

**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, 2023**

OR

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

Commission File Number 1-5231

**McDONALD'S CORPORATION**

(Exact Name of Registrant as Specified in Its Charter)

**Delaware**

(State or Other Jurisdiction of  
Incorporation or Organization)

**110 North Carpenter Street  
Chicago, Illinois**

(Address of Principal Executive Offices)

**36-2361282**

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

**60607**

(Zip Code)

**(630) 623-3000**

(Registrant's Telephone Number, Including Area Code)

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

<b>Title of each class</b>	<b>Trading Symbol(s)</b>	<b>Name of each exchange on which registered</b>
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	<input checked="" type="checkbox"/>	Accelerated Filer	<input type="checkbox"/>
Non-accelerated Filer	<input type="checkbox"/>	Smaller Reporting Company	<input type="checkbox"/>
Emerging Growth Company	<input type="checkbox"/>		

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

**730,093,896**

(Number of shares of common stock  
outstanding as of March 31, 2023)

McDONALD'S CORPORATION

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## PART I – FINANCIAL INFORMATION

## Item 1. Financial Statements

**CONDENSED CONSOLIDATED BALANCE SHEET**

<b>In millions, except per share data</b>	<b>(unaudited)</b>	
	<b>March 31, 2023</b>	<b>December 31, 2022</b>
<b>Assets</b>		
<b>Current assets</b>		
Cash and equivalents	\$ 3,708.1	\$ 2,583.8
Accounts and notes receivable	2,075.5	2,115.0
Inventories, at cost, not in excess of market	51.5	52.0
Prepaid expenses and other current assets	963.6	673.4
<b>Total current assets</b>	<b>6,798.7</b>	<b>5,424.2</b>
<b>Other assets</b>		
Investments in and advances to affiliates	1,087.6	1,064.5
Goodwill	2,930.6	2,900.4
Miscellaneous	4,794.8	4,707.2
<b>Total other assets</b>	<b>8,813.0</b>	<b>8,672.1</b>
<b>Lease right-of-use asset, net</b>	<b>12,544.2</b>	<b>12,565.7</b>
<b>Property and equipment</b>		
Property and equipment, at cost	41,487.1	41,037.6
Accumulated depreciation and amortization	(17,628.6)	(17,264.0)
<b>Net property and equipment</b>	<b>23,858.5</b>	<b>23,773.6</b>
<b>Total assets</b>	<b>\$ 52,014.4</b>	<b>\$ 50,435.6</b>
<b>Liabilities and shareholders' equity</b>		
<b>Current liabilities</b>		
Short-term borrowings and current maturities of long-term debt	\$ 524.2	\$ —
Accounts payable	811.8	980.2
Lease liability	668.7	661.1
Income taxes	795.8	274.9
Other taxes	273.0	255.1
Accrued interest	364.6	393.4
Accrued payroll and other liabilities	1,186.6	1,237.4
<b>Total current liabilities</b>	<b>4,624.7</b>	<b>3,802.1</b>
<b>Long-term debt</b>	<b>36,603.7</b>	<b>35,903.5</b>
<b>Long-term lease liability</b>	<b>12,122.6</b>	<b>12,134.4</b>
<b>Long-term income taxes</b>	<b>737.1</b>	<b>791.9</b>
<b>Deferred revenues - initial franchise fees</b>	<b>760.5</b>	<b>757.8</b>
<b>Other long-term liabilities</b>	<b>1,059.4</b>	<b>1,051.8</b>
<b>Deferred income taxes</b>	<b>1,882.5</b>	<b>1,997.5</b>
<b>Shareholders' equity (deficit)</b>		
Preferred stock, no par value; authorized – 165.0 million shares; issued – none	—	—
Common stock, \$0.01 par value; authorized – 3.5 billion shares; issued – 1,660.6 million shares	16.6	16.6
Additional paid-in capital	8,635.5	8,547.1
Retained earnings	60,235.0	59,543.9
Accumulated other comprehensive income (loss)	(2,489.4)	(2,486.6)
Common stock in treasury, at cost; 930.5 and 929.3 million shares	(72,173.8)	(71,624.4)
<b>Total shareholders' equity (deficit)</b>	<b>(5,776.1)</b>	<b>(6,003.4)</b>
<b>Total liabilities and shareholders' equity (deficit)</b>	<b>\$ 52,014.4</b>	<b>\$ 50,435.6</b>

See Notes to condensed consolidated financial statements.

**CONDENSED CONSOLIDATED STATEMENT OF INCOME (UNAUDITED)**

<b>In millions, except per share data</b>	<b>Quarters Ended</b>	
	<b>2023</b>	<b>March 31,</b>
		<b>2022</b>
<b>Revenues</b>		
Sales by Company-operated restaurants	\$ 2,224.3	\$ 2,302.4
Revenues from franchised restaurants	3,587.5	3,262.8
Other revenues	86.0	100.4
<b>Total revenues</b>	<b>5,897.8</b>	<b>5,665.6</b>
<b>Operating costs and expenses</b>		
Company-operated restaurant expenses	1,923.1	1,959.2
Franchised restaurants-occupancy expenses	598.3	584.0
Other restaurant expenses	62.8	72.3
Selling, general & administrative expenses		
Depreciation and amortization	99.3	92.7
Other	553.3	584.3
Other operating (income) expense, net	128.6	60.5
<b>Total operating costs and expenses</b>	<b>3,365.4</b>	<b>3,353.0</b>
<b>Operating income</b>	<b>2,532.4</b>	<b>2,312.6</b>
Interest expense	329.7	287.3
Nonoperating (income) expense, net	(64.3)	484.1
<b>Income before provision for income taxes</b>	<b>2,267.0</b>	<b>1,541.2</b>
Provision for income taxes	464.7	436.8
<b>Net income</b>	<b>\$ 1,802.3</b>	<b>\$ 1,104.4</b>
<b>Earnings per common share-basic</b>	<b>\$ 2.47</b>	<b>\$ 1.49</b>
<b>Earnings per common share-diluted</b>	<b>\$ 2.45</b>	<b>\$ 1.48</b>
<b>Dividends declared per common share</b>	<b>\$ 1.52</b>	<b>\$ 1.38</b>
<b>Weighted-average shares outstanding-basic</b>	<b>730.9</b>	<b>742.6</b>
<b>Weighted-average shares outstanding-diluted</b>	<b>735.5</b>	<b>747.6</b>

See Notes to condensed consolidated financial statements.

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**CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME (UNAUDITED)**


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<b>In millions</b>	<b>Quarters Ended</b>	
	<b>2023</b>	<b>March 31, 2022</b>
Net income	\$ 1,802.3	\$ 1,104.4
Other comprehensive income (loss), net of tax		
<b>Foreign currency translation adjustments:</b>		
Gain (loss) recognized in accumulated other comprehensive income ("AOCI"), including net investment hedges	15.0	(84.2)
Reclassification of (gain) loss to net income	—	—
<b>Foreign currency translation adjustments-net of tax benefit (expense) of \$35.6 and \$(59.0)</b>	<b>15.0</b>	<b>(84.2)</b>
<b>Cash flow hedges:</b>		
Gain (loss) recognized in AOCI	(8.5)	27.4
Reclassification of (gain) loss to net income	(8.2)	(10.1)
<b>Cash flow hedges-net of tax benefit (expense) of \$4.5 and \$(5.0)</b>	<b>(16.7)</b>	<b>17.3</b>
<b>Defined benefit pension plans:</b>		
Gain (loss) recognized in AOCI	8.4	0.1
Reclassification of (gain) loss to net income	(9.5)	(1.4)
<b>Defined benefit pension plans-net of tax benefit (expense) of \$1.1 and \$0.0</b>	<b>(1.1)</b>	<b>(1.3)</b>
Total other comprehensive income (loss), net of tax	(2.8)	(68.2)
<b>Comprehensive income</b>	<b>\$ 1,799.5</b>	<b>\$ 1,036.2</b>

See Notes to condensed consolidated financial statements.

**CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS (UNAUDITED)**

<b>In millions</b>	<b>Quarters Ended</b>	
	<b>2023</b>	<b>March 31,</b> <b>2022</b>
<b>Operating activities</b>		
Net income	\$ 1,802.3	\$ 1,104.4
Adjustments to reconcile to cash provided by operations		
Charges and credits:		
Depreciation and amortization	490.5	479.7
Deferred income taxes	(86.1)	(50.5)
Share-based compensation	49.7	54.3
Other	(30.8)	72.0
Changes in working capital items	195.1	473.4
<b>Cash provided by operations</b>	<b>2,420.7</b>	<b>2,133.3</b>
<b>Investing activities</b>		
Capital expenditures	(503.3)	(401.2)
Purchases of restaurant businesses	(97.6)	(86.7)
Sales of restaurant businesses	20.8	16.5
Sales of property	18.0	4.9
Other	(179.2)	(88.0)
<b>Cash used for investing activities</b>	<b>(741.3)</b>	<b>(554.5)</b>
<b>Financing activities</b>		
Net short-term borrowings	12.8	6.0
Long-term financing issuances	1,054.3	—
Long-term financing repayments	—	(1,350.6)
Treasury stock purchases	(578.4)	(1,506.5)
Common stock dividends	(1,111.2)	(1,025.1)
Proceeds from stock option exercises	73.8	58.7
Other	(9.7)	(12.6)
<b>Cash used for financing activities</b>	<b>(558.4)</b>	<b>(3,830.1)</b>
<b>Effect of exchange rates on cash and cash equivalents</b>	<b>3.3</b>	<b>(122.2)</b>
Cash and equivalents increase (decrease)	1,124.3	(2,373.5)
Cash and equivalents at beginning of period	2,583.8	4,709.2
<b>Cash and equivalents at end of period</b>	<b>\$ 3,708.1</b>	<b>\$ 2,335.7</b>

See Notes to condensed consolidated financial statements.

**CONDENSED CONSOLIDATED STATEMENT OF SHAREHOLDERS' EQUITY (UNAUDITED)****For the quarter ended March 31, 2022**

<i>In millions, except per share data</i>	<i>Common stock issued</i>		<i>Additional paid-in capital</i>	<i>Retained earnings</i>	<i>Accumulated other comprehensive income (loss)</i>			<i>Common stock in treasury</i>		<i>Total shareholders' equity (deficit)</i>
	<i>Shares</i>	<i>Amount</i>			<i>Pensions</i>	<i>Cash flow hedges</i>	<i>Foreign currency translation</i>	<i>Shares</i>	<i>Amount</i>	
Balance at December 31, 2021	1,660.6	\$ 16.6	\$ 8,231.6	\$ 57,534.7	\$ (179.5)	\$ (24.8)	\$ (2,369.4)	(915.8)	\$ (67,810.2)	\$ (4,601.0)
Net income				1,104.4						1,104.4
Other comprehensive income (loss), net of tax					(1.3)	17.3	(84.2)			(68.2)
Comprehensive income										1,036.2
Common stock cash dividends (\$1.38 per share)				(1,025.1)						(1,025.1)
Treasury stock purchases								(6.1)	(1,506.5)	(1,506.5)
Share-based compensation			54.3							54.3
Stock option exercises and other			21.2					0.8	30.1	51.3
Balance at March 31, 2022	1,660.6	\$ 16.6	\$ 8,307.1	\$ 57,614.0	\$ (180.8)	\$ (7.5)	\$ (2,453.6)	(921.1)	\$ (69,286.6)	\$ (5,990.8)

**For the quarter ended March 31, 2023**

<i>In millions, except per share data</i>	<i>Common stock issued</i>		<i>Additional paid-in capital</i>	<i>Retained earnings</i>	<i>Accumulated other comprehensive income (loss)</i>			<i>Common stock in treasury</i>		<i>Total shareholders' equity (deficit)</i>
	<i>Shares</i>	<i>Amount</i>			<i>Pensions</i>	<i>Cash flow hedges</i>	<i>Foreign currency translation</i>	<i>Shares</i>	<i>Amount</i>	
Balance at December 31, 2022	1,660.6	\$ 16.6	\$ 8,547.1	\$ 59,543.9	\$ (298.2)	\$ 30.7	\$ (2,219.1)	(929.3)	\$ (71,624.4)	\$ (6,003.4)
Net income				1,802.3						1,802.3
Other comprehensive income (loss), net of tax					(1.1)	(16.7)	15.0			(2.8)
Comprehensive income										1,799.5
Common stock cash dividends (\$1.52 per share)				(1,111.2)						(1,111.2)
Treasury stock purchases								(2.2)	(584.5)	(584.5)
Share-based compensation			49.7							49.7
Stock option exercises and other			38.7					1.0	35.1	73.8
Balance at March 31, 2023	1,660.6	\$ 16.6	\$ 8,635.5	\$ 60,235.0	\$ (299.3)	\$ 14.0	\$ (2,204.1)	(930.5)	\$ (72,173.8)	\$ (5,776.1)

See Notes to condensed consolidated financial statements.

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**NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)**


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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, 2022 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, 2023 do not necessarily indicate the results that may be expected for the full year.

**Restaurant Information**

The following table presents restaurant information by ownership type:

<b>Restaurants at March 31,</b>	<b>2023</b>	<b>2022</b>
Conventional franchised	21,701	21,558
Developmental licensed	8,289	7,981
Foreign affiliated	8,427	8,013
Total Franchised	38,417	37,552
Company-operated	2,118	2,792
Total Systemwide restaurants	40,535	40,344

Restaurant information reflects the sale of over 850 restaurants in conjunction with the exit of our business in Russia in the second quarter of 2022, most of which were Company-operated.

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 accompanying condensed consolidated financial statements for the periods prior to purchase and sale.

**Per Common Share Information**

Diluted earnings per common share is calculated as net income divided by diluted weighted-average shares. Diluted weighted-average shares include weighted-average shares outstanding plus the dilutive effect of share-based compensation, calculated using the treasury stock method, of 4.6 million shares and 5.0 million shares for the quarters 2023 and 2022, respectively. Share-based compensation awards that would have been antidilutive, and therefore were not included in the calculation of diluted weighted-average shares, totaled 2.3 million shares and 1.7 million shares for the quarters 2023 and 2022, respectively.

**Recent Accounting Pronouncements**
***Recently Adopted Accounting Pronouncements***

There have been no recent accounting pronouncements or changes in accounting pronouncements during the three months ended March 31, 2023 that are of significance or potential significance to the Company.



### ***Accelerating the Organization***

In January 2023, the Company announced an evolution of its successful *Accelerating the Arches* strategy. Enhancements to the strategy include the addition of Restaurant Development to the Company's growth pillars and an internal effort to modernize ways of working, *Accelerating the Organization*, both of which are aimed at elevating the Company's performance. *Accelerating the Organization* is designed to unlock further growth as the Company modernizes the way it works by focusing on becoming faster, more innovative and more efficient at solving problems for its customers and people.

The Company expects to incur between \$200 million and \$250 million of expenses related to this strategic initiative in 2023, of which \$180 million was incurred in the three months ended March 31, 2023. These expenses were recorded in the Other operating (income) expense, net line within the consolidated statement of income. Restructuring expenses primarily consist of employee termination benefits, costs to terminate contracts, including lease terminations, and professional services and other costs. Professional services and other costs primarily relate to expenses incurred for legal and consulting activities. There were no significant non-cash impairment charges included in the amounts listed in the table below.

The following table summarizes the balance of accrued expenses related to this strategic initiative (in millions):

	<b>Employee Termination Benefits</b>	<b>Costs to Terminate Contracts</b>	<b>Other Related Costs</b>	<b>Total</b>
<b>2023</b>				
Beginning Balance	\$ —	\$ —	\$ —	\$ —
Restructuring Costs Incurred	110.3	26.9	43.3	180.5
Cash Payments	(1.5)	(1.4)	(0.3)	(3.2)
Other Non-Cash Items	—	—	(14.1)	(14.1)
Accrued Balance at End of Period	\$ 108.8	\$ 25.5	\$ 28.9	\$ 163.2

Of the \$180 million of restructuring costs incurred in the three months ended March 31, 2023, \$58 million was recorded in the U.S., \$71 million was recorded in the International Operated Markets segment and \$51 million was recorded in the International Developmental Licensed Markets & Corporate segment, the majority of which was recorded at Corporate.

Substantially all of the accrued restructuring balance recorded at March 31, 2023, related to the Company's *Accelerating the Organization* initiative, is expected to be paid out by the end of 2023.

As part of *Accelerating the Organization*, the Company is also in the initial stages of developing a strategy that will utilize an enterprise-wide Global Business Services model to deliver business services at scale with greater efficiency. Additional costs will be incurred as the strategy progresses; however, at this point in time these future costs cannot be estimated. The expectation is that the Company will complete the majority of its Global Business Services strategy by the end of 2027.

### **Income Taxes**

The effective income tax rate was 20.5% and 28.3% for the quarters ended March 31, 2023 and 2022, respectively. The tax rate for the quarter ended March 31, 2022 was impacted by the non-deductibility for tax purposes of \$500 million of nonoperating expense related to a tax audit in France. Excluding the impacts of the \$500 million of nonoperating expense, current year restructuring charges related to *Accelerating the Organization* and prior year charges, primarily related to Russia, the effective income tax rate was 20.9% and 21.3% for the quarters ended March 31, 2023 and 2022, respectively.

### **Fair Value Measurements**

The Company measures certain financial assets and liabilities at fair value. Fair value disclosures are reflected in a three-level hierarchy, maximizing the use of observable inputs and minimizing the use of unobservable inputs. There were no significant changes to the valuation techniques used to measure fair value as described in the Company's December 31, 2022 Annual Report on Form 10-K.

At March 31, 2023, the fair value of the Company's debt obligations was estimated at \$35.6 billion, compared to a carrying amount of \$37.1 billion. The fair value of debt obligations is based upon quoted market prices, classified as Level 2 within the valuation hierarchy. The carrying amount of cash and equivalents and notes receivable approximate fair value.

## Financial Instruments and Hedging Activities

The Company is exposed to global market risks, including the effect of changes in 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:

<i>In millions</i>	Balance Sheet Classification	Derivative Assets		Derivative Liabilities	
		March 31, 2023	December 31, 2022	March 31, 2023	December 31, 2022
<b>Derivatives designated as hedging instruments</b>					
Foreign currency	Prepaid expenses and other current assets	\$ 39.9	\$ 53.3	Accrued payroll and other liabilities	\$ (23.0) \$ (17.9)
Interest rate	Prepaid expenses and other current assets	—	—	Accrued payroll and other liabilities	(1.5) —
Foreign currency	Miscellaneous other assets	32.3	28.7	Other long-term liabilities	(27.6) (30.7)
Interest rate	Miscellaneous other assets	—	—	Other long-term liabilities	(79.0) (91.5)
Total derivatives designated as hedging instruments		\$ 72.2	\$ 82.0		\$ (131.1) \$ (140.1)
<b>Derivatives not designated as hedging instruments</b>					
Equity	Prepaid expenses and other current assets	\$ 219.3	\$ 200.5	Accrued payroll and other liabilities	\$ (0.1) \$ (1.6)
Foreign currency	Prepaid expenses and other current assets	0.6	—	Accrued payroll and other liabilities	— —
Equity	Miscellaneous other assets	—	—		
Total derivatives not designated as hedging instruments		\$ 219.9	\$ 200.5		\$ (0.1) \$ (1.6)
Total derivatives		\$ 292.1	\$ 282.5		\$ (131.2) \$ (141.7)

The following table presents the pre-tax amounts from derivative instruments affecting income and AOCI for the three months ended March 31, 2023 and 2022, respectively:

<i>In millions</i>	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	
		2023	2022	2023	2022	2023	2022
Foreign currency	Nonoperating income/expense	\$ (9.2)	\$ 13.5	\$ 10.3	\$ 14.1		
Interest rate	Interest expense	(1.5)	21.8	0.1	(1.1)		
<b>Cash flow hedges</b>		\$ (10.7)	\$ 35.3	\$ 10.4	\$ 13.0		
Foreign currency denominated debt	Nonoperating income/expense	\$(162.9)	\$ 259.0		\$ —		
Foreign currency derivatives	Nonoperating income/expense	7.6	4.4				
Foreign currency derivatives <sup>(1)</sup>	Interest expense					\$ 5.7	\$ 2.3
<b>Net investment hedges</b>		\$ (155.3)	\$ 263.4		\$ —	\$ 5.7	\$ 2.3
Foreign currency	Nonoperating income/expense					\$ 2.1	\$ (4.5)
Equity	Selling, general & administrative expenses					\$ 15.6	\$ (21.5)
<b>Undesignated derivatives</b>						\$ 17.7	\$ (26.0)

<sup>(1)</sup>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 the use of interest rate swaps. At March 31, 2023, the carrying amount of fixed-rate debt that was effectively converted was an equivalent notional amount of \$1.2 billion, which included a decrease of \$79 million of cumulative hedging adjustments. For the three months ended March 31, 2023, the Company recognized a \$12.5 million gain on the fair value of interest rate swaps, and a corresponding loss on the fair value of the related hedged debt instrument to interest expense.

### ***Cash Flow Hedges***

The Company enters into cash flow hedges to reduce the exposure to variability in certain expected future cash flows. To protect against the reduction in value of forecasted foreign currency cash flows (such as royalties denominated in foreign currencies), the Company uses foreign currency forwards to hedge a portion of anticipated exposures. The hedges cover up to the next 18 months for certain exposures and are denominated in various currencies. As of March 31, 2023, the Company had foreign currency derivatives outstanding with an equivalent notional amount of \$1.6 billion that hedged a portion of forecasted foreign currency denominated cash flows.

To protect against the variability of interest rates on anticipated bond issuances, the Company may use treasury locks to hedge a portion of expected future cash flows. As of March 31, 2023, the Company had derivatives outstanding with a notional amount of \$500 million that hedge a portion of forecasted cash flows.

Based on market conditions at March 31, 2023, the \$14 million in cumulative cash flow hedging gains, after tax, is not expected to have a significant effect on the Company's earnings over the next 12 months.

### ***Net Investment Hedges***

The Company uses foreign currency denominated debt (third-party and intercompany) and foreign currency derivatives 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, 2023, \$13.9 billion of the Company's third-party foreign currency denominated debt, \$1.0 billion of the Company's intercompany foreign currency denominated debt and \$662 million of foreign currency derivatives were designated to hedge investments in certain foreign subsidiaries and affiliates.

### ***Undesignated Derivatives***

The Company enters into certain derivatives that are not designated for hedge accounting. Therefore, the changes in the fair value of these derivatives are recognized immediately in earnings together with the gain or loss from the hedged balance sheet position. As an example, the Company enters into equity derivative contracts, including total return swaps, to hedge market-driven changes in certain of its supplemental benefit plan liabilities. Changes in the fair value of these derivatives are recorded in Selling, general & administrative expenses together with the changes in the supplemental benefit plan liabilities. In addition, the Company uses foreign currency forwards to mitigate the change in fair value of certain foreign currency denominated assets and liabilities. Changes in the fair value of these derivatives are recognized in Nonoperating (income) expense, net, together 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, 2023 and has master agreements that contain netting arrangements. For financial reporting purposes, the Company presents gross derivative balances in its 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, 2023, the Company was required to post \$120 million of collateral due to the negative fair value of certain derivative positions. The Company's counterparties were not required to post collateral on any derivative position, other than on 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,	
	2023	2022
Rents	\$ 2,269.8	\$ 2,081.1
Royalties	1,303.0	1,168.7
Initial fees	14.7	13.0
<b>Revenues from franchised restaurants</b>	<b>\$ 3,587.5</b>	<b>\$ 3,262.8</b>

## 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, 2023.
- International Operated Markets - comprised of markets or countries in which the Company operates and franchises restaurants, including Australia, Canada, France, Germany, Italy, the Netherlands, Spain and the U.K. The segment is 89% franchised as of March 31, 2023. During the second quarter of 2022, the Company completed the sale of its business in Russia, resulting in a total exit from the market.
- International Developmental Licensed Markets & Corporate - comprised primarily of developmental licensee and affiliate markets in the McDonald's System. Corporate activities are also reported in this segment. The segment is 98% franchised as of March 31, 2023.

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

In millions	Quarters Ended March 31,	
	2023	2022
<b>Revenues</b>		
U.S.	\$ 2,487.6	\$ 2,175.6
International Operated Markets	2,794.8	2,922.1
International Developmental Licensed Markets & Corporate	615.4	567.9
<b>Total revenues</b>	<b>\$ 5,897.8</b>	<b>\$ 5,665.6</b>
<b>Operating Income</b>		
U.S.	\$ 1,295.1	\$ 1,151.0
International Operated Markets	1,192.7	1,129.2
International Developmental Licensed Markets & Corporate	44.6	32.4
<b>Total operating income</b>	<b>\$ 2,532.4</b>	<b>\$ 2,312.6</b>

## 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 communities across more than 100 countries. Of the 40,535 McDonald's restaurants at March 31, 2023, 95% were franchised.

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, there is the International Developmental Licensed Markets & Corporate segment, which includes the results of over 75 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 the Company and its independent franchisees is supported by adhering to standards and policies, including McDonald's Global Brand Standards, 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 the Company's 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, the Company is 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 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, for periods prior to its sale on April 1, 2022, third-party revenues for the Company's 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 it to achieve restaurant performance levels that are among the highest in the industry.

Franchisees are 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 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 the McDonald's 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.

#### *Developmental License or Affiliate*

Under a developmental license or affiliate arrangement, licensees are responsible for operating and managing their businesses, 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) within the International Developmental Licensed Markets segment as well as a limited number of individual restaurants within the International Operated Markets segment, where the Company also has an equity investment and records its share of net results in equity in earnings of unconsolidated affiliates.

## **Strategic Direction**

The Company's growth strategy, *Accelerating the Arches* (the "Strategy"), encompasses all aspects of McDonald's business as the leading global omni-channel restaurant brand. The Strategy reflects the Company's purpose, mission and values, as well as growth pillars that build on the Company's competitive advantages.

### Purpose, Mission and Values

The following purpose, mission and values underpin the Company's success and are at the heart of the Strategy.

Through its size and scale, the Company embraces and prioritizes its role and commitment to the communities in which it operates through its purpose to feed and foster communities, and its mission to create delicious feel-good moments for everyone. The Company is guided by five core values that define who it is and how it runs its business across the three-legged stool of franchisees, suppliers and employees:

- 1. Serve** - We put our customers and people first;
- 2. Inclusion** - We open our doors to everyone;
- 3. Integrity** - We do the right thing;
- 4. Community** - We are good neighbors; and
- 5. Family** - We get better together.

The Company believes that its people, all around the world, set it apart and bring these values to life on a daily basis.

### Growth Pillars

The following growth pillars, M-C-D, build on the Company's historic strengths and articulate areas of further opportunity. Under the Strategy, the Company will:

- **Maximize our Marketing** by investing in new, culturally relevant approaches, grounded in fan truths, to effectively communicate the story of the Company's brand, food and purpose. This is exemplified by campaigns that elevate the entire brand and continue to be repeated and scaled around the globe, such as the Famous Orders platform and the Raise Your Arches campaign. The Company is committed to a marketing strategy that highlights value at every tier of the menu, as affordability remains a cornerstone of the McDonald's brand and is especially important to customers in uncertain economic environments.
- **Commit to the Core** menu by tapping into customer demand for the familiar and focusing on serving the Company's iconic products, such as its World Famous Fries, the Big Mac, Chicken McNuggets and the McFlurry. Globally, the Company possesses over 10 of these "billion-dollar brand equities." The Company continues to improve on its classics, including by implementing a series of operational and formulation changes designed to deliver hotter, juicier, tastier burgers across the globe. While leaning into core icons like Chicken McNuggets, the Company will continue to focus on scaling emerging equities such as the McSpicy and McCrispy Chicken Sandwiches. This is exemplified by the U.S. leveraging learnings from the U.K., Canada and Germany to relaunch its Crispy Chicken Sandwich under the McCrispy global equity umbrella. The Company also continues to see a significant opportunity with coffee, demonstrated by markets leveraging the McCafé brand, customer experience, value and quality to drive long-term growth.
- **Double Down on the 4D's: Digital, Delivery, Drive Thru and, the recently added, Restaurant Development** by leveraging the Company's competitive strengths and building a powerful digital experience growth engine to deliver a personalized and convenient customer experience. To unlock further growth, the Company expects to continue to accelerate the pace of restaurant openings and technology innovation so that whenever and however customers choose to interact with McDonald's, they can enjoy a fast, easy experience that meets their needs. In the first quarter of 2023, digital channels (the mobile app, delivery and kiosk) comprised almost 40% of Systemwide sales in the Company's top six markets. This represented over \$7.5 billion in digital Systemwide sales and growth of over \$2.0 billion, or 30%, compared to the prior year.
  - **Digital:** The Company's digital experience growth engine — "MyMcDonald's" — is transforming its offerings across drive thru, takeaway, delivery, curbside pick-up and dine-in. Through the digital tools, customers can access personalized offers, participate in a loyalty program, order through the mobile app and receive McDonald's food through the channel of their choice. A recent digital enhancement piloting in the U.S. enables crew to begin assembling a customer's mobile order prior to their arrival at the restaurant to expedite service and elevate customer satisfaction.

Additionally, the Company has successful loyalty programs in 50 markets around the world, including all of its top six markets. The Company's loyalty customers have proven to be highly engaged, with nearly 50 million active loyalty members across the Company's top six markets during the first quarter of 2023, including over 28 million in the U.S.

- Delivery: Delivery is now offered in over 35,000 restaurants across about 100 markets, representing over 85% of McDonald's restaurants. The Company is continuing to build on and enhance the delivery experience for customers, including by adding the ability to place a delivery order on the McDonald's mobile app (a feature that is now available in some of the Company's largest markets, including the U.S., the U.K., Canada and Australia). The Company has also put in place long-term strategic partnerships with delivery providers such as UberEats, DoorDash, Just Eat Takeaway.com and Deliveroo. These partnerships are expected to benefit the Company, customers and franchisees by optimizing operational efficiencies and creating a seamless customer experience.
- Drive Thru: The Company has drive thru locations in over 26,000 restaurants globally, including nearly 95% of the approximately 13,500 locations in the U.S. This channel remains a competitive advantage, and the Company expects that it will become even more critical to meeting customers' demand for flexibility and choice. The Company continues to build on its drive thru advantage, as the vast majority of new restaurant openings in the U.S. and International Operated Markets will include a drive thru.
- Restaurant Development: The Company expects to continue to accelerate the pace of restaurant openings, with plans to open approximately 1,900 new restaurants across the globe in 2023, which will contribute to nearly 4% unit growth (net of closures). The Company believes there is opportunity for further growth in many of its largest markets and to explore new formats under the McDonald's brand over the coming years.

## Foundation

Foundational to the Strategy is keeping the customer and restaurant crew at the center of everything the Company does, along with a relentless focus on running great restaurants, empowering its people and modernizing ways of working through *Accelerating the Organization*.

These efforts, coupled with investments in innovation, are designed to enhance the customer experience and deliver long-term profitable growth for all stakeholders. The Strategy is aligned with the Company's capital allocation philosophy of investing in opportunities to grow the business (through new restaurants and reinvesting in existing restaurants) and returning free cash flow to shareholders over time through dividends and share repurchases.

The Company believes the Strategy builds on its inherent strengths by harnessing its competitive advantages while leveraging its size, scale and agility to adapt and adjust to uncertain economic and operating environments to meet customer demands. The Strategy is supported by a strong global senior leadership team aimed at executing against the MCD growth pillars and accelerating the Company's broad-based business momentum.

## **First Quarter 2023 Financial Performance**

Global comparable sales increased 12.6% for the quarter, reflecting strong comparable sales of 12.6% across each segment.

- U.S. comparable sales results benefited from strategic menu price increases and positive comparable guest count growth. Successful operational execution in McDonald's restaurants, effective marketing campaigns featuring the core menu and continued digital and delivery growth contributed to strong comparable sales results.
- International Operated Markets segment results reflected strong comparable sales across the Big Five\* and the majority of other markets.
- International Developmental Licensed Markets segment results reflected strong comparable sales led by Japan, along with all geographic regions.

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

- Consolidated revenues increased 4% (8% in constant currencies).
- Systemwide sales increased 9% (13% in constant currencies).
- Consolidated operating income increased 10% (14% in constant currencies).
- Diluted earnings per share was \$2.45, an increase of 66% (72% in constant currencies). Excluding \$0.18 per share of current year restructuring charges related to *Accelerating the Organization*, diluted earnings per share was \$2.63, an increase of 15% (19% in constant currencies) when also excluding prior year charges detailed in the Net Income and Diluted Earnings Per Share section on page 19 of this report.

Management reviews and analyzes business results excluding the effect of foreign currency translation, impairment and other strategic charges and gains, as well as material regulatory and other income tax impacts, and bases incentive compensation plans on these results because the Company believes this better represents underlying business trends.

\*Australia, Canada, France, Germany and the U.K. are collectively referred to as the "Big Five" international markets.



**The Following Definitions Apply to these Terms as Used Throughout this Report:**

- 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 charges and gains, as well as material regulatory and other income tax impacts, and bases incentive compensation plans on these results because the Company believes this better represents underlying business trends.
- Comparable sales and comparable guest counts are compared to the same period in the prior year and represent sales and transactions, respectively, at all restaurants, whether operated by the Company or by franchisees, in operation at least thirteen months including those temporarily closed. Some of the reasons restaurants may be temporarily closed include reimagining or remodeling, rebuilding, road construction, natural disasters and acts of war, terrorism or other hostilities (including restaurants temporarily closed due to COVID-19, as well as those that remain closed in Ukraine). Restaurants in Russia were treated as permanently closed as of April 1, 2022 and therefore excluded from the calculation of comparable sales and comparable guest counts beginning in the second quarter of 2022. Comparable sales exclude the impact of currency translation and the sales of any market considered hyperinflationary (generally identified as those markets whose cumulative inflation rate over a three-year period exceeds 100%), which management believes more accurately reflects the underlying business trends. Beginning in the first quarter of 2023, McDonald's excluded results from Argentina and Lebanon in the calculation of comparable sales due to hyperinflation (Venezuela continues to be excluded). Comparable sales are driven by changes in guest counts and average check, the latter of which is affected by changes in pricing and product mix.
- Systemwide sales include sales at all restaurants, whether operated by the Company or by franchisees. This includes sales from digital channels, which are comprised of the mobile app, delivery and kiosk at both Company-operated and franchised restaurants. 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 of sales by Company-operated restaurants and fees from franchised restaurants operated by conventional franchisees, developmental licensees and affiliates. Changes in Systemwide sales are primarily driven by comparable sales and net restaurant unit expansion.
- Free cash flow, defined as cash provided by operations less capital expenditures, and free cash flow conversion rate, defined as free cash flow divided by net income, are measures reviewed by management in order to evaluate the Company's ability to convert net profits into cash resources, after reinvesting in the core business, that can be used to pursue opportunities to enhance shareholder value.

**CONSOLIDATED OPERATING RESULTS**

Dollars in millions, except per share data	Quarter Ended March 31, 2023	
	Amount	Increase/ (Decrease)
<b>Revenues</b>		
Sales by Company-operated restaurants	\$ 2,224.3	(3)%
Revenues from franchised restaurants	3,587.5	10
Other revenues	86.0	(14)
<b>Total revenues</b>	<b>5,897.8</b>	<b>4</b>
<b>Operating costs and expenses</b>		
Company-operated restaurant expenses	1,923.1	(2)
Franchised restaurants-occupancy expenses	598.3	2
Other restaurant expenses	62.8	(13)
Selling, general & administrative expenses		
Depreciation and amortization	99.3	7
Other	553.3	(5)
Other operating (income) expense, net	128.6	n/m
<b>Total operating costs and expenses</b>	<b>3,365.4</b>	<b>—</b>
<b>Operating income</b>	<b>2,532.4</b>	<b>10</b>
Interest expense	329.7	15
Nonoperating (income) expense, net	(64.3)	n/m
<b>Income before provision for income taxes</b>	<b>2,267.0</b>	<b>47</b>
Provision for income taxes	464.7	6
<b>Net income</b>	<b>\$ 1,802.3</b>	<b>63 %</b>
<b>Earnings per common share-basic</b>	<b>\$ 2.47</b>	<b>65 %</b>
<b>Earnings per common share-diluted</b>	<b>\$ 2.45</b>	<b>66 %</b>

n/m Not meaningful

## Impact of Foreign Currency Translation

The impact of foreign currency translation on consolidated operating results for the quarter continued to reflect the weakening of all major currencies against the U.S. Dollar, including the Euro, British Pound and Australian Dollar.

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 (referred to as constant currency) are calculated by translating current year results at prior year average exchange rates.

### IMPACT OF FOREIGN CURRENCY TRANSLATION

Dollars in millions, except per share data

Quarters Ended March 31,	2023	2022	Currency Translation
			Benefit/ (Cost)
Revenues	\$ 5,897.8	\$ 5,665.6	\$ (215.0)
Company-operated margins	301.2	343.2	(11.8)
Franchised margins	2,989.3	2,678.8	(94.7)
Selling, general & administrative expenses	652.6	677.0	9.0
Operating income	2,532.4	2,312.6	(99.0)
Net income	1,802.3	1,104.4	(65.5)
Earnings per share-diluted	\$ 2.45	\$ 1.48	\$ (0.09)

### Net Income and Diluted Earnings per Share

Net income increased 63% (69% in constant currencies) to \$1,802.3 million, and diluted earnings per share increased 66% (72% constant currencies) to \$2.45. Foreign currency translation had a negative impact of \$0.09 on diluted earnings per share.

Results for 2023 included the following:

- Pre-tax restructuring charges of \$180 million, or \$0.18 per share, related to *Accelerating the Organization*

Results for 2022 included the following:

- Pre-tax expenses of \$127 million, or \$0.13 per share, primarily related to Russia
- \$500 million, or \$0.67 per share, of nonoperating expense related to the settlement of a tax audit in France

Excluding the above items, results reflected strong operating performance driven primarily by higher sales-driven Franchised margins.

During the quarter, the Company repurchased 2.2 million shares of stock for \$584.5 million. Additionally, the Company paid a quarterly dividend of \$1.52 per share, or \$1.1 billion.

### NET INCOME AND EARNINGS PER SHARE-DILUTED RECONCILIATION

Dollars in millions, except per share data

	Quarters Ended March 31,							
	Net Income				Earnings per share - diluted			
	2023	2022	Inc/ (Dec)	Inc/ (Dec) Excluding Currency Translation	2023	2022	Inc/ (Dec)	Inc/ (Dec) Excluding Currency Translation
GAAP	\$1,802.3	\$1,104.4	63 %	69 %	\$ 2.45	\$ 1.48	66 %	72 %
(Gains)/charges	134.4	102.1			0.18	0.13		
Tax settlement	—	500.0			—	0.67		
Non-GAAP	\$1,936.7	\$1,706.5	13 %	17 %	\$ 2.63	\$ 2.28	15 %	19 %

**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, for periods prior to its sale on April 1, 2022, third-party revenues for the Company's Dynamic Yield business.

Franchised restaurants represented 95% of McDonald's restaurants worldwide at March 31, 2023. 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.

**REVENUES**

*Dollars in millions*

Quarters Ended March 31,	2023	2022	Inc/ (Dec)	Inc/ (Dec) Excluding Currency Translation
<i>Company-operated sales</i>				
U.S.	\$ 761.3	\$ 639.0	19 %	19 %
International Operated Markets	1,270.4	1,480.7	(14)	(8)
International Developmental Licensed Markets & Corporate	192.6	182.7	5	11
Total	\$ 2,224.3	\$ 2,302.4	(3)%	1 %
<i>Franchised revenues</i>				
U.S.	\$ 1,678.5	\$ 1,493.5	12 %	12 %
International Operated Markets	1,486.2	1,403.3	6	12
International Developmental Licensed Markets & Corporate	422.8	366.0	16	22
Total	\$ 3,587.5	\$ 3,262.8	10 %	13 %
<i>Total Company-operated sales and Franchised revenues</i>				
U.S.	\$ 2,439.8	\$ 2,132.5	14 %	14 %
International Operated Markets	2,756.6	2,884.0	(4)	2
International Developmental Licensed Markets & Corporate	615.4	548.7	12	19
Total	\$ 5,811.8	\$ 5,565.2	4 %	8 %
Total Other revenues	\$ 86.0	\$ 100.4	(14)%	(12)%
Total Revenues	\$ 5,897.8	\$ 5,665.6	4 %	8 %

- Total Company-operated sales and franchised revenues increased 4% (8% in constant currencies), benefiting from strong sales performance across all segments. Revenue growth in the International Operated Markets segment in constant currencies was partly offset by the impact of the Company's exit from Russia in the second quarter of 2022.

**Comparable Sales**

The following table presents the percent change in comparable sales for the quarters ended March 31, 2023 and 2022:

	Increase/(Decrease)	
	Quarters Ended March 31,	
	2023	2022
U.S.	12.6 %	3.5 %
International Operated Markets	12.6	20.4
International Developmental Licensed Markets & Corporate	12.6	14.7
Total	12.6 %	11.8 %

**Systemwide Sales and Franchised Sales**

The following table presents the percent change in Systemwide sales for the quarter ended March 31, 2023:

**SYSTEMWIDE SALES\***

	Quarter Ended March 31, 2023	
	Inc/ (Dec)	Inc/ (Dec) Excluding Currency Translation
U.S.	13 %	13 %
International Operated Markets	4	10
International Developmental Licensed Markets & Corporate	10	17
Total	9 %	13 %

\*Unlike comparable sales, the Company has not excluded sales from hyperinflationary markets 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) for the quarters ended March 31, 2023 and 2022:

**FRANCHISED SALES**

*Dollars in millions*

Quarters Ended March 31,	2023	2022	Inc/ (Dec)	Inc/ (Dec) Excluding Currency Translation
U.S.	\$ 11,742.1	\$ 10,429.1	13 %	13 %
International Operated Markets	8,668.1	8,111.9	7	13
International Developmental Licensed Markets & Corporate	7,640.4	6,946.7	10	18
Total	\$ 28,050.6	\$ 25,487.7	10 %	14 %
<i>Ownership type</i>				
Conventional franchised	\$ 20,345.7	\$ 18,443.3	10 %	13 %
Developmental licensed	4,719.5	4,131.3	14	21
Foreign affiliated	2,985.4	2,913.1	2	13
Total	\$ 28,050.6	\$ 25,487.7	10 %	14 %

**Restaurant Margins**

Franchised restaurant margins are measured as revenues from franchised restaurants less franchised restaurant occupancy costs. Franchised revenues include rent and royalties based on a percent of sales, and initial fees. Franchised restaurant occupancy costs include lease expense and depreciation, as the Company generally owns or secures a long-term lease on the land and building for the restaurant location.

Company-operated restaurant margins are measured as sales from Company-operated restaurants less costs for food & paper, payroll & employee benefits and occupancy & other operating expenses necessary to run an individual restaurant. Company-operated margins exclude costs that are not allocated to individual restaurants, primarily payroll & employee benefit costs of non-restaurant support staff, which are included in Selling, general and administrative expenses.

**RESTAURANT MARGINS**

*Dollars in millions*

Quarters Ended March 31,	Amount		Inc/ (Dec)	Inc/ (Dec) Excluding Currency Translation
	2023	2022		
<i>Franchised</i>				
U.S.	\$1,361.9	\$1,192.5	14 %	14 %
International Operated Markets	1,209.3	1,125.7	7	14
International Developmental Licensed Markets & Corporate	418.1	360.6	16	23
Total	\$2,989.3	\$2,678.8	12 %	15 %
<i>Company-operated</i>				
U.S.	\$ 109.1	\$ 98.3	11 %	11 %
International Operated Markets	192.0	241.2	(20)	(16)
International Developmental Licensed Markets & Corporate	n/m	n/m	n/m	n/m
Total	\$ 301.2	\$ 343.2	(12)%	(9)%
<i>Total restaurant margins</i>				
U.S.	\$1,471.0	\$1,290.8	14 %	14 %
International Operated Markets	1,401.3	1,366.9	3	9
International Developmental Licensed Markets & Corporate	n/m	n/m	n/m	n/m
Total	\$3,290.5	\$3,022.0	9 %	12 %

n/m Not meaningful

- Total restaurant margins increased \$268.5 million, or 9% (12% in constant currencies). Franchised margins represented over 90% of restaurant margin dollars.
- Results in all segments reflected strong sales-driven Franchised margins.
- Company-operated margins in the U.S. and International Operated Markets segment reflected strong positive sales performance, with results for the International Operated Markets segment more than offset by the impact of the Company's exit from Russia in the second quarter of 2022 and by ongoing inflationary cost pressures.
- Total restaurant margins included depreciation and amortization expense of \$391.3 million.

**Selling, General & Administrative Expenses**

- Selling, general and administrative expenses decreased \$24.4 million, or 4% (2% in constant currencies). Results primarily reflect the comparison to prior year costs related to the 2022 Worldwide Owner/Operator convention.
- Selling, general and administrative expenses as a percent of Systemwide sales were 2.2% and 2.4% for the quarters ended 2023 and 2022, respectively.

**Other Operating (Income) Expense, Net****OTHER OPERATING (INCOME) EXPENSE, NET***Dollars in millions*

	Quarters Ended	
	March 31,	
	2023	2022
Gains on sales of restaurant businesses	\$ (13.1)	\$ (5.8)
Equity in earnings of unconsolidated affiliates	(39.2)	(31.3)
Asset dispositions and other (income) expense, net	0.4	(29.5)
Impairment and other charges (gains), net	180.5	127.1
Total	\$ 128.6	\$ 60.5

- Asset dispositions and other (income) expense, net primarily reflected the comparison to a prior year gain as a result of an increase to fair value of an existing restaurant joint venture in connection with the buyout of a joint venture partner within the International Operated Markets segment.
- Impairment and other charges (gains), net reflected \$180 million of pre-tax restructuring charges related to *Accelerating the Organization*.  
Results for the prior year reflected net pre-tax expenses of \$127 million, primarily related to Russia.

**Operating Income****OPERATING INCOME & OPERATING MARGIN***Dollars in millions*

Quarters Ended March 31,			Inc/ (Dec)	Inc/ (Dec) Excluding Currency Translation
	2023	2022		
U.S.	\$ 1,295.1	\$ 1,151.0	13 %	13 %
International Operated Markets	1,192.7	1,129.2	6	12
International Developmental Licensed Markets & Corporate	44.6	32.4	38	n/m
Total	\$ 2,532.4	\$ 2,312.6	10 %	14 %
Operating margin	42.9 %	40.8 %		

- **Operating Income:** Operating income increased \$219.8 million, or 10% (14% in constant currencies). Results reflected \$180 million of pre-tax restructuring charges related to *Accelerating the Organization*. Results for the prior year reflected \$127 million of costs, primarily related to Russia.

**OPERATING INCOME & OPERATING MARGIN RECONCILIATION\****Dollars in millions*

	Quarters Ended March 31,			Inc/ (Dec) Excluding Currency Translation
	2023	2022	Inc/ (Dec)	
GAAP operating income	\$2,532.4	\$2,312.6	10 %	14 %
(Gains)/charges	180.5	127.1		
Non-GAAP operating income	\$2,712.9	\$2,439.7	11 %	15 %
Non-GAAP operating margin	46.0 %	43.1 %		

\*Refer to the Impairment and other charges (gains), net line within the Other Operating (Income) Expense, Net section on page 23 of this report for details of the charges in this table.

- Excluding the current and prior year charges shown in the table above, operating income increased 11% (15% in constant currencies).
  - **U.S.:** Operating income primarily reflected sales-driven growth in Franchised margins.
  - **International Operated Markets:** Results reflected strong operating performance across the majority of the segment.
  - **International Developmental Licensed Markets & Corporate:** Results reflected strong operating performance across the segment, led by Brazil and China.
- **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, temporary restaurant closures, which vary by segment, impact the contribution of each segment to the consolidated operating margin.

The increase in non-GAAP operating margin was due primarily to sales-driven growth in Franchised margins.

**Interest Expense**

- Interest expense increased 15% (16% in constant currencies), primarily due to higher average interest rates as well as higher average debt balances when compared to the prior year.



**Nonoperating (Income) Expense, Net**

**NONOPERATING (INCOME) EXPENSE, NET**

*Dollars in millions*

	Quarters Ended	
	March 31,	
	2023	2022
Interest income	\$ (37.9)	\$ (2.6)
Foreign currency and hedging activity	(12.9)	(11.3)
Other (income) expense, net	(13.5)	498.0
Total	\$ (64.3)	\$ 484.1

- Interest income increased, primarily due to higher average interest rates when compared to the prior year.
- Foreign currency and hedging activity includes net gains or losses on certain hedges that reduce the exposure to variability on certain intercompany foreign currency cash flow streams.
- Other (income) expense, net for the prior year included \$500 million of nonoperating expense related to the settlement of a tax audit in France.

**Income Taxes**

- The effective income tax rate was 20.5% and 28.3% for the quarters ended March 31, 2023 and 2022, respectively.
- Excluding the tax impacts of current and prior year charges (as described within the Operating Income & Operating Margin Reconciliation on page 24 of this report) and the prior year nonoperating expense related to an international tax audit, the effective income tax rate for the quarters ended March 31, 2023 and 2022 was 20.9% and 21.3%, respectively.

**Cash Flows**

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.

Cash provided by operations totaled \$2.4 billion and exceeded capital expenditures by \$1.9 billion. Cash provided by operations increased \$287 million, primarily due to improved operating results.

Cash used for investing activities totaled \$741 million, an increase of \$187 million. The increase was primarily due to higher capital expenditures.

Cash used for financing activities totaled \$558 million, a decrease of \$3.3 billion. The decrease was primarily due to lower treasury stock purchases and \$1.1 billion of debt issuances in the first quarter 2023 compared to \$1.4 billion in debt repayments in the first quarter 2022.

## **Outlook**

Based on current conditions, the following is provided to assist in forecasting the Company's future results for 2023.

- The Company expects net restaurant unit expansion will contribute nearly 1.5% to 2023 Systemwide sales growth, in constant currencies.
- The Company expects full year 2023 selling, general and administrative expenses of about 2.2% to 2.3% of Systemwide sales.
- The Company expects 2023 operating margin percent to be about 45%.
- Based on current interest and foreign currency exchange rates, the Company expects interest expense for the full year 2023 to increase between 10% and 12%, driven primarily by higher average interest rates.
- The Company expects the effective income tax rate for the full year 2023 to be in the 20% to 22% range. Some volatility may result in a quarterly tax rate outside of the annual range.
- The Company expects 2023 capital expenditures to be between \$2.2 and \$2.4 billion, about half of which will be directed towards new restaurant unit expansion across the U.S. and International Operated Markets. Globally, the Company expects to open about 1,900 restaurants. The Company will open more than 400 restaurants in the U.S. and International Operated Markets segments, and developmental licensees and affiliates will contribute capital towards about 1,500 restaurant openings in their respective markets. The Company expects about 1,500 net restaurant additions in 2023.
- The Company expects to achieve a free cash flow conversion rate greater than 90%.

## **Cautionary Statement Regarding Forward-Looking Statements**

The information in this report contains 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 or conditional words, such as “could,” “should,” “can,” “continue,” “estimate,” “forecast,” “intend,” “look,” “may,” “will,” “expect,” “believe,” “anticipate,” “plan,” “remain,” “confident” and “commit” 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 dates the statements are made. Except as required by law, we do not undertake to update such forward-looking statements. You should not rely unduly on forward-looking statements.

## **Risk Factors**

Our business results are subject to a variety of risks, including those that are described below and elsewhere in our filings with the Securities and Exchange Commission. The risks described below are not the only risks we face. Additional risks not currently known to us or that we currently deem to be immaterial may also significantly adversely affect our business. If any of these risks were to materialize or intensify, our expectations (or the underlying assumptions) may change and our performance may be adversely affected.

## **STRATEGY AND BRAND**

### **If we do not successfully evolve and execute against our business strategies, we may not be able to drive business growth.**

To drive Systemwide sales, operating income and free cash flow growth, our business strategies – including the components of our *Accelerating the Arches* growth strategy – must be effective in maintaining and strengthening customer appeal and capturing additional market share. Whether these strategies are successful depends mainly on our System’s continued ability to:

- capitalize on our global scale, iconic brand and local market presence to build upon our historic strengths and competitive advantages, including by maximizing our marketing, committing to our core menu items, and doubling down on digital, delivery, drive thru and restaurant development;
- 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;
- build upon our investments to transform and enhance the customer experience;
- run great restaurants by driving efficiencies and expanding capacities while prioritizing health and safety;
- accelerate our existing strategies, including through growth opportunities; and
- evolve and adjust our strategies in response to, among other things, changing consumer behavior, and other events impacting our results of operations and liquidity.

If we are delayed or unsuccessful in evolving or executing against our strategies, if the execution of our strategies proves to be more difficult, costly or time consuming than expected, or if our strategies do not yield the desired results, our business, financial condition and results of operations may suffer.

### **Failure to preserve the value and relevance of our brand could have an adverse impact on our financial results.**

To continue to be successful in the future, we believe we must preserve, enhance and leverage the value and relevance of our brand, including our corporate purpose, mission and values. Brand value is based in part on consumer perceptions, which 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 general business practices across the System, including the people practices at McDonald’s restaurants. 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 continuously evolve and may have contradictory implications, drive popular opinion, litigation and regulation (including initiatives intended to drive consumer behavior) in ways that affect the “informal eating out” (“IEO”) segment or perceptions of our brand, generally or relative to available alternatives. Our business could also be impacted by business incidents or practices, whether actual or perceived, particularly if they receive considerable publicity or result in litigation, as well as by our position or perceived lack of position on environmental, social responsibility, public policy, geopolitical and similar matters. 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 or our brand, culture, operations, suppliers or franchisees. If we are unsuccessful in addressing adverse commentary or perceptions, whether or not accurate, our brand and financial results may suffer.

**If we do not anticipate and address industry trends and 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 build upon our historic strengths and competitive advantages. In order to do so, we need to anticipate and respond effectively to continuously shifting consumer demographics and industry trends in food sourcing, food preparation, food offerings, and consumer behavior and preferences, including with respect to the use of digital channels and environmental and social responsibility matters. If we are not able to predict, or quickly and effectively respond to, these changes, or if our competitors are able to do so more effectively, our financial results could be adversely impacted.

Our ability to build upon our strengths and advantages 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 behavior and preferences, as well as shifting economic and competitive conditions. Existing or future pricing strategies and marketing plans, as well as the value proposition they represent, are expected to continue to be important components of our business strategy. However, they may not be successful, or may not be as successful as the efforts of our competitors, which 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 reaching consumers in the way we intend. Our success depends in part on whether the allocation of our advertising and marketing resources across different channels, including digital, allows us to reach consumers effectively, efficiently and in ways that are meaningful to them. If our 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.

**Our investments to transform and enhance the customer experience, including through technology, may not generate the expected results.**

Our long-term business objectives depend on the successful Systemwide execution of our strategies. We continue to build upon our investments in restaurant development, technology, digital engagement and delivery in order to transform and enhance the customer experience. As part of these investments, we are continuing to place emphasis on improving our service model and strengthening relationships with customers, in part through digital channels and loyalty initiatives, mobile ordering and payment systems, and enhancing our drive thru technologies, which efforts may not generate expected results. We also continue to expand and refine our delivery initiatives, including through integrating delivery and mobile ordering. Utilizing a third-party delivery service may not have the same level of profitability as a non-delivery transaction, and may introduce additional food quality, food safety and customer satisfaction risks. If these customer experience initiatives are not successfully executed, or if we do not fully realize the intended benefits of these significant investments, our business results may suffer.

**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, coffee shops and online retailers. 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, product offerings or consolidation of our competitors and third-party partners, which may have a short- or long-term impact on our results.

We compete primarily 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 restaurant development, technology, digital engagement and delivery, 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 others, which could have the overall effect of harming our business.

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

Our success 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, and may never be, registered in all of the countries outside of the U.S. in which we do business or may do business in the future. It may be costly and time consuming to protect our intellectual property, and the steps we have taken to do so 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.

In addition, we cannot ensure that franchisees and other third parties who hold licenses to our intellectual property will not take actions that adversely affect the value of our intellectual property.

## **OPERATIONS**

### **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 market share.

Disruptions in operations or price volatility in a market can also result from governmental actions, such as price, foreign exchange or trade-related tariffs or controls, trade policies and regulations, sanctions and counter sanctions, government-mandated closure of our, our franchisees' or our suppliers' operations, and asset seizures. Such disruptions or volatility can also result from acts of war, terrorism or other hostilities. For example, the war between Russia and Ukraine has resulted in volatile and unpredictable conditions throughout the region, exacerbated volatile macroeconomic conditions and increased pressure on our supply chain and the availability and costs of commodities, including energy, which we expect to continue to impact our financial results. The broader impacts of the war and related sanctions, including on macroeconomic conditions, geopolitical tensions, consumer demand and the ability of us and our franchisees to operate in certain geographic areas, may also continue to have an adverse impact on our business and financial results.

While we may face challenges and uncertainties in any of the markets in which we operate, such challenges and uncertainties are often heightened in developing markets, which may entail a relatively higher risk of political instability, economic volatility, crime, corruption and social and ethnic unrest. In many cases, such challenges may be exacerbated by the lack of an independent and experienced judiciary and uncertainty 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 adversely affect our business and financial results.

### **Supply chain interruptions may increase costs or reduce revenues.**

We depend on the effectiveness of our supply chain management to assure a reliable and sufficient supply of quality products, equipment and other materials on favorable terms. Although many of these items are sourced from a wide variety of suppliers in countries around the world, certain items have limited suppliers, which may increase our reliance on those suppliers. Supply chain interruptions and related price increases have in the past and may in the future adversely affect us as well as our suppliers and franchisees, whose performance may have a significant impact on our results. Such interruptions and price increases could be caused by shortages, inflationary pressures, unexpected increases in demand, transportation-related issues, labor-related issues, technology-related issues, weather-related events, natural disasters, acts of war, terrorism or other hostilities, or other factors beyond the control of us or our suppliers or franchisees. Interruptions in our System's supply chain or ineffective contingency planning can increase our costs and/or limit the availability of products, equipment and other materials that are critical to our System's operations or to restaurant development.

### **Our franchise business model presents a number of risks.**

Our success as a heavily franchised business relies to a large degree on the financial success and cooperation of our franchisees, including our developmental licensees and affiliates. Our restaurant margins arise from two sources: fees from franchised restaurants (e.g., rent and royalties based on a percentage of sales) and, to a lesser degree, sales from Company-operated restaurants. Our franchisees and developmental licensees manage their businesses independently and therefore are responsible for the day-to-day operation of their restaurants. The revenues we realize from franchised restaurants are largely dependent on the ability of our franchisees to grow their sales. Business risks affecting our operations also affect our franchisees. If franchisee sales trends worsen, or any of such risks materialize or intensify, our financial results could 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 their or our creditworthiness 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 labor, including availability and cost, could impact our business and results of operations.**

Our success depends in part on our System's ability to effectively attract, recruit, develop, motivate and retain qualified individuals to work in McDonald's restaurants and to maintain appropriately-staffed restaurants in an intensely competitive labor market. We and our franchisees have experienced and may continue to experience challenges in adequately staffing certain McDonald's restaurants, which can negatively impact operations, including speed of service to customers, and customer satisfaction levels. The System's ability to meet its labor needs is generally subject to external factors, including the availability of sufficient workforce, unemployment levels and prevailing wages in the markets in which we operate.

Further, our System has experienced increased costs and competition associated with attracting, recruiting, developing, motivating and retaining qualified employees, as well as with promoting awareness of the opportunities of working at McDonald's restaurants. We and our franchisees also continue to be impacted by increasingly complex U.S. and international laws and regulations affecting our respective workforces. These laws and regulations are increasingly focused on, and in certain cases impose requirements with respect to, employment matters such as wages and hours, healthcare, immigration, retirement and other employee benefits and workplace practices. Such laws and regulations can expose us and our franchisees to increased costs and other effects of compliance, including potential liability, and all such labor and compliance costs could have a negative impact on our Company-operated margins and franchisee profitability.

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 harassment or discrimination (or perceptions thereof) or workplace safety, 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 attract, recruit, develop, motivate and retain talent) or our franchisees and suppliers, whose performance may have a significant impact on our results.

**Effective succession planning is important to our continued success.**

Effective succession planning for management is important to our long-term success. Failure to effectively attract, recruit, develop, motivate and retain qualified key personnel, or to execute smooth personnel transitions, could disrupt our business and adversely affect our results.

**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 aimed at ensuring 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, reputation and financial results.

**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, delivery and drive thru, 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, the cost of financing, natural disasters, acts of war, terrorism or other hostilities, or other factors beyond our control. 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.

**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, that support our business operations, including our 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 or our franchisees' operations, or our customers' experiences and perceptions.

Security incidents or breaches have from time to time occurred and may in the future occur involving our systems, the systems of the parties with whom we communicate or collaborate (including franchisees) or the systems 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. Certain of these technology systems contain personal, financial and other information of our customers, employees, franchisees and their employees, suppliers and other third parties, as well as financial, proprietary and other confidential information related to our business. Despite response procedures and measures in place in the event of an incident, a security breach could result in disruptions, shutdowns, or the theft or unauthorized disclosure of such information. The actual or alleged occurrence of any of these incidents could result in mitigation costs, 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.

Despite the implementation of business continuity measures, any of these technology systems could become vulnerable to damage, disability or failures due to 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 subjects us to risks faced by those third-party businesses, including operational, security and credit risks. If technology systems were to fail or otherwise be unavailable, or if business continuity or disaster recovery plans were not effective, and we were unable to recover in a timely manner, we could experience an interruption in our or our franchisees' operations.

## **LEGAL AND REGULATORY**

### **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, restaurant operations, 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. We also are subject to increasing public focus, including by governmental and non-governmental organizations, on environmental, social responsibility and corporate governance ("ESG") matters. Our success depends in part on our ability to manage the impact of regulations and other initiatives that can affect our business plans and operations, which have increased and may continue to increase 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, but not limited to, 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 or other 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.

### **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 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, interest rate levels, 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. Any such changes could have a significant adverse effect on our reported results for the affected periods.

**If we fail to comply with privacy and data protection laws, we could be subject to legal proceedings and 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 protection requirements, including those associated with our technology-related services and platforms made available to business partners, customers, employees, franchisees or other third parties. An increasing number of our markets have enacted new privacy and data protection requirements (including the European Union's General Data Protection Regulation and various U.S. state-level laws), and further requirements are likely to be proposed or enacted in the future. Failure to comply with these privacy and data protection laws could result in legal proceedings and substantial penalties and materially adversely impact our financial results or brand perceptions.

**MACROECONOMIC AND MARKET CONDITIONS**

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

Our results of operations are substantially affected by economic conditions, including inflationary pressures, which can vary significantly by market and can impact consumer disposable income levels and spending habits. Economic conditions can 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 put pressure on our operating performance and business continuity disruption planning, and our business and financial results may suffer as a result.

Our results of operations are also affected by fluctuations in currency exchange rates, and unfavorable currency fluctuations could adversely affect reported earnings.

**Health epidemics or pandemics could adversely affect our business and financial results.**

Health epidemics or pandemics – such as the global outbreak of COVID-19 in early 2020 – have in the past and may in the future impact macroeconomic conditions, consumer behavior, labor availability and supply chain management, as well as local operations in impacted markets, all of which can adversely affect our business, financial results and outlook. Governmental responses to health epidemics or pandemics, including operational restrictions, can also affect the foregoing items and adversely affect our business and financial results. The duration and scope of a health epidemic or pandemic can be difficult to predict and depends on many factors, including the emergence of new variants and the availability, acceptance and effectiveness of preventative measures. A health epidemic or pandemic may also heighten other risks disclosed in these Risk Factors, including, but not limited to, those related to the availability and costs of labor and commodities, supply chain interruptions, consumer behavior, and consumer perceptions of our brand and industry.

**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 and utilities, as well as distribution and other operating costs, including labor. Volatility in certain commodity prices and fluctuations in labor costs have adversely affected and in the future could adversely affect our operating results by impacting restaurant profitability. The commodity markets for some of the ingredients we use, such as beef, chicken and pork, are particularly volatile due to factors such as seasonal shifts, climate conditions, industry demand and other macroeconomic conditions, international commodity markets, food safety concerns, product recalls, government regulation, and acts of war, terrorism or other hostilities, all of which are beyond our control and, in many instances, unpredictable. Our System 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.

**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, our collateral requirements and our operating or financial flexibility could all be negatively affected, especially if lenders were to 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. Any such events could have a material adverse effect on our business and financial condition.

**The trading volatility and price of our common stock may be adversely affected by many factors.**

Many factors affect the trading volatility and price of our common stock in addition to our operating results and prospects. These factors, many of which are beyond our control, include 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, in derivative instruments with respect to our common stock or in our 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 common stock by significant shareholders; and 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 of corporate actions, including changes to our corporate structure, and market and third-party perceptions and assessments of such actions, including those we may take from time to time as we implement our business strategies in light of changing business, legal and tax considerations.

**Our business is subject to an increasing focus on ESG matters.**

In recent years, there has been an increasing focus by stakeholders – including employees, franchisees, customers, suppliers, governmental and non-governmental organizations and investors – on ESG matters. A failure, whether real or perceived, to address ESG matters or to achieve progress on our ESG initiatives on the anticipated timing or at all, could adversely affect our business, including by heightening other risks disclosed in these Risk Factors, such as those related to consumer behavior, consumer perceptions of our brand, labor availability and costs, supply chain interruptions, commodity costs, and legal and regulatory complexity. Conversely, our taking a position, whether real or perceived, on ESG, public policy, geopolitical and similar matters could also adversely impact our business.

The standards we set for ourselves regarding ESG matters, and our ability to meet such standards, may also impact our business. For example, we are working to manage risks and costs to our System related to climate change, greenhouse gases, and diminishing energy and water resources, and we have announced initiatives relating to, among other things, climate action, sustainability, responsible sourcing and increasing diverse representation across our System. We have faced increased scrutiny related to reporting on and achieving these initiatives, as well as continued public focus on similar matters, such as packaging and waste, animal health and welfare, deforestation and land use. We have also experienced increased pressure from stakeholders to provide expanded disclosure and establish additional commitments, targets or goals, and take actions to meet them, which could expose us to additional market, operational, execution and reputational costs and risks. Moreover, addressing ESG matters requires Systemwide coordination and alignment, and the standards by which certain ESG matters are measured are evolving and subject to assumptions that could change over time.

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

Severe weather conditions, natural disasters, acts of war, terrorism or other hostilities, social unrest or climate change (or expectations about them) can adversely affect consumer behavior and confidence levels, supply availability and costs and local operations in impacted markets, all of which can affect our results and prospects. Climate change may also increase the frequency and severity of weather-related events and natural disasters. Our receipt of proceeds under any insurance we maintain with respect to some of these risks may be delayed or the proceeds may be insufficient to cover our losses fully.

**Item 3. Quantitative and Qualitative Disclosures About Market Risk**

There were no material changes to the disclosures made in the Company's Annual Report on Form 10-K for the year ended December 31, 2022 regarding these matters.

**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, as amended (the "Exchange Act")) as of March 31, 2023. 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 is in the process of implementing a comprehensive, multi-year finance and technology transformation initiative to migrate its general ledger, financial close and consolidation processes onto new financial systems. The Company is performing the implementation in the ordinary course of business to increase efficiency and to modernize the tools and technology used in its key financial processes. This is not in response to any identified deficiency or weakness in the Company's internal control over financial reporting. As the phased implementation of the systems continues, the Company has modified certain processes and procedures to enhance the quality of internal control over financial reporting. The Company will continue to monitor and modify, as needed, the design and operating effectiveness of key control activities to align with the updated business processes and capabilities of the new financial systems.

Except for these changes, the Company's management, including the CEO and CFO, confirm there has been no change in the Company's internal control over financial reporting during the fiscal quarter ended March 31, 2023 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 the Company's Annual Report on Form 10-K for the year ended December 31, 2022 regarding these matters.

**Item 1A. Risk Factors**

For a discussion of risk factors affecting the Company's business, refer to the “Risk Factors” section in Part I, Item 2 of this report.

**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, 2023:

<b>Period</b>	<b>Total Number of Shares Purchased</b>	<b>Average Price Paid per Share</b>	<b>Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs <sup>(1)</sup></b>	<b>Approximate Dollar Value of Shares that May Yet Be Purchased Under the Plans or Programs <sup>(1)</sup></b>
January 1-31, 2023	1,509	\$ 266.04	1,509	\$ 9,384,005,522
February 1-28, 2023	1,237,905	267.98	1,237,905	9,052,266,351
March 1-31, 2023	935,551	269.69	935,551	8,799,954,379
<b>Total</b>	<b>2,174,965</b>	<b>\$ 268.72</b>	<b>2,174,965</b>	

\* 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 under the Exchange Act, 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.

**Item 6. Exhibits**

Exhibit No.	Description
(3)	Articles of incorporation; bylaws
(a)	<u>Restated Certificate of Incorporation, effective May 23, 2019, incorporated herein by reference from Exhibit 3(a) of Form 10-Q (File No. 001-05231), for the quarter ended June 30, 2019.</u>
(b)	<u>By-Laws, amended and restated effective January 18, 2023, incorporated herein by reference from Exhibit 3.2 of Form 8-K (File No. 001-05231), filed January 19, 2023.</u>
(4)	Instruments defining the rights of securities holders, including indentures**
(a)	<u>Senior Debt Securities Indenture, dated October 19, 1996, incorporated herein by reference from Exhibit (4)(a) of Form S-3 (File No. 333-14141), filed October 15, 1996.</u>
(b)	<u>Subordinated Debt Securities Indenture, dated October 18, 1996, incorporated herein by reference from Exhibit (4)(b) of Form S-3 (File No. 333-14141), filed October 15, 1996.</u>
(10)	Material contracts
(a)	<u>McDonald's Corporation Directors' Deferred Compensation Plan, amended and restated effective December 31, 2021, incorporated herein by reference from Exhibit 10(a) of Form 10-K (File No. 001-05231), for the year ended December 31, 2021.*</u>
(b)	<u>McDonald's Corporation Board of Directors Deferred Compensation Plan, effective January 1, 2022, incorporated herein by reference from Exhibit 10(b) of Form 10-K (File No. 001-05231), for the year ended December 31, 2021.*</u>
(c)	<u>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.*</u>
(i)	<u>First Amendment to the McDonald's Deferred Compensation Plan, effective 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.*</u>
(d)	<u>McDonald's Amended and Restated Deferred Compensation Plan, effective May 26, 2020, incorporated herein by reference from Exhibit 10(c) of Form 10-Q (File No. 001-05231), for the quarter ended June 30, 2020.*</u>
(i)	<u>First Amendment to the McDonald's Amended and Restated Deferred Compensation Plan, effective December 1, 2021, incorporated herein by reference from Exhibit 10(d)(i) of Form 10-K (File No. 001-05231), for the year ended December 31, 2021.*</u>
(e)	<u>McDonald's Corporation Supplemental Profit Sharing and Savings Plan, effective 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.*</u>
(i)	<u>First Amendment to the McDonald's Corporation Supplemental Profit Sharing and Savings Plan, effective 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.*</u>
(ii)	<u>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.*</u>
(f)	<u>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.*</u>
(g)	<u>McDonald's Corporation Amended and Restated 2012 Omnibus Stock Ownership Plan, effective May 21, 2020, incorporated herein by reference from Exhibit 10(g) of Form 10-Q (File No. 001-05231), for the quarter ended June 30, 2020.*</u>
(h)	<u>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.*</u>
(i)	<u>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.*</u>
(j)	<u>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.*</u>

- (k) McDonald's Corporation Target Incentive Plan, amended and restated effective 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.\*
- (l) McDonald's Corporation Officer Severance Plan, amended and restated effective November 1, 2022, incorporated herein by reference from Exhibit 10(l) of Form 10-K (File No. 001-05231), for the year ended December 31, 2022.\*
- (m) 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.\*
- (n) 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 filed November 4, 2019.\*
- (o) Separation Agreement and General Release between Jerome N. Krulewicz and the Company, dated October 13, 2020, incorporated herein by reference from Exhibit 10(v) of Form 10-K (File No. 001-05231), for the year ended December 31, 2020.\*
- (p) Form of 2021 Executive Time-Based Restricted Stock Unit Award Agreement in connection with the Amended and Restated 2012 Omnibus Stock Ownership Plan, incorporated herein by reference from Exhibit 10(v) of Form 10-Q (File No. 001-05231), for the quarter ended June 30, 2021.\*
- (q) Form of 2023 Executive Performance-Based Restricted Stock Unit Award Agreement in connection with the Amended and Restated 2012 Omnibus Stock Ownership Plan, filed herewith.\*
- (r) Form of 2023 Executive Stock Option Award Agreement in connection with the Amended and Restated 2012 Omnibus Stock Ownership Plan, filed herewith.\*
- (31.1) Rule 13a-14(a) Certification of Chief Executive Officer.
- (31.2) Rule 13a-14(a) Certification of Chief Financial Officer.
- (32.1) 18 U.S.C. 1350 Certification of Chief Executive Officer.
- (32.2) 18 U.S.C. 1350 Certification of Chief Financial Officer.
- (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.

\* Denotes compensatory plan.

\*\* Certain instruments defining the rights of holders of long-term debt of the Company are omitted pursuant to Item 601(b)(4)(iii) of Regulation S-K. An agreement to furnish a copy of any such instruments upon request has been filed with the Securities and Exchange Commission.

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)

Date: May 4, 2023

/s/ Ian F. Borden

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Ian F. Borden  
Corporate Executive Vice President and  
Chief Financial Officer