UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, DC 20549

FORM 10-Q

☒ **QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**
For the quarterly period ended March 31, 2020

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 ☒

743,556,182
(Number of shares of common stock outstanding as of 3/31/2020)

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McDONALD'S CORPORATION

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PART I – FINANCIAL INFORMATION

Item 1. Financial Statements

CONDENSED CONSOLIDATED BALANCE SHEET

In millions, except per share data	(unaudited) March 31, 2020	December 31, 2019
Assets		
Current assets		
Cash and equivalents	**$ 5,379.8**	$ 898.5
Accounts and notes receivable	**1,695.3**	2,224.2
Inventories, at cost, not in excess of market	**39.1**	50.2
Prepaid expenses and other current assets	**442.7**	385.0
Total current assets	**7,556.9**	3,557.9
Other assets		
Investments in and advances to affiliates	**1,276.8**	1,270.3
Goodwill	**2,627.4**	2,677.4
Miscellaneous	**2,481.4**	2,584.0
Total other assets	**6,385.6**	**6,531.7**
Lease right-of-use asset, net	**13,029.6**	**13,261.2**
Property and equipment		
Property and equipment, at cost	**38,351.5**	39,050.9
Accumulated depreciation and amortization	**(14,755.6)**	(14,890.9)
Net property and equipment	**23,595.9**	24,160.0
Total assets	**$ 50,568.0**	$ 47,510.8
Liabilities and shareholders' equity		
Current liabilities		
Short-term borrowings	**$ 1,000.0**	$ —
Accounts payable	**671.9**	988.2
Lease liability	**688.6**	621.0
Income taxes	**234.6**	331.7
Other taxes	**208.9**	247.5
Accrued interest	**308.0**	337.8
Accrued payroll and other liabilities	**769.8**	1,035.7
Current maturities of long-term debt	**106.0**	59.1
Total current liabilities	**3,987.8**	3,621.0
Long-term debt	**38,046.6**	34,118.1
Long-term lease liability	**12,470.3**	12,757.8
Long-term income taxes	**2,158.1**	2,265.9
Deferred revenues - initial franchise fees	**655.0**	660.6
Other long-term liabilities	**893.9**	979.6
Deferred income taxes	**1,649.7**	1,318.1
Shareholders' equity (deficit)		
Preferred stock, no par value; authorized – 165.0 million shares; issued – none	**—**	—
Common stock, $.01 par value; authorized – 3.5 billion shares; issued – 1,660.6 million shares	**16.6**	16.6
Additional paid-in capital	**7,713.5**	7,653.9
Retained earnings	**53,106.7**	52,930.5
Accumulated other comprehensive income (loss)	**(2,996.4)**	(2,482.7)
Common stock in treasury, at cost; 917.1 and 914.3 million shares	**(67,133.8)**	(66,328.6)
Total shareholders' equity (deficit)	**(9,293.4)**	(8,210.3)
Total liabilities and shareholders' equity (deficit)	**$ 50,568.0**	$ 47,510.8

See Notes to condensed consolidated financial statements.

CONDENSED CONSOLIDATED STATEMENT OF INCOME (UNAUDITED)

In millions, except per share data	Quarters Ended March 31, 2020	2019
Revenues		
Sales by Company-operated restaurants	**$ 2,025.8**	$ 2,240.5
Revenues from franchised restaurants	**2,608.0**	2,715.1
Other revenues	**80.6**	68.5
Total revenues	**4,714.4**	5,024.1
Operating costs and expenses		
Company-operated restaurant expenses	**1,752.8**	1,886.2
Franchised restaurants-occupancy expenses	**554.2**	533.1
Other restaurant expenses	**65.5**	53.3
Selling, general & administrative expenses		
Depreciation and amortization	**73.5**	61.4
Other	**516.3**	437.7
Other operating (income) expense, net	**58.5**	(41.6)
Total operating costs and expenses	**3,020.8**	2,930.1
Operating income	**1,693.6**	2,094.0
Interest expense	**280.0**	274.1
Nonoperating (income) expense, net	**(31.3)**	(11.4)
Income before provision for income taxes	**1,444.9**	1,831.3
Provision for income taxes	**338.0**	502.9
Net income	**$ 1,106.9**	$ 1,328.4
Earnings per common share-basic	**$ 1.49**	$ 1.74
Earnings per common share-diluted	**$ 1.47**	$ 1.72
Dividends declared per common share	**$ 1.25**	$ 1.16
Weighted-average shares outstanding-basic	**744.8**	764.9
Weighted-average shares outstanding-diluted	**750.7**	771.6

See Notes to condensed consolidated financial statements.

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME (UNAUDITED)

In millions	Quarters Ended March 31, 2020	2019
Net income	**$1,106.9**	$1,328.4
Other comprehensive income (loss), net of tax		
Foreign currency translation adjustments:		
Gain (loss) recognized in accumulated other comprehensive income ("AOCI"), including net investment hedges	**(466.2)**	43.4
Reclassification of (gain) loss to net income	**—**	45.6
Foreign currency translation adjustments-net of tax benefit (expense) of $(115.3) and $(60.0)	**(466.2)**	89.0
Cash flow hedges:		
Gain (loss) recognized in AOCI	**(39.6)**	8.3
Reclassification of (gain) loss to net income	**(9.1)**	(9.1)
Cash flow hedges-net of tax benefit (expense) of $14.7 and $0.2	**(48.7)**	(0.8)
Defined benefit pension plans:		
Gain (loss) recognized in AOCI	**(1.9)**	—
Reclassification of (gain) loss to net income	**3.1**	1.2
Defined benefit pension plans-net of tax benefit (expense) of $0.4 and $0.0	**1.2**	1.2
Total other comprehensive income (loss), net of tax	**(513.7)**	89.4
Comprehensive income (loss)	**$ 593.2**	$1,417.8

See Notes to condensed consolidated financial statements.

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS (UNAUDITED)

In millions	Quarters Ended March 31, 2020	2019
Operating activities		
Net income	**$ 1,106.9**	$ 1,328.4
Adjustments to reconcile to cash provided by operations		
Charges and credits:		
Depreciation and amortization	**421.3**	392.6
Deferred income taxes	**276.4**	54.3
Share-based compensation	**25.9**	31.6
Other	**(87.9)**	51.5
Changes in working capital items	**(196.6)**	162.2
Cash provided by operations	**1,546.0**	2,020.6
Investing activities		
Capital expenditures	**(482.5)**	(515.3)
Purchases of restaurant businesses	**(19.6)**	(9.0)
Sales of restaurant businesses	**25.7**	131.9
Sales of property	**15.8**	22.3
Other	**(57.8)**	(401.2)
Cash (used for) investing activities	**(518.4)**	(771.3)
Financing activities		
Net short-term borrowings	**111.8**	(94.0)
Long-term financing issuances	**5,539.4**	2,513.3
Long-term financing repayments	**(262.7)**	(415.0)
Treasury stock purchases	**(902.6)**	(996.1)
Common stock dividends	**(930.7)**	(886.8)
Proceeds from stock option exercises	**99.3**	110.6
Other	**(121.5)**	(11.3)
Cash provided by financing activities	**3,533.0**	220.7
Effect of exchange rates on cash and cash equivalents	**(79.3)**	(46.9)
Cash and equivalents increase	**4,481.3**	1,423.1
Cash and equivalents at beginning of period	**898.5**	866.0
Cash and equivalents at end of period	**$ 5,379.8**	$ 2,289.1

See Notes to condensed consolidated financial statements.

CONDENSED CONSOLIDATED STATEMENT OF SHAREHOLDERS' EQUITY (UNAUDITED)

For the quarter ended March 31, 2019

	Common stock issued		Additional paid-in capital	Retained earnings	Accumulated other comprehensive income (loss)			Common stock in treasury		Total shareholders' equity (deficit)
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				1,328.4						1,328.4
Other comprehensive income (loss), net of tax					1.2	(0.8)	89.0			89.4
Comprehensive income										1,417.8
Common stock cash dividends ($1.16 per share)				(886.8)						(886.8)
Treasury stock purchases								(5.4)	(963.7)	(963.7)
Share-based compensation			31.6							31.6
Stock option exercises and other			30.9					1.8	77.7	108.6
Balance at March 31, 2019	1,660.6	$ 16.6	$ 7,438.5	$ 50,928.6	$ (215.4)	$ 31.6	$ (2,336.3)	(897.1)	$ (62,414.5)	$ (6,550.9)

For the quarter ended March 31, 2020

	Common stock issued		Additional paid-in capital	Retained earnings	Accumulated other comprehensive income (loss)			Common stock in treasury		Total shareholders' equity (deficit)
In millions, except per share data	*Shares*	*Amount*			*Pensions*	*Cash flow hedges*	*Foreign currency translation*	*Shares*	*Amount*	
Balance at December 31, 2019	1,660.6	$ 16.6	$ 7,653.9	$ 52,930.5	$ (243.7)	$ 12.0	$ (2,251.0)	(914.3)	$ (66,328.6)	$ (8,210.3)
Net income				1,106.9						1,106.9
Other comprehensive income (loss), net of tax					1.2	(48.7)	(466.2)			(513.7)
Comprehensive income										593.2
Common stock cash dividends ($1.25 per share)				(930.7)						(930.7)
Treasury stock purchases								(4.2)	(868.9)	(868.9)
Share-based compensation			25.9							25.9
Stock option exercises and other			33.7					1.4	63.7	97.4
Balance at March 31, 2020	1,660.6	$ 16.6	$ 7,713.5	$ 53,106.7	$ (242.5)	$ (36.7)	$ (2,717.2)	(917.1)	$ (67,133.8)	$ (9,293.4)

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, 2019 Annual Report on Form 10-K. In the opinion of management, all adjustments (consisting of normal recurring accruals) necessary for a fair presentation have been included. The results for the quarter ended March 31, 2020, do not necessarily indicate the results that may be expected for the full year.

Prior to January 1, 2020, the Company presented both expenditures and receipts related to technology fees charged to franchisees and revenues related to certain licensing arrangements within Other operating (income) expense, net, because these activities were not part of the Company's ongoing major or central operations. Effective January 1, 2020, the Company is presenting the revenues and expenses related to these activities within Other revenues and Other restaurant expenses, respectively, in the Condensed Consolidated Statement of Income. The change in presentation was applied retrospectively to all periods presented and had no effect on Operating income, Net income, or Earnings per share.

Restaurant Information

The following table presents restaurant information by ownership type:

Restaurants at March 31,	**2020**	2019
Conventional franchised	**21,838**	21,662
Developmental licensed	**7,678**	7,362
Foreign affiliated	**6,831**	6,254
Total Franchised	**36,347**	35,278
Company-operated	**2,637**	2,693
Total Systemwide restaurants	**38,984**	37,971

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 5.9 million shares and 6.7 million shares for the quarters 2020 and 2019, respectively. Share-based compensation awards that would have been antidilutive, and therefore were not included in the calculation of diluted weighted-average shares, totaled 2.0 million shares for each of the quarters 2020 and 2019.

Recent Accounting Pronouncements

Recently Adopted Accounting Pronouncements

Financial Instruments - Credit Losses

In June 2016, the FASB issued guidance codified in Accounting Standards Codification Topic 326, "Financial Instruments – Credit Losses: Measurements of Credit Losses on Financial Instruments". The standard replaces the incurred loss impairment methodology in prior GAAP with a methodology that instead reflects a current estimate of all expected credit losses on financial assets, including receivables. The guidance requires that an entity measure and recognize expected credit losses at the time the asset is recorded, while considering a broader range of information to estimate credit losses including macroeconomic conditions that correlate with historical loss experience, delinquency trends and aging behavior of receivables, among others. The Company has adopted this guidance effective January 1, 2020, prospectively, and the adoption and application of this standard did not have a material impact to the consolidated financial statements during the first quarter. The Company will continue to actively monitor the impact of the COVID-19 pandemic on expected losses.

Recent Accounting Pronouncements Not Yet Adopted

Income Taxes

In December 2019, the FASB issued Accounting Standard Update (“ASU”) No. 2019-12, “Income Taxes (Topic 740): Simplifying the Accounting for Income Taxes” ("ASU 2019-12"), which simplifies the accounting for income taxes. ASU 2019-12 is effective for fiscal years beginning after December 15, 2020, including applicable interim periods. The Company is currently evaluating the impact the adoption of ASU 2019-12 will have on its consolidated financial statements.

Reference Rate Reform

In March 2020, the FASB issued ASU 2020-04, "Reference Rate Reform (Topic 848): Facilitation of the Effects of Reference Rate Reform on Financial Reporting" ("ASU 2020-04"). The pronouncement provides temporary optional expedients and exceptions to the current guidance on contract modifications and hedge accounting to ease the financial reporting burdens related to the expected market transition from the London Interbank Offered Rate and other interbank offered rates to alternative reference rates. The guidance was effective upon issuance and may be applied prospectively to contract modifications made and hedging relationships entered into or evaluated on or before December 31, 2022. The Company is currently evaluating the impact the adoption of ASU 2020-04 will have on its consolidated financial statements.

Updates to Significant Accounting Policies

Revenue recognition

The Company's revenues consist of sales by Company-operated restaurants and fees from restaurants operated by franchisees, developmental licensees and 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 affiliates include a royalty based on a percent of sales, and generally include initial fees. The Company’s Other revenues are comprised of fees paid by franchisees to recover a portion of costs incurred by the Company for various technology platforms, revenues from brand licensing arrangements to market and sell consumer packaged goods using the McDonald’s brand, and third party revenues for the Dynamic Yield business.

Sales by Company-operated restaurants are recognized on a cash basis at the time of the underlying sale and are presented net of sales tax and other sales-related taxes. Royalty revenues are based on a percent of sales and recognized at the time the underlying sales occur. Rental income includes both minimum rent payments, which are recognized straight-line over the franchise term (with the exception of rent concessions as a result of COVID-19 – refer to the Leasing policy update on page 10), and variable rent payments based on a percent of sales, which are recognized at the time the underlying sales occur. Initial fees are recognized as the Company satisfies the performance obligation over the franchise term, which is generally 20 years.

The Company provides goods or services related to various technology platforms to certain franchisees that are distinct from the franchise agreement because they do not require integration with other goods or services we provide. The Company has determined that it is the principal in these arrangements. Accordingly, the related revenue is presented on a gross basis on the Condensed Consolidated Statement of Income. These revenues are recognized as the goods or services are transferred to the franchisee, and related expenses are recognized as incurred. Brand licensing arrangement revenues are based on a percent of sales and are recognized at the time the underlying sales occur. Dynamic Yield third party revenues are generated from providing software as a service solutions to customers and are recognized over the applicable subscription period as the service is performed.

Long-lived assets and Goodwill

Long-lived assets and Goodwill are typically reviewed for impairment annually in the fourth quarter and whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable or if an indicator of impairment exists. The Company has continued to monitor the significant global economic uncertainty as a result of COVID-19 to assess the outlook for restaurant operations and the impact that any disruption may have on the Company's business and overall financial performance.

As a result of the Company's analysis, and in consideration of the totality of events and circumstances, including the potential impact of COVID-19 related disruptions on the Company’s operating results, there were no indicators of impairment during the first quarter of 2020.

Leasing

The FASB has issued additional guidance for how companies may account for COVID-19 related rent concessions in the form of FASB staff and Board members' remarks at the April 8, 2020 public meeting and the FASB Staff Q&A issued on April 10, 2020.

The Company has elected the practical expedient to account for COVID-19 related rent concessions as if they were part of the enforceable rights and obligations of the parties under the existing lease contract. This has been elected for the Company's entire lessee and lessor portfolio for any rent deferrals or rent abatements. For the lessee portfolio, the Company has elected not to remeasure the lease liability and right-of-use asset if a rent deferral or a rent abatement is granted.

For the first quarter 2020, the Company deferred collection of approximately $300 million of rental income on revenue that was recognized in the first quarter. Rental income includes both minimum rent payments and variable rent payments based on a percent of sales. The extent of the deferrals differ in length by market, but the deferrals primarily impact cash collection in the second quarter of 2020, a large portion of which is expected to be collected in the third and fourth quarters of 2020.

Refer to the Cash Flow and Liquidity section on page 24 of this Form 10-Q for additional information on deferred collections of rental income as well as royalties.

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, 2019 Annual Report on Form 10-K.

At March 31, 2020, the fair value of the Company's debt obligations was estimated at $41.5 billion, compared to a carrying amount of $39.2 billion, which reflects the new financings during the first quarter of a $1 billion line of credit and $5.5 billion of debt issuances under the Company's existing registration statement on Form S-3 with maturities ranging from 2025 to 2050 and interests rates ranging from 1.45% to 4.20%. The fair value was based upon quoted market prices, Level 2 within the valuation hierarchy. The carrying amounts of cash and equivalents, short-term investments and notes receivable approximate fair value.

Financial Instruments and Hedging Activities

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

The following table presents the fair values of derivative instruments included on the Condensed Consolidated Balance Sheet:

	Derivative Assets			**Derivative Liabilities**		
In millions	Balance Sheet Classification	**March 31, 2020**	December 31, 2019	Balance Sheet Classification	**March 31, 2020**	December 31, 2019
Derivatives designated as hedging instruments						
Foreign currency	Prepaid expenses and other current assets	**$ 31.9**	$ 10.0	Accrued payroll and other liabilities	**$ (0.5)**	$ (5.2)
Interest rate	Prepaid expenses and other current assets			Accrued payroll and other liabilities		
Foreign currency	Miscellaneous other assets	**25.4**	9.5	Other long-term liabilities	**(0.3)**	(1.2)
Interest rate	Miscellaneous other assets	**36.0**	12.1	Other long-term liabilities		
Total derivatives designated as hedging instruments		**$ 93.3**	$ 31.6		**$ (0.8)**	$ (6.4)
Derivatives not designated as hedging instruments						
Equity	Prepaid expenses and other current assets	**$ 10.4**	$ 1.6	Accrued payroll and other liabilities	**$ (0.1)**	$ (0.1)
Foreign currency	Prepaid expenses and other current assets	**17.8**	12.4	Accrued payroll and other liabilities	**—**	(4.8)
Equity	Miscellaneous other assets	**149.8**	179.1			
Total derivatives not designated as hedging instruments		**$ 178.0**	$ 193.1		**$ (0.1)**	$ (4.9)
Total derivatives		**$ 271.3**	$ 224.7		**$ (0.9)**	$ (11.3)

The following table presents the pre-tax amounts from derivative instruments affecting income and AOCI for the quarters ended March 31, 2020 and 2019, 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		**2020**	2019	**2020**	2019	**2020**	2019
Foreign currency	Nonoperating income/expense	**$ 39.3**	$ 10.7	**$ 12.6**	$ 12.0		
Interest rate	Interest expense	**(90.8)**		**(0.7)**	(0.3)		
Cash flow hedges		**$ (51.5)**	$ 10.7	**$ 11.9**	$ 11.7		
Foreign currency denominated debt	Nonoperating income/expense	**$ 350.4**	$ 245.2				
Foreign currency derivatives	Nonoperating income/expense	**11.9**	9.0				
Foreign currency derivatives[1]	Interest expense					**$ 3.7**	$ 2.5
Net investment hedges		**$ 362.3**	$ 254.2			**$ 3.7**	$ 2.5
Foreign currency	Nonoperating income/expense					**$ 7.5**	$ (5.6)
Equity	Selling, general & administrative expenses					**(66.3)**	35.3
Undesignated derivatives						**$ (58.8)**	$ 29.7

[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 March 31, 2020, the carrying amount of fixed-rate debt that was effectively converted was $1.0 billion, which included an increase of $36.0 million of cumulative hedging adjustments. For the first quarter 2020, the Company recognized a $23.9 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. To protect against the variability of interest rates of an anticipated bond issuance, the Company may use treasury locks to hedge a portion of the expected future cash flows.

As of March 31, 2020, the Company had derivatives outstanding with an equivalent notional amount of $734.9 million that hedged a portion of forecasted foreign currency denominated cash flows.

Based on market conditions at March 31, 2020, the $36.7 million in cumulative cash flow hedging losses, after tax, is not expected to have a significant effect on earnings over the next 12 months.

Net Investment Hedges

The Company primarily uses foreign currency denominated debt (third party and intercompany) to hedge its investments in certain foreign subsidiaries and affiliates. Realized and unrealized translation adjustments from these hedges are included in shareholders' equity in the foreign currency translation component of 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 March 31, 2020, $10.1 billion of the Company's third party foreign currency denominated debt and $694.6 million 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 March 31, 2020 and has master agreements that contain netting arrangements. For financial reporting purposes, the Company presents gross derivative balances in the financial statements and supplementary data, including for counterparties subject to netting arrangements. Some of these agreements also require each party to post collateral if credit ratings fall below, or aggregate exposures exceed, certain contractual limits. At March 31, 2020, 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

Revenues from franchised restaurants consisted of (in millions):

Quarters Ended March 31,	2020	2019
Rents	$ 1,668.2	$ 1,747.6
Royalties	928.8	956.7
Initial fees	11.0	10.8
Revenues from franchised restaurants	$ 2,608.0	$ 2,715.1

Segment Information

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. The segment is 95% franchised as of March 31, 2020.
- 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. The segment is 84% franchised as of March 31, 2020.
- 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. The segment is 98% franchised as of March 31, 2020.

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

In millions	Quarters Ended March 31, 2020	2019
Revenues		
U.S.	$ 1,871.0	$ 1,887.6
International Operated Markets	2,404.3	2,682.7
International Developmental Licensed Markets & Corporate	439.1	453.8
Total revenues	$ 4,714.4	$ 5,024.1
Operating Income		
U.S.	$ 892.4	$ 951.9
International Operated Markets	879.1	1,048.0
International Developmental Licensed Markets & Corporate	(77.9)	94.1
Total operating income	$ 1,693.6	$ 2,094.0

Subsequent Events

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

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

Overview

The Company franchises and operates McDonald's restaurants, which serve a locally-relevant menu of quality food and beverages in 119 countries. Of the 38,984 restaurants at March 31, 2020, 36,347 were franchised, which is 93% of McDonald's restaurants.

The Company's reporting segments are aligned with its strategic priorities and reflect how management reviews and evaluates operating performance. 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.

McDonald's franchised restaurants are owned and operated under one of the following structures - conventional franchise, developmental license or affiliate. The optimal ownership structure for an individual restaurant, trading area or market (country) is based on a variety of factors, including the availability of individuals with entrepreneurial experience and financial resources, as well as the local, legal and regulatory environment in critical areas such as property ownership and franchising. The business relationship between McDonald's and its independent franchisees is supported by adhering to standards and policies and is of fundamental importance to overall performance and to protecting the McDonald's brand.

The Company 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 their own employer and maintain control over all employment related matters, 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. 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 Other revenues are comprised of technology fees paid by franchisees, revenues from brand licensing arrangements, and third party revenues for the Dynamic Yield business.

Conventional Franchise

Under a 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.

The Company requires franchisees to meet rigorous standards and generally does not work with passive investors. The business relationship with franchisees is designed to facilitate consistency and high quality at all McDonald's restaurants. Conventional franchisees contribute to the Company's revenue, primarily through the payment of rent and royalties based upon a percent of sales, with specified minimum rent payments, along with initial fees paid upon the opening of a new restaurant or grant of a new franchise. The Company's heavily franchised business model is designed to generate stable and predictable revenue, which is largely a function of franchisee sales, and resulting cash flow streams. As most revenues are based on a percent of sales, the Company expects the ongoing temporary restaurant closures, limited operations and dramatic changes in consumer behavior, as a result of COVID-19, will continue to have a significant negative impact on revenues.

Developmental License or Affiliate

Under a developmental license or affiliate arrangement, licensees are responsible for operating and managing the business, providing capital (including the real estate interest) and developing and opening new restaurants. The Company generally does not invest any capital under a developmental license or affiliate arrangement, and it receives a royalty based on a percent of sales, and generally receives initial fees upon the opening of a new restaurant or grant of a new license.

While developmental license and affiliate arrangements are largely the same, affiliate arrangements are used in a limited number of foreign markets (primarily China and Japan) where the Company also has an equity investment and records its share of net results in Equity in earnings of unconsolidated affiliates.

As both royalty revenues and the Company's share of net results in equity investments are based on sales results, the Company expects to continue to have a negative impact to revenues and Equity in earnings of unconsolidated affiliates as a result of COVID-19.

COVID-19 Impact and Strategic Direction

Driven by our Velocity Growth Plan (the "Plan") the Company delivered strong global comparable sales and results in 2019 and for the two months ended February 2020. The outbreak of COVID-19 and the resulting operational impact brought on by several related factors, including restaurant closures, limited operations and dramatic changes in consumer behavior, led to a marked decline in sales during the second half of March.

While the COVID-19 pandemic has significantly disrupted the operations of McDonald’s business in every market in which we operate, the Company has taken several steps focused on the safety and well being of restaurant crew, franchisees, employees, and customers. In addition, the Company is:

- Working with franchisees around the world in order to evaluate operational feasibility and support financial liquidity during this period of uncertainty.
- Utilizing our high Drive-Thru penetration as a critical asset during the COVID-19 pandemic, and this order channel continues to enable us to serve customers during this challenging time.
- Applying learnings from our Experience of the Future deployment over the last several years, when we shut down and reopened restaurants, which should prove invaluable as we emerge from the crisis.
- Collaborating closely with suppliers on contingency planning for continuous supply.

While the Company cannot predict the duration or scope of the COVID-19 pandemic, it has negatively impacted the business and our financial results, condition and outlook. By remaining focused on our people and our business, the Company will continue to take actions that are designed to put the System in a position to succeed when the pandemic subsides. This includes the Company's investments in technology and new capabilities through the following initiatives:

- Delivery. We now offer delivery in over 25,000 restaurants across the global system, and our delivery business has become more relevant than ever during the crisis. Despite the challenging business environment, we have continued to meet customers’ expectations, and in many markets delivery sales per day are up significantly versus pre-COVID-19 figures. Additionally, we are sharing innovative best practices across our markets, including the use of contactless delivery, to adapt to changing customer behaviors. We continue to see great runway ahead of us to drive awareness and trial of delivery, and are focusing on efforts to encourage frequency and retention in 2020 and beyond.

- Digital. The investments the Company has made over the past several years with our emerging digital customer experience platform, including mobile order and pay and the acquisitions of Dynamic Yield and Apprente, remain a priority for our business. Dynamic Yield has been implemented via outdoor digital menu boards across the U.S. and Australia, offering customers a more customized experience, while Apprente, the conversational interface technology, is expected to provide more efficient and accurate ordering in the drive-thru in the future. These digital investments enable us to give customers more choice and flexibility in how they order, pay, and receive their food during this unprecedented time and will remain important in serving customers as we think about our business beyond this crisis.

Looking ahead, the Company understands that these unprecedented times will bring about fundamental changes to the way our business operates. While the Plan has been instrumental in our performance over the past few years, our strategy may need to evolve in the aftermath of the COVID-19 pandemic. As such, the Company will rely on its ability to adapt and adjust to changing conditions to ensure we emerge from the crisis in a position of competitive strength.

First Quarter 2020 Financial Performance

Global comparable sales increased 7.2% for the two months ended February 2020, with all segments benefiting from Leap Day. Globally, sales results began to markedly decline during the second half of March due to COVID-19, which caused significant restaurant closures and "shelter-in-place" guidance. The sales trends from the second half of March have continued into April, and are expected to continue while these restrictions are in place. Global comparable sales decreased 3.4% for the quarter.

- U.S. comparable sales increased 0.1% for the quarter.
- International Operated Markets segment comparable sales decreased 6.9% for the quarter, primarily driven by temporary restaurant closures in France, the United Kingdom and Italy.
- International Developmental Licensed Markets segment comparable sales decreased 4.3% for the quarter, primarily impacted by China, which had approximately 25% of restaurants fully closed in early February, at the peak of the Company's closures in that market.

In addition to the comparable sales results, the Company had the following financial results in the quarter:

- Consolidated revenues decreased 6% (5% in constant currencies).
- Systemwide sales decreased 4% (2% in constant currencies).
- Consolidated operating income decreased 19% (17% in constant currencies).
- Diluted earnings per share of $1.47 decreased 15% (13% in constant currencies).

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

- Constant currency results exclude the effects of foreign currency translation and are 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 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.
- Comparable sales are compared to the same period in the prior year and represent sales 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 (which includes restaurants temporarily closed due to COVID-19 in 2020). Comparable sales exclude the impact of currency translation, and, since 2017, also exclude sales from Venezuela due to its hyper-inflation. 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. The goal is to achieve a relatively balanced contribution from both guest counts and average check.
- 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.
- 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 affiliates.

CONSOLIDATED OPERATING RESULTS

Dollars in millions, except per share data	Quarter Ended March 31, 2020	
	Amount	Increase/ (Decrease)
Revenues		
Sales by Company-operated restaurants	$ 2,025.8	(10)%
Revenues from franchised restaurants	2,608.0	(4)
Other revenues	80.6	18
Total revenues	4,714.4	(6)
Operating costs and expenses		
Company-operated restaurant expenses	1,752.8	(7)
Franchised restaurants-occupancy expenses	554.2	4
Other restaurant expenses	65.5	23
Selling, general & administrative expenses		
Depreciation and amortization	73.5	20
Other	516.3	18
Other operating (income) expense, net	58.5	n/m
Total operating costs and expenses	3,020.8	3
Operating income	1,693.6	(19)
Interest expense	280.0	2
Nonoperating (income) expense, net	(31.3)	n/m
Income before provision for income taxes	1,444.9	(21)
Provision for income taxes	338.0	(33)
Net income	$ 1,106.9	(17)%
Earnings per common share-basic	$ 1.49	(14)%
Earnings per common share-diluted	$ 1.47	(15)%

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 March 31,	**2020**	2019	**2020**
Revenues	**$ 4,714.4**	$ 5,024.1	**$ (74.8)**
Company-operated margins	**273.0**	354.3	**(3.6)**
Franchised margins	**2,053.8**	2,182.0	**(35.2)**
Selling, general & administrative expenses	**589.8**	499.1	**3.8**
Operating income	**1,693.6**	2,094.0	**(36.3)**
Net income	**1,106.9**	1,328.4	**(12.8)**
Earnings per share-diluted	**$ 1.47**	$ 1.72	**$ (0.02)**

The negative impact of foreign currency translation on consolidated operating results for the quarter primarily reflected the weakening of the Australian Dollar and the Euro.

Net Income and Diluted Earnings per Share

For the quarter, net income decreased 17% (16% in constant currencies) to $1,106.9 million, and diluted earnings per share decreased 15% (13% in constant currencies) to $1.47. Foreign currency translation had a negative impact of $0.02 on diluted earnings per share.

Results for the quarter reflected sales performance declines due to restaurant closures, limited operations and dramatic changes in consumer behavior as a result of COVID-19.

Diluted earnings per share benefited from a decrease in diluted weighted average shares outstanding due to share repurchases executed prior to the Company suspending its share repurchase program in early March in order to preserve financial flexibility. During the quarter, the Company repurchased 4.2 million shares of stock for $868.9 million, and paid a quarterly dividend of $1.25 per share, or $930.7 million that was declared on January 23, 2020.

Revenues

The Company's revenues consist of sales by Company-operated restaurants and fees from restaurants operated by franchisees, developmental licensees and 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 affiliates include a royalty based on a percent of sales, and generally include initial fees. The Company's Other revenues are comprised of fees paid by franchisees to recover a portion of costs incurred by the Company for various technology platforms, revenues from brand licensing arrangements to market and sell consumer packaged goods using the McDonald's brand, and third party revenues for the Dynamic Yield business.

Franchised restaurants represented 93% of McDonald's restaurants worldwide at March 31, 2020. The Company's heavily franchised business model is designed to generate stable and predictable revenue, which is largely a function of franchisee sales, and resulting cash flow streams. As most revenues are based on a percent of sales, the Company expects the ongoing restaurant closures, limited operations and dramatic changes in consumer behavior as a result of COVID-19 will continue to have a significant negative impact on revenue growth. The Company has granted the deferral of cash collection for certain rent and royalties earned from franchisees in substantially all markets. The extent of the deferrals is expected to differ in length by market. Although the Company may be deferring cash collection, revenue is continuing to be recognized as sales are incurred.

REVENUES
Dollars in millions

Quarters Ended March 31,	**2020**	2019	Inc/ (Dec)	Inc/ (Dec) Excluding Currency Translation
Company-operated sales				
U.S.	**$ 579.2**	$ 597.6	(3)%	(3)%
International Operated Markets	**1,305.3**	1,487.9	(12)	(11)
International Developmental Licensed Markets & Corporate	**141.3**	155.0	(9)	(3)
Total	**$ 2,025.8**	$ 2,240.5	(10)%	(8)%
Franchised revenues				
U.S.	**$ 1,250.7**	$ 1,248.6	0 %	0 %
International Operated Markets	**1,074.0**	1,175.1	(9)	(6)
International Developmental Licensed Markets & Corporate	**283.3**	291.4	(3)	1
Total	**$ 2,608.0**	$ 2,715.1	(4)%	(2)%
Total Company-operated sales and Franchised revenues				
U.S.	**$ 1,829.9**	$ 1,846.2	(1)%	(1)%
International Operated Markets	**2,379.3**	2,663.0	(11)	(9)
International Developmental Licensed Markets & Corporate	**424.6**	446.4	(5)	(1)
Total	**$ 4,633.8**	$ 4,955.6	(6)%	(5)%
Total Other revenues	**$ 80.6**	$ 68.5	18 %	19 %
Total Revenues	**$ 4,714.4**	$ 5,024.1	(6)%	(5)%

- Total Company-operated sales and franchised revenues decreased 6% (5% in constant currencies) for the quarter. The decrease primarily reflected sales performance declines as a result of COVID-19. Revenue declines for the quarter were more significant in the International Operated Markets segment, primarily driven by the temporary restaurant closures in the United Kingdom and France. In March, the Company's total revenue declines in the U.S. and International Operated Markets segments were in line with comparable sales declines.

Comparable Sales

The following table presents the percent change in comparable sales:

COMPARABLE SALES

	Increase/(Decrease)			
	Two months ended February 29, 2020	Month ended March 31, 2020	Quarter ended March 31, 2020	Quarter ended March 31, 2019
U.S.	8.1%	(13.4)%	**0.1 %**	4.5%
International Operated Markets	8.5	(34.7)	**(6.9)**	6.0
International Developmental Licensed Markets & Corporate	3.7	(19.4)	**(4.3)**	6.0
Total	7.2%	(22.2)%	**(3.4)%**	5.4%

- **Comparable Sales:** The Company delivered strong global comparable sales results for the two months ended February 2020, with all segments benefiting from Leap Day. Globally, sales results began to markedly decline during the second half of March due to COVID-19, which caused significant restaurant closures and "shelter-in-place" guidance. The sales trends from the second half of March have continued into April, and are expected to continue while these restrictions are in place.
    - **U.S. and International Operated Markets:** Comparable sales results for the two months ended February 2020 reflected balanced growth in average check and guest counts. The comparable sales decline in the International Operated Markets segment for both the month of March and the quarter were primarily driven by temporary restaurant closures in France, the United Kingdom and Italy.
    - **International Developmental Licensed Markets:** Comparable sales results for the quarter were primarily impacted by China, which had approximately 25% of restaurants fully closed in early February, at the peak of the Company’s closures in that market.

Systemwide Sales and Franchised Sales

The following table presents the percent change in Systemwide sales for the quarter ended March 31, 2020:

SYSTEMWIDE SALES*

Quarter Ended March 31, 2020	Inc/ (Dec)	Inc/ (Dec) Excluding Currency Translation
U.S.	0 %	0 %
International Operated Markets	(8)	(5)
International Developmental Licensed Markets & Corporate	(4)	(1)
Total	(4)%	(2)%

* 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 March 31,	**2020**	2019	Inc/ (Dec)	Inc/ (Dec) Excluding Currency Translation
U.S.	**$ 8,873.7**	$ 8,850.4	0 %	0 %
International Operated Markets	**6,192.7**	6,664.8	(7)	(4)
International Developmental Licensed Markets & Corporate	**5,447.0**	5,695.3	(4)	(1)
Total	**$ 20,513.4**	$ 21,210.5	(3)%	(2)%
Ownership type				
Conventional franchised	**$ 14,986.4**	$ 15,466.0	(3)%	(2)%
Developmental licensed	**3,228.0**	3,322.8	(3)	2
Foreign affiliated	**2,299.0**	2,421.7	(5)	(5)
Total	**$ 20,513.4**	$ 21,210.5	(3)%	(2)%

Restaurant Margins

FRANCHISED AND COMPANY-OPERATED RESTAURANT MARGINS
Dollars in millions

Quarters Ended March 31,	Amount 2020	2019	Inc/ (Dec)	Inc/ (Dec) Excluding Currency Translation
Franchised				
U.S.	**$ 961.3**	$ 979.7	(2)%	(2)%
International Operated Markets	**815.3**	919.0	(11)	(9)
International Developmental Licensed Markets & Corporate	**277.2**	283.3	(2)	1
Total	**$2,053.8**	$2,182.0	(6)%	(4)%
Company-operated				
U.S.	**$ 80.5**	$ 83.3	(3)%	(3)%
International Operated Markets	**197.7**	269.0	(26)	(25)
International Developmental Licensed Markets & Corporate	**n/m**	n/m	n/m	n/m
Total	**$ 273.0**	$ 354.3	(23)%	(22)%
Total restaurant margins				
U.S.	**$1,041.8**	$1,063.0	(2)%	(2)%
International Operated Markets	**1,013.0**	1,188.0	(15)	(12)
International Developmental Licensed Markets & Corporate	**n/m**	n/m	n/m	n/m
Total	**$2,326.8**	$2,536.3	(8)%	(7)%

n/m Not meaningful

- Due to the nature of our operating model, franchised margin expenses (primarily comprised of lease expense and depreciation expense) are mainly fixed, whereas Company-operated restaurant expenses have more variable cost components. Total restaurant margin dollars included $350.8 million of depreciation and amortization expense for the quarter.
- For the two months ended February 2020, total restaurant margin dollars increased $142.5 million or 9% (10% in constant currencies) as a result of the strong sales performance at the beginning of the year. For the month of March, total restaurant margin dollars decreased $352.0 million or 37% (35% in constant currencies), primarily due to the global decline in sales results, markedly beginning during the second half of March. Approximately two-thirds of this decrease was in the International Operated Markets segment due to the significant number of restaurants temporarily closed during the month.
- Total restaurant margin dollars decreased $209.5 million or 8% (7% in constant currencies) for the quarter. The franchised margin dollar decrease also reflected higher depreciation costs related to investments in Experience of the Future in the U.S

Selling, General & Administrative Expenses

- Selling, general and administrative expenses increased $90.7 million or 18% (19% in constant currencies) for the quarter. These results reflected $40 million of costs related to the cancellation of the 2020 Worldwide Owner/Operator Convention; approximately $20 million of incremental costs related to contractual obligations as a result of a reduction in scope of certain investments in restaurant technology and research & development; and Dynamic Yield costs which were not included in the first quarter 2019.
- Selling, general and administrative expenses as a percent of Systemwide sales was 2.6% and 2.1% for the quarters ended 2020 and 2019, respectively.

Other Operating (Income) Expense, Net

OTHER OPERATING (INCOME) EXPENSE, NET
Dollars in millions

Quarters Ended March 31,	2020	2019
Gains on sales of restaurant businesses	**$ (2.5)**	$ (29.1)
Equity in earnings of unconsolidated affiliates	**(14.7)**	(35.1)
Asset dispositions and other (income) expense, net	**74.4**	22.3
Impairment and other charges, net	**1.3**	0.3
Total	**$ 58.5**	$ (41.6)

- Gains on sales of restaurant businesses decreased for the quarter primarily due to fewer restaurant sales in the U.S.
- Equity in earnings of unconsolidated affiliates declined for the quarter primarily due to China as a result of COVID-19.
- Asset dispositions and other expense, net increased for the quarter primarily due to increases in reserves for bad debts and litigation settlements.
- Impairment and other charges, net for the quarter reflected $14.4 million of costs related to the write-off of software no longer being used, mostly offset by $13.0 million of income primarily comprised of a reversal of a reserve associated with the Company's sale of its business in the India Delhi market in January 2020.

Operating Income

OPERATING INCOME
Dollars in millions

Quarters Ended March 31,	2020	2019	Inc/ (Dec)	Inc/ (Dec) Excluding Currency Translation
U.S.	**$ 892.4**	$ 951.9	(6)%	(6)%
International Operated Markets	**879.1**	1,048.0	(16)	(14)
International Developmental Licensed Markets & Corporate	**(77.9)**	94.1	n/m	n/m
Total	**$1,693.6**	$ 2,094.0	(19)%	(17)%
Operating margin	**35.9%**	41.7%		

n/m Not meaningful

- ***Operating Income:*** Operating income decreased $400.4 million or 19% (17% in constant currencies) for the quarter, which primarily reflected sales performance declines as a result of COVID-19.
  - ***U.S.:*** The operating income decrease for the quarter also reflected lower gains on sales of restaurant businesses and an increase in a reserve for a litigation settlement.
  - ***International Developmental Licensed Markets & Corporate:*** The operating income decrease for the quarter was also affected by higher G&A spend and additional reserves for bad debts.
- ***Operating Margin:*** Operating margin is defined as operating income as a percent of total revenues. The contributions to operating margin differ by segment due to each segment's ownership structure, primarily due to the relative percentage of franchised versus Company-operated restaurants. Additionally, the number of temporary restaurant closures, which vary by segment, as a result of COVID-19, will also impact the contribution of each segment to the consolidated operating margin.

  Operating margin was 35.9% and 41.7% for the quarters ended 2020 and 2019, respectively. The decrease in operating margin percent was driven by a decline in sales performance, higher other operating expenses and higher G&A spend.

Interest Expense

- Interest expense increased 2% (3% in constant currencies) for the quarter, reflecting higher average debt balances, partly offset by a decrease in the amount of Euro denominated deposits incurring interest expense as a result of the Company's cash management strategies.
- Based on current interest and foreign currency exchange rates, the Company expects interest expense for the full year 2020 to increase about 10% to 12% due primarily to higher average debt balances as a result of additional debt issuances in response to COVID-19.

Nonoperating (Income) Expense, Net

NONOPERATING (INCOME) EXPENSE, NET
Dollars in millions

Quarters Ended March 31,	2020	2019
Interest income	**$ (5.4)**	$ (10.0)
Foreign currency and hedging activity	**(17.8)**	(9.3)
Other expense, net	**(8.1)**	7.9
Total	**$ (31.3)**	$ (11.4)

Income Taxes

- The effective income tax rate was 23.4% and 27.5% for the quarters ended 2020 and 2019, respectively.
- Results in 2019 included $47 million of additional income tax costs due to regulations issued in January 2019 related to the Tax Act.

Cash Flows and Liquidity

The Company has a long history of generating 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. As our operations have been impacted due to COVID-19, we have taken actions to preserve financial flexibility for the future.

Cash provided by operations totaled $1.5 billion and exceeded capital expenditures by $1.1 billion for the first quarter 2020. Cash provided by operations decreased $474.6 million compared with the first quarter 2019, primarily due to changes in working capital and the reduction in operating earnings due to COVID-19. The Company expects to defer collection of over $1 billion of rents and royalties earned from franchisees during the first and second quarters of 2020. The Company's cash provided by operations in the second quarter will be significantly impacted by these deferrals, and the Company's free cash flow may be negative until collections on these deferrals begin, which is expected in the third and fourth quarters of 2020.

Cash used for investing activities totaled $518.4 million for the first quarter 2020, a decrease of $252.9 million compared with the first quarter 2019. The decrease was primarily due to other investing activity as a result of a strategic acquisition of a real estate entity in the first quarter 2019. The Company expects to reduce planned capital expenditures by approximately $1 billion from our original plan of $2.4 billion for 2020.

Cash provided by financing activities totaled $3.5 billion for the first quarter 2020, an increase of $3.3 billion compared with the first quarter 2019. The increase is primarily due to long-term debt issuances of $5.5 billion. The Company also suspended its share repurchase program in early March 2020.

Debt obligations at March 31, 2020 totaled $39.2 billion compared with $34.2 billion at December 31, 2019. During the first quarter, the Company secured $6.5 billion of new financing, including a total principal amount of $5.5 billion of debt issuances at various maturities and a new $1 billion line of credit that was drawn upon immediately. The Company also has $3.5 billion available under a committed line of credit, which has not been drawn upon, as well as continuing authority to issue commercial paper in the U.S. and global markets.

Financing and Market Risk

Debt obligations at March 31, 2020 totaled $39.2 billion, compared with $34.2 billion at December 31, 2019. The net increase in 2020 was primarily due to net long-term debt issuances with a principal amount of $5.5 billion, which were used to bolster our cash position in anticipation of the adverse macroeconomic and business conditions associated with COVID-19.

In connection with the increased funding activity during the quarter, both Moody’s and Standard & Poor's ("S&P") affirmed our Baa1/BBB+ credit ratings, although S&P put McDonald’s on negative outlook. There are no provisions in the Company’s debt obligations that would accelerate repayment of debt as a result of a change in credit ratings or a material adverse change in the Company’s business, and the Company continues to believe that Baa1/BBB+ ratings provide the optimal long-term cost of capital for shareholders.

In December 2019, the Company's Board of Directors authorized $15 billion of borrowing capacity with no specified expiration date, of which $9.5 billion remains outstanding as of March 31, 2020. These borrowings may include (i) public or private offering of debt securities; (ii) direct borrowing from banks or other financial institutions; and (iii) other forms of indebtedness.

In addition to the $15 billion authorized above, in April 2020 the Company’s Board of Directors provided additional authorization to issue commercial paper and draws on lines of credit agreements up to $8 billion, of which $7 billion remains available to be borrowed.

Recent Accounting Pronouncements

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

Risk Factors and Cautionary Statement Regarding Forward-Looking Statements

The information in this report includes forward-looking statements about future events and circumstances and their effects upon revenues, expenses and business opportunities. Generally speaking, any statement in this report not based upon historical fact is a forward-looking statement. Forward-looking statements can also be identified by the use of forward-looking words, such as "could," “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 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 risks, 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.

The COVID-19 pandemic has adversely affected and could continue to adversely affect our financial results, condition and outlook.

Health epidemics or pandemics 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 financial results, condition and outlook. Importantly, the global pandemic resulting from the outbreak of COVID-19 has disrupted global health, economic and market conditions, consumer behavior and McDonald’s global restaurant operations beginning in early 2020. Local and national governmental mandates or recommendations and public perceptions of the risks associated with the COVID-19 pandemic have caused, and may continue to cause, consumer behavior to change and worsening economic conditions, which could continue to adversely affect our business. In addition, our global operations have been and may continue to be disrupted to varying degrees (from limited operations including Drive-thru, Delivery and/or Take-away operations, sometimes with limited hours, menus and/or capacity, to full restaurant closures in some markets). While we cannot predict the duration or scope of the COVID-19 pandemic, it has negatively impacted our business and such impact could be material to our financial results, condition and outlook.

The COVID-19 pandemic may also have the effect of heightening other risks disclosed in these Risk Factors, such as, but not limited to, those related to consumer behavior, consumer perceptions of our brand, supply chain interruptions and labor availability and cost.

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;
- Integrate and augment our technology and digital initiatives, including mobile ordering and delivery;
- 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, create efficiencies through innovative use of technology and complete Experience of the Future (“EOTF”), particularly in the U.S.;
- Accelerate our existing strategies, including through growth opportunities, acquisitions, investments and partnerships; and
- Evolve and adjust our business strategies in response to, among other things, changing consumer behavior, operational restrictions and impacts to our results of operations and liquidity as a result of the COVID-19 pandemic.

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 offer and 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 and behaviors in the "informal eating out" ("IEO") segment. If we are not able to predict, or quickly and effectively respond to, these changes, or our competitors predict or 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, marketing plans, 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, including digital marketing, allows us to reach our customers effectively and efficiently, and in ways that are meaningful to them. 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, environmental 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 or perceptions, 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. We are working to manage any risks and costs to us, our franchisees and our supply chain of any effects of climate change, greenhouse gases, and diminishing energy and water resources. These risks include any 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 any 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 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 a contracting IEO segment or 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, manage our investments in technology and modernization, 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, pandemics 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 continuity disruption planning, 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 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. In particular, our franchisees have also been significantly impacted by the COVID-19 pandemic, and the Company has granted the deferral of cash collection for certain rent and royalties earned from franchisees in substantially all markets. The length and terms of such deferrals will vary by market. If franchisee sales trends continue to worsen, our financial results will continue to be negatively affected, which may be material.

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. The Board named Christopher Kempczinski as President and Chief Executive Officer and named Joseph Erlinger as President, McDonald's USA, effective as of November 1, 2019. In addition, on December 6, 2019, the Board named Ian Borden as President, International, effective that same day. Failure to effectively identify, develop and retain key personnel, recruit high-quality candidates and ensure smooth management and personnel transitions, including the recent leadership 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, as well as costs to promote awareness of the opportunities of working at McDonald's 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 or cause reputational harm.

We are increasingly reliant upon technology systems, such as point-of-sale, technologies supporting McDonald's digital and delivery solutions, and technologies that facilitate communication and collaboration with affiliated entities, customers, employees, franchisees, suppliers, service providers or other independent third parties to conduct our business, whether developed and maintained by us or provided by third parties. Any failure or interruption of these systems could significantly impact our franchisees' operations, or our customers' experience and perceptions. Additionally, we provide certain technology systems to businesses that are unaffiliated with the McDonald's System and a failure, interruption or breach of these systems may cause harm to those unaffiliated parties, which may result in liability to the Company or reputational harm.

Despite the implementation of security measures, those technology systems could become vulnerable to damage, disability or failures due to theft, fire, power loss, telecommunications failure or other catastrophic events. Certain technology systems may also become vulnerable, unreliable or inefficient in cases where technology vendors limit or terminate product support and maintenance. 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 or our franchisees' 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, phishing attacks, account takeovers, denial of service, computer viruses, introduction of malware or ransomware and other disruptive problems caused by hackers. Our technology systems contain personal, financial and other information that is entrusted to us by our customers, our employees, our franchisees, our business customers 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.

If we fail to comply with privacy and data collection laws, we could be subject to penalties, which could negatively affect our financial results or brand perceptions.

We are subject to legal and compliance risks and associated liability related to 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. We are also subject to U.S. federal and state and foreign laws and regulations in this area. These regulations have been subject to frequent change, and there may be markets or jurisdictions that propose or enact new or emerging data privacy requirements in the future. Failure to meet GDPR or other data privacy requirements could result in substantial penalties and materially adversely impact our financial results or brand perceptions.

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. Trade policies, tariffs and other regulations affecting trade between the U.S. and other countries could adversely affect our business and operations. These and other government actions 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 actions.

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 and the ongoing transition period, it is possible that there will be increased regulatory complexities and uncertainty in European or worldwide economic conditions. The decision created volatility in certain foreign currency exchange rates that may or may not continue, and may result in increased supply chain costs for items that are imported from other countries. 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 and legal complexity may adversely affect our business and financial results.

Our regulatory and legal environment worldwide exposes us to complex compliance, litigation and similar risks that could affect our operations and results in material ways. Many of our markets are subject to increasing, conflicting and highly prescriptive regulations involving, among other matters, product packaging, marketing, the nutritional and allergen 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. Our success depends in part on our ability to manage the impact of regulations that can affect our business plans and operations, and have increased our costs of doing business and exposure to litigation, governmental investigations or other proceedings.

We are also 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, supplier related disputes, and claims by current or former franchisees. Regardless of whether 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.

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.

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; and
- 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.

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. If we are unable to effectively manage the risks associated with our complex regulatory and legal environment, it could have a material adverse effect on our business and financial condition.

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. It may be costly and time consuming to protect our intellectual property, and 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 the 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, trade 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, including through acquisitions, 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, any shifting climate patterns or terrorist activities (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

An update to the disclosure made in our Annual Report on Form 10-K for the year ended December 31, 2019 regarding this matter has been included within Part I, Item 2, page 24 of this Form 10-Q.

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 that term is defined in Rules 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934 (the "Exchange Act")) as of March 31, 2020. Based on that evaluation, the CEO and CFO concluded that the Company’s disclosure controls and procedures were effective as of such date to provide reasonable assurances that information required to be disclosed by the Company in the reports filed or submitted under the Exchange Act, is recorded, processed, summarized and reported within the time periods specified in Securities and Exchange Commission rules and forms, and is accumulated and communicated to the Company's management, including the CEO and CFO, as appropriate to allow timely decisions regarding required disclosure.

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 March 31, 2020 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, 2019 regarding these matters.

Item 1A. Risk Factors

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

Item 2. Unregistered Sales of Equity Securities and Use of Proceeds

Issuer Purchases of Equity Securities*

The following table presents information related to repurchases of common stock the Company made during the quarter ended March 31, 2020:

Period	Total Number of Shares Purchased	Average Price Paid per Share	Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs (1)	Approximate Dollar Value of Shares that May Yet Be Purchased Under the Plans or Programs (1)
January 1-31, 2020	1,493,033	$ 208.46	1,493,033	$ 14,688,763,663
February 1-29, 2020	1,583,136	209.91	1,583,136	14,356,453,572
March 1-31, 2020	1,169,542	192.69	1,169,542	14,131,091,305
Total	4,245,711	$ 204.66	4,245,711	

* 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 December 31, 2019, the Company's Board of Directors approved a share repurchase program, effective January 1, 2020, that authorized the purchase of up to $15 billion of the Company's outstanding common stock with no specified expiration date. In early March 2020, the Company voluntarily suspended the share repurchase program.

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 December 6, 2019, incorporated herein by reference from Exhibit 3 of Form 8-K (File No. 001-05231), filed December 10, 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)	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.**
	(j)	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. **

(k) 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. **

(l) 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. **

(m) 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.**

(n) 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.**

(o) 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.**

(p) 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.**

(q) Separation Agreement and General Release between Stephen Easterbrook and the Company, dated October 31, 2019, incorporated herein by reference from Exhibit 10.1 of Form 8-K (File No. 001-05231), filed November 4, 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.

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* 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: May 7, 2020

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: May 7, 2020

/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: May 7, 2020

/s/ Kevin M. Ozan

Kevin M. Ozan

Corporate Executive Vice President and
Chief Financial Officer

Exhibit 32.1

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

Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 (subsections (a) and (b) of Section 1350, Chapter 63 of Title 18, United States Code), the undersigned officer of McDonald's Corporation (the "Company"), does hereby certify, to such officer's knowledge, that the Quarterly Report on Form 10-Q for the quarter ended March 31, 2020 of the Company fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934 and information contained in the Form 10-Q fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: May 7, 2020

/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 March 31, 2020 of the Company fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934 and information contained in the Form 10-Q fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: May 7, 2020

/s/ Kevin M. Ozan

Kevin M. Ozan

Corporate Executive Vice President and
Chief Financial Officer