UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, DC 20549

FORM 10-Q

☒ **QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**
For the quarterly period ended September 30, 2019

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.)
110 North Carpenter Street Chicago, Illinois	**60607**
(Address of Principal Executive Offices)	(Zip Code)

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

Securities registered pursuant to Section 12(b) of the Act:

Title of each class	Trading Symbol(s)	Name of each exchange on which registered
Common Stock, $0.01 par value	MCD	New York Stock Exchange

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 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 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	☐	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 ☒

753,093,326
(Number of shares of common stock outstanding as of 9/30/2019)

McDONALD'S CORPORATION

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PART I – FINANCIAL INFORMATION

Item 1. Financial Statements

CONDENSED CONSOLIDATED BALANCE SHEET

In millions, except per share data	(unaudited) September 30, 2019	December 31, 2018
Assets		
Current assets		
Cash and equivalents	**$ 1,177.3**	$ 866.0
Accounts and notes receivable	**2,005.3**	2,441.5
Inventories, at cost, not in excess of market	**42.6**	51.1
Prepaid expenses and other current assets	**379.7**	694.6
Total current assets	**3,604.9**	4,053.2
Other assets		
Investments in and advances to affiliates	**1,245.4**	1,202.8
Goodwill	**2,541.8**	2,331.5
Miscellaneous	**2,622.0**	2,381.0
Total other assets	**6,409.2**	**5,915.3**
Lease right-of-use asset, net	**12,465.6**	—
Property and equipment		
Property and equipment, at cost	**37,748.0**	37,193.6
Accumulated depreciation and amortization	**(14,422.7)**	(14,350.9)
Net property and equipment	**23,325.3**	22,842.7
Total assets	**$ 45,805.0**	$ 32,811.2
Liabilities and shareholders' equity		
Current liabilities		
Accounts payable	**$ 849.5**	$ 1,207.9
Dividends payable	**934.0**	—
Lease liability	**703.3**	—
Income taxes	**277.9**	228.3
Other taxes	**248.1**	253.7
Accrued interest	**314.0**	297.0
Accrued payroll and other liabilities	**948.8**	986.6
Total current liabilities	**4,275.6**	2,973.5
Long-term debt	**32,850.1**	31,075.3
Long-term lease liability	**11,881.8**	—
Long-term income taxes	**2,219.6**	2,081.2
Deferred revenues - initial franchise fees	**640.1**	627.8
Other long-term liabilities	**976.5**	1,096.3
Deferred income taxes	**1,560.5**	1,215.5
Shareholders' equity (deficit)		
Preferred stock, no par value; authorized – 165.0 million shares; issued – none	**—**	—
Common stock, $.01 par value; authorized – 3.5 billion shares; issued – 1,660.6 million shares	**16.6**	16.6
Additional paid-in capital	**7,619.7**	7,376.0
Retained earnings	**51,359.5**	50,487.0
Accumulated other comprehensive income (loss)	**(2,663.1)**	(2,609.5)
Common stock in treasury, at cost; 907.5 and 893.5 million shares	**(64,931.9)**	(61,528.5)
Total shareholders' equity (deficit)	**(8,599.2)**	(6,258.4)
Total liabilities and shareholders' equity (deficit)	**$ 45,805.0**	$ 32,811.2

See Notes to condensed consolidated financial statements.

CONDENSED CONSOLIDATED STATEMENT OF INCOME (UNAUDITED)

In millions, except per share data	Quarters Ended September 30, 2019	Quarters Ended September 30, 2018	Nine Months Ended September 30, 2019	Nine Months Ended September 30, 2018
Revenues				
Sales by Company-operated restaurants	**$ 2,416.6**	$ 2,511.0	**$ 7,057.5**	$ 7,641.5
Revenues from franchised restaurants	**3,014.0**	2,858.4	**8,670.0**	8,220.7
Total revenues	**5,430.6**	5,369.4	**15,727.5**	15,862.2
Operating costs and expenses				
Company-operated restaurant expenses	**1,967.7**	2,047.9	**5,821.0**	6,309.3
Franchised restaurants-occupancy expenses	**559.5**	499.4	**1,637.3**	1,463.6
Selling, general & administrative expenses	**543.6**	515.2	**1,575.8**	1,590.4
Other operating (income) expense, net	**(49.5)**	(110.8)	**(83.8)**	(324.2)
Total operating costs and expenses	**3,021.3**	2,951.7	**8,950.3**	9,039.1
Operating income	**2,409.3**	2,417.7	**6,777.2**	6,823.1
Interest expense	**280.6**	250.1	**838.9**	727.1
Nonoperating (income) expense, net	**(23.5)**	8.9	**(53.0)**	31.3
Income before provision for income taxes	**2,152.2**	2,158.7	**5,991.3**	6,064.7
Provision for income taxes	**544.3**	521.4	**1,538.1**	1,555.7
Net income	**$ 1,607.9**	$ 1,637.3	**$ 4,453.2**	$ 4,509.0
Earnings per common share-basic	**$ 2.13**	$ 2.12	**$ 5.85**	$ 5.77
Earnings per common share-diluted	**$ 2.11**	$ 2.10	**$ 5.80**	$ 5.72
Dividends declared per common share	**$ 2.41**	$ 2.17	**$ 4.73**	$ 4.19
Weighted-average shares outstanding-basic	**756.6**	772.8	**761.1**	781.2
Weighted-average shares outstanding-diluted	**763.9**	779.6	**768.1**	788.5

See Notes to condensed consolidated financial statements.

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME (UNAUDITED)

In millions	Quarters Ended September 30, 2019	2018	Nine Months Ended September 30, 2019	2018
Net income	**$1,607.9**	$1,637.3	**$4,453.2**	$4,509.0
Other comprehensive income (loss), net of tax				
Foreign currency translation adjustments:				
Gain (loss) recognized in accumulated other comprehensive income ("AOCI"), including net investment hedges	**(179.1)**	(78.8)	**(108.3)**	(379.5)
Reclassification of (gain) loss to net income	**—**	—	**46.8**	—
Foreign currency translation adjustments-net of tax benefit (expense) of $(145.5), $(19.0), $(177.6) and $(90.6)	**(179.1)**	(78.8)	**(61.5)**	(379.5)
Cash flow hedges:				
Gain (loss) recognized in AOCI	**24.4**	8.6	**33.6**	33.2
Reclassification of (gain) loss to net income	**(13.4)**	(5.2)	**(30.4)**	10.4
Cash flow hedges-net of tax benefit (expense) of $(3.3), $(1.2), $(1.0) and $(13.0)	**11.0**	3.4	**3.2**	43.6
Defined benefit pension plans:				
Gain (loss) recognized in AOCI	**0.1**	—	**0.5**	(1.1)
Reclassification of (gain) loss to net income	**1.5**	2.1	**4.2**	7.1
Defined benefit pension plans-net of tax benefit (expense) of $0.0, $0.0, $0.0 and $(0.8)	**1.6**	2.1	**4.7**	6.0
Total other comprehensive income (loss), net of tax	**(166.5)**	(73.3)	**(53.6)**	(329.9)
Comprehensive income (loss)	**$1,441.4**	$1,564.0	**$4,399.6**	$4,179.1

See Notes to condensed consolidated financial statements.

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS (UNAUDITED)

In millions	Quarters Ended September 30, 2019	2018	Nine Months Ended September 30, 2019	2018
Operating activities				
Net income	**$ 1,607.9**	$ 1,637.3	**$ 4,453.2**	$ 4,509.0
Adjustments to reconcile to cash provided by operations				
Charges and credits:				
Depreciation and amortization	**413.4**	375.1	**1,204.3**	1,103.0
Deferred income taxes	**78.5**	31.1	**190.8**	114.7
Share-based compensation	**29.6**	36.0	**90.1**	99.7
Other	**(64.2)**	(52.7)	**2.2**	(198.3)
Changes in working capital items	**221.5**	444.3	**292.2**	(173.0)
Cash provided by operations	**2,286.7**	2,471.1	**6,232.8**	5,455.1
Investing activities				
Capital expenditures	**(548.7)**	(703.8)	**(1,661.8)**	(1,867.9)
Purchases of restaurant and other businesses	**(41.0)**	(40.2)	**(434.8)**	(75.5)
Sales of restaurant businesses	**49.4**	109.5	**249.9**	439.4
Sales of property	**21.1**	11.3	**112.3**	135.8
Other	**(73.6)**	(98.1)	**(529.7)**	(203.0)
Cash (used for) investing activities	**(592.8)**	(721.3)	**(2,264.1)**	(1,571.2)
Financing activities				
Net short-term borrowings	**(600.7)**	(801.4)	**(105.6)**	(5.7)
Long-term financing issuances	**1,975.0**	1,791.9	**4,494.8**	3,792.1
Long-term financing repayments	**(667.9)**	(1.9)	**(2,064.1)**	(1,004.7)
Treasury stock purchases	**(1,467.8)**	(1,040.7)	**(3,531.3)**	(4,280.8)
Common stock dividends	**(876.9)**	(779.8)	**(2,646.7)**	(2,363.4)
Proceeds from stock option exercises	**73.4**	69.2	**323.4**	236.2
Other	**(12.7)**	(5.3)	**(23.5)**	(12.1)
Cash (used for) financing activities	**(1,577.6)**	(768.0)	**(3,553.0)**	(3,638.4)
Effect of exchange rates on cash and cash equivalents	**(73.5)**	(30.8)	**(104.4)**	(134.8)
Cash and equivalents increase	**42.8**	951.0	**311.3**	110.7
Cash and equivalents at beginning of period	**1,134.5**	1,623.5	**866.0**	2,463.8
Cash and equivalents at end of period	**$ 1,177.3**	$ 2,574.5	**$ 1,177.3**	$ 2,574.5

See Notes to condensed consolidated financial statements.

CONDENSED CONSOLIDATED STATEMENT OF SHAREHOLDERS' EQUITY (UNAUDITED)

For the nine months ended September 30, 2018

	Common stock issued		Additional paid-in capital	Retained earnings	Accumulated other comprehensive income (loss)			Common stock in treasury		Total shareholders' equity
In millions, except per share data	*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				4,509.0						4,509.0
Other comprehensive income (loss), net of tax					6.0	43.6	(379.5)			(329.9)
Comprehensive income										4,179.1
Adoption of ASC 606 [(1)]				(450.2)						(450.2)
Adoption of ASU 2016-16 [(2)]				(57.0)						(57.0)
Common stock cash dividends ($4.19 per share)				(3,251.4)						(3,251.4)
Treasury stock purchases								(26.7)	(4,280.8)	(4,280.8)
Share-based compensation			99.7							99.7
Stock option exercises and other			85.1					3.5	150.9	236.0
Balance at September 30, 2018	1,660.6	$ 16.6	$ 7,257.2	$ 49,076.2	$ (184.2)	$ 27.1	$ (2,351.2)	(889.7)	$ (60,634.3)	$ (6,792.6)

(1) Accounting Standards Codification ("ASC") 606, "Revenue Recognition - Revenue from Contracts with Customers."

(2) Accounting Standards Update ("ASU") 2016-16, "Income Taxes (Topic 740): Intra-Entity Transfers of Assets Other Than Inventory."

For the nine months ended September 30, 2019

	Common stock issued		Additional paid-in capital	Retained earnings	Accumulated other comprehensive income (loss)			Common stock in treasury		Total shareholders' equity
In millions, except per share data	*Shares*	*Amount*			*Pensions*	*Cash flow hedges*	*Foreign currency translation*	*Shares*	*Amount*	
Balance at December 31, 2018	1,660.6	$ 16.6	$ 7,376.0	$50,487.0	$ (216.6)	$ 32.4	$ (2,425.3)	(893.5)	$ (61,528.5)	$ (6,258.4)
Net income				4,453.2						4,453.2
Other comprehensive income (loss), net of tax					4.7	3.2	(61.5)			(53.6)
Comprehensive income										4,399.6
Common stock cash dividends ($4.73 per share)				(3,580.7)						(3,580.7)
Treasury stock purchases								(17.9)	(3,571.4)	(3,571.4)
Share-based compensation			90.1							90.1
Stock option exercises and other			153.6					3.9	168.0	321.6
Balance at September 30, 2019	1,660.6	$ 16.6	$ 7,619.7	$51,359.5	$ (211.9)	$ 35.6	$ (2,486.8)	(907.5)	$ (64,931.9)	$ (8,599.2)

See Notes to condensed consolidated financial statements.

CONDENSED CONSOLIDATED STATEMENT OF SHAREHOLDERS' EQUITY (UNAUDITED)

For the quarter ended September 30, 2018

	Common stock issued		Additional paid-in capital	Retained earnings	Accumulated other comprehensive income (loss)			Common stock in treasury		Total shareholders' equity
In millions, except per share data	*Shares*	*Amount*			*Pensions*	*Cash flow hedges*	*Foreign currency translation*	*Shares*	*Amount*	
Balance at June 30, 2018	1,660.6	$ 16.6	$ 7,195.2	$ 49,106.7	$ (186.4)	$ 23.8	$ (2,272.4)	(884.8)	$ (59,734.5)	$ (5,851.0)
Net income				1,637.3						1,637.3
Other comprehensive income (loss), net of tax					2.2	3.3	(78.8)			(73.3)
Comprehensive income										1,564.0
Adoption of ASC 606 [1]										0.0
Adoption of ASU 2016-16 [2]										0.0
Common stock cash dividends ($2.17 per share)				(1,667.8)						(1,667.8)
Treasury stock purchases								(5.9)	(944.5)	(944.5)
Share-based compensation			36.0							36.0
Stock option exercises and other			26.0					1.0	44.7	70.7
Balance at September 30, 2018	1,660.6	$ 16.6	$ 7,257.2	$ 49,076.2	$ (184.2)	$ 27.1	$ (2,351.2)	(889.7)	$ (60,634.3)	$ (6,792.6)

(1) ASC 606, "Revenue Recognition - Revenue from Contracts with Customers." There was no impact from this guidance in the third quarter 2019.

(2) ASU 2016-16, "Income Taxes (Topic 740): Intra-Entity Transfers of Assets Other Than Inventory." There was no impact from this guidance in the third quarter 2019.

For the quarter ended September 30, 2019

	Common stock issued		Additional paid-in capital	Retained earnings	Accumulated other comprehensive income (loss)			Common stock in treasury		Total shareholders' equity
In millions, except per share data	*Shares*	*Amount*			*Pensions*	*Cash flow hedges*	*Foreign currency translation*	*Shares*	*Amount*	
Balance at June 30, 2019	1,660.6	$ 16.6	$ 7,549.5	$51,562.5	$ (213.5)	$ 24.6	$ (2,307.7)	(901.2)	$ (63,440.8)	$ (6,808.8)
Net income				1,607.9						1,607.9
Other comprehensive income (loss), net of tax					1.6	11.0	(179.1)			(166.5)
Comprehensive income										1,441.4
Common stock cash dividends ($2.41 per share)				(1,810.9)						(1,810.9)
Treasury stock purchases								(7.1)	(1,524.1)	(1,524.1)
Share-based compensation			29.6							29.6
Stock option exercises and other			40.6					0.8	33.0	73.6
Balance at September 30, 2019	1,660.6	$ 16.6	$ 7,619.7	$51,359.5	$ (211.9)	$ 35.6	$ (2,486.8)	(907.5)	$ (64,931.9)	$ (8,599.2)

See Notes to condensed consolidated financial statements.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

McDonald’s Corporation, the registrant, together with its subsidiaries, is referred to herein as the "Company." The Company, its franchisees and suppliers, are referred to herein as the "System."

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, 2018 Annual Report on Form 10-K. In the opinion of management, all adjustments (consisting of normal recurring accruals) necessary for a fair presentation have been included. The results for the quarter and nine months ended September 30, 2019, do not necessarily indicate the results that may be expected for the full year.

Restaurant Information

The following table presents restaurant information by ownership type:

Restaurants at September 30,	**2019**	2018
Conventional franchised	**21,758**	21,586
Developmental licensed	**7,473**	7,103
Foreign affiliated	**6,432**	6,056
Total Franchised	**35,663**	34,745
Company-operated	**2,635**	2,812
Total Systemwide restaurants	**38,298**	37,557

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 7.3 million shares and 6.8 million shares for the quarters 2019 and 2018, respectively, and 7.0 million shares and 7.3 million shares for the nine months 2019 and 2018, respectively. Share-based compensation awards that would have been antidilutive, and therefore were not included in the calculation of diluted weighted-average shares, totaled 0.1 million shares and 2.5 million shares for the quarters 2019 and 2018, respectively, and 0.1 million shares and 2.5 million shares for the nine months 2019 and 2018, respectively.

In September 2019, McDonald's Board of Directors declared a fourth quarter dividend of $1.25 per share of common stock, resulting in $934.0 million of dividends payable in December 2019.

Recent Accounting Pronouncements

Recently Adopted Accounting Standards

Lease Accounting

The Company adopted ASU 2016-02, "Leases (Topic 842)” as of January 1, 2019, using the modified retrospective method. As discussed further in the “Franchise Arrangements” and “Leasing Arrangements” footnotes, the Company is engaged in a significant amount of leasing activity, both from a lessor and a lessee perspective.

The Company has elected the package of practical expedients, which allows the Company to retain the classification of existing leases; therefore, there was minimal initial impact in the Consolidated Statement of Income, and no cumulative adjustment to retained earnings was recognized upon adoption. As the Company enters into new ground leases or as existing ground leases are modified, many of these may be reclassified from operating classification to financing classification, which will change the timing and classification of a portion of lease expense between Operating income and Interest expense. It is not possible to quantify the impact at this time, due to the unknown timing of new leases and lease modifications, however the Company does not expect the impact to be material to any given year. The Company has also made an accounting policy election to keep leases with an initial term of 12 months or less off of the balance sheet. These types of leases primarily relate to leases of office equipment, and are not significant in comparison to the Company’s overall lease portfolio. Payments related to those leases will continue to be recognized in the Consolidated Statement of Income on a straight-line basis over the lease term.

The Company has certain leases subject to index adjustments. Historically, the Company has calculated and disclosed future minimum payments for these leases using the index as of the end of the reporting period. As part of the transition, the Company used the index in effect at transition for adoption of Topic 842 in its disclosure of future minimum lease payments and its calculation of the lease liability. For leases entered into after January 1, 2019, the index at lease inception date will be used to calculate the lease liability until lease modification.

The Company recorded a Right of Use Asset and Lease Liability on the Condensed Consolidated Balance Sheet of $12.5 billion upon adoption. The Lease Liability reflects the present value of the Company's estimated future minimum lease payments over the lease term, which includes options that are reasonably assured of being exercised, discounted using a collateralized incremental borrowing rate. The impact of the new lease guidance is non-cash in nature, therefore, it does not affect the Company’s cash flows.

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, 2018 Annual Report on Form 10-K.

At September 30, 2019, the fair value of the Company’s debt obligations was estimated at $36.4 billion, compared to a carrying amount of $32.9 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	**September 30, 2019**	December 31, 2018	Balance Sheet Classification	**September 30, 2019**	December 31, 2018
Derivatives designated as hedging instruments						
Foreign currency	Prepaid expenses and other current assets	**$ 32.7**	$ 30.9	Accrued payroll and other liabilities	**$ (0.6)**	$ (0.7)
Interest rate	Prepaid expenses and other current assets			Accrued payroll and other liabilities	**—**	(0.1)
Foreign currency	Miscellaneous other assets	**8.9**	3.8	Other long-term liabilities	**(1.6)**	(1.3)
Interest rate	Miscellaneous other assets	**22.6**	—	Other long-term liabilities	**—**	(11.8)
Total derivatives designated as hedging instruments		**$ 64.2**	$ 34.7		**$ (2.2)**	$ (13.9)
Derivatives not designated as hedging instruments						
Equity	Prepaid expenses and other current assets	**$ —**	$ 167.1	Accrued payroll and other liabilities	**$ (1.9)**	$ (2.7)
Foreign currency	Prepaid expenses and other current assets	**14.2**	4.5	Accrued payroll and other liabilities	**(0.2)**	—
Equity	Miscellaneous other assets	**194.4**	—			
Total derivatives not designated as hedging instruments		**$ 208.6**	$ 171.6		**$ (2.1)**	$ (2.7)
Total derivatives		**$ 272.8**	$ 206.3		**$ (4.3)**	$ (16.6)

The following table presents the pre-tax amounts from derivative instruments affecting income and AOCI for the nine months ended September 30, 2019 and 2018, respectively:

	Location of Gain or Loss Recognized in Income on Derivative	**Gain (Loss) Recognized in AOCI**		**Gain (Loss) Reclassified into Income from AOCI**		**Gain (Loss) Recognized in Income on Derivative**	
In millions		**2019**	2018	**2019**	2018	**2019**	2018
Foreign currency	Nonoperating income/expense	**$ 43.5**	$ 42.9	**$ 40.3**	$ (12.9)		
Interest rate	Interest expense			**(1.0)**	(0.8)		
Cash flow hedges		**$ 43.5**	$ 42.9	**$ 39.3**	$ (13.7)		
Foreign currency denominated debt	Nonoperating income/expense	**$ 766.6**	$ 501.6				
Foreign currency derivatives	Nonoperating income/expense	**11.9**	4.2				
Foreign currency derivatives[1]	Interest expense					**$ 8.0**	$ 1.6
Net investment hedges		**$ 778.5**	$ 505.8			**$ 8.0**	$ 1.6
Foreign currency	Nonoperating income/expense					**$ 5.2**	$ 17.4
Equity	Selling, general & administrative expenses					**70.5**	17.3
Undesignated derivatives						**$ 75.7**	$ 34.7

[1]The amount of gain (loss) recognized in income related to components excluded from effectiveness testing.

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 September 30, 2019, the carrying amount of fixed-rate debt that was effectively converted was $972.6 million, which included an increase of $22.6 million of cumulative hedging adjustments. For the nine months ended September 30, 2019, the Company recognized a $34.5 million gain on the fair value of interest rate swaps, and a corresponding loss 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 September 30, 2019, the Company had derivatives outstanding with an equivalent notional amount of $712.2 million that hedged a portion of forecasted foreign currency denominated cash flows.

Based on market conditions at September 30, 2019, the $35.6 million in cumulative cash flow hedging gains, after tax, is not expected to have a significant effect on earnings over the next 12 months.

Net Investment Hedges

The Company primarily uses foreign currency denominated debt (third party and intercompany) to hedge its investments in certain foreign subsidiaries and affiliates. Realized and unrealized translation adjustments from these hedges are included in shareholders' equity in the foreign currency translation component of Other comprehensive income ("OCI") and offset translation adjustments on the underlying net assets of foreign subsidiaries and affiliates, which also are recorded in OCI. As of September 30, 2019, $12.3 billion of the Company's third party foreign currency denominated debt and $4.5 billion of intercompany foreign currency denominated debt was 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 September 30, 2019 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 September 30, 2019, neither the Company nor its counterparties were required to post collateral on any derivative position, other than on certain hedges of the Company's supplemental benefit plan liabilities where the counterparties were required to post collateral on their liability positions.

Franchise Arrangements

Conventional franchise arrangements generally include a lease and a license and provide for payment of initial fees, as well as continuing rent and royalties to the Company based upon a percent of sales with minimum rent payments. Minimum rent payments are based on the Company's underlying investment in owned sites and parallel the Company's underlying leases and escalations on properties that are leased. Under the franchise arrangement, franchisees are granted the right to operate a restaurant using the McDonald's System and, in most cases, the use of a restaurant facility, generally for a period of 20 years. At the end of the 20-year franchise arrangement, the Company maintains control of the underlying real estate and building and can either enter into a new 20-year franchise arrangement with the existing franchisee or a different franchisee, or close the restaurant. Franchisees generally pay related occupancy costs including property taxes, insurance and site maintenance.

Developmental licensees and affiliates operating under license agreements pay a royalty to the Company based upon a percent of sales, and may pay initial fees.

McDonald’s has elected to allocate consideration in the franchise contract among lease and non-lease components in the same manner that it has historically: rental income (lease), royalty income (non-lease) and initial fee income (non-lease). This disaggregation and presentation of revenue is based on the nature, amount, timing and certainty of the revenue and cash flows. The allocation has been determined based on a mix of both observable and estimated standalone selling prices (the price at which an entity would sell a promised good or service separately to a customer).

Revenues from franchised restaurants consisted of:

	Quarters Ended September 30,		Nine Months Ended September 30,	
In millions	**2019**	2018	**2019**	2018
Rents	**$ 1,935.9**	$ 1,844.7	**$ 5,582.1**	$ 5,282.4
Royalties	**1,067.6**	1,003.9	**3,056.1**	2,908.6
Initial fees	**10.5**	9.8	**31.8**	29.7
Revenues from franchised restaurants	**$ 3,014.0**	$ 2,858.4	**$ 8,670.0**	$ 8,220.7

As of September 30, 2019, future gross minimum rent payments due to the Company under existing conventional franchise arrangements were:

In millions	***Owned sites***	***Leased sites***	***Total***
2019	$ 384.1	$ 356.3	$ 740.4
2020	1,516.2	1,382.6	2,898.8
2021	1,462.9	1,327.7	2,790.6
2022	1,401.0	1,247.8	2,648.8
2023	1,346.9	1,195.8	2,542.7
Thereafter	12,011.5	9,766.2	21,777.7
Total minimum payments	**$ 18,122.6**	**$ 15,276.4**	**$ 33,399.0**

Leasing Arrangements

The Company is the lessee in a significant real estate portfolio, primarily through ground leases (the Company leases the land and generally owns the building) and through improved leases (the Company leases the land and buildings). The Company determines whether an arrangement is a lease at inception. Lease terms for most restaurants, where market conditions allow, are generally for 20 years and, in many cases, provide for rent escalations and renewal options. Renewal options are typically solely at the Company's discretion. Escalation terms vary by market with examples including fixed-rent escalations, escalations based on an inflation index and fair-value market adjustments. The timing of these escalations generally range from annually to every five years.

The following table provides detail of rent expense:

In millions	**Quarters Ended September 30,**		**Nine Months Ended September 30,**	
	2019	2018	**2019**	2018
Restaurants	**$ 387.0**	$ 360.7	**$ 1,144.9**	$ 1,078.8
Other	**19.8**	21.7	**57.7**	65.9
Total rent expense	**$ 406.8**	$ 382.4	**$ 1,202.6**	$ 1,144.7

Rent expense included percent rents in excess of minimum rents (in millions) as follows - Quarter ended: 2019 - $74.2; 2018 - $79.4. Nine months ended: 2019 - $204.7; 2018 - $224.1.

The amount of the Right of Use Asset and Lease Liability recorded at transition included known escalations and renewal option periods reasonably assured of being exercised. Typically, renewal options are considered reasonably assured of being exercised if the associated asset lives of the building or leasehold improvements exceed that of the initial lease term, and the sales performance of the restaurant remains strong. Therefore, the Right of Use Asset and Lease Liability include an assumption on renewal options that have not yet been exercised by the Company, and are not currently a future obligation.

The Company has elected not to separate non-lease components from lease components in our lessee portfolio. To the extent that occupancy costs, such as site maintenance, are included in the Asset and Liability, the impact is immaterial and is generally limited to Company-owned restaurant locations. For franchised locations, which represent the majority of the restaurant portfolio, the related occupancy costs including property taxes, insurance and site maintenance are generally required to be paid by the franchisees as part of the franchise arrangement.

In addition, the Company is the lessee under non-restaurant related leases such as office buildings, vehicles and office equipment. These leases are not a material subset of the Company's lease portfolio.

As the rate implicit in each lease is not readily determinable, the Company uses an incremental borrowing rate to calculate the lease liability that represents an estimate of the interest rate the Company would incur to borrow on a collateralized basis over the term of a lease within a particular currency environment. The weighted average discount rate used for operating leases was 4.0% as of September 30, 2019.

As of September 30, 2019, maturities of lease liabilities for our operating leases were as follows:

In millions	*Total* *
2019	$ 287.3
2020	1,117.9
2021	1,080.7
2022	1,037.1
2023	998.2
Thereafter	13,795.9
Total lease payments	$ 18,317.1
Less: imputed interest	(5,732.0)
Present value of lease liability	$ 12,585.1

* Total lease payments include option periods that are reasonably assured of being exercised.

As of September 30, 2019, Weighted Average Lease Term remaining that is included in the maturities of lease liabilities was 20 years.

As of December 31, 2018, future minimum payments required under existing operating leases with initial terms of one year or more were:

In millions	*Restaurant*	*Other*	*Total **
2019	$ 1,093.4	$ 51.3	$ 1,144.7
2020	1,032.1	51.0	1,083.1
2021	955.5	45.7	1,001.2
2022	873.8	35.7	909.5
2023	806.0	24.6	830.6
Thereafter	7,132.3	164.9	7,297.2
Total minimum payments	$ 11,893.1	$ 373.2	$ 12,266.3

* Future minimum payments exclude option periods that have not yet been exercised.

Segment Information

On February 25, 2019, the Company provided investors with segment summary financial information and other data in accordance with its new organizational structure for the previously reported years ended December 31, 2016 through 2018 and quarters ended March 31, 2018 through December 31, 2018. Effective January 1, 2019, the Company operates under an organizational structure with the following global business segments reflecting how management reviews and evaluates operating performance:

- U.S. - the Company's largest market.
- International Operated Markets - comprised of wholly-owned markets, or countries in which the Company operates restaurants, including Australia, Canada, France, Germany, Italy, the Netherlands, Russia, Spain and the U.K.
- International Developmental Licensed Markets & Corporate - comprised of primarily developmental licensee and affiliate markets in the McDonald’s system. Corporate activities are also reported within this segment.

In April 2019, the Company completed the acquisition of Dynamic Yield and the related financial performance which is reflected within the International Developmental Licensed Markets & Corporate segment from the date of acquisition.

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

	Quarters Ended September 30,		**Nine Months Ended September 30,**	
In millions	**2019**	2018	**2019**	2018
Revenues				
U.S.	**$ 1,990.4**	$ 1,930.0	**$ 5,844.2**	$ 5,758.4
International Operated Markets	**2,965.9**	2,962.2	**8,513.2**	8,708.6
International Developmental Licensed Markets & Corporate	**474.3**	477.2	**1,370.1**	1,395.2
Total revenues	**$ 5,430.6**	$ 5,369.4	**$ 15,727.5**	$ 15,862.2
Operating Income				
U.S.	**$ 1,038.7**	$ 1,061.8	**3,039.4**	3,059.0
International Operated Markets	**1,284.0**	1,246.9	**3,550.8**	3,485.0
International Developmental Licensed Markets & Corporate	**86.6**	109.0	**187.0**	279.1
Total operating income	**$ 2,409.3**	$ 2,417.7	**6,777.2**	6,823.1

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 38,298 restaurants in 119 countries at September 30, 2019, 35,663 were licensed to franchisees.

Under McDonald's conventional franchise arrangement, the Company generally owns or secures a long-term lease on the land and building for the restaurant location and the franchisee pays for equipment, signs, seating and décor. The Company believes that ownership of real estate, combined with the co-investment by franchisees, enables us to achieve restaurant performance levels that are among the highest in the industry.

Franchisees are also responsible for reinvesting capital in their businesses over time. In addition, to accelerate implementation of certain initiatives, the Company may co-invest with franchisees to fund improvements to their restaurants or their operating systems. These investments, developed in collaboration with franchisees, are designed to cater to consumer preferences, improve local business performance and increase the value of our brand through the development of modernized, more attractive and higher revenue generating restaurants.

Under McDonald's developmental license or affiliate arrangement, licensees provide capital for the entire business, including the real estate interest, and the Company generally has no capital invested. The Company also has an equity investment in a limited number of foreign affiliates (primarily in China and Japan).

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, and marketing and pricing decisions, while also benefiting from the strength of McDonald's global brand, operating system and financial resources.

Directly operating McDonald's restaurants contributes significantly to our ability to act as a credible franchisor. One of the strengths of the franchising model is that the expertise from operating Company-owned restaurants allows McDonald's to improve the operations and success of all restaurants while innovations from franchisees can be tested and, when viable, efficiently implemented across relevant restaurants. Having Company-owned and operated restaurants provides Company personnel with a venue for restaurant operations training experience. In addition, in our Company-owned and operated restaurants, and in collaboration with franchisees, we are able to further develop and refine operating standards, marketing concepts and product and pricing strategies that will ultimately benefit McDonald's restaurants.

The Company's revenues consist of sales by Company-operated restaurants and fees from restaurants operated by franchisees. Revenues from conventional franchised restaurants include rent and royalties based on a percent of sales along with minimum rent payments, and initial fees. Revenues from developmental licensees and affiliate restaurants include a royalty based on a percent of sales, and generally include initial fees upon the opening of a new restaurant or grant of a new license. 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 Company's reporting segments are aligned with its strategic priorities and reflect how management reviews and evaluates operating performance. The organizational structure is designed to support the Company's efforts toward efficiently driving growth through the Velocity Growth Plan. Effective January 1, 2019, significant reportable segments include the United States ("U.S.") and International Operated Markets. In addition, throughout this report we present the International Developmental Licensed Markets & Corporate segment, which includes markets in over 80 countries, as well as Corporate activities.

Strategic Direction

The Company remains focused on delivering long-term growth through Systemwide execution of its customer-centric growth strategy - the Velocity Growth Plan (the "Plan"). The Plan is designed to drive sustainable comparable sales and guest count growth, reliable long-term measures of the Company's strength that are vital to growing shareholder value.

The Plan is underscored by a culture of innovation focused on elevating the customer experience through improved restaurant execution and creating excitement around our food and value offerings, while continuing to leverage technology to enable greater convenience and customer personalization. These actions are concentrated on retaining existing customers, regaining customers who visit less often and converting casual customers to committed customers.

With broad-based momentum, the Company continues to scale and optimize the Plan through the following growth accelerators:

- **Experience of the Future ("EOTF").** Focuses on restaurant modernization in order to transform the restaurant service experience and enhance the brand in the eyes of our customers. EOTF provides enhanced hospitality via Guest Experience Leaders and table service in the restaurants, both of which have proven to be critical drivers of customer satisfaction. The modernization efforts are designed to provide a better customer experience, leading to increased customer visits and higher average check. In the U.S., the Company now has completed over 9,000 EOTF restaurants, representing approximately two thirds of U.S. restaurants, with substantially all U.S. restaurants expected to be converted by the end of 2020.

- **Digital.** Emphasizes improving the Company's existing service model through technology. By evolving its technology platform, the Company is expanding choices for how customers order, pay and are served their food. The added functionality of the Company's global mobile app, self-order kiosks, and other technologies enable greater convenience for the customer on their terms. Earlier in 2019, the Company built on its digital foundation, acquiring Dynamic Yield, a leader in personalization and decision logic technology. The Company has implemented this technology via outdoor digital menu boards in over 9,500 U.S. drive-thrus and substantially all drive-thrus in Australia, offering customers a more customized experience and producing sales growth through higher average check. In the remainder of 2019, the Company will further deploy the Dynamic Yield technology in the U.S. at nearly all restaurants with outdoor digital menu boards. The Company continued to expand its technological capabilities via the creation of MCD Tech Labs and acquisition of Apprente in the fourth quarter 2019, an early-stage leader in conversational interface technology. This acquisition is expected to provide more efficient and accurate ordering in the drive-thru.

- **Delivery.** Offers a platform of added convenience, bringing McDonald's food to customers from about 23,000 McDonald's restaurants in over 80 countries. Customers are responding positively to delivery, as demonstrated by high satisfaction ratings, strong reorder rates, and average checks that are generally two times higher than average non-delivery transactions. The Company will remain focused on growing customer awareness and trial of delivery and will continue to add third-party delivery partners in order to maximize the System's delivery scale and potential.

Under the Velocity Growth Plan, the Company will continue to focus on improving the taste of our delicious food, enhancing convenience and service through running great restaurants, and offering compelling value, which we believe will enhance our ability to deliver long-term sustainable growth.

Third Quarter and Nine Months 2019 Financial Performance

Global comparable sales increased 5.9% for both the quarter and nine months, reflecting strong top-line performance across all segments.

- U.S. comparable sales increased 4.8% for the quarter and 5.0% for the nine months, reflecting national and local deal offerings and promotions, the continued positive impact from our EOTF deployment, as well as menu price increases.
- International Operated segment comparable sales increased 5.6% for the quarter and 6.1% for the nine months, reflecting positive results across all markets, primarily driven by the U.K. and France.
- International Developmental Licensed segment comparable sales increased 8.1% for the quarter and 7.3% for the nine months, reflecting strong sales performance across all geographic regions.

In addition to improved comparable sales performance, the Company achieved the following financial results in the quarter and nine months 2019:

- Consolidated revenues increased 1% (3% in constant currencies) for the quarter and decreased 1% (increased 3% in constant currencies) for the nine months. The constant currency increase for both periods reflected strong comparable sales, partly offset by the impact of refranchising.
- Systemwide sales increased 7% in constant currencies for the quarter and nine months.
- Consolidated operating income was relatively flat with the prior year (increased 2% in constant currencies) for the quarter and decreased 1% (increased 3% in constant currencies) for the nine months. The constant currency increase for both periods reflected stronger operating performance primarily due to an increase in sales-driven franchised margin dollars, partly offset by lower gains on sales of restaurant businesses, mostly in the U.S.
- Diluted earnings per share of $2.11 was relatively flat with the prior year (increased 2% in constant currencies) for the quarter and increased 1% (5% in constant currencies) to $5.80 for the nine months. Refer to the Net Income and Diluted Earnings per Share section on page 22 for additional details.
- The Company returned $2.4 billion to shareholders through share repurchases and dividends. This brings the cumulative return to shareholders to $22.5 billion against our targeted return of about $25 billion for the three-year period ending 2019. In addition, the Company announced an 8% increase in its quarterly dividend to $1.25 per share beginning in the third quarter 2019.

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

Outlook

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 2019 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 Operated segment would change annual diluted earnings per share by about 6 to 7 cents.
- With about 75% of McDonald's grocery bill comprised of 10 different commodities, a basket of goods approach is the most comprehensive way to look at the Company's commodity costs. For the full year 2019, costs for the total basket of goods are expected to increase about 2% to 3% in the U.S. and about 2.5% in the Big Five international markets.
- The Company expects full year 2019 selling, general and administrative expenses to increase about 1% to 2% in constant currencies as the Company invests in technology and research & development, including operating costs associated with newly acquired Dynamic Yield and Apprente.
- Based on current interest and foreign currency exchange rates, the Company expects interest expense for the full year 2019 to increase about 13% to 15% reflecting the impact of higher average debt balances and interest incurred on certain Euro denominated deposits due to the current interest rate environment.
- 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 80% 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 35 cents.
- The Company expects the effective income tax rate for the full year 2019 to be in the 25% to 26% range.
- The Company expects capital expenditures for 2019 to be approximately $2.3 billion. About $1.5 billion will be dedicated to our U.S. business, nearly two-thirds of which is allocated to approximately 2,000 EOTF projects. Globally, we expect to open roughly 1,200 restaurants. We will spend approximately $600 million in our wholly owned markets to open 300 restaurants and our developmental licensee and affiliated markets will contribute capital towards the remaining 900 restaurant openings in their respective markets. The Company expects about 800 net restaurant additions in 2019.

In addition, the Company has other long-term targets that are detailed in its Form 10-K for the year ended December 31, 2018.

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

- 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. 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.
- 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. The Company's revenues consist solely of sales by Company-operated restaurants and fees from franchised restaurants operated by conventional franchisees, developmental licensees and foreign affiliates.
- 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 income tax provision adjustments related to the Tax Act, and bases incentive compensation plans on these results, because the Company believes this better represents underlying business trends.

CONSOLIDATED OPERATING RESULTS

Dollars in millions, except per share data	Quarter Ended September 30, 2019		Nine Months Ended September 30, 2019	
	Amount	Increase/ (Decrease)	Amount	Increase/ (Decrease)
Revenues				
Sales by Company-operated restaurants	$ 2,416.6	(4)%	$ 7,057.5	(8)%
Revenues from franchised restaurants	3,014.0	5	8,670.0	5
Total revenues	5,430.6	1	15,727.5	(1)
Operating costs and expenses				
Company-operated restaurant expenses	1,967.7	(4)	5,821.0	(8)
Franchised restaurants-occupancy expenses	559.5	12	1,637.3	12
Selling, general & administrative expenses	543.6	6	1,575.8	(1)
Other operating (income) expense, net	(49.5)	55	(83.8)	74
Total operating costs and expenses	3,021.3	2	8,950.3	(1)
Operating income	2,409.3	0	6,777.2	(1)
Interest expense	280.6	12	838.9	15
Nonoperating (income) expense, net	(23.5)	n/m	(53.0)	n/m
Income before provision for income taxes	2,152.2	0	5,991.3	(1)
Provision for income taxes	544.3	4	1,538.1	(1)
Net income	$ 1,607.9	(2)%	$ 4,453.2	(1)%
Earnings per common share-basic	$ 2.13	0 %	$ 5.85	1 %
Earnings per common share-diluted	$ 2.11	0 %	$ 5.80	1 %

n/m Not meaningful

Impact of Foreign Currency Translation

While changes in foreign currency exchange rates affect reported results, McDonald's mitigates exposures, where practical, by purchasing goods and services in local currencies, financing in local currencies and hedging certain foreign-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

			Currency Translation Benefit/ (Cost)
Quarters Ended September 30,	**2019**	2018	**2019**
Revenues	**$ 5,430.6**	$ 5,369.4	**$ (117.2)**
Company-operated margins	**448.9**	463.1	**(9.9)**
Franchised margins	**2,454.5**	2,359.0	**(54.6)**
Selling, general & administrative expenses	**543.6**	515.2	**6.0**
Operating income	**2,409.3**	2,417.7	**(59.0)**
Net income	**1,607.9**	1,637.3	**(28.2)**
Earnings per share-diluted	**$ 2.11**	$ 2.10	**$ (0.03)**

			Currency Translation Benefit/ (Cost)
Nine Months Ended September 30,	**2019**	2018	**2019**
Revenues	**$15,727.5**	$15,862.2	**$ (569.5)**
Company-operated margins	**1,236.5**	1,332.2	**(50.8)**
Franchised margins	**7,032.7**	6,757.1	**(226.9)**
Selling, general & administrative expenses	**1,575.8**	1,590.4	**26.5**
Operating income	**6,777.2**	6,823.1	**(252.8)**
Net income	**4,453.2**	4,509.0	**(151.1)**
Earnings per share-diluted	**$ 5.80**	$ 5.72	**$ (0.19)**

The negative impact of foreign currency translation on consolidated operating results for the quarter and nine months primarily reflected the weakening of the Euro and most major currencies.

Net Income and Diluted Earnings per Share

For the quarter, net income decreased 2% (flat in constant currencies) to $1,607.9 million, and diluted earnings per share was relatively flat (increased 2% in constant currencies) at $2.11. Foreign currency translation had a negative impact of $0.03 on diluted earnings per share.

For the nine months, net income decreased 1% (increased 2% in constant currencies) to $4,453.2 million, and diluted earnings per share increased 1% (5% in constant currencies) to $5.80. Foreign currency translation had a negative impact of $0.19 on diluted earnings per share.

Results for the quarter and nine months in constant currencies reflected stronger operating performance primarily due to an increase in sales-driven franchised margin dollars, partly offset by lower gains on sales of restaurant businesses, mostly in the U.S.

Results for the nine months 2019 included $80 million of pre-tax strategic charges, or $0.07 per share, primarily related to impairment associated with the purchase of our joint venture partner's interest in the India Delhi market, partly offset by gains on the sales of property at the former Corporate headquarters. Results for 2018 reflected income tax costs associated with adjustments to the provisional amounts recorded in December 2017 under the Tax Act of $47 million, or $0.06 per share, for the quarter and $99 million, or $0.12 per share, for the nine months. Results for the nine months 2018 also included $94 million of pre-tax strategic restructuring charges, or $0.09 per share.

Excluding the above items, net income for the quarter decreased 4% (3% in constant currencies) and diluted earnings per share decreased 2% (1% in constant currencies), and for the nine months net income decreased 4% (flat in constant currencies) and diluted earnings per share decreased 1% (increased 2% in constant currencies).

Diluted earnings per share for both periods benefited from a decrease in diluted weighted average shares outstanding due to share repurchases. During the quarter, the Company repurchased 7.1 million shares of stock for $1.5 billion, bringing total purchases for the nine months to 17.9 million shares or $3.6 billion. In addition, the Company paid a quarterly dividend of $1.16 per share, or $876.9 million, bringing total dividends paid for the nine months to $2.6 billion.

EARNINGS PER SHARE-DILUTED RECONCILIATION

	Quarters Ended September 30,				Nine Months Ended September 30,			
	2019	2018	Inc/ (Dec)	Inc/ (Dec) Excluding Currency Translation	2019	2018	Inc/ (Dec)	Inc/ (Dec) Excluding Currency Translation
GAAP earnings per share-diluted	$ 2.11	$ 2.10	0 %	2 %	$ 5.80	$ 5.72	1 %	5 %
Income tax costs	—	0.06			—	0.12		
Strategic charges	—	—			0.07	0.09		
Non-GAAP earnings per share-diluted	$ 2.11	$ 2.16	(2) %	(1) %	$ 5.87	$ 5.93	(1) %	2 %

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 developmental licensees and foreign affiliates include a royalty based on a percent of sales, and may include initial fees. Initial franchise fees are recognized evenly over the franchise term.

Franchised restaurants represent approximately 93% of McDonald's restaurants worldwide at September 30, 2019. The Company's current mix of Company-owned and franchised restaurants enables the Company to generate stable and predictable revenue and cash flow streams. Refranchising to a greater percentage of franchised restaurants may negatively impact consolidated revenues as Company-operated sales are replaced by franchised revenues, where the Company receives rent and/or royalty revenue based on a percent of sales.

REVENUES
Dollars in millions

Quarters Ended September 30,	**2019**	2018	Inc/ (Dec)	Inc/ (Dec) Excluding Currency Translation
Company-operated sales				
U.S.	**$ 624.8**	$ 637.3	(2)%	(2)%
International Operated Markets	**1,639.7**	1,695.4	(3)	(1)
International Developmental Licensed Markets & Corporate	**152.1**	178.3	(15)	(9)
Total	**$ 2,416.6**	$ 2,511.0	(4)%	(2)%
Franchised revenues				
U.S.	**$ 1,365.6**	$ 1,292.7	6 %	6 %
International Operated Markets	**1,326.2**	1,266.8	5	9
International Developmental Licensed Markets & Corporate	**322.2**	298.9	8	10
Total	**$ 3,014.0**	$ 2,858.4	5 %	8 %
Total revenues				
U.S.	**$ 1,990.4**	$ 1,930.0	3 %	3 %
International Operated Markets	**2,965.9**	2,962.2	0	3
International Developmental Licensed Markets & Corporate	**474.3**	477.2	(1)	3
Total	**$ 5,430.6**	$ 5,369.4	1 %	3 %

Nine Months Ended September 30,	**2019**	2018	Inc/ (Dec)	Inc/ (Dec) Excluding Currency Translation
Company-operated sales				
U.S.	**$ 1,857.2**	$ 2,042.8	(9)%	(9)%
International Operated Markets	**4,749.5**	5,085.0	(7)	(1)
International Developmental Licensed Markets & Corporate	**450.8**	513.7	(12)	(6)
Total	**$ 7,057.5**	$ 7,641.5	(8)%	(4)%
Franchised revenues				
U.S.	**$ 3,987.0**	$ 3,715.6	7 %	7 %
International Operated Markets	**3,763.7**	3,623.6	4	10
International Developmental Licensed Markets & Corporate	**919.3**	881.5	4	10
Total	**$ 8,670.0**	$ 8,220.7	5 %	9 %
Total revenues				
U.S.	**$ 5,844.2**	$ 5,758.4	1 %	1 %
International Operated Markets	**8,513.2**	8,708.6	(2)	3
International Developmental Licensed Markets & Corporate	**1,370.1**	1,395.2	(2)	4
Total	**$ 15,727.5**	$ 15,862.2	(1)%	3 %

- ***Revenues:*** Revenues increased 1% (3% in constant currencies) for the quarter and decreased 1% (increased 3% in constant currencies) for the nine months. The increase in constant currencies across all segments was primarily due to strong comparable sales, partly offset by the impact of refranchising.

Comparable Sales

The following table presents the percent change in comparable sales for the quarters and nine months ended September 30, 2019 and 2018:

COMPARABLE SALES

	Increase/ (Decrease)			
	Quarters Ended September 30,		Nine Months Ended September 30,	
	2019	2018	**2019**	2018
U.S.	**4.8%**	2.4%	**5.0%**	2.6%
International Operated Markets	**5.6**	5.7	**6.1**	6.2
International Developmental Licensed Markets & Corporate	**8.1**	5.1	**7.3**	5.5
Total	**5.9%**	4.2%	**5.9%**	4.5%

Systemwide Sales and Franchised Sales

The following table presents the percent change in Systemwide sales for the quarter and nine months ended September 30, 2019:

SYSTEMWIDE SALES*

	Quarter Ended September 30, 2019		Nine Months Ended September 30, 2019	
	Inc/ (Dec)	Inc/ (Dec) Excluding Currency Translation	Inc/ (Dec)	Inc/ (Dec) Excluding Currency Translation
U.S.	5%	5%	5%	5%
International Operated Markets	3	7	2	8
International Developmental Licensed Markets & Corporate	9	11	4	9
Total	5%	7%	4%	7%

* Unlike comparable sales, the Company has not excluded hyper-inflationary market results (currently, only Venezuela) 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 financial health of the franchisee base. The following table presents Franchised sales and the related increases/(decreases):

FRANCHISED SALES
Dollars in millions

Quarters Ended September 30,	**2019**	2018	Inc/ (Dec)	Inc/ (Dec) Excluding Currency Translation
U.S.	**$ 9,721.7**	$ 9,240.5	5%	5%
International Operated Markets	**7,569.1**	7,225.8	5	9
International Developmental Licensed Markets & Corporate	**6,325.8**	5,789.2	9	11
Total	**$ 23,616.6**	$ 22,255.5	6%	8%
Ownership type				
Conventional franchised	**$ 17,172.5**	$ 16,366.0	5%	7%
Developmental licensed	**3,769.3**	3,463.5	9	13
Foreign affiliated	**2,674.8**	2,426.0	10	10
Total	**$ 23,616.6**	$ 22,255.5	6%	8%

Nine Months Ended September 30,	**2019**	2018	Inc/ (Dec)	Inc/ (Dec) Excluding Currency Translation
U.S.	**$ 28,283.0**	$ 26,699.8	6%	6%
International Operated Markets	**21,430.3**	20,652.2	4	10
International Developmental Licensed Markets & Corporate	**17,889.4**	17,122.5	4	10
Total	**$ 67,602.7**	$ 64,474.5	5%	8%
Ownership type				
Conventional franchised	**$ 49,448.8**	$ 47,222.8	5%	7%
Developmental licensed	**10,648.9**	10,149.0	5	13
Foreign affiliated	**7,505.0**	7,102.7	6	8
Total	**$ 67,602.7**	$ 64,474.5	5%	8%

Restaurant Margins

FRANCHISED AND COMPANY-OPERATED RESTAURANT MARGINS
Dollars in millions

	Percent		Amount			Inc/ (Dec) Excluding Currency Translation
Quarters Ended September 30,	**2019**	2018	**2019**	2018	Inc/ (Dec)	
Franchised *						
U.S.	**78.8%**	81.5%	**$1,076.2**	$1,052.9	2 %	2 %
International Operated Markets	**80.2**	80.1	**1,063.1**	1,015.2	5	9
International Developmental Licensed Markets & Corporate	**97.8**	97.3	**315.2**	290.9	8	11
Total	**81.4%**	82.5%	**$2,454.5**	$2,359.0	4 %	6 %
Company-operated						
U.S.	**15.6%**	12.8%	**$ 97.8**	$ 81.3	20 %	20 %
International Operated Markets	**21.3**	21.9	**348.8**	371.3	(6)	(3)
International Developmental Licensed Markets & Corporate	**n/m**	n/m	**n/m**	n/m	n/m	n/m
Total	**18.6%**	18.4%	**$ 448.9**	$ 463.1	(3)%	(1)%

	Percent		Amount			Inc/ (Dec) Excluding Currency Translation
Nine Months Ended September 30,	**2019**	2018	**2019**	2018	Inc/ (Dec)	
Franchised *						
U.S.	**79.0%**	81.6%	**$3,148.9**	$3,033.0	4 %	4 %
International Operated Markets	**79.4**	79.1	**2,986.6**	2,866.7	4	10
International Developmental Licensed Markets & Corporate	**97.6**	97.3	**897.2**	857.4	5	10
Total	**81.1%**	82.2%	**$7,032.7**	$6,757.1	4 %	7 %
Company-operated						
U.S.	**15.3%**	14.9%	**$ 284.8**	$ 304.6	(7)%	(7)%
International Operated Markets	**19.9**	19.9	**946.2**	1,013.6	(7)	(2)
International Developmental Licensed Markets & Corporate	**n/m**	n/m	**n/m**	n/m	n/m	n/m
Total	**17.5%**	17.4%	**$1,236.5**	$1,332.2	(7)%	(3)%

n/m Not meaningful

* The adoption of Leases, Topic 842, ("new lease standard") had no impact on franchised margin dollars, but had a negative impact on the Company's franchised margin percent for the quarter and nine months of approximately 1.3% in the U.S. and 0.7% on a consolidated basis. The new lease standard clarified the presentation of sub-lease income and lease expense, requiring the straight-line impact of fixed rent escalations to be presented on a gross basis in lease income and lease expense. The Company expects this negative impact on the franchised margin percent to continue through 2019.

- ***Franchised:*** Franchised margin dollars increased $95.5 million or 4% (6% in constant currencies) for the quarter and increased $275.6 million or 4% (7% in constant currencies) for the nine months. Both periods benefited from strong comparable sales performance across all segments, as well as expansion and the impact of refranchising.
  - ***U.S.:*** The decrease in the franchised margin percent for the quarter and nine months was primarily due to higher depreciation costs related to investments in EOTF and the impact of the new lease standard, partly offset by the benefit from strong comparable sales.
  - ***International Operated Markets:*** The increase in the franchised margin percent for the quarter and nine months primarily reflected the benefit from strong comparable sales.
- ***Company-operated:*** Company-operated margin dollars decreased $14.2 million or 3% (1% in constant currencies) for the quarter and decreased $95.7 million or 7% (3% in constant currencies) for the nine months.
  - ***U.S.:*** The increase in the Company-operated margin percent for the quarter and nine months primarily reflected the benefit from positive comparable sales, partly offset by higher wages, commodity costs and depreciation expense associated with EOTF deployment.
  - ***International Operated Markets:*** The Company-operated margin percent decreased for the quarter and was flat for the nine months. Both periods reflected strong comparable sales offset by higher commodity, labor and occupancy & other costs.

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

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

	Quarters Ended September 30,		Nine Months Ended September 30,	
	2019	2018	**2019**	2018
Food & paper	**31.5%**	31.2%	**31.7%**	31.4%
Payroll & employee benefits	**28.1**	28.8	**28.9**	29.4
Occupancy & other operating expenses	**21.8**	21.6	**21.9**	21.8
Total expenses	**81.4%**	81.6%	**82.5%**	82.6%
Company-operated margins	**18.6%**	18.4%	**17.5%**	17.4%

Selling, General & Administrative Expenses

- Selling, general and administrative expenses increased $28.4 million or 6% (7% in constant currencies) for the quarter and decreased $14.6 million or 1% (increased 1% in constant currencies) for the nine months. The constant currency increase for both periods primarily reflected investments in technology and research & development. The nine months also reflected the benefit from comparison to prior year 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 was 2.1% and 2.2% for the nine months ended 2019 and 2018, respectively.

Other Operating (Income) Expense, Net

OTHER OPERATING (INCOME) EXPENSE, NET
Dollars in millions

	Quarters Ended September 30,		Nine Months Ended September 30,	
	2019	2018	**2019**	2018
Gains on sales of restaurant businesses	**$ (17.4)**	$ (68.0)	**$ (90.4)**	$ (256.7)
Equity in earnings of unconsolidated affiliates	**(42.8)**	(38.6)	**(112.0)**	(116.2)
Asset dispositions and other (income) expense, net	**9.1**	(4.7)	**38.4**	(45.1)
Impairment and other charges, net	**1.6**	0.5	**80.2**	93.8
Total	**$ (49.5)**	$ (110.8)	**$ (83.8)**	$ (324.2)

- Gains on sales of restaurant businesses for the quarter and nine months decreased primarily due to fewer restaurant sales in the U.S.
- The change in asset dispositions and other (income) expense, net for the nine months was primarily due to the comparison to prior year gains on the strategic sales of restaurant properties in the U.S. and Australia.
- Impairment and other charges, net for the nine months 2019 primarily reflected $99.4 million of impairment associated with the purchase of our joint venture partner's interest in the India Delhi market. Impairment was recorded to reflect the write-down of net assets to fair value in accordance with accounting rules. This was partly offset by $19.5 million of gains on the sales of property at the former Corporate headquarters which were impaired in 2015 based on estimated fair values. Results for the nine months 2018 reflected the strategic restructuring charge in the U.S. of $85.0 million.

Operating Income

OPERATING INCOME
Dollars in millions

Quarters Ended September 30,	2019	2018	Inc/ (Dec)	Inc/ (Dec) Excluding Currency Translation
U.S.	**$ 1,038.7**	$ 1,061.8	(2)%	(2)%
International Operated Markets	**1,284.0**	1,246.9	3	7
International Developmental Licensed Markets & Corporate	**86.6**	109.0	(21)	(15)
Total	**$ 2,409.3**	$ 2,417.7	0 %	2 %

Nine Months Ended September 30,	2019	2018	Inc/ (Dec)	Increase Excluding Currency Translation
U.S.	**$ 3,039.4**	$ 3,059.0	(1)%	(1)%
International Operated Markets	**3,550.8**	3,485.0	2	8
International Developmental Licensed Markets & Corporate	**187.0**	279.1	(33)	(17)
Total	**$ 6,777.2**	$ 6,823.1	(1)%	3 %

- ***Operating Income:*** Operating income decreased $8.4 million or was relatively flat compared to prior year (increased 2% in constant currencies) for the quarter and decreased $45.9 million or 1% (increased 3% in constant currencies) for the nine months. The nine months 2019 was negatively impacted by $80 million of net impairment and strategic charges.
  - ***U.S.:*** Excluding the strategic restructuring charge of $85 million in the prior year, operating income decreased 3% for the nine months. Results for both the quarter and nine months reflected lower gains on sales of restaurant businesses, partly offset by higher franchised margin dollars.
  - ***International Operated Markets:*** The constant currency operating income increase for the quarter and nine months was primarily due to sales-driven improvements in franchised margin dollars across all markets.
- ***Operating Margin:*** Operating margin is defined as operating income as a percent of total revenues. Operating margin was 43.1% and 43.0% for the nine months ended 2019 and 2018, respectively. Excluding the impact of the current year impairment and strategic charges and the prior year strategic restructuring charges, operating margin was 43.6% for the nine months ended 2019 and 2018.

Interest Expense

- Interest expense increased 12% (13% in constant currencies) for the quarter and increased 15% (17% in constant currencies) for the nine months, reflecting higher average debt balances and the impact of interest incurred on certain Euro denominated deposits due to the current interest rate environment.

Nonoperating (Income) Expense, Net

NONOPERATING (INCOME) EXPENSE, NET
Dollars in millions

	Quarters Ended September 30,		Nine Months Ended September 30,	
	2019	2018	**2019**	2018
Interest income	**$ (8.9)**	$ 1.2	**$ (29.6)**	$ (4.4)
Foreign currency and hedging activity	**(18.8)**	(2.9)	**(38.5)**	16.3
Other expense, net	**4.2**	10.6	**15.1**	19.4
Total	**$ (23.5)**	$ 8.9	**$ (53.0)**	$ 31.3

Income Taxes

- The effective income tax rate was 25.3% and 24.2% for the quarters ended 2019 and 2018, respectively, and 25.7% for both the nine months ended 2019 and 2018.
- Results for the third quarter and nine months 2018 reflected $47 million and $99 million, respectively, of income tax costs associated with adjustments to the provisional amounts recorded in December 2017 under the Tax Act.
- Excluding the impact of the adjustments to the prior year provisional amounts recorded in December 2017, the effective income tax rate was 22.0% for the third quarter 2018 and 24.0% for the nine months 2018. The lower effective income tax rate for the quarter 2018 primarily reflected new regulations issued in the third quarter of 2018.

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 $6.2 billion and exceeded capital expenditures by $4.6 billion for the nine months 2019. Cash provided by operations increased $0.8 billion compared with the nine months 2018, primarily due to lower tax payments along with other working capital changes.

Cash used for investing activities totaled $2.3 billion for the nine months 2019, an increase of $0.7 billion compared with the nine months 2018. The increase was primarily due to the Company's strategic acquisitions of a real estate entity and Dynamic Yield.

Cash used for financing activities totaled $3.6 billion for the nine months 2019, relatively flat compared with the nine months 2018. Lower treasury stock purchases were mostly offset by net debt activity and higher dividends paid.

Debt obligations at September 30, 2019 totaled $32.9 billion compared with $31.1 billion at December 31, 2018. The increase was primarily due to net debt issuances.

Recent Accounting Pronouncements

Recent accounting pronouncements are discussed in Part I, Item 1, page 9 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, including under the Velocity Growth Plan, we may not be able to increase operating income.

To drive operating income growth, our business strategies must be effective in maintaining and strengthening customer appeal, delivering sustainable guest count growth and driving a higher average check. Whether these strategies are successful depends mainly on our System’s ability to:

- Continue to innovate and differentiate the McDonald’s experience, including 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 organizational structure to build on our progress and execute against our business strategies;
- Augment our digital and delivery initiatives, including mobile ordering, 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;
- Operate restaurants with high service levels and optimal capacity while managing the increasing complexity of our restaurant operations and create efficiencies through innovative use of technology; and
- Accelerate our existing strategies, including through growth opportunities, acquisitions, investments and partnerships.

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.

Our long-term business objectives depend on the successful Systemwide execution of our strategies. We continue to build upon our investments in technology and modernization, including in EOTF (which focuses on restaurant modernization), digital engagement and delivery, in order to transform the customer experience. As part of these investments, 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 refine our delivery initiatives, including through growing awareness and trial, and to enhance our drive thru technologies, which may not generate expected returns. If these initiatives are not well executed, or if we do not fully realize the intended benefits of these significant investments, our business results may suffer.

If we do not anticipate and address evolving consumer preferences and effectively execute our pricing, promotional and marketing plans, our business could suffer.

Our continued success depends on our System’s ability to retain, regain and convert customers. In order to do so, we need 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. If we are not able to quickly and effectively respond to these changes, or our competitors respond more effectively, our financial results could be adversely impacted.

Our ability to retain, regain and convert customers also depends 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 in retaining, regaining and converting customers, or may not be as successful as the efforts of our competitors, and could negatively impact sales, guest counts and market share.

Additionally, we operate in a complex and costly advertising environment. Our marketing and advertising programs may not be successful in retaining, regaining and converting 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, the manner in which we source commodities and our general business practices. 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 adverse commentary from third parties, including through social media or conventional media outlets, regarding the quick-service category of the IEO segment, our brand, our operations, our suppliers or our franchisees. If we are unsuccessful in addressing adverse commentary, whether or not accurate, 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 Systemwide 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 whether actual or perceived, 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 or product offerings 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, successfully develop and introduce 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 offerings or to unforeseen disruptive actions. 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, which could have the overall effect of harming our business.

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. Sustained adverse economic conditions or periodic 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 and unfavorable currency fluctuations could 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 supply of quality products 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, including in the supply chain, restaurants or delivery. 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, occur within the food industry and our System from time to time and, in addition, 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.

The Company's success as a heavily franchised business relies to a large degree 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. Business risks affecting our operations also affect our franchisees. 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 success also relies 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, value/promotional and capital-intensive reinvestment plans. The ability of franchisees 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, by the creditworthiness of our franchisees or the Company or by banks' lending practices. If our franchisees are unwilling or unable to invest in major initiatives or are unable to obtain financing at commercially reasonable rates, or at all, our future growth and results of operations could be adversely affected.

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. The benefits of our more heavily franchised structure depend on various factors including whether we have effectively selected franchisees, licensees and/or affiliates that meet our rigorous standards, whether we are able to successfully integrate them into our structure 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.

Challenges with respect to labor, including availability and cost, could impact our business and results of operations.

Our success depends in part on our System's ability to proactively recruit, motivate and retain qualified individuals to work in McDonald's restaurants and to maintain appropriately-staffed 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. Claims of non-compliance with these regulations could result in liability and expense to us. Our potential exposure to reputational and other harm regarding our workplace practices or conditions or those of our independent franchisees or suppliers, including those giving rise to claims of sexual harassment or discrimination (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 digital and delivery solutions, as well as technologies that facilitate communication and collaboration, with affiliated entities, customers, employees, franchisees, suppliers, service providers or other independent third parties to conduct our business, including technology-enabled systems provided to us by third parties. Any failure or interruption 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 manner, we could experience an interruption in our operations.

Furthermore, security incidents or 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, account takeovers, 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, our franchisees 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 regulatory and legal risk, including 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, geopolitical 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 and brand perceptions. 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, sanctions and counter sanctions, 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, or the impact of these other measures, 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, whether through a negotiated exit over a period of time or without any agreement in place to govern post-exit relations, it is possible that there will be increased regulatory complexities, particularly in the event that the U.K. leaves the European Union without any agreement in place, as well as potential additional referenda in the U.K. and/or other European countries, that could cause uncertainty in European or worldwide economic conditions. The decision created volatility in certain foreign currency exchange rates that may or may not continue. Any of these effects, and others we cannot anticipate, could adversely affect our business, results of operations, financial condition and cash flows.

If we do not effectively manage our real estate portfolio, our operating results may be negatively impacted.

We have significant real estate operations, primarily in connection with our restaurant business. We generally own or secure a long-term lease on the land and building for conventional franchised and Company-operated restaurant sites. We seek to identify and develop restaurant locations that offer convenience to customers and long-term sales and profit potential. As we generally secure long-term real estate interests for our restaurants, we have limited flexibility to quickly alter our real estate portfolio. The competitive business landscape continues to evolve in light of changing business trends, consumer preferences, trade area demographics, consumer use of digital and delivery, local competitive positions and other economic factors. If our restaurants are not located in desirable locations, or if we do not evolve in response to these factors, it could adversely affect Systemwide sales and profitability.

Our real estate values and the costs associated with our real estate operations are also impacted by a variety of other factors, including governmental regulations; insurance; zoning, tax and eminent domain laws; interest rate levels and the cost of financing. A significant change in real estate values, or an increase in costs as a result of any of these factors, could adversely affect our operating results.

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. We are also impacted by settlements of pending or any future adjustments proposed by taxing and governmental 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 and proceedings, shareholder proceedings, 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). Regardless of whether any claims against us are valid or whether we are found to be liable, claims may be expensive to defend and may divert management's attention away from operations which could have a material adverse effect on our business and financial condition.

Inconsistent standards imposed by governmental authorities can adversely affect our business and increase our exposure to regulatory proceedings or litigation.

Litigation and regulatory action concerning 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 our business operations and 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, franchisees or other third parties. For example, the General Data Protection Regulation ("GDPR") requires entities processing the personal data of individuals in the European Union to meet certain requirements regarding the handling of that data. Failure to meet GDPR requirements could result in substantial penalties and materially adversely impact our financial results.

Our 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 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, 2018 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 September 30, 2019. 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 there was no change in the Company's internal control over financial reporting during the quarter ended September 30, 2019 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, 2018 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 September 30, 2019:

Period	Total Number of Shares Purchased	Average Price Paid per Share	Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs (1)	Approximate Dollar Value of Shares that May Yet Be Purchased Under the Plans or Programs (1)
July 1-31, 2019	1,909,249	$ 212.44	1,909,249	$ 4,561,651,408
August 1-31, 2019	2,514,744	216.35	2,514,744	4,017,582,355
September 1-30, 2019	2,700,126	212.75	2,700,126	3,443,143,021
Total	7,124,119	$ 213.94	7,124,119	

* 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 authorized 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 May 23, 2019, incorporated herein by reference from Exhibit 3(a) of Form 10-Q (File No. 001-05231), filed August 6, 2019.
	(b) By-Laws, as amended and restated with effect as of May 23, 2019, incorporated herein by reference from Exhibit 3 of Form 8-K (File No. 001-05231), filed May 30, 2019.
(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.**
	(i) First Amendment to the McDonald's Deferred Compensation Plan, effective as of May 1, 2018, incorporated herein by reference from Exhibit 10(b)(i) of Form 10-Q (File No. 001-05231), for the quarter ended September 30, 2018.**
	(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) 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.**
	(g) 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.**
	(h) 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.**
	(i) 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.**
	(j) 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.**

(k) Form of 2018 Executive Stock Option Award Agreement in connection with the 2012 Omnibus Stock Ownership Plan, incorporated herein by reference from Exhibit 10(q) of Form 10-Q (File No. 001-05231), for the quarter ended March 31, 2018. **

(l) Form of 2018 Executive Performance-Based Restricted Stock Unit Award Agreement in connection with the 2012 Omnibus Stock Ownership Plan, incorporated herein by reference from Exhibit 10(r) of Form 10-Q (File No. 001-05231), for the quarter ended March 31, 2018. **

(m) Separation Agreement and General Release between Douglas Goare and the Company, dated January 7, 2019, incorporated herein by reference from Exhibit 10(r) of Form 10-K (File No. 001-05231), for the year ended December 31, 2018. **

(n) McDonald's Corporation Target Incentive Plan, effective as of January 1, 2013, as Amended and Restated February 13, 2019, incorporated herein by reference from Exhibit 10(p) of Form 10-Q (File No. 001-05231), for the quarter ended March 31, 2019.**

(o) McDonald's Corporation Officer Severance Plan, as Amended and Restated, effective January 1, 2019, incorporated herein by reference from Exhibit 10(q) of Form 10-Q (File No. 001-05231), for the quarter ended March 31, 2019.**

(p) Form of 2019 Executive Stock Option Award Agreement in connection with the 2012 Omnibus Stock Ownership Plan, incorporated herein by reference from Exhibit 10(r) of Form 10-Q (File No. 001-05231), for the quarter ended March 31, 2019.**

(q) Form of 2019 Executive Performance-Based Restricted Stock Unit Award Agreement in connection with the 2012 Omnibus Stock Ownership Plan, incorporated herein by reference from Exhibit 10(s) of Form 10-Q (File No. 001-05231), for the quarter ended March 31, 2019.**

(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)	Inline XBRL Taxonomy Extension Schema Document.
(101.CAL)	Inline XBRL Taxonomy Extension Calculation Linkbase Document.
(101.DEF)	Inline XBRL Taxonomy Extension Definition Linkbase Document.
(101.LAB)	Inline XBRL Taxonomy Extension Label Linkbase Document.
(101.PRE)	Inline XBRL Taxonomy Extension Presentation Linkbase Document.
(104)	Cover Page Interactive Data File - the cover page XBRL tags are embedded within the Inline XBRL 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

Date: November 4, 2019

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

Exhibit 31.1

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

I, Christopher J. Kempczinski, certify that:

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

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

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

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

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

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

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

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

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

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

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

Date: November 4, 2019

/s/ Christopher J. Kempczinski

Christopher J. Kempczinski

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: November 4, 2019

/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 September 30, 2019 of the Company fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934 and information contained in the Form 10-Q fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: November 4, 2019

/s/ Christopher J. Kempczinski
Christopher J. Kempczinski
President and Chief Executive Officer

Exhibit 32.2

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

Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 (subsections (a) and (b) of Section 1350, Chapter 63 of Title 18, United States Code), the undersigned officer of McDonald’s Corporation (the “Company”), does hereby certify, to such officer’s knowledge, that the Quarterly Report on Form 10-Q for the quarter ended September 30, 2019 of the Company fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934 and information contained in the Form 10-Q fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: November 4, 2019

/s/ Kevin M. Ozan

Kevin M. Ozan

Corporate Executive Vice President and Chief Financial Officer