form 10-Q (File No. 001-05231), for the quarter ended March 31, 2017.**
	(p) Offer Letter between Silvia Lagnado and the Company, dated June 8, 2015, incorporated herein by reference from Exhibit 10(p) of Form 10-Q (File No. 001-05231), for the quarter ended June 30, 2017.**
	(q) Form of 2018 Executive Stock Option Award Agreement in connection with the 2012 Omnibus Stock Ownership Plan, filed herewith. **
	(r) Form of 2018 Executive Performance-Based Restricted Stock Unit Award Agreement in connection with the 2012 Omnibus Stock Ownership Plan, filed herewith. **
(12)	Computation of Ratios.
(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 - the instance document does not appear in the Interactive Data File because its XBRL tags are embedded within the Inline XBRL 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
May 8, 2018	Kevin M. Ozan Corporate Executive Vice President and Chief Financial Officer

Exhibit 10(q)

McDONALD'S CORPORATION
2012 OMNIBUS STOCK OWNERSHIP PLAN

STOCK OPTION AWARD AGREEMENT

EXECUTIVE OFFICERS

McDONALD'S CORPORATION (the "Company" or "McDonald's"), hereby grants to the individual named in the chart below (the "Optionee"), the number of options to purchase shares of the Company's Stock (the "Options") for the Option Price per share (the "Option Price"), both as set forth in the chart below. These Options shall vest and terminate according to the vesting schedule and termination provisions described below in this Stock Option Award Agreement, including any Appendices (together, the "Agreement"). The Options 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").

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.

Optionee:	
Number of Options:	
Type of Option Grant:	**Non-Qualified Stock Option**
Option Price:	**$XXX.XX**
Grant Date	**February 19, 2018**
Expiration Date:	**10th Anniversary of the Grant Date**
Vesting Schedule: (as long as the Optionee remains continuously employed by the Company or a Subsidiary until the applicable vesting date, except as otherwise set forth in this Agreement):	**25% on first anniversary of Grant Date 25% on second anniversary of Grant Date 25% on third anniversary of Grant Date 25% on fourth anniversary of Grant Date**

1. Termination of Employment. For purposes of this Section 1, the date of Termination of Employment will be the last date that the Optionee is classified as a current employee in the payroll system of the Company or applicable Subsidiary**,** provided that in the case of a Optionee 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 Optionee experiences a "separation from service," in accordance with the requirements of Code Section 409A. The Committee shall have the exclusive discretion to determine when the Optionee is no longer employed for purposes of the Options, this Agreement and the Plan.

(a) Termination Within One Year of the Grant Date. If the Optionee has a Termination of Employment for any reason other than (i) death or Disability or (ii) to work for a developmental licensee, prior to the 12-month anniversary of the Grant Date, all Options will be immediately forfeited.

(b) Termination for Cause. If the Optionee has a Termination of Employment for Cause, all vested and unvested Options shall terminate immediately; provided, however, that if the Optionee has a Termination of Employment for Cause due solely to 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 policies or policies specifically referenced therein), as the same is in effect and applicable to the Optionee at the time of the Optionee's violation), the provisions of subsection 1(c) below shall apply.

(c) Termination Due to Policy Violation. If the Optionee has a Termination of Employment for Cause due solely to a Policy Violation (as determined by the Committee in its sole and absolute discretion), any Options exercisable on the date of the Optionee's Termination of Employment may be exercised not later than the 90th day following the Optionee's Termination of Employment (but not beyond the Expiration Date). Any unvested Options shall be forfeited as of the date of the Optionee's Termination of Employment.

(d) Termination on Account of Death or Disability. If the Optionee has a Termination of Employment on account of death or Disability (even during the first 12 months following the Grant Date), any unexercised Options, whether or not vested on the date of the Optionee's Termination of Employment, may be exercised at any time within three years after such Termination of Employment (but not beyond the Expiration Date); and in the case of death, the Options may be exercised by (i) the Optionee's personal representative or by the person to whom the Options are transferred by will or the applicable laws of descent and distribution or (ii) the Optionee's beneficiary designated in accordance with Section 8 of the Plan.

For purposes of subsections (e) and (f) that follow, the term "Company Service" means the Optionee'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.

(e) Termination with At Least 68 Years of Combined Age and Service. If the Optionee voluntarily terminates employment and (i) the Optionee's combined age and years of Company Service is equal to or greater than 68, (ii) the Optionee provides six months advance written notice of his or her intention to terminate employment to both the Corporate Vice President - Global Total Compensation and the Optionee's manager, (iii) the Optionee executes and delivers (and does not revoke) a release agreement satisfactory to the Company and (iv) the Optionee 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 may require), any unvested Options that would have vested within three years following the Optionee's Termination of Employment, will become exercisable in accordance with the Vesting Schedule set forth above in this Agreement, and any exercisable Options may be exercised at any time prior to and including the Expiration Date. If the Optionee executes and delivers a non-competition agreement, and then violates the provisions of that agreement (in the Committee's discretion), all unexercised Options will immediately terminate and will not be exercisable.

(f) Termination on Account of Special Circumstances. If the Optionee has a Termination of Employment due to Special Circumstances (which means, a Termination of Employment due to the Optionee 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, in each case, where the Optionee's combined age and years of Company Service meets the threshold set forth in the chart below and the Optionee satisfies the additional conditions set forth in subsections (i) and (ii) below, as applicable), the Options, to the extent unvested as of the date of the Optionee's Termination of Employment, will, for the applicable period after the Optionee's Termination of Employment specified in the chart below, become vested in accordance with the Vesting Schedule set forth above in this Agreement and any vested Options may be exercised at any time within the applicable period specified in the chart below after such Termination of Employment (but not beyond the Expiration Date). As of the expiry of the applicable period specified in the chart below after the Optionee's Termination of Employment, any Options that remain unvested will be forfeited.

Age and Years of Company Service	Additional Vesting and Time to Exercise
68 plus years	3 Years
58 to 67 years	2 Years
48 to 57 years	1 Year

(i) Termination of Employment Without Cause. In the case of the Optionee's Termination of Employment by the Company or a Subsidiary without Cause, to qualify for the treatment provided in this subsection (f), the Optionee must execute and deliver (i) a release agreement satisfactory to the Company (which the Optionee does not revoke) and (ii) 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 delegee may require). If the Optionee executes and delivers a non-competition agreement, and then violates the provisions of that agreement (in the Committee's discretion), all unexercised Options will immediately terminate and will not be exercisable.

(ii) Termination due to Change in Status to Owner-Operator. If the Optionee becomes an owner-operator of a McDonald's restaurant in connection with his or her Termination of Employment, to qualify for the above treatment, the Optionee must execute and deliver (and not revoke) a release agreement satisfactory to the Company.

(g) Termination with Company Approval to Work for a Developmental Licensee. If the Optionee has a Termination of Employment in order to work for a developmental licensee (even during the first 12 months following the Grant Date) and (i) the Company approves of the Optionee's resignation, (ii) the Optionee executes and delivers (and does not revoke) a release agreement satisfactory to the Company and (iii) the Optionee 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 delegee may require), any unvested Options shall continue to vest in accordance with the Vesting Schedule set forth above in this Agreement, and any exercisable Options may be exercised at any time prior to and including the Expiration Date. If the Optionee executes and delivers a non-competition agreement, and then violates the provisions of that agreement (in the Committee's discretion), all unexercised Options will immediately terminate and will not be exercisable.

(h) Termination Due to Disaffiliation of a Subsidiary. If the Optionee has a Termination of Employment because of a Disaffiliation of a Subsidiary and the Optionee executes and delivers (and does not revoke) a release agreement satisfactory to the Company, Options that are either vested on the date of the Optionee's Termination of Employment or that would have vested within one year of the Optionee's Termination of Employment may be exercised at any time within one year following such Termination of Employment (but not beyond the Expiration Date). All other unvested Options shall be forfeited as of the date of Termination of Employment. If, however, the Options are assumed by another entity, this rule will not apply and the Options will continue in effect, subject to any changes as may be made to reflect the assumption of the Options. For purposes of this Agreement, "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 or all of the assets of the Subsidiary).

(i) Any Other Reason. If the Optionee has a Termination of Employment for a reason other than those specified in Sections 1(a)-(h) above, any Options vested on the date of the Optionee's Termination of Employment may be exercised not later than the 90th day following the Optionee's Termination of Employment (but not beyond the Expiration Date). All unvested Options shall be forfeited as of the date of Termination of Employment.

(j) Selection of Rule. If the Optionee's Termination of Employment is covered by more than one of the foregoing rules, the applicable rule that is the most favorable to the Optionee shall apply, except that (i) in the case of a Termination of Employment as described in Section 1(a) above, Section 1(a) shall apply; (ii) in the case of a Termination of Employment for Cause, the Committee shall have the sole and absolute discretion to determine whether the Optionee is eligible for the treatment described in Section 1(c) above; (iii) in the case of a Termination of Employment with Company approval to work for a developmental licensee, Section 1(g) shall apply; and (iv) in the case of a Termination of Employment due to Disaffiliation of a Subsidiary, Section 1(h) shall apply.

2. Responsibility for Taxes. Except to the extent prohibited by law, the Optionee acknowledges that, regardless of any action the Company or, if different, the Optionee's employer (the "Employer") takes with respect to any or all income tax, social insurance, payroll tax, fringe benefits tax, payment on account or other tax-related items related to the Optionee's participation in the Plan and legally applicable to the Optionee or deemed by the Company or the Employer in their discretion to be an appropriate charge to the Optionee even if legally applicable to the Company or the Employer ("Tax-Related Items"), the ultimate liability for all Tax-Related Items is and remains the Optionee's responsibility and may exceed the amount actually withheld by the Company or the Employer, if any. The Optionee 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 Options, including the grant, vesting or exercise of the Options, the subsequent sale of shares of Stock acquired as a result of such exercise and the receipt of any dividends; and (ii) do not commit to and are under no obligation to structure the terms of the grant or any aspect of the Options to reduce or eliminate the Optionee's liability for Tax-Related Items or achieve any particular tax result. Furthermore, the Optionee 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.

The Optionee authorizes the Company and/or the Employer, or their respective agents, at their discretion, to satisfy the obligations with regard to all Tax-Related Items by one or a combination of the following: (i) withholding from the Optionee's wages or other cash compensation paid to the Optionee by the Company and/or the Employer; or (ii) withholding from proceeds of the sale of shares of Stock acquired at exercise of the Options, either through a voluntary sale or through a mandatory sale arranged by the Company (on the Optionee's behalf pursuant to this authorization). The Company may withhold or account for Tax-Related Items by considering minimum statutory withholding amounts or other applicable withholding rates, including maximum applicable rates, in which case the Optionee will receive a refund of any over-withheld amount in cash and will have no entitlement to the Stock equivalent. The Optionee shall pay to the Company or the Employer any amount of Tax-Related Items that the Company or the Employer may be required to withhold or account for as a result of the Optionee's participation in the Plan that cannot be satisfied by the means previously described. The Company may refuse to issue or deliver shares of Stock or the proceeds of the sale of shares of Stock if the Optionee fails to comply with his or her obligations in connection with the Tax-Related Items.

3. Repayment/Forfeiture.

(a) Compliance with Applicable Law and/or Company Clawback Policy. Any benefits the Optionee 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 Optionee.

(b) Detrimental Conduct. Any Options granted pursuant to this Agreement and the Plan are intended to align the Optionee's long-term interests with the long-term interests of the Company. If the Company determines that the Optionee has (i) engaged in willful fraud that causes harm to the Company or any of its Subsidiaries, either during employment with the Company or after such employment terminates for any reason or (ii) violated the provisions of a non-competition agreement (any such act, "Detrimental Conduct") the Optionee shall be deemed to have acted contrary to the long-term interests of the Company. Accordingly, the following rules shall apply:

(i) In the event that the Company determines, in its sole and absolute discretion, that the Optionee engaged in Detrimental Conduct, the Company may, in its sole and absolute discretion, (A) terminate such Optionee's participation in the Plan and/or (B) send a notice of recapture (a "Recapture Notice") that (1) cancels all or a portion of any future-vesting Options, (2) requires the return of any shares of Stock received upon exercise of the Options and/or (3) requires the reimbursement to the Company of any net proceeds received from the sale of any shares of Stock acquired as a result of such exercise.

(ii) The Company has sole and absolute discretion to take action or not to take action pursuant to this Section 3 upon determination of Detrimental Conduct, and its decision not to take action in any particular instance shall not in any way limit its authority to send a Recapture Notice in any other instance.

(iii) Upon vesting of any Options, the Optionee shall, if requested by the Company, certify on a form acceptable to the Company, that he or she is not, and has not previously been, engaged in Detrimental Conduct.

(iv) Notwithstanding any provision of this Section 3, if any provision of this Section 3 is determined to be unenforceable or invalid under any applicable law, such provision will be applied to the maximum extent permitted by applicable law, and shall automatically be deemed amended in a manner consistent with its objectives to the extent necessary to conform to any limitations required under applicable law; provided, that this Section 3 shall not apply in any manner to individuals subject to the laws of France.

(v) Any action taken by the Company pursuant to this Section 3 is without prejudice to any other action the Company, or any of its Subsidiaries, may choose to take upon determination that the Optionee has engaged in Detrimental Conduct.

(vi) This Section 3 will cease to apply after a Change in Control.

4. No Employment or Service Contract. Nothing in this Agreement or in the Plan shall confer upon the Optionee 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 Optionee at any time for any reason whatsoever, with or without Cause and with or without advance notice.

5. Governing Law and Choice of Venue. The Options 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. For purposes of litigating any dispute that arises directly or indirectly from the relationship of the parties evidenced by the Options or this Agreement, the parties hereby submit to and consent to the exclusive jurisdiction of the State of Illinois, agree that such litigation shall be conducted in the courts of DuPage County, Illinois, or the federal courts for the United States for the Northern District of Illinois, where this grant is made and/or to be performed.

6. Electronic Delivery and Acceptance. The Company may, in its sole and absolute discretion, decide to deliver any documents related to current or future participation in the Plan by electronic means and/or require the Optionee to accept these Options or any future option grant by electronic means. The Optionee hereby consents to receive such documents by electronic delivery and agrees to accept these Options and any future option grant through an on-line or electronic system established and maintained by the Company or a third party designated by the Company.

7. 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.

8. Waiver. The waiver by the Company with respect to compliance of any provision of this Agreement by the Optionee 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 any provision of this Agreement.

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

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

11. Entire Agreement. 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 OPTIONS, THE OPTIONEE AGREES TO THE TERMS OF THIS AGREEMENT AND THE PLAN.

BY: ______________________________

PRINT NAME: ___________________

DATE: ___________________________

Exhibit 10(r)

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").

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 Corporate Executive Vice President - Chief People Officer, 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 ("Target Award")	
Grant Date:	**February 19, 2018**
Performance Period:	**January 1, 2018 - December 31, 2020**
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	**February 19, 2018 - February 19, 2021**

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 5 or 10 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 7 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 8(a) below, the RSUs will be settled as provided in Section 8(a) below, unless otherwise provided in Section 10 below. For purposes of the settlement timing provisions of this Section 2 and Sections 8 and 10 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. **Dividend Equivalents.** Until such time as the RSUs vest in full, the Grantee shall be credited with an amount equal to all cash and stock dividends (whether ordinary or extraordinary) ("Dividend Equivalents") that would have been paid to the Grantee if one share of Stock had been issued on the Grant Date for each RSU granted to the Grantee as set forth in this Agreement and that remains outstanding. In its discretion, the Company may reinvest any cash Dividend Equivalents into additional shares of Stock. Dividend Equivalents shall be subject to the same vesting restrictions, forfeiture and other conditions as the RSUs to which they are attributable and shall be paid, if at all, on the same date that the RSUs to which they are attributable are settled in accordance with Section 2 hereof. Dividend Equivalents that are held for the benefit of the Grantee shall be distributed in cash or in the discretion of the Company, in shares of Stock based on the closing price of a share of Stock on the Vesting Date.

4. **Rights as a Stockholder**. If the RSUs and any Dividend Equivalents are settled in shares of Stock, upon and following the date of such settlement, the Grantee shall be the record owner of the shares of Stock underlying the RSUs and any Dividend Equivalents unless and until such shares are sold or otherwise disposed of, and shall be entitled to all of the rights of a stockholder of the Company including the right to vote such shares and receive all dividends or other distributions paid with respect to such shares. Notwithstanding the foregoing, any dividends or other distributions shall be subject to the same restrictions, including transferability and vesting, as the underlying shares of Stock.

5. **Termination of Employment.** For purposes of this Section 5, 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 and any Dividend Equivalents, this Agreement and the Plan. Subject to Section 8:

(a) Termination within One Year of the Grant Date. If the Grantee has a Termination of Employment for any reason other than (i) death or Disability or (ii) to work for a developmental licensee, prior to the 12-month anniversary of the Grant Date, the RSUs and any Dividend Equivalents 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 and any Dividend Equivalents 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 (even during the first 12 months following the Grant Date), the Performance Goals requirement will be waived and 100% of the Target Award and any Dividend Equivalents will immediately vest upon such Termination of Employment (such date, if applicable, also a Vesting Date) and will be settled in accordance with Section 2 above, unless otherwise provided in Section 10(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 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 six months advance written notice of his or her intention to terminate employment to both the Corporate Vice President - Global Total Compensation and the Grantee's manager, (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 delegee may require), all of the RSUs and Dividend Equivalents shall be eligible for vesting to the extent the Performance Goals are achieved. Settlement of any of such vested RSUs and Dividend Equivalents will occur in accordance with Section 2 above, unless otherwise provided in Section 10(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.

(e) Termination on Account of Special Circumstances or Disaffiliation of a Subsidiary. 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 of a Subsidiary ("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) in the case of a Termination of Employment due to Special Circumstances only, 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 delegee may require), a pro-rata portion of the RSUs and any Dividend Equivalents, as determined in accordance with Section 6 below, shall be eligible for vesting to the extent the Performance Goals are achieved. Settlement of any of such vested RSUs and Dividend Equivalents will occur in accordance with Section 2 above, unless otherwise provided in Section 10(a) or (b) below.

(f) Termination with Company Approval to Work for a Developmental Licensee. If the Grantee has a Termination of Employment in order to work for a developmental licensee (even during the first 12 months following the Grant Date) and (i) the Company approves of the Grantee's resignation, (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 delegee may require), all of the RSUs and any Dividend Equivalents shall be eligible for vesting to the extent the Performance Goals are achieved. Settlement of any of such vested RSUs and Dividend Equivalents will occur in accordance with Section 2 above, unless otherwise provided in Section 10(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.

(g) Any Other Reason. If the Grantee has a Termination of Employment for a reason other than those specified in Sections 5(a)-(f) above, all unvested RSUs and Dividend Equivalents shall be immediately forfeited.

(h) 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 5(a), Section 5(a) shall apply; (ii) in the case of a Termination of Employment as described in Section 5(b), Section 5(b) shall apply; and (iii) in the case of a Termination of Employment as described in Section 5(f), Section 5(f) shall apply.

6. Pro-Rata Vesting Formula. The number of RSUs and any related Dividend Equivalents that shall vest on a pro-rata basis as the result of the Grantee's Termination of Employment in accordance with Section 5(e) above is the number of RSUs and Dividend Equivalents as applicable determined to have been earned based on achievement of the Performance Goals 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:

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

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

7. **Responsibility for Taxes.**

(a) Grantee's Liability for Tax-Related Items. Except to the extent prohibited by law, the Grantee acknowledges that, regardless of any action the Company or, if different, the Grantee's employer (the "Employer") takes with respect to any or all income tax, social insurance, payroll tax, fringe benefits tax, payment on account or other tax-related items related to the 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 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, if any. 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 and any Dividend Equivalents, including the grant, vesting or settlement of the RSUs and any Dividend Equivalents, 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 and any Dividend Equivalents 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 and any Dividend Equivalents 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 minimum statutory withholding amounts or other applicable withholding rates, including maximum applicable rates, in which case the Grantee will receive a refund of any over-withheld amount in cash and will have no entitlement to the Stock equivalent.

(i) Stock Settlement. If the RSUs and any Dividend Equivalents 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 shares of Stock that would otherwise be issued upon settlement of the RSUs and any Dividend Equivalents. 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 and any Dividend Equivalents, 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 and any Dividend Equivalents 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 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 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 and Dividend Equivalents, 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 and any Dividend Equivalents 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 and any Dividend Equivalents, or from the Grantee's wages or other cash compensation paid to the Grantee by the Company and/or the Employer.

8. Change in Control.

(a) Treatment of RSUs and Dividend Equivalents 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 and the related Dividend Equivalents will immediately vest upon such Change in Control (such date, if applicable, also a Vesting Date) 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 with respect to the RSUs and any Dividend Equivalents. Notwithstanding the foregoing, if the Change in Control does not qualify as a change in control for purposes of Code Section 409A, any RSUs and Dividend Equivalents 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 and the related Dividend Equivalents will immediately vest upon such Termination of Employment (such date, if applicable, also a Vesting Date) and be settled within 90 days of Termination of Employment in accordance with Section 2 above, unless otherwise provided in Section 10(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 and Dividend Equivalents 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.

9. Settlement Upon Death of the Grantee. In any case under this Agreement in which the RSUs and any Dividend Equivalents are to be settled following the Grantee's death, the shares of Stock or cash due in settlement of the RSUs and any Dividend Equivalents shall be issued to (i) the Grantee's personal representative or the person to whom the RSUs and any Dividend Equivalents 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.

10. **Code Section 409A.**

(a) Settlement Conditioned upon Termination Requirements. Notwithstanding any provision in this Agreement to the contrary (but except as provided in Section 10(b) hereof), in the event that (i) the vesting and settlement of RSUs and any Dividend Equivalents 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 and any Dividend Equivalents 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 and any Dividend Equivalents 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 5. If the Grantee's Termination of Employment is covered by (1) Section 5(c) and the Grantee's Disability does not constitute a "disability" for purposes of Code Section 409A, or (2) Sections 5(d) through 5(f), the RSUs and any Dividend Equivalents will be settled within 90 days following the later of (A) the Vesting Date and (B) the date that is six months after the Grantee's Termination of Employment; however, in the event of the Grantee's death, then upon the date of the Grantee's death. For avoidance of doubt, if the Grantee's Termination of Employment is covered by Section 5(c) and the Grantee's Disability does constitute a "disability" for purposes of Code Section 409A, then the Grantee's vested RSUs and any Dividend Equivalents 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 8(b), the RSUs and any Dividend Equivalents will be settled within 90 days following the later of (A) the Vesting Date and (B) the date that is six months after the Grantee's Termination of Employment; however, in the event of the Grantee's death, then upon the date of the Grantee's death.

(c) No Company Liability. All RSUs and any Dividend Equivalents granted hereunder are intended to be compliant with Code Section 409A, and this Agreement and the Plan 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 or any Dividend Equivalents 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.

11. Repayment/Forfeiture.

(a) Compliance with Applicable Law and/or Company Clawback Policy. 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.

(b) Detrimental Conduct. Any RSUs and any Dividend Equivalents granted pursuant to this Agreement and the Plan are intended to align the Grantee's long-term interests with the long-term interests of the Company. If the Company determines that the Grantee has (i) engaged in willful fraud that causes harm to the Company or any of its Subsidiaries or that is intended to manipulate the Performance Goals, either during employment with the Company or after such employment terminates for any reason or (ii) violated the provisions of a non-competition agreement (any such act shall be referred to as "Detrimental Conduct"), the Grantee shall be deemed to have acted contrary to the long-term interests of the Company. Accordingly, the following rules shall apply:

(i) In the event that the Company determines, in its sole and absolute discretion, that the Grantee engaged in Detrimental Conduct, the Company may, in its sole and absolute discretion, (A) terminate such Grantee's participation in the Plan and/or (B) send a notice of recapture (a "Recapture Notice") that (1) cancels all or a portion of any future-vesting or settling RSUs and Dividend Equivalents, (2) requires the return of any cash or shares of Stock received at settlement upon or after vesting of the RSUs and any Dividend Equivalents and/or (3) requires the reimbursement to the Company of any net proceeds received from the sale of any shares of Stock acquired as a result of such settlement and/or the receipt of any dividends after settlement.

(ii) The Company has sole and absolute discretion to take action or not to take action pursuant to this Section 11 upon determination of Detrimental Conduct, and its decision not to take action in any particular instance shall not in any way limit its authority to send a Recapture Notice in any other instance.

(iii) Upon vesting of any RSUs and Dividend Equivalents, the Grantee shall, if requested by the Company, certify on a form acceptable to the Company, that he or she is not, and has not previously been, engaged in Detrimental Conduct.

(iv) Notwithstanding any provision of this Section 11, if any provision of this Section 11 is determined to be unenforceable or invalid under any applicable law, such provision will be applied to the maximum extent permitted by applicable law, and shall automatically be deemed amended in a manner consistent with its objectives to the extent necessary to conform to any limitations required under applicable law; provided, that this Section 11 shall not apply in any manner to individuals subject to the laws of France.

(v) Any action taken by the Company pursuant to this Section 11 is without prejudice to any other action the Company, or any of its Subsidiaries, may choose to take upon determination that the Grantee has engaged in Detrimental Conduct.

(vi) This Section 11 will cease to apply after a Change in Control.

12. 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.

13. Governing Law and Choice of Venue. The RSUs and any Dividend Equivalents 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. For purposes of litigating any dispute that arises directly or indirectly from the relationship of the parties evidenced by the RSUs and any Dividend Equivalents or this Agreement, the parties hereby submit to and consent to the exclusive jurisdiction of the State of Illinois, agree that such litigation shall be conducted in the courts of DuPage County, Illinois, or the federal courts for the United States for the Northern District of Illinois, where this grant is made and/or to be performed.

14. 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 this grant of RSUs and any Dividend Equivalents or 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 this grant and any future grant of RSUs and any Dividend Equivalents through an on-line or electronic system established and maintained by the Company or a third party designated by the Company.

15. 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.

16. 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.

17. 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.

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

19. Entire Agreement. 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: ___________________________

Exhibit 12. Computation of Ratios

Ratio of Earnings to Fixed Charges

Dollars in millions

	Quarters Ended March 31,		Years Ended December 31,				
	2018	**2017**	**2017**	**2016**	**2015**	**2014**	**2013**
Earnings available for fixed charges							
- Income before provision for income taxes	$1,887.9	$1,807.5	$8,573.5	$6,866.0	$6,555.7	$7,372.0	$8,204.5
- Noncontrolling interest expense in operating results of majority-owned subsidiaries less equity in undistributed operating results of less than 50%-owned affiliates	(10.3)	4.1	5.3	12.5	7.3	6.3	9.0
- Income tax provision (benefit) of 50%-owned affiliates included in income from continuing operations before provision for income taxes	14.5	6.6	(36.5)	3.3	3.7	(0.1)	23.8
- Portion of rent charges (after reduction for rental income from subleased properties) considered to be representative of interest factors*	40.7	76.4	244.8	342.6	365.1	374.6	374.6
- Interest expense, amortization of debt discount and issuance costs, and depreciation of capitalized interest*	240.6	222.9	938.3	904.8	660.4	596.1	548.9
	$2,173.4	$2,117.5	$9,725.4	$8,129.2	$7,592.2	$8,348.9	$9,160.8
Fixed charges							
- Portion of rent charges (after reduction for rental income from subleased properties) considered to be representative of interest factors*	$ 40.7	$ 76.4	$ 244.8	$ 342.6	$ 365.1	$ 374.6	$ 374.6
- Interest expense, amortization of debt discount and issuance costs*	237.0	219.3	924.0	888.2	643.7	579.8	532.1
- Capitalized interest*	0.8	1.0	5.3	7.1	9.4	14.8	15.6
	$ 278.5	$ 296.7	$1,174.1	$1,237.9	$1,018.2	$ 969.2	$ 922.3
Ratio of earnings to fixed charges	7.80	7.14	8.28	6.57	7.46	8.61	9.93

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

Exhibit 31.1.

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

I, Stephen J. Easterbrook, certify that:

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

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

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

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

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

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

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

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

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

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

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

Date: May 8, 2018

/s/ Stephen J. Easterbrook

Stephen J. Easterbrook

President and Chief Executive Officer

Exhibit 31.2.

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

I, Kevin M. Ozan, certify that:

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

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

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

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

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

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

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

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

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

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

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

Date: May 8, 2018

/s/ Kevin M. Ozan

Kevin M. Ozan

Corporate Executive Vice President and
Chief Financial Officer

Exhibit 32.1.

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

Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 (subsections (a) and (b) of Section 1350, Chapter 63 of Title 18, United States Code), the undersigned officer of McDonald's Corporation (the "Company"), does hereby certify, to such officer's knowledge, that the Quarterly Report on Form 10-Q for the quarter ended March 31, 2018 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 8, 2018

/s/ Stephen J. Easterbrook

Stephen J. Easterbrook

President and Chief Executive Officer

Exhibit 32.2.

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

Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 (subsections (a) and (b) of Section 1350, Chapter 63 of Title 18, United States Code), the undersigned officer of McDonald's Corporation (the "Company"), does hereby certify, to such officer's knowledge, that the Quarterly Report on Form 10-Q for the quarter ended March 31, 2018 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 8, 2018

/s/ Kevin M. Ozan

Kevin M. Ozan

Corporate Executive Vice President and
Chief Financial Officer