
UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, DC 20549

FORM 10-Q

☒ **QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**
For the quarterly period ended March 31, 2019

OR

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

Commission File Number 1-5231

McDONALD'S CORPORATION

(Exact Name of Registrant as Specified in Its Charter)

Delaware

(State or Other Jurisdiction of
Incorporation or Organization)

36-2361282

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

110 North Carpenter Street
Chicago, Illinois

(Address of Principal Executive Offices)

60607

(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 every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files). Yes ☒ No ☐

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

Large accelerated filer ☒

Accelerated filer ☐

Non-accelerated filer ☐

Smaller reporting company ☐

Emerging growth company ☐

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

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

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

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

763,556,377

(Number of shares of common stock
outstanding as of 3/31/2019)

McDONALD'S CORPORATION

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PART I – FINANCIAL INFORMATION

Item 1. Financial Statements

CONDENSED CONSOLIDATED BALANCE SHEET

In millions, except per share data	(unaudited) March 31, 2019	December 31, 2018
Assets		
Current assets		
Cash and equivalents	\$ 2,289.1	\$ 866.0
Accounts and notes receivable	1,992.7	2,441.5
Inventories, at cost, not in excess of market	40.8	51.1
Prepaid expenses and other current assets	641.8	694.6
Total current assets	4,964.4	4,053.2
Other assets		
Investments in and advances to affiliates	1,190.2	1,202.8
Goodwill	2,317.8	2,331.5
Miscellaneous	2,385.5	2,381.0
Total other assets	5,893.5	5,915.3
Lease right-of-use asset, net	12,325.2	—
Property and equipment		
Property and equipment, at cost	37,774.0	37,193.6
Accumulated depreciation and amortization	(14,490.5)	(14,350.9)
Net property and equipment	23,283.5	22,842.7
Total assets	\$ 46,466.6	\$ 32,811.2
Liabilities and shareholders' equity		
Current liabilities		
Accounts payable	\$ 823.6	\$ 1,207.9
Lease liability	767.9	—
Income taxes	339.3	228.3
Other taxes	252.8	253.7
Accrued interest	304.8	297.0
Accrued payroll and other liabilities	891.2	986.6
Total current liabilities	3,379.6	2,973.5
Long-term debt	32,892.0	31,075.3
Long-term lease liability	11,629.5	—
Long-term income taxes	2,138.3	2,081.2
Deferred revenues - initial franchise fees	629.8	627.8
Other long-term liabilities	1,017.3	1,096.3
Deferred income taxes	1,331.0	1,215.5
Shareholders' equity (deficit)		
Preferred stock, no par value; authorized – 165.0 million shares; issued – none	—	—
Common stock, \$.01 par value; authorized – 3.5 billion shares; issued – 1,660.6 million shares	16.6	16.6
Additional paid-in capital	7,438.5	7,376.0
Retained earnings	50,928.6	50,487.0
Accumulated other comprehensive income (loss)	(2,520.1)	(2,609.5)
Common stock in treasury, at cost; 897.1 and 893.5 million shares	(62,414.5)	(61,528.5)
Total shareholders' equity (deficit)	(6,550.9)	(6,258.4)
Total liabilities and shareholders' equity (deficit)	\$ 46,466.6	\$ 32,811.2

See Notes to condensed consolidated financial statements.

CONDENSED CONSOLIDATED STATEMENT OF INCOME (UNAUDITED)

In millions, except per share data	Quarters Ended March 31,	
	2019	2018
Revenues		
Sales by Company-operated restaurants	\$ 2,240.5	\$ 2,535.6
Revenues from franchised restaurants	2,715.1	2,603.3
Total revenues	4,955.6	5,138.9
Operating costs and expenses		
Company-operated restaurant expenses	1,886.2	2,130.9
Franchised restaurants-occupancy expenses	533.1	480.3
Selling, general & administrative expenses	499.1	533.1
Other operating (income) expense, net	(56.8)	(148.5)
Total operating costs and expenses	2,861.6	2,995.8
Operating income	2,094.0	2,143.1
Interest expense	274.1	236.8
Nonoperating (income) expense, net	(11.4)	18.4
Income before provision for income taxes	1,831.3	1,887.9
Provision for income taxes	502.9	512.5
Net income	\$ 1,328.4	\$ 1,375.4
Earnings per common share-basic	\$ 1.74	\$ 1.74
Earnings per common share-diluted	\$ 1.72	\$ 1.72
Dividends declared per common share	\$ 1.16	\$ 1.01
Weighted-average shares outstanding-basic	764.9	790.9
Weighted-average shares outstanding-diluted	771.6	798.7

See Notes to condensed consolidated financial statements.

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME (UNAUDITED)

In millions	Quarters Ended	
	2019	March 31, 2018
Net income	\$1,328.4	\$1,375.4
Other comprehensive income (loss), net of tax		
Foreign currency translation adjustments:		
Gain (loss) recognized in accumulated other comprehensive income ("AOCI"), including net investment hedges	43.4	25.7
Reclassification of (gain) loss to net income	45.6	—
Foreign currency translation adjustments-net of tax benefit (expense) of \$(60.0) and \$72.3	89.0	25.7
Cash flow hedges:		
Gain (loss) recognized in AOCI	8.3	(7.5)
Reclassification of (gain) loss to net income	(9.1)	12.0
Cash flow hedges-net of tax benefit (expense) of \$0.2 and \$(1.2)	(0.8)	4.5
Defined benefit pension plans:		
Gain (loss) recognized in AOCI	—	(1.1)
Reclassification of (gain) loss to net income	1.2	2.8
Defined benefit pension plans-net of tax benefit (expense) of \$0.0 and \$(0.9)	1.2	1.7
Total other comprehensive income (loss), net of tax	89.4	31.9
Comprehensive income (loss)	\$1,417.8	\$1,407.3

See Notes to condensed consolidated financial statements.

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS (UNAUDITED)

In millions	Quarters Ended March 31,	
	2019	2018
Operating activities		
Net income	\$ 1,328.4	\$ 1,375.4
Adjustments to reconcile to cash provided by operations		
Charges and credits:		
Depreciation and amortization	392.6	362.9
Deferred income taxes	54.3	29.2
Share-based compensation	31.6	39.8
Other	51.5	(54.9)
Changes in working capital items	162.2	(107.2)
Cash provided by operations	2,020.6	1,645.2
Investing activities		
Capital expenditures	(515.3)	(552.8)
Purchases of restaurant businesses	(9.0)	(23.7)
Sales of restaurant businesses	131.9	186.7
Sales of property	22.3	71.7
Other	(401.2)	(41.0)
Cash (used for) investing activities	(771.3)	(359.1)
Financing activities		
Net short-term borrowings	(94.0)	556.0
Long-term financing issuances	2,513.3	1,499.7
Long-term financing repayments	(415.0)	(1,001.6)
Treasury stock purchases	(996.1)	(1,632.9)
Common stock dividends	(886.8)	(797.5)
Proceeds from stock option exercises	110.6	75.3
Other	(11.3)	(5.2)
Cash provided by (used for) financing activities	220.7	(1,306.2)
Effect of exchange rates on cash and cash equivalents	(46.9)	24.3
Cash and equivalents increase	1,423.1	4.2
Cash and equivalents at beginning of period	866.0	2,463.8
Cash and equivalents at end of period	\$ 2,289.1	\$ 2,468.0

See Notes to condensed consolidated financial statements.

CONDENSED CONSOLIDATED STATEMENT OF SHAREHOLDERS' EQUITY (UNAUDITED)

For the quarter ended March 31, 2018

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

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

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

For the quarter ended March 31, 2019

In millions, except per share data	Common stock issued		Additional paid-in capital	Retained earnings	Accumulated other comprehensive income (loss)			Common stock in treasury		Total shareholders' equity
	Shares	Amount			Pensions	Cash flow hedges	Foreign currency translation	Shares	Amount	
Balance at December 31, 2018	1,660.6	\$ 16.6	\$ 7,376.0	\$50,487.0	\$ (216.6)	\$ 32.4	\$ (2,425.3)	(893.5)	\$ (61,528.5)	\$ (6,258.4)
Net income				1,328.4						1,328.4
Other comprehensive income (loss), net of tax					1.2	(0.8)	89.0			89.4
Comprehensive income										1,417.8
Common stock cash dividends (\$1.16 per share)				(886.8)						(886.8)
Treasury stock purchases								(5.4)	(963.7)	(963.7)
Share-based compensation			31.6							31.6
Stock option exercises and other			30.9					1.8	77.7	108.6
Balance at March 31, 2019	1,660.6	16.6	7,438.5	50,928.6	(215.4)	31.6	(2,336.3)	(897.1)	(62,414.5)	(6,550.9)

See Notes to condensed consolidated financial statements.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

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

Basis of Presentation

The accompanying Condensed Consolidated Financial Statements should be read in conjunction with the Consolidated Financial Statements contained in the Company's December 31, 2018 Annual Report on Form 10-K. In the opinion of management, all adjustments (consisting of normal recurring accruals) necessary for a fair presentation have been included. The results for the quarter ended March 31, 2019, do not necessarily indicate the results that may be expected for the full year.

Restaurant Information

The following table presents restaurant information by ownership type:

Restaurants at March 31,	2019	2018
Conventional franchised	21,662	21,425
Developmental licensed	7,362	6,972
Foreign affiliated	6,254	5,882
Total Franchised	35,278	34,279
Company-operated	2,693	3,007
Systemwide restaurants	37,971	37,286

The results of operations of restaurant businesses purchased and sold in transactions with franchisees were not material either individually or in the aggregate to the Condensed Consolidated Financial Statements for the periods prior to purchase and sale.

Per Common Share Information

Diluted earnings per common share is calculated using net income divided by diluted weighted-average shares. Diluted weighted-average shares include weighted-average shares outstanding plus the dilutive effect of share-based compensation, calculated using the treasury stock method, of 6.7 million shares and 7.8 million shares for the quarters 2019 and 2018, respectively. Stock options that would have been antidilutive, and therefore were not included in the calculation of diluted weighted-average shares, totaled 2.0 million shares and 2.5 million shares for the quarters 2019 and 2018, respectively.

Recent Accounting Pronouncements

Recently Adopted Accounting Standards

Income Taxes

In February 2018, the Financial Accounting Standards Board ("FASB") issued ASU 2018-02, "Reclassification of Certain Tax Effects from Accumulated Other Comprehensive Income." The guidance permits entities to reclassify the stranded tax effects resulting from the Tax Cuts and Jobs Act ("Tax Act") from AOCI to retained earnings. The Company adopted the provisions of ASU 2018-02 on January 1, 2019, and elected not to reclassify the income tax effects of the Tax Act from AOCI to retained earnings.

Lease Accounting

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

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

The Company has certain leases subject to index adjustments. Historically, the Company has calculated and disclosed future minimum payments for these leases using the index as of the end of the reporting period. As part of the transition, the Company used the

index in effect at transition for adoption of Topic 842 in its disclosure of future minimum lease payments and its calculation of the lease liability. For leases entered into after January 1, 2019, the index at lease inception date will be used to calculate the lease liability until lease modification.

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

Fair Value Measurements

The Company measures certain financial assets and liabilities at fair value. Fair value disclosures are reflected in a three-level hierarchy, maximizing the use of observable inputs and minimizing the use of unobservable inputs. The Company did not have any significant changes to the valuation techniques used to measure fair value as described in the Company's December 31, 2018 Annual Report on Form 10-K.

At March 31, 2019, the fair value of the Company's debt obligations was estimated at \$34.7 billion, compared to a carrying amount of \$32.9 billion. The fair value was based upon quoted market prices, Level 2 within the valuation hierarchy. The carrying amounts of cash and equivalents, short-term investments and notes receivable approximate fair value.

Financial Instruments and Hedging Activities

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

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

Derivative Assets				Derivative Liabilities		
<i>In millions</i>	Balance Sheet Classification	March 31, 2019	December 31, 2018	Balance Sheet Classification	March 31, 2019	December 31, 2018
Derivatives designated as hedging instruments						
Foreign currency	Prepaid expenses and other current assets	\$ 29.0	\$ 30.9	Accrued payroll and other liabilities	\$ (0.4)	\$ (0.7)
Interest rate	Prepaid expenses and other current assets			Accrued payroll and other liabilities	—	(0.1)
Foreign currency	Miscellaneous other assets	8.0	3.8	Other long-term liabilities	—	(1.3)
Interest rate	Miscellaneous other assets			Other long-term liabilities	(4.7)	(11.8)
Total derivatives designated as hedging instruments		\$ 37.0	\$ 34.7		\$ (5.1)	\$ (13.9)
Derivatives not designated as hedging instruments						
Equity	Prepaid expenses and other current assets	\$ 179.6	\$ 167.1	Accrued payroll and other liabilities	\$ (0.2)	\$ (2.7)
Foreign currency	Prepaid expenses and other current assets	4.0	4.5	Accrued payroll and other liabilities	(5.0)	—
Total derivatives not designated as hedging instruments		\$ 183.6	\$ 171.6		\$ (5.2)	\$ (2.7)
Total derivatives		\$ 220.6	\$ 206.3		\$ (10.3)	\$ (16.6)

The following table presents the pre-tax amounts from derivative instruments affecting income and AOCI for the quarters ended March 31, 2019 and 2018, respectively:

<i>In millions</i>	Location of Gain or Loss Recognized in Income on Derivative	Gain (Loss) Recognized in AOCI		Gain (Loss) Reclassified into Income from AOCI		Gain (Loss) Recognized in Income on Derivative	
		2019	2018	2019	2018	2019	2018
Foreign currency	Nonoperating income/expense	\$ 10.7	\$ (9.8)	\$ 12.0	\$ (15.3)		
Interest rate	Interest expense			(0.3)	(0.2)		
Cash flow hedges		\$ 10.7	\$ (9.8)	\$ 11.7	\$ (15.5)		
Foreign currency denominated debt	Nonoperating income/expense	\$ 245.2	\$ (404.5)				
Foreign currency derivatives	Nonoperating income/expense	9.0	—				
Foreign currency derivatives ⁽¹⁾	Interest expense					\$ 2.5	\$ —
Net investment hedges		\$ 254.2	\$ (404.5)			\$ 2.5	\$ —
Foreign currency	Nonoperating income/expense					\$ (5.6)	\$ 3.2
Equity	Selling, general & administrative expenses					35.3	(16.3)
Undesignated derivatives						\$ 29.7	\$ (13.1)

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

Fair Value Hedges

The Company enters into fair value hedges to reduce the exposure to changes in fair values of certain liabilities. The Company enters into fair value hedges that convert a portion of its fixed rate debt into floating rate debt by use of interest rate swaps. At March 31, 2019, the carrying amount of fixed-rate debt that was effectively converted was \$645.3 million, which included a decrease of \$4.7 million of cumulative hedging adjustments. For the first quarter 2019, the Company recognized a \$7.2 million gain on the fair value of interest rate swaps, and a corresponding loss on the fair value of the related hedged debt instrument to interest expense.

Cash Flow Hedges

The Company enters into cash flow hedges to reduce the exposure to variability in certain expected future cash flows. To protect against the reduction in value of forecasted foreign currency cash flows (such as royalties denominated in foreign currencies), the Company uses foreign currency forwards to hedge a portion of anticipated exposures. The hedges cover the next 18 months for certain exposures and are denominated in various currencies. As of March 31, 2019, the Company had derivatives outstanding with an equivalent notional amount of \$697.2 million that hedged a portion of forecasted foreign currency denominated cash flows.

Based on market conditions at March 31, 2019, the \$31.6 million in cumulative cash flow hedging gains, after tax, is not expected to have a significant effect on earnings over the next 12 months.

Net Investment Hedges

The Company primarily uses foreign currency denominated debt (third party and intercompany) to hedge its investments in certain foreign subsidiaries and affiliates. Realized and unrealized translation adjustments from these hedges are included in shareholders' equity in the foreign currency translation component of Other comprehensive income ("OCI") and offset translation adjustments on the underlying net assets of foreign subsidiaries and affiliates, which also are recorded in OCI. As of March 31, 2019, \$13.5 billion of the Company's third party foreign currency denominated debt and \$3.5 billion of intercompany foreign currency denominated debt was designated to hedge investments in certain foreign subsidiaries and affiliates.

Undesignated Derivatives

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

Credit Risk

The Company is exposed to credit-related losses in the event of non-performance by its derivative counterparties. The Company did not have significant exposure to any individual counterparty at March 31, 2019 and has master agreements that contain netting arrangements. For financial reporting purposes, the Company presents gross derivative balances in the financial statements and supplementary data, including for counterparties subject to netting arrangements. Some of these agreements also require each party to post collateral if credit ratings fall below, or aggregate exposures exceed, certain contractual limits. At March 31, 2019, the Company was required to post an immaterial amount of collateral due to the negative fair value of certain derivative positions. The Company's counterparties were not required to post collateral on any derivative position, other than on certain hedges of the Company's supplemental benefit plan liabilities where the counterparties were required to post collateral on their liability positions.

Franchise Arrangements

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

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

Revenues from franchised restaurants consisted of (in millions):

Quarters ended March 31,	2019	2018
Rents	\$ 1,747.6	\$ 1,661.3
Royalties	956.7	932.0
Initial fees	10.8	10.0
Revenues from franchised restaurants	\$ 2,715.1	\$ 2,603.3

As of March 31, 2019, future gross minimum rent payments due to the Company under existing conventional franchise arrangements were:

In millions	Owned sites	Leased sites	Total
2019	\$ 1,100.1	\$ 1,143.4	\$ 2,243.5
2020	1,417.1	1,438.5	2,855.6
2021	1,374.0	1,360.3	2,734.3
2022	1,322.8	1,275.0	2,597.8
2023	1,275.5	1,205.9	2,481.4
Thereafter	11,116.4	9,680.1	20,796.5
Total minimum payments	\$ 17,605.9	\$ 16,103.2	\$ 33,709.1

Leasing Arrangements

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

The following table provides detail of rent expense (in millions):

Quarters ended March 31,	2019	2018
Restaurants	\$ 378.2	\$ 359.8
Other	19.7	18.8
Total rent expense	\$ 397.9	\$ 378.6

Rent expense included percent rents in excess of minimum rents (in millions) as follows - 2019 - \$62.1; 2018 - \$69.7.

The amount of the Right of Use Asset and Lease Liability recorded at transition (\$12.5 billion) included known escalations and renewal option periods reasonably assured of being exercised. Typically, renewal options are considered reasonably assured of being exercised if the associated asset lives of the building or leasehold improvements exceed that of the initial lease term, and the sales performance of the restaurant remains strong. Therefore, the Right of Use Asset and Lease Liability include an assumption on renewal options that have not yet been exercised by the Company, and are not currently a future obligation.

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

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

As the rate implicit in each lease is not readily determinable, the Company uses an incremental borrowing rate to calculate the lease liability that represents an estimate of the interest rate the Company would incur to borrow on a collateralized basis over the term of a lease within a particular currency environment. The weighted average discount rate used for operating leases was 4.1% as of March 31, 2019.

As of March 31, 2019, maturities of lease liabilities for our operating leases were as follows:

<i>In millions</i>	<i>Total *</i>
2019	\$ 858.1
2020	1,106.9
2021	1,065.6
2022	1,020.2
2023	980.0
Thereafter	13,593.8
Total lease payments	\$ 18,624.6
Less: imputed interest	(6,227.2)
Present value of lease liability	\$ 12,397.4

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

As of March 31, 2019, Weighted Average Lease Term remaining that is included in the maturities of lease liabilities was 20 years.

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

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

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

Segment Information

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

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

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

In millions	Quarters Ended March 31,	
	2019	2018
Revenues		
U.S.	\$ 1,846.2	\$ 1,867.2
International Operated Markets	2,663.0	2,810.0
International Developmental Licensed Markets & Corporate	446.4	461.7
Total revenues	\$ 4,955.6	\$ 5,138.9
Operating Income		
U.S.	\$ 951.9	\$ 998.0
International Operated Markets	1,048.0	1,049.1
International Developmental Licensed Markets & Corporate	94.1	96.0
Total operating income	\$ 2,094.0	\$ 2,143.1

Subsequent Events

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

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

Overview

The Company franchises and operates McDonald's restaurants. Of the 37,971 restaurants in 120 countries at March 31, 2019, 35,278 were licensed to franchisees.

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

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

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

McDonald's is primarily a franchisor and believes franchising is paramount to delivering great-tasting food, locally-relevant customer experiences and driving profitability. Franchising enables an individual to be his or her own employer and maintain control over all employment-related matters, and marketing and pricing decisions, while also benefiting from the strength of McDonald's global brand, operating system and financial resources.

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

The Company's revenues consist of sales by Company-operated restaurants and fees from restaurants operated by franchisees. Revenues from conventional franchised restaurants include rent and royalties based on a percent of sales along with minimum rent payments, and initial fees. Revenues from developmental licensees and affiliate restaurants include a royalty based on a percent of sales, and generally include initial fees upon the opening of a new restaurant or grant of a new license. Fees vary by type of site, amount of Company investment, if any, and local business conditions. These fees, along with occupancy and operating rights, are stipulated in franchise/license agreements that generally have 20-year terms.

The Company's reporting segments are aligned with its strategic priorities and reflect how management reviews and evaluates operating performance. The organizational structure is designed to support the Company's efforts toward efficiently driving growth through the Velocity Growth Plan (the "Plan"). Effective January 1, 2019, significant reportable segments include the United States ("U.S.") and International Operated Markets. In addition, throughout this report we present the International Developmental Licensed Markets & Corporate segment, which includes markets in over 80 countries, as well as Corporate activities.

Strategic Direction

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

The Company is focused on elevating the customer experience through improved restaurant execution and creating excitement around our food and value offerings, while leveraging technology to enable greater convenience. These actions are focused on retaining existing customers, regaining customers who visit less often and converting casual customers to committed customers.

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

- **Experience of the Future ("EOTF").** Focuses on restaurant modernization and technology in order to transform the restaurant service experience and enhance the brand in the eyes of our customers. EOTF introduces a new hospitality experience via the restaurant Guest Experience Leaders and table service, both of which have proven to be critical drivers of customer satisfaction. The modernization efforts are designed to provide a better customer experience, leading to increased frequency of customer visits with higher average check. McDonald's currently has EOTF deployed in over half of restaurants globally, and we expect to convert substantially all of the restaurants in the U.S. to EOTF by the end of 2020.

- **Digital.** Emphasizes improving the Company's existing service model (i.e., eat in, take out, or drive-thru) with customers through technology. By evolving the technology platform, the Company is expanding choices for how customers order, pay and are served through additional functionality on its global mobile app, self-order kiosks, and technologies that enable conveniences such as table service and curb-side pick-up. In the first quarter of 2019, the Company built on its digital foundation, announcing the acquisition of Dynamic Yield, a leader in personalization and decision logic technology. The Company has begun implementing the decision logic technology in U.S. drive-thrus, providing our customers with a more personalized experience.

- **Delivery.** Offers a platform of added convenience, bringing McDonald's food to customers wherever they are. Delivery is now available from over 20,000 McDonald's restaurants in over 75 countries. Customers are responding positively to delivery, as demonstrated by high satisfaction ratings, high reorder rates, and average checks that are generally 1.5 - 2 times higher than average non-delivery transactions. In 2019, the Company will continue to prioritize growing customer awareness of delivery in order to maximize its potential.

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

Financial Performance

Financial performance in the first quarter reflected meaningful top-line performance across all segments. Strong global comparable sales of 5.4% in the quarter marked the Company's 15th consecutive quarter of positive global comparable sales.

U.S. comparable sales increased 4.5% for the quarter, reflecting successful promotions, as well as a net positive impact from our EOTF deployment.

International Operated segment comparable sales increased 6.0% for the quarter, reflecting positive results across all markets, primarily driven by the U.K. and France.

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

First Quarter 2019 Highlights:

- Global comparable sales increased 5.4%, reflecting strong comparable sales across all segments.
- Consolidated revenues decreased 4% (increased 2% in constant currencies), reflecting strong comparable sales, partly offset by the impact of the Company's strategic refranchising initiative.
- Systemwide sales increased 6% in constant currencies.
- Consolidated operating income decreased 2% (increased 3% in constant currencies).
- Diluted earnings per share of \$1.72 was flat with the prior year (increased 5% in constant currencies).
- The Company returned \$1.9 billion to shareholders through share repurchases and dividends.

Outlook

The following information is provided to assist in forecasting the Company's future results.

- Changes in Systemwide sales are driven by comparable sales, net restaurant unit expansion, and the potential impacts of hyper-inflation. The Company expects net restaurant additions to add approximately 1 percentage point to 2019 Systemwide sales growth (in constant currencies).
- The Company does not generally provide specific guidance on changes in comparable sales. However, as a perspective, assuming no change in cost structure, a 1 percentage point change in comparable sales for either the U.S. or the International Operated segment would change annual diluted earnings per share by about 6 to 7 cents.
- With about 75% of McDonald's grocery bill comprised of 10 different commodities, a basket of goods approach is the most comprehensive way to look at the Company's commodity costs. For the full year 2019, costs for the total basket of goods are expected to increase about 2% to 3% in the U.S. and about 2% in the Big Five international markets.
- The Company expects full year 2019 selling, general and administrative expenses to be relatively flat in constant currencies as the Company reinvests in technology growth opportunities, including operating costs associated with newly acquired Dynamic Yield.
- Based on current interest and foreign currency exchange rates, the Company expects interest expense for the full year 2019 to increase about 15% to 17% reflecting the impact of interest incurred on certain Euro denominated deposits due to the current interest rate environment and higher average debt balances.
- A significant part of the Company's operating income is generated outside the U.S., and about 40% of its total debt is denominated in foreign currencies. Accordingly, earnings are affected by changes in foreign currency exchange rates, particularly the Euro, British Pound, Australian Dollar and Canadian Dollar. Collectively, these currencies represent

approximately 80% of the Company's operating income outside the U.S. If all four of these currencies moved by 10% in the same direction, the Company's annual diluted earnings per share would change by about 35 cents.

- The Company expects the effective income tax rate for the full year 2019 to be in the 24% to 26% range. Some volatility may exist within the quarters, resulting in a quarterly tax rate outside of the annual range.
- The Company expects capital expenditures for 2019 to be approximately \$2.3 billion. About \$1.5 billion will be dedicated to our U.S. business, nearly two-thirds of which is allocated to approximately 2,000 EOTF projects. Globally, we expect to open roughly 1,200 restaurants. We will spend approximately \$600 million in our wholly owned markets to open 300 restaurants and our developmental licensee and affiliated markets will contribute capital towards the remaining 900 restaurant openings in their respective markets. The Company expects about 750 net restaurant additions in 2019.
- During 2019, the Company expects to return about \$9 billion to shareholders, which will complete its cash return to shareholder target of about \$25 billion for the 3-year period ending 2019.

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

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

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

CONSOLIDATED OPERATING RESULTS

Dollars in millions, except per share data	Quarter Ended March 31, 2019	
	Amount	Increase/ (Decrease)
Revenues		
Sales by Company-operated restaurants	\$ 2,240.5	(12)%
Revenues from franchised restaurants	2,715.1	4
Total revenues	4,955.6	(4)
Operating costs and expenses		
Company-operated restaurant expenses	1,886.2	(11)
Franchised restaurants-occupancy expenses	533.1	11
Selling, general & administrative expenses	499.1	(6)
Other operating (income) expense, net	(56.8)	62
Total operating costs and expenses	2,861.6	(4)
Operating income	2,094.0	(2)
Interest expense	274.1	16
Nonoperating (income) expense, net	(11.4)	n/m
Income before provision for income taxes	1,831.3	(3)
Provision for income taxes	502.9	(2)
Net income	\$ 1,328.4	(3)%
Earnings per common share-basic	\$ 1.74	0 %
Earnings per common share-diluted	\$ 1.72	0 %

n/m Not meaningful

Impact of Foreign Currency Translation

While changes in foreign currency exchange rates affect reported results, McDonald's mitigates exposures, where practical, by purchasing goods and services in local currencies, financing in local currencies and hedging certain foreign-denominated cash flows. Results excluding the effect of foreign currency translation (also referred to as constant currency) are calculated by translating current year results at prior year average exchange rates.

IMPACT OF FOREIGN CURRENCY TRANSLATION

Dollars in millions, except per share data

			Currency Translation Benefit/ (Cost)
Quarters Ended March 31,	2019	2018	2019
Revenues	\$ 4,955.6	\$ 5,138.9	\$ (262.4)
Company-operated margins	354.3	404.7	(23.4)
Franchised margins	2,182.0	2,123.0	(94.9)
Selling, general & administrative expenses	499.1	533.1	12.0
Operating income	2,094.0	2,143.1	(107.9)
Net income	1,328.4	1,375.4	(68.4)
Earnings per share-diluted	\$ 1.72	\$ 1.72	\$ (0.09)

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

Net Income and Diluted Earnings per Common Share

For the quarter, net income decreased 3% (increased 2% in constant currencies) to \$1,328.4 million, and diluted earnings per share was flat at \$1.72 with the prior year (increased 5% in constant currencies). Foreign currency translation had a negative impact of \$0.09 on diluted earnings per share.

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

Results in 2019 included \$47 million, or \$0.06 per share, of additional income tax costs due to regulations issued in January 2019 related to the Tax Act. Results in 2018 included \$52 million, or \$0.07 per share, of additional income tax costs associated with adjustments to the provisional amounts recorded in December 2017 under the Tax Act.

Diluted earnings per share benefited from a decrease in diluted weighted average shares outstanding due to share repurchases. During the quarter, the Company repurchased 5.4 million shares of stock for \$963.6 million and paid a quarterly dividend of \$1.16 per share, or \$886.8 million.

Revenues

Revenues consist of sales by Company-operated restaurants and fees from franchised restaurants operated by conventional franchisees, developmental licensees and foreign affiliates. Revenues from conventional franchised restaurants include rent and royalties based on a percent of sales with minimum rent payments, and initial fees. Revenues from restaurants licensed to developmental licensees and foreign affiliates include a royalty based on a percent of sales, and may include initial fees. Initial franchise fees are recognized evenly over the franchise term.

Franchised restaurants represent approximately 93% of McDonald's restaurants worldwide at March 31, 2019. The Company's current mix of Company-owned and franchised restaurants allows the Company to generate more stable and predictable revenue and cash flow streams while operating with a less resource-intensive structure. A significant shift in any period to a greater percentage of franchised restaurants negatively impacts consolidated revenues as Company-operated sales are replaced by franchised revenues, where the Company receives rent and/or royalty revenue based on a percent of sales.

REVENUES

Dollars in millions

Quarters Ended March 31,	2019	2018	Inc/ (Dec)	Inc/ (Dec) Excluding Currency Translation
<i>Company-operated sales</i>				
U.S.	\$ 597.6	\$ 708.7	(16)%	(16)%
International Operated Markets	1,487.9	1,658.6	(10)	(2)
International Developmental Licensed Markets & Corporate	155.0	168.3	(8)	(3)
Total	\$ 2,240.5	\$ 2,535.6	(12)%	(6)%
<i>Franchised revenues</i>				
U.S.	\$ 1,248.6	\$ 1,158.5	8 %	8 %
International Operated Markets	1,175.1	1,151.4	2	10
International Developmental Licensed Markets & Corporate	291.4	293.4	(1)	7
Total	\$ 2,715.1	\$ 2,603.3	4 %	9 %
<i>Total revenues</i>				
U.S.	\$ 1,846.2	\$ 1,867.2	(1)%	(1)%
International Operated Markets	2,663.0	2,810.0	(5)	3
International Developmental Licensed Markets & Corporate	446.4	461.7	(3)	3
Total	\$ 4,955.6	\$ 5,138.9	(4)%	2 %

- **Revenues:** Revenues decreased 4% (increased 2% in constant currencies) for the quarter. The increase in constant currencies was primarily due to strong comparable sales across all segments, partly offset by the impact of the Company's strategic refranchising initiative.
 - **U.S.:** Revenues decreased as the benefit from strong comparable sales was more than offset by the impact of refranchising.
 - **International Operated Markets:** Revenues increased in constant currencies as positive comparable sales across all markets were partly offset by the impact of refranchising.

Comparable Sales

The following table presents the percent change in comparable sales for the quarters ended March 31, 2019 and 2018:

COMPARABLE SALES

Quarters Ended March 31,	Increase/ (Decrease)	
	2019	2018
U.S.	4.5%	2.9%
International Operated Markets	6.0	7.8
International Developmental Licensed Markets & Corporate	6.0	7.0
Total	5.4%	5.5%

Systemwide Sales and Franchised Sales

The following table presents the percent change in Systemwide sales for the quarter ended March 31, 2019:

SYSTEMWIDE SALES*

Quarter Ended March 31, 2019	Inc/ (Dec)	Inc/ (Dec) Excluding Currency Translation
U.S.	4%	4%
International Operated Markets	(1)	7
International Developmental Licensed Markets & Corporate	0	7
Total	1%	6%

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

Franchised sales are not recorded as revenues by the Company, but are the basis on which the Company calculates and records franchised revenues and are indicative of the health of the franchisee base. The following table presents Franchised sales and the related increases/(decreases):

FRANCHISED SALES

Dollars in millions

Quarters Ended March 31,	2019	2018	Inc/ (Dec)	Inc/ (Dec) Excluding Currency Translation
U.S.	\$ 8,850.4	\$ 8,349.4	6%	6%
International Operated Markets	6,664.8	6,546.3	2	10
International Developmental Licensed Markets & Corporate	5,695.3	5,703.1	0	8
Total	\$ 21,210.5	\$ 20,598.8	3%	8%
<i>Ownership type</i>				
Conventional franchised	\$ 15,466.0	\$ 14,883.9	4%	7%
Developmental licensed	3,322.8	3,351.3	(1)	10
Foreign affiliated	2,421.7	2,363.6	2	6
Total	\$ 21,210.5	\$ 20,598.8	3%	8%

Restaurant Margins

FRANCHISED AND COMPANY-OPERATED RESTAURANT MARGINS

Dollars in millions

Quarters Ended March 31,	Percent		Amount		Inc/ (Dec)	Inc/ (Dec) Excluding Currency Translation
	2019	2018	2019	2018		
<i>Franchised *</i>						
U.S.	78.5%	81.3%	\$ 979.7	\$ 941.4	4 %	4 %
International Operated Markets	78.2	77.8	919.0	896.4	3	11
International Developmental Licensed Markets & Corporate	97.2	97.3	283.3	285.2	(1)	7
Total	80.4%	81.6%	\$2,182.0	\$2,123.0	3 %	7 %
<i>Company-operated</i>						
U.S.	13.9%	15.8%	\$ 83.3	\$ 112.2	(26)%	(26)%
International Operated Markets	18.1	17.7	269.0	293.3	(8)	0
International Developmental Licensed Markets & Corporate	n/m	n/m	n/m	n/m	n/m	n/m
Total	15.8%	16.0%	\$ 354.3	\$ 404.7	(12)%	(7)%

n/m Not meaningful

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

- **Franchised:** Franchised margin dollars increased \$59.0 million or 3% (7% in constant currencies) for the quarter, reflecting the benefit from expansion and the impact of refranchising, as well as strong comparable sales performance across all segments.
 - **U.S.:** The decrease in the franchised margin percent was primarily due to higher depreciation costs related to investments in EOTF and the impact of the new lease standard, partly offset by the benefit from strong comparable sales.
 - **International Operated Markets:** The increase in the franchised margin percent primarily reflected the benefit from strong comparable sales performance.
- **Company-operated:** Company-operated margin dollars decreased \$50.4 million or 12% (7% in constant currencies) for the quarter.
 - **U.S.:** The decrease in the Company-operated margin percent reflected higher labor and commodity costs and the impact of continued deployment of EOTF (including the related increase in depreciation expense), which more than offset the benefit from positive comparable sales and refranchising.
 - **International Operated Markets:** The increase in the Company-operated margin percent reflected strong comparable sales partly offset by higher labor and occupancy 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 March 31,	2019	2018
Food & paper	31.8%	31.7%
Payroll & employee benefits	29.9	30.2
Occupancy & other operating expenses	22.5	22.1
Total expenses	84.2%	84.0%
Company-operated margins	15.8%	16.0%

Selling, General & Administrative Expenses

- Selling, general and administrative expenses decreased \$34.0 million or 6% (4% in constant currencies) for the quarter. These results reflect the benefit from comparison to prior year costs related to the 2018 Worldwide Owner/Operator Convention and sponsorship of the 2018 Winter Olympics, partly offset by investment in restaurant technology.
- Selling, general and administrative expenses as a percent of Systemwide sales was 2.1% and 2.3% for the quarters ended 2019 and 2018, respectively.

Other Operating (Income) Expense, Net

OTHER OPERATING (INCOME) EXPENSE, NET

Dollars in millions

Quarters Ended March 31,	2019	2018
Gains on sales of restaurant businesses	\$ (29.1)	\$ (96.5)
Equity in earnings of unconsolidated affiliates	(35.1)	(42.6)
Asset dispositions and other (income) expense, net	7.1	(11.0)
Impairment and other charges, net	0.3	1.6
Total	\$ (56.8)	\$ (148.5)

- Gains on sales of restaurant businesses decreased primarily due to fewer restaurant sales in the U.S.
- The change in asset dispositions and other (income) expense, net was primarily due to the comparison to a prior year gain on the strategic sale of a restaurant property in the U.S.

Operating Income

OPERATING INCOME

Dollars in millions

Quarters Ended March 31,	2019	2018	Inc/ (Dec)	Inc/ (Dec) Excluding Currency Translation
U.S.	\$ 951.9	\$ 998.0	(5)%	(5)%
International Operated Markets	1,048.0	1,049.1	0	8
International Developmental Licensed Markets & Corporate	94.1	96.0	(2)	21
Total	\$ 2,094.0	\$ 2,143.1	(2)%	3 %

- Operating Income:** Operating income decreased \$49.1 million or 2% (increased 3% in constant currencies) for the quarter.
 - U.S.:** The decrease in operating income reflected lower gains on sales of restaurant businesses and lower Company-operated margin dollars, partly offset by higher franchised margin dollars and lower G&A costs.
 - International Operated Markets:** The constant currency operating income increase was primarily due to sales-driven improvements in franchised margin dollars across all markets.
- Operating Margin:** Operating margin is defined as operating income as a percent of total revenues. Operating margin was 42.3% and 41.7% for the quarters ended 2019 and 2018, respectively.

Interest Expense

- Interest expense increased 16% (18% in constant currencies) for the quarter reflecting the impact of interest incurred on certain Euro denominated deposits due to the current interest rate environment and higher average debt balances.

Nonoperating (Income) Expense, Net

NONOPERATING (INCOME) EXPENSE, NET

Dollars in millions

Quarters Ended March 31,	2019	2018
Interest income	\$ (10.0)	\$ (5.5)
Foreign currency and hedging activity	(9.3)	16.5
Other expense, net	7.9	7.4
Total	\$ (11.4)	\$ 18.4

Income Taxes

- The effective income tax rate was 27.5% and 27.1% for the quarters ended 2019 and 2018, respectively.
- Results in 2019 included \$47 million of additional income tax costs due to regulations issued in January 2019 related to the Tax Act. Results in 2018 included \$52 million of additional income tax costs associated with adjustments to the provisional amounts recorded in December 2017 under the Tax Act.

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 \$2.0 billion and exceeded capital expenditures by \$1.5 billion for the first quarter 2019. Cash provided by operations increased \$375.4 million compared with the first quarter 2018, primarily due to changes in working capital.

Cash used for investing activities totaled \$771.3 million for the first quarter 2019, an increase of \$412.2 million compared with the first quarter 2018. The increase was primarily due to other investing activity as a result of a strategic acquisition of a real estate entity.

Cash provided by financing activities totaled \$220.7 million for the first quarter 2019, an increase of \$1.5 billion compared with the first quarter 2018, primarily due to higher net debt issuances combined with lower treasury stock purchases.

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

Recent Accounting Pronouncements

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

Risk Factors and Cautionary Statement Regarding Forward-Looking Statements

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

If we do not successfully evolve and execute against our business strategies, including under the Velocity Growth Plan, we may not be able to increase operating income.

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

- Continue to innovate and differentiate the McDonald’s experience, including by preparing and serving our food in a way that balances value and convenience to our customers with profitability;
- Capitalize on our global scale, iconic brand and local market presence to enhance our ability to retain, regain and convert key customer groups;
- Utilize our organizational structure to build on our progress and execute against our business strategies;
- Augment our digital and delivery initiatives, including mobile ordering, along with Experience of the Future (“EOTF”), particularly in the U.S.;
- Identify and develop restaurant sites consistent with our plans for net growth of Systemwide restaurants;
- Operate restaurants with high service levels and optimal capacity while managing the increasing complexity of our restaurant operations and create efficiencies through innovative use of technology; and
- Accelerate our existing strategies, including through growth opportunities, investments and partnerships.

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

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

Our long-term business objectives depend on the successful Systemwide execution of our strategies. We continue to build upon our investments in EOTF, which focus on restaurant modernization and technology, as well as digital engagement and delivery, in order to transform the customer experience. As part of these investments, we are placing renewed emphasis on improving our service model and strengthening relationships with customers, in part through digital channels and loyalty initiatives, as well as mobile ordering and payment systems. We also continue to refine our delivery initiatives and partnerships, which may not generate expected returns. If these initiatives are not well executed, or if we do not fully realize the intended benefits of these significant investments, our business results may suffer.

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

Our continued success depends on our System’s ability to retain, regain and convert customers. In order to do so, we need to anticipate and respond effectively to continuously shifting consumer demographics, and trends in food sourcing, food preparation, food offerings and consumer preferences in the “informal eating out” (“IEO”) segment. If we are not able to quickly and effectively respond to these changes, or our competitors respond more effectively, our financial results could be adversely impacted.

Our ability to retain, regain and convert customers also depends on the impact of pricing, promotional and marketing plans across the System, and the ability to adjust these plans to respond quickly and effectively to evolving customer preferences, as well as shifting economic and competitive conditions. Existing or future pricing strategies, and the value proposition they represent, are expected to continue to be important components of our business strategy; however, they may not be successful in retaining, regaining and converting customers, or may not be as successful as the efforts of our competitors, and could negatively impact sales, guest counts and market share.

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

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

To be successful in the future, we believe we must preserve, enhance and leverage the value of our brand. Brand value is based in part on consumer perceptions. Those perceptions are affected by a variety of factors, including the nutritional content and preparation of our food, the ingredients we use, our business practices and the manner in which we source the commodities we use. Consumer acceptance of our offerings is subject to change for a variety of reasons, and some changes can occur rapidly. For example, nutritional, health and other scientific studies and conclusions, which constantly evolve and may have contradictory implications, drive popular opinion, litigation and regulation (including initiatives intended to drive consumer behavior) in ways that affect the IEO segment or perceptions of our brand generally or relative to available alternatives. Consumer perceptions may also be affected by adverse commentary from third parties, including through social media or conventional media outlets, regarding the quick-service category of the IEO segment, our brand, our operations, our suppliers or our franchisees. If we are unsuccessful in addressing adverse commentary, whether or not accurate, our brand and our financial results may suffer.

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

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

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

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

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

Our results of operations are substantially affected by economic conditions, which can vary significantly by market and can impact consumer disposable income levels and spending habits. Economic conditions can also be impacted by a variety of factors including hostilities, epidemics and actions taken by governments to manage national and international economic matters, whether through austerity, stimulus measures or trade measures, and initiatives intended to control wages, unemployment, credit availability, inflation, taxation and other economic drivers. Sustained adverse economic conditions or periodic adverse changes in economic conditions in our markets could pressure our operating performance, and our business and financial results may suffer.

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

Supply chain interruptions may increase costs or reduce revenues.

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

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

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

Our franchise business model presents a number of risks.

As the Company's business model has evolved to a more heavily franchised structure, our success relies to large degree on the financial success and cooperation of our franchisees, including our developmental licensees and affiliates. Our restaurant margins arise from two sources: fees from franchised restaurants (e.g., rent and royalties based on a percentage of sales) and, to a lesser degree, sales from Company-operated restaurants. Our franchisees and developmental licensees manage their businesses independently, and therefore are responsible for the day-to-day operation of their restaurants. The revenues we realize from franchised restaurants are largely dependent on the ability of our franchisees to grow their sales. Business risks affecting our operations also affect our franchisees. If our franchisees do not experience sales growth, our revenues and margins could be negatively affected as a result. Also, if sales trends worsen for franchisees, their financial results may deteriorate, which could result in, among other things, restaurant closures, or delayed or reduced payments to us.

Our success also relies on the willingness and ability of our independent franchisees and affiliates to implement major initiatives, which may include financial investment, and to remain aligned with us on operating, promotional and capital-intensive reinvestment plans. The ability of franchisees to contribute to the achievement of our plans is dependent in large part on the availability to them of funding at reasonable interest rates and may be negatively impacted by the financial markets in general, by the creditworthiness of our franchisees or the Company or by banks' lending practices. If our franchisees are unwilling or unable to invest in major initiatives or are unable to obtain financing at commercially reasonable rates, or at all, our future growth and results of operations could be adversely affected.

Our operating performance could also be negatively affected if our franchisees experience food safety or other operational problems or project an image inconsistent with our brand and values, particularly if our contractual and other rights and remedies are limited, costly to exercise or subjected to litigation and potential delays. If franchisees do not successfully operate restaurants in a manner consistent with our required standards, our brand's image and reputation could be harmed, which in turn could hurt our business and operating results.

Our ownership mix also affects our results and financial condition. The decision to own restaurants or to operate under franchise or license agreements is driven by many factors whose interrelationship is complex. The benefits of our more heavily franchised structure depends on various factors including whether we have effectively selected franchisees, licensees and/or affiliates that meet our rigorous standards, whether we are able to successfully integrate them into our structure and whether their performance and the resulting ownership mix supports our brand and financial objectives.

Challenges with respect to talent management could harm our business.

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

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

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

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

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

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

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

Furthermore, security breaches have from time to time occurred and may in the future occur involving our systems, the systems of the parties we communicate or collaborate with (including franchisees), or those of third party providers. These may include such things as unauthorized access, denial of service, computer viruses, introduction of malware or ransomware and other disruptive problems caused by hackers. Our information technology systems contain personal, financial and other information that is entrusted to us by our customers, our employees and other third parties, as well as financial, proprietary and other confidential information related to our business. An actual or alleged security breach could result in disruptions, shutdowns, theft or unauthorized disclosure of personal, financial, proprietary or other confidential information. Further, the General Data Protection Regulation ("GDPR") requires entities processing the personal data of individuals in the European Union to meet certain requirements regarding the handling of that data. Failure to meet GDPR requirements could result in substantial penalties and materially adversely impact our financial results. The occurrence of any of these incidents could result in reputational damage, adverse publicity, loss of consumer confidence, reduced sales and profits, complications in executing our growth initiatives and regulatory and legal risk, including criminal penalties or civil liabilities.

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

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

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

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

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

Changes in tax laws and unanticipated tax liabilities could adversely affect the taxes we pay and our profitability.

We are subject to income and other taxes in the U.S. and foreign jurisdictions, and our operations, plans and results are affected by tax and other initiatives around the world. In particular, we are affected by the impact of changes to tax laws or policy or related authoritative interpretations. We are also impacted by settlements of pending or any future adjustments proposed by taxing and governmental authorities inside and outside of the U.S. in connection with our tax audits, all of which will depend on their timing, nature and scope. Any significant increases in income tax rates, changes in income tax laws or unfavorable resolution of tax matters could have a material adverse impact on our financial results.

Changes in commodity and other operating costs could adversely affect our results of operations.

The profitability of our Company-operated restaurants depends in part on our ability to anticipate and react to changes in commodity costs, including food, paper, supplies, fuel, utilities and distribution, and other operating costs, including labor. Any volatility in certain commodity prices or fluctuation in labor costs could adversely affect our operating results by impacting restaurant profitability. The commodity markets for some of the ingredients we use, such as beef and chicken, are particularly volatile due to factors such as seasonal shifts, climate conditions, industry demand, international commodity markets, food safety concerns, product recalls and government regulation, all of which are beyond our control and, in many instances, unpredictable. We can only partially address future price risk through hedging and other activities, and therefore increases in commodity costs could have an adverse impact on our profitability.

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

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

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

Additionally, we are working to manage the risks and costs to us, our franchisees and our supply chain of the effects of climate change, greenhouse gases, and diminishing energy and water resources. These risks include the increased public focus, including by governmental and nongovernmental organizations, on these and other environmental sustainability matters, such as packaging and waste, animal health and welfare, deforestation and land use. These risks also include the increased pressure to make commitments, set targets or establish additional goals and take actions to meet them. These risks could expose us to market, operational and execution costs or risks. If we are unable to effectively manage the risks associated with our complex regulatory environment, it could have a material adverse effect on our business and financial condition.

We are subject to increasing legal complexity and could be party to litigation that could adversely affect us.

Increasing legal complexity will continue to affect our operations and results in material ways. We could be subject to legal proceedings that may adversely affect our business, including class actions, administrative proceedings, government investigations and proceedings, employment and personal injury claims, landlord/tenant disputes, disputes with current or former suppliers, claims by current or former franchisees and intellectual property claims (including claims that we infringed another party's trademarks, copyrights or patents). Regardless of whether any claims against us are valid or whether we are found to be liable, claims may be expensive to defend and may divert management's attention away from operations which could have a material adverse effect on our business and financial condition.

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

Litigation and regulatory action concerning our relationship with franchisees and the legal distinction between our franchisees and us for employment law purposes, if determined adversely, could increase costs, negatively impact our business operations and the business prospects of our franchisees and subject us to incremental liability for their actions. Similarly, although our commercial relationships with our suppliers remain independent, there may be attempts to challenge that independence, which, if determined adversely, could also increase costs, negatively impact the business prospects of our suppliers, and subject us to incremental liability for their actions.

We are also subject to legal and compliance risks and associated liability, such as in the areas of privacy and data collection, protection and management, as it relates to information associated with our technology-related services and platforms made available to business partners, customers, employees or other third parties.

Our results could also be affected by the following:

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

A judgment significantly in excess of any applicable insurance coverage or third party indemnity could materially adversely affect our financial condition or results of operations. Further, adverse publicity resulting from claims may hurt our business.

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

The success of our business depends on our continued ability to use our existing trademarks and service marks in order to increase brand awareness and further develop our branded products in both domestic and international markets. We rely on a combination of trademarks, copyrights, service marks, trade secrets, patents and other intellectual property rights to protect our brand and branded products.

We have registered certain trademarks and have other trademark registrations pending in the U.S. and certain foreign jurisdictions. The trademarks that we currently use have not been registered in all of the countries outside of the U.S. in which we do business or may do business in the future and may never be registered in all of these countries. The steps we have taken to protect our intellectual property in the U.S. and foreign countries may not be adequate. In addition, the steps we have taken may not adequately ensure that we do not infringe the intellectual property of others, and third parties may claim infringement by us in the future. In particular, we may be involved in intellectual property claims, including often aggressive or opportunistic attempts to enforce patents used in information technology systems, which might affect our operations and results. Any claim of infringement, whether or not it has merit, could be time-consuming, result in costly litigation and harm our business.

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

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

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

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

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

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

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

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

- The unpredictable nature of global economic and market conditions;
- Governmental action or inaction in light of key indicators of economic activity or events that can significantly influence financial markets, particularly in the U.S., which is the principal trading market for our common stock, and media reports and commentary about economic or other matters, even when the matter in question does not directly relate to our business;
- Trading activity in our common stock or trading activity in derivative instruments with respect to our common stock or debt securities, which can be affected by market commentary (including commentary that may be unreliable or incomplete); unauthorized disclosures about our performance, plans or expectations about our business; our actual performance and creditworthiness; investor confidence, driven in part by expectations about our performance; actions by shareholders and others seeking to influence our business strategies; portfolio transactions in our stock by significant shareholders; or trading activity that results from the ordinary course rebalancing of stock indices in which McDonald's may be included, such as the S&P 500 Index and the Dow Jones Industrial Average;
- The impact of our stock repurchase program or dividend rate; and
- The impact on our results of corporate actions and market and third-party perceptions and assessments of such actions, such as those we may take from time to time as we implement our strategies in light of changing business, legal and tax considerations and evolve our corporate structure.

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

Severe weather conditions, natural disasters, hostilities and social unrest, terrorist activities, health epidemics or pandemics (or expectations about them) can adversely affect consumer spending and confidence levels and supply availability and costs, as well as the local operations in impacted markets, all of which can affect our results and prospects. Our receipt of proceeds under any insurance we maintain with respect to some of these risks may be delayed or the proceeds may be insufficient to cover our losses fully.

Item 3. Quantitative and Qualitative Disclosures About Market Risk

There were no material changes to the disclosure made in our Annual Report on Form 10-K for the year ended December 31, 2018 regarding this matter.

Item 4. Controls and Procedures**Disclosure Controls**

An evaluation was conducted under the supervision and with the participation of the Company's management, including the Chief Executive Officer ("CEO") and Chief Financial Officer ("CFO"), of the effectiveness of the design and operation of the Company's disclosure controls and procedures as of March 31, 2019. Based on that evaluation, the CEO and CFO concluded that the Company's disclosure controls and procedures were effective as of such date to ensure that information required to be disclosed in the reports that it files or submits under the Securities Exchange Act of 1934, as amended, is recorded, processed, summarized and reported within the time periods specified in Securities and Exchange Commission rules and forms.

Internal Control Over Financial Reporting

The Company implemented a new system and related controls to adequately evaluate its lease contracts and properly assess the impact of the new accounting standard ASU 2016-02 related to leases, which was adopted on January 1, 2019. The Company performed the implementation in the ordinary course of business to increase efficiency. This is not in response to any identified deficiency or weakness in the Company's internal control over financial reporting. Over time, the new system and implementation under the new lease standard is expected to continue to enhance the Company's internal control over financial reporting. Except for these changes, there has been no change in the Company's internal control over financial reporting during the quarter ended March 31, 2019 that has materially affected, or is reasonably likely to materially affect, the Company's internal control over financial reporting.

PART II – OTHER INFORMATION

Item 1. Legal Proceedings

There were no material changes to the disclosure made in our Annual Report on Form 10-K for the year ended December 31, 2018 regarding these matters.

Item 1A. Risk Factors

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

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

Issuer Purchases of Equity Securities*

The following table presents information related to repurchases of common stock the Company made during the quarter ended March 31, 2019:

Period	Total Number of Shares Purchased	Average Price Paid per Share	Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs ⁽¹⁾	Approximate Dollar Value of Shares that May Yet Be Purchased Under the Plans or Programs ⁽¹⁾
January 1-31, 2019	2,162,621	\$ 180.45	2,162,621	\$ 6,624,284,254
February 1-28, 2019	1,804,665	176.78	1,804,665	6,305,264,182
March 1-31, 2019	1,398,843	181.82	1,398,843	6,050,920,371
Total	5,366,129	\$ 179.57	5,366,129	

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

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

Item 6. Exhibits

Exhibit Number	Description
(3)	<p>(a) <u>Restated Certificate of Incorporation, effective as of June 14, 2012, incorporated herein by reference from Exhibit 3(a) of Form 10-Q (File No. 001-05231), for the quarter ended June 30, 2012.</u></p> <p>(b) <u>By-Laws, as amended and restated with effect as of October 26, 2015, incorporated herein by reference from Exhibit 3(b) of Form 8-K (File No. 001-05231), filed October 28, 2015.</u></p>
(4)	<p>Instruments defining the rights of security holders, including Indentures:*</p> <p>(a) <u>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.</u></p> <p>(b) <u>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.</u></p>
(10)	<p>Material Contracts</p> <p>(a) <u>Directors' Deferred Compensation Plan, amended and restated effective as of May 26, 2016, incorporated herein by reference from Exhibit 10(a)(i) of Form 10-Q (File No. 001-05231), for the quarter ended June 30, 2016.**</u></p> <p>(b) <u>McDonald's Deferred Compensation Plan, effective January 1, 2017, incorporated herein by reference from Exhibit 10(b) of Form 10-K (file No. 001-05231), for the year ended December 31, 2016.**</u></p> <p>(i) <u>First Amendment to the McDonald's Deferred Compensation Plan, effective as of May 1, 2018, incorporated herein by reference from Exhibit 10(b)(i) of Form 10-Q (File No. 001-05231), for the quarter ended September 30, 2018.**</u></p> <p>(c) <u>McDonald's Corporation Supplemental Profit Sharing and Savings Plan, effective as of September 1, 2001, incorporated herein by reference from Exhibit 10(c) of Form 10-K (File No. 001-05231), for the year ended December 31, 2001.**</u></p> <p>(i) <u>First Amendment to the McDonald's Corporation Supplemental Profit Sharing and Savings Plan, effective as of January 1, 2002, incorporated herein by reference from Exhibit 10(c)(i) of Form 10-K (File No. 001-05231), for the year ended December 31, 2002.**</u></p> <p>(ii) <u>Second Amendment to the McDonald's Corporation Supplemental Profit Sharing and Savings Plan, effective January 1, 2005, incorporated herein by reference from Exhibit 10(c)(ii) of Form 10-K (File No. 001-05231), for the year ended December 31, 2004.**</u></p> <p>(d) <u>McDonald's Corporation Amended and Restated 2001 Omnibus Stock Ownership Plan, effective July 1, 2008, incorporated herein by reference from Exhibit 10(h) of Form 10-Q (File No. 001-05231), for the quarter ended June 30, 2009.**</u></p> <p>(i) <u>First Amendment to the McDonald's Corporation Amended and Restated 2001 Omnibus Stock Ownership Plan, incorporated herein by reference from Exhibit 10(h)(i) of Form 10-K (File No. 001-05231), for the year ended December 31, 2008.**</u></p> <p>(ii) <u>Second Amendment to the McDonald's Corporation Amended and Restated 2001 Omnibus Stock Ownership Plan as amended, effective February 9, 2011, incorporated herein by reference from Exhibit 10(h)(ii) of Form 10-K (File No. 001-05231), for the year ended December 31, 2010.**</u></p> <p>(e) <u>McDonald's Corporation 2012 Omnibus Stock Ownership Plan, effective June 1, 2012, incorporated herein by reference from Exhibit 10(h) of Form 10-Q (File No. 001-05231), for the quarter ended September 30, 2012.**</u></p> <p>(f) <u>Form of Executive Stock Option Grant Agreement in connection with the Amended and Restated 2001 Omnibus Stock Ownership Plan, as amended, incorporated herein by reference from Exhibit 10(j) of Form 10-K (File No. 001-05231), for the year ended December 31, 2011.**</u></p> <p>(g) <u>Form of 2013 Executive Stock Option Award Agreement in connection with the 2012 Omnibus Stock Ownership Plan, incorporated herein by reference from Exhibit 10(n) of Form 10-Q (File No. 001-05231), for the quarter ended March 31, 2013.**</u></p> <p>(h) <u>Form of 2014 Executive Stock Option Award Agreement in connection with the 2012 Omnibus Stock Ownership Plan, incorporated herein by reference from Exhibit 10(z) of Form 10-Q (File No. 001-05231), for the quarter ended March 31, 2014.**</u></p> <p>(i) <u>Offer Letter between Christopher Kempczinski and the Company, dated September 23, 2015, incorporated herein by reference from Exhibit 10(u) of Form 10-Q (File No. 001-05231), for the quarter ended June 30, 2016.**</u></p> <p>(j) <u>Form of Executive Confidentiality, Intellectual Property and Restrictive Covenant Agreement, incorporated herein by reference from Exhibit 10(o) of Form 10-Q (File No. 001-05231), for the quarter ended March 31, 2017.**</u></p>

- (k) [Offer Letter between Silvia Lagnado and the Company, dated June 8, 2015, incorporated herein by reference from Exhibit 10\(p\) of Form 10-Q \(File No. 001-05231\), for the quarter ended June 30, 2017.**](#)
- (l) [Form of 2018 Executive Stock Option Award Agreement in connection with the 2012 Omnibus Stock Ownership Plan, incorporated herein by reference from Exhibit 10\(q\) of Form 10-Q \(File No. 001-05231\), for the quarter ended March 31, 2018. **](#)
- (m) [Form of 2018 Executive Performance-Based Restricted Stock Unit Award Agreement in connection with the 2012 Omnibus Stock Ownership Plan, incorporated herein by reference from Exhibit 10\(r\) of Form 10-Q \(File No. 001-05231\), for the quarter ended March 31, 2018. **](#)
- (n) [Termination Agreement and General Release between Gloria Santona and the Company, dated March 3, 2017, incorporated herein by reference from Exhibit 10\(q\) of Form 10-Q \(File No. 001-05231\), for the quarter ended June 30, 2018. **](#)
- (o) [Separation Agreement and General Release between Douglas Goare and the Company, dated January 7, 2019, incorporated herein by reference from Exhibit 10\(r\) of Form 10-K \(File No. 001-05231\), for the year ended December 31, 2018. **](#)
- (p) [McDonald's Corporation Target Incentive Plan, effective as of January 1, 2013, as Amended and Restated February 13, 2019, filed herewith.**](#)
- (q) [McDonald's Corporation Officer Severance Plan, as Amended and Restated, effective January 1, 2019, filed herewith.**](#)
- (r) [Form of 2019 Executive Stock Option Award Agreement in connection with the 2012 Omnibus Stock Ownership Plan, filed herewith.**](#)
- (s) [Form of 2019 Executive Performance-Based Restricted Stock Unit Award Agreement in connection with the 2012 Omnibus Stock Ownership Plan, filed herewith.**](#)
- (31.1) [Rule 13a-14\(a\) Certification of Chief Executive Officer.](#)
- (31.2) [Rule 13a-14\(a\) Certification of Chief Financial Officer.](#)
- (32.1) [Certification pursuant to 18 U.S.C. Section 1350 by the Chief Executive Officer, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.](#)
- (32.2) [Certification pursuant to 18 U.S.C. Section 1350 by the Chief Financial Officer, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.](#)
- (101.INS) XBRL Instance Document - the instance document does not appear in the Interactive Data File because its XBRL tags are embedded within the Inline XBRL document.
- (101.SCH) XBRL Taxonomy Extension Schema Document.
- (101.CAL) XBRL Taxonomy Extension Calculation Linkbase Document.
- (101.DEF) XBRL Taxonomy Extension Definition Linkbase Document.
- (101.LAB) XBRL Taxonomy Extension Label Linkbase Document.
- (101.PRE) XBRL Taxonomy Extension Presentation Linkbase Document.

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

** Denotes compensatory plan.

SIGNATURE

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

McDONALD'S CORPORATION
(Registrant)

Date: May 8, 2019

/s/ Kevin M. Ozan

Kevin M. Ozan

Corporate Executive Vice President and
Chief Financial Officer

McDonald's Corporation Target Incentive Plan

I. Introduction

McDonald's Corporation, a Delaware corporation (the "Company") has established this McDonald's Corporation Target Incentive Plan (the "Plan") effective as of January 1, 2013, as amended February 13, 2019. The purpose of the Plan is to advance the interests of the Company and its shareholders and to promote a consistent strategy and focus among employees of the Company and its Subsidiaries (as defined below) by providing such employees with the opportunity to earn annual cash incentive compensation that is linked to the Company's business objectives.

II. Definitions

"Award" means a Participant's opportunity to earn cash compensation under the Plan, subject to the achievement by the Company and/or the Participant of one or more Performance Goals and such other terms and conditions as the Committee may impose.

"Cause" means termination due to the Participant's violation of Company policy or otherwise due to the Participant's fault of misconduct, as determined by the Committee in its sole discretion.

"Change in Control" shall have the meaning ascribed to such term in the McDonald's Corporation 2012 Omnibus Stock Ownership Plan (the "2012 Plan"), as may be amended from time to time in accordance with its terms, or, in the event a successor plan to the 2012 Plan is adopted (a "Successor Plan") and such Successor Plan defines a "Change in Control" or a "Change of Control," the meaning ascribed to such term in such Successor Plan.

"Code" means the Internal Revenue Code of 1986, as amended.

"Committee" means the Compensation Committee of the Board of Directors of the Company, as such committee is constituted from time to time.

"Company" has the meaning assigned in the Introduction.

"Company Service" means the Participant's aggregate number of years of employment with the Company and any Subsidiary, including employment with any Subsidiary during the period before it became a Subsidiary.

"Eligible Employee" means a full-time or part-time employee of the Company or a Subsidiary at the level of Senior Vice President (or equivalent) or above who has been designated by the Committee as eligible to participate in the Plan.

"Employment" means active employment with the Company or a Subsidiary.

"Final Award" means the final cash payment with respect to an Award as determined by the Committee following the end of the Performance Year for such Award.

“Participant” means an Eligible Employee selected by the Committee as the recipient of an Award under the Plan.

“Performance Goals” means the performance measures established by the Committee with respect to an Award pursuant to Section 3.3 hereof.

“Performance Year” means the calendar year with respect to which Performance Goals applicable to Awards are measured.

“Plan” has the meaning assigned in the Introduction.

“Plan Administrator” has the meaning assigned in Section 3.2.

“Retirement” means a Participant’s termination of employment when the Participant satisfies the following four conditions: (i) combined age and years of Company Service equal to or greater than 68, (ii) Participant provides four (4) months advance written notice of his or her intention to terminate employment to the Corporate Vice President - Global Total Compensation, (iii) Participant executes and delivers (and does not revoke) a release agreement in a form satisfactory to the Company, (iv) Participant executes and delivers a non-competition agreement covering a period of 18 months in a form satisfactory to the Company as permitted by applicable law. However, if a Participant is employed by a Subsidiary in a European Market, (i) above is not required and the notice required by (ii) is 12 months.

“Subsidiary” means any entity in which the Company directly or through intervening subsidiaries owns 25% or more of the total combined voting power or value of all classes of stock, or, in the case of an unincorporated entity, a 25% or more interest in the capital and profits.

III. Administration of the Plan

3.1 The Committee shall have full and final authority, in its discretion, but subject to the express provisions of the Plan, to establish the terms and conditions of Awards, to determine the extent to which cash payments are actually earned pursuant to Awards and the amounts to be paid, and to interpret this Plan and to make all determinations necessary or advisable for the administration of this Plan.

3.2 The Committee may delegate any or all of its administrative duties and responsibilities under this Plan to any individual or group of individuals it deems appropriate (the “Plan Administrator”). In the absence of such appointment the Plan Administrator shall be the Corporate Executive Vice President - Chief Human Resources of the Company. The Plan Administrator shall perform the administrative responsibilities delegated to the Plan Administrator from time to time by the Committee and may subdelegate the performance of such responsibilities, to the extent the Plan Administrator deems appropriate and to the extent not inconsistent with the terms of the Plan, but shall remain responsible for overseeing the performance of any such subdelegated responsibilities. To the extent that the Committee has so delegated administrative responsibilities, references in this Plan to the Committee in connection with such delegated responsibilities shall be interpreted to include the Plan Administrator or, to the extent applicable, the Plan Administrator’s delegee.

3.3 The Committee shall establish one or more Performance Goals for a Performance Year in writing not later than March 30 of the Performance Year (provided, that Performance Goals must be established before the achievement of the Performance Goals becomes substantially certain to be met). The Committee may establish Performance Goals that measure the performance of the Company as a whole, of any Subsidiary, division or other business unit of the Company, and/or of the Participant. The Committee may establish one or more subjective Performance Goals provided that such Performance Goals comply with the requirements of Treasury Regulation §409A-1(e)(2). In establishing Performance Goals based on financial measures and in measuring the attainment of such Performance Goals, the Committee may in its discretion exclude items that it determines are extraordinary, unusual or nonrecurring, as well as asset impairment and the effect of foreign currency fluctuations.

3.4 The determination of the Committee on all matters relating to the Plan and all Awards shall be made in the sole discretion of the Committee, and shall be conclusive and final. Neither the Plan Administrator nor any member of the Committee shall be liable for any action or determination made in good faith with respect to this Plan or any Award.

IV. Basic Terms of Awards

4.1 For each Performance Year, the Committee shall determine the Participants who shall receive Awards relating to such Performance Year, and shall establish and communicate to such Participants the Performance Goals and other terms and conditions of the Awards for such Performance Year.

4.2 As soon as reasonably practicable following the end of a Performance Year, the Committee shall determine to what extent the Performance Goals applicable to each Award have been attained, and in each case shall determine the Final Award. In the event that a Participant has transferred from one position to another during the Performance Year, the Committee may make appropriate adjustments to the Final Award, including adjustments to the combination of Performance Goals applied in determining the Final Award.

4.3 Final Awards shall be paid to all Participants who are U.S. taxpayers no later than March 15 of the calendar year following the Performance Year, subject to the Participant's continued employment with the Company or a Subsidiary as of the date on which the Final Award is paid.

V. Certain Terminations; Pro-Rated Awards; Forfeiture and Repayment in Certain Circumstances

5.1 In the event that a Participant's Employment terminates prior to December 31 of a Performance Year due to the Participant's Retirement, the Committee may provide for payment to the Participant of a pro rated Final Award, determined pursuant to Section 4.2 hereof and pro rated based on the number of days in the Performance Year elapsed prior to the Participant's Retirement.

5.2 In the event that a Participant's Employment commences later than January 1 of a Performance Year, the Committee may provide for payment to the Participant of a pro rated Final Award for such Performance Year, determined pursuant to Section 4.2 hereof and

pro rated based on the number of days in the Performance Year starting on the date on which the Participant's Employment commenced.

5.3 In the event that a Participant's Employment continues through the end of a Performance Year but terminates prior to the date on which Final Awards for such Performance Year are paid, the Committee may provide for payment of a Final Award to such Participant, determined pursuant to Section 4.2 hereof, provided, that no Participant whose Employment terminates for Cause shall be eligible to receive a Final Award.

5.4 In the event that a Participant is on one or more leaves of absence for an aggregate period of more than 90 days during a Performance Year, the Committee may provide for payment to the Participant of a pro rated Final Award for such Performance Year, determined pursuant to Section 4.2 hereof and pro rated based on the ratio of (i) the number of days in excess of 90 during which the Participant was on one or more leaves of absence to (ii) the total number of days in the Performance Year.

5.5 In no event shall any Final Award paid to a Participant who is a U.S. taxpayer pursuant to this Article V be paid later than March 15 of the year following the Performance Year.

5.6 Awards under the Plan are intended to align the Participant's long-term interests with the long-term interests of the Company. If a Participant engages in willful fraud that causes harm to the Company or any of its Subsidiaries or that is intended to manipulate the Performance Goals (any such act, "Detrimental Conduct"), whether the conduct or the discovery thereof occurs during employment with the Company or after such employment terminates for any reason, the Participant shall be deemed to have acted contrary to the long-term interests of the Company. Accordingly, the following rules shall apply under this Plan in respect of Detrimental Conduct:

(a) In the event that the Company determines, in its sole and absolute discretion, that a Participant engaged in Detrimental Conduct, the Company may, in its sole and absolute discretion, (i) terminate such Participant's participation in the Plan and/or (ii) send a notice of recapture (a "Recapture Notice") to such Participant in respect of any Final Award or Final Awards previously paid to such Participant, in which event the Participant shall within ten days after receiving such Recapture Notice from the Company deliver to the Company an amount in cash equal to the gross cash payment or payments to which such Recapture Notice relates.

(b) The Company has sole and absolute discretion to take action or not to take action pursuant to this Section 5.6 upon discovery of Detrimental Conduct, and its determination not to take action in any particular instance shall not in any way limit its authority to terminate the participation of a Participant in the Plan and/or send a Recapture Notice in any other instance.

(c) Upon receipt of payment of a Final Award under the Plan, the applicable Participant shall, if requested by the Company, certify on a form acceptable to

the Company, that he or she is not, and has not previously been, engaged in Detrimental Conduct.

(d) Notwithstanding anything in the Plan to the contrary, the Company will be entitled to the extent permitted or required by applicable law or Company policy as in effect from time to time to recoup compensation of whatever kind paid by the Company at any time to a Participant under this Plan.

(e) Notwithstanding any provision of this Section 5.6, if any provision of this Section 5.6 is determined to be unenforceable or invalid under any applicable law, such provision will be applied to the maximum extent permitted by applicable law, and shall automatically be deemed amended in a manner consistent with its objectives to the extent necessary to conform to any limitations required under applicable law; provided, that this Section 5.6 shall not apply in any manner to individuals subject to the laws of France.

(f) Any action taken by the Company pursuant to this Section 5.6 is without prejudice to any other action the Company, or any of its Subsidiaries, may choose to take upon determination that a Participant has engaged in Detrimental Conduct.

(g) This Section 5.6 will cease to apply after a Change in Control.

VI. Miscellaneous

6.1 The Plan is not intended to constitute a “nonqualified deferred compensation plan” within the meaning of Section 409A of the Code. Awards under the Plan are intended to be “short-term deferrals” and to be “performance-based compensation” within the meaning of the regulations promulgated under Section 409A of the Code. The Plan shall be interpreted and administered in a manner that is consistent with this Section 6.1.

6.2 Awards granted under the Plan shall not be assignable or transferable other than by will or by the laws of descent and distribution.

6.3 The Company may withhold or cause to be withheld from Final Awards such amounts as are necessary to satisfy all U.S. federal, state and local and non-U.S. withholding tax requirements related thereto.

6.4 The Plan is intended to constitute an “unfunded” plan and Participants shall have no claim against the Company or its assets other than as unsecured general creditors. The Company shall not be required to fund, or otherwise segregate assets to be used for payment of, benefits under the Plan.

6.5 Neither the establishment of this Plan, nor the granting of any Award, shall be construed to (a) give any Participant the right to continued Employment or to any benefits not specifically provided under the Plan or (b) in any manner modify the right of the Company or any of its Subsidiaries to modify, amend or terminate any of their respective employee benefit plans.

6.6 The Committee's determinations under this Plan need not be uniform, and may be made by the Committee selectively among individuals who receive, or are eligible to receive, Awards, whether or not such individuals are similarly situated. Without limiting the generality of the foregoing, the Committee shall be entitled, among other things, to make non-uniform and selective determinations as to (a) the identity of the Participants, (b) the terms and provisions of Awards and (c) the treatment of Awards if a Participant's Employment terminates.

6.7 The Company may amend, modify or terminate this Plan and Awards hereunder at any time in its discretion, provided, that neither the Plan nor any Award may be amended in a manner that would cause the Plan or any Award hereunder not to comply with the provisions of Section 409A of the Code or the regulations promulgated thereunder.

6.8 The law of the State of Illinois, except its law with respect to choice of law, shall be controlling in all matters relating to this Plan.

**McDonald's Corporation
Officer Severance Plan**

As Amended and Restated Effective January 1, 2019

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McDONALD'S CORPORATION
OFFICER SEVERANCE PLAN

ARTICLE I.
Statement of Purpose

McDonald's Corporation has established the McDonald's Corporation Officer Severance Plan (the "Plan") to provide financial assistance through severance payments and other benefits to officers on the United States payroll who are subject to United States taxation and whose employment with an Employer hereunder is terminated in a Covered Termination (as such capitalized terms are defined herein).

The Plan is not intended to be an "employee pension benefit plan" or "pension plan" within the meaning of Section 3(2) of the Employee Retirement Income Security Act of 1974, as amended ("ERISA"). Rather, this Plan is intended to be a "welfare benefit plan" within the meaning of Section 3(1) of ERISA and to meet the descriptive requirements of a plan constituting a "severance pay plan" within the meaning of regulations published by the Secretary of Labor at Title 29, Code of Federal Regulations, Section 2510.3-2(b).

This document is a combined Plan document and summary plan description. The terms of this document apply to Covered Terminations occurring on or after January 1, 2019. The payment of severance benefits to any Participant who had a Covered Termination prior to January 1, 2019 shall be determined in accordance with the terms of the McDonald's Severance Plan in effect at the time of such Covered Termination. The Plan replaces any and all prior policies, plans, and arrangements (whether written or unwritten), to the extent that such policies, plans, and arrangements provide for payments to be made after termination of employment directly by an Employer; other than pursuant to an Employer retirement plan or arrangement or any individual employment, severance, or change of control arrangement between the Employer and the Eligible Employee.

ARTICLE II.
Definitions

Cause. "Cause" means any one or more of the following:

- (a) An Eligible Employee's commission of any act or acts involving dishonesty, fraud, illegality, or moral turpitude;
- (b) An Eligible Employee's willful, reckless, or material misconduct in the performance of his or her duties;
- (c) An Eligible Employee's willful or habitual failure to perform or neglect of material duties;
or
- (d) An Eligible Employee's serious, reckless or material violation of McDonald's Standards of Business Conduct or other employment policies.

Claim. “Claim” means a written application for Severance Benefits under Section 10.1 of the Plan.

Claimant. “Claimant” means any individual who believes that he or she is eligible for Severance Benefits under this Plan and files a claim pursuant to Section 10.1 of the Plan.

COBRA. “COBRA” means the provisions regarding healthcare continuation coverage set forth in Section 601 *et seq.* of ERISA and Section 4980B of the Code.

COBRA Premium. “COBRA Premium” means the monthly cost of providing healthcare continuation coverage for a qualified beneficiary under COBRA, as adjusted from time to time.

COBRA Severance Period. The “COBRA Severance Period” means the period of time equal to the Participant’s Weeks of Severance commencing on the first of the month following his or her Termination Date and rounded up to the next whole month, subject to any minimums specified in the Schedules.

Code. “Code” means the Internal Revenue Code of 1986, as amended.

Company Service Date. “Company Service Date” means an Eligible Employee’s most recent date of hire into a full-time or benefits eligible part-time position with an Employer, as determined by McDonald’s Human Resources Department.

Compensation. For purposes of Section 6.5 of this Plan, “Compensation” means the defined term under the McDonald’s 401k Plan, McDonald’s Deferred Compensation Plan, and any other long-term incentive plan, welfare benefits plan, deferred compensation arrangement, fringe benefit, practice, or policy maintained by an Employer, as applicable.

Covered Termination. “Covered Termination” means an Eligible Employee’s Separation from Service due to:

- (a) Reduction in the work force;
- (b) Elimination of a position or job restructuring;
- (c) Elimination of a position due to outsourcing;
- (d) Termination of employment by an Employer without Cause; or
- (e) Such other reasons as the Plan Administrator may, in its sole discretion, deem appropriate.

Eligible Employee. An “Eligible Employee” means an Officer of an Employer who is on the Employer’s United States payroll and is subject to taxation in the United States, but excluding those employees who are hired into positions intended to be for a limited duration, including but not limited to, interns, temporary employees, graduate and post-graduate fellows, and project-specific positions. A person retained to perform services for an Employer (whether for a definite or indefinite duration) who is classified by that Employer as an independent contractor (rather

than an employee) shall not be an Eligible Employee for purposes of this Plan, regardless of any subsequent re-characterization.

Employer. “Employer” means for purposes of this Plan, McDonald’s Corporation and the Related Entities listed as participating entities in Appendix I.

ERISA. “ERISA” means the Employee Retirement Income Security Act of 1974, as amended.

Key Employee. “Key Employee” means a “specified employee” as determined in accordance with the McDonald’s Corporation Section 409A Specified Key Employee Policy, as in effect on January 1, 2008 and as amended from time to time in accordance with Treasury Regulation Section 1.409A-1(i).

McDonald’s Corporation. “McDonald’s Corporation” means McDonald’s Corporation and its successors and assigns.

Officer. “Officer” means an employee in the leadership band and above.

Participant. “Participant” means each Eligible Employee whose employment with an Employer is terminated as a result of a Covered Termination and who meets the other eligibility conditions for the receipt of Severance Benefits under this Plan. An individual will cease being a Participant once payment of all severance pay and other benefits due to such individual under the Plan has been completed and no person will have any further rights under the Plan with respect to such former Participant.

Plan. “Plan” means the McDonald’s Corporation Officer Severance Plan as set forth in this document.

Plan Administrator. “Plan Administrator” means the person responsible for administration of the Plan as set forth in Article IX of the Plan.

Plan Year. The “Plan Year” shall be the calendar year for record keeping purposes.

Prorated TIP. “Prorated TIP” means the cash lump sum payment for certain Participants described in Section 4.7 of the Plan who are eligible for a pro rata bonus under McDonald’s TIP.

Related Entity. “Related Entity” means a corporation, trade, or business if it and McDonald’s Corporation are members of a controlled group of corporations as defined in Section 414(b) of the Code or under common control as defined in Section 414(c) of the Code.

Related Severance Plan. A “Related Severance Plan” is any other plan, program, policy, agreement, or arrangement providing severance benefits that is maintained by or otherwise involves McDonald’s Corporation, any Related Entity, or a predecessor to any such entity (or an affiliate thereof).

Release Date. “Release Date” means the date upon which a Participant’s signed Release Agreement required under Section 3.2 of the Plan becomes irrevocable and non-rescindable.

Schedule. “Schedule” means the schedules attached as Appendix II to the Plan that describe which Severance Benefits are available for different categories of Participants.

Separation from Service. “Separation from Service” means an Eligible Employee’s permanent cessation of the performance of services for McDonald’s Corporation and all of its Related Entities; provided that, with respect to any Severance Benefits required to comply with Section 409A of the Code, a “Separation from Service” shall not be deemed to have occurred unless the Eligible Employee has incurred a “Separation from Service” with McDonald’s Corporation and all of its Related Entities within the meaning of Section 409A of the Code. In general, neither a transfer of employment from an Employer to another Related Entity nor a change in status from Eligible Employee to independent contractor or similar non-employee service provider to an Employer or any Related Entity will be treated as a Separation from Service.

Severance Benefits. “Severance Benefits” means the Severance Pay and any other benefit payable pursuant to this Plan.

Severance Pay. “Severance Pay” means the lump sum cash payment made to a Participant pursuant to Section 4.2 of the Plan.

Termination Date. A Participant’s “Termination Date” is the date on which a Covered Termination becomes effective. The Plan Administrator shall determine each Participant’s Termination Date and communicate that date to the Participant.

Termination Notice. A “Termination Notice” is written notification from McDonald’s Corporation to an Eligible Employee that the Eligible Employee will incur a Separation from Service as a result of a Covered Termination.

Termination Notice Date. A “Termination Notice Date” is the date on which an Eligible Employee receives the Termination Notice.

TIP. “TIP” means McDonald’s Target Incentive Plan or any annual bonus plan that replaces the Target Incentive Plan.

TIP-Eligible. A Participant is “TIP-Eligible” if his or her Termination Date is on or after March 1 of a calendar year and the Participant is eligible to participate in TIP for the calendar year in which his or her Covered Termination occurs.

Weekly Base Pay. “Weekly Base Pay” means the base salary or base wages that a Participant earns during a week, based upon the rate of pay in effect for the Participant immediately before the Participant’s Termination Date, excluding overtime or any special payments. For part-time employees, weekly pay is determined by the average number of weekly hours worked during the preceding 12 months, or shorter period of employment, if applicable.

Weeks of Severance. A Participant’s “Weeks of Severance” is defined in the applicable Schedule.

Year of Service. A “Year of Service” means each complete twelve-month period beginning on the Participant’s Company Service Date and ending on the Participant’s Termination Date, with

any period of less than 6 months being rounded down to the nearest complete twelve-month period and any period of 6 months or more being rounded up to the nearest complete twelve-month period. For example, a period of 10 years, 8 months, and 3 days shall equal 11 Years of Service and a period of 10 years, 5 months, and 3 days shall equal 10 Years of Service.

Years of Service shall in no event include the following:

- (a) Periods of employment for which an Eligible Employee has previously received payments in the nature of severance pay from McDonald's Corporation or a Related Entity;
- (b) Periods of employment that are, or will be, taken into account in determining payments in the nature of severance pay that is payable to an Eligible Employee under a Related Severance Plan;
- (c) With respect to Eligible Employees who have previously terminated and been rehired by an Employer, periods of prior employment with McDonald's Corporation or a Related Entity.

ARTICLE III. Eligibility

Section 3.1. General Eligibility Requirements. To be eligible for Severance Benefits under the Plan, an Eligible Employee must:

- (a) Permanently cease providing services to his or her Employer as a result of a Covered Termination;
- (b) Receive a Termination Notice on or before the date he or she has a Separation from Service;
- (c) Remain actively and continuously employed in good standing with his or her Employer through his or her Termination Date.

An Eligible Employee who is offered or entitled to receive payments in the nature of severance pay under a Related Severance Plan is not eligible for Severance Benefits under this Plan.

McDonald's Corporation shall establish procedures and processes for implementing Covered Terminations. These procedures and processes may differ depending on the business needs and priorities of the affected work unit. The fact that an Eligible Employee receives notice of termination of employment, or an Eligible Employee's employment actually terminates, shall not automatically entitle such Eligible Employee to be considered a Participant nor automatically cause such termination to be considered a Covered Termination.

In the case of any Officer who is an officer of McDonald's Corporation within the meaning of Rule 16a-1(f) under the Securities Exchange Act of 1934, as amended (as determined by the Board of Directors of McDonald's Corporation), the Compensation Committee of the Board of Directors of McDonald's Corporation (the "Compensation Committee") shall determine in its sole discretion whether such Officer shall be treated as a Participant and to what extent such Officer will be entitled to receive Severance Benefits under this Plan. The determinations of the Compensation Committee shall be final and binding.

In addition, an Eligible Employee will not be eligible for Severance Benefits if he or she fails to return all property of the Employers (including, without limitation, automobiles (unless previously purchased in accordance with Section 4.8), keys, credit cards, documents and records, identification cards, equipment, phones, computers, etc.) within fifteen (15) days of the Eligible Employee's Termination Date.

Section 3.2. Release Agreements. It is a condition of eligibility for Severance Benefits under the Plan that the Participant shall have timely signed a release agreement (the "Release Agreement") within the period of time specified below and shall not have revoked or rescinded such Release Agreement. Such Release Agreement shall be in a form acceptable to the Plan Administrator. The Release Agreement may include, in the Plan Administrator's sole discretion, a covenant not to compete with McDonald's Corporation or its subsidiaries. A Release Agreement must be signed no later than the date specified in the form of Release Agreement. McDonald's Corporation shall provide Eligible Employees with an executable form of Release Agreement within a reasonable period of time following the Eligible Employee's Termination Date.

Except as provided in Section 5.1, no Severance Pay or sabbatical pay will be paid to an Eligible Employee unless and until the Eligible Employee timely signs the Release Agreement and the period of time for revoking or rescinding such agreement under applicable law has expired without the Eligible Employee having revoked or rescinded such agreement. Severance Benefits other than Severance Pay and sabbatical payments shall be provided to an Eligible Employee in accordance with Article IV until such time as the Eligible Employee either (a) fails to sign a Release Agreement within the time specified above or (b) timely revokes or rescinds an executed Release Agreement. If an Eligible Employee fails to timely sign (and not revoke or rescind) the Release Agreement, that Eligible Employee shall cease to receive any further Severance Benefits under this Plan and shall repay McDonald's Corporation the cost of any Severance Benefits previously received by the Eligible Employee. The Employers shall have the right to seek enforcement of this repayment right in any court of competent jurisdiction.

If an Eligible Employee dies prior to signing the Release Agreement and the deadline for signing the Release Agreement has not passed as of his or her date of death, the requirement for executing the Release Agreement shall pass to the decedent's beneficiary (as defined in Section 7.1).

ARTICLE IV.

Severance Benefits

Section 4.1. In General. Each Participant shall be entitled to Severance Pay and other Severance Benefits in accordance with this Article IV and Article V below, together with the Schedules included in Appendix II to this Plan. Except as provided in Section 5.2, to the extent there is any conflict between the provisions of the Plan and an applicable Schedule, the provisions of the Schedule shall control. If a Participant would be covered by both (i) Schedule A and (ii) one of the Schedules dealing with special circumstances (Schedule B or C), then Schedule B or C, as applicable, shall be the only Schedule that applies to that Participant.

Section 4.2. Computation of Severance Pay. A Participant shall receive Severance Pay in a lump sum amount equal to his or her Weekly Base Pay multiplied by the Participant's Weeks of Severance, subject to the applicable minimum and maximum set forth in the Schedules.

Section 4.3. Medical, Dental, and Vision Coverage. Except as provided otherwise in an applicable Schedule, if a Participant is eligible to elect continuation coverage under COBRA in accordance with the terms of the medical, dental, and/or vision plan of the Employer and properly and timely elects such continuation coverage, the Employer shall provide subsidized COBRA coverage during the COBRA Severance Period. During such period, the Employer shall pay on behalf of the Participant an amount equal to the difference between (i) the premiums the employee would have paid for active coverage if he or she had remained employed and (ii) the COBRA Premiums. The Employer's payments shall be made to the entity funding the applicable plan coverage and not directly to the Participant. The Participant must pay his or her share of the COBRA Premiums and may not have the premium cost withheld from the Severance Pay nor contributed to any cafeteria plan or flexible spending account. After the COBRA Severance Period ends, the Participant shall be responsible for paying the full cost of any remaining COBRA coverage at the rate of 102% of the full COBRA Premium cost (*i.e.*, 102% of both the employee and the employer premium costs). The Employers shall not pay any portion of the COBRA Premiums for longer than the COBRA Severance Period, regardless of whether the Participant or his or her eligible dependents have an additional qualifying event under COBRA. Notwithstanding the foregoing, if COBRA is no longer required to be provided to a Participant under the federal laws governing COBRA, all payments of COBRA Premiums for that Participant under this Plan will also end.

Section 4.4. Transitional Assistance. The Employers shall provide each Participant with transitional assistance if and only to the extent set forth in the applicable Schedule. The Participant must start the transitional assistance process within sixty (60) days of the Termination Date. In no event shall any Participant be entitled to receive cash or other benefits in lieu of such transitional assistance.

Section 4.5. Stock Options and Restricted Stock Units. Any equity compensation (including, without limitation, stock options and restricted stock units) granted to a Participant under any equity incentive plan maintained by McDonald's Corporation shall be treated in accordance with the terms of the equity incentive plan, prospectus, and grant applicable to such equity compensation.

Section 4.6. Sabbatical. A Participant shall receive a lump sum sabbatical payment equal to eight weeks of Weekly Base Pay if: (a) the Participant was entitled to take a sabbatical leave immediately before his or her Termination Date; or (b) the Participant was eligible for McDonald's Corporation's sabbatical program and the Termination Date occurs on or after the ninth, nineteenth, twenty-ninth, thirty-ninth, etc. anniversary of the Participant's Company Service Date but before the beginning of the year in which the Participant would have become entitled to take a sabbatical leave. In no event shall a Participant receive more than one sabbatical payment or more than a total of eight weeks of Weekly Base Pay under this Section 4.6.

Section 4.7. Prorated TIP Bonuses. A Participant who is TIP-Eligible shall also be eligible to receive a Prorated TIP payment, if the Participant terminated employment on or after March 1 of a calendar year. The Prorated TIP payment shall be prorated based on a fraction, the numerator of which is the number of days from January 1 through the Termination Date in the calendar year and the denominator of which is 365 (or 366 in a leap year). The Prorated TIP payment shall be based on the actual performance of McDonald's Corporation and its subsidiaries and business units during the annual performance period and shall be subject to supervisory discretion for the individual performance factor. The Prorated TIP payment will be made at the same time TIP payments are made to active employees.

Section 4.8. Company Vehicle. A Participant who has a company-provided vehicle may purchase it and, in certain cases, may receive a prorated cash reimbursement for recent upgrades related to such vehicle, as determined by McDonald's Fleet Management Department and the terms of the McDonald's Corporation Vehicle Program applicable to the Participant. In no event will the initial salary reduction paid by the Participant (currently \$1,500 in the case of Officers) be refunded or repaid to the Participant.

In order to exercise the right to purchase his or her company-provided vehicle, a Participant must provide notice of such exercise and complete the purchase in accordance with the procedures determined by McDonald's Fleet Management Department, but in no event may the purchase take place before his or her Release Date. If the Participant's Termination Date occurs before his or her Release Date, the Participant must return his or her company-provided vehicle on his or her Termination Date, and the vehicle shall be returned to him or her when such purchase can be completed.

Section 4.9. Timing Rules for Certain Reimbursements and Payments. Officer level employees are entitled to reimbursement for certain financial planning expenses for the year in which their Termination Date occurs. The financial planning services must be both completed and submitted for reimbursement within three months after the Participant's Termination Date or, if earlier, by the last day of the year in which the Termination Date occurs. Expenses submitted after this date will not be reimbursed. Officers who are entitled to executive physicals must complete their physical within six months of the Participant's Termination Date. If a Participant's spouse is also eligible for a physical, the spouse also must complete the physical within six months of the Participant's Termination Date.

ARTICLE V.
Payment of Severance Pay and Sabbatical Pay

Section 5.1. Form and Timing of Payments. Except as provided in Section 5.2, Severance Pay and sabbatical pay, if any, due under this Plan shall be paid in a single lump sum as soon as administratively practicable following McDonald's Corporation's receipt of a duly executed Release Agreement, but in no event later than ninety (90) days after the date of Separation from Service. If a payment that is subject to the execution of the Release Agreement could be made in more than one taxable year, payment shall be made in the later taxable year. Notwithstanding the foregoing, the Plan Administrator may, in his or her sole discretion, cause the Employer to make payments at any time during the ninety (90) day period following the date of Separation from Service even if prior to the Release Date without waiving the Employer's right to demand repayment, as described in Section 3.2. Any Prorated TIP payment will be made at the same time TIP payments are made to active employees, but in no event later than March 15 of the year following the calendar year in which the Termination occurred.

Section 5.2. Delayed Payment Date for Key Employees. Notwithstanding any provision in this Plan or any applicable Schedule to the contrary, if a Participant is a Key Employee as of his or her Separation from Service, the payment of such Participant's Severance Pay and sabbatical pay, if any, shall not occur before the date which is six (6) months after his or her date of Separation from Service (or in accordance with Section 7.1 if the Participant dies before the end of such six month period).

Section 5.3. Offsets for Foreign Severance Benefits. If a Participant is entitled to receive severance compensation as a statutory or government-funded benefit under the laws of a foreign country, the Severance Benefits that would otherwise be payable under this Plan may be offset by such severance compensation as the Plan Administrator determines in his or her discretion.

ARTICLE VI.
Integration with Other Benefits

Section 6.1. Other Benefit Programs Generally. Except as provided in Section 6.7 below, Severance Benefits under this Plan are in addition to all pay and other benefits normally payable to a Participant as of his or her Termination Date according to the established applicable policies, plans, and procedures of McDonald's Corporation and its Related Entities (other than severance benefits under any Related Severance Plan). In the event of a conflict between the terms of this Plan document and the terms of any other benefits plans, policies, procedures, and practices maintained by an Employer, the terms of such other benefits plans, policies, procedures, and practices shall govern.

Section 6.2. Accrued Vacation and Leave. Without limiting the generality of Section 6.1, each Participant shall be paid for any accrued but unused vacation as of his or her Termination Date. If a Participant's Termination Date occurs in a year when he or she is eligible for an extra week of vacation under the "Splash Program," the Participant will be paid for any unused Splash vacation. In addition, the Employers will waive repayment by a Participant of sabbatical and/or short-term disability benefits that otherwise would be required if the Participant did not return to

active employment under the terms of the applicable sabbatical or short-term disability program of the Employer.

Section 6.3. Continuation and Conversion Rights. On a Participant's Termination Date, all benefit plans, policies, fringe benefits, and pay practices in which the Participant was participating shall cease to apply to the Participant in accordance with the terms of such benefits plans, policies, procedures, and practices, as applicable and in accordance with the requirements of any applicable law, unless such benefits are specifically continued as a Severance Benefit under this Plan. Any benefit continuation or conversion rights to which a Participant is entitled as of his or her Termination Date shall be made available to him or her.

Section 6.4. Educational Assistance. The Employers will continue to provide educational assistance for any class that the Participant began to attend before his or her Termination Notice Date; provided that the Participant complies with all requirements for such assistance and notifies the educational assistance service center of his or her Covered Termination within two weeks after his or her Termination Notice Date.

Section 6.5. Severance Not Compensation; Severance Period Not Service. Except as specifically provided herein, Severance Benefits under this Plan shall not be construed as Compensation for purposes of determining any benefits provided under the McDonald's 401k Plan, the McDonald's Deferred Compensation Plan, any long-term incentive plan, or any other welfare benefit plan, deferred compensation arrangement, fringe benefit, practice, or policy maintained by an Employer for its employees. Payments for vacation pursuant to Section 6.2 shall be Compensation for purposes of determining benefits provided under the McDonald's 401k Plan and the McDonald's Deferred Compensation Plan, to the extent so provided in the applicable plan documents. The period of time during which Severance Benefits are being paid out or provided shall not count as credited service for any benefit program, payroll practice (such as entitlement to vacation or sabbatical) or for any other welfare benefit, profit sharing, savings, retirement or deferred compensation benefit or fringe benefit plan, practice, or policy of any Employer.

Section 6.6. Increases in Compensation, Stock Option Grants and Restricted Stock Units. After an Eligible Employee's Termination Notice Date, he or she shall not be entitled to any increases in compensation, including, without limitation, regularly scheduled merit increases or grants of stock options or restricted stock units.

Section 6.7. Limitations on Severance. The Severance Benefits provided under this Plan are intended to satisfy any and all statutory obligations that may arise out of a Participant's termination from employment with an Employer.

ARTICLE VII.

Benefits Upon Death, Re-Employment or Cause

Section 7.1. Death of Participant. In the event a Participant (including a Participant who is a Key Employee) dies before receiving his or her Severance Pay and sabbatical pay under the Plan, the Participant's Severance Pay and sabbatical pay shall be paid in a lump sum as soon as administratively practicable following the Participant's death, but not later than December 31

of the year following the year of death, to the beneficiary designated by the Participant under the McDonald's 401k Plan. If a deceased Participant has failed to designate a specific beneficiary under the McDonald's 401k Plan, or if the designated beneficiary dies before the Participant has received his or her Severance Pay and sabbatical pay, payment of the Participant's Severance Pay and sabbatical pay shall be made to the Participant's spouse if the Participant is married as of the date of his or her death or otherwise to the Participant's estate.

Section 7.2. Rehired Employees. This Section shall apply to any Participant who is subsequently reemployed by an Employer or any Related Entity before or after all of the Participant's Severance Benefits under this Plan have been paid or provided, unless the applicable Employer agrees otherwise in writing. A Participant who is rehired after his or her Termination Date shall be entitled to receive or retain the portion of his or her Severance Pay that is attributable to the Weeks of Severance (including any fraction of a Week of Severance) from the Termination Date through the date the Participant is rehired and he or she shall repay the portion, if any, of the Severance Pay previously received by the Participant that is attributable to the Weeks of Severance (including any fraction of a Week of Severance) on or after the date the Participant is rehired. The Employers shall have the right to seek enforcement of their right to repayment in any court of competent jurisdiction. A rehired Participant shall also be entitled to receive or retain his or her (a) sabbatical pay (if any) under Section 4.6, and (b) Prorated TIP (if any) under Section 4.7. The following benefits will cease immediately upon the date the Participant commences reemployment: (y) payments for COBRA premiums provided for in Section 4.3 of the Plan, and (z) any transitional assistance under Section 4.4. A rehired Participant may keep any company-provided vehicle that he or she purchased or was in the process of purchasing under Section 4.8 of the Plan. Lastly, a rehired Participant shall be treated as a new employee for stock option and restricted stock unit purposes.

Section 7.3. Discontinuance or Repayment for Cause. If the Plan Administrator determines at any time that a Participant committed any act or omission that would constitute Cause while he or she was employed by an Employer or any Related Entity, the Employer may (a) cease payment of any benefit otherwise payable to a Participant under the Plan and (b) require the Participant to repay any and all Severance Benefits previously provided to such Participant under the terms of this Plan. The Employers shall have the right to seek enforcement of their rights under clause (b) above in any court of competent jurisdiction.

ARTICLE VIII.

Amendment and Termination

Section 8.1. Amendment and Termination. McDonald's Corporation, acting through the Compensation Committee of its board of directors or such other person or committee appointed by the Compensation Committee, reserves the right to amend or terminate the Plan at any time for any reason or no reason at all. Any amendment will be evidenced by a duly authorized written instrument.

No amendment or termination shall reduce the amount of Severance Benefits payable to any Participant whose Termination Date has already occurred, who has signed and not revoked or rescinded the Release Agreement, and who has completed all other applicable paperwork on or

before the effective date of such amendment or termination. No person may amend this Plan in a manner that would subject any Participant to taxation of his or her Severance Pay or any other Severance Benefits under Section 409A(a)(1) of the Code.

Section 8.2. Partial Termination of the Plan Upon a Subsidiary Change of Control Event.

Notwithstanding any other provision of the Plan, if an Employer undergoes a Subsidiary Change of Control Event, as defined below (a “Disaffiliated Subsidiary”), McDonald’s Corporation, in its sole discretion, may terminate the portion of the Plan (a “Partial Termination”) covering those Participants (“Disaffiliated Employees”) who as of the occurrence of such Subsidiary Change of Control Event are employed by such Disaffiliated Subsidiary. Any such Partial Termination of the Plan shall be implemented in accordance with and subject to the requirements imposed under Treasury Regulation Section 1.409A-3(j)(4)(ix)(B), including the following:

- (a) McDonald’s Corporation may amend the Plan pursuant to Section 8.1 at any time during the period commencing 30 days prior and ending 12 months after the occurrence of a Subsidiary Change of Control Event to implement a Partial Termination with respect to such Subsidiary Change of Control Event.
- (b) If a Partial Termination amendment is timely adopted, each Disaffiliated Employee will receive, within the 12 month period following the date the Partial Termination amendment is adopted, a lump sum distribution of his or her balance under the Plan and his or her entire account balance under all other McDonald’s Corporation-sponsored deferred compensation plans that together with this Plan are required to be treated as a single “plan” under Treasury Regulation Section 1.409A-1(c)(2).
- (c) An Employer shall undergo a “Subsidiary Change of Control Event” if (i) it ceases to be a Related Entity of McDonald’s Corporation as a result of a stock or asset sale or similar transaction and (ii) such sale or other transaction constitutes a “change in ownership” (within the meaning of Treasury Regulation Section 1.409A-3(i)(5)(v)) of such Employer, a “change in effective control” (within the meaning of Treasury Regulation Section 1.409A-3(i)(5)(vi)(1)) of such Employer, or a “change in the ownership of a substantial portion of the assets” (within the meaning of Treasury Regulation Section 1.409A-3(i)(5)(vii)) of such Employer.

**ARTICLE IX.
Administration**

Section 9.1. Administrator and Named Fiduciary. McDonald’s Corporation has designated the Executive Vice President - Chief People Officer to act as Plan Administrator of the Plan with sole discretionary authority to determine eligibility for Plan benefits and construe the terms of the Plan, including factual determinations. Benefits under the Plan shall be paid only if the Plan Administrator decides in his or her discretion that the Claimant is entitled to such benefits. The decisions of the Plan Administrator are final and conclusive for all questions concerning administration of the Plan.

The Plan Administrator may delegate to other persons responsibilities for performing certain of the duties of the Plan Administrator under the terms of the Plan and may seek such expert advice as the Plan Administrator deems reasonably necessary with respect to the Plan. The Plan Administrator shall be entitled to rely upon the information and advice furnished by such delegates and experts, unless the Plan Administrator has actual knowledge that such information and advice is inaccurate or unlawful. Notwithstanding the foregoing, the Compensation Committee shall have the final authority with respect to all Severance Benefits under the Plan for executive Officers subject to Section 16 of the Securities Exchange Act of 1934.

Section 9.2. Plan Information.

Name of Plan:	McDonald's Corporation Officer Severance Plan
Plan Number:	533
Plan Sponsor:	McDonald's Corporation
Plan Administrator:	Executive Vice President - Chief People Officer of McDonald's Corporation 110 N. Carpenter Street Chicago, Illinois 60607 630-623-3000

Agent for Service of Process: The General Counsel of McDonald's Corporation is designated as agent for service of legal process. Notice to the General Counsel should be addressed to McDonald's Corporation c/o Jerry Krulewitch, General Counsel, 110 N. Carpenter Street, Chicago, Illinois 60607, phone number 630-623-3000. Service of legal process may also be made upon the Plan Administrator.

The Employer Identification Number ("EIN") assigned by the Internal Revenue Service to McDonald's Corporation is 36-2361282.

The Plan is funded through the general assets of McDonald's Corporation.

Section 9.3. ERISA Rights. A Participant in the Plan is entitled to certain rights and protections under ERISA. ERISA provides that Participants shall be entitled to:

- (a) Examine, without charge, at the Plan Administrator's office and at other specified locations, such as worksites, all documents governing the Plan, including insurance contracts and collective bargaining agreements, and a copy of the latest annual report (Form 5500 series) filed by the Plan with the U.S. Department of Labor and available at the Public Disclosure Room of the Pension and Welfare Benefit Administration.
- (b) Obtain, upon written request to the Plan Administrator, copies of documents governing the operation of the Plan. The administrator may make a reasonable charge for the copies.

In addition to creating rights for Plan Participants, ERISA imposes duties upon the people who are responsible for the operation of the employee benefit Plan. The people who operate the Plan, called “fiduciaries” of the Plan, have a duty to do so prudently and in the interest of Plan Participants and beneficiaries. No one, including an Employer or any other person, may fire or otherwise discriminate against employees in any way to prevent someone from obtaining a welfare benefit or exercising their rights under ERISA.

If a Participant’s claim for a welfare benefit is denied or ignored, in whole or in part, the Participant has a right to know why this was done, to obtain copies of documents relating to the decision without charge, and to appeal any denial, all within certain time schedules.

Under ERISA, there are steps Participants can take to enforce the above rights. For instance, if a Participant requests a copy of Plan documents or the latest annual report from the Plan and does not receive them within 30 days, he or she may file suit in a Federal court. In such a case, the court may require the Plan Administrator to provide the materials and pay the Participant up to \$110 a day until the Participant receives the materials, unless the materials were not sent because of reasons beyond the control of the administrator. If a Participant has a claim for benefits which is denied or ignored, in whole or in part, he or she may file suit in a state or Federal court. Additional information on claims is provided in Article X (“Claims Procedure”). If it should happen that Plan fiduciaries misuse the Plan’s money or a Participant is discriminated against for asserting his or her rights, a Participant may seek assistance from the U.S. Department of Labor, or file suit in a Federal court. The court will decide who should pay court costs and legal fees. If the Participant is successful the court may order the person the Participant has sued to pay these costs and fees. If the Participant loses, the court may order the Participant to pay these costs and fees, for example, if it finds the Participant’s claim is frivolous.

Any questions about the Plan should be directed to the Plan Administrator. If a Participant has any questions about this statement or about his or her rights under ERISA, or if he or she needs assistance in obtaining documents from the Plan administrator, the Participant should contact the nearest office of the Pension and Welfare Benefits Administration, U.S. Department of Labor, listed in a telephone directory or the Division of Technical Assistance and Inquiries, Employee Benefits Security Administration, U.S. Department of Labor, 200 Constitution Avenue N.W., Washington, D.C. 20210. Participants may also obtain certain publications about their rights and responsibilities under ERISA by calling the publications hotline of the Employee Benefits Security Administration.

ARTICLE X.

Claims Procedure

Section 10.1. Filing a Claim. Any individual who believes he or she is eligible for Severance Benefits under this Plan that have not been provided may submit his or her application for Severance Benefits to the Plan Administrator (or to such other person who may be designated by the Plan Administrator) in writing in such form as is provided or approved by the Plan Administrator. A Claimant shall have no right to seek review of a denial of Severance Benefits, or to bring any action in any court to enforce a Claim, prior to filing a Claim and exhausting rights under this Article X.

When a Claim has been filed properly, it shall be evaluated and the Claimant shall be notified of the approval or the denial of the Claim within ninety (90) days after the receipt of such Claim unless special circumstances require an extension of time for processing the Claim. If such an extension of time for processing is required, written notice of the extension shall be furnished to the Claimant prior to the termination of the initial ninety (90) day period, which notice shall specify the special circumstances requiring an extension and the date by which a final decision will be reached (which date shall not be later than one hundred and eighty (180) days after the date on which the Claim was filed). A Claimant shall be given a written notice in which the Claimant shall be advised as to whether the Claim is granted or denied, in whole or in part. If a Claim is denied, in whole or in part, the notice shall contain (a) the specific reasons for the denial, (b) references to pertinent Plan provisions upon which the denial is based, (c) a description of any additional material or information necessary to perfect the Claim and an explanation of why such material or information is necessary, and (d) the Claimant's right to seek review of the denial.

Section 10.2. Review of Claim Denial. If a Claim is denied, in whole or in part, the Claimant shall have the right to (a) request that the Plan Administrator review the denial, (b) review pertinent documents, and (c) submit issues and comments in writing, provided that the Claimant files a written request for review with the Plan Administrator within sixty (60) days after the date on which the Claimant received written notification of the denial. Within sixty (60) days after a request for review is received, the review shall be made and the Claimant shall be advised in writing of the decision on review, unless special circumstances require an extension of time for processing the review, in which case the Claimant shall be given a written notification within such initial sixty (60) day period specifying the reasons for the extension and when such review shall be completed (provided that such review shall be completed within one hundred and twenty (120) days after the date on which the request for review was filed). The decision on review by the Plan Administrator shall be forwarded to the Claimant in writing and shall include specific reasons for the decision and reference to Plan provisions upon which the decision is based. A decision on review shall be final and binding on all persons for all purposes.

Section 10.3. Exhaustion of Claims Procedure. If a Claimant fails to file a request for review in accordance with the procedures described above, he or she will lose the right to have a claim reviewed or to bring an action to court and the denial of the claim will be final. A Claimant will also lose the right to bring an action to court if more than one hundred eighty (180) days have elapsed since the Plan Administrator rendered a final determination on review.

ARTICLE XI.

Miscellaneous

Section 11.1. Participant Information. Each Participant shall notify the Plan Administrator of his or her mailing address and each change of mailing address. In addition, each Participant shall be required to furnish the Plan Administrator with any other information and data that McDonald's Corporation or the Plan Administrator considers necessary for the proper administration of the Plan. The information provided by the Participant under this provision shall be binding upon the Participant, his or her dependents, and any beneficiary for all purposes of the Plan. McDonald's Corporation and the Plan Administrator shall be entitled to rely on any

representations regarding personal facts made by a Participant, his or her dependents, or beneficiary, unless such representations are known to be false. The receipt of Severance Benefits under the Plan by each Participant is conditioned upon the Participant furnishing full, true, and complete data, evidence or other information and the Participant's timely signature of any document related to the Plan, as requested by McDonald's Corporation or the Plan Administrator.

Section 11.2. Successors and Assigns. The obligations of McDonald's Corporation under the Plan shall be assumed by its successors and assigns.

Section 11.3. Employment Rights. The existence of the Plan shall not confer any legal or other rights upon any employee to continuation of employment. McDonald's Corporation and its Related Entities reserve the right to terminate any employee with or without cause at any time, notwithstanding the provisions of this Plan.

Section 11.4. Controlling Law, Venue. The provisions of this Plan shall be governed, construed and administered in accordance with ERISA. To the extent that ERISA does not apply, the Plan shall be construed and enforced according to the laws of the State of Illinois, without regard to its conflict of law provisions. Any court action must be brought in the U.S. District Court for the Northern District of Illinois, where the Plan is administered.

Section 11.5. Notices. Any notice, request, election, or other communication under this Plan shall be in writing and shall be considered given when delivered personally or mailed by first class mail properly addressed (which, in the case of a Participant, shall include mailing to the last address provided to the Plan Administrator by such Participant).

Section 11.6. Interests Not Transferable. The interest of persons entitled to Severance Benefits under the Plan are not subject to their debts or other obligations. Except as provided in Section 7.1 and Section 11.2 above, and Section 11.12 below, as required by federal or state garnishment orders issued to the Plan or McDonald's Corporation or any Employer, or as may be required by ERISA, may not be voluntarily or involuntarily sold, transferred, alienated, assigned, or encumbered.

Section 11.7. Mistake of Fact or Law. Any mistake of fact or misstatement of fact shall be corrected when it becomes known and proper adjustment made by reason thereof. A Participant shall be required to return any payment, or portion thereof, made by mistake of fact or law to the applicable Employer that made such payment.

Section 11.8. Representations Contrary to the Plan. No employee, Officer, or director of McDonald's Corporation has the authority to alter, vary, or modify the terms of the Plan or the Severance Benefits available to any Participant except by means of a written amendment duly authorized by the Board of Directors of McDonald's Corporation or its delegate, in accordance with the provisions of the Plan. No verbal or written representations contrary to the terms of the Plan and any duly authorized written amendment in effect as of the date such representation was made shall be binding upon the Plan, the Plan Administrator, McDonald's Corporation, or any Related Entity.

Section 11.9. Plan Funding. The Severance Benefits described in this Plan are funded through Employer contributions. No Participant or beneficiary thereof shall acquire by reason of the Plan any right in or title to any assets, funds, or property of McDonald's Corporation or any Employer. Any Severance Benefits that become payable under the Plan are unfunded obligations of the Participant's Employer, and shall be paid from the general assets of such Employer. No employee, Officer, director, or agent of McDonald's Corporation or any Related Entity guarantees in any manner the payment of Severance Benefits.

Section 11.10. Headings. The headings in this Plan are for convenience of reference and shall not be given substantive effect.

Section 11.11. Severability. If any provision of this Plan is held illegal or invalid for any reason, the other provisions of this Plan shall not be affected.

Section 11.12. Taxation. Notwithstanding any other provision of this Plan, the Employers may withhold from any and all Severance Benefits such United States federal, state, or local or foreign taxes as may be required to be withheld pursuant to any applicable law or regulation. To the extent applicable, it is intended that portions of this Plan either comply with or be exempt from the provisions of Code Section 409A. This Plan shall be administered in a manner consistent with this intent and any provision that would cause this Plan to fail to either constitute a welfare benefit plan under ERISA or comply with or be exempt from Code Section 409A, as the case may be, shall have no force and effect.

Section 11.13. Indemnification. Neither the Board of Directors, nor the Compensation Committee, nor any employee of McDonald's Corporation, nor any person acting at the direction thereof (each such person an "Affected Person"), shall have any liability to any person (including without limitation, any Participant), for any act, omission, interpretation, construction, or determination made in connection with this Plan (or any payment made under this Plan). Each Affected Person shall be indemnified and held harmless by McDonald's Corporation against and from any loss, cost, liability, or expense (including attorneys' fees) that may be imposed upon or incurred by such Affected Person in connection with or resulting from any action, suit, or proceeding to which such Affected Person may be a party or in which such Affected Person may be involved by reason of any action taken or omitted to be taken under the Plan and against and from any and all amounts paid by such Affected Person, with McDonald's Corporation's approval, in settlement thereof, or paid by such Affected Person in satisfaction of any judgment in any such action, suit, or proceeding against such Affected Person; provided that, McDonald's Corporation shall have the right, at its own expense, to assume and defend any such action, suit, or proceeding and, once McDonald's Corporation gives notice of its intent to assume the defense, McDonald's Corporation shall have sole control over such defense with counsel of its choice. The foregoing right of indemnification shall not be available to an Affected Person to the extent that a court of competent jurisdiction in a final judgment or other final adjudication, in either case, not subject to further appeal, determines that the acts or omissions of such Affected Person giving rise to the indemnification claim resulted from such Affected Person's bad faith, fraud or willful wrongful act or omission, or breach of fiduciary duty. The foregoing right of indemnification shall not be exclusive of any other rights of indemnification to which Affected Persons may be entitled under McDonald's Corporation's Certificate of Incorporation or

Memorandum and Articles of Association, as a matter of law, or otherwise, or any other power that McDonald's Corporation may have to indemnify such person or hold them harmless.

Executed this January 10, 2019

McDONALD'S CORPORATION

/s/ David Fairhurst

David Fairhurst
Corporate Executive Vice President and
Chief People Officer

Appendix I - Participating Entities

McDonald's Corporation Officer Severance Plan

McDonald's USA, LLC
McDonald's Latin America, LLC
McDonald's Global Markets, LLC
McDonald's Restaurants of Alabama, Inc.
McDonald's Restaurants of Alaska, Inc.
McDonald's Restaurants of Arizona, Inc.
McDonald's Restaurants of Arkansas, Inc.
McDonald's Restaurants of California, Inc.
McDonald's Restaurants of Colorado, Inc.
McDonald's Restaurants of Connecticut, Inc.
McDonald's Restaurants of Delaware, Inc.
McDonald's Restaurants of District of Columbia, Inc.
McDonald's Restaurants of Florida, Inc.
McDonald's Restaurants of Georgia, Inc.
McDonald's Restaurants of Hawaii, Inc.
McDonald's Restaurants of Idaho, Inc.
McDonald's Restaurants of Illinois, Inc.
McDonald's Restaurants of Indiana, Inc.
McDonald's Restaurants of Iowa, Inc.
McDonald's Restaurants of Kansas, Inc.
McDonald's Restaurants of Kentucky, Inc.
McDonald's Restaurants of Louisiana, Inc.
McDonald's Restaurants of Maine, Inc.
McDonald's Restaurants of Maryland, Inc.
McDonald's Restaurants of Massachusetts, Inc.
McDonald's Restaurants of Michigan, Inc.
McDonald's Restaurants of Minnesota, Inc.
McDonald's Restaurants of Mississippi, Inc.
McDonald's Restaurants of Missouri, Inc.
McDonald's Restaurants of Montana, Inc.
McDonald's Restaurants of Nebraska, Inc.
McDonald's Restaurants of Nevada, Inc.
McDonald's Restaurants of New Hampshire, Inc.
McDonald's Restaurants of New Jersey, Inc.
McDonald's Restaurants of New Mexico, Inc.
McDonald's Restaurants of New York, Inc.
McDonald's Restaurants of North Carolina, Inc.
McDonald's Restaurants of Ohio, Inc.
McDonald's Restaurants of Oklahoma, Inc.
McDonald's Restaurants of Oregon, Inc.
McDonald's Restaurants of Pennsylvania, Inc.
McDonald's Restaurants of Rhode Island, Inc.
McDonald's Restaurants of South Carolina, Inc.
McDonald's Restaurants of Tennessee, Inc.

McDonald's Restaurants of Texas, Inc.
McDonald's Restaurants of Utah, Inc.
McDonald's Restaurants of Vermont, Inc.
McDonald's Restaurants of Virginia, Inc.
McDonald's Restaurants of Washington, Inc.
McDonald's Restaurants of West Virginia, Inc.
McDonald's Restaurants of Wisconsin, Inc.
McDonald's Restaurants of Wyoming, Inc.

Appendix II - Schedules of Benefits

McDonald's Corporation Officer Severance Plan

Schedule A

Severance Benefits for Participants who are Officers

This Schedule sets forth the Severance Benefits under the Plan for those Participants who are not subject to Schedules B or C. If applicable, benefits may be delayed for six months, as described in Section 5.2.

Weeks of Severance: For purposes of this Schedule, "Weeks of Severance" shall be defined as two (2) weeks for each Year of Service, subject to a minimum of twenty-six (26) weeks and a maximum of fifty-two (52) weeks.

Severance Pay: Each Participant shall receive Severance Pay in a lump sum in an amount equal to his or her Weekly Base Pay multiplied by his or her Weeks of Severance.

Medical/Dental Coverage: The Employers shall make the payments for COBRA Premiums provided for in Section 4.3 of the Plan, beginning on the Participant's COBRA start date, for the longer of (i) six months or (ii) the COBRA Severance Period.

Transitional Assistance: Each Participant covered by this Schedule shall receive transitional assistance under a senior executive program as provided for in Section 4.4, at the expense of the Employers, for a period of not more than 12 months, beginning not later than sixty (60) days after the Participant's Termination Date.

Prorated TIP: Each Participant who is TIP-Eligible may receive a Prorated TIP, if any, computed in accordance with Section 4.7 of the Plan.

Company Vehicle: Section 4.8 of the Plan shall apply to each Participant who has a company-provided vehicle.

Other Severance Benefits: A Participant shall also receive, if otherwise eligible, the Severance Benefits provided for in Section 4.5 (equity awards) and Section 4.6 (sabbatical).

McDonald's Corporation Officer Severance Plan

Schedule B

Severance Benefits for Participants Becoming Restaurant Operators

This Schedule sets forth the Severance Benefits under the Plan for those Participants who are full-time employees or benefits-eligible part-time employees immediately before their Termination Dates and who become restaurant operators (either as owner/operators or in a joint venture with an Employer).

Weeks of Severance: For purposes of this Schedule, "Weeks of Severance" shall be defined as the lesser of (i) sixteen (16) weeks or (ii) the number of weeks from the Participant's Termination Date until the Participant is projected to begin operation of a restaurant franchised by McDonald's Corporation, as determined by the Plan Administrator in its sole discretion.

Severance Pay: Each Participant shall receive Severance Pay in a lump sum in an amount equal to his or her Weekly Base Pay multiplied by his or her Weeks of Severance.

Medical/Dental Coverage: The Employers shall make the payments for COBRA Premiums provided for in Section 4.3 of the Plan during the Participant's COBRA Severance Period.

Prorated TIP: A Participant who is TIP-Eligible may receive a Prorated TIP, if any, computed in accordance with Section 4.7 of the Plan.

Company Vehicle: Section 4.8 of the Plan shall apply to each Participant who has a company-provided vehicle.

Other Severance Benefits: A Participant who is covered by this Schedule shall also receive, if otherwise eligible, the Severance Benefits provided for in Section 4.5 (equity awards) and Section 4.6 (sabbatical) of the Plan, but shall not receive the Severance Benefits provided for in Section 4.4 (transitional assistance) of the Plan.

McDonald's Corporation Officer Severance Plan

Schedule C

Severance Benefits for Qualifying Outsourced Employees

This Schedule sets forth the Severance Benefits under the Plan for each Participant (1) who is a full-time employee or a benefits-eligible part-time employee before his or her Termination Date, (2) whose Covered Termination occurs as a result of the elimination of his or her job because the functional area is outsourced, and (3) who is offered employment with the entity that will be providing services on an outsourced basis to McDonald's Corporation or a Related Entity in a position with a level of responsibility comparable to his or her job that was eliminated (as determined by the Plan Administrator in his or her sole discretion), at a rate of Weekly Base Pay not less than 80% of his or her rate of Weekly Base Pay immediately before the Termination Date, and located not more than 25 miles from the location of his or her eliminated job, regardless of whether the Participant accepts or rejects such offer (referred to as a "Qualifying Outsourced Employee").

Weeks of Severance: For purposes of this Schedule, "Weeks of Severance" shall be defined as four (4) Weeks of Severance.

Severance Pay: Each Participant shall receive Severance Pay in a lump sum in an amount equal to his or her Weekly Base Pay multiplied by his or her Weeks of Severance.

Medical/Dental Coverage: The Employers shall make the payments for COBRA Premiums provided for in Section 4.3 of the Plan during the Participant's COBRA Severance Period (*i.e.*, one month).

Prorated TIP: A Qualifying Outsourced Employee who is TIP-Eligible may receive a Prorated TIP, if any, computed in accordance with Section 4.7 of the Plan.

Company Vehicle: Section 4.8 of the Plan shall apply to each Qualifying Outsourced Employee who has a company-provided vehicle.

Other Severance Benefits: A Qualifying Outsourced Employee shall also receive, if otherwise eligible, the Severance Benefits provided for in Section 4.5 (equity awards) and Section 4.6 (sabbatical), but shall not receive the Severance Benefits provided for in Section 4.4 (transitional assistance)

McDONALD'S CORPORATION
2012 OMNIBUS STOCK OWNERSHIP PLAN

STOCK OPTION AWARD AGREEMENT

EXECUTIVE OFFICERS

McDONALD'S CORPORATION (the "Company" or "McDonald's"), hereby grants to the individual named in the chart below (the "Optionee"), the number of options to purchase shares of the Company's Stock (the "Options") for the Option Price per share (the "Option Price"), both as set forth in the chart below. These Options shall vest and terminate according to the vesting schedule and termination provisions described below in this Stock Option Award Agreement, including any Appendices (together, the "Agreement"). The Options shall be subject to the terms and conditions set forth in this Agreement and in the McDonald's Corporation 2012 Omnibus Stock Ownership Plan, as amended (the "Plan").

Capitalized terms not otherwise defined in this Agreement shall have the meaning provided in the Plan. The Plan is incorporated into, and made a part of, this Agreement.

Optionee:	
Number of Options:	
Type of Option Grant:	Non-Qualified Stock Option
Option Price:	\$XXX.XX
Grant Date	February 13, 2019
Expiration Date:	10th Anniversary of the Grant Date
Vesting Schedule: (as long as the Optionee remains continuously employed by the Company or a Subsidiary until the applicable vesting date, except as otherwise set forth in this Agreement):	25% on first anniversary of Grant Date 25% on second anniversary of Grant Date 25% on third anniversary of Grant Date 25% on fourth anniversary of Grant Date

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

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

(b) **Termination for Cause.** If the Optionee has a Termination of Employment for Cause, all vested and unvested Options shall terminate immediately; provided, however, that if the Optionee has a Termination of Employment for Cause due solely to a Policy Violation (which means a termination resulting from the commission of any act or acts which violate the Standards of Business Conduct of the Company or a Subsidiary or any successor thereto (including underlying policies or policies specifically

referenced therein), as the same is in effect and applicable to the Optionee at the time of the Optionee's violation), the provisions of subsection 1(c) below shall apply.

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

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

For purposes of subsections (e) and (f) that follow, the term "Company Service" means the Optionee's aggregate number of years of employment with the Company and any Subsidiary, including employment with any Subsidiary during the period before it became a Subsidiary.

(e) Termination with At Least 68 Years of Combined Age and Service. If the Optionee voluntarily terminates employment and (i) the Optionee's combined age and years of Company Service is equal to or greater than 68, (ii) the Optionee provides four months advance written notice of his or her intention to terminate employment to both the Corporate Vice President - Global Total Rewards and the Optionee's manager, (iii) the Optionee executes and delivers (and does not revoke) a release agreement satisfactory to the Company and (iv) the Optionee executes and delivers a non-competition agreement covering a period of 18 months in a form satisfactory to the Company as permitted by applicable law (as the Committee may require):

(i) In the event that Termination of Employment occurs on or after the four month anniversary of the Grant Date but prior to the 12 month anniversary of the Grant Date, 50% of the Options shall continue to vest in accordance with the Vesting Schedule set forth above and any exercisable options may be exercised at any time prior to and including the Expiration Date (and the remaining 50% shall be forfeited); or

(ii) In the event that Termination of Employment occurs on or after the 12 month anniversary of the Grant Date, any Options that are vested on the date of the Optionee's Termination of Employment or that would have vested within three years following such Termination of Employment shall vest in accordance with the Vesting Schedule set forth above in this Agreement and any exercisable options may be exercised at any time prior to and including the Expiration Date.

If the Optionee executes and delivers a non-competition agreement, and then violates the provisions of that agreement (in the Committee's discretion), all unexercised Options will immediately terminate and will not be exercisable.

(f) Termination on Account of Special Circumstances. If the Optionee has a Termination of Employment due to Special Circumstances (which means, a Termination of Employment due to the Optionee becoming an owner-operator of a McDonald's restaurant in connection with his or her Termination of Employment or a Termination of Employment by the Company or a Subsidiary without

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

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

(i) Termination of Employment Without Cause. In the case of the Optionee's Termination of Employment by the Company or a Subsidiary without Cause, to qualify for the treatment provided in this subsection (f), the Optionee must execute and deliver (i) a release agreement satisfactory to the Company (which the Optionee does not revoke) and (ii) a non-competition agreement covering a period of 18 months in a form satisfactory to the Company as permitted by applicable law (as the Committee or its delegate may require). If the Optionee executes and delivers a non-competition agreement, and then violates the provisions of that agreement (in the Committee's discretion), all unexercised Options will immediately terminate and will not be exercisable.

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

(g) Termination with Company Approval to Work for a Developmental Licensee. If the Optionee has a Termination of Employment in order to work for a developmental licensee (even during the first four months following the Grant Date) and (i) the Company approves of the Optionee's resignation, (ii) the Optionee executes and delivers (and does not revoke) a release agreement satisfactory to the Company and (iii) the Optionee executes and delivers a non-competition agreement covering a period of 18 months in a form satisfactory to the Company as permitted by applicable law (as the Committee or its delegate may require), any unvested Options shall continue to vest in accordance with the Vesting Schedule set forth above in this Agreement, and any exercisable Options may be exercised at any time prior to and including the Expiration Date. If the Optionee executes and delivers a non-competition agreement, and then violates the provisions of that agreement (in the Committee's discretion), all unexercised Options will immediately terminate and will not be exercisable.

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

assumption of the Options. For purposes of this Agreement, “Disaffiliation of a Subsidiary” means the Subsidiary’s ceasing to be a Subsidiary for any reason (including, without limitation, as a result of a public offering, or a spinoff or sale by the Company, of the stock or all of the assets of the Subsidiary).

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

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

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

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

3. **Repayment/Forfeiture.**

(a) **Compliance with Applicable Law and/or Company Clawback Policy.** Any benefits the Optionee may receive hereunder shall be subject to repayment or forfeiture as may be required to comply with (i) any applicable listing standards of a national securities exchange adopted in accordance with Section 954 of the Dodd-Frank Wall Street Reform and Consumer Protection Act (regarding recovery of erroneously awarded compensation) and any implementing rules and regulations of the U.S. Securities and Exchange Commission adopted thereunder, (ii) similar rules under the laws of any other jurisdiction and (iii) any policies adopted by the Company to implement such requirements, all to the extent determined by the Company in its discretion to be applicable to the Optionee.

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

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

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

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

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

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

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

4. **No Employment or Service Contract.** Nothing in this Agreement or in the Plan shall confer upon the Optionee any right to continue in the employ of the Company or any Subsidiary for any

period of specific duration or interfere with or restrict in any way the right of the Company or any Subsidiary, which is hereby expressly reserved, to remove, terminate or discharge the Optionee at any time for any reason whatsoever, with or without Cause and with or without advance notice.

5. **Governing Law and Choice of Venue.** The Options are governed by, and subject to, United States federal and Illinois state law (without regard to the conflict of law provisions) and the requirements of the New York Stock Exchange as well as the terms and conditions set forth in the Plan and this Agreement. For purposes of litigating any dispute that arises directly or indirectly from the relationship of the parties evidenced by the Options or this Agreement, the parties hereby submit to and consent to the exclusive jurisdiction of the State of Illinois, agree that such litigation shall be conducted in the courts of DuPage County, Illinois, or the federal courts for the United States for the Northern District of Illinois, where this grant is made and/or to be performed.

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

7. **Severability.** The provisions of this Agreement are severable and if any one or more provisions are determined to be illegal or otherwise unenforceable, in whole or in part, the remaining provisions shall nevertheless be binding and enforceable.

8. **Waiver.** The waiver by the Company with respect to compliance of any provision of this Agreement by the Optionee shall not operate or be construed as a waiver of any other provision of this Agreement, or of any subsequent breach of such part of any provision of this Agreement.

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

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

11. **Entire Agreement.** This Agreement and the Plan reflect the exclusive agreement between the parties regarding the subject matter herein and supersedes any prior understandings or agreements, whether oral or written, in respect of such subject matter.

BY ACCEPTING THE OPTIONS, THE OPTIONEE AGREES TO THE TERMS OF THIS AGREEMENT AND THE PLAN.

BY: _____

PRINT NAME: _____

DATE: _____

McDONALD'S CORPORATION
2012 OMNIBUS STOCK OWNERSHIP PLAN

PERFORMANCE-BASED RESTRICTED STOCK UNIT AWARD AGREEMENT

EXECUTIVE OFFICERS

McDONALD'S CORPORATION (the "Company" or "McDonald's"), hereby grants to the individual named in the chart below (the "Grantee"), the number of restricted stock units ("RSUs") with respect to shares of the Company's Stock set forth in the chart below. Each RSU represents the equivalent in value of one share of Stock. The RSUs shall vest upon satisfaction of performance and service conditions and/or in accordance with the termination provisions described below in this Performance-Based Restricted Stock Unit Award Agreement, including any Appendices (the "Agreement"). The RSUs shall be subject to the terms and conditions set forth in this Agreement and in the McDonald's Corporation 2012 Omnibus Stock Ownership Plan, as amended (the "Plan").

The schedule of performance goals ("Performance Goals") shall be established by the Committee not later than 90 days after the commencement of the Performance Period, provided that the outcome of the Performance Goals is substantially uncertain at the time the Committee establishes them. The schedule of Performance Goals shall be attached to this Agreement as Appendix A.

Capitalized terms not otherwise defined in this Agreement shall have the meaning provided in the Plan. The Plan is incorporated into, and made a part of, this Agreement.

Important Notice: To avoid cancellation of the RSUs, the Grantee must accept the RSUs on the terms and conditions on which they are offered, as set forth in this Agreement and in the Plan, by signing and returning this Agreement to the Corporate Executive Vice President - Chief People Officer, or his designee, no later than 60 days following the Grant Date specified in the chart below. If the Grantee fails to accept the RSUs in writing within this 60 day period, the RSUs will be cancelled.

The Grantee:	
Target Number of RSUs ("<u>Target Award</u>")	
Grant Date:	February 13, 2019
Performance Period:	January 1, 2019 - December 31, 2021
Vesting Schedule: (other than on termination or change in control)	0% - 200% of the Target Award shall vest on the third anniversary of the Grant Date, as determined by achievement of the Performance Goals set forth in Appendix A.
Vesting Period	February 13, 2019 - February 13, 2022

1. **Vesting of RSUs.** As set forth in the chart above, if and to the extent the Performance Goals are achieved, the RSUs will vest on the third anniversary of the Grant Date (the "Vesting Date"), as long as the Grantee remains continuously employed by the Company or a Subsidiary until the Vesting Date, unless otherwise provided in Sections 5 or 10 below. The number of RSUs that shall vest will range from 0% to 200% of the Target Award, as determined

by the extent to which the Performance Goals set forth in Appendix A to this Agreement are achieved. The Grantee will have no rights to the shares of Stock until the RSUs have vested. Prior to settlement, the RSUs represent an unfunded and unsecured obligation of the Company.

2. **Settlement of RSUs.** On the Vesting Date, or no later than 90 days thereafter, the Company will issue and deliver to the Grantee (at the Company's sole discretion) either the number of shares of Stock equal to the number of vested RSUs or the cash equivalent value based on the New York Stock Exchange closing price of a share of Stock on the Vesting Date (or if the Vesting Date is a date on which the Stock is not traded, based on the closing price on the last date immediately preceding the Vesting Date on which the Stock was traded), subject to satisfaction of applicable tax and/or other obligations as described in Section 7 below and certification (in writing) by the Committee that the Performance Goals set forth in Appendix A have been attained. Notwithstanding the foregoing, (i) if the RSUs vest upon the Grantee's Termination of Employment on account of death or Disability (within the meaning of Code Section 409A), the RSUs will be settled within 90 days of the Grantee's Termination of Employment, and (ii) if the RSUs vest upon a Change in Control pursuant to Section 8(a) below, the RSUs will be settled as provided in Section 8(a) below, unless otherwise provided in Section 10 below. For purposes of the settlement timing provisions of this Section 2 and Sections 8 and 10 below, if the 60th or 90th day, as applicable, following the settlement event is not a business day, the vested RSUs will be settled on or prior to the business day immediately preceding the 60th or 90th day, as applicable.

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

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

5. **Termination of Employment.** For purposes of this Section 5, the date of Termination of Employment will be the last date that the Grantee is classified as an employee in the payroll system of the Company or applicable Subsidiary, provided that in the case of a Grantee who is subject to U.S. federal income tax (a "U.S. Taxpayer"), the date of Termination of Employment will be the date that the Grantee experiences a "separation from service," in accordance with the requirements of Code Section 409A. The Company shall have the exclusive discretion to determine when the Grantee is no longer employed for purposes of the RSUs and any Dividend Equivalents, this Agreement and the Plan. Subject to Section 8:

(a) Termination within Four Months of the Grant Date. If the Grantee has a Termination of Employment for any reason other than (i) death or Disability or (ii) to work for a developmental licensee, prior to the four-month anniversary of the Grant Date, the RSUs and any Dividend Equivalents will be immediately forfeited.

(b) Termination for Cause or Policy Violation. If the Grantee has a Termination of Employment for Cause, including on account of a Policy Violation (which means a termination resulting from the commission of any act or acts which violate the Standards of Business Conduct of the Company or a Subsidiary or any successor thereto (including underlying policies or policies specifically referenced therein), as the same is effect and applicable to the Grantee at of the time of the Grantee's violation), as determined by the Committee or its delegee in its sole and absolute discretion, the RSUs and any Dividend Equivalents will be immediately forfeited.

(c) Termination on Account of Death or Disability. If the Grantee has a Termination of Employment on account of death or Disability (even during the first four months following the Grant Date), the Performance Goals requirement will be waived and 100% of the Target Award and any Dividend Equivalents will immediately vest upon such Termination of Employment (such date, if applicable, also a Vesting Date) and will be settled in accordance with Section 2 above, unless otherwise provided in Section 10(b) below.

For purposes of subsections (d) and (e) that follow, the term "Company Service" means the Grantee's aggregate number of years of employment with the Company and any Subsidiary, including employment with any Subsidiary during the period before it became a Subsidiary.

(d) Termination with At Least 68 Years of Combined Age and Service. If the Grantee voluntarily terminates employment and (i) the Grantee's combined age and years of Company Service is equal to or greater than 68, (ii) the Grantee provides four months advance written notice of his or her intention to terminate employment to both the Corporate Vice President - Global Total Rewards and the Grantee's manager, (iii) the Grantee executes and delivers (and does not revoke) a release agreement satisfactory to the Company and (iv) the Grantee executes and delivers a non-competition agreement covering a period of 18 months in a form satisfactory to the Company as permitted by applicable law (as the Committee or its delegee may require):

(i) In the event that Termination of Employment occurs on or after the four month anniversary of the Grant Date but prior to the 12 month anniversary of the Grant Date, 50% of the RSUs and their corresponding Dividend Equivalents shall be eligible for vesting to the extent the Performance Goals are achieved (and the remaining 50% and their corresponding dividend equivalents shall be forfeited); or

(ii) In the event that Termination of Employment occurs on or after the 12 month anniversary of the Grant Date, all of the RSUs and Dividend Equivalents shall be eligible for vesting to the extent the Performance Goals are achieved.

Settlement of the vested RSUs and Dividend Equivalents vesting pursuant to (i) or (ii) above will occur in accordance with Section 2 above, unless otherwise provided in Section 10(a) or (b) below. If the Grantee executes and delivers a non-competition agreement, and then violates the provisions of that agreement, the Company may seek to administratively or judicially enforce the covenants under the non-competition agreement and any failure to enforce that right does not waive that right.

(e) Termination on Account of Special Circumstances or Disaffiliation of a Subsidiary. If the Grantee has a Termination of Employment due to Special Circumstances (which means, a Termination of Employment due to the Grantee becoming an owner-operator of a McDonald's restaurant in connection with his or her Termination of Employment or a Termination of Employment by the Company or a Subsidiary without Cause) or a Disaffiliation of a Subsidiary ("Disaffiliation of a Subsidiary" means the Subsidiary's ceasing to be a Subsidiary for any reason (including, without limitation, as a result of a public offering, or a spinoff or sale by the Company, of the stock of the Subsidiary)) and (i) in the case of a Termination of Employment due to Special Circumstances only, the Grantee's combined age and years of Company Service is equal to or greater than 48, (ii) the Grantee executes and delivers (and does not revoke) a release agreement satisfactory to the Company and (iii) the Grantee executes and delivers a non-competition agreement covering a period of 18 months in a form satisfactory to the Company as permitted by applicable law (as the Committee or its delegate may require), a pro-rata portion of the RSUs and any Dividend Equivalents, as determined in accordance with Section 6 below, shall be eligible for vesting to the extent the Performance Goals are achieved. Settlement of any of such vested RSUs and Dividend Equivalents will occur in accordance with Section 2 above, unless otherwise provided in Section 10(a) or (b) below.

(f) Termination with Company Approval to Work for a Developmental Licensee. If the Grantee has a Termination of Employment in order to work for a developmental licensee (even during the first four months following the Grant Date) and (i) the Company approves of the Grantee's resignation, (ii) the Grantee executes and delivers (and does not revoke) a release agreement satisfactory to the Company and (iii) the Grantee executes and delivers a non-competition agreement covering a period of 18 months in a form satisfactory to the Company as permitted by applicable law (as the Committee or its delegate may require), all of the RSUs and any Dividend Equivalents shall be eligible for vesting to the extent the Performance Goals are achieved. Settlement of any of such vested RSUs and Dividend Equivalents will occur in accordance with Section 2 above, unless otherwise provided in Section 10(a) or (b) below. If the Grantee executes and delivers a non-competition agreement, and then violates the provisions of that agreement, the Company may seek to administratively or judicially enforce the covenants under the non-competition agreement and any failure to enforce that right does not waive that right.

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

(h) Selection of Rule. If the Grantee's Termination of Employment is covered by more than one of the foregoing rules, the applicable rule that is the most favorable to the Grantee shall apply, except that (i) in the case of a Termination of Employment as described in Section 5(a), Section 5(a) shall apply; (ii) in the case of a Termination of Employment as described in Section 5(b), Section 5(b) shall apply; and (iii) in the case of a Termination of Employment as described in Section 5(f), Section 5(f) shall apply.

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

divided by the total number of months between the Grant Date and the Vesting Date, as is illustrated below:

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

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

7. Responsibility for Taxes.

(a) Grantee's Liability for Tax-Related Items. Except to the extent prohibited by law, the Grantee acknowledges that, regardless of any action the Company or, if different, the Grantee's employer (the "Employer") takes with respect to any or all income tax, social insurance, payroll tax, fringe benefits tax, payment on account or other tax-related items related to the Grantee's participation in the Plan and legally applicable to the Grantee or deemed by the Company or the Employer in their discretion to be an appropriate charge to the Grantee even if legally applicable to the Company or the Employer ("Tax-Related Items"), the ultimate liability for all Tax-Related Items is and remains the Grantee's responsibility and may exceed the amount actually withheld by the Company or the Employer, if any. The Grantee further acknowledges that the Company and/or the Employer (i) make no representations or undertakings regarding the treatment of any Tax-Related Items in connection with any aspect of the RSUs and any Dividend Equivalents, including the grant, vesting or settlement of the RSUs and any Dividend Equivalents, the subsequent sale of any shares of Stock acquired as a result of such settlement and/or the receipt of any dividends after settlement; and (ii) do not commit to and are under no obligation to structure the terms of the grant or any aspect of the RSUs and any Dividend Equivalents to reduce or eliminate the Grantee's liability for Tax-Related Items or achieve any particular tax result. Furthermore, the Grantee acknowledges that the Company and/or the Employer (or former employer, as applicable) may be required to withhold or account for Tax-Related Items in more than one jurisdiction.

(b) Tax-Related Items Withholding Procedures. The Grantee authorizes the use of the withholding procedures set forth below in this subsection (b) to satisfy all Tax-Related Items obligations of the Company and/or the Employer that may arise upon the vesting of the RSUs and any Dividend Equivalents or any other taxable or tax withholding event. In the event that any amount of such Tax-Related Items cannot be satisfied by the means set forth in this subsection (b), the Grantee shall be required to pay such amount to the Company or the Employer. The Company shall not be required to issue or deliver the shares of Stock or the cash equivalent (if applicable) if the Grantee fails to comply with his or her obligations in connection with the Tax-Related Items. Further, the Company may withhold or account for Tax-Related Items by considering minimum statutory withholding amounts or other applicable withholding rates, including maximum applicable rates, in which case the Grantee will receive a refund of any over-withheld amount in cash and will have no entitlement to the Stock equivalent.

(i) Stock Settlement. If the RSUs and any Dividend Equivalents are settled in shares of Stock and the Grantee is not subject to the short-swing profit rules of Section 16(b) of the 1934 Act, the Grantee authorizes the Company to satisfy the obligations with regard to all Tax-Related Items by withholding shares of Stock that would otherwise be issued upon settlement of the RSUs and any Dividend Equivalents. Alternatively, or in addition, the Grantee

authorizes the Company and/or the Employer, or their respective agents, at their discretion, to satisfy the obligations with regard to Tax-Related Items by one or a combination of the following: (A) withholding from proceeds of the sale of shares of Stock acquired upon settlement of the RSUs and any Dividend Equivalents, either through a voluntary sale or through a mandatory sale arranged by the Company (on the Grantee's behalf pursuant to this authorization); or (B) withholding from the Grantee's wages or other cash compensation paid to the Grantee by the Company and/or the Employer. If the RSUs and any Dividend Equivalents are settled in shares of Stock and the Grantee is subject to the short-swing profit rules of Section 16(b) of the 1934 Act, the Company will withhold shares of Stock upon the relevant tax withholding event, unless the use of such withholding method is prevented by applicable law or has materially adverse accounting or tax consequences, in which case, the withholding obligation for any Tax-Related Items may be satisfied by one or a combination of methods (A) and (B) above.

If the obligation for Tax-Related Items is satisfied by withholding shares of Stock, for tax purposes, the Grantee is deemed to have been issued the full number of shares of Stock subject to the vested RSUs and Dividend Equivalents, notwithstanding that a number of the shares of Stock are held back solely for the purpose of paying the applicable Tax-Related Items.

(ii) Cash Settlement. If the RSUs and any Dividend Equivalents are settled in cash, the Grantee authorizes the Company and/or the Employer, or their respective agents, at their discretion, to satisfy any obligation for Tax-Related Items by withholding from the cash amount paid to the Grantee in settlement of the RSUs and any Dividend Equivalents, or from the Grantee's wages or other cash compensation paid to the Grantee by the Company and/or the Employer.

8. Change in Control.

(a) Treatment of RSUs and Dividend Equivalents Upon a Change in Control. In the event of a Change in Control, notwithstanding any other provision of this Agreement, the Performance Goals requirement will be waived and 100% of the Target Award and the related Dividend Equivalents will immediately vest upon such Change in Control (such date, if applicable, also a Vesting Date) and be settled at such time or within 60 days after the Change in Control if (i) after such Change in Control, the Stock ceases to be publicly-traded and (ii) the Grantee does not receive Replacement Awards with respect to the RSUs and any Dividend Equivalents. Notwithstanding the foregoing, if the Change in Control does not qualify as a change in control for purposes of Code Section 409A, any RSUs and Dividend Equivalents held by a U.S. Taxpayer will be settled within 90 days following the earliest of (A) the Vesting Date or (B) the Grantee's death or "disability" within the meaning of Code Section 409A.

(b) Termination After Change in Control. If the immediate vesting described in the preceding paragraph does not apply, but the Company or a Subsidiary terminates the Grantee's employment for any reason other than Cause within two years following the Change in Control, the Performance Goals requirement will be waived and 100% of the Target Award and the related Dividend Equivalents will immediately vest upon such Termination of Employment (such date, if applicable, also a Vesting Date) and will be settled within 90 days of Termination of Employment in accordance with Section 2 above, unless otherwise provided in Section 10(b) below. Notwithstanding the foregoing, if the Change in Control does not qualify as a change in control for purposes of Code Section 409A, any RSUs and Dividend Equivalents held by a U.S. Taxpayer will be settled within 90 days following the earliest of (A) the Vesting Date or (B) the Grantee's death or "disability" within the meaning of Code Section 409A.

9. **Settlement Upon Death of the Grantee.** In any case under this Agreement in which the RSUs and any Dividend Equivalents are to be settled following the Grantee's death, the shares of Stock or cash due in settlement of the RSUs and any Dividend Equivalents shall be issued to (i) the Grantee's personal representative or the person to whom the RSUs and any Dividend Equivalents are transferred by will or the applicable laws of descent and distribution, (ii) the Grantee's beneficiary designated in accordance with Section 8 of the Plan, or (iii) the then-acting trustee of the trust described in Section 8(b) of the Plan.

10. **Code Section 409A.**

(a) **Settlement Conditioned upon Termination Requirements.** Notwithstanding any provision in this Agreement to the contrary (but except as provided in Section 10(b) hereof), in the event that (i) the vesting and settlement of RSUs and any Dividend Equivalents in connection with a Termination of Employment is conditioned on the Grantee's execution and delivery of a release or a non-competition agreement and (ii) the settlement period commences in one calendar year and ends in the next calendar year (where the portion of the settlement period in the next calendar year contains at least one business day), the RSUs and any Dividend Equivalents held by a U.S. Taxpayer will be settled in the second calendar year.

(b) **Specified Employee Termination of Employment.** Notwithstanding any provision in this Agreement to the contrary, if the Grantee is a U.S. Taxpayer and a specified employee under the Company's Specified Key Employee Policy (Grantees meeting both criteria are referred to herein as "Specified Employees") on the date of the Grantee's Termination of Employment, any settlement of the RSUs and any Dividend Equivalents that the Grantee is entitled to receive under this Agreement upon Termination of Employment will be made as follows:

(i) **Settlement Due to Termination Pursuant to Section 5.** If the Grantee's Termination of Employment is covered by (1) Section 5(c) and the Grantee's Disability does not constitute a "disability" for purposes of Code Section 409A, or (2) Sections 5(d) through 5(f), the RSUs and any Dividend Equivalents will be settled within 90 days following the later of (A) the Vesting Date and (B) the date that is six months after the Grantee's Termination of Employment; however, in the event of the Grantee's death, then upon the date of the Grantee's death. For avoidance of doubt, if the Grantee's Termination of Employment is covered by Section 5(c) and the Grantee's Disability does constitute a "disability" for purposes of Code Section 409A, then the Grantee's vested RSUs and any Dividend Equivalents will be settled within 90 days of the Grantee's Termination of Employment.

(ii) **Settlement Due to Termination After Change in Control.** If the Grantee's Termination of Employment is covered by Section 8(b), the RSUs and any Dividend Equivalents will be settled within 90 days following the later of (A) the Vesting Date and (B) the date that is six months after the Grantee's Termination of Employment; however, in the event of the Grantee's death, then upon the date of the Grantee's death.

(c) **No Company Liability.** All RSUs and any Dividend Equivalents granted hereunder are intended to be compliant with Code Section 409A, and this Agreement and the Plan shall be interpreted, construed and operated to reflect this intent. Notwithstanding the foregoing, this Agreement and the Plan may be amended at any time, without the consent of any party, to the extent that is necessary or desirable to satisfy any of the requirements under Code Section 409A, but the Company shall not be under any obligation to make any such amendment. Nothing in this Agreement or the Plan shall provide a basis for any person to take action against the Company or

any Subsidiary based on matters covered by Code Section 409A, including the tax treatment of any amount paid or RSUs and any Dividend Equivalents granted under this Agreement, and neither the Company nor any of its Subsidiaries shall under any circumstances have any liability to the Grantee or his or her estate or any other party for any taxes, penalties or interest due on amounts paid or payable under this Agreement, including taxes, penalties or interest imposed under Code Section 409A.

11. Repayment/Forfeiture.

(a) Compliance with Applicable Law and/or Company Clawback Policy. Any benefits the Grantee may receive hereunder shall be subject to repayment or forfeiture as may be required to comply with (i) any applicable listing standards of a national securities exchange adopted in accordance with Section 954 of the Dodd-Frank Wall Street Reform and Consumer Protection Act (regarding recovery of erroneously awarded compensation) and any implementing rules and regulations of the U.S. Securities and Exchange Commission adopted thereunder, (ii) similar rules under the laws of any other jurisdiction and (iii) any policies adopted by the Company to implement such requirements, all to the extent determined by the Company in its discretion to be applicable to the Grantee.

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

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

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

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

(iv) Notwithstanding any provision of this Section 11, if any provision of this Section 11 is determined to be unenforceable or invalid under any applicable law, such provision will be applied to the maximum extent permitted by applicable law, and shall automatically be

deemed amended in a manner consistent with its objectives to the extent necessary to conform to any limitations required under applicable law; provided, that this Section 11 shall not apply in any manner to individuals subject to the laws of France.

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

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

12. **No Employment or Service Contract.** Nothing in this Agreement or in the Plan shall confer upon the Grantee any right to continue in the employ of the Company or any Subsidiary for any period of specific duration or interfere with or restrict in any way the right of the Company or any Subsidiary, which is hereby expressly reserved, to remove, terminate or discharge the Grantee at any time for any reason whatsoever, with or without Cause and with or without advance notice.

13. **Governing Law and Choice of Venue.** The RSUs and any Dividend Equivalents are governed by, and subject to, United States federal and Illinois state law (without regard to the conflict of law provisions) and the requirements of the New York Stock Exchange as well as the terms and conditions set forth in the Plan and this Agreement. For purposes of litigating any dispute that arises directly or indirectly from the relationship of the parties evidenced by the RSUs and any Dividend Equivalents or this Agreement, the parties hereby submit to and consent to the exclusive jurisdiction of the State of Illinois, agree that such litigation shall be conducted in the courts of DuPage County, Illinois, or the federal courts for the United States for the Northern District of Illinois, where this grant is made and/or to be performed.

14. **Electronic Delivery and Acceptance.** The Company may, in its sole discretion, decide to deliver any documents related to current or future participation in the Plan by electronic means and/or require the Grantee to accept this grant of RSUs and any Dividend Equivalents or any future restricted stock unit grant by electronic means. The Grantee hereby consents to receive such documents by electronic delivery and, if required by the Company, agrees to accept this grant and any future grant of RSUs and any Dividend Equivalents through an on-line or electronic system established and maintained by the Company or a third party designated by the Company.

15. **Severability.** The provisions of this Agreement are severable and if any one or more provisions are determined to be illegal or otherwise unenforceable, in whole or in part, the remaining provisions shall nevertheless be binding and enforceable.

16. **Waiver.** The waiver by the Company with respect to compliance of any provision of this Agreement by the Grantee shall not operate or be construed as a waiver of any other provision of this Agreement, or of any subsequent breach of such party of a provision of this Agreement.

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

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

19. **Entire Agreement.** This Agreement and the Plan reflect the exclusive agreement between the parties regarding the subject matter herein and supersedes any prior understandings or agreements, whether oral or written, in respect of such subject matter.

BY ACCEPTING THE RSUs, THE GRANTEE AGREES TO THE TERMS OF THIS AGREEMENT AND THE PLAN.

BY: _____

PRINT NAME: _____

DATE: _____

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

I, Stephen J. Easterbrook, certify that:

- (1) I have reviewed this quarterly report on Form 10-Q of McDonald's Corporation;
- (2) Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
- (3) Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
- (4) The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
- (5) The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: May 8, 2019

/s/ Stephen J. Easterbrook

Stephen J. Easterbrook

President and Chief Executive Officer

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

I, Kevin M. Ozan, certify that:

- (1) I have reviewed this quarterly report on Form 10-Q of McDonald's Corporation;
- (2) Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
- (3) Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
- (4) The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
- (5) The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: May 8, 2019

/s/ Kevin M. Ozan

Kevin M. Ozan

*Corporate Executive Vice President and
Chief Financial Officer*

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

Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 (subsections (a) and (b) of Section 1350, Chapter 63 of Title 18, United States Code), the undersigned officer of McDonald's Corporation (the "Company"), does hereby certify, to such officer's knowledge, that the Quarterly Report on Form 10-Q for the quarter ended March 31, 2019 of the Company fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934 and information contained in the Form 10-Q fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: May 8, 2019

/s/ Stephen J. Easterbrook

Stephen J. Easterbrook

President and Chief Executive Officer

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

Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 (subsections (a) and (b) of Section 1350, Chapter 63 of Title 18, United States Code), the undersigned officer of McDonald's Corporation (the "Company"), does hereby certify, to such officer's knowledge, that the Quarterly Report on Form 10-Q for the quarter ended March 31, 2019 of the Company fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934 and information contained in the Form 10-Q fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: May 8, 2019

/s/ Kevin M. Ozan

Kevin M. Ozan

*Corporate Executive Vice President and
Chief Financial Officer*