UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, DC 20549

FORM 10-Q

☒ **QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**
For the quarterly period ended September 30, 2010

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

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

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

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

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

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

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

1,056,506,714
(Number of shares of common stock outstanding as of September 30, 2010)

McDONALD'S CORPORATION

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PART I – FINANCIAL INFORMATION

Item 1. Financial Statements

CONDENSED CONSOLIDATED BALANCE SHEET

In millions, except per share data	(unaudited) September 30, 2010	December 31, 2009
Assets		
Current assets		
Cash and equivalents	**$ 2,495.0**	$ 1,796.0
Accounts and notes receivable	**1,013.6**	1,060.4
Inventories, at cost, not in excess of market	**103.6**	106.2
Prepaid expenses and other current assets	**564.3**	453.7
Total current assets	**4,176.5**	3,416.3
Other assets		
Investments in and advances to affiliates	**1,295.9**	1,212.7
Goodwill	**2,521.5**	2,425.2
Miscellaneous	**1,697.1**	1,639.2
Total other assets	**5,514.5**	5,277.1
Property and equipment		
Property and equipment, at cost	**33,760.8**	33,440.5
Accumulated depreciation and amortization	**(12,283.3)**	(11,909.0)
Net property and equipment	**21,477.5**	21,531.5
Total assets	**$ 31,168.5**	$ 30,224.9
Liabilities and shareholders' equity		
Current liabilities		
Accounts payable	**$ 596.5**	$ 636.0
Dividends payable	**643.4**	
Income taxes	**104.2**	202.4
Other taxes	**274.1**	277.4
Accrued interest	**149.6**	195.8
Accrued payroll and other liabilities	**1,419.6**	1,659.0
Current maturities of long-term debt	**78.9**	18.1
Total current liabilities	**3,266.3**	2,988.7
Long-term debt	**11,357.1**	10,560.3
Other long-term liabilities	**1,570.4**	1,363.1
Deferred income taxes	**1,336.9**	1,278.9
Shareholders' equity		
Preferred stock, no par value; authorized – 165.0 million shares; issued – none		
Common stock, $.01 par value; authorized – 3.5 billion shares; issued – 1,660.6 million shares	**16.6**	16.6
Additional paid-in capital	**5,108.3**	4,853.9
Retained earnings	**32,568.9**	31,270.8
Accumulated other comprehensive income	**703.8**	747.4
Common stock in treasury, at cost; 604.1 and 583.9 million shares	**(24,759.8)**	(22,854.8)
Total shareholders' equity	**13,637.8**	14,033.9
Total liabilities and shareholders' equity	**$ 31,168.5**	$ 30,224.9

See Notes to condensed consolidated financial statements.

CONDENSED CONSOLIDATED STATEMENT OF INCOME (UNAUDITED)

In millions, except per share data	Quarters Ended September 30, 2010	Quarters Ended September 30, 2009	Nine Months Ended September 30, 2010	Nine Months Ended September 30, 2009
Revenues				
Sales by Company-operated restaurants	**$4,246.6**	$4,093.6	**$12,063.1**	$11,428.5
Revenues from franchised restaurants	**2,058.3**	1,953.1	**5,797.4**	5,342.8
Total revenues	**6,304.9**	6,046.7	**17,860.5**	16,771.3
Operating costs and expenses				
Company-operated restaurant expenses	**3,354.0**	3,299.8	**9,679.7**	9,379.6
Franchised restaurants – occupancy expenses	**344.4**	338.6	**1,018.0**	953.3
Selling, general & administrative expenses	**556.3**	549.6	**1,667.5**	1,578.4
Impairment and other charges (credits), net	**3.6**	(1.5)	**41.2**	0.9
Other operating (income) expense, net	**(49.9)**	(72.6)	**(161.8)**	(155.6)
Total operating costs and expenses	**4,208.4**	4,113.9	**12,244.6**	11,756.6
Operating income	**2,096.5**	1,932.8	**5,615.9**	5,014.7
Interest expense	**114.8**	117.8	**333.9**	358.0
Nonoperating (income) expense, net	**7.2**	(6.0)	**15.3**	(34.4)
Gain on sale of investment		(0.6)		(94.9)
Income before provision for income taxes	**1,974.5**	1,821.6	**5,266.7**	4,786.0
Provision for income taxes	**586.1**	560.6	**1,562.7**	1,451.8
Net income	**$1,388.4**	$1,261.0	**$ 3,704.0**	$ 3,334.2
Earnings per common share–basic:	**$ 1.31**	$ 1.16	**$ 3.46**	$ 3.04
Earnings per common share–diluted:	**$ 1.29**	$ 1.15	**$ 3.42**	$ 3.00
Dividends declared per common share	**$ 1.16**	$ 1.05	**$ 2.26**	$ 2.05
Weighted-average shares outstanding–basic	**1,061.0**	1,084.5	**1,069.7**	1,097.1
Weighted-average shares outstanding–diluted	**1,074.9**	1,098.2	**1,083.9**	1,111.6

See Notes to condensed consolidated financial statements.

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS (UNAUDITED)

In millions	Quarters Ended September 30, 2010	Quarters Ended September 30, 2009	Nine Months Ended September 30, 2010	Nine Months Ended September 30, 2009
Operating activities				
Net income	**$1,388.4**	$ 1,261.0	**$ 3,704.0**	$ 3,334.2
Adjustments to reconcile to cash provided by operations				
Charges and credits:				
Depreciation and amortization	**312.7**	311.9	**942.1**	898.5
Deferred income taxes	**12.1**	59.4	**5.5**	148.5
Gain on sale of investment		(0.6)		(94.9)
Share-based compensation	**20.0**	25.9	**64.7**	85.9
Impairment and other charges (credits), net	**3.6**	(1.5)	**41.2**	0.9
Other	**83.3**	(29.2)	**175.7**	41.4
Changes in working capital items	**124.3**	195.3	**(317.4)**	(41.5)
Cash provided by operations	**1,944.4**	1,822.2	**4,615.8**	4,373.0
Investing activities				
Property and equipment expenditures	**(523.1)**	(470.8)	**(1,319.4)**	(1,318.9)
Purchases and sales of restaurant businesses and property sales	**86.3**	42.1	**157.0**	120.4
Proceeds on sale of investment, net		9.8		144.9
Other	**(9.2)**	(22.4)	**(64.7)**	(59.2)
Cash used for investing activities	**(446.0)**	(441.3)	**(1,227.1)**	(1,112.8)
Financing activities				
Notes payable and long-term financing issuances and repayments, net	**478.9**	(99.0)	**752.1**	645.0
Treasury stock purchases	**(798.1)**	(768.7)	**(2,156.5)**	(2,373.7)
Common stock dividends	**(583.5)**	(541.2)	**(1,764.6)**	(1,642.4)
Proceeds from stock option exercises	**107.1**	40.5	**363.0**	157.6
Excess tax benefit on share-based compensation	**28.9**	7.9	**92.6**	35.8
Other	**(21.2)**	(27.6)	**(5.2)**	(36.0)
Cash used for financing activities	**(787.9)**	(1,388.1)	**(2,718.6)**	(3,213.7)
Effect of exchange rates on cash and cash equivalents	**119.0**	47.6	**28.9**	91.1
Cash and equivalents increase	**829.5**	40.4	**699.0**	137.6
Cash and equivalents at beginning of period	**1,665.5**	2,160.6	**1,796.0**	2,063.4
Cash and equivalents at end of period	**$2,495.0**	$ 2,201.0	**$ 2,495.0**	$ 2,201.0

See Notes to condensed consolidated financial statements.

Basis of Presentation

The accompanying condensed consolidated financial statements should be read in conjunction with the consolidated financial statements contained in the Company's December 31, 2009 Annual Report on Form 10-K. In the opinion of management, all adjustments (consisting of normal recurring accruals) necessary for a fair presentation have been included. The results for the quarter and nine months ended September 30, 2010 do not necessarily indicate the results that may be expected for the full year.

The results of operations of McDonald's restaurant businesses purchased and sold were not material, on either an individual or aggregate basis, to the condensed consolidated financial statements for periods prior to purchase and sale.

Restaurant Information

The following table presents restaurant information by ownership type:

Restaurants at September 30,	**2010**	2009
Conventional franchised	**19,179**	18,799
Developmental licensed	**3,377**	3,095
Affiliated	**3,648**	4,081
Total Franchised	**26,204**	25,975
Company-operated	**6,257**	6,303
Systemwide restaurants	**32,461**	32,278

Comprehensive Income

The following table presents the components of comprehensive income for the quarters and nine months ended September 30, 2010 and 2009:

	Quarters Ended September 30,		**Nine Months Ended September 30,**	
In millions	**2010**	2009	**2010**	2009
Net income	**$1,388.4**	$1,261.0	**$ 3,704.0**	$ 3,334.2
Other comprehensive income (loss):				
Foreign currency translation adjustments	**1,000.9**	507.5	**(48.0)**	824.7
Deferred hedging adjustments	**(20.0)**	(10.6)	**1.8**	(34.9)
Pension liability adjustment	**1.8**		**2.6**	1.0
Total other comprehensive income (loss)	**982.7**	496.9	**(43.6)**	790.8
Total comprehensive income	**$2,371.1**	$1,757.9	**$ 3,660.4**	$ 4,125.0

Income Tax Uncertainties

The Internal Revenue Service (the "IRS") is in the final stages of its examination of the Company's U.S. federal income tax returns for 2007 and 2008. In connection with this examination, the Company has received notices of proposed adjustment from the IRS primarily related to certain foreign tax credit and transfer pricing matters that could result in an additional tax liability of about $600 million, excluding interest and potential penalties. The IRS could raise similar issues for the 2009 and 2010 tax years.

We believe that the Company has properly reported taxable income and paid taxes in accordance with applicable laws and that the IRS proposed adjustments are inconsistent with applicable income tax laws, Treasury Regulations and relevant case law. We believe the adjustments are not justified and intend to pursue all available remedies. The Company cannot predict with certainty the timing of resolution; however, the Company does not believe the resolution will have a material impact on its results of operations or cash flows.

Per Common Share Information

Diluted earnings per common share is calculated using net income divided by diluted weighted-average shares. Diluted weighted-average shares include weighted-average shares outstanding plus the dilutive effect of share-based compensation calculated using the treasury stock method, of 13.9 million shares and 13.7 million shares for the third quarter 2010 and 2009, respectively, and 14.2 million shares and 14.5 million shares for the nine months ended September 30, 2010 and 2009, respectively. Stock options that were not included in diluted weighted-average shares because they would have been antidilutive were 10.0 million shares and 10.1 million shares for the third quarter and nine months ended September 30, 2009, respectively.

Fair Value Measurements

The Company measures certain financial assets and liabilities at fair value on a recurring basis, and certain non-financial assets and liabilities on a nonrecurring basis. The guidance provided by the Financial Accounting Standards Board (FASB) in the Fair Value Measurements and Disclosures Topic of the FASB Accounting Standards Codification (ASC) defines fair value as the price that would be received to sell an asset or paid to transfer a liability in the principal or most advantageous market in an orderly transaction between market participants on the measurement date. The guidance also establishes a three-level hierarchy, which requires an entity to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value.

The valuation hierarchy is based upon the transparency of inputs to the valuation of an asset or liability on the measurement date. The three levels are defined as follows:

- Level 1 – inputs to the valuation methodology are quoted prices (unadjusted) for an identical asset or liability in an active market.
- Level 2 – inputs to the valuation methodology include quoted prices for a similar asset or liability in an active market or model-derived valuations in which all significant inputs are observable for substantially the full term of the asset or liability.
- Level 3 – inputs to the valuation methodology are unobservable and significant to the fair value measurement of the asset or liability.

Certain of the Company's derivatives are valued using various pricing models or discounted cash flow analyses that incorporate observable market parameters, such as interest rate yield curves, option volatilities and currency rates, classified as Level 2 within the valuation hierarchy. Derivative valuations incorporate credit risk adjustments that are necessary to reflect the probability of default by the counterparty or the Company.

- ***Certain Financial Assets and Liabilities Measured at Fair Value***

The following table presents financial assets and liabilities measured at fair value on a recurring basis as of September 30, 2010 by the valuation hierarchy as defined in the fair value guidance:

In millions	**Level 1**	**Level 2**	**Level 3**	**Carrying Value**
Cash equivalents	$ 619.9			$ 619.9
Investments	123.5*			123.5
Derivative receivables	101.3*	$ 112.8		214.1
Total assets at fair value	**$ 844.7**	**$ 112.8**		**$ 957.5**
Derivative payables		$ (13.3)		$ (13.3)
Total liabilities at fair value		**$ (13.3)**		**$ (13.3)**

* Includes long-term investments and derivatives that hedge market driven changes in liabilities associated with the Company's supplemental benefit plans.

- ***Certain Financial Assets and Liabilities not Measured at Fair Value***

At September 30, 2010, the fair value of the Company's debt obligations was estimated at $13.0 billion, compared to a carrying amount of $11.4 billion. This fair value was estimated using various pricing models or discounted cash flow analyses that incorporated quoted market prices, and is similar to Level 2 within the valuation hierarchy. The carrying amount for both cash and equivalents and notes receivable approximate fair value.

- ***Non-Financial Assets and Liabilities Measured at Fair Value on a Nonrecurring Basis***

Certain assets and liabilities are measured at fair value on a nonrecurring basis; that is, the assets and liabilities are not measured at fair value on an ongoing basis but are subject to fair value adjustments in certain circumstances (e.g., when there is evidence of impairment). At September 30, 2010, no material fair value adjustments or fair value measurements were required for non-financial assets or liabilities.

Financial Instruments and Hedging Activities

The FASB guidance on disclosures in the Derivatives and Hedging Topic of the FASB ASC requires qualitative and quantitative information on how and why an entity uses derivative instruments, how derivative instruments and related hedged items are accounted for, and how derivative instruments and related hedged items affect an entity's financial position, financial performance and cash flows.

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 use derivatives with a level of complexity or with a risk higher than the exposures to be hedged and does not hold or issue derivatives for trading purposes.

The Company documents its risk management objective and strategy for undertaking hedging transactions, as well as all relationships between hedging instruments and hedged items. The Company's derivatives that are designated as hedging instruments consist mainly of interest rate exchange agreements, forward foreign currency exchange agreements and foreign currency options. Interest rate exchange agreements are entered into to manage the interest rate risk associated with the Company's fixed and floating-rate borrowings. Forward foreign currency exchange agreements and foreign currency options are entered into to mitigate the risk that forecasted foreign currency cash flows (such as royalties denominated in foreign currencies) will be adversely affected by changes in foreign currency exchange rates. Certain foreign currency denominated debt is used, in part, to protect the value of the Company's investments in certain foreign subsidiaries and affiliates from changes in foreign currency exchange rates.

The Company also enters into certain derivatives that are not designated as hedging instruments. The Company has entered into derivative contracts 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 forward foreign currency exchange agreements and foreign currency exchange agreements to mitigate the change in fair value of certain foreign currency denominated assets and liabilities. Since these derivatives are not designated as hedging instruments, the changes in the fair value of these hedges are recognized immediately in nonoperating (income) expense together with the translation gain or loss from the hedged balance sheet position. A portion of the Company's foreign currency options (more fully described in the Cash Flow Hedging Strategy section) are undesignated as hedging instruments as the underlying foreign currency royalties are earned.

All derivative instruments designated as hedging instruments are classified as fair value, cash flow or net investment hedges. All derivatives (including those not designated as hedging instruments) are recognized on the Consolidated balance sheet at fair value and classified based on the instruments' maturity date. Changes in the fair value measurements of the derivative instruments are reflected as adjustments to other comprehensive income (OCI) and/or current earnings.

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

In millions	**Asset Derivatives**			**Liability Derivatives**		
	Balance Sheet Classification	**September 30, 2010**	December 31, 2009	**Balance Sheet Classification**	**September 30, 2010**	December 31, 2009
Derivatives designated as hedging instruments						
Foreign currency options	Prepaid expenses and other current assets	**$ 11.9**	$ 13.2	Accrued payroll and other liabilities	**$ (1.8)**	
Interest rate exchange agreements	Prepaid expenses and other current assets	**0.6**	1.4	Accrued payroll and other liabilities		
Forward foreign currency exchange agreements	Prepaid expenses and other current assets	**4.3**	0.3	Accrued payroll and other liabilities	**(7.7)**	(0.1)
Foreign currency options	Miscellaneous other assets		5.4	Other long-term liabilities		
Interest rate exchange agreements	Miscellaneous other assets	**89.2**	67.3	Other long-term liabilities		(3.4)
Total derivatives designated as hedging instruments		**$ 106.0**	$ 87.6		**$ (9.5)**	$ (3.5)
Derivatives not designated as hedging instruments						
Forward foreign currency exchange agreements	Prepaid expenses and other current assets	**$ 5.4**	$ 9.3	Accrued payroll and other liabilities	**$ (3.8)**	$ (5.4)
Derivatives hedging supplemental benefit plan liabilities	Miscellaneous other assets	**101.3**	79.6	Other long-term liabilities		
Foreign currency exchange agreements	Miscellaneous other assets	**1.4**		Other long-term liabilities		(0.5)
Total derivatives not designated as hedging instruments		**$ 108.1**	$ 88.9		**$ (3.8)**	$ (5.9)
Total derivatives		**$ 214.1**	$ 176.5		**$ (13.3)**	$ (9.4)

The following table presents the pretax amounts affecting income and OCI for the nine months ended September 30, 2010 and 2009, respectively:

In millions

Derivatives in Fair Value Hedging Relationships	(Gain) Loss Recognized in Income on Derivative 2010	2009	Hedged Items in Fair Value Hedging Relationships	(Gain) Loss Recognized in Income on Related Hedged Items 2010	2009
Interest rate exchange agreements	**$(24.5)**	$3.5	Fixed-rate debt	**$24.5**	$(3.5)

Derivatives in Cash Flow Hedging Relationships	(Gain) Loss Recognized in Accumulated OCI on Derivative (Effective Portion) 2010	2009	(Gain) Loss Reclassified from Accumulated OCI into Income (Effective Portion) 2010	2009	(Gain) Loss Recognized in Income on Derivative (Amount Excluded from Effectiveness Testing and Ineffective Portion) 2010	2009
Foreign currency options	**$(12.3)**	$4.6	**$(11.1)**	$(42.3)	**$21.3**	$25.1
Interest rate exchange agreements[1]		(1.8)	**(0.5)**	(1.7)	**(0.3)**	
Forward foreign currency exchange agreements	**(1.5)**	1.6	**0.6**	(6.1)	**0.8**	
Total	**$(13.8)**	$4.4	**$(11.0)**	$(50.1)	**$21.8**	$25.1

Derivatives in Net Investment Hedging Relationships	(Gain) Loss Recognized in Accumulated OCI on Derivative (Effective Portion) 2010	2009
Foreign currency denominated debt	**$86.8**	$116.2
Forward foreign currency exchange agreements	**4.3**	
Total	**$91.1**	$116.2

Derivatives Not Designated as Hedging Instruments	(Gain) Loss Recognized in Income on Derivative 2010	2009
Forward foreign currency exchange agreements	**$(7.5)**	$(5.1)
Derivatives hedging supplemental benefit plan liabilities[2]	**(15.7)**	5.4
Foreign currency options	**(0.7)**	(0.2)
Foreign currency exchange agreements	**(1.9)**	
Total	**$(25.8)**	$0.1

(Gains) losses recognized in income on derivatives are recorded in nonoperating (income) expense unless otherwise noted.

(1) The amount of (gain) loss reclassified from accumulated OCI into income is recorded in interest expense.
(2) The amount of (gain) loss recognized in income on the derivatives used to hedge the supplemental benefit plan liabilities is recorded in selling, general & administrative expenses.

- ***Fair Value Hedging Strategy***

The Company enters into fair value hedges to reduce the exposure to changes in the fair values of certain liabilities. The fair value hedges the Company enters into consist of interest rate exchange agreements which convert a portion of its fixed-rate debt into floating-rate debt. All of the Company's interest rate exchange agreements meet the shortcut method requirements. Accordingly, changes in the fair values of the interest rate exchange agreements are exactly offset by changes in the fair value of the underlying debt. No ineffectiveness has been recorded to net income related to interest rate exchange agreements designated as fair value hedges for the nine month period ended September 30, 2010. A total of $2.1 billion of the Company's outstanding fixed-rate debt was effectively converted to floating-rate debt resulting from the use of interest rate exchange agreements.

- ***Cash Flow Hedging Strategy***

The Company enters into cash flow hedges to reduce the exposure to variability in certain expected future cash flows. The types of cash flow hedges the Company enters into include interest rate exchange agreements, forward foreign currency exchange agreements and foreign currency options.

To protect against the reduction in value of forecasted foreign currency cash flows (such as royalties denominated in foreign currencies), the Company uses forward foreign currency exchange agreements and foreign currency options to hedge a portion of anticipated exposures.

When the U.S. dollar strengthens against foreign currencies, the decline in present value of future foreign denominated royalties is offset by gains in the fair value of the forward foreign currency exchange agreements and/or foreign currency options. Conversely, when the U.S. dollar weakens, the increase in the present value of future foreign denominated royalties is offset by losses in the fair value of the forward foreign currency exchange agreements and/or foreign currency options.

Although the fair value changes in the foreign currency options may fluctuate over the period of the contract, the Company's total loss on a foreign currency option is limited to the upfront premium paid for the contract. However, the potential gains on a foreign currency option are unlimited as the settlement value of the contract is based upon the difference between the exchange rate at inception of the contract and the spot exchange rate at maturity. In limited situations, the Company uses foreign currency option collars, which limit the potential gains and lower the upfront premium paid, to protect against currency movements.

The hedges typically cover the next 12-15 months for certain exposures and are denominated in various currencies. As of September 30, 2010, the Company had derivatives outstanding with an equivalent notional amount of $517.9 million that were used to hedge a portion of forecasted foreign currency denominated royalties.

The Company excludes the time value of foreign currency options, as well as the discount or premium points on forward foreign currency exchange agreements, from its effectiveness assessment on its cash flow hedges. As a result, changes in the fair value of the derivatives due to these components, as well as the ineffectiveness of the hedges, are recognized in earnings currently. The effective portion of the gains or losses on the derivatives is reported in the deferred hedging adjustment component of OCI in shareholders' equity and reclassified into earnings in the same period or periods in which the hedged transaction affects earnings.

The Company recorded after tax adjustments related to cash flow hedges to the deferred hedging adjustment component of accumulated OCI in shareholders' equity. The Company recorded a net increase of $1.8 million for the nine months ended September 30, 2010 and a net decrease of $34.9 million for the nine months ended September 30, 2009. Based on interest rates and foreign currency exchange rates at September 30, 2010, no significant amount of the $18.3 million in cumulative deferred hedging gains, after tax, at September 30, 2010, will be recognized in earnings over the next 12 months as the underlying hedged transactions are realized.

- ***Hedge of Net Investment in Foreign Operations Strategy***

The Company primarily uses foreign currency denominated debt to hedge its investments in certain foreign subsidiaries and affiliates. Realized and unrealized translation adjustments from these hedges are included in shareholders' equity in the foreign currency translation component of OCI and offset translation adjustments on the underlying net assets of foreign subsidiaries and affiliates, which also are recorded in OCI. As of September 30, 2010, a total of $3.8 billion of the Company's outstanding foreign currency denominated debt was designated to hedge investments in certain foreign subsidiaries and affiliates.

- ***Credit Risk***

The Company is exposed to credit-related losses in the event of non-performance by the counterparties to its hedging instruments. The counterparties to these agreements consist of a diverse group of financial institutions. The Company continually monitors its positions and the credit ratings of its counterparties and adjusts positions as appropriate. The Company did not have significant exposure to any individual counterparty at September 30, 2010 and has master agreements that contain netting arrangements. Some of these agreements also require each party to post collateral if credit ratings fall below, or aggregate exposures exceed, certain contractual limits. At September 30, 2010, neither the Company nor its counterparties were required to post collateral on any derivative position, other than on hedges of certain of the Company's supplemental benefit plan liabilities where its counterparties were required to post collateral on their liability positions.

Impairment and Other Charges (Credits), Net

In the first quarter 2010, McDonald's Japan (a 50%-owned affiliate) announced plans to close approximately 430 restaurants by mid-2011 in conjunction with the strategic review of the market's restaurant portfolio. These actions are designed to enhance the brand image, overall profitability and returns of the market. For the nine months 2010, the Company recorded after tax impairment charges of $36.8 million related to its share of restaurant closing costs in Japan. These charges primarily consist of asset writeoffs and lease termination costs.

Gain on Sale of Investment

In 2009, the Company sold its minority ownership interest in Redbox Automated Retail, LLC to Coinstar, Inc. (Coinstar), the majority owner, for total consideration of $139.8 million. In connection with the sale, in first quarter 2009, the Company received initial consideration valued at $51.6 million consisting of 1.5 million shares of Coinstar common stock at an agreed to value of $41.6 million and $10 million in cash with the balance of the purchase price deferred. In second quarter 2009, the Company sold all of its holdings in the Coinstar common stock for $46.8 million and received $78.4 million in cash from Coinstar as deferred consideration, and in third quarter 2009, the Company received $9.8 million in cash from Coinstar as final consideration. As a result of the transaction, the Company recognized a nonoperating pretax gain of $0.6 million for the third quarter 2009 and $94.9 million (after tax–$58.8 million or $0.05 per share) for the nine months.

Segment Information

The Company franchises and operates McDonald's restaurants in the food service industry. The following table presents the Company's revenues and operating income by geographic segment. The APMEA segment represents operations in Asia/Pacific, Middle East and Africa. Other Countries & Corporate represents operations in Canada and Latin America, as well as Corporate activities.

In millions	Quarters Ended September 30, 2010	2009	Nine Months Ended September 30, 2010	2009
Revenues				
U.S.	**$2,120.9**	$2,049.7	**$ 6,074.5**	$ 5,970.3
Europe	**2,499.3**	2,541.7	**7,070.8**	6,753.9
APMEA	**1,333.3**	1,125.9	**3,735.8**	3,182.9
Other Countries & Corporate	**351.4**	329.4	**979.4**	864.2
Total	**$6,304.9**	$6,046.7	**$17,860.5**	$16,771.3
Operating income				
U.S.	**$ 930.3**	$ 865.6	**$ 2,634.8**	$ 2,426.0
Europe	**796.7**	770.9	**2,071.3**	1,879.7
APMEA	**341.1**	279.2	**886.7**	723.4
Other Countries & Corporate	**28.4**	17.1	**23.1**	(14.4)
Total	**$2,096.5**	$1,932.8	**$ 5,615.9**	$ 5,014.7

Variable Interest Entities and Consolidation

In June 2009, the FASB issued amendments to the guidance on variable interest entities and consolidation, codified primarily in the Consolidation Topic of the FASB ASC. This guidance modifies the method for determining whether an entity is a variable interest entity as well as the methods permitted for determining the primary beneficiary of a variable interest entity. In addition, this guidance requires ongoing reassessments of whether a company is the primary beneficiary of a variable interest entity and enhanced disclosures related to a company's involvement with a variable interest entity. The Company adopted this guidance as of January 1, 2010.

The Company evaluates its business relationships such as those with franchisees, joint venture partners, developmental licensees, suppliers, and advertising cooperatives to identify potential variable interest entities. Generally, these businesses qualify for a scope exception under the consolidation guidance. The Company has concluded that consolidation of any such entities is not appropriate for the periods presented. As a result, the adoption did not have any impact on the Company's consolidated financial statements.

Subsequent Events

The Company evaluated subsequent events through the date the financial statements were issued and filed with the Securities and Exchange Commission. In October 2010, the Company made a prepayment of the full principal amount outstanding under a syndicated term loan in the amount of 40 billion Japanese Yen ($479.0 million at September 30, 2010). This floating-rate loan was due to mature in 2014. The Company incurred no additional fees resulting from the early termination and recognized no gain or loss. The Company expects to refinance this amount. There were no other subsequent events that required recognition or disclosure.

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

Overview

The Company franchises and operates McDonald's restaurants. Of the 32,461 restaurants in 117 countries at September 30, 2010, 26,204 were operated by franchisees (including 19,179 operated by conventional franchisees, 3,377 operated by developmental licensees and 3,648 operated by foreign affiliated markets (affiliates) – primarily in Japan) and 6,257 were operated by the Company. Under our conventional franchise arrangement, franchisees provide a portion of the capital required by initially investing in the equipment, signs, seating and décor of their restaurant businesses, and by reinvesting in the business over time. The Company owns the land and building or secures long-term leases for both Company-operated and conventional franchised restaurant sites. This maintains long-term occupancy rights, helps control related costs and assists in alignment with franchisees. In certain circumstances, the Company participates in reinvestment for conventional franchised restaurants. Under our developmental license arrangement, licensees provide capital for the entire business, including the real estate interest, and the Company has no capital invested. In addition, the Company has an equity investment in a limited number of affiliates that invest in real estate and operate or franchise restaurants within a market.

We view ourselves primarily as a franchisor and believe franchising is important to delivering great, locally-relevant customer experiences and driving profitability. However, directly operating restaurants is paramount to being a credible franchisor and is essential to providing Company personnel with restaurant operations experience. In our Company-operated restaurants, and in collaboration with franchisees, we further develop and refine operating standards, marketing concepts and product and pricing strategies, so that only those that we believe are most beneficial are introduced Systemwide. Accordingly, we continually review our mix of Company-operated and franchised restaurants to help maximize overall performance.

The business is managed as distinct geographic segments. Significant reportable segments include the United States (U.S.), Europe, and Asia/Pacific, Middle East and Africa (APMEA). In addition, throughout this report we present "Other Countries & Corporate" that includes operations in Canada and Latin America, as well as Corporate activities. The U.S., Europe and APMEA segments account for 34%, 40% and 21% of total revenues, respectively.

In the first quarter 2010, McDonald's Japan (a 50%-owned affiliate) announced plans to close approximately 430 restaurants by mid-2011 in conjunction with the strategic review of the market's restaurant portfolio. These actions are designed to enhance the brand image, overall profitability and returns of the market. For the nine months 2010, the Company recorded after tax impairment charges of $36.8 million related to its share of restaurant closing costs in Japan.

In 2009, the Company sold its minority ownership interest in Redbox Automated Retail, LLC (Redbox) to Coinstar, Inc., the majority owner, and recognized a nonoperating pretax gain of $0.6 million in the third quarter 2009 and $94.9 million for the nine months. The Company had disposed of all non-McDonald's restaurant businesses as of December 31, 2009.

Strategic Direction and Financial Performance

The strength of the alignment between the Company, its franchisees and suppliers (collectively referred to as the System) has been key to McDonald's success over the years. This business model enables McDonald's to consistently deliver locally-relevant restaurant experiences to customers and be an integral part of the communities we serve. In addition, it facilitates our ability to identify, implement and scale innovative ideas that meet customers' changing needs and preferences.

McDonald's customer-focused Plan to Win – which is centered around being better, not just bigger – provides a common framework for our global business yet allows for local adaptation. Through the execution of multiple initiatives surrounding the five key drivers of exceptional customer experiences – People, Products, Place, Price and Promotion – we have enhanced the restaurant experience for customers worldwide and grown sales and customer visits in each of the last six years. This Plan, coupled with financial discipline, has delivered strong results for shareholders.

The Company is pursuing initiatives in three key areas: service enhancement, restaurant reimaging and menu innovation. These initiatives include leveraging technology to make it easier for restaurant staff to quickly and accurately serve customers, executing our interior and exterior reimaging plans and innovating at every tier of our menu to deliver great taste and value to customers. These efforts successfully resonated with consumers, driving increases in sales and customer visits in many countries despite challenging global economies and informal eating-out markets that are declining or experiencing only modest growth. As a result, every area of the world contributed to global comparable sales and operating income growth, which increased 6.0% and 8%, respectively, for the third quarter, and 5.1% and 12%, respectively, for the nine months.

The U.S. business continued to deliver increased sales and traffic through customer-focused initiatives that provide variety and value. U.S. operating income increased 7% for the third quarter and 9% for the nine months as sales were driven by McCafé Frappés and Smoothies, value-based beverages, classic core menu favorites and the everyday affordability of the Dollar Menu. Ongoing U.S. strategies include strengthening the core menu and value offerings; aggressively pursuing new growth opportunities in beverages, breakfast, chicken and snacking options; elevating the brand experience by updating technology with a new point of sale system; enhancing restaurant employee retention and productivity; and initiating a multi-year program to contemporize the interiors and exteriors of our restaurants through reimaging.

Europe's emphasis on providing signature menu favorites across all price-tiers, reimaging to create a more inviting restaurant experience, unique menu promotions, and extending convenience with expanded operating hours contributed to constant currency operating income growth of 12% for the quarter and 13% for the nine months. Europe's strategic priorities include upgrading the customer and employee experience, enhancing local relevance and building brand transparency.

APMEA's focus on compelling value, daypart expansion and core menu extensions contributed to constant currency operating income growth of 15% for the third quarter and 11% for the nine months. APMEA will continue to execute initiatives that best support the goal to be customers' first choice for eating out: convenience, core menu, branded affordability, improved operations and reimaging.

Operating Highlights Included:

- Global comparable sales increased 6.0% for the quarter and 5.1% for the nine months
- Consolidated operating income increased 8% (11% in constant currencies) for the quarter and 12% (11% in constant currencies) for the nine months
- Diluted earnings per share were $1.29 for the quarter and $3.42 for the nine months, up 12% (15% in constant currencies) and 14% (13% in constant currencies), respectively. Foreign currency translation had a negative impact of $0.03 per share on diluted earnings per share for the quarter and a positive impact of $0.03 per share for the nine months
- For the nine months ended September 30, 2010, the Company repurchased 31.9 million shares for $2.2 billion and paid total dividends of $1.65 per share or nearly $1.8 billion
- The quarterly cash dividend increased 11% to $0.61 per share – the equivalent of $2.44 per share annually – effective for the fourth quarter 2010

Outlook

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

- Changes in Systemwide sales are driven by comparable sales and net restaurant unit expansion. The Company expects net restaurant additions to add nearly 1.5 percentage points to 2010 Systemwide sales growth (in constant currencies), most of which will be due to the 609 net traditional restaurants added in 2009.
- The Company does not generally provide specific guidance on changes in comparable sales. However, as a perspective, assuming no change in cost structure, a 1 percentage point increase in comparable sales for either the U.S. or Europe would increase annual diluted earnings per share by about 3 cents.
- With about 75% of McDonald's grocery bill comprised of 10 different commodities, a basket of goods approach is the most comprehensive way to look at the Company's commodity costs. For the full year 2010, the total basket of goods cost is expected to decrease 3-4% in the U.S. and to decrease 2-3% in Europe, reflecting favorable comparisons in the first nine months of this year.
- The Company expects full-year 2010 selling, general & administrative expenses to increase by about 3%, in constant currencies, compared with 2009.
- Based on current interest and foreign currency exchange rates, the Company expects interest expense for the full year 2010 to decrease approximately 4% compared with 2009.
- A significant part of the Company's operating income is generated outside the U.S., and about 40% of its total debt is denominated in foreign currencies. Accordingly, earnings are affected by changes in foreign currency exchange rates, particularly the Euro, British Pound, Australian Dollar and Canadian Dollar. Collectively, these currencies represent approximately 70% of the Company's operating income outside the U.S. If all four of these currencies moved by 10% in the same direction compared with 2009, the Company's annual diluted earnings per share would change by about 17 to 19 cents. At current foreign currency rates, the Company expects foreign currency translation to have minimal impact on full year diluted earnings per share.
- The Company expects the effective income tax rate for the full-year 2010 to be approximately 29% to 31%. Some volatility may be experienced between the quarters resulting in a quarterly tax rate that is outside the annual range.
- The Company expects capital expenditures for 2010 to be approximately $2.3 billion. About half of this amount will be reinvested in existing restaurants, including the reimaging of approximately 1,800 locations worldwide. The rest will primarily be used to open new restaurants. The Company expects to open 1,000 restaurants including about 350 restaurants in affiliated and developmental licensed markets, such as Japan and Latin America, where the Company does not fund any capital expenditures. The Company expects net additions of about 275 restaurants, which reflects the strategic closing of restaurants by McDonald's Japan.

The Following Definitions Apply to These Terms as Used Throughout This Form 10-Q:

- Constant currency results exclude the effects of foreign currency translation and are calculated by translating current year results at prior year average exchange rates. Management reviews and analyzes business results in constant currencies and bases certain incentive compensation plans on these results because they believe this better represents the Company's underlying business trends.
- Systemwide sales include sales at all restaurants, whether operated by the Company or by franchisees. While franchised sales are not recorded as revenues by the Company, management believes the information is important in understanding the Company's financial performance because these sales are the basis on which the Company calculates and records franchised revenues and are indicative of the financial health of the franchisee base.
- Comparable sales represent sales at all restaurants and comparable guest counts represent the number of transactions at all restaurants, including those operated by the Company or by franchisees, in operation at least thirteen months including those temporarily closed. Some of the reasons restaurants may be temporarily closed include reimaging or remodeling, rebuilding, road construction and natural disasters. Comparable sales exclude the impact of currency translation. Management reviews the increase or decrease in comparable sales and comparable guest counts compared with the same period in the prior year to assess business trends. The number of weekdays and weekend days, referred to as the calendar shift/trading day adjustment, can impact comparable sales and guest counts. In addition, the timing of holidays can also impact comparable sales and guest counts.

CONSOLIDATED OPERATING RESULTS

Dollars in millions, except per share data	**Quarter Ended September 30, 2010**		**Nine Months Ended September 30, 2010**	
	Amount	% Increase / (Decrease)	Amount	% Increase / (Decrease)
Revenues				
Sales by Company-operated restaurants	$4,246.6	4	$12,063.1	6
Revenues from franchised restaurants	2,058.3	5	5,797.4	9
Total revenues	6,304.9	4	17,860.5	6
Operating costs and expenses				
Company-operated restaurant expenses	3,354.0	2	9,679.7	3
Franchised restaurants – occupancy expenses	344.4	2	1,018.0	7
Selling, general & administrative expenses	556.3	1	1,667.5	6
Impairment and other charges (credits), net	3.6	n/m	41.2	n/m
Other operating (income) expense, net	(49.9)	31	(161.8)	(4)
Total operating costs and expenses	4,208.4	2	12,244.6	4
Operating income	2,096.5	8	5,615.9	12
Interest expense	114.8	(3)	333.9	(7)
Nonoperating (income) expense, net	7.2	n/m	15.3	n/m
Gain on sale of investment		n/m		n/m
Income before provision for income taxes	1,974.5	8	5,266.7	10
Provision for income taxes	586.1	5	1,562.7	8
Net income	$1,388.4	10	$ 3,704.0	11
Earnings per common share–basic:	$ 1.31	13	$ 3.46	14
Earnings per common share–diluted:	$ 1.29	12	$ 3.42	14

n/m Not meaningful

Impact of Foreign Currency Translation

While changes in foreign currency exchange rates affect reported results, McDonald's mitigates exposures, where practical, by financing in local currencies, hedging certain foreign currency denominated cash flows, and purchasing goods and services in local currencies. Management reviews and analyzes business results excluding the effect of foreign currency translation and bases certain incentive compensation plans on these results because they believe this better represents the Company's underlying business trends. Results excluding the effect of foreign currency translation (also referred to as constant currency) are calculated by translating current year results at prior year average exchange rates.

IMPACT OF FOREIGN CURRENCY TRANSLATION
In millions, except per share data

Quarters Ended September 30,	**2010**	2009	Currency Translation Benefit / (Cost) **2010**
Revenues	**$6,304.9**	$6,046.7	**$ (101.5)**
Company-operated margins	**892.6**	793.8	**(11.4)**
Franchised margins	**1,713.9**	1,614.5	**(41.1)**
Selling, general & administrative expenses	**556.3**	549.6	**7.6**
Operating income	**2,096.5**	1,932.8	**(43.6)**
Net income	**1,388.4**	1,261.0	**(30.5)**
Earnings per common share – diluted	**1.29**	1.15	**(0.03)**

IMPACT OF FOREIGN CURRENCY TRANSLATION
In millions, except per share data

Nine Months Ended September 30,	**2010**	2009	Currency Translation Benefit / (Cost) **2010**
Revenues	**$17,860.5**	$16,771.3	**$ 254.2**
Company-operated margins	**2,383.4**	2,048.9	**40.8**
Franchised margins	**4,779.4**	4,389.5	**14.3**
Selling, general & administrative expenses	**1,667.5**	1,578.4	**(17.3)**
Operating income	**5,615.9**	5,014.7	**42.4**
Net income	**3,704.0**	3,334.2	**26.6**
Earnings per common share – diluted	**3.42**	3.00	**0.03**

Foreign currency translation had a negative impact on consolidated operating results for the quarter due to the weaker Euro and British Pound, partly offset by the stronger Australian Dollar and Canadian Dollar. Foreign currency translation had a positive impact on consolidated operating results for the nine months driven by the stronger Australian Dollar and Canadian Dollar, partly offset by the weaker Euro.

Net Income and Diluted Earnings per Common Share

For the third quarter and nine months ended September 30, 2010, net income was $1,388.4 million and $3,704.0 million, respectively, and diluted earnings per share were $1.29 and $3.42, respectively. Results for the nine months included after tax impairment charges of $36.8 million, or $0.03 per share, related to restaurant closings in Japan in conjunction with the first quarter strategic review of the market's restaurant portfolio. Foreign currency translation had a negative impact of $0.03 per share on diluted earnings per share for the quarter and a positive impact of $0.03 per share for the nine months.

For the third quarter and nine months ended September 30, 2009, net income was $1,261.0 million and $3,334.2 million, respectively, and diluted earnings per share were $1.15 and $3.00, respectively. Results benefited from an after tax gain of $58.8 million, or $0.05 per share, for the nine months due to the sale of the Company's minority interest in Redbox.

During the third quarter 2010, the Company repurchased 11.1 million shares of its stock for $797.0 million, bringing the total repurchases for 2010 to 31.9 million shares or $2.2 billion. During the third quarter 2010, the Company paid a quarterly dividend of $0.55 per share or $583.5 million, bringing the total dividends paid for 2010 to nearly $1.8 billion. The Company also declared a fourth quarter 2010 dividend of $0.61 per share, reflecting an increase of 11%. The Company expects total cash returned to shareholders to be approximately $5 billion for 2010.

Revenues

Revenues consist of sales by Company-operated restaurants and fees from restaurants operated by franchisees. Revenues from conventional franchised restaurants include rent and royalties based on a percent of sales along with minimum rent payments and initial fees. Revenues from franchised restaurants that are licensed to affiliates and developmental licensees include a royalty based on a percent of sales and generally include initial fees.

REVENUES
Dollars in millions

Quarters Ended September 30,	**2010**	2009	% Inc / (Dec)	% Inc / (Dec) Excluding Currency Translation
Company-operated sales				
U.S.	**$1,100.8**	$1,093.2	1	1
Europe	**1,806.6**	1,833.9	(1)	4
APMEA	**1,134.7**	964.0	18	13
Other Countries & Corporate	**204.5**	202.5	1	(4)
Total	**$4,246.6**	$4,093.6	4	5
Franchised revenues				
U.S.	**$1,020.1**	$ 956.5	7	7
Europe	**692.7**	707.8	(2)	7
APMEA	**198.6**	161.9	23	15
Other Countries & Corporate	**146.9**	126.9	16	16
Total	**$2,058.3**	$1,953.1	5	8
Total revenues				
U.S.	**$2,120.9**	$2,049.7	3	3
Europe	**2,499.3**	2,541.7	(2)	5
APMEA	**1,333.3**	1,125.9	18	13
Other Countries & Corporate	**351.4**	329.4	7	3
Total	**$6,304.9**	$6,046.7	4	6

REVENUES *Dollars in millions*				
Nine Months Ended September 30,	**2010**	2009	% Inc / (Dec)	% Inc / (Dec) Excluding Currency Translation
Company-operated sales				
U.S.	**$ 3,173.1**	$ 3,252.2	(2)	(2)
Europe	**5,126.9**	4,899.2	5	5
APMEA	**3,186.4**	2,740.9	16	9
Other Countries & Corporate	**576.7**	536.2	8	(4)
Total	**$12,063.1**	$11,428.5	6	3
Franchised revenues				
U.S.	**$ 2,901.4**	$ 2,718.1	7	7
Europe	**1,943.9**	1,854.7	5	8
APMEA	**549.4**	442.0	24	11
Other Countries & Corporate	**402.7**	328.0	23	17
Total	**$ 5,797.4**	$ 5,342.8	9	8
Total revenues				
U.S.	**$ 6,074.5**	$ 5,970.3	2	2
Europe	**7,070.8**	6,753.9	5	6
APMEA	**3,735.8**	3,182.9	17	9
Other Countries & Corporate	**979.4**	864.2	13	4
Total	**$17,860.5**	$16,771.3	6	5

Consolidated revenues increased 4% (6% in constant currencies) for the quarter and 6% (5% in constant currencies) for the nine months. The constant currency growth was driven by positive comparable sales. The impact of refranchising on consolidated revenues is lessening because the number of Company-operated restaurants sold to franchisees has declined compared with the prior year, in line with our overall strategy. Franchised restaurants represent 81% of Systemwide restaurants at September 30, 2010, compared with 80% at September 30, 2009.

In the U.S., revenues increased for the quarter and nine months primarily due to positive comparable sales, partly offset by the impact of refranchising activity. Comparable sales were driven by McCafé Frappés and Smoothies, value-based beverages, classic core menu favorites and the everyday affordability of the Dollar Menu.

In Europe, the constant currency increase in revenues for the quarter and nine months was primarily driven by comparable sales increases in the U.K., France, Russia (which is entirely Company-operated) and Germany, as well as expansion in Russia. These increases were partly offset by the impact of refranchising activity, primarily in the U.K.

In APMEA, the constant currency increase in revenues for the quarter and nine months was primarily driven by comparable sales increases in China, Australia and most other markets, as well as expansion in China.

The following table presents the percent change in comparable sales for the quarters and nine months ended September 30, 2010 and 2009:

COMPARABLE SALES	**% Increase**			
	Quarters Ended September 30,		**Nine Months Ended September 30,***	
	2010	2009	**2010**	2009
U.S.	**5.3**	2.5	**3.5**	3.5
Europe	**4.1**	5.8	**4.8**	5.4
APMEA	**8.1**	2.2	**6.2**	4.0
Other Countries & Corporate	**11.3**	6.1	**11.1**	5.1
Total	**6.0**	3.8	**5.1**	4.3

* On a consolidated basis, comparable guest counts increased 4.8% and 1.3% for the nine months ended September 30, 2010 and 2009, respectively.

The following table presents the percent change in Systemwide sales for the quarter and nine months ended September 30, 2010:

SYSTEMWIDE SALES				
	Quarter Ended September 30, 2010		**Nine Months Ended September 30, 2010**	
	% Inc / (Dec)	% Inc Excluding Currency Translation	% Inc	% Inc Excluding Currency Translation
U.S.	6	6	4	4
Europe	(2)	6	5	7
APMEA	16	9	16	8
Other Countries & Corporate	10	13	15	13
Total	6	7	7	6

The following table presents franchised sales, which are not recorded in the income statement, and the related percentage change for the quarters and nine months ended September 30, 2010 and 2009:

FRANCHISED SALES *Dollars in millions*				
Quarters Ended September 30,	**2010**	2009	% Inc / (Dec)	% Inc Excluding Currency Translation
U.S.	**$ 7,415.8**	$ 6,948.8	7	7
Europe	**3,960.4**	4,027.7	(2)	7
APMEA	**2,958.1**	2,578.4	15	7
Other Countries & Corporate	**1,725.0**	1,558.5	11	15
Total*	**$16,059.3**	$15,113.4	6	8

FRANCHISED SALES *Dollars in millions*				
Nine Months Ended September 30,	**2010**	2009	% Inc	% Inc Excluding Currency Translation
U.S.	**$21,057.9**	$20,011.3	5	5
Europe	**11,105.8**	10,608.6	5	8
APMEA	**8,312.9**	7,159.4	16	7
Other Countries & Corporate	**4,734.4**	4,088.5	16	15
Total*	**$45,211.0**	$41,867.8	8	7

* For the quarters, sales from developmental licensee restaurants or foreign affiliated markets where the Company earns a royalty based on a percent of sales were $3,368.0 million and $3,046.6 million in 2010 and 2009, respectively, and for the nine months, were $9,379.7 million and $8,527.3 million in 2010 and 2009, respectively. The remaining balance of franchised sales is derived from conventional franchised restaurants where the Company earns rent and royalties based primarily on a percent of sales.

Restaurant Margins

FRANCHISED AND COMPANY-OPERATED RESTAURANT MARGINS *Dollars in millions*						
Quarters Ended September 30,	**Percent**		**Amount**		% Inc / (Dec)	% Inc Excluding Currency Translation
	2010	2009	**2010**	2009		
Franchised						
U.S.	**84.1**	83.4	**$ 858.0**	$ 797.4	8	8
Europe	**79.5**	79.5	**550.4**	562.6	(2)	7
APMEA	**89.8**	89.5	**178.3**	144.9	23	15
Other Countries & Corporate	**86.5**	86.4	**127.2**	109.6	16	17
Total	**83.3**	82.7	**$1,713.9**	$1,614.5	6	9
Company-operated						
U.S.	**22.0**	19.3	**$ 242.0**	$ 211.3	15	15
Europe	**22.0**	20.4	**397.3**	374.7	6	12
APMEA	**18.9**	18.0	**214.0**	173.5	23	18
Other Countries & Corporate	**19.2**	16.9	**39.3**	34.3	15	8
Total	**21.0**	19.4	**$ 892.6**	$ 793.8	12	14

FRANCHISED AND COMPANY-OPERATED RESTAURANT MARGINS *Dollars in millions*						
Nine Months Ended September 30,	**Percent**		**Amount**		% Inc	% Inc Excluding Currency Translation
	2010	2009	**2010**	2009		
Franchised						
U.S.	**83.5**	83.1	**$2,422.7**	$2,259.3	7	7
Europe	**78.2**	78.3	**1,520.2**	1,451.7	5	8
APMEA	**89.2**	89.7	**490.1**	396.6	24	10
Other Countries & Corporate	**86.0**	86.0	**346.4**	281.9	23	18
Total	**82.4**	82.2	**$4,779.4**	$4,389.5	9	9
Company-operated						
U.S.	**21.6**	19.1	**$ 684.6**	$ 620.9	10	10
Europe	**19.9**	18.2	**1,021.3**	889.7	15	16
APMEA	**18.0**	16.7	**574.3**	457.6	26	17
Other Countries & Corporate	**17.9**	15.1	**103.2**	80.7	28	14
Total	**19.8**	17.9	**$2,383.4**	$2,048.9	16	14

Franchised margin dollars increased $99.4 million or 6% (9% in constant currencies) for the quarter and $389.9 million or 9% (9% in constant currencies) for the nine months. Positive comparable sales were the primary driver of the constant currency growth in franchised margin dollars and percent.

- In the U.S., the franchised margin percent increased for the quarter and nine months primarily due to positive comparable sales.
- In Europe, the franchised margin percent remained relatively flat for the quarter and nine months as positive comparable sales were offset primarily by higher occupancy expenses, the cost of strategic brand and sales building initiatives, and refranchising activity.
- In APMEA, the franchised margin percent declined for the nine months primarily driven by foreign currency translation, mostly due to the stronger Australian dollar.

Company-operated margin dollars increased $98.8 million or 12% (14% in constant currencies) for the quarter and $334.5 million or 16% (14% in constant currencies) for the nine months. Positive comparable sales and lower commodity costs were the primary drivers of the constant currency growth in Company-operated margin dollars and percent.

- In the U.S., the Company-operated margin percent increased for the quarter and nine months primarily due to lower commodity costs as well as positive comparable sales, partly offset by higher labor costs, particularly in the third quarter.
- In Europe, the Company-operated margin percent increased for the quarter and nine months primarily due to positive comparable sales. Also contributing were slightly lower commodity costs, offset by higher labor costs.
- In APMEA, the Company-operated margin percent increased for the quarter and nine months primarily due to positive comparable sales, partly offset by higher labor and other costs. The nine months also benefited from lower commodity costs.

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

CONSOLIDATED COMPANY-OPERATED RESTAURANT EXPENSES AND MARGINS AS A PERCENT OF SALES				
	Quarters Ended September 30,		**Nine Months Ended September 30,**	
	2010	2009	**2010**	2009
Food & paper	**32.4**	33.1	**32.6**	33.8
Payroll & employee benefits	**24.8**	25.1	**25.3**	25.6
Occupancy & other operating expenses	**21.8**	22.4	**22.3**	22.7
Total expenses	**79.0**	80.6	**80.2**	82.1
Company-operated margins	**21.0**	19.4	**19.8**	17.9

Selling, General & Administrative Expenses

Selling, general & administrative expenses increased 1% (3% in constant currencies) for the quarter and increased 6% (5% in constant currencies) for the nine months. Expenses in 2010 included costs related to the Vancouver Winter Olympics in February and the Company's biennial Worldwide Owner/Operator Convention in April. Selling, general & administrative expenses as a percent of revenues decreased to 9.3% for the nine months 2010 compared with 9.4% for 2009, and as a percent of Systemwide sales, decreased to 2.9% for 2010 compared with 3.0% for 2009.

Impairment and Other Charges (Credits), Net

In the first quarter 2010, McDonald's Japan (a 50%-owned affiliate) announced plans to close approximately 430 restaurants by mid-2011 in conjunction with the strategic review of the market's restaurant portfolio. These actions are designed to enhance the brand image, overall profitability and returns of the market. For the nine months 2010, the Company recorded after tax impairment charges of $36.8 million related to its share of restaurant closing costs in Japan.

Other Operating (Income) Expense, Net

OTHER OPERATING (INCOME) EXPENSE, NET *In millions*				
	Quarters Ended September 30,		**Nine Months Ended September 30,**	
	2010	2009	**2010**	2009
Gains on sales of restaurant businesses	**$ (22.5)**	$ (32.5)	**$ (61.1)**	$ (78.6)
Equity in earnings of unconsolidated affiliates	**(49.6)**	(54.9)	**(131.3)**	(118.2)
Asset dispositions and other expense	**22.2**	14.8	**30.6**	41.2
Total	**$ (49.9)**	$ (72.6)	**$ (161.8)**	$ (155.6)

Gains on sales of restaurant businesses for the quarter and nine months reflected less than half the number of sites refranchised in 2010 compared with 2009.

Equity in earnings of unconsolidated affiliates for the nine months reflected improved operating performance in Japan, partly offset by a reduction in the number of unconsolidated affiliate restaurants worldwide. Impairment charges relating to Japan are recorded separately in Impairment and Other Charges (Credits), Net.

Operating Income

OPERATING INCOME *Dollars in millions*				
Quarters ended September 30,	**2010**	2009	% Inc	% Inc Excluding Currency Translation
U.S.	**$ 930.3**	$ 865.6	7	7
Europe	**796.7**	770.9	3	12
APMEA	**341.1**	279.2	22	15
Other Countries & Corporate	**28.4**	17.1	66	69
Total	**$2,096.5**	$1,932.8	8	11

OPERATING INCOME *Dollars in millions*				
Nine Months ended September 30,	**2010**	2009	% Inc	% Inc Excluding Currency Translation
U.S.	**$2,634.8**	$2,426.0	9	9
Europe	**2,071.3**	1,879.7	10	13
APMEA	**886.7**	723.4	23	11
Other Countries & Corporate	**23.1**	(14.4)	n/m	n/m
Total	**$5,615.9**	$5,014.7	12	11

n/m Not meaningful

In the U.S., operating results increased for the quarter and nine months primarily due to higher restaurant margin dollars.

In Europe, constant currency operating results for the quarter and nine months reflected stronger operating performance in the U.K., Russia, France and Germany.

In APMEA, constant currency operating results for the quarter and nine months were driven primarily by stronger results in Australia, China and most other markets. For the nine months, the Company's share of impairment charges related to restaurant closings in Japan negatively impacted the growth rate by 5%.

- ***Combined Operating Margin***

Combined operating margin is defined as operating income as a percent of total revenues. Combined operating margin for the nine months 2010 and 2009 was 31.4% and 29.9%, respectively.

Interest Expense

Interest expense for the quarter and nine months decreased primarily due to lower average interest rates.

Nonoperating (Income) Expense, Net

NONOPERATING (INCOME) EXPENSE, NET In millions				
	Quarters Ended September 30,		Nine Months Ended September 30,	
	2010	2009	**2010**	2009
Interest income	**$(5.6)**	$(4.4)	**$ (13.8)**	$ (14.7)
Translation and hedging activity	**1.8**	(6.8)	**6.4**	(31.9)
Other expense	**11.0**	5.2	**22.7**	12.2
Total	**$ 7.2**	$(6.0)	**$ 15.3**	$ (34.4)

Translation and hedging activity for 2009 included higher gains on the hedging of certain foreign currency denominated cash flows.

Gain on Sale of Investment

In 2009, the Company sold its minority ownership interest in Redbox to Coinstar, Inc., the majority owner, and recognized a nonoperating pretax gain of $0.6 million in the third quarter 2009 and $94.9 million for the nine months.

Income Taxes

The effective income tax rate was 29.7% for the nine months 2010 compared with 30.3% for the nine months 2009 and 29.7% for third quarter 2010 compared with 30.8% for third quarter 2009.

The Internal Revenue Service (the "IRS") is in the final stages of its examination of the Company's U.S. federal income tax returns for 2007 and 2008. The Company has received notices of proposed adjustment from the IRS primarily related to certain foreign tax credit and transfer pricing matters that could result in an additional tax liability of about $600 million, excluding interest and potential penalties. We believe the adjustments are not justified and intend to pursue all available remedies. The Company cannot predict with certainty the timing of resolution; however, the Company does not believe the resolution will have a material impact on its results of operations or cash flows.

Cash Flows and Financial Position

The Company generates significant cash from operations and has substantial credit capacity to fund operating and discretionary spending such as capital expenditures, debt repayments, dividends and share repurchases.

Cash provided by operations totaled $4.6 billion and exceeded capital expenditures by $3.3 billion for the nine months 2010. Cash provided by operations increased $242.8 million compared with the nine months 2009 primarily due to stronger operating results, partly offset by changes in working capital, primarily related to higher payments of accounts payable and income taxes.

Cash used for investing activities totaled $1.2 billion for the nine months 2010, an increase of $114.3 million over the nine months 2009, primarily as a result of receiving proceeds from the sale of Redbox in 2009.

Cash used for financing activities totaled $2.7 billion for the nine months 2010, a decrease of $495.1 million. In 2010, financing activities reflected lower treasury stock purchases, higher proceeds from stock option exercises and higher net debt issuances, partly offset by higher dividends.

Debt obligations at September 30, 2010 totaled $11.4 billion compared with $10.6 billion at December 31, 2009. The increase in 2010 was primarily due to net issuances of $752.1 million and the impact of changes in exchange rates on foreign currency denominated debt of $86.9 million. In October 2010, the Company made a prepayment of the full principal amount outstanding under a syndicated term loan in the amount of 40 billion Japanese Yen ($479.0 million at September 30, 2010). This floating-rate loan was due to mature in 2014. The Company incurred no additional fees resulting from the early termination and recognized no gain or loss. The Company expects to refinance this amount.

Risk Factors and Cautionary Statement Regarding Forward-Looking Statements

The information in this report includes forward-looking statements about our plans and future performance, including those under Outlook. These statements use such words as "may," "will," "expect," "believe" and "plan." They reflect our expectations and speak only as of the date of this report. We do not undertake to update them. Our expectations (or the underlying assumptions) may change or not be realized, and you should not rely unduly on forward-looking statements.

Our business and execution of our strategic plan, the Plan to Win, are subject to risks. The most important of these is our ability to remain relevant to our customers and a brand they trust. Meeting customer expectations is complicated by the risks inherent in our operating environment. The informal eating out (IEO) segment of the restaurant industry, although largely mature in our major markets, is highly fragmented and competitive. The current economic environment has caused the IEO segment to contract in many markets, including some of our major markets, and this may continue. The current environment has also increased consumer focus on value, heightening pricing pressures across the industry, which could affect our ability to continue to grow sales despite the strength of our Brand and value proposition. We have the added challenge of the cultural, economic and regulatory differences that exist among the more than 100 countries where we operate. Our operations, plans and results are also affected by regulatory and similar initiatives around the world, as well as by the focus on nutritional content and the production, processing and preparation of food "from field to front counter."

The risks we face can have an impact both in the near- and long-term and are reflected in the following considerations and factors that we believe are most likely to affect our performance.

Our ability to remain a relevant and trusted brand and to increase sales depends largely on how well we execute the Plan to Win.

The Plan to Win addresses the key drivers of our business and results – people, products, place, price and promotion. The quality of our execution depends mainly on the following:

- Our ability to anticipate and respond effectively to trends or other factors that affect the IEO segment and our competitive position in the diverse markets we serve, such as spending patterns, demographic changes, trends in food preparation, consumer preferences and publicity about us, all of which can drive popular perceptions of our business or affect the willingness of other companies to enter into site, supply or other arrangements or alliances with us;
- Our ability to drive restaurant improvements and to motivate our restaurant personnel to achieve sustained high service levels so as to improve consumer perceptions of our ability to meet expectations for quality food served in clean and friendly environments;
- Whether our restaurant remodeling and rebuilding efforts, which remain a priority notwithstanding the current challenging economic and operating environment, are targeted at the elements of the restaurant experience that will best accomplish our goals to enhance the relevance of our Brand and achieve an efficient allocation of our capital resources;
- The risks associated with our franchise business model, including whether our franchisees and developmental licensees will have the experience and financial resources to be effective operators and remain aligned with us on operating, promotional and capital-intensive initiatives and the potential impact on us if they experience food safety or other operational problems or project a brand image inconsistent with our values, particularly if our contractual and other rights and remedies are limited by local law or otherwise, costly to exercise or subject to litigation;
- The success of our initiatives to support menu choice, physical activity and nutritional awareness and to address these and other matters of social responsibility in a way that communicates our values effectively and inspires trust and confidence;
- Our ability to respond effectively to adverse perceptions about the quick-service category of the IEO segment or about our products, promotions and premiums, such as Happy Meals (collectively, our products), or the reliability of our supply chain and the safety of our products, and our ability to manage the potential impact on McDonald's of food-borne illnesses or product safety issues;
- The success of our plans to improve existing menu items and to roll out new menu items, as well as the impact of our competitors' actions, including in response to our menu changes and product introductions, and our ability to continue robust menu development and manage the complexity of our restaurant operations;
- Our ability to differentiate the McDonald's experience in a way that balances consumer value with margin expansion, particularly in markets where pricing or cost pressures are significant or have been exacerbated by the current challenging economic and operating environment;
- The impact of pricing, marketing and promotional plans on sales and margins and our ability to adjust these plans to respond quickly to changing economic conditions;
- The impact of events such as boycotts or protests, labor strikes and supply chain interruptions (including due to lack of supply or price increases) that can adversely affect us directly or adversely affect the vendors, franchisees and others that are also part of the McDonald's System and whose performance has a material impact on our results;
- Our ability to recruit and retain qualified local personnel to manage our operations and growth in certain developing markets;
- Our ability to leverage promotional or operating successes in individual markets into other markets in a timely and cost-effective way; and
- The costs and operational risks associated with our increasing reliance on information technology (including our point-of-sale and other in-store technology systems or platforms), such as the need for increasing investments to upgrade and maintain our systems, the potential for system failures or programming errors and the impact on our margins as the use of cashless payments becomes more widespread.

Our results and financial condition are affected by global and local market conditions, which can adversely affect our sales, margins and net income.

Our results of operations are substantially affected not only by global economic conditions, but also by local operating and economic conditions, which can vary substantially by market. Unfavorable conditions can depress sales in a given market or daypart (e.g., breakfast). To mitigate the impact of these conditions, we may take promotional or other actions that adversely affect our margins, limit our operating flexibility or result in charges, restaurant closings or sales of Company-operated restaurants. Some macroeconomic conditions could have an even more wide-ranging and prolonged impact. The current environment has been characterized by weak economies, high unemployment, constrained credit and volatile financial markets. These conditions have significantly affected consumer confidence and spending. Moreover, the strength of the current recovery is uncertain in many of our most important markets, and growth in consumer spending generally lags improvement in the broader economy. The key factors that can affect our operations, plans and results in this environment are the following:

- Whether our strategies will permit us to compete effectively and make continued market share gains despite the uncertain economic outlook, while at the same time achieving sales and operating income within our targeted long-term average annual range of growth;
- The effectiveness of our supply chain management, including hedging strategies, to assure reliable and sufficient product supply on favorable terms;
- The impact of changes in foreign exchange and interest rates and governmental actions to manage national economic conditions such as credit availability, consumer spending, unemployment levels, foreign exchange and inflation rates;
- The impact on our margins of labor costs given our labor-intensive business model, the long-term trend toward higher wages in both mature and developing markets and the potential impact of union organizing efforts on day-to-day operations of our restaurants;
- Whether we are able to identify and develop restaurant sites consistent with our plans for net growth of Systemwide restaurants from year to year, and whether new sites are as profitable as expected;
- The challenges and uncertainties associated with operating in developing markets, such as China, Russia and India, which may entail a relatively higher risk of political instability, economic volatility, crime, corruption and social and ethnic unrest, all of which are exacerbated in many cases by a lack of an independent and experienced judiciary and uncertainties in how local law is applied and enforced, including in areas most relevant to commercial transactions and foreign investment; and
- The nature and timing of decisions about underperforming markets or assets, including decisions that result in impairment charges that reduce our earnings.

Increasing regulatory complexity will continue to affect our operations and results in material ways.

Our legal and regulatory environment worldwide exposes us to complex compliance, litigation and similar risks that affect our operations and results in material ways. In many of our markets, including the United States and Europe, we are subject to increasing regulation, which has increased our cost of doing business. In developing markets, we face the risks associated with new and untested laws and judicial systems. Among the more important regulatory and litigation risks we face and must manage are the following:

- The cost, compliance and other risks associated with the often conflicting and highly prescriptive regulations we face, especially in the United States where inconsistent standards imposed by local, state and federal authorities can adversely affect popular perceptions of our business and increase our exposure to litigation or governmental investigations or proceedings, and the impact of new, potential or changing regulation that affects or restricts elements of our business, particularly those relating to marketing to children, nutritional content and product labeling and safety;
- The impact of nutritional, health and other scientific inquiries and conclusions, which constantly evolve and often have contradictory implications, but nonetheless drive popular opinion, litigation and regulation, including taxation, in ways that could be material to our business;
- The risks and costs of McDonald’s nutritional labeling and other disclosure practices, particularly given differences among applicable legal requirements and practices within the restaurant industry with respect to testing and disclosure, ordinary variations in food preparation among our own restaurants, and the need to rely on the accuracy and completeness of information obtained from third party suppliers;
- The risks and costs to us, our franchisees and our supply chain of increased focus by U.S. and overseas governmental authorities on environmental matters, such as climate change, the reduction of greenhouse gases and water consumption, including as a result of initiatives that effectively impose a tax on carbon emissions;
- The impact of litigation trends, particularly in our major markets, including class actions, labor and employment claims and landlord/tenant disputes; the relative level of our defense costs, which vary from period to period depending on the

number, nature and procedural status of pending proceedings; and the cost and other effects of settlements or judgments, which may require us to make disclosures or take other actions that may affect perceptions of our Brand and products;

- Adverse results of pending or future litigation, including litigation challenging the composition of our products, or the appropriateness or accuracy of our marketing or other communication practices;
- The increasing costs and other effects of compliance with U.S. and overseas regulations affecting our workforce and labor practices, including regulations relating to wage and hour practices, immigration, mandatory healthcare benefits and unlawful workplace discrimination;
- The impact of the current economic conditions on unemployment levels and consumer confidence and the effect of initiatives to stimulate economic recovery and to further regulate financial markets (including through changes in taxation) on the cost and availability of funding for the Company and its franchisees, inflation and foreign exchange rates;
- Disruptions in our operations or price volatility in a market that can result from governmental actions, such as price, foreign exchange or import-export controls, increased tariffs or government-mandated closure of our or our vendors' operations, and the cost and disruption of responding to governmental investigations or proceedings, whether or not they have merit;
- The legal and compliance risks associated with information technology, such as the costs of compliance with privacy, consumer protection and other laws, the potential costs associated with alleged security breaches (including the loss of consumer confidence that may result) and potential challenges to the associated intellectual property rights; and
- The impact of changes in financial reporting requirements, accounting principles or practices, including with respect to our critical accounting estimates, changes in tax accounting or tax laws (or authoritative interpretations relating to any of these matters), and the impact of settlements of pending or any future adjustments proposed by the IRS or other taxing authorities in connection with our tax audits, all of which will depend on their timing, nature and scope.

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

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

- The current uncertain global economic conditions and market volatility;
- Governmental action or inaction in light of key indicators of economic activity or events that can significantly influence financial markets, particularly in the United States which is the principal trading market for our common stock, and media reports and commentary about economic or other matters, even when the matter in question does not directly relate to our business;
- Changes in financial or tax reporting and accounting principles or practices that materially affect our reported financial condition and results and investor perceptions of our performance, as well as changes in tax law that affect the income tax consequences to investors in our common stock;
- Trading activity in our common stock or trading activity in derivative instruments with respect to our common stock or debt securities, which can reflect market commentary (including commentary that may be unreliable or incomplete in some cases) or expectations about our business, our creditworthiness or investor confidence generally; actions by shareholders and others seeking to influence our business strategies; portfolio transactions in our stock by significant shareholders; or trading activity that results from the ordinary course rebalancing of stock indices in which McDonald's may be included, such as the S&P 500 Index and the Dow Jones Industrial Average;
- The impact of our stock repurchase program, dividend rate or changes in our debt levels on our credit ratings, interest expense, ability to obtain funding on favorable terms or our operating or financial flexibility, especially if lenders impose new operating or financial covenants; and
- The impact on our results of other corporate actions, such as those we may take from time to time as part of our continuous review of our corporate structure in light of business, legal and tax considerations.

Our results can be adversely affected by disruptions or events, such as the impact of severe weather conditions and natural disasters.

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

Item 3. Quantitative and Qualitative Disclosures About Market Risk

There were no material changes to the disclosure made in our Annual Report on Form 10-K for the year ended December 31, 2009 regarding this matter.

Item 4. Controls and Procedures

An evaluation was conducted under the supervision and with the participation of the Company's management, including the Chief Executive Officer (CEO) and Chief Financial Officer (CFO), of the effectiveness of the design and operation of the Company's disclosure controls and procedures as of September 30, 2010. Based on that evaluation, the CEO and CFO concluded that the Company's disclosure controls and procedures were effective as of such date to ensure that information required to be disclosed in the reports that it files or submits under the Securities Exchange Act of 1934, as amended, is recorded, processed, summarized and reported within the time periods specified in Securities and Exchange Commission rules and forms. Such officers also confirm that there was no change in the Company's internal control over financial reporting during the quarter ended September 30, 2010 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

- ***Obesity***

On or about February 17, 2003, two minors, by their parents and guardians, filed an Amended Complaint against McDonald's Corporation in the United States District Court for the Southern District of New York (Case No. 02 Civ. 7821) *(Ashley Pelman, a child under the age of 18 years, by her mother and natural guardian, Roberta Pelman, and Jazlen Bradley, a child under the age of 18 years, by her father and natural guardian, Israel Bradley, v. McDonald's Corporation)* seeking class action status on behalf of individuals in New York under the age of 18 (and their parents and/or guardians), who became obese or developed other adverse health conditions allegedly from eating McDonald's products. On September 3, 2003, the Court dismissed all counts of the complaint with prejudice. On January 25, 2005, following an appeal by the plaintiffs, the Second Circuit Court of Appeals vacated the District Court's decision to dismiss alleged violations of Section 349 of the New York Consumer Protection Act as set forth in Counts I-III of the amended complaint.

On December 12, 2005, the plaintiffs filed their Second Amended Complaint. In this complaint, the plaintiffs alleged that McDonald's Corporation: (1) engaged in a deceptive advertising campaign to "be perceived to be less nutritionally detrimental-than-in-fact"; (2) failed to disclose adequately its use of certain additives and ingredients; and (3) failed to provide nutritional information about its products. Plaintiffs seek unspecified compensatory damages; an order directing defendants to label their individual products specifying the fat, salt, sugar, cholesterol and dietary content; an order prohibiting marketing to certain individuals; "funding of an educational program to inform children and adults of the dangers of eating certain foods" sold by defendants; and attorneys' fees and costs.

On October 27, 2010, the Court denied the plaintiffs' motion for class certification.

The Company believes that it has substantial legal and factual defenses to the plaintiffs' claims and intends to defend this lawsuit vigorously.

Item 1A. Risk Factors

This report contains certain forward-looking statements which reflect management's expectations regarding future events and operating performance and speak only as of the date hereof. These forward-looking statements involve a number of risks and uncertainties. These and other risks are noted in the Risk Factors and Cautionary Statement Regarding Forward-Looking Statements following Management's Discussion and Analysis.

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

Issuer Purchases of Equity Securities*

The following table presents information related to repurchases of common stock the Company made during the three months ended September 30, 2010:

Period	Total Number of Shares Purchased	Average Price Paid per Share	Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs (1)	Approximate Dollar Value of Shares that May Yet Be Purchased Under the Plans or Programs (1)
July 1-31, 2010	3,308,755	$ 68.91	3,308,755	$ 7,911,655,000
August 1-31, 2010	3,253,952	$ 72.37	3,253,952	$ 7,676,167,000
September 1-30, 2010	4,467,667	$ 74.64	4,467,667	$ 7,342,702,000
Total	11,030,374	$ 72.25	11,030,374	$ 7,342,702,000

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

(1) On September 24, 2009, the Company's Board of Directors approved a share repurchase program that authorizes the purchase of up to $10 billion of the Company's outstanding common stock with no specified expiration date.

Item 6. Exhibits

Exhibit Number	Description
(3)	(a) Restated Certificate of Incorporation, effective as of March 24, 1998, incorporated herein by reference from Form 8-K, dated April 17, 1998.
	(b) By-Laws, as amended and restated with effect as of January 21, 2010, incorporated herein by reference from Form 8-K, dated January 20, 2010.
(4)	Instruments defining the rights of security holders, including Indentures: *
	(a) Senior Debt Securities Indenture, incorporated herein by reference from Exhibit (4)(a) of Form S-3 Registration Statement (File No. 333-14141), filed October 15, 1996.
	(b) Subordinated Debt Securities Indenture, incorporated herein by reference from Exhibit (4)(b) of Form S-3 Registration Statement (File No. 333-14141), filed October 15, 1996.
	(c) Debt Securities Indenture, incorporated herein by reference from Exhibit (4)(a) of Form S-3 Registration Statement (File No. 33-12364), filed March 3, 1987.
(10)	Material Contracts
	(a) Directors' Deferred Compensation Plan, effective as of January 1, 2008, incorporated herein by reference from Form 8-K, dated November 28, 2007.**
	(b) McDonald's Excess Benefit and Deferred Bonus Plan, effective January 1, 2011, as amended and restated March 22, 2010, incorporated herein by reference from Form 10-Q, for the quarter ended March 31, 2010.**
	(c) McDonald's Corporation Supplemental Profit Sharing and Savings Plan, effective as of September 1, 2001, incorporated herein by reference from Form 10-K, for the year ended December 31, 2001.**
	(i) First Amendment to the McDonald's Corporation Supplemental Profit Sharing and Savings Plan, effective as of January 1, 2002, incorporated herein by reference from Form 10-K, for the year ended December 31, 2002.**
	(ii) Second Amendment to the McDonald's Corporation Supplemental Profit Sharing and Savings Plan, effective January 1, 2005, incorporated herein by reference from Form 10-K, for the year ended December 31, 2004.**
	(d) 1975 Stock Ownership Option Plan, as amended and restated July 30, 2001, incorporated herein by reference from Form 10-Q, for the quarter ended September 30, 2001.**
	(i) First Amendment to McDonald's Corporation 1975 Stock Ownership Option Plan, as amended and restated, effective as of February 14, 2007, incorporated herein by reference from Form 10-Q, for the quarter ended March 31, 2007.**
	(e) 1992 Stock Ownership Incentive Plan, as amended and restated January 1, 2001, incorporated herein by reference from Form 10-Q, for the quarter ended March 31, 2001.**
	(i) First Amendment to McDonald's Corporation 1992 Stock Ownership Incentive Plan, as amended and restated, effective as of February 14, 2007, incorporated herein by reference from Form 10-Q, for the quarter ended March 31, 2007.**
	(f) 1999 Non-Employee Director Stock Option Plan, as amended and restated September 12, 2000, incorporated herein by reference from Form 10-Q, for the quarter ended September 30, 2000.**
	(g) McDonald's Corporation Executive Retention Replacement Plan, effective as of December 31, 2007 (as amended and restated on December 31, 2008), incorporated herein by reference from Form 10-K, for the year ended December 31, 2008.**
	(h) McDonald's Corporation Amended and Restated 2001 Omnibus Stock Ownership Plan, effective July 1, 2008, incorporated herein by reference from Form 10-Q for the quarter ended June 30, 2009.**

(i) First amendment to the McDonald's Corporation Amended and Restated 2001 Omnibus Stock Ownership Plan, incorporated herein by reference from Form 10-K, for the year ended December 31, 2008.**

(i) Form of McDonald's Corporation Tier I Change of Control Employment Agreement, incorporated herein by reference from Form 10-Q, for the quarter ended September 30, 2008.**

(j) McDonald's Corporation 2009 Cash Incentive Plan, effective as of May 27, 2009, incorporated herein by reference from Form 10-Q for the quarter ended June 30, 2009.**

(k) Form of Stock Option Grant Notice, incorporated herein by reference from Form 10-Q, for the quarter ended June 30, 2005.**

(l) Form of Restricted Stock Unit Award Notice, incorporated herein by reference from Form 10-Q, for the quarter ended June 30, 2005.**

(m) McDonald's Corporation Severance Plan, effective January 1, 2008, incorporated by reference from Form 8-K, dated November 28, 2007.**

(i) First Amendment of McDonald's Corporation Severance Plan, effective as of October 1, 2008, incorporated herein by reference from Form 10-Q, for the quarter ended September 30, 2008.**

(n) Employment Contract between Denis Hennequin and the Company, effective October 1, 2010, filed herewith.**

(o) Amended Assignment Agreement between Timothy Fenton and the Company, dated January 2008, incorporated herein by reference from Form 10-Q, for the quarter ended March 31, 2008.**

(i) 2009 Amendment to the Amended Assignment Agreement between Timothy Fenton and the Company, effective as of January 1, 2009, incorporated herein by reference from Form 10-Q, for the quarter ended March 31, 2009.**

(p) Description of Restricted Stock Units granted to Andrew J. McKenna, incorporated herein by reference from Form 10-Q, for the quarter ended June 30, 2010.**

(q) Terms of the Restricted Stock Units granted pursuant to the Company's Amended and Restated 2001 Omnibus Stock Ownership Plan, incorporated herein by reference from Form 10-Q, for the quarter ended March 31, 2010.**

(r) McDonald's Corporation Target Incentive Plan, effective as of January 1, 2008, incorporated herein by reference from Form 8-K, dated January 23, 2008.**

(s) European Prospectus Supplement describing the terms of equity compensation awards granted in the European Union pursuant to the Company's Amended and Restated 2001 Omnibus Stock Ownership Plan, incorporated herein by reference from Form 10-Q, for the quarter ended March 31, 2010.**

(t) Letter Agreement between Ralph Alvarez and the Company dated December 18, 2009, incorporated herein by reference from Form 8-K, dated December 18, 2009.**

(u) McDonald's Corporation Cash Performance Unit Plan 2010-2012, effective as of February 9, 2010, incorporated herein by reference from Form 8-K, dated February 9, 2010.**

(v) Executive Supplement describing the special terms of equity compensation awards granted to certain executive officers, pursuant to the Company's Amended and Restated 2001 Omnibus Stock Ownership Plan, incorporated herein by reference from Form 10-Q, for the quarter ended March 31, 2010.**

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

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

** Denotes compensatory plan.

*** In accordance with Regulation S-T, the XBRL-related information in Exhibit 101 to this Quarterly Report on Form 10-Q shall be deemed to be “furnished” and not “filed”.

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)

November 5, 2010

/s/ Peter J. Bensen

Peter J. Bensen
Corporate Executive Vice President and
Chief Financial Officer

Exhibit (10)(n)

ACCORD DE TRANSFERT ET CONTRAT DE TRAVAIL	**TRANSFER AGREEMENT AND EMPLOYMENT CONTRACT**
ENTRE LES SOUSSIGNES La société **McDONALD' S SYSTEM OF FRANCE, INC.**, société de droit américain constituée sous les lois de l'Etat du Delaware, dont le siège social est sis Prentice Hall Corporation System Inc., 2711 Centerville Road, Suite 400, Wilmington, Delaware, 19808, agissant via sa succursale française sise 1, rue Gustave Eiffel—78045 Guyancourt cedex, représentée aux présentes par **Monsieur Peter J. Bensen** agissant en qualité de **Vice Président et Contrôleur** de la société, (ci-après « MSF »)	**BETWEEN THE UNDERSIGNED** **McDONALD' S SYSTEM OF FRANCE INC.**, a corporation governed by the laws of the State of Delaware, United States of America, whose registered office is located at Prentice Hall Corporation System, Inc., 2711 Centerville Road, Suite 400, Wilmington, Delaware 19808, acting through its French branch, located at 1, rue Gustave Eiffel - 78045 Guyancourt cedex, represented for the purposes hereof by **Mr. Peter J. Bensen**, acting in his capacity as **Vice President and Controller** of the corporation (hereinafter: "MSF")
ET	**AND**
McDONALD'S EUROPE FRANCHISING SERVICES S.A.R.L., société de droit français au capital de 20.000 €, dont le siège social est sis 1, rue Gustave Eiffel, 78280 Guyancourt, France, immatriculée au Registre du Commerce et des Sociétés de Versailles sous le numéro 511 811 547, représentée aux présentes par Monsieur Donald Thompson, dûment habilité à l'effet des présentes (ci-après : « MEFS »)	**MCDONALD'S EUROPE FRANCHISING SERVICES S.A.R.L.**, a company governed by the laws of France with a share capital of € 20,000, whose registered office is located at 1 rue Gustave Eiffel, 78280 Guyancourt, France, registered with the Trade and Companies Register of Versailles under the number reference 511 811 547, represented by Mr. Donald Thompson, duly empowered for the purposes hereof (hereinafter: "MEFS"),
ET	**AND**
MCD EUROPE FRANCHISING S.À.R.L., société de droit luxembourgeois, dont le siège social est sis 9, rue du Laboratoire, L-1911 Luxembourg, agissant via sa succursale suisse établie à Genève et sise 5 rue Pedro-Meylan, c/o Baker & McKenzie, avocats, 1208 Genève, représentée aux présentes par Monsieur Denis Berdoz, dûment habilité à l'effet des présentes (ci-après : « MEF »).	**MCD EUROPE FRANCHISING S.À.R.L.**, a company governed by the laws of Luxembourg whose registered office is at 9, rue du Laboratoire, L-1911 Luxembourg, acting through its Swiss branch located in Geneva at rue Pedro-Meylan 5, c/o Baker & McKenzie, avocats, 1208 Genève, represented for the purposes hereof by Mr. Denis Berdoz, duly empowered for the purposes hereof (hereinafter: "MEF").
ET	**AND**
Monsieur Denis HENNEQUIN, de nationalité française, immatriculé à la sécurité sociale sous le numéro xxxxxxxxxxxxx, domicilié xxxxxxxxxxxxxxxxxxxxxxxxxxxxx, xxxxxxxxxxx.	**Mr. Denis HENNEQUIN,** a French national, registered with the French social security system under number xxxxxxxxxxxxx, residing at xxxxxxxxxxxxxxxxxxxxxxxxxxxx, xxxxxxxxxxx (hereinafter: "Mr. Hennequin").
Etant préalablement exposé que:	**Whereas:**
Depuis le 3 décembre 1984, Monsieur Hennequin a exercé ses fonctions au sein du groupe McDonald's	Since December 3rd 1984, Mr. Hennequin has been performing services for the McDonald's Group

(défini comme incluant la société McDonald's Corporation et toutes les sociétés dont au moins 50% du capital est détenu, directement ou indirectement, par cette dernière, ci-après désignées toutes ensemble comme « le Groupe »), jusqu'à sa position actuelle de Président Europe.	(defined as inclusive of McDonald's Corporation and all entities directly or indirectly at least 50% owned by McDonald's Corporation, hereinafter referred to as "the Group"), through his current position of President Europe.
A la date des présentes, Monsieur Hennequin exerce ses fonctions de Président Europe en étant employé par MSF, dans le cadre du contrat de travail conclu avec cette dernière le 26 février 2007.	As of the date of this Agreement, Mr. Hennequin is performing services as President Europe employed by MSF pursuant to a written contract entered into with the latter on February 26, 2007.
Le Groupe ayant décidé d'établir ses quartiers généraux européens à Genève, il a été proposé à Monsieur Hennequin d'y être localisé en sa qualité de Président Europe. Monsieur Hennequin a manifesté son intérêt pour poursuivre ses fonctions en qualité de Président Europe, en étant désormais principalement basé dans les bureaux de Genève, pour autant qu'il demeure salarié d'une société basée en France et qu'il puisse continuer à accomplir une partie de ses fonctions en France. Monsieur Hennequin a insisté sur le fait qu'il est important pour lui de s'assurer que sa relation de travail subsiste avec une société établie en France, qu'elle demeure régie par le droit français et qu'il demeure maintenu au système français de sécurité sociale.	The Group having decided to establish its European headquarters in Geneva, it has been proposed to Mr. Hennequin to be localised there in his capacity of President Europe. Mr. Hennequin has expressed his interest in continuing to perform his services as President Europe, being now based mainly in Geneva, provided that he remains an employee of a French company and can continue performing some of his services from France. Mr. Hennequin emphasized that it is important for him to ensure that his employment relationship continues with a French company, is still governed by French law and that he remains subject to the French social security system.
Le Groupe a alors indiqué, au regard de ces éléments, que la structure la plus appropriée pour l'emploi de Monsieur Hennequin était MEFS, dans la mesure où celle-ci a vocation à héberger les salariés ayant, tout comme Monsieur Hennequin, des fonctions pan-européennes.	The Group then has indicated that, going forward, the most appropriate structure to employ Mr. Hennequin is MEFS, since the latter is designed to host employees like Mr. Hennequin with pan-European responsibilities.
Ainsi, l'objet du présent Contrat est, pour les parties, d'assurer le transfert du contrat de travail existant de Monsieur Hennequin à MEFS et de définir pour l'avenir les termes et conditions de l'emploi de Monsieur Hennequin par MEFS.	Accordingly, to effectuate the purpose of this Agreement, the parties wish to transfer Mr. Hennequin's existing contract of employment to MEFS and to set out the terms and conditions of Mr. Hennequin's employment with MEFS going forward.
Il est en conséquence convenu de ce qui suit :	**It is hereby agreed as follows:**
Article 1 : Transfert du contrat de travail	**Article 1: Transfer of Employment**
Il est expressément convenu entre MSF, MEFS et Monsieur Hennequin de transférer, d'un commun accord, le contrat de travail de Monsieur Hennequin de MSF à MEFS, et ce à compter du 1er octobre 2010, ci-après "la Date de Transfert".	It is expressly agreed by MSF, MEFS and Mr. Hennequin that the employment of Mr. Hennequin is transferred by mutual consent from MSF to MEFS, effective October 1st, 2010, hereafter "the Effective Date".
A compter de la Date de Transfert, et du fait de ce transfert volontaire et d'un commun accord du contrat de travail de Monsieur Hennequin, (i) la relation contractuelle de travail existant entre Monsieur Hennequin et MSF prendra fin de plein droit et (ii) cette relation contractuelle de travail se poursuivra entre Monsieur Hennequin et MEFS aux termes et conditions définis dans le présent Contrat.	As from the Effective Date, as a result of this voluntary and mutually agreed transfer of Mr. Hennequin's employment contract, (i) the contractual employment relationship existing between Mr. Hennequin and MSF will be terminated as of right, and (ii) this contractual employment relationship will continue between Mr. Hennequin and MEFS in accordance with the terms and conditions of this Agreement.

A compter de la Date de Transfert, MSF cessera donc d'être l'employeur de Monsieur Hennequin et MEFS deviendra son seul et unique employeur. MEFS reprendra à son compte les droits à congés payés acquis et non pris par Monsieur Hennequin, ainsi que, le cas échéant, le bonus qui aurait été payé par MSF en 2010 au titre de 2009. Au regard de ce qui précède, aucune indemnité de quelque sorte que ce soit ne sera due à Monsieur Hennequin au titre de la cessation de ses fonctions avec MSF.	As from the Effective Date, MSF will therefore cease to be Mr. Hennequin's employer and MEFS will become his new and only employer. MEFS will recognize all of Mr. Hennequin's accrued paid holidays, as well as the bonus, if any, that would have been paid by MSF in 2010 for 2009. In light of the above, no termination indemnity of any kind shall be due to Mr. Hennequin as a result of the termination of his functions with MSF.
<u>Article 2 : Engagement</u> Sous réserve des autres stipulations du présent contrat, Monsieur Hennequin continuera à exercer, en qualité de salarié de MEFS, les fonctions de Président Europe, avec le statut Cadre. Il est expressément convenu que l'ancienneté de Monsieur Hennequin est prise en compte depuis le 3 décembre 1984, date à laquelle il a commencé à travailler avec le Groupe. Cette date sera celle prise en compte pour la détermination de l'ensemble des droits de Monsieur Hennequin liés à l'ancienneté. A titre informatif seulement, il est spécifié que MEFS applique à titre volontaire la convention collective nationale des bureaux d'Etudes Techniques, Cabinets d'Ingénieurs-Conseils, Sociétés de Conseils dans ses dispositions étendues (SYNTEC).	**<u>Article 2: Hiring</u>** Subject to the other provisions of this Agreement, Mr. Hennequin will continue to hold, in his capacity as an employee of MEFS, the position of President Europe, with executive employee status. It is expressly agreed that Mr. Hennequin's seniority shall be taken into account with effect from 3rd December 1984, which is the date on which he first joined the Group. This date shall be used as a reference in order to determine all Mr. Hennequin's entitlements based on length of service. For information purposes, it is specified that MEFS has chosen to voluntarily apply the provisions of the national collective bargaining agreement for the IT, engineering and consulting sector ("SYNTEC").

<u>Article 3 : Attributions</u>	**<u>Article 3: Duties</u>**
Au titre de ses fonctions de Président Europe, Monsieur Hennequin aura la responsabilité globale de la croissance et du développement durables et à long terme de McDonald's en Europe. Les responsabilités de Monsieur Hennequin incluront tous les aspects des activités du groupe McDonalds' en Europe.	As the President Europe, Mr. Hennequin has overall responsibility and accountability for driving McDonald's sustainable, long-term growth and development in Europe. Mr. Hennequin's responsibility includes all aspects of the McDonald's business in Europe.
Monsieur Hennequin devra rendre compte de l'exécution de ses fonctions, aussi souvent que nécessaire, à la direction de MEFS, actuellement Monsieur Donald Thompson, ou à toute autre personne qui pourrait à tout moment être désignée par cette dernière.	Mr. Hennequin reports on the performance of his duties, as often as necessary, to the management of MEFS, currently Mr. Donald Thompson, or to any other person designated by the latter from time to time.
Les attributions de Monsieur Hennequin sont amenées à évoluer, et lesdites attributions, ainsi que le nom et/ou la qualité de la personne à laquelle Monsieur Hennequin rendra directement compte de son activité, pourront être modifiés, autant que nécessaire, compte tenu de l'évolution de l'organisation du Groupe, dans le respect des qualifications et du statut de Monsieur Hennequin.	The duties of Mr. Hennequin may evolve over time and said duties, as well as the person and/or the capacity of the person to whom Mr. Hennequin is required directly to report, are subject to change and may be modified as often as necessary to take into account organizational changes within the Group, provided that these changes are in line with the scope of Mr. Hennequin's qualifications and status.
Tout changement de cette nature sera notifié par Monsieur Hennequin par note interne et ne pourra pas être considéré comme une modification du présent contrat de travail, ce que Monsieur Hennequin accepte expressément.	Mr. Hennequin shall be informed of any such changes by internal communication. Mr. Hennequin expressly acknowledges that said changes shall not be considered as a modification of this employment contract.
Monsieur Hennequin s'engage à remplir ses fonctions au mieux des intérêts de MEFS et du Groupe, et conformément à leur politique générale incluant, en particulier, le Code de Pratiques des Affaires (« Standards of Business Conduct ») ainsi que les instructions qui lui seront données par ses supérieurs hiérarchiques. De façon générale, Monsieur Hennequin s'engage à consacrer ses meilleurs soins à l'exercice des fonctions qui lui sont confiées et à respecter, dans le cadre de ses fonctions et de ses attributions, toutes instructions orales ou écrites, générales ou particulières, de la direction de MEFS et du Groupe.	Mr. Hennequin undertakes to perform his duties in the best interests of MEFS and the Group and in compliance with the general policies of the latter, including but not limited to the Standards of Business Conduct, and the instructions given to him by his superiors. Mr. Hennequin undertakes to devote the necessary care and attention to the duties entrusted to him and to follow all the verbal, written, general or special instructions given to him by the management of MEFS and the Group, provided they are within the scope of the duties and responsibilities entrusted to him.
Dans le cadre de ses fonctions, il est expressément convenu que Monsieur Hennequin accepte tout mandat social pouvant lui être confié au titre de l'une des sociétés du Groupe, sans rémunération supplémentaire, la rémunération convenue à l'article 5 ci-après prenant d'ores et déjà en compte cette éventualité.	For the purposes of his duties, it is expressly agreed that Mr. Hennequin shall agree to be appointed as a corporate officer and/or director of any company of the Group, without additional compensation, the compensation agreed upon under Article 5 hereafter taking already into consideration such possibility.
<u>Article 4 : Durée</u>	**<u>Article 4: Term</u>**
Le présent contrat est conclu pour une durée indéterminée.	This contract is entered into for an unlimited period.

Article 5 : Rémunération A compter de la Date de Transfert, Monsieur Hennequin percevra, au titre de l'exécution de ses fonctions, un salaire fixe mensuel brut de 38,362 Euros. Cette rémunération inclut les primes conventionnelles résultant de la convention collective applicable. Monsieur Hennequin bénéficiera d'une revue de sa rémunération sur une base annuelle en vue de son ajustement, étant toutefois précisé que cette possibilité ne lui garantit aucun droit à augmentation de son salaire mensuel fixe. Monsieur Hennequin percevra en outre un "treizième mois" égal à la mensualité définie ci-dessus. Cette gratification lui sera versée suivant les modalités en vigueur dans l'entreprise. En cas de rupture du présent Contrat, Monsieur Hennequin percevra ce treizième mois prorata temporis en fonction de la période effectivement travaillée au cours de l'année considérée. Monsieur Hennequin pourra par ailleurs percevoir, compte tenu de son statut, une rémunération variable dont le montant sera calculé en conformité avec les dispositions du plan d'objectifs ("Target Incentive Plan") de McDonald's Corporation et les termes des documents relatifs à la rémunération variable communiqués chaque année à Monsieur Hennequin. Monsieur Hennequin reconnaît et accepte que ces objectifs et critères pourront être modifiés à tout moment ou annuellement en application de la Politique du Groupe, et que de tels changements ne constituent pas une modification de son contrat de travail. Tout paiement de bonus, quel qu'en soit le montant, au titre d'une année donnée, ne pourra servir de base à des demandes de paiement de nouveaux bonus ou d'une rémunération équivalente au titre des années suivantes. Monsieur Hennequin bénéficiera d'une voiture de fonction, d'une couverture mutuelle et d'un Plan d'Epargne d'Entreprise selon la politique de MEFS en la matière.	**Article 5: Compensation** As of the Effective Date, Mr. Hennequin will receive, in consideration for the performance of his duties, a fixed monthly salary of 38,362 Euros gross. This compensation includes the bonuses provided for in the collective bargaining agreement. Mr. Hennequin will be eligible for a salary review and adjustment on an annual basis. Such eligibility does not guarantee an increase in the fixed monthly salary. Mr. Hennequin shall also receive a "thirteenth month" salary payment, equal to one month of salary as defined above. This amount shall be paid to him in accordance with the terms and conditions in force from time to time in MEFS. In the event of termination of this Agreement, the amount of this thirteenth month payment shall be prorated to the time effectively worked by Mr. Hennequin during the year in question. Mr. Hennequin will in addition be eligible to receive a variable compensation according to his level, which shall be calculated in accordance with the terms of the McDonald's Corporation Target Incentive Plan ("TIP") and the terms of the variable compensation materials communicated to Mr. Hennequin each year. Mr. Hennequin acknowledges and agrees that such targets and criteria may be changed from time to time or year-to-year in conformance with Group policy, and that any such changes shall not constitute a modification of this employment contract. The payment of any bonus, whatever its amount, in a given year, may not be used as a basis for claiming new bonuses or equivalent compensation in any subsequent years. Mr. Hennequin shall have benefit of a company car, healthcare and PEE schemes according to the policies of MEFS applicable to these matters.
Article 6 : Primes et avantages liés à la relocalisation MEF fournira à Monsieur Hennequin un logement de fonction loué à Genève. Une société externe d'aide au relogement assistera Monsieur Hennequin à cet effet. MEF prendra en charge la location de mobilier, le loyer, les charges, la maintenance, une ligne de téléphone fixe et une connexion internet « câble ». Monsieur Hennequin sera tenu de souscrire une	**Article 6: Relocation benefits** MEF will provide Mr. Hennequin with leased housing in Geneva. An external relocation company will provide Mr. Hennequin with assistance throughout his relocation. MEF will pay for the furniture rental, lease, utilities, maintenance, home phone service, internet service and cable. Mr. Hennequin will be required to obtain third party

assurance responsabilité civile pour ce logement. Le coût de cette assurance sera remboursé à Monsieur Hennequin sur présentation des documents adéquats conformément aux procédures de MEF en matière de remboursement de dépenses. Monsieur Hennequin sera éligible à une allocation forfaitaire, couvrant son relogement et l'acquisition des gros équipements électroménagers, d'un montant (net) de 13.000 Dollars US. Cette allocation sera payée à Monsieur Hennequin dans son équivalent en Euros via la paye de MEFS le mois où Monsieur Hennequin aménagera dans le logement loué. MEFS choisira et supportera le coût des services d'un cabinet comptable afin de préparer les déclarations d'impôts de Monsieur Hennequin en France et en Suisse, et d'opérer les réconciliations conformément à l'Article **18**, pour les années pendant lesquelles Monsieur Hennequin sera soumis à l'impôt sur le revenu et/ou aux charges sociales en Suisse dans le cadre du présent Contrat. Monsieur Hennequin est tenu de pleinement coopérer avec le cabinet comptable choisi pour satisfaire à l'ensemble des obligations fiscales et sociales applicables, et de façon à lui permettre d'opérer les réconciliations.	liability insurance regarding the housing. The cost for this insurance will be reimbursed to Mr. Hennequin upon submission of adequate documentation in accordance with MEF procedures pertaining to reimbursement of expenses. Mr. Hennequin will be eligible for a one-time relocation and appliance allowance of USD 13,000 (net), which will be paid to Mr. Hennequin in the equivalent amount in Euro via MEFS's payroll the month that Mr. Hennequin moves into the leased housing. MEFS will retain and bear the costs of an accounting firm to prepare Mr. Hennequin's French and Swiss income tax returns, and to make reconciliation analyses pursuant to Article **18**, for the years for which Mr. Hennequin is subject to income tax and/or social charges in Switzerland on account of this Agreement. Mr. Hennequin is obligated to cooperate fully with the approved accounting firm in order to comply with all applicable legal tax and social charge obligations, and to enable that firm to make the reconciliation analyses.
Article 6 bis : Prime d'expatriation Monsieur Hennequin est susceptible de bénéficier du paiement d'une rémunération supplémentaire en fonction de ses déplacements en dehors de France (Suisse non incluse) réalisés dans l'intérêt de MEFS. Cette rémunération supplémentaire aura la nature et sera qualifiée de prime d'expatriation. Les conditions selon lesquelles cette prime sera versée seront déterminées chaque année et détaillées dans une lettre adressée à Monsieur Hennequin au mois de mars de chaque année. L'éligibilité à ce programme sera décidée par MEFS sur une base annuelle.	**Article 6 bis: Expatriation premium** Mr. Hennequin might benefit from the payment of supplemental remuneration based on his travel outside of France (excluding Switzerland) made in the interest of MEFS. Such supplemental remuneration corresponds to a foreign service premium, referred to as "expatriation premium". The conditions under which the premium shall be paid will be determined each year and detailed in a letter sent to Mr. Hennequin in March each year. The eligibility to such program is decided by MEFS on a yearly basis.
Article 7 : Durée du travail Compte tenu des responsabilités confiées à Monsieur Hennequin, dont l'importance implique une large indépendance dans l'organisation de son emploi du temps, de son habilitation à prendre des décisions de façon largement autonome et de la rémunération qu'il perçoit, qui se situe dans les niveaux de rémunération les plus élevés de MEFS il est convenu expressément entre les parties que Monsieur Hennequin sera considéré comme cadre dirigeant au regard des dispositions relatives à la durée du travail et, à ce titre, exclu du bénéfice desdites dispositions.	**Article 7: Working time** Given the importance of the responsibilities entrusted to Mr. Hennequin, which imply that he will have a great deal of freedom to organize his work schedule and take autonomous decisions, as well as the level of his compensation which is amongst the highest in MEFS, it is expressly agreed that Mr. Hennequin is considered as a managing executive and consequently, he is not subject to the provisions on working time.

Article 8: Congés payés Monsieur Hennequin bénéficiera des dispositions légales applicables en matière de congés payés.	**Article 8: Paid vacation** Mr. Hennequin's paid vacation entitlements shall be in accordance with the relevant legal provisions.
Article 9 : Lieu de travail Le bureau de Monsieur Hennequin sera rattaché à la succursale suisse de MEF à Genève. Monsieur Hennequin continuera cependant à accomplir une partie de ses fonctions en France. En outre, il est expressément convenu que la nature des fonctions de Monsieur Hennequin peut l'amener à exercer temporairement sa mission en tout autre lieu en France, en Suisse ou ailleurs. En conséquence, Monsieur Hennequin s'engage notamment à effectuer tous déplacements nécessaires à l'exercice de ses fonctions, tant en France qu'en Suisse ou ailleurs, et ce quelle que soit leur durée.	**Article 9: Place of work** Mr. Hennequin's office will be attached to the Swiss branch of MEF in Geneva. Mr. Hennequin will continue performing part of his services in France. Furthermore, it is expressly agreed that, due to the nature of his duties, he may be required to work on a temporary basis at any other place in France, Switzerland or elsewhere. As a result, Mr. Hennequin undertakes to travel as often and for as long as necessary for professional purposes, in France, Switzerland and elsewhere.
Article 10 : Clause de mobilité MEFS se réserve la possibilité de modifier le lieu de travail et de muter Monsieur Hennequin dans tout autre lieu où le siège Européen du Groupe pourrait être implanté, sous la seule réserve de le prévenir au moins six mois à l'avance. Les parties au présent contrat tiennent à réaffirmer l'importance de l'acceptation par Monsieur Hennequin des Articles 9 et 10 compte tenu de la multitude des sites où s'exerce l'activité du Groupe en Europe et de leur dispersion géographique.	**Article 10: Mobility clause** MEFS reserves the right to change the place of work of Mr. Hennequin and to transfer the latter to any other place where the head European office may be located subject to at least six months' prior notice. The parties hereto stress the importance of Mr. Hennequin's acceptance of Articles 9 and 10, in view of the number and geographic dispersion of sites operated by the Group in Europe.
Article 11 : Remboursement de frais Les frais professionnels, notamment de déplacement, de Monsieur Hennequin, engagés à l'occasion de l'exercice de ses fonctions dans l'intérêt du Groupe, lui seront remboursés sur présentation de notes de frais accompagnées des justificatifs appropriés, conformément aux procédures en vigueur dans MEFS, dont il déclare avoir pris connaissance et qu'il accepte. Le remboursement sera effectué une fois par mois. MEFS se réserve à tout moment la possibilité de modifier les modalités de remboursement des frais professionnels, sans que cette modification puisse être considérée comme une modification de son contrat de travail par Monsieur Hennequin.	**Article 11: Reimbursement of business expenses** The business expenses, and in particular the travel expenses incurred by Mr. Hennequin for the purposes of his duties and in the Group's interests, shall be reimbursed to him upon the presentation of expense sheets along with supporting documents, in compliance with MEFS's business expenses policy, which Mr. Hennequin represents he understands and accepts. Business expenses will be reimbursed on a monthly basis. MEFS reserves the right to change the terms and conditions of its business expenses policy at any time, without said change being considered as a modification of Mr. Hennequin's employment contract.
Article 12 : Exclusivité Monsieur Hennequin déclare n'exercer et s'engage à n'exercer aucune activité professionnelle, qu'elle soit rémunérée ou non, autre que celles exercées au titre du présent Contrat ou exercées en qualité de	**Article 12: Exclusivity** Mr. Hennequin represents that he does not and will not perform any professional activities, either with or without compensation, other than pursuant to his employment under this Agreement or as corporate

mandataire social ou d'administrateur de toute autre société du Groupe. L'acceptation par Monsieur Hennequin de toute autre activité professionnelle doit faire l'objet d'une autorisation écrite préalable de sa hiérarchie.	officer or director of any Group company. Mr. Hennequin shall not undertake or agree to undertake any other professional activities without the prior written consent of his hierarchy.
<u>Article 13 : Discrétion/ Confidentialité</u> Monsieur Hennequin reconnaît que la divulgation d'informations confidentielles ou de secrets commerciaux de MEFS et/ ou de toute société du Groupe pourrait nuire aux intérêts de ces derniers. Ceci concerne, notamment : (a) toutes les versions de logiciels, le matériel informatique, les progiciels et les documents dont MEFS et/ ou toute société du Groupe sont propriétaires (y compris les codes sources et les codes objet); (b) tous documents techniques concernant MEFS et/ ou toute société du Groupe; (c) les informations concernant l'activité de MEFS et/ ou de toute société du Groupe incluant, notamment, les informations comptables et financières non publiées, les business plans, les méthodes d'étude de marché, les fichiers et données concernant les salariés et les franchisés, actuels ou potentiels, les fichiers et données concernant les fournisseurs et les stratégies d'entreprise; (d) les informations fournies par les fournisseurs, les salariés, les consultants, les franchisés ou les entreprises partenaires de MEFS et/ ou de toute société du Groupe à des fins d'étude, d'évaluation ou d'utilisation; (e) toutes autres informations dont n'a pas connaissance le public de manière générale et qui, s'il en était fait mauvais usage ou si elles étaient divulguées, pourraient, selon toute vraisemblance, avoir un impact négatif sur les activités de MEFS et/ ou de toute société du Groupe. Monsieur Hennequin s'engage à observer la discrétion la plus absolue sur les secrets commerciaux de MEFS et/ ou de toute	**<u>Article 13: Secrecy / Confidentiality</u>** Mr. Hennequin acknowledges that the disclosure of MEFS's and/or Group's confidential information or trade secrets could be detrimental to the interests of MEFS and/or Group. This obligation of secrecy / confidentiality shall apply, in particular, to: (a) any and all versions of the computer software (including source codes and object codes), hardware, packages and documents owned by MEFS or any Group company; (b) all technical documents relating to MEFS and/or any Group company; (c) information relating to MEFS and/or any Group company's business, including but not limited to non-published accounting and financial information, business plans, market survey methods, files and data regarding employees, franchisees and prospective employees and franchisees, files and data regarding suppliers and corporate strategies; (d) information provided by MEFS and/or any Group company's suppliers, employees, consultants, franchisees or business partners for review, evaluation or use; (e) all other information not generally known to the general public, which if misused or disclosed, could reasonably be expected to adversely affect MEFS's and/or any Group company's business. Mr. Hennequin keeps MEFS' and any Group company's trade secrets (and those of any individual or legal entity

société Groupe (et ceux de toute personne physique ou morale en relation d'affaires avec MEFS), peu important qu'ils aient été ou non préparés ou développés par lui. Monsieur Hennequin sera tenu à une obligation générale de discrétion sur les activités de MEFS et sur celles du Groupe ainsi que celles de leurs franchisés, fournisseurs et partenaires. Cette obligation s'appliquera tant pendant la durée du présent contrat qu'après sa cessation, sur une période illimitée. A cet effet, Monsieur Hennequin ne peut en aucun cas divulguer à un quelconque tiers, ni utiliser pour son usage personnel, les informations techniques ou commerciales confidentielles relatives à MEFS et au Groupe.	contracting with MEFS), whether or not prepared or developed by him, in the strictest confidence. Mr. Hennequin is bound by a general duty of discretion and secrecy regarding MEFS' business and that of the Group as well as those of their franchisees, suppliers and business partners. This obligation shall apply both during the performance of this contract and following the termination hereof for an unlimited period. Consequently, Mr. Hennequin agrees not to disclose to any third party or use for his own private purposes, any confidential technical or commercial information relating to MEFS or the Group.
<u>Article 14 : Droits de propriété intellectuelle et/ ou industrielle</u> Si dans l'exercice de ses fonctions, qui comportent une mission inventive, Monsieur Hennequin réalisait une invention quelconque, brevetable ou non, créait des dessins ou modèles, méthodes, programmes, formules ou procédés ayant trait aux activités, études ou recherches de MEFS ou de toute autre société du Groupe, et susceptibles d'être protégés, les droits de propriété intellectuelle ou industrielle en résultant appartiendrait de plein droit à la MEFS. Monsieur Hennequin s'engage, en tout état de cause, à n'effectuer aucune démarche ni procédure visant à se faire reconnaître ou à se faire réserver un droit de propriété intellectuelle quel qu'il soit (en ce inclus les droits d'auteur, copyrights, brevets, dessins et modèles, et les marques), ou un quelconque droit d'usage ou d'exploitation, sur les produits ou procédés précités de sa création ou de son invention, dans quelque pays que ce soit, tant en exécution du présent contrat qu'après l'achèvement de celui-ci. Monsieur Hennequin a bien conscience de ce que toute violation de la présente obligation engagerait nécessairement sa responsabilité contractuelle.	**<u>Article 14: Intellectual and/or industrial property rights</u>** If, during the performance of his duties which may lead to inventions, Mr. Hennequin makes any invention, whether patentable or not, or creates any design or model, method, program, formula or process relating to the activities, studies or research of MEFS or of any Group company, which is capable of being protected, the resulting intellectual or industrial property rights would automatically belong to MEFS. In any event, Mr. Hennequin agrees not to take any steps or implement any procedures aimed at obtaining title to or the reservation of an intellectual property right of any kind whatsoever (including author's rights, copyright, patent, design, model, or trademark) or any right of use or exploitation over the aforementioned products or processes or over the creation or invention thereof. This undertaking shall apply in all countries, both during the performance of this contract and following the termination thereof. Mr. Hennequin is aware of the fact that he shall be held contractually liable for any violation of this obligation.

Article 15 : Non- sollicitation du personnel	**Article 15: Non-solicitation of employees**
Aussi bien pendant la durée du présent Contrat qu'après sa rupture par l'une ou l'autre des parties, pour quelque motif que ce soit, Monsieur Hennequin s'engage à ne pas, directement ou indirectement, convaincre ou tenter de convaincre un quelconque personnel de MEFS ou de toute autre société du Groupe, de quitter son emploi ou de travailler pour ou fournir des services à une quelconque autre personne physique ou morale qui ne ferait pas partie du Groupe, en quelque qualité que ce soit.	During the performance of this Agreement and following its termination at the initiative of either party and for any reason whatsoever, Mr. Hennequin undertakes not to, either directly or indirectly, convince or attempt to convince any person employed by MEFS or by any company of the Group, to leave his/her employment or to work for or provide services to any other individual or legal entity that is not part of the Group, in any capacity whatsoever.
Article 16 : Non-concurrence	**Article 16: Non-competition**
Compte tenu du caractère extrêmement sensible du savoir-faire et des informations techniques et commerciales auxquelles Monsieur Hennequin a accès dans l'exercice de ses fonctions au titre du présent Contrat, et de la nature particulièrement concurrentielle des activités de MEFS, de MEF et du Groupe, les parties conviennent expressément de la nécessité d'une clause de non-concurrence pour protéger les intérêts légitimes de MEFS, de MEF et du Groupe.	Given the extreme sensitiveness of the know-how and technical and commercial information to which Mr. Hennequin has access in the framework of his functions under this Agreement and the extremely competitive nature of the activities of MEFS, MEF and the Group, the parties expressly agree on the necessity of a non-compete obligation in order to protect the legitimate interests of MEFS, MEF and the Group.
En outre, Monsieur Hennequin reconnaît que, compte tenu de sa formation, cette clause n'est pas susceptible de porter atteinte à sa capacité à retrouver un nouvel emploi.	Moreover, Mr. Hennequin understands that in light of his training, this provision is not likely to hinder his capacity to find a new position.
Au cas où le présent Contrat viendrait à être rompu par l'une ou l'autre des parties, pour quelque cause que ce soit, Monsieur Hennequin s'interdit expressément d'entrer au service d'une entreprise fabriquant ou vendant des produits ou services susceptibles de concurrencer ceux de MEFS, de MEF ou du Groupe, de créer en France pour son propre compte une entreprise du même genre ou d'y participer directement ou indirectement, en quelque qualité que ce soit. Pour les besoins du présent Contrat, les entreprises ci-après (incluant toutes leurs filiales, leurs franchisés, leurs master-franchisés, et leurs opérations sous quelque forme que ce soit) sont considérés être des entreprises fabriquant ou vendant des produits ou services susceptibles de concurrencer ceux de MEFS, de MEF ou du Groupe :	In the event this Agreement is terminated by either of the parties, for any reason whatsoever, Mr. Hennequin expressly undertakes not to enter the service of another company manufacturing or selling products or services that could compete with those of MEFS, MEF or the Group, to create in France for himself a business of the same type, or to participate directly or indirectly therein in any capacity. For purposes of this Agreement, each of the following (inclusive of all affiliates, franchisees, master franchisees, and company operations thereof) is deemed to be a company manufacturing or selling products or services that could compete with those of MEFS, MEF or the Group:
Starbucks, Yum! Brands (incluant toutes ses sous-marques), Burger King, Subway, Quick and Greggs.	Starbucks, Yum! Brands (inclusive of all sub-brands), Burger King, Subway, Quick and Greggs.
Il est expressément convenu que l'exécution de la présente clause est limitée à une période d'un an à compter de la date du départ effectif de Monsieur Hennequin de MEFS et au secteur géographique de l'Europe, compte tenu des responsabilités européennes de Monsieur Hennequin.	It is expressly agreed that the duration of this clause is limited to a period of one (1) year as from the date of Mr. Hennequin's actual departure from MEFS and to the geographic sector Europe, in light of Mr. Hennequin's European responsibilities.
MEFS versera à Monsieur Hennequin, sous condition	Subject to the effective application of this non-compete

d'application effective de cette obligation de non-concurrence et pendant toute la durée de celle-ci, une indemnité mensuelle égale à 35 % de la somme (a) de sa rémunération mensuelle moyenne de base perçue au cours des 12 derniers mois précédant la rupture du présent Contrat et (b) du douzième de la moyenne des trois derniers bonus (identifiés sous le terme "TIP") annuels reçus par Monsieur Hennequin. Il est expressément convenu et accepté qu'aucun autre élément de rémunération ou avantage, de quelque nature que ce soit, ne sera pris en compte dans ce calcul, et que cette indemnité sera assujettie aux divers impôts et cotisations sociales applicables. Il est entendu qu'en toutes circonstances, MEFS aura la possibilité soit de réduire la durée de la période d'application de la clause de non-concurrence, soit de renoncer à cette dernière, à condition toutefois d'en informer Monsieur Hennequin par lettre recommandée avec accusé de réception dans les 15 jours suivant la notification de la rupture du présent Contrat.	obligation and during the period covered by the latter, Mr. Hennequin will receive from MEFS a monthly indemnity corresponding to 35 % of the sum of (a) his average monthly base salary received over the last 12 months preceding the termination of this Agreement and (b) one-twelfth of the average of the last 3 annual incentive bonuses (currently referred to as TIP) bonuses received by Mr. Hennequin. It is expressly agreed and understood that no other element of compensation or benefit, of whatever nature, is to be considered for this calculation, and that this indemnity will be subject to all applicable taxes and social security contributions. It is agreed that, in any case, MEFS shall be entitled to reduce the duration of the period of application of this non-competition clause, or to waive this clause, provided however that it informs Mr. Hennequin thereof by registered letter with return receipt requested within the 15 days following the notification of the termination of this Agreement.
<u>Article 17 : Cessation du contrat</u> Le présent Contrat pourra être rompu à l'initiative de MEFS ou de Monsieur Hennequin moyennant le respect d'un préavis réciproque de trois mois, hormis dans les cas où MEFS ou Monsieur Hennequin serait en droit de rompre le présent Contrat pour faute grave, lourde ou événement de force majeure. En cas de cessation du présent Contrat, pour un quelconque motif (licenciement, démission, départ en retraite, etc.), Monsieur Hennequin s'engage à restituer à MEFS, de sa propre initiative, tout le matériel ainsi que tout fichier et autres documents (y compris toutes photocopies de ceux-ci) qu'il pourra avoir en sa possession ou sous son contrôle en rapport avec ses activités professionnelles pour le compte de MEFS et/ou de toute société du Groupe et/ou avec les activités professionnelles de ses clients. Cette restitution interviendra au terme du préavis, sauf si celui-ci n'est pas exécuté quelle qu'en soit la raison. Dans cette dernière hypothèse, la restitution interviendra dans les 48 heures suivant la notification de la rupture du contrat. En cas de suspension du contrat de travail, pour quelque raison que ce soit et quelle que soit la durée de cette suspension, Monsieur Hennequin devra également restituer à MEFS à première demande notifiée par celle-ci par tout moyen approprié, tous les éléments visés ci-dessus.	**<u>Article 17: Termination</u>** This Agreement may be terminated at the initiative of either MEFS or Mr. Hennequin subject to a mutual notice period of three months, except where MEFS or Mr. Hennequin could terminate this Agreement without notice in the event of serious misconduct ("faute grave"), gross misconduct ("faute lourde") or force majeure. Following the termination of this Agreement, for any reason whatsoever (dismissal, resignation, retirement, etc), Mr. Hennequin undertakes to return to MEFS, at his own initiative, all the equipment, data files and other documents (including photocopies) in his possession or under his control relating to his professional activities for MEFS and/or any Group company and/or the professional activities of its clients. This equipment shall be returned at the end of the notice period, unless the notice period is not worked out for any reason whatsoever, in which case the equipment shall be returned within 48 hours of the date of the written notice of termination. In the event that this employment agreement is suspended, for any reason whatsoever and irrespective of the duration, Mr. Hennequin shall also return all the above equipment to MEFS by any appropriate means upon the first request of the latter.

Article 18 : Egalisation fiscale et sécurité sociale	**Article 18: Tax equalization and social security**
Compte tenu de ce que Monsieur Hennequin accomplira une partie de ses fonctions en Suisse (pays d'accueil), une fraction de la rémunération versée par MEFS à Monsieur Hennequin pourrait être soumise à l'impôt personnel sur les revenus et/ou aux charges sociales en Suisse. De tels impôts ou charges sociales suisses, le cas échéant, sur cette fraction seront payés par Monsieur Hennequin si une telle obligation existe, soit directement par Monsieur Hennequin, soit au moyen d'un prélèvement à la source opéré par MEFS sur ses salaires.	Due to Mr. Hennequin's provision of services in Switzerland (host country), a portion of the remuneration paid to Mr. Hennequin by MEFS may be subject to personal income tax and/or social charges in Switzerland. Such Swiss taxes and social charges, if any, on this portion will be paid by Mr. Hennequin as such obligations occur, either directly by Mr. Hennequin or by means of a withholding at source performed by MEFS on his salaries.
Les parties conviennent que Monsieur Hennequin sera soumis, sur une base annuelle, à un dispositif « d'égalisation fiscale » (« tax equalization ») au regard tant des charges sociales que de l'impôt sur le revenu, de telle sorte que Monsieur Hennequin paye au final un montant d'impôt sur le revenu et de charges sociales approximativement identique au montant qu'il aurait payé en France (pays d'origine) uniquement, s'il était resté basé en France et avait accompli l'intégralité de ses fonctions depuis la France. Pour les besoins du dispositif d'égalisation fiscale, cette charge fiscale pro forma dans son pays d'origine (France) constituera la charge fiscale théorique de Monsieur Hennequin. Si les impôts réellement payés par Monsieur Hennequin en France et en Suisse sur les montants versés par la Société s'avèrent être plus élevés que cette charge fiscale théorique, la Société remboursera Monsieur Hennequin la différence dans le cadre du dispositif d'égalisation fiscale mis en place. Si les impôts réellement payés par Monsieur Hennequin en France et en Suisse sur les montants versés par la Société s'avèrent être moins élevés que cette charge fiscale théorique, Monsieur Hennequin remboursera à la Société la différence dans le cadre du dispositif d'égalisation fiscale mis en place.	The parties agree that Mr. Hennequin will be subject to tax equalization, on an annual basis, in regard to both social taxes and income tax liability so that Mr. Hennequin will pay an amount of income and social taxes that approximates the amount he would have paid in France (home country) alone had he remained based in France and performed all of his services from France. For purposes of tax equalization, this pro forma home country liability will constitute his hypothetical tax liability. If the actual taxes paid by Mr. Hennequin in France and Switzerland on Company income is greater than his hypothetical liability, then the Company will reimburse Mr. Hennequin the difference through the tax equalization process. If the actual taxes paid by Mr. Hennequin in France and Switzerland on Company income is less than the hypothetical liability, then Mr. Hennequin will reimburse the Company the difference through the tax equalization process.
• Une fois que les déclarations fiscales de Monsieur Hennequin pour le pays d'origine et pour le pays d'accueil auront été préparées, un impôt et des charges sociales théoriques seront calculés sur la rémunération et les primes et avantages de Monsieur Hennequin tels que décrits à l'Article 5 et à l'Article 6 bis, et les attributions faites dans le cadre de plans d'actionnariat salarié (incluant les stock-options ou autres rémunérations en actions, auquel cas Monsieur Hennequin s'engage à informer MEFS à l'avance de tout exercice de stock-options de façon à permettre à MEFS et à ses conseils d'évaluer l'impôt sur le revenu et les charges sociales et de mettre œuvre toute optimisation côté français ou côté suisse qui pourrait être recommandée en fonction des circonstances) et sur l'impôt personnel de Monsieur Hennequin sur les revenus, tels	• After Mr. Hennequin's home and host countries tax returns have been prepared, hypothetical home country income and social tax will be calculated on Mr. Hennequin's compensation and premiae as described in Article 5 and in Article 6 bis, and long term incentives (including stock-options or other equity compensation, in which case, Mr. Hennequin agrees to notify MEFS in advance of any exercise of stock options in order to allow MEFS and its advisors to evaluate the income tax and social tax consequences and to implement any Swiss or French tax planning which may be advisable under the circumstances) and on Mr. Hennequin's personal income such as interest, dividends and sales of property, etc., without limitation.

que les intérêts, les dividendes et les ventes de propriété, etc., sans limitation.	
Les charges sociales et les impôts sur le revenu effectivement supportés par Monsieur Hennequin seront comparés à l'impôt sur le revenu et aux charges sociales théoriques calculés comme précisé ci-dessus.	The actual social charges and income taxes borne by Mr. Hennequin will be compared to the hypothetical French income and social taxes calculated as specified above.
Monsieur Hennequin sera tenu de se conformer à ce qui suit :	Mr. Hennequin is required to comply with the following:
1. Monsieur Hennequin sera tenu de coopérer pleinement avec le cabinet comptable choisi conformément à l'Article 6 et à cet Article 18.	1. Mr. Hennequin is obligated to cooperate fully with the chosen accounting firm in accordance with Article 6 and this Article 18.
2. Sur une base mensuelle, dans les 5 jours suivant la fin de chaque mois, Monsieur Hennequin sera tenu d'informer MEFS par écrit du nombre de jours au titre desquels il a accompli ses fonctions en Suisse durant le mois précédent.	2. On a monthly basis, within 5 days of the end of each month, Mr. Hennequin is obligated to inform MEFS in writing of the number of days in the preceding month during which he performed services in Switzerland.
Une fois l'égalisation fiscale déterminée, le différentiel, qu'il soit dû à Monsieur Hennequin par MEFS ou par Monsieur Hennequin à MEFS, sera remboursé dans les 14 jours de la communication du calcul de détermination du différentiel. Tout différentiel dû à MEFS pourra être recouvré par compensation avec toute autre rémunération due à Monsieur Hennequin dans les limites légalement permises par le droit applicable.	Once tax equalization is completed, the balance, whether due to Mr. Hennequin by MEFS or by Mr. Hennequin to MEFS, shall be reimbursed within 14 days of communication of the reconciliation calculation. Any balance owing to MEFS can be recovered by offset of other compensation owing to Mr. Hennequin to the extent permitted under applicable law.
Sous réserve de l'obtention du certificat E 101, Monsieur Hennequin continuera de cotiser au régime français de sécurité sociale et d'assurance chômage, ainsi qu'aux régimes de retraite et de prévoyance complémentaires conformément aux dispositions de l'article 14. 2) b i du Règlement communautaire 1408/71.	Subject to the delivery of the E101 certificate, Mr. Hennequin will continue contributing to the French social security and unemployment schemes and to the complementary retirement and provident schemes in accordance with the provisions of article 14 2) b i of the EU Regulation 1408/71.
MEFS accomplira la procédure requise pour l'obtention du certificat E 101 indiquant que Monsieur Hennequin continuera à cotiser au régime français de sécurité sociale bien qu'accomplissant une partie de ses fonctions en Suisse. Dans le cas où des cotisations sociales devraient être payées en Suisse, elles seront supportées par MEFS.	MEFS will carry out the procedure required for the delivery of the E 101 certificate stating that Mr. Hennequin will be contributing to the French social security scheme while performing part of his services in Switzerland. In the case where employee social contributions would have to be paid in Switzerland, they will be borne by MEFS.
Monsieur Hennequin informera MEFS de tout changement dans sa situation personnelle et familiale (ex. potentiel transfert de sa résidence hors de France) de façon à lui permettre de déterminer si cela est susceptible d'avoir des conséquences sur	Mr. Hennequin shall inform MEFS of any change in his personal circumstances (e.g. a potential transfer of his residence outside France) in order to determine if it may have consequences on his social security or tax status.

son régime fiscal ou de sécurité sociale.	
<u>Article 19 : Données personnelles</u> Monsieur Hennequin comprends et accepte que, en relation avec son emploi, des données personnelles le concernant ou concernant sa situation de famille devront être traitées par les services de MEFS en charge des Ressources Humaines, de la Paie, de la Comptabilité, du Juridique, de l'Informatique, à des fins de gestion des ressources humaines (notamment de gestion administrative du personnel et de la paie, de mise à disposition d'outils informatiques et de communication, d'organisation du travail, de gestion des évaluations et des carrières, de formation du personnel et de conformité aux obligations légales de MEFS en tant qu'employeur). Ces données personnelles sont susceptibles d'être transférées vers ou à partir de France, Suisse, Royaume-Uni et/ou Etats-Unis, pour les finalités décrites ci-dessus. Les lois et règlements relatifs au traitement de données personnelles dans ces divers pays diffèrent de ceux en vigueur dans le pays d'origine de Monsieur Hennequin mais également entre eux. Afin d'assurer la protection des données transférées, MEFS a mis en place des mesures contractuelles appropriées, conformément à la règlementation applicable. Mr. Hennequin est informé qu'il peut demander à accéder à ses données ou à les faire modifier (en cas d'erreur) en contactant Monsieur Hubert Mongon ou toute personne qui lui serait substituée dans ses fonctions.	**<u>Article 19: Data privacy</u>** Mr. Hennequin understands and agrees that, in connection with his employment, personal information related to him and his family will need to be processed by relevant MEFS departments in charge of HR, Payroll, Accounting, Legal, IT, for human resources management purposes (notably, for the personnel administration and payroll, provision of ITC resources, work organization, management of appraisals and careers, training of the personnel, and compliance with MEFS obligations as an employer). Such personal information may need to be transferred to and from France, Switzerland, the United Kingdom and/or the United States for the above mentioned purposes. The laws and regulations relating to the processing of data in these countries differ from those of Mr. Hennequin's home country and from one another. In order to secure the protection of the transferred personal information, MEFS has implemented appropriate contractual measures, in compliance with applicable law. Mr. Hennequin is informed that he may access his personal data and have it corrected (if not accurate) by contacting Hubert Mongon or his successor in position.
<u>Article 20 : Loi applicable</u> Le présent contrat de travail sera régi par le droit français, tant pour sa conclusion que pour son exécution et sa cessation, sous réserve des dispositions d'ordre public en vigueur en Suisse qui seraient applicables peu important la loi choisie par les parties. Ces dispositions s'appliqueront en priorité, sans qu'il soit possible de combiner les avantages et garanties offerts par les deux législations. Tout litige afférent au présent Contrat sera soumis à la compétence exclusive des tribunaux français. Les engagements pris de part et d'autre l'ayant été dans les intérêts de chacun, les parties confirmeront leur accord sans réserve sur les termes du présent Contrat et s'engageront à respecter loyalement les droits et obligations qui en résultent.	**<u>Article 20: Governing law</u>** This employment contract shall be governed by French law, for the purposes of its conclusion, performance and termination, subject to any provisions of public order in Switzerland that are applicable regardless of the law designated by the parties. Such provisions shall apply in priority without it being possible to combine benefits and guarantees granted by both legislations. Any dispute in relation to this Agreement shall be submitted to the French courts. The commitments made herein are done so in the mutual interests of the parties, who confirm the terms and conditions of this Agreement without reservation and undertake to abide by the ensuing rights and obligations.
<u>Article 21 : Langue</u> La version du présent Contrat qui lie les parties est la version française, la version anglaise n'étant fournie qu'à titre d'information. En cas de contradiction	**<u>Article 21 : Language</u>** The version of this Agreement that binds the parties is the French language version, the English version being provided for information purposes only. In the event

entre les versions française et anglaise, la version française prévaudra.	of a contradiction between the two versions, the French version shall prevail.
<u>Article 22 : Accords antérieurs</u> Le présent Contrat constitue l'intégralité des accords entre les parties. Il annule et remplace tout accord antérieur conclu directement ou indirectement, tant verbalement que par écrit, entre MSF, MEFS ou MEF et Monsieur Hennequin, et/ou les éventuels engagements, directs ou indirects, de l'une des parties à l'égard de l'autre. Monsieur Hennequin informera sans délai MEFS de toute modification des informations qu'il lui aura données à la Date de Transfert (adresse, etc.). Pour la bonne règle, Monsieur Hennequin retournera à MEFS l'un des quatre exemplaires ci-joints, revêtu de sa signature précédée de la mention « lu et approuvé ». Fait à Londres, le 30/09/10 /s/ Denis Hennequin Monsieur Hennequin /s/ Donald Thompson Pour MEFS /s/ Peter J. Bensen Pour MSF /s/ Denis Berdoz Pour MEF	**<u>Article 22: Prior agreements</u>** This Agreement represents the entire agreement between the parties. It supersedes any prior direct or indirect written or verbal agreements entered into between MSF, MEFS or MEF and Mr. Hennequin and/or any commitments made, directly or indirectly, by either party towards the other. Mr. Hennequin shall immediately inform MEFS of any change to the information given to the latter at the Effective Date (address, etc.). Mr. Hennequin shall return to MEFS one of the four enclosed copies for its files, bearing his signature preceded by the words "read and approved". Executed in London, on 9/30/10 /s/ Denis Hennequin Mr. Hennequin /s/ Donald Thompson For MEFS /s/ Peter J. Bensen For MSF /s/ Denis Berdoz For MEF

Exhibit 12

COMPUTATION OF RATIO OF EARNINGS TO FIXED CHARGES
Dollars in Millions

	Nine Months Ended September 30, 2010	Nine Months Ended September 30, 2009	Years Ended December 31, 2009	2008	2007	2006	2005
Earnings available for fixed charges							
- Income from continuing operations before provision for income taxes and cumulative effect of accounting changes	$ 5,266.7	$ 4,786.0	$6,487.0	$6,158.0	$3,572.1[(1)]	$4,154.4	$3,660.2
- Noncontrolling interest expense in operating results of majority-owned subsidiaries, including fixed charges related to redeemable preferred stock, less equity in undistributed operating results of less than 50%-owned affiliates	8.1	5.2	7.5	10.7	7.2	5.5	1.2
- Income tax provision (benefit) of 50%-owned affiliates included in income from continuing operations before provision for income taxes	22.4	35.3	47.7	30.0	22.4	5.9	(3.5)
- Portion of rent charges (after reduction for rental income from subleased properties) considered to be representative of interest factors*	232.8	223.1	302.8	321.3	312.8	304.0	292.8
- Interest expense, amortization of debt discount and issuance costs, and depreciation of capitalized interest*	350.8	382.2	504.5	556.8	442.7	437.4	392.2
	$ 5,880.8	$ 5,431.8	$7,349.5	$7,076.8	$4,357.2	$4,907.2	$4,342.9
Fixed charges							
- Portion of rent charges (after reduction for rental income from subleased properties) considered to be representative of interest factors*	$ 232.8	$ 223.1	$ 302.8	$ 321.3	$ 312.8	$ 304.0	$ 292.8
- Interest expense, amortization of debt discount and issuance costs, and fixed charges related to redeemable preferred stock*	342.0	369.0	486.9	539.7	425.9	418.4	373.4
- Capitalized interest*	8.2	8.1	11.9	12.5	7.0	5.5	5.0
	$ 583.0	$ 600.2	$ 801.6	$ 873.5	$ 745.7	$ 727.9	$ 671.2
Ratio of earnings to fixed charges	10.09	9.05	9.17	8.10	5.84	6.74	6.47

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

(1) Includes pretax charges of $1.7 billion primarily related to impairment in connection with the Company's sale of its Latin American businesses to a developmental licensee.

Exhibit 31.1. Rule 13a-14(a) Certification of Chief Executive Officer

I, James A. Skinner, Vice Chairman and Chief Executive Officer of McDonald's Corporation, certify that:

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

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

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

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

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

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

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

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

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

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

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

Date: November 5, 2010

/s/ James A. Skinner

James A. Skinner

Vice Chairman and Chief Executive Officer

Exhibit 31.2. Rule 13a-14(a) Certification of Chief Financial Officer

I, Peter J. Bensen, Corporate Executive Vice President and Chief Financial Officer of McDonald's Corporation, certify that:

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

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

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

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

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

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

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

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

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

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

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

Date: November 5, 2010

/s/ Peter J. Bensen

Peter J. Bensen

Corporate Executive Vice President and
Chief Financial Officer

Exhibit 32.1. Certification pursuant to 18 U.S.C. Section 1350 by the Chief Executive Officer, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002

Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 (subsections (a) and (b) of Section 1350, Chapter 63 of Title 18, United States Code), the undersigned officer of McDonald's Corporation (the "Company"), does hereby certify, to such officer's knowledge, that the Quarterly Report on Form 10-Q for the quarter ended September 30, 2010 of the Company fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934 and information contained in the Form 10-Q fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: November 5, 2010

/s/ James A. Skinner

James A. Skinner

Vice Chairman and Chief Executive Officer

Exhibit 32.2. Certification pursuant to 18 U.S.C. Section 1350 by the Chief Financial Officer, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002

Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 (subsections (a) and (b) of Section 1350, Chapter 63 of Title 18, United States Code), the undersigned officer of McDonald's Corporation (the "Company"), does hereby certify, to such officer's knowledge, that the Quarterly Report on Form 10-Q for the quarter ended September 30, 2010 of the Company fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934 and information contained in the Form 10-Q fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: November 5, 2010

/s/ Peter J. Bensen
Peter J. Bensen
Corporate Executive Vice President and
Chief Financial Officer