
**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 **June 30, 2020**

OR

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

Commission File Number 1-5231

McDONALD'S CORPORATION

(Exact Name of Registrant as Specified in Its Charter)

Delaware

(State or Other Jurisdiction of
Incorporation or Organization)

**110 North Carpenter Street
Chicago, Illinois**

(Address of Principal Executive Offices)

36-2361282

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

60607

(Zip Code)

(630) 623-3000

(Registrant's Telephone Number, Including Area Code)

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

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

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

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

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

Large Accelerated Filer	<input checked="" type="checkbox"/>	Accelerated Filer	<input type="checkbox"/>
Non-accelerated Filer	<input type="checkbox"/>	Smaller Reporting Company	<input type="checkbox"/>
Emerging Growth Company	<input type="checkbox"/>		

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

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

744,102,514

(Number of shares of common stock
outstanding as of 6/30/2020)

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) June 30, 2020	December 31, 2019
Assets		
Current assets		
Cash and equivalents	\$ 3,255.7	\$ 898.5
Accounts and notes receivable	2,852.6	2,224.2
Inventories, at cost, not in excess of market	42.6	50.2
Prepaid expenses and other current assets	458.5	385.0
Total current assets	6,609.4	3,557.9
Other assets		
Investments in and advances to affiliates	1,278.1	1,270.3
Goodwill	2,671.9	2,677.4
Miscellaneous	2,547.2	2,584.0
Total other assets	6,497.2	6,531.7
Lease right-of-use asset, net	13,002.3	13,261.2
Property and equipment		
Property and equipment, at cost	39,137.4	39,050.9
Accumulated depreciation and amortization	(15,307.4)	(14,890.9)
Net property and equipment	23,830.0	24,160.0
Total assets	\$ 49,938.9	\$ 47,510.8
Liabilities and shareholders' equity		
Current liabilities		
Short-term borrowings	\$ 1,000.0	\$ —
Accounts payable	538.4	988.2
Lease liability	681.2	621.0
Income taxes	302.8	331.7
Other taxes	247.4	247.5
Accrued interest	316.1	337.8
Accrued payroll and other liabilities	1,073.6	1,035.7
Current maturities of long-term debt	3,086.6	59.1
Total current liabilities	7,246.1	3,621.0
Long-term debt	34,675.6	34,118.1
Long-term lease liability	12,478.9	12,757.8
Long-term income taxes	1,871.3	2,265.9
Deferred revenues - initial franchise fees	664.2	660.6
Other long-term liabilities	916.7	979.6
Deferred income taxes	1,549.2	1,318.1
Shareholders' equity (deficit)		
Preferred stock, no par value; authorized – 165.0 million shares; issued – none	—	—
Common stock, \$.01 par value; authorized – 3.5 billion shares; issued – 1,660.6 million shares	16.6	16.6
Additional paid-in capital	7,780.0	7,653.9
Retained earnings	52,660.8	52,930.5
Accumulated other comprehensive income (loss)	(2,806.3)	(2,482.7)
Common stock in treasury, at cost; 916.5 and 914.3 million shares	(67,114.2)	(66,328.6)
Total shareholders' equity (deficit)	(9,463.1)	(8,210.3)
Total liabilities and shareholders' equity (deficit)	\$ 49,938.9	\$ 47,510.8

See Notes to condensed consolidated financial statements.

CONDENSED CONSOLIDATED STATEMENT OF INCOME (UNAUDITED)

In millions, except per share data	Quarters Ended		Six Months Ended	
	June 30,	2019	June 30,	2019
	2020		2020	
Revenues				
Sales by Company-operated restaurants	\$ 1,593.7	\$ 2,400.4	\$ 3,619.5	\$ 4,640.9
Revenues from franchised restaurants	2,088.0	2,940.9	4,696.0	5,656.0
Other revenues	79.8	68.5	160.4	137.0
Total revenues	3,761.5	5,409.8	8,475.9	10,433.9
Operating costs and expenses				
Company-operated restaurant expenses	1,448.4	1,967.1	3,201.2	3,853.3
Franchised restaurants-occupancy expenses	524.5	544.7	1,078.7	1,077.8
Other restaurant expenses	63.3	55.4	128.8	108.7
Selling, general & administrative expenses				
Depreciation and amortization	71.0	63.2	144.5	124.6
Other	576.0	469.9	1,092.3	907.6
Other operating (income) expense, net	117.2	35.6	175.7	(6.0)
Total operating costs and expenses	2,800.4	3,135.9	5,821.2	6,066.0
Operating income	961.1	2,273.9	2,654.7	4,367.9
Interest expense	319.1	284.2	599.1	558.3
Nonoperating (income) expense, net	(6.7)	(18.1)	(38.0)	(29.5)
Income before provision for income taxes	648.7	2,007.8	2,093.6	3,839.1
Provision for income taxes	164.9	490.9	502.9	993.8
Net income	\$ 483.8	\$ 1,516.9	\$ 1,590.7	\$ 2,845.3
Earnings per common share-basic	\$ 0.65	\$ 1.99	\$ 2.14	\$ 3.73
Earnings per common share-diluted	\$ 0.65	\$ 1.97	\$ 2.12	\$ 3.69
Dividends declared per common share	\$ 1.25	\$ 1.16	\$ 2.50	\$ 2.32
Weighted-average shares outstanding-basic	743.8	761.8	744.3	763.3
Weighted-average shares outstanding-diluted	748.6	768.7	749.6	770.2

See Notes to condensed consolidated financial statements.

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME (UNAUDITED)

In millions	Quarters Ended		Six Months Ended	
	June 30,		June 30,	
	2020	2019	2020	2019
Net income	\$ 483.8	\$1,516.9	\$1,590.7	\$2,845.3
Other comprehensive income (loss), net of tax				
Foreign currency translation adjustments:				
Gain (loss) recognized in accumulated other comprehensive income ("AOCI"), including net investment hedges	207.1	27.4	(259.1)	70.8
Reclassification of (gain) loss to net income	—	1.2	—	46.8
Foreign currency translation adjustments-net of tax benefit (expense) of \$66.1, \$27.8, (\$49.2), and (\$32.2)	207.1	28.6	(259.1)	117.6
Cash flow hedges:				
Gain (loss) recognized in AOCI	(17.6)	1.0	(57.2)	9.2
Reclassification of (gain) loss to net income	(1.7)	(8.0)	(10.8)	(17.0)
Cash flow hedges-net of tax benefit (expense) of \$5.8, \$2.0, \$20.5, and \$2.3	(19.3)	(7.0)	(68.0)	(7.8)
Defined benefit pension plans:				
Gain (loss) recognized in AOCI	(0.6)	0.4	(2.5)	0.4
Reclassification of (gain) loss to net income	2.9	1.5	6.0	2.7
Defined benefit pension plans-net of tax benefit (expense) of \$0.1, \$0.0, \$0.5, and \$0.0	2.3	1.9	3.5	3.1
Total other comprehensive income (loss), net of tax	190.1	23.5	(323.6)	112.9
Comprehensive income (loss)	\$ 673.9	\$1,540.4	\$1,267.1	\$2,958.2

See Notes to condensed consolidated financial statements.

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS (UNAUDITED)

In millions	Quarters Ended		Six Months Ended	
	2020	2019	2020	2019
Operating activities				
Net income	\$ 483.8	\$ 1,516.9	\$ 1,590.7	\$ 2,845.3
Adjustments to reconcile to cash provided by operations				
Charges and credits:				
Depreciation and amortization	425.7	398.3	847.0	790.9
Deferred income taxes	(42.1)	58.0	234.3	112.3
Share-based compensation	30.8	28.9	56.7	60.5
Other	119.2	14.9	31.3	66.4
Changes in working capital items	(1,230.5)	(91.5)	(1,427.1)	70.7
Cash provided by (used for) operations	(213.1)	1,925.5	1,332.9	3,946.1
Investing activities				
Capital expenditures	(305.0)	(597.8)	(787.5)	(1,113.1)
Purchases of restaurant businesses	(23.7)	(384.8)	(43.3)	(393.8)
Sales of restaurant businesses	1.8	68.6	27.5	200.5
Sales of property	1.8	68.9	17.6	91.2
Other	(71.5)	(54.9)	(129.3)	(456.1)
Cash used for investing activities	(396.6)	(900.0)	(915.0)	(1,671.3)
Financing activities				
Net short-term borrowings	(4.1)	589.1	107.7	495.1
Long-term financing issuances	0.8	6.5	5,540.2	2,519.8
Long-term financing repayments	(699.9)	(981.2)	(962.6)	(1,396.2)
Treasury stock purchases	(2.3)	(1,067.4)	(904.9)	(2,063.5)
Common stock dividends	(929.7)	(883.0)	(1,860.4)	(1,769.8)
Proceeds from stock option exercises	57.7	139.4	157.0	250.0
Other	(0.4)	0.5	(121.9)	(10.8)
Cash provided by (used for) financing activities	(1,577.9)	(2,196.1)	1,955.1	(1,975.4)
Effect of exchange rates on cash and cash equivalents	63.5	16.0	(15.8)	(30.9)
Cash and equivalents increase (decrease)	(2,124.1)	(1,154.6)	2,357.2	268.5
Cash and equivalents at beginning of period	5,379.8	2,289.1	898.5	866.0
Cash and equivalents at end of period	\$ 3,255.7	\$ 1,134.5	\$ 3,255.7	\$ 1,134.5

See Notes to condensed consolidated financial statements.

CONDENSED CONSOLIDATED STATEMENT OF SHAREHOLDERS' EQUITY (UNAUDITED)

For the six months ended June 30, 2019

<i>In millions, except per share data</i>	<i>Common stock issued</i>		<i>Additional paid-in capital</i>	<i>Retained earnings</i>	<i>Accumulated other comprehensive income (loss)</i>			<i>Common stock in treasury</i>		<i>Total shareholders' equity (deficit)</i>
	<i>Shares</i>	<i>Amount</i>			<i>Pensions</i>	<i>Cash flow hedges</i>	<i>Foreign currency translation</i>	<i>Shares</i>	<i>Amount</i>	
Balance at December 31, 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				2,845.3						2,845.3
Other comprehensive income (loss), net of tax					3.1	(7.8)	117.6			112.9
Comprehensive income										2,958.2
Common stock cash dividends (\$2.32 per share)				(1,769.8)						(1,769.8)
Treasury stock purchases								(10.8)	(2,047.3)	(2,047.3)
Share-based compensation			60.5							60.5
Stock option exercises and other			113.0					3.1	135.0	248.0
Balance at June 30, 2019	1,660.6	\$ 16.6	\$ 7,549.5	\$ 51,562.5	\$ (213.5)	\$ 24.6	\$ (2,307.7)	(901.2)	\$ (63,440.8)	\$ (6,808.8)

For the six months ended June 30, 2020

<i>In millions, except per share data</i>	<i>Common stock issued</i>		<i>Additional paid-in capital</i>	<i>Retained earnings</i>	<i>Accumulated other comprehensive income (loss)</i>			<i>Common stock in treasury</i>		<i>Total shareholders' equity (deficit)</i>
	<i>Shares</i>	<i>Amount</i>			<i>Pensions</i>	<i>Cash flow hedges</i>	<i>Foreign currency translation</i>	<i>Shares</i>	<i>Amount</i>	
Balance at December 31, 2019	1,660.6	\$ 16.6	\$ 7,653.9	\$ 52,930.5	\$ (243.7)	\$ 12.0	\$ (2,251.0)	(914.3)	\$ (66,328.6)	\$ (8,210.3)
Net income				1,590.7						1,590.7
Other comprehensive income (loss), net of tax					3.5	(68.0)	(259.1)			(323.6)
Comprehensive income										1,267.1
Common stock cash dividends (\$2.50 per share)				(1,860.4)						(1,860.4)
Treasury stock purchases								(4.3)	(871.2)	(871.2)
Share-based compensation			56.7							56.7
Stock option exercises and other			69.4					2.1	85.6	155.0
Balance at June 30, 2020	1,660.6	\$ 16.6	\$ 7,780.0	\$ 52,660.8	\$ (240.2)	\$ (56.0)	\$ (2,510.1)	(916.5)	\$ (67,114.2)	\$ (9,463.1)

See Notes to condensed consolidated financial statements.

CONDENSED CONSOLIDATED STATEMENT OF SHAREHOLDERS' EQUITY (UNAUDITED)
For the quarter ended June 30, 2019

<i>In millions, except per share data</i>	<i>Common stock issued</i>		<i>Additional paid-in capital</i>	<i>Retained earnings</i>	<i>Accumulated other comprehensive income (loss)</i>			<i>Common stock in treasury</i>		<i>Total shareholders' equity (deficit)</i>
	<i>Shares</i>	<i>Amount</i>			<i>Pensions</i>	<i>Cash flow hedges</i>	<i>Foreign currency translation</i>	<i>Shares</i>	<i>Amount</i>	
Balance at 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)
Net income				1,516.9						1,516.9
Other comprehensive income (loss), net of tax					1.9	(7.0)	28.6			23.5
Comprehensive income										1,540.4
Common stock cash dividends (\$1.16 per share)				(883.0)						(883.0)
Treasury stock purchases								(5.4)	(1,083.6)	(1,083.6)
Share-based compensation			28.9							28.9
Stock option exercises and other			82.1					1.3	57.3	139.4
Balance at June 30, 2019	1,660.6	\$ 16.6	\$ 7,549.5	\$ 51,562.5	\$ (213.5)	\$ 24.6	\$ (2,307.7)	(901.2)	\$ (63,440.8)	\$ (6,808.8)

For the quarter ended June 30, 2020

<i>In millions, except per share data</i>	<i>Common stock issued</i>		<i>Additional paid-in capital</i>	<i>Retained earnings</i>	<i>Accumulated other comprehensive income (loss)</i>			<i>Common stock in treasury</i>		<i>Total shareholders' equity (deficit)</i>
	<i>Shares</i>	<i>Amount</i>			<i>Pensions</i>	<i>Cash flow hedges</i>	<i>Foreign currency translation</i>	<i>Shares</i>	<i>Amount</i>	
Balance at March 31, 2020	1,660.6	\$ 16.6	\$ 7,713.5	\$ 53,106.7	\$ (242.5)	\$ (36.7)	\$ (2,717.2)	(917.1)	\$ (67,133.8)	\$ (9,293.4)
Net income				483.8						483.8
Other comprehensive income (loss), net of tax					2.3	(19.3)	207.1			190.1
Comprehensive income										673.9
Common stock cash dividends (\$1.25 per share)				(929.7)						(929.7)
Treasury stock purchases								(0.1)	(2.3)	(2.3)
Share-based compensation			30.8							30.8
Stock option exercises and other			35.7					0.7	21.9	57.6
Balance at June 30, 2020	1,660.6	\$ 16.6	\$ 7,780.0	\$ 52,660.8	\$ (240.2)	\$ (56.0)	\$ (2,510.1)	(916.5)	\$ (67,114.2)	\$ (9,463.1)

See Notes to condensed consolidated financial statements.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

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

Basis of Presentation

The accompanying Condensed Consolidated Financial Statements should be read in conjunction with the Consolidated Financial Statements contained in the Company's December 31, 2019 Annual Report on Form 10-K. In the opinion of management, all adjustments (consisting of normal recurring accruals) necessary for a fair presentation have been included. The results for the quarter and six months ended June 30, 2020, do not necessarily indicate the results that may be expected for the full year.

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

Restaurant Information

The following table presents restaurant information by ownership type:

Restaurants at June 30,	2020	2019
Conventional franchised	21,822	21,717
Developmental licensed	7,685	7,413
Foreign affiliated	6,864	6,331
Total Franchised	36,371	35,461
Company-operated	2,649	2,647
Total Systemwide restaurants	39,020	38,108

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 4.8 million shares and 6.9 million shares for the quarters 2020 and 2019, respectively, and 5.3 million shares and 6.9 million shares for the six months 2020 and 2019, respectively. Share-based compensation awards that would have been antidilutive, and therefore were not included in the calculation of diluted weighted-average shares, totaled 2.8 million shares and 1.1 million shares for the quarters 2020 and 2019, respectively, and 2.8 million shares and 2.0 million shares for the six months 2020 and 2019, respectively.

Recent Accounting Pronouncements

Recently Adopted Accounting Pronouncements

Financial Instruments - Credit Losses

In June 2016, the FASB issued guidance codified in Accounting Standards Codification Topic 326, "Financial Instruments – Credit Losses: Measurements of Credit Losses on Financial Instruments". The standard replaces the incurred loss impairment methodology in prior GAAP with a methodology that instead reflects a current estimate of all expected credit losses on financial assets, including receivables. The guidance requires that an entity measure and recognize expected credit losses at the time the asset is recorded, while considering a broader range of information to estimate credit losses including country specific macroeconomic conditions that correlate with historical loss experience, delinquency trends and aging behavior of receivables, among others. The Company adopted this guidance effective January 1, 2020, prospectively, and the adoption of this standard did not have a material impact to the Condensed Consolidated Financial Statements. The Company had an Allowance for bad debts of \$116.7 million as of June 30, 2020 recorded as a reduction to Accounts and notes receivable on the Condensed Consolidated Balance Sheet. Included in this amount were increases in the allowance related to rent and royalty deferrals of \$45 million and \$92 million for the quarter and six months, respectively. The Company will continue to actively monitor the impact of the COVID-19 pandemic on expected losses.

Recent Accounting Pronouncements Not Yet Adopted

Income Taxes

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

Reference Rate Reform

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

Updates to Significant Accounting Policies

Revenue recognition

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

Sales by Company-operated restaurants are recognized on a cash basis at the time of the underlying sale and are presented net of sales tax and other sales-related taxes. Royalty revenues are based on a percent of sales and recognized at the time the underlying sales occur. Rental income includes both minimum rent payments, which are recognized straight-line over the franchise term (with the exception of rent concessions as a result of COVID-19 – refer to the Leasing policy update on page 11), and variable rent payments based on a percent of sales, which are recognized at the time the underlying sales occur. Initial fees are recognized as the Company satisfies the performance obligation over the franchise term, which is generally 20 years.

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

Long-lived assets, Goodwill and Capitalized Software

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

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

In addition to the Long-lived assets and Goodwill impairment analysis, the Company reviews capitalized software for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable or if an indicator of impairment exists, which occurs more regularly throughout the year, such as when new software may be ready for its intended use. Results for the quarter and six months 2020 reflected write-offs of impaired software that were no longer being used of \$11.9 million and \$26.3 million, respectively.

Leasing

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

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

The Company deferred collection of approximately \$150 million and \$450 million of rental income on revenue that was recognized in the quarter and six months, respectively. Rental income includes both minimum rent payments and variable rent payments based on a percent of sales. The extent of the deferrals differs in length by market, but the deferrals primarily impact cash collection in the second quarter of 2020, the vast majority of which is expected to be collected in the third and fourth quarters of 2020.

Refer to the Cash Flow and Liquidity section on page 27 of this Form 10-Q for additional information on deferred collections of rental income as well as royalties.

Fair Value Measurements

The Company measures certain financial assets and liabilities at fair value. Fair value disclosures are reflected in a three-level hierarchy, maximizing the use of observable inputs and minimizing the use of unobservable inputs. The Company did not have any significant changes to the valuation techniques used to measure fair value as described in the Company's December 31, 2019 Annual Report on Form 10-K.

At June 30, 2020, the fair value of the Company's debt obligations was estimated at \$43.9 billion, compared to a carrying amount of \$38.8 billion, which reflects the new financings during the first quarter of a \$1 billion line of credit and \$5.5 billion of debt issuances under the Company's existing registration statement on Form S-3 with maturities ranging from 2025 to 2050 and interests rates ranging from 1.45% to 4.20%. The fair value was based upon quoted market prices, Level 2 within the valuation hierarchy. The carrying amounts of cash and equivalents, short-term investments and notes receivable approximate fair value.

Financial Instruments and Hedging Activities

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

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

<i>In millions</i>	Derivative Assets			Derivative Liabilities		
	Balance Sheet Classification	June 30, 2020	December 31, 2019	Balance Sheet Classification	June 30, 2020	December 31, 2019
Derivatives designated as hedging instruments						
Foreign currency	Prepaid expenses and other current assets	\$ 10.4	\$ 10.0	Accrued payroll and other liabilities	\$ (4.9)	\$ (5.2)
Interest rate	Prepaid expenses and other current assets			Accrued payroll and other liabilities		
Foreign currency	Miscellaneous other assets	24.7	9.5	Other long-term liabilities	(2.2)	(1.2)
Interest rate	Miscellaneous other assets	39.3	12.1	Other long-term liabilities		
Total derivatives designated as hedging instruments		\$ 74.4	\$ 31.6		\$ (7.1)	\$ (6.4)
Derivatives not designated as hedging instruments						
Equity	Prepaid expenses and other current assets	\$ 0.2	\$ 1.6	Accrued payroll and other liabilities	\$ —	\$ (0.1)
Foreign currency	Prepaid expenses and other current assets	—	12.4	Accrued payroll and other liabilities	(0.6)	(4.8)
Equity	Miscellaneous other assets	155.3	179.1			
Total derivatives not designated as hedging instruments		\$ 155.5	\$ 193.1		\$ (0.6)	\$ (4.9)
Total derivatives		\$ 229.9	\$ 224.7		\$ (7.7)	\$ (11.3)

The following table presents the pre-tax amounts from derivative instruments affecting income and AOCI for the six months ended June 30, 2020 and 2019, 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	
		2020	2019	2020	2019	2020	2019
Foreign currency	Nonoperating income/expense	\$ 16.4	\$ 11.9	\$ 16.4	\$ 22.6		
Interest rate	Interest expense	(90.8)		(2.3)	(0.6)		
Cash flow hedges		\$ (74.4)	\$ 11.9	\$ 14.1	\$ 22.0		
Foreign currency denominated debt	Nonoperating income/expense	\$ 91.3	\$ 104.3				
Foreign currency derivatives	Nonoperating income/expense	15.0	9.2				
Foreign currency derivatives ⁽¹⁾	Interest expense					\$ 7.3	\$ 5.1
Net investment hedges		\$ 106.3	\$ 113.5			\$ 7.3	\$ 5.1
Foreign currency	Nonoperating income/expense					\$ (10.9)	\$ (2.9)
Equity	Selling, general & administrative expenses					(23.6)	61.0
Undesignated derivatives						\$ (34.5)	\$ 58.1

⁽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 June 30, 2020, the carrying amount of fixed-rate debt that was effectively converted was \$1.0 billion, which included an increase of \$39.3 million of cumulative hedging adjustments. For the six months ended June 30, 2020, the Company recognized a \$27.2 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. To protect against the variability of interest rates of an anticipated bond issuance, the Company may use treasury locks to hedge a portion of the expected future cash flows.

As of June 30, 2020, the Company had derivatives outstanding with an equivalent notional amount of \$934.9 million that hedged a portion of forecasted foreign currency denominated cash flows.

Based on market conditions at June 30, 2020, the \$56.0 million in cumulative cash flow hedging losses, after tax, is not expected to have a significant effect on earnings over the next 12 months.

Net Investment Hedges

The Company primarily uses foreign currency denominated debt (third party and intercompany) to hedge its investments in certain foreign subsidiaries and affiliates. Realized and unrealized translation adjustments from these hedges are included in shareholders' equity in the foreign currency translation component of Other comprehensive income ("OCI") and offset translation adjustments on the underlying net assets of foreign subsidiaries and affiliates, which also are recorded in OCI. As of June 30, 2020, \$12.2 billion of the Company's third party foreign currency denominated debt and \$0.5 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 June 30, 2020 and has master agreements that contain netting arrangements. For financial reporting purposes, the Company presents gross derivative balances in the financial statements and supplementary data, including for counterparties subject to netting arrangements. Some of these agreements also require each party to post collateral if credit ratings fall below, or aggregate exposures exceed, certain contractual limits. At June 30, 2020, 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

Revenues from franchised restaurants consisted of:

In millions	Quarters Ended		Six Months Ended	
	June 30,		June 30,	
	2020	2019	2020	2019
Rents	\$ 1,314.9	\$ 1,898.6	\$ 2,983.1	\$ 3,646.2
Royalties	762.0	1,031.8	1,690.8	1,988.5
Initial fees	11.1	10.5	22.1	21.3
Revenues from franchised restaurants	\$ 2,088.0	\$ 2,940.9	\$ 4,696.0	\$ 5,656.0

Segment Information

The Company operates under an organizational structure with the following global business segments reflecting how management reviews and evaluates operating performance:

- U.S. - the Company's largest market. The segment is 95% franchised as of June 30, 2020.
- International Operated Markets - comprised of wholly-owned markets, or countries in which the Company operates restaurants, including Australia, Canada, France, Germany, Italy, the Netherlands, Russia, Spain and the U.K. The segment is 84% franchised as of June 30, 2020.
- International Developmental Licensed Markets & Corporate - comprised of primarily developmental licensee and affiliate markets in the McDonald's system. Corporate activities are also reported within this segment. The segment is 98% franchised as of June 30, 2020.

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

In millions	Quarters Ended		Six Months Ended	
	June 30,		June 30,	
	2020	2019	2020	2019
Revenues				
U.S.	\$ 1,758.6	\$ 2,043.8	\$ 3,629.6	\$ 3,931.4
International Operated Markets	1,612.5	2,904.5	4,016.8	5,587.2
International Developmental Licensed Markets & Corporate	390.4	461.5	829.5	915.3
Total revenues	\$ 3,761.5	\$ 5,409.8	\$ 8,475.9	\$ 10,433.9
Operating Income				
U.S.	\$ 735.2	\$ 1,048.8	1,627.6	2,000.7
International Operated Markets	234.8	1,218.8	1,113.9	2,266.8
International Developmental Licensed Markets & Corporate	(8.9)	6.3	(86.8)	100.4
Total operating income	\$ 961.1	\$ 2,273.9	2,654.7	4,367.9

Subsequent Events

The Company evaluated subsequent events through the date the financial statements were issued and filed with the Securities and Exchange Commission.

In July 2020, the Company announced its plan to divest a portion of our stake in McDonald's Japan, which is a publicly traded company on the Japan Exchange Group (JASDAQ). The Company currently owns about 49% of McDonald's Japan and we record our share of net results in Equity in earnings of unconsolidated affiliates. We will retain at least a 35% ownership and expect the divestiture will occur gradually over time.

On July 30, 2020 the Company repaid the total \$1 billion balance on its line of credit that was classified as Short-term borrowings on the Condensed Consolidated Balance Sheet as of June 30, 2020. The \$1 billion line of credit agreement remains in place and the amount remains available to be borrowed.

There were no other subsequent events that required recognition or disclosure.

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

Overview

The Company franchises and operates McDonald's restaurants, which serve a locally-relevant menu of quality food and beverages in 119 countries. Of the 39,020 restaurants at June 30, 2020, 36,371 were franchised, which is 93% of McDonald's restaurants.

The Company's reporting segments are aligned with its strategic priorities and reflect how management reviews and evaluates operating performance. Significant reportable segments include the United States ("U.S.") and International Operated Markets. In addition, throughout this report we present the International Developmental Licensed Markets & Corporate segment, which includes markets in over 80 countries, as well as Corporate activities.

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

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

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

The Company's revenues consist of sales by Company-operated restaurants and fees from restaurants operated by franchisees. Fees vary by type of site, amount of Company investment, if any, and local business conditions. These fees, along with occupancy and operating rights, are stipulated in franchise/license agreements that generally have 20-year terms. The Company's Other revenues are comprised of technology fees paid by franchisees, revenues from brand licensing arrangements, and third party revenues for the Dynamic Yield business.

Conventional Franchise

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

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

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

Developmental License or Affiliate

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

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

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

COVID-19 Impact and Strategic Direction

Driven by our Velocity Growth Plan (the "Plan") the Company delivered strong global comparable sales in 2019 and early 2020. The outbreak of COVID-19 and the resulting operational impact brought on by several related factors, including temporary restaurant closures, limited operations and dramatic changes in consumer behavior, led to a marked decline in sales during the second half of March and early in the second quarter. The Company focused on contactless service and enhancing operating procedures to create a safe environment for both customers and crew. Global monthly comparable sales sequentially improved throughout the second quarter as markets reopened and government restrictions eased. In addition, the Company is:

- Capitalizing on our high drive-thru penetration during the COVID-19 pandemic. Our drive-thru presence around the world has proven to be a competitive advantage as markets with a higher percentage of drive-thru are showing quicker recovery.
- Focusing on running great restaurants by simplifying operations through a limited menu rooted in our core, iconic menu items and by creating a better customer experience with improved speed of service.

While the Company cannot predict the duration or scope of the COVID-19 pandemic, it has negatively impacted the business and our financial results, condition and outlook. The Company has demonstrated the strategic foresight that will position our business for future success. This includes the Company's investments in technology and new capabilities through the following initiatives:

- Delivery. We now offer delivery in over 27,000 restaurants around the world and our delivery sales are up significantly versus pre-COVID-19 levels. We have been leveraging learnings throughout the System and sharing innovative best practices across our markets, including the use of contactless delivery, to adapt to changing customer behaviors. We continue to see great opportunities with delivery, and are focusing our efforts on encouraging customer order frequency and retention in 2020 and beyond.
- Digital. The investments the Company has made over the past several years with our emerging digital customer experience platform; including mobile order and pay and the acquisitions of Dynamic Yield and Apprente, remain a priority for our business. Dynamic Yield has been implemented via outdoor digital menu boards across the U.S. and Australia, offering customers a more customized experience, while Apprente, the conversational interface technology is expected to provide more efficient and accurate ordering in the drive-thru in the future. Our digital investments enable us to give customers more choices and flexibility in how they order, pay, and receive their food during this unprecedented time and will remain important to our business moving forward.

The Company is confident that our customer focus and current prioritization of resources will be important levers as we drive our recovery and we will continue to use our strategic agility to adapt to the evolving environment. While the Plan has served us well and elements of the Plan will continue to be important, we will continue to evolve the strategy as needed to meet the needs of the customer.

Second Quarter and Six Months 2020 Financial Performance

Global comparable sales increased 7.2% for the two months ended February 2020, with all segments benefiting from Leap Day. Globally, sales results began to markedly decline during the second half of March due to COVID-19. Throughout the second quarter of 2020, the U.S., International Operated Markets segment and global monthly comparable sales results sequentially improved as markets reopened restaurants and governments eased restrictions. Global comparable sales decreased 23.9% for the quarter and 14.0% for the six months.

- U.S. comparable sales decreased 8.7% for the quarter and 4.5% for the six months. Comparable sales results for the second quarter of 2020 continued to benefit from strong average check growth. Comparable guest counts remained negative, particularly at the breakfast daypart.
- International Operated Markets segment comparable sales decreased 41.4% for the quarter and 24.8% for the six months. Both periods were heavily impacted by temporary restaurant closures and limited operations, particularly in the U.K. and France.
- International Developmental Licensed Markets segment comparable sales decreased 24.2% for the quarter and 14.4% for the six months. The second quarter results were primarily impacted by temporary restaurant closures across nearly all geographies, most notably in Latin America. Results for the quarter and six months reflected continued negative comparable sales in China. Results for both periods also reflected positive comparable sales in Japan.

In addition to the comparable sales results, the Company had the following financial results for the quarter and six months 2020:

- Consolidated revenues decreased 30% (29% in constant currencies) for the quarter and 19% (17% in constant currencies) for the six months.
- Systemwide sales decreased 24% (23% in constant currencies) for the quarter and 14% (13% in constant currencies) for the six months.
- Consolidated operating income decreased 58% (57% in constant currencies) for the quarter and 39% (38% in constant currencies) for the six months.
- Diluted earnings per share decreased 67% (66% in constant currencies) to \$0.65 for the quarter and decreased 43% (42% in constant currencies) to \$2.12 for the six months. Refer to the Net Income and Diluted Earnings per Share section on page 19 for additional details.

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

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

- Constant currency results exclude the effects of foreign currency translation and are calculated by translating current year results at prior year average exchange rates. Management reviews and analyzes business results excluding the effect of foreign currency translation, impairment and other strategic charges and gains, as well as income tax provision adjustments related to the Tax Act, and bases incentive compensation plans on these results, because the Company believes this better represents underlying business trends.
- Comparable sales are compared to the same period in the prior year and represent sales at all restaurants, whether operated by the Company or by franchisees, in operation at least thirteen months including those temporarily closed. Some of the reasons restaurants may be temporarily closed include reimagining or remodeling, rebuilding, road construction and natural disasters (which includes restaurants temporarily closed due to COVID-19 in 2020). Comparable sales exclude the impact of currency translation, and, since 2017, also exclude sales from Venezuela due to its hyper-inflation. Management generally identifies hyper-inflationary markets as those markets whose cumulative inflation rate over a three-year period exceeds 100%. Management believes that these exclusions more accurately reflect the underlying business trends. Comparable sales are driven by changes in guest counts and average check, which is affected by changes in pricing and product mix. The goal is to achieve a relatively balanced contribution from both guest counts and average check.
- Comparable guest counts represent the number of transactions at all restaurants, whether operated by the Company or by franchisees, in operation at least thirteen months including those temporarily closed.
- Systemwide sales include sales at all restaurants, whether operated by the Company or by franchisees. While franchised sales are not recorded as revenues by the Company, management believes the information is important in understanding the Company's financial performance, because these sales are the basis on which the Company calculates and records franchised revenues and are indicative of the financial health of the franchisee base. The Company's revenues consist solely of sales by Company-operated restaurants and fees from franchised restaurants operated by conventional franchisees, developmental licensees and affiliates.

CONSOLIDATED OPERATING RESULTS

Dollars in millions, except per share data	Quarter Ended June 30, 2020		Six Months Ended June 30, 2020	
	Amount	Increase/ (Decrease)	Amount	Increase/ (Decrease)
Revenues				
Sales by Company-operated restaurants	\$ 1,593.7	(34)%	\$ 3,619.5	(22)%
Revenues from franchised restaurants	2,088.0	(29)	4,696.0	(17)
Other revenues	79.8	16	160.4	17
Total revenues	3,761.5	(30)	8,475.9	(19)
Operating costs and expenses				
Company-operated restaurant expenses	1,448.4	(26)	3,201.2	(17)
Franchised restaurants-occupancy expenses	524.5	(4)	1,078.7	0
Other restaurant expenses	63.3	14	128.8	18
Selling, general & administrative expenses				
Depreciation and amortization	71.0	12	144.5	16
Other	576.0	23	1,092.3	20
Other operating (income) expense, net	117.2	n/m	175.7	n/m
Total operating costs and expenses	2,800.4	(11)	5,821.2	(4)
Operating income	961.1	(58)	2,654.7	(39)
Interest expense	319.1	12	599.1	7
Nonoperating (income) expense, net	(6.7)	63	(38.0)	(29)
Income before provision for income taxes	648.7	(68)	2,093.6	(45)
Provision for income taxes	164.9	(66)	502.9	(49)
Net income	\$ 483.8	(68)%	\$ 1,590.7	(44)%
Earnings per common share-basic	\$ 0.65	(67)%	\$ 2.14	(43)%
Earnings per common share-diluted	\$ 0.65	(67)%	\$ 2.12	(43)%

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 June 30,	2020	2019	2020
Revenues	\$ 3,761.5	\$ 5,409.8	\$ (82.5)
Company-operated margins	145.3	433.3	(1.3)
Franchised margins	1,563.5	2,396.2	(21.1)
Selling, general & administrative expenses	647.0	533.1	4.8
Operating income	961.1	2,273.9	(16.5)
Net income	483.8	1,516.9	(10.5)
Earnings per share-diluted	\$ 0.65	\$ 1.97	\$ (0.01)
			Currency Translation Benefit/ (Cost)
Six Months Ended June 30,	2020	2019	2020
Revenues	\$ 8,475.9	\$10,433.9	\$ (157.3)
Company-operated margins	418.3	787.6	(4.9)
Franchised margins	3,617.3	4,578.2	(56.3)
Selling, general & administrative expenses	1,236.8	1,032.2	8.6
Operating income	2,654.7	4,367.9	(52.8)
Net income	1,590.7	2,845.3	(23.3)
Earnings per share-diluted	\$ 2.12	\$ 3.69	\$ (0.03)

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

Net Income and Diluted Earnings per Share

For the quarter, net income decreased 68% (67% in constant currencies) to \$483.8 million, and diluted earnings per share decreased 67% (66% in constant currencies) to \$0.65. Foreign currency translation had a negative impact of \$0.01 on diluted earnings per share.

For the six months, net income decreased 44% (43% in constant currencies) to \$1,590.7 million, and diluted earnings per share decreased 43% (42% in constant currencies) to \$2.12. Foreign currency translation had a negative impact of \$0.03 on diluted earnings per share.

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

Results for the quarter and six months also included the following:

- Over \$200 million of committed incremental franchisee support for marketing to accelerate recovery and drive growth across the U.S. and International Operated Markets.
 - About \$100 million was recorded in the U.S., with over half of that amount reflected in franchised margins and the remaining amount reflected in Selling, General and Administrative Expenses.
 - The remaining over \$100 million of support was recorded in Selling, General and Administrative Expenses in the International Operated Markets segment.
- \$31 million of payments to distribution centers for obsolete inventory to support franchisee liquidity (reflected in Other Operating (Income) Expenses, Net).
- An increase in reserves for bad debts of \$45 million and \$92 million for the quarter and six months, respectively.
- Lower gains on sales of restaurant businesses.
- Lower equity in earnings of unconsolidated affiliates.

Outlined below is additional information for the quarter and six months ended June 30, 2020:

EARNINGS PER SHARE-DILUTED RECONCILIATION

	Quarters Ended June 30,				Six Months Ended June 30,			
	2020	2019	Inc/ (Dec)	Inc/ (Dec) Excluding Currency Translation	2020	2019	Inc/ (Dec)	Inc/ (Dec) Excluding Currency Translation
GAAP earnings per share-diluted	\$ 0.65	\$ 1.97	(67) %	(66) %	\$ 2.12	\$ 3.69	(43) %	(42) %
Strategic charges	0.01	0.08			0.01	0.08		
Non-GAAP earnings per share-diluted	\$ 0.66	\$ 2.05	(68) %	(67) %	\$ 2.13	\$ 3.77	(44) %	(43) %

Results for the quarter and six months 2020 included \$0.01 per share of pre-tax strategic charges primarily due to the write-off of impaired software that was no longer being used of \$12 million and \$26 million, respectively. The six months was offset by \$13 million of income primarily comprised of a reversal of a reserve associated with the Company's sale of its business in the India Delhi market in January 2020.

Results for the quarter and six months 2019 included \$78 million of pre-tax strategic charges, or \$0.08 per share, primarily related to impairment associated with the purchase of our joint venture partner's interest in the India Delhi market, partly offset by gains on the sales of property at the former Corporate headquarters.

Diluted earnings per share for both periods benefited from a decrease in diluted weighted average shares outstanding. For the six months, the Company repurchased 4.3 million shares of stock for \$871.2 million. The Company suspended its share repurchase program in early March; therefore, no shares have been repurchased since then. In addition, in the second quarter, the Company paid a quarterly dividend of \$1.25 per share, or \$929.7 million, bringing total dividends paid for the six months to \$1.9 billion.

Revenues

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

Franchised restaurants represented 93% of McDonald's restaurants worldwide at June 30, 2020. The Company's heavily franchised business model is designed to generate stable and predictable revenue, which is largely a function of franchisee sales, and resulting cash flow streams. As most revenues are based on a percent of sales, the Company expects that temporary restaurant closures, limited operations and dramatic changes in consumer behavior as a result of COVID-19 will continue to have a significant negative impact on revenue. The Company has granted the deferral of cash collection for certain rent and royalties earned from franchisees in substantially all markets. The extent of the deferrals differs in length by market. Although the Company is deferring cash collection, revenue is continuing to be recognized as sales are incurred.

REVENUES
Dollars in millions

Quarters Ended June 30,	2020	2019	Inc/ (Dec)	Inc/ (Dec) Excluding Currency Translation
<i>Company-operated sales</i>				
U.S.	\$ 551.8	\$ 634.8	(13)%	(13)%
International Operated Markets	882.8	1,621.9	(46)	(43)
International Developmental Licensed Markets & Corporate	159.1	143.7	11	16
Total	\$ 1,593.7	\$ 2,400.4	(34)%	(31)%
<i>Franchised revenues</i>				
U.S.	\$ 1,165.2	\$ 1,372.8	(15)%	(15)%
International Operated Markets	706.5	1,262.4	(44)	(42)
International Developmental Licensed Markets & Corporate	216.3	305.7	(29)	(26)
Total	\$ 2,088.0	\$ 2,940.9	(29)%	(28)%
<i>Total Company-operated sales and Franchised revenues</i>				
U.S.	\$ 1,717.0	\$ 2,007.6	(14)%	(14)%
International Operated Markets	1,589.3	2,884.3	(45)	(43)
International Developmental Licensed Markets & Corporate	375.4	449.4	(16)	(13)
Total	\$ 3,681.7	\$ 5,341.3	(31)%	(30)%
Total Other revenues	\$ 79.8	\$ 68.5	16 %	18 %
Total Revenues	\$ 3,761.5	\$ 5,409.8	(30)%	(29)%
Six Months Ended June 30,	2020	2019	Inc/ (Dec)	Inc/ (Dec) Excluding Currency Translation
<i>Company-operated sales</i>				
U.S.	\$ 1,131.0	\$ 1,232.4	(8)%	(8)%
International Operated Markets	2,188.1	3,109.8	(30)	(27)
International Developmental Licensed Markets & Corporate	300.4	298.7	1	6
Total	\$ 3,619.5	\$ 4,640.9	(22)%	(20)%
<i>Franchised revenues</i>				
U.S.	\$ 2,415.9	\$ 2,621.4	(8)%	(8)%
International Operated Markets	1,780.5	2,437.5	(27)	(25)
International Developmental Licensed Markets & Corporate	499.6	597.1	(16)	(13)
Total	\$ 4,696.0	\$ 5,656.0	(17)%	(16)%
<i>Total Company-operated sales and Franchised revenues</i>				
U.S.	\$ 3,546.9	\$ 3,853.8	(8)%	(8)%
International Operated Markets	3,968.6	5,547.3	(28)	(26)
International Developmental Licensed Markets & Corporate	800.0	895.8	(11)	(7)
Total	\$ 8,315.5	\$ 10,296.9	(19)%	(18)%
Total Other revenues	\$ 160.4	\$ 137.0	17 %	18 %
Total Revenues	\$ 8,475.9	\$ 10,433.9	(19)%	(17)%

- Total Company-operated sales and franchised revenues decreased 31% (30% in constant currencies) for the quarter and decreased 19% (18% in constant currencies) for the six months. Both periods reflected sales performance declines as a result of COVID-19. Revenue declines for both periods were more significant in the International Operated Markets segment, primarily driven by the temporary restaurant closures and limited operations, particularly in the U.K. and France. For the six months, results also reflected strong global comparable sales results for the two months ended February 2020.

Comparable Sales

The following table presents the percent change in comparable sales:

	Increase/(Decrease)				
	Month Ended			Quarters Ended June 30,	
	April 30, 2020	May 31, 2020	June 30, 2020	2020	2019
U.S.	(19.2)%	(5.1)%	(2.3)%	(8.7)%	5.7%
International Operated Markets	(66.7)	(40.5)	(18.4)	(41.4)	6.6
International Developmental Licensed Markets & Corporate	(32.3)	(20.0)	(20.3)	(24.2)	7.9
Total	(39.0)%	(20.9)%	(12.3)%	(23.9)%	6.5%

	Increase/(Decrease)	
	Six Months Ended June 30,	
	2020	2019
U.S.	(4.5)%	5.1%
International Operated Markets	(24.8)	6.3
International Developmental Licensed Markets & Corporate	(14.4)	6.9
Total	(14.0)%	6.0%

Systemwide Sales and Franchised Sales

The following table presents the percent change in Systemwide sales for the quarter and six months ended June 30, 2020:

	Quarter Ended June 30, 2020		Six Months Ended June 30, 2020	
	Inc/ (Dec)	Inc/ (Dec) Excluding Currency Translation	Inc/ (Dec)	Inc/ (Dec) Excluding Currency Translation
U.S.	(9)%	(9)%	(5)%	(5)%
International Operated Markets	(43)	(41)	(26)	(24)
International Developmental Licensed Markets & Corporate	(24)	(22)	(15)	(12)
Total	(24)%	(23)%	(14)%	(13)%

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

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

FRANCHISED SALES

Dollars in millions

Quarters Ended June 30,	2020	2019	Inc/ (Dec)	Inc/ (Dec) Excluding Currency Translation
U.S.	\$ 8,889.9	\$ 9,710.9	(8)%	(8)%
International Operated Markets	4,184.9	7,196.4	(42)	(40)
International Developmental Licensed Markets & Corporate	4,381.7	5,868.3	(25)	(23)
Total	\$ 17,456.5	\$ 22,775.6	(23)%	(22)%

Ownership type

Conventional franchised	\$ 13,051.1	\$ 16,810.3	(22)%	(22)%
Developmental licensed	2,056.9	3,556.8	(42)	(38)
Foreign affiliated	2,348.5	2,408.5	(3)	(2)
Total	\$ 17,456.5	\$ 22,775.6	(23)%	(22)%

Six Months Ended June 30,	2020	2019	Inc/ (Dec)	Inc/ (Dec) Excluding Currency Translation
U.S.	\$ 17,763.6	\$ 18,561.3	(4)%	(4)%
International Operated Markets	10,377.6	13,861.2	(25)	(23)
International Developmental Licensed Markets & Corporate	9,828.7	11,563.6	(15)	(12)
Total	\$ 37,969.9	\$ 43,986.1	(14)%	(12)%

Ownership type

Conventional franchised	\$ 28,037.5	\$ 32,276.3	(13)%	(12)%
Developmental licensed	5,284.9	6,879.6	(23)	(19)
Foreign affiliated	4,647.5	4,830.2	(4)	(4)
Total	\$ 37,969.9	\$ 43,986.1	(14)%	(12)%

Restaurant Margins
RESTAURANT MARGINS
Dollars in millions

Quarters Ended June 30,	Amount		Inc/ (Dec)	Inc/ (Dec) Excluding Currency Translation
	2020	2019		
<i>Franchised</i>				
U.S.	\$ 882.7	\$1,093.0	(19)%	(19)%
International Operated Markets	470.5	1,004.5	(53)	(52)
International Developmental Licensed Markets & Corporate	210.3	298.7	(30)	(27)
Total	\$1,563.5	\$2,396.2	(35)%	(34)%
<i>Company-operated</i>				
U.S.	\$ 83.3	\$ 103.7	(20)%	(20)%
International Operated Markets	57.1	328.4	(83)	(82)
International Developmental Licensed Markets & Corporate	n/m	n/m	n/m	n/m
Total	\$ 145.3	\$ 433.3	(66)%	(66)%
<i>Total restaurant margins</i>				
U.S.	\$ 966.0	\$1,196.7	(19)%	(19)%
International Operated Markets	527.6	1,332.9	(60)	(59)
International Developmental Licensed Markets & Corporate	n/m	n/m	n/m	n/m
Total	\$1,708.8	\$2,829.5	(40)%	(39)%
Six Months Ended June 30,	Amount		Inc/ (Dec)	Inc/ (Dec) Excluding Currency Translation
	2020	2019		
<i>Franchised</i>				
U.S.	\$1,844.0	\$2,072.7	(11)%	(11)%
International Operated Markets	1,285.8	1,923.5	(33)	(31)
International Developmental Licensed Markets & Corporate	487.5	582.0	(16)	(13)
Total	\$3,617.3	\$4,578.2	(21)%	(20)%
<i>Company-operated</i>				
U.S.	\$ 163.8	\$ 187.0	(12)%	(12)%
International Operated Markets	254.8	597.4	(57)	(57)
International Developmental Licensed Markets & Corporate	n/m	n/m	n/m	n/m
Total	\$ 418.3	\$ 787.6	(47)%	(46)%
<i>Total restaurant margins</i>				
U.S.	\$2,007.8	\$2,259.7	(11)%	(11)%
International Operated Markets	1,540.6	2,520.9	(39)	(37)
International Developmental Licensed Markets & Corporate	n/m	n/m	n/m	n/m
Total	\$4,035.6	\$5,365.8	(25)%	(24)%

n/m Not meaningful

- Total restaurant margins decreased \$1,120.7 million or 40% (39% in constant currencies) for the quarter and decreased \$1,330.2 million or 25% (24% in constant currencies) for the six months, primarily due to sales performance declines as a result of COVID-19. Franchised margins represented about 90% of restaurant margin dollars for both the quarter and six months. The U.S. franchised margin decrease for both periods also reflected additional committed support provided for marketing to accelerate recovery and drive growth, including the free Thank You Meals served across the country to first responders and health care workers. In addition, both periods reflected higher depreciation costs related to investments in Experience of the Future ("EOTF"). The U.S. and International Operated Markets segments Company-operated margins for both periods also reflected incremental COVID-19 expenses incurred for employee related costs, personal protective equipment, signage and other restaurant costs.
- Total restaurant margins included \$354.6 million and \$705.5 million of depreciation and amortization expense for the quarter and six months, respectively.

Selling, General & Administrative Expenses

- Selling, general and administrative expenses increased \$113.9 million or 21% (22% in constant currencies) for the quarter and \$204.6 million or 20% (21% in constant currencies) for the six months. Both periods reflected about \$160 million of committed incremental marketing contributions by the Company to the System's advertising cooperative arrangements across the U.S. and International Operated Markets to accelerate recovery and drive growth, partly offset by lower travel costs and incentive-based compensation expense. The six months also reflected \$40 million of costs related to the cancellation of the 2020 Worldwide Owner/Operator Convention; approximately \$20 million of incremental costs related to contractual obligations as a result of a reduction in scope of certain investments in restaurant technology and research & development; and Dynamic Yield costs which were not included in the first quarter 2019.
- Selling, general and administrative expenses as a percent of Systemwide sales was 3.0% and 2.1% for the six months ended 2020 and 2019, respectively.

Other Operating (Income) Expense, Net

OTHER OPERATING (INCOME) EXPENSE, NET

Dollars in millions

	Quarters Ended		Six Months Ended	
	June 30,		June 30,	
	2020	2019	2020	2019
Gains on sales of restaurant businesses	\$ (0.3)	\$ (43.9)	\$ (2.8)	\$ (73.0)
Equity in earnings of unconsolidated affiliates	(4.5)	(34.1)	(19.2)	(69.2)
Asset dispositions and other (income) expense, net	110.0	35.3	184.4	57.6
Impairment and other charges, net	12.0	78.3	13.3	78.6
Total	\$ 117.2	\$ 35.6	\$ 175.7	\$ (6.0)

- Gains on sales of restaurant businesses decreased for the quarter and six months primarily due to fewer restaurant sales, primarily in the U.K. and the U.S.
- Equity in earnings of unconsolidated affiliates declined for the quarter and six months primarily due to sales performance declines as a result of COVID-19 in both the International Operated Markets and International Developmental Licensed Markets.
- Asset dispositions and other expense, net increased for the quarter and six months reflecting \$31 million of payments to distribution centers for obsolete inventory to support franchisee liquidity. Results also reflected \$45 million and \$92 million of increased reserves for bad debts for the quarter and six months, respectively.
- Impairment and other charges, net for the quarter and six months 2020 reflected the write-off of impaired software that was no longer being used of \$11.9 million and \$26.3 million, respectively. The six months was mostly offset by \$13.0 million of income primarily comprised of a reversal of a reserve associated with the Company's sale of its business in the India Delhi market in January 2020. Results for the quarter and six months 2019 primarily reflected \$99.4 million of impairment associated with the purchase of our joint venture partner's interest in the India Delhi market, partly offset by \$19.5 million of gains on the sales of property at the former Corporate headquarters.

Operating Income

OPERATING INCOME

Dollars in millions

Quarters Ended June 30,	2020	2019	Inc/ (Dec)	Inc/ (Dec) Excluding Currency Translation
U.S.	\$ 735.2	\$ 1,048.8	(30)%	(30)%
International Operated Markets	234.8	1,218.8	(81)	(80)
International Developmental Licensed Markets & Corporate	(8.9)	6.3	n/m	n/m
Total	\$ 961.1	\$ 2,273.9	(58)%	(57)%

Six Months Ended June 30,	2020	2019	Inc/ (Dec)	Increase Excluding Currency Translation
U.S.	\$ 1,627.6	\$ 2,000.7	(19)%	(19)%
International Operated Markets	1,113.9	2,266.8	(51)	(49)
International Developmental Licensed Markets & Corporate	(86.8)	100.4	n/m	n/m
Total	\$ 2,654.7	\$ 4,367.9	(39)%	(38)%

Operating margin	31.3%	41.9%
Non-GAAP operating Margin	31.5%	42.6%

n/m Not meaningful

- Operating Income:** Operating income decreased \$1,312.8 million or 58% (57% in constant currencies) for the quarter and decreased \$1,713.2 million or 39% (38% in constant currencies) for the six months. The operating income decrease for both periods in all segments primarily reflected sales performance declines as a result of COVID-19.
 - U.S.:** Results for the quarter and six months also reflected about \$100 million of incremental committed support for marketing to accelerate recovery and drive growth. Both periods also reflected lower gains on sales of restaurant businesses.
 - International Operated Markets:** The operating income decrease for the quarter and six months also reflected over \$100 million of incremental committed support for marketing to accelerate recovery and drive growth; incremental COVID-19 Company-operated expenses for employee related costs, personal protective equipment, signage and other restaurant costs; lower equity in earnings from unconsolidated affiliates; and \$23 million of payments to distribution centers for obsolete inventory.
 - International Developmental Licensed Markets & Corporate:** Results for both the quarter and six months also reflected lower equity in earnings of unconsolidated affiliates and \$45 million and \$92 million of increased reserves for bad debts for the quarter and six months, respectively. Results for both the quarter and six months 2019 reflected approximately \$78 million of net impairment and strategic charges.
- Operating Margin:** Operating margin is defined as operating income as a percent of total revenues. The contributions to operating margin differ by segment due to each segment's ownership structure, primarily due to the relative percentage of franchised versus Company-operated restaurants. Additionally, the number of temporary restaurant closures, which varies by segment, as a result of COVID-19, also impacts the contribution of each segment to the consolidated operating margin.

The decrease in operating margin percent for the six months was driven by a decline in sales performance, higher other operating expenses and higher G&A. While the sales driven franchised margin decline had a dilutive effect on operating margin percent, franchised margins represented about 90% of overall margin dollars and were a key component of operating income.

Interest Expense

- Interest expense increased 12% (13% in constant currencies) for the quarter and increased 7% (8% in constant currencies) for the six months, reflecting higher average debt balances, partly offset by a decrease in the amount of Euro denominated deposits incurring interest expense as a result of the Company's cash management strategies.
- Based on current interest and foreign currency exchange rates, the Company expects interest expense for the full year 2020 to increase about 10% to 12% due primarily to higher average debt balances as a result of additional issuances in response to COVID-19.

Nonoperating (Income) Expense, Net

NONOPERATING (INCOME) EXPENSE, NET

Dollars in millions

	Quarters Ended		Six Months Ended	
	June 30,		June 30,	
	2020	2019	2020	2019
Interest income	\$ (5.0)	\$ (10.7)	\$ (10.4)	\$ (20.7)
Foreign currency and hedging activity	(0.6)	(10.4)	(18.4)	(19.7)
Other expense, net	(1.1)	3.0	(9.2)	10.9
Total	\$ (6.7)	\$ (18.1)	\$ (38.0)	\$ (29.5)

Income Taxes

- The effective income tax rate was 25.4% and 24.5% for the quarters ended 2020 and 2019, respectively, and 24.0% and 25.9% for the six months ended 2020 and 2019, respectively.
- Results for the six months 2019 included \$47 million of additional income tax costs due to regulations issued in January 2019 related to the Tax Act.

Cash Flows and Liquidity

The Company has a long history of generating significant cash from operations and has substantial credit capacity to fund operating and discretionary spending such as capital expenditures, debt repayments, dividends and share repurchases. As our operations have been impacted due to COVID-19, we have taken actions to preserve financial flexibility.

Cash provided by operations totaled \$1.3 billion and exceeded capital expenditures by \$545.4 million for the six months 2020. Cash provided by operations decreased \$2.6 billion compared with the six months 2019, primarily due to changes in working capital and the reduction in operating earnings due to COVID-19. The change in working capital is primarily driven by increased accounts receivable as the Company deferred collection of approximately \$300 million and \$800 million of rent and royalties earned from franchisees during the quarter and six months, respectively. The extent of the deferrals differs in length by market, but the deferrals primarily impact cash collection in the second quarter of 2020. As a result, free cash flow was negative in the second quarter. A majority of these deferrals are expected to be collected in the third and fourth quarters of 2020, therefore the Company expects free cash flow to be positive for the remainder of the year. The remaining amounts of deferrals are expected to be collected in the first and second quarters of 2021.

Cash used for investing activities totaled \$915.0 million for the six months 2020, a decrease of \$756.3 million compared with the six months 2019. The decrease was primarily due to lower capital expenditures and reduced other investing activity as a result of a strategic acquisition of a real estate entity in the first quarter 2019. Refer to the Capital Expenditures and Restaurant Development Update section on page 28 for additional information.

Cash provided by financing activities totaled \$2.0 billion for the six months 2020, an increase of \$3.9 billion compared with the six months 2019. The increase is primarily due to long-term debt issuances of \$5.5 billion in 2020 compared to issuances of \$2.5 billion in 2019, and about \$1.2 billion of lower treasury stock purchases in 2020 as the Company suspended its share repurchase program in early March 2020.

Debt obligations at June 30, 2020 totaled \$38.8 billion compared with \$34.2 billion at December 31, 2019. During the first quarter, the Company secured \$6.5 billion of new financing, including \$5.5 billion of debt issuances at various maturities and a new \$1 billion line of credit that was drawn upon immediately. The Company also has \$3.5 billion available under a committed line of credit, which has not been drawn upon, as well as continuing authority to issue commercial paper in the U.S. and global markets. On July 30, 2020 the Company repaid the total \$1 billion balance on its line of credit that was classified as Short-term borrowings on the Condensed Consolidated Balance Sheet as of June 30, 2020. The \$1 billion line of credit agreement remains in place and the amount remains available to be borrowed.

Financing and Market Risk

Debt obligations at June 30, 2020 totaled \$38.8 billion, compared with \$34.2 billion at December 31, 2019. The net increase in 2020 was primarily due to net long-term debt issuances of \$5.5 billion, which were used to bolster our cash position in anticipation of the adverse macroeconomic and business conditions associated with COVID-19.

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

In December 2019, the Company's Board of Directors authorized \$15 billion of borrowing capacity with no specified expiration date, of which \$9.5 billion remains outstanding as of June 30, 2020. These borrowings may include (i) public or private offering of debt securities; (ii) direct borrowing from banks or other financial institutions; and (iii) other forms of indebtedness.

In addition to the \$15 billion authorized above, in April 2020 the Company's Board of Directors provided additional authorization to issue commercial paper and draws on lines of credit agreements up to \$8 billion. As the Company paid down the \$1 billion line of credit in July 2020 as described in the Cash Flows and Liquidity section, the full \$8 billion remains available to be borrowed.

Capital Expenditures and Restaurant Development Update

The COVID-19 pandemic has resulted in delayed development projects across the segments. The Company expects capital expenditures for 2020 to be approximately \$1.6 billion. About \$800 million will be dedicated to our U.S. business, about half of which is allocated to approximately 900 EOTF projects. Globally, the Company expects to open roughly 950 restaurants. We will spend approximately \$500 million in the U.S. and International Operated segments to open about 270 restaurants and our developmental licensee and affiliates will contribute capital towards the remaining 680 restaurant openings in their respective markets. Additionally, the U.S. expects to close roughly 200 restaurants in 2020, which is an acceleration of closings planned for future years. Over half of the U.S. closures are lower sales volume McDonald's in Walmart store locations. The Company expects about 350 net restaurant additions in 2020.

Recent Accounting Pronouncements

Recent accounting pronouncements are discussed in Part I, Item 1, page 9 of this Form 10-Q.

Risk Factors and Cautionary Statement Regarding Forward-Looking Statements

The information in this report includes forward-looking statements about future events and circumstances and their effects upon revenues, expenses and business opportunities. Generally speaking, any statement in this report not based upon historical fact is a forward-looking statement. Forward-looking statements can also be identified by the use of forward-looking words, such as “could,” “should,” “continue,” “estimate,” “forecast,” “intend,” “look,” “may,” “will,” “expect,” “believe,” “anticipate,” “plan,” “remain” and “confident” or similar expressions. In particular, statements regarding our plans, strategies, prospects and expectations regarding our business and industry, including statements regarding the impacts that the COVID-19 pandemic and our responses thereto may have on our future operations, are forward-looking statements. They reflect our expectations, are not guarantees of performance and speak only as of the date the statement is made. Except as required by law, we do not undertake to update such forward-looking statements. Our business results are subject to a variety of risks, including those that are reflected in the following considerations and risks, as well as elsewhere in our filings with the SEC. If any of these considerations or risks materialize, our expectations (or the underlying assumptions) may change and our performance may be adversely affected. You should not rely unduly on forward-looking statements.

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

Health epidemics or pandemics can adversely affect consumer spending and confidence levels and supply availability and costs, as well as the local operations in impacted markets, all of which can affect our financial results, condition and outlook. Importantly, the global pandemic known as COVID-19 has disrupted global health, economic and market conditions, consumer behavior and McDonald’s global restaurant operations beginning in early 2020. Local and national governmental mandates or recommendations and public perceptions of the risks associated with the COVID-19 pandemic have caused, and may continue to cause, consumer behavior to change and worsening or volatile economic conditions, which could continue to adversely affect our business. In addition, our global operations have been and may continue to be disrupted to varying degrees (from limited operations including drive-thru, delivery and/or take-away operations, sometimes with limited hours, menus and/or capacity, to full restaurant closures in some markets). While we cannot predict the duration or scope of the COVID-19 pandemic, or the resurgence of infections in one or more markets, the COVID-19 pandemic has negatively impacted our business and such impact could be material to our financial results, condition and outlook.

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

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

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

- Continue to innovate and differentiate the McDonald’s experience, including by preparing and serving our food in a way that balances value and convenience to our customers with profitability;
- Capitalize on our global scale, iconic brand and local market presence to enhance our ability to retain, regain and convert key customer groups;
- Utilize our organizational structure to build on our progress and execute against our business strategies;
- Integrate and augment our technology and digital initiatives, including mobile ordering and payment and delivery;
- Identify and develop restaurant sites consistent with our plans for net growth of Systemwide restaurants;
- Operate restaurants with high service levels and optimal capacity while managing the increasing complexity of our restaurant operations, create efficiencies through innovative use of technology and complete Experience of the Future (“EOTF”), particularly in the U.S.;
- Accelerate our existing strategies, including through growth opportunities, acquisitions, investments and partnerships; and
- Evolve and adjust our business strategies in response to, among other things, changing consumer behavior, operational restrictions and impacts to our results of operations and liquidity as a result of the COVID-19 pandemic.

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

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

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

Additionally, the ongoing relevance of our brand may depend on the success of our sustainability initiatives, which require Systemwide coordination and alignment. We are working to manage any risks and costs to us, our franchisees and our supply chain of any effects of climate change, greenhouse gases, and diminishing energy and water resources. These risks include any increased public focus, including by governmental and nongovernmental organizations, on these and other environmental sustainability matters, such as packaging and waste, animal health and welfare, deforestation and land use. These risks also include any increased pressure to make commitments, set targets or establish additional goals and take actions to meet them. These risks could expose us to market, operational and execution costs or risks.

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

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

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

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

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

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

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

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 as well as online retailers. We expect our environment to continue to be highly competitive, and our results in any particular reporting period may be impacted by a contracting IEO segment or by new or continuing actions, product offerings or consolidation of our competitors and third party partners, which may have a short- or long-term impact on our results.

We compete on the basis of product choice, quality, affordability, service and location. In particular, we believe our ability to compete successfully in the current market environment depends on our ability to improve existing products, successfully develop and introduce new products, price our products appropriately, deliver a relevant customer experience, manage the complexity of our restaurant operations, manage our investments in technology and modernization, and respond effectively to our competitors' actions or offerings or to unforeseen disruptive actions. There can be no assurance these strategies will be effective, and some strategies may be effective at improving some metrics while adversely affecting other metrics, which could have the overall effect of harming our business.

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

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

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

Supply chain interruptions may increase costs or reduce revenues.

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

Our franchise business model presents a number of risks.

The Company's success as a heavily franchised business relies to a large degree on the financial success and cooperation of our franchisees, including our developmental licensees and affiliates. Our restaurant margins arise from two sources: fees from franchised restaurants (e.g., rent and royalties based on a percentage of sales) and, to a lesser degree, sales from Company-operated restaurants. Our franchisees and developmental licensees manage their businesses independently, and therefore are responsible for the day-to-day operation of their restaurants. The revenues we realize from franchised restaurants are largely dependent on the ability of our franchisees to grow their sales. Business risks affecting our operations also affect our franchisees. In particular, our franchisees have also been significantly impacted by the COVID-19 pandemic, and the Company granted the deferral of cash collection for certain rent and royalties earned from franchisees in substantially all markets. The extent of the deferrals differs in length by market. If franchisee sales trends worsen, or do not improve at a sufficiently rapid rate, our financial results will continue to be negatively affected, which may be material.

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

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

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

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

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

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

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

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

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, including the recent leadership transitions, could disrupt our business and adversely affect our results.

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

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

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

Furthermore, security incidents or breaches have from time to time occurred and may in the future occur involving our systems, the systems of the parties we communicate or collaborate with (including franchisees), or those of third party providers. These may include such things as unauthorized access, phishing attacks, account takeovers, denial of service, computer viruses, introduction of malware or ransomware and other disruptive problems caused by hackers. Our technology systems contain personal, financial and other information that is entrusted to us by our customers, our employees, our franchisees, our business customers and other third parties, as well as financial, proprietary and other confidential information related to our business. An actual or alleged security breach could result in disruptions, shutdowns, theft or unauthorized disclosure of personal, financial, proprietary or other confidential information. The occurrence of any of these incidents could result in reputational damage, adverse publicity, loss of consumer confidence, reduced sales and profits, complications in executing our growth initiatives and regulatory and legal risk, including criminal penalties or civil liabilities.

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

We are subject to legal and compliance risks and associated liability related to privacy and data collection, protection and management, as it relates to information associated with our technology-related services and platforms made available to business partners, customers, employees, franchisees or other third parties. For example, the General Data Protection Regulation (“GDPR”) requires entities processing the personal data of individuals in the European Union to meet certain requirements regarding the handling of that data. We are also subject to U.S. federal and state and foreign laws and regulations in this area. These regulations have been subject to frequent change, and there may be markets or jurisdictions that propose or enact new or emerging data privacy requirements in the future. Failure to meet GDPR or other data privacy requirements could result in legal proceedings and substantial penalties, and materially adversely impact our financial results or brand perceptions.

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

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

Disruptions in operations or price volatility in a market can also result from governmental actions, such as price, foreign exchange or changes in trade-related tariffs or controls, sanctions and counter sanctions, government-mandated closure of our, our franchisees’ or our suppliers’ operations, and asset seizures. Trade policies, tariffs and other regulations affecting trade between the U.S. and other countries could adversely affect our business and operations. These and other government actions may impact our results and could cause reputational or other harm. Our international success depends in part on the effectiveness of our strategies and brand-building initiatives to reduce our exposure to such governmental actions.

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

We may also face challenges and uncertainties in developed markets. For example, as a result of the U.K.’s decision to leave the European Union and the ongoing transition period, it is possible that there will be increased regulatory complexities and uncertainty in European or worldwide economic conditions. The decision created volatility in certain foreign currency exchange rates that may or may not continue, and may result in increased supply chain costs for items that are imported from other countries. Any of these effects, and others we cannot anticipate, could adversely affect our business, results of operations, financial condition and cash flows.

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

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

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

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

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

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

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

Increasing regulatory and legal complexity may adversely affect our business and financial results.

Our regulatory and legal environment worldwide exposes us to complex compliance, litigation and similar risks that could affect our operations and results in material ways. Many of our markets are subject to increasing, conflicting and highly prescriptive regulations involving, among other matters, restaurant operations, product packaging, marketing, the nutritional and allergen content and safety of our food and other products, labeling and other disclosure practices. Compliance efforts with those regulations may be affected by ordinary variations in food preparation among our own restaurants and the need to rely on the accuracy and completeness of information from third-party suppliers. Our success depends in part on our ability to manage the impact of regulations that can affect our business plans and operations, and have increased our costs of doing business and exposure to litigation, governmental investigations or other proceedings.

We are also subject to legal proceedings that may adversely affect our business, including class actions, administrative proceedings, government investigations and proceedings, shareholder proceedings, employment and personal injury claims, landlord/tenant disputes, supplier related disputes, and claims by current or former franchisees. Regardless of whether claims against us are valid or whether we are found to be liable, claims may be expensive to defend and may divert management's attention away from operations.

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

Our results could also be affected by the following:

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

A judgment significantly in excess of any applicable insurance coverage or third party indemnity could materially adversely affect our financial condition or results of operations. Further, adverse publicity resulting from claims may hurt our business. If we are unable to effectively manage the risks associated with our complex regulatory and legal environment, it could have a material adverse effect on our business and financial condition.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Item 3. Quantitative and Qualitative Disclosures About Market Risk

An update to the disclosure made in our Annual Report on Form 10-K for the year ended December 31, 2019 regarding this matter has been included within Part I, Item 2, page 28 of this Form 10-Q.

Item 4. Controls and Procedures

Disclosure Controls

An evaluation was conducted under the supervision and with the participation of the Company's management, including the Chief Executive Officer ("CEO") and Chief Financial Officer ("CFO"), of the effectiveness of the design and operation of the Company's disclosure controls and procedures (as that term is defined in Rules 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934 (the "Exchange Act")) as of June 30, 2020. Based on that evaluation, the CEO and CFO concluded that the Company's disclosure controls and procedures were effective as of such date to provide reasonable assurances that information required to be disclosed by the Company in the reports filed or submitted under the Exchange Act, is recorded, processed, summarized and reported within the time periods specified in Securities and Exchange Commission rules and forms, and is accumulated and communicated to the Company's management, including the CEO and CFO, as appropriate to allow timely decisions regarding required disclosure.

Internal Control Over Financial Reporting

The Company's management, including the CEO and CFO, confirm there was no change in the Company's internal control over financial reporting during the quarter ended June 30, 2020 that has materially affected, or is reasonably likely to materially affect, the Company's internal control over financial reporting.

PART II – OTHER INFORMATION

Item 1. Legal Proceedings

There were no material changes to the disclosure made in our Annual Report on Form 10-K for the year ended December 31, 2019 regarding these matters.

Item 1A. Risk Factors

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

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

Issuer Purchases of Equity Securities*

The following table presents information related to repurchases of common stock the Company made during the quarter ended June 30, 2020:

Period	Total Number of Shares Purchased	Average Price Paid per Share	Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs ⁽¹⁾	Approximate Dollar Value of Shares that May Yet Be Purchased Under the Plans or Programs ⁽¹⁾
April 1-30, 2020	1,398	\$ 136.37	1,398	\$ 14,130,900,657
May 1-31, 2020	10,531	187.95	10,531	14,128,921,334
June 1-30, 2020	419	195.58	419	14,128,839,384
Total	12,348	\$ 182.37	12,348	

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

(1) On December 31, 2019, the Company's Board of Directors approved a share repurchase program, effective January 1, 2020, that authorized the purchase of up to \$15 billion of the Company's outstanding common stock. In early March 2020, the Company voluntarily suspended share repurchases from the open market. Therefore, the table above reflects only shares withheld for taxes under the Company's equity compensation program.

Item 6. Exhibits

Exhibit Number	Description
(3)	(a) Restated Certificate of Incorporation, effective as of May 23, 2019, incorporated herein by reference from Exhibit 3(a) of Form 10-Q (File No. 001-05231), filed August 6, 2019.
	(b) By-Laws, as amended and restated with effect as of December 6, 2019, incorporated herein by reference from Exhibit 3 of Form 8-K (File No. 001-05231), filed December 10, 2019.
(4)	Instruments defining the rights of security holders, including Indentures:*
	(a) Senior Debt Securities Indenture, incorporated herein by reference from Exhibit (4)(a) of Form S-3 Registration Statement (File No. 333-14141), filed October 15, 1996.
	(b) Subordinated Debt Securities Indenture, incorporated herein by reference from Exhibit (4)(b) of Form S-3 Registration Statement (File No. 333-14141), filed October 15, 1996.
(10)	Material Contracts
	(a) Directors' Deferred Compensation Plan, amended and restated effective as of May 26, 2016, incorporated herein by reference from Exhibit 10(a)(i) of Form 10-Q (File No. 001-05231), for the quarter ended June 30, 2016.**
	(b) McDonald's Deferred Compensation Plan, effective January 1, 2017, incorporated herein by reference from Exhibit 10(b) of Form 10-K (file No. 001-05231), for the year ended December 31, 2016.**
	(i) First Amendment to the McDonald's Deferred Compensation Plan, effective as of May 1, 2018, incorporated herein by reference from Exhibit 10(b)(i) of Form 10-Q (File No. 001-05231), for the quarter ended September 30, 2018.**
	(c) McDonald's Amended and Restated Deferred Compensation Plan, effective as of May 26, 2020, filed herewith.**
	(d) McDonald's Corporation Supplemental Profit Sharing and Savings Plan, effective as of September 1, 2001, incorporated herein by reference from Exhibit 10(c) of Form 10-K (File No. 001-05231), for the year ended December 31, 2001.**
	(i) First Amendment to the McDonald's Corporation Supplemental Profit Sharing and Savings Plan, effective as of January 1, 2002, incorporated herein by reference from Exhibit 10(c)(i) of Form 10-K (File No. 001-05231), for the year ended December 31, 2002.**
	(ii) Second Amendment to the McDonald's Corporation Supplemental Profit Sharing and Savings Plan, effective January 1, 2005, incorporated herein by reference from Exhibit 10(c)(ii) of Form 10-K (File No. 001-05231), for the year ended December 31, 2004.**
	(e) McDonald's Corporation Amended and Restated 2001 Omnibus Stock Ownership Plan, effective July 1, 2008, incorporated herein by reference from Exhibit 10(h) of Form 10-Q (File No. 001-05231), for the quarter ended June 30, 2009.**
	(i) First Amendment to the McDonald's Corporation Amended and Restated 2001 Omnibus Stock Ownership Plan, incorporated herein by reference from Exhibit 10(h)(i) of Form 10-K (File No. 001-05231), for the year ended December 31, 2008.**
	(ii) Second Amendment to the McDonald's Corporation Amended and Restated 2001 Omnibus Stock Ownership Plan as amended, effective February 9, 2011, incorporated herein by reference from Exhibit 10(h)(ii) of Form 10-K (File No. 001-05231), for the year ended December 31, 2010.**
	(f) 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.**
	(g) McDonald's Corporation Amended and Restated 2012 Omnibus Stock Ownership Plan, effective May 21, 2020, filed herewith.**
	(h) 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.**
	(i) 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.**
	(j) 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.**
	(k) 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.**

- (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) [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. **](#)
- (o) [McDonald's Corporation Target Incentive Plan, effective as of January 1, 2013, as Amended and Restated February 13, 2019, incorporated herein by reference from Exhibit 10\(p\) of Form 10-Q \(File No. 001-05231\), for the quarter ended March 31, 2019.**](#)
- (p) [McDonald's Corporation Officer Severance Plan, as Amended and Restated, effective January 1, 2019, incorporated herein by reference from Exhibit 10\(q\) of Form 10-Q \(File No. 001-05231\), for the quarter ended March 31, 2019.**](#)
- (q) [Form of 2019 Executive Stock Option Award Agreement in connection with the 2012 Omnibus Stock Ownership Plan, incorporated herein by reference from Exhibit 10\(r\) of Form 10-Q \(File No. 001-05231\), for the quarter ended March 31, 2019.**](#)
- (r) [Form of 2019 Executive Performance-Based Restricted Stock Unit Award Agreement in connection with the 2012 Omnibus Stock Ownership Plan, incorporated herein by reference from Exhibit 10\(s\) of Form 10-Q \(File No. 001-05231\), for the quarter ended March 31, 2019.**](#)
- (s) [Separation Agreement and General Release between Stephen Easterbrook and the Company, dated October 31, 2019, incorporated herein by reference from Exhibit 10.1 of Form 8-K \(File No. 001-05231\), filed November 4, 2019.](#)
- (t) [Separation Agreement and General Release between Silvia Lagnado and the Company, dated August 14, 2019, filed herewith.**](#)
- (u) [Separation Agreement and General Release between Silvia Lagnado and the Company, dated October 31, 2019, 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) Inline XBRL Taxonomy Extension Schema Document.
- (101.CAL) Inline XBRL Taxonomy Extension Calculation Linkbase Document.
- (101.DEF) Inline XBRL Taxonomy Extension Definition Linkbase Document.
- (101.LAB) Inline XBRL Taxonomy Extension Label Linkbase Document.
- (101.PRE) Inline XBRL Taxonomy Extension Presentation Linkbase Document.
- (104) Cover Page Interactive Data File - the cover page XBRL tags are embedded within the Inline XBRL document.

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

** Denotes compensatory plan.

SIGNATURE

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

McDONALD'S CORPORATION
(Registrant)

Date: August 10, 2020

/s/ Kevin M. Ozan

Kevin M. Ozan

Corporate Executive Vice President and
Chief Financial Officer

MCDONALD'S
DEFERRED COMPENSATION PLAN

Effective Date
May 26, 2020

McDonald's Deferred Compensation Plan

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McDonald's Deferred Compensation Plan

Article I

Establishment and Purpose

McDonald's Corporation (the "Company") hereby amends and restates the McDonald's Deferred Compensation Plan (the "Plan"). This amendment and restatement applies with respect to Compensation that but for a deferral election under this Plan would have otherwise been paid on or after January 1, 2021 and Company Contributions credited to a Participant's Account(s) with respect to any such Compensation. Amounts deferred under the Plan prior to this amendment and restatement will continue to be administered under the terms of the applicable Prior Plan Document; provided however, that Sections 6.5, 6.6, 6.7, 6.9 and Articles VII through XII will apply to all deferrals and accounts under the Plan that were established or maintained under the Plan at any time and supersede any contrary provisions of any otherwise applicable Prior Plan Document.

The purpose of the Plan is to attract and retain key employees by providing them with an opportunity to defer receipt of a portion of their salary, bonus, and other specified compensation. The Plan is not intended to meet the qualification requirements of Code Section 401(a). The terms of the Plan are intended to be interpreted, and the Plan is intended to be operated, in a manner such that no amount of compensation deferred hereunder be required to be included in any person's gross income under Section 409A(a)(1)(A) of the Code or otherwise subject to the interest or additional tax described in Section 409A(a)(1)(B) of the Code, provided, however neither the Company nor any Participating Employer makes any guarantee regarding the inapplicability of such income inclusion or interest and additional tax and in the event either or both apply with respect to any individual the obligation to pay any and all such taxes or interest will be the sole responsibility and obligation of such individual.

The Plan constitutes an unsecured promise by a Participating Employer to pay benefits in the future. Participants in the Plan shall have the status of a general unsecured creditor of the applicable Participating Employer. Each Participating Employer shall be solely responsible for payment of the benefits attributable to services performed for it. The Plan is unfunded for Federal tax purposes and is intended to be an unfunded deferred compensation arrangement for Eligible Employees who are part of a select group of management or highly compensated employees of the Employer within the meaning of Sections 201(2), 301(a)(3) and 401(a)(1) of ERISA. Any amounts set aside to defray the liabilities assumed by a Participating Employer will remain the general assets of the Participating Employer and shall remain subject to the claims of the Participating Employer's creditors until such amounts are distributed to the Participants.

Article II

Definitions

- 2.1 Account. Account means a bookkeeping account maintained by the Committee to record the payment obligation of a Participating Employer to a Participant as determined under the terms of the Plan. The Committee may maintain an Account to record the total obligation to a Participant and component Accounts to reflect amounts payable at different times and in different forms. Reference to an Account means any such Account established by the Committee, as the context requires. Accounts are intended to constitute

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unfunded obligations within the meaning of Sections 201(2), 301(a)(3) and 401(a)(1) of ERISA.

- 2.2 Account Balance. Account Balance means, with respect to any Account, the total payment obligation owed to a Participant from such Account as of the most recent Valuation Date.
- 2.3 Affiliate. Affiliate means a corporation or a trade or business that, together with the Company, is treated as a single employer under Code Section 414(b) or (c).
- 2.4 Beneficiary. Beneficiary means a natural person, estate, or trust designated by a Participant in accordance with Section 6.4 hereof to receive payments to which a Beneficiary is entitled in accordance with provisions of the Plan.
- 2.5 Board of Directors. Board of Directors means, for a Participating Employer organized as a corporation, its board of directors and for a Participating Employer organized as a limited liability company, its board of managers.
- 2.6 Bonus Deferral Election. Bonus Deferral Election is a valid election to make a Deferral in a timely filed Compensation Deferral Agreement with respect to a Participant's Compensation that is paid pursuant to the McDonald's Target Incentive Plan (or a successor plan). No other forms of compensation (including, but not limited to, sign on bonuses, officers' discretionary bonuses, severance or exit bonuses, restricted stock units, performance stock units, or any other long-term incentive compensation) or compensation paid by an Affiliate that is not a Participating Employer may be deferred under the Bonus Deferral Election feature of the Plan.
- 2.7 Business Day. Business Day means each day on which the New York Stock Exchange is open for business.
- 2.8 Change in Control. Change in Control means, with respect to a Participating Employer that is organized as a corporation, any of the following events: (i) a change in the ownership of the Participating Employer (as defined in Treasury Regulation Section 1.409A-3(i)(5)(v)), (ii) a change in the effective control of the Participating Employer (as defined in Treasury Regulation Section 1.409A-3(i)(5)(vi)), or (iii) a change in the ownership of a substantial portion of the assets of the Participating Employer (as defined in Treasury Regulation Section 1.409A-3(i)(5)(vii)).

An event constitutes a Change in Control with respect to a Participant only if the Participant performs services for the Participating Employer that has experienced the Change in Control, or the Participant's relationship to the affected Participating Employer otherwise satisfies the requirements of Treasury Regulation Section 1.409A-3(i)(5)(ii).

Notwithstanding anything to the contrary herein, with respect to a Participating Employer that is a partnership or limited liability company, Change in Control means only a change in the ownership of such entity or a change in the ownership of a substantial portion of

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the assets of such entity, and the provisions set forth above (by cross reference to the applicable Treasury regulations) respecting such changes relative to a corporation shall be applied by analogy. Any reference to a "majority shareholder" shall be treated as referring to a partner or member that (a) owns more than 50% of the capital and profits interest of such entity, and (b) alone or together with others is vested with the continuing exclusive authority to make management decisions necessary to conduct the business for which the partnership or limited liability company was formed.

- 2.9 Claimant. Claimant means a Participant or Beneficiary filing a claim under Article XI of this Plan.
- 2.10 Code. Code means the Internal Revenue Code of 1986, as amended from time to time.
- 2.11 Committee. Committee means the McDonald's Corporation Officer Committee (or the applicable successor thereto), the members of which shall be appointed from time to time by the Chief People Officer of the Company (or such other officer who shall be so designated by the Company's Board of Directors from time to time).
- 2.12 Company. Company means McDonald's Corporation.
- 2.13 Company Contribution. Company Contribution means a credit by a Participating Employer to a Participant's Account(s) in accordance with the provisions of Article V of the Plan. Unless the context clearly indicates otherwise, a reference to Company Contribution shall include Earnings attributable to such contribution.
- 2.14 Compensation. Compensation means compensation as defined in the McDonald's Corporation 401(k) Plan (or its successor) (the "401(k) Plan"), but including Deferrals under this Plan and without regard to the limitations imposed under Section 401(a)(17) of the Code.
- 2.15 Compensation Deferral Agreement. Compensation Deferral Agreement means an agreement between a Participant and a Participating Employer that specifies: (i) the Participant's Bonus Deferral Election or Salary Deferral Election under the Plan, made in accordance with the provisions of Article IV, (ii) the period during which such election will remain in effect, and (iii) the Payment Schedule for the Deferral resulting from such election applicable to one or more Accounts.
- 2.16 Deferral. Deferral means a credit to a Participant's Account(s) that records that portion of the Participant's Compensation that the Participant has elected to defer to the Plan in accordance with the provisions of Article IV. Unless the context of the Plan clearly indicates otherwise, a reference to Deferrals includes Earnings attributable to such Deferrals.
- 2.17 Earnings. Earnings means an adjustment to the value of an Account in accordance with Article VII.

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- 2.18 Effective Date. Effective Date means May 26, 2020.
- 2.19 Eligible Employee. Eligible Employee means an Employee who is a member of a select group of management or highly compensated employees who meets the requirements of Section 3.1.
- 2.20 Employee. Employee means a common-law employee of an Employer.
- 2.21 Employer. Employer means the Company and each Affiliate.
- 2.22 Enrollment Period. Enrollment Period means the period established by the Committee during which a Participant may make a Bonus Deferral Election or Salary Deferral Election, as applicable, with respect to the applicable portion of the Participant's Compensation, which shall end no later than the last day a Compensation Deferral Agreement may be filed with respect to such portion of the Participant's Compensation in accordance with Section 4.2.
- 2.23 ERISA. ERISA means the Employee Retirement Income Security Act of 1974, as amended from time to time.
- 2.24 Flex Account. Flex Account means a Separation Account or Specified Date Account established under the terms of a Participant's Compensation Deferral Agreement. Unless the Committee specifies otherwise, a Participant may maintain no more than five (5) Flex Accounts at any one time.
- 2.25 Participant. Participant means an individual described in Article III.
- 2.26 Participating Employer. Participating Employer means the Company and each Affiliate who has adopted the Plan with the consent of the Company. Each Participating Employer shall be identified on Schedule A attached hereto.
- 2.27 Payment Schedule. Payment Schedule means the date as of which payment of an Account will commence and the form in which payment of such Account will be made under the terms of the Bonus Deferral Election or Salary Deferral Election in effect for such Account under the terms of this Plan.
- 2.28 Performance-Based Compensation. Performance-Based Compensation means Compensation where the amount of, or entitlement to, the Compensation is contingent on the satisfaction of pre-established organizational or individual performance criteria relating to a performance period of at least 12 consecutive months. Organizational or individual performance criteria are considered pre-established if established in writing by not later than 90 days after the commencement of the period of service to which the criteria relate, provided that the outcome is substantially uncertain at the time the criteria are established. Performance-Based Compensation shall not include any Compensation payable upon the Participant's death or disability (as defined in Treasury Regulation Section 1.409A-1(e)) without regard to the satisfaction of the performance criteria.

McDonald's Deferred Compensation Plan

- 2.29 Plan. Plan means the “McDonald's Deferred Compensation Plan.”
- 2.30 Plan Year. Plan Year means January 1 through December 31.
- 2.31 Primary Separation Account. Primary Separation Account means an Account established by the Committee to record Company Contributions and Deferrals allocated to the Primary Separation Account pursuant to a Participant's Compensation Deferral Agreement, payable to a Participant upon Separation from Service in accordance with Section 6.3.
- 2.32 Prior Plan Document. Prior Plan Document refers to prior amendments and restatements of this Plan. Except to the extent set forth in Article I, the applicable Prior Plan Document applies to all amounts deferred and accounts established under the Plan with respect to Compensation that but for a deferral election under such document would have otherwise been paid in 2020 or an earlier calendar year and Company Contributions credited to a Participant's Account(s) with respect to any such Compensation.
- 2.33 Salary Deferral Election. Salary Deferral Election is a valid election to make a Deferral in a timely filed Compensation Deferral Agreement with respect to the portion of a Participant's Compensation that is considered base salary.
- 2.34 Separation Account. Separation Account means a Flex Account established by the Committee in accordance with a Participant's Compensation Deferral Agreement to record Deferrals allocated to such Account by the Participant and which are payable as a result of the Participant's Separation from Service as set forth in Section 6.3.
- 2.35 Separation from Service. Separation from Service means an Employee's separation from service within the meaning of Treasury Regulation Section 1.409A-1(h).

For purposes of determining whether a Separation from Service has occurred, the Employer means the Employer as defined in Section 2.21 of the Plan, except that in applying Code Sections 1563(a)(1), (2) and (3) for purposes of determining whether another organization is an Affiliate of the Company under Code Section 414(b), and in applying Treasury Regulation Section 1.414(c)-2 for purposes of determining whether another organization is an Affiliate of the Company under Code Section 414(c), “at least 50 percent” shall be used instead of “at least 80 percent” each place it appears in those sections.

The Committee specifically reserves the right to determine whether a sale or other disposition of substantial assets to an unrelated party constitutes a Separation from Service with respect to a Participant providing services to the seller immediately prior to the transaction and providing services to the buyer after the transaction.

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- 2.36 Specified Date Account. Specified Date Account means a Flex Account established by the Committee to record the amounts payable in July of a future year that is designated in the Participant's Compensation Deferral Agreement.
- 2.37 Substantial Risk of Forfeiture. Substantial Risk of Forfeiture has the meaning specified in Treasury Regulation Section 1.409A-1(d).
- 2.38 Unforeseeable Emergency. Unforeseeable Emergency means a severe financial hardship to the Participant resulting from an illness or accident of the Participant, the Participant's spouse, the Participant's dependent (as defined in Code Section 152, without regard to Section 152(b)(1), (b)(2), and (d)(1)(B)), or a Beneficiary; loss of the Participant's property due to casualty (including the need to rebuild a home following damage to a home not otherwise covered by insurance, for example, as a result of a natural disaster); or other similar extraordinary and unforeseeable circumstances arising as a result of events beyond the control of the Participant. The types of events which may qualify as an Unforeseeable Emergency may be limited by the Committee.
- 2.39 Valuation Date. Valuation Date means each Business Day.

Article III

Eligibility and Participation

- 3.1 Eligibility and Commencement of Participation. An Employee shall become an Eligible Employee as described in this Section. An Eligible Employee shall become a Participant with respect to the applicable portion of the Plan on the first to occur of (i) the date on which the applicable Compensation Deferral Agreement becomes irrevocable under Article IV or (ii) the date Company Contributions are credited to an Account on behalf of such Eligible Employee.
- (a) *Salary Deferral Elections*. An Employee shall be eligible to participate in the Plan for a Plan Year for purposes of making a Salary Deferral Election if:
- i. The individual is either:
 1. An officer of the Company or a Participating Employer as of the last day of the Enrollment Period for such Plan Year; or
 2. An Employee of the Company or a Participating Employer who is in the Directional Compensation Band or above on the last day of the Enrollment Period ending in June preceding such Plan Year and will be eligible to participate in the employer matching contribution feature under the 401(k) Plan as of January 1 of the Plan Year; and
 - ii. The individual's annualized base pay determined as of a date established by the Committee each year equals or exceeds the applicable dollar amount in effect under Code Section 414(q)(1)(B)
 - (i) as of the last day of the applicable Enrollment Period.

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- (b) *Bonus Deferral Elections.* An Employee shall be eligible to participate in the Plan for a Plan Year for purposes of making a Bonus Deferral Election with respect to the portion of a Participant's Compensation paid with respect to that Plan Year that is Performance-Based Compensation if:
- i. The individual is an officer of the Company or a Participating Employer or an Employee who is in the Directional Compensation Band or above on the last day of the Enrollment Period ending in June for such Plan Year and will be eligible to participate in the employer matching contribution feature under the 401(k) Plan as of January 1 of the Plan Year;
 - ii. The individual's annualized base pay determined as of a date established by the Committee each year equals or exceeds the applicable dollar amount in effect under Code Section 414(q)(1)(B)(i) as of the last day of the Enrollment Period; and
 - iii. The individual has made a Salary Deferral Election on a Compensation Deferral Agreement for that Plan Year.
- (c) *Newly-Hired Officers - Salary Deferrals.* Officers of the Company or a Participating Employer who are newly-hired during a Plan Year shall be eligible to participate for purposes of making a Salary Deferral Election solely with respect to Compensation earned after the end of the Enrollment Period described in this Section 3.1(c).

Effective January 1, 2021, solely with respect to Salary Deferral Elections, the Enrollment Period for a newly-hired officer shall be as follows:

- i. Officers hired on or after January 1 and before April 1, the Enrollment Period shall be 30-day period ending March 31.
- ii. Officers hired on or after April 1 and before July 1, the Enrollment Period shall be the 30-day period ending June 30.
- iii. Officers hired on or after July 1 and before October 1, the Enrollment Period shall be the 30-day period ending September 30.
- iv. Officers hired on or after October 1, the Enrollment Period.

In order to participate for the Plan Year that includes their date of hire, newly-hired officers must submit their Compensation Deferral Agreement by the last day of the applicable Enrollment Period and such Compensation Deferral Agreement shall be irrevocable as of that date. Officers hired on or after October 1 shall not be eligible to participate in the Plan for purposes of making a Salary Deferral Election during the Plan Year that includes their date of hire. Newly-hired officers shall not be eligible to participate for purposes of making a Bonus Deferral Election until they are eligible in accordance with Section 3.1(b) above.

- (d) *Officers Hired After Enrollment Period.* Officers not eligible to participate for a Plan Year under Section 3.1(a) because they were hired after the last Enrollment

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Period for such Plan Year shall be eligible to participate as a newly-hired officer under Section 3.1(c) as if such officer was hired on January 1 of the first Plan Year following their date of hire.

- (e) *Rehired Employees.* Officers of the Company or a Participating Employer who were previously eligible to participate in the Plan and (i) are rehired 24 months or more after the date of their Separation from Service or (ii) received their final payment from the Plan prior to rehire will be treated as a newly-hired officer and eligible to participate in accordance with Section 3.1(c) and (d). If such an officer is rehired less than 24 months following the date of their Separation from Service, they will not be treated as a newly-hired officer; but may have the opportunity to make a Salary Deferral Election by submitting an election form in accordance with rules established by the Committee; provided, however, that such rules shall comply with the timing requirements of Section 4.2. In no event shall a rehired officer be eligible to make a Bonus Deferral Election prior to the next applicable June Enrollment Period. Employees below the officer level who are rehired will be able to participate in accordance Section 3.1(a) and (b). If an Eligible Employee who has incurred a Separation from Service subsequently resumes performing services for an Employer, then any Compensation paid with respect to the Plan Year that includes the date of the Employee's Separation from Service shall remain subject to any Compensation Deferral Agreement in effect for such Plan Year.
- (f) *Transferred Directors and Above.* An Employee in the Directional Compensation Band or above who transfers to a Participating Employer during a Plan Year and who meets the conditions described in this paragraph shall be eligible to participate in the Plan for the remainder of that Plan Year in accordance with the same requirements described in Section 3.1(c) and (d) above for newly-hired officers. Such an Employee shall be eligible to participate in the Plan under this paragraph if the Employee (i) transfers employment from an Affiliate that is not a Participating Employer, (ii) was not subject to taxation in the United States immediately prior to such transfer of employment, (iii) immediately after such transfer of employment, is in the Directional Compensation Band or above at a Participating Employer, and (iv) has annualized base pay as of the date of transfer in an amount that equals or exceeds the applicable dollar amount in effect under Code Section 414(q)(1)(B)(i) as of such date.
- (g) *Temporary Employees and Interns.* Employees classified as temporary by the Company and interns, regardless of their compensation band, are not eligible to participate in the Plan.

3.2 Duration of Participation. Only Eligible Employees may submit a Compensation Deferral Agreement during an Enrollment Period or receive Company Contributions with respect to a Plan Year. For the avoidance of doubt, a Participant who is no longer an Eligible Employee but has not incurred a Separation from Service is not eligible to submit a Compensation Deferral Agreement but may otherwise exercise all of the rights of a

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Participant under the Plan with respect to their Account(s). On and after a Separation from Service, a Participant shall remain a Participant as long as their Account Balance is greater than zero (0). All Participants, regardless of employment status, will continue to be credited with Earnings and during such time may continue to make allocation elections as provided in Section 7.4. An individual shall cease being a Participant in the Plan when his Account has been reduced to zero (0).

Article IV

Deferrals

4.1 Deferral Elections, Generally.

- (a) An Eligible Employee may make an initial election to defer Compensation by submitting a Compensation Deferral Agreement during the Enrollment Period established by the Committee and in the manner specified by the Committee, but in any event, in accordance with Section 4.2.
- (b) A Compensation Deferral Agreement that is not timely filed (as described in 4.1(a)) with respect to a service period or component of Compensation, or that is submitted by a Participant who Separates from Service prior to the latest date such agreement would become irrevocable under Section 409A of the Code, shall be null and void and shall not take effect with respect to such item of Compensation. The Committee may modify or revoke any Compensation Deferral Agreement prior to the date the election becomes irrevocable under the rules of Section 4.2.
- (c) The Committee may permit different deferral amounts in a Compensation Deferral Agreement for each component of Compensation and may specify in the enrollment materials a minimum or maximum deferral amount for each such component.
- (d) Deferrals of cash Compensation shall be calculated with respect to the gross cash Compensation payable to the Participant prior to any deductions or withholdings, but shall be reduced by the Committee as necessary so as not to exceed 100% of the cash Compensation of the Participant remaining after deduction of all required income and employment taxes, required employee benefit deductions, deferrals to 401(k) plans and other deductions required by law. The Committee, in its sole discretion, may disregard any changes to payroll withholdings that affect the amount of Compensation being deferred to the Plan.
- (e) The Eligible Employee shall specify on their Compensation Deferral Agreement the amount of Deferrals and whether to allocate Deferrals to the Primary Separation Account or to one or more Flex Accounts. If no designation is made, Deferrals shall be allocated to the Primary Separation Account.

McDonald's Deferred Compensation Plan

4.2 Timing Requirements for Compensation Deferral Agreements.

- (a) *Initial Eligibility.* As described in Section 3.1(c), the Committee may permit certain newly-hired Eligible Employees to defer certain Compensation earned during the Plan Year that includes their date of hire. In addition, as described in Section 3.1(d), the Committee may permit Eligible Employees hired after the end of the last Enrollment Period applicable to Compensation earned during a Plan Year to defer certain Compensation earned during that Plan Year. In either case, the Compensation Deferral Agreement must be filed and becomes irrevocable on the last day of the applicable Enrollment Period described in Section 3.1(c), unless the Compensation Deferral Agreement specifies that it is irrevocable on an earlier date.

A Compensation Deferral Agreement filed under this paragraph applies to Compensation earned after the end of the applicable Enrollment Period.

- (b) *Prior Year Election.* Except as otherwise provided in this Section 4.2, the Committee may permit an Eligible Employee to defer Compensation by filing a Compensation Deferral Agreement during an Enrollment Period, the last day of which shall be no later than December 31 of the year prior to the year in which the Compensation to be deferred is earned. A Compensation Deferral Agreement filed under this paragraph shall become irrevocable with respect to such Compensation on the latest date permitted by the Committee, which shall be no later than December 31.

- (c) *Performance-Based Compensation.* The Committee may permit an Eligible Employee to defer Compensation which qualifies as Performance-Based Compensation by filing a Compensation Deferral Agreement during an Enrollment Period, the last day of which shall be no later than the date that is six months before the end of the applicable performance period, provided that:

- (i) the Participant performs services continuously from the later of the beginning of the performance period or the date the performance criteria are established through the date the Compensation Deferral Agreement is submitted; and
- (ii) the Compensation is not readily ascertainable as of the date the Compensation Deferral Agreement is filed.

Such election becomes irrevocable on the latest date permitted by the Committee, which shall be no later than the date described under the preceding rules.

Any election to defer Performance-Based Compensation that is made in accordance with this paragraph and that becomes payable as a result of the Participant's death or disability (as defined in Treasury Regulation Section

McDonald's Deferred Compensation Plan

1.409A-1(e)) or upon a change in control (as defined in Treasury Regulation Section 1.409A-3(i)(5)) prior to the satisfaction of the performance criteria, will be void unless it would be considered timely under another rule described in this Section.

- (d) *Certain Forfeitable Rights.* With respect to a legally binding right to a payment in a subsequent year that is subject to a forfeiture condition requiring the Participant's continued services for a period of at least 12 months from the date the Participant obtains the legally binding right, the Committee may permit an Eligible Employee to defer such Compensation by filing a Compensation Deferral Agreement on or before the 30th day after the legally binding right to the Compensation accrues, provided that the Compensation Deferral Agreement is submitted at least 12 months in advance of the earliest date on which the forfeiture condition could lapse. The Compensation Deferral Agreement described in this paragraph becomes irrevocable not later than such 30th day. If the forfeiture condition applicable to the payment lapses before the end of such 12-month period as a result of the Participant's death or disability (as defined in Treasury Regulation Section 1.409A-3(i)(4)) or upon a change in control (as defined in Treasury Regulation Section 1.409A-3(i)(5)), the Compensation Deferral Agreement will be void unless it would be considered timely under another rule described in this Section.

- 4.3 Allocation of Deferrals. A Compensation Deferral Agreement may allocate Deferrals to the Primary Separation Account or to one or more Flex Accounts. The Committee may, in its discretion, establish in a written communication during enrollment a minimum deferral period for the establishment of a Specified Date Account (for example, the second Plan Year following the year Compensation is first allocated to such Accounts).
- 4.4 Deductions from Pay. The Committee has the authority to determine the payroll practices under which any component of Compensation subject to a Compensation Deferral Agreement will be deducted from a Participant's Compensation.
- 4.5 Vesting. Participant Deferrals of cash Compensation shall be 100% vested at all times.
- 4.6 Cancellation of Deferrals. The Committee in its sole discretion may cancel a Participant's Deferrals: (i) upon written request of the Participant, for the balance of the Plan Year in which an Unforeseeable Emergency described in Section 6.5 occurs, and (ii) during periods in which the Participant is unable to perform the duties of their position or any substantially similar position due to a mental or physical impairment that can be expected to result in death or last for a continuous period of at least six months, provided cancellation occurs by the later of the end of the taxable year of the Participant or the 15th day of the third month following the date the Participant incurs the disability (as defined in this paragraph (ii)).

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Article V

Company Contributions

- 5.1 Discretionary Company Contributions. The Company may, from time to time in its sole and absolute discretion, credit discretionary Company Contributions in the form of matching, profit sharing or other contributions to any Participant in any amount determined by the Company. Discretionary Company Contributions are credited at the sole discretion of the Company and the fact that a discretionary Company Contribution is credited to a Participant at any particular time shall not obligate any Participating Employer to continue to make any such Company Contributions at any other time. Such discretionary Company Contributions (other than Restoration Matching Contributions, as described below) shall be memorialized in a writing signed by a member of the Committee. Such writing must include the following information: (i) the name of the Participant, (ii) the amount that is being credited, (iii) the Account to which such amount shall be credited, (iv) the Payment Schedule, and (v) any vesting conditions that may apply to such credited amount.

Restoration Matching Contribution. Company Contributions may take the form of restoration matching contributions ("Restoration Matching Contribution"), at the same matching contribution rate provided under the 401(k) Plan, less matching contributions provided under the 401(k) Plan for the same Plan Year; provided that any such matching contributions will be credited to a Participant's Account with respect to a Plan Year only if the Participant has elected to defer, and has deferred, the maximum permissible deferral under the 401(k) Plan in accordance with Section 402(g) of the Code and applicable nondiscrimination requirements under the Code. Only Participants eligible to receive matching contributions under the 401(k) Plan as of January 1 of the Plan Year will be eligible to receive a Restoration Matching Contribution for that Plan Year. Any Restoration Matching Contributions shall be credited to a Participant's Primary Separation Account. The Committee shall determine, in its sole discretion, the timing of Restoration Matching Contributions, as well as any other rules or requirements applicable to such contributions, including eligibility requirements.

Earnings Adjustment. Matching credits for a Plan Year will be credited with a retroactive earnings adjustment equal to (a) the Restoration Matching Contribution, multiplied by (b) the net annual rate of return for the current stable value fund available under the 401(k) Plan (currently, the Capital Preservation Investment Option) after reduction for applicable expenses under the Plan.

- 5.2 Vesting. Unless specified otherwise by the Committee in accordance with Section 5.1, Company Contributions are always 100% vested.

Article VI

Payments from Accounts

- 6.1 General Rules. A Participant's Accounts become payable upon the first to occur of the payment events applicable to such Account under (i) Sections 6.2 or 6.3 (as elected) and

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(ii) Sections 6.4 through 6.6.

Payment events and Payment Schedules elected by the Participant shall be set forth in a valid Compensation Deferral Agreement that establishes the Account to which such elections apply in accordance with Article IV or in a valid modification election applicable to such Account as described in Section 6.9.

Payment amounts are based on Account Balances as of the first Valuation Date of the specified payment month.

6.2 Specified Date Accounts.

Commencement. Payment is made or begins in July of the year designated by the Participant. The designated payment year may not be (a) earlier than July of the year following the third anniversary of the last day of the Plan Year in which the applicable Compensation Deferral Agreement that establishes the Specified Date Account is submitted or (b) later than the year in which the Participant will attain age 70.

Form of Payment. Payment will be made in a lump sum, unless the Participant elected to receive a designated number of annual installments up to 15 years.

The time and form of payment of Specified Date Accounts is unaffected by an earlier Separation from Service described in Section 6.3.

6.3 Separation from Service. Upon a Participant's Separation from Service other than death, the Participant is entitled to receive their vested Primary Separation Account and Separation Accounts.

Commencement. The Primary Separation Account and all other Separation Accounts commence payment in the seventh month following the Participant's Separation from Service.

Form of Payment. The Primary Separation Account and Separation Accounts will be paid in a single lump sum unless the Participant elected with respect to an Account to receive a designated number of monthly, quarterly, or annual installments up to 15 years.

6.4 Death. Notwithstanding anything to the contrary in this Article VI, upon the death of the Participant (regardless of whether such Participant is an Employee at the time of death), all remaining vested Account Balances shall be paid to their Beneficiary in a single lump sum no later than December 31 of the calendar year following the year of the Participant's death.

(a) *Designation of Beneficiary in General.* The Participant shall designate a Beneficiary in the manner and on such terms and conditions as the Committee may prescribe. No such designation shall become effective unless filed with the Committee during the Participant's lifetime. A Participant may from time to time

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change their designated Beneficiary without the consent of a previously-designated Beneficiary by filing a new designation with the Committee.

- (b) *No Beneficiary.* If a designated Beneficiary does not survive the Participant, or if there is no valid Beneficiary designation, amounts payable under the Plan upon the death of the Participant shall be paid to (i) the Participant's beneficiary under the McDonald's Corporation Supplemental Profit Sharing and Savings Plan, or, if no such beneficiary is on file, (ii) then to the duly appointed and currently acting personal representative of the Participant's estate.

- 6.5 Unforeseeable Emergency. A Participant who experiences an Unforeseeable Emergency may submit a written request to the Committee to cease Deferrals to the Plan for the remainder of the current Plan Year. If the emergency need cannot be relieved by cessation of Deferrals to the Plan, the Committee may approve an emergency payment from the Participant's vested Accounts not to exceed the amount reasonably necessary to satisfy the need, taking into account the additional compensation that is available to the Participant as the result of cancellation of deferrals to the Plan, including amounts necessary to pay any taxes or penalties that the Participant reasonably anticipates will result from the payment. The amount of the emergency payment shall be subtracted pro-rata from all of the Participant's Accounts. Emergency payments shall be paid in a single lump sum within the 90-day period following the date the payment is approved by the Committee. The Committee may specify that Deferrals will be distributed before any Company Contributions. The Committee has sole discretionary authority to determine whether an Unforeseeable Emergency exists and the amount necessary to satisfy the need, if any.
- 6.6 Cash-Out of Small Balances. Notwithstanding any election made by a Participant, if the balance in a Participant's Accounts established under the Plan (including under the Prior Plan Document) as of the Participant's Separation from Service is less than \$50,000, then such Participant's Accounts shall be paid in a single lump sum in the seventh month following the Participant's Separation from Service. Notwithstanding anything to the contrary in this Article VI, the Committee may at any time and without regard to whether a payment event has occurred, direct in writing an immediate lump sum payment of the Participant's Accounts if the balance of such Accounts, combined with any other amounts required to be treated as deferred under a single plan pursuant to Code Section 409A, does not exceed the applicable dollar amount under Code Section 402(g)(1)(B), provided any other such aggregated amounts are also distributed in a lump sum at the same time.
- 6.7 Acceleration of or Delay in Payments. Notwithstanding anything to the contrary in this Article VI, the Committee, in its sole and absolute discretion, may elect to accelerate the time or form of payment of an Account, provided such acceleration is permitted under Treasury Regulation Section 1.409A-3(j)(4). The Committee may also, in its sole and absolute discretion, delay the time for payment of an Account, to the extent permitted under Treasury Regulation Section 1.409A-2(b)(7).

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- 6.8 Rules Applicable to Installment Payments. If a Payment Schedule specifies installment payments, payments will be made beginning as of the payment commencement date for such installments and shall continue to be made on the first day of each subsequent payment period until the number of installment payments specified in the Payment Schedule has been paid. The first day with respect to each payment commencement date under Section 6.2 or 6.3 is (i) for annual payments, each anniversary of the payment commencement date, (ii) for quarterly payments, the first day of every third calendar month and (iii) for monthly payments, the first day of each calendar month. The amount of each installment payment shall be determined by dividing (a) by (b), where (a) equals the Account Balance as of the Valuation Date and (b) equals the remaining number of installment payments. For purposes of Section 6.9, installment payments will be treated as a single payment. If an Account is payable in installments, the Account will continue to be credited with Earnings in accordance with Article VII hereof until the Account is completely distributed.
- 6.9 Modifications to Payment Schedules. A Participant may modify the Payment Schedule elected by him or her with respect to an Account, consistent with the permissible Payment Schedules available under the Plan for the applicable payment event, provided such modification complies with the requirements of this Section 6.9.
- (a) *Time of Election.* The modification election must be submitted to the Committee not less than 12 months prior to the date payments would have commenced under the Payment Schedule in effect prior to modification (the "Prior Election").
 - (b) *Date of Payment under Modified Payment Schedule.* The date payments are to commence under the modified Payment Schedule generally must be no earlier than five years after the date payment would have commenced under the Prior Election, determined in accordance with Treasury Regulation Section 1.409A-2(b). Under no circumstances may a modification election result in an acceleration of payments in violation of Code Section 409A.
 - (c) *Irrevocability; Effective Date.* A modification election is irrevocable when filed and becomes effective 12 months after the filing date.
 - (d) *Effect on Accounts.* An election to modify a Payment Schedule is specific to the Account or payment event to which it applies, and shall not be construed to affect the Payment Schedules or payment events of any other Accounts.
- 6.10 Payments to Rehired Participants. If a Participant has a bona fide Separation from Service and thereafter resumes service with the Company or any Affiliate (whether as an employee or independent contractor), the portion of the Participant's Account balance attributable to amounts deferred from compensation earned prior to such Separation from Service (as adjusted for net investment earnings, gains and losses) shall be distributed to the Participant based on such Separation from Service without regard to the Participant's resumption of service, and any amounts deferred from compensation earned after the Participant's resumption of service (as adjusted for net investment earnings, gains and

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losses) shall not be distributed to the Participant until the Participant's subsequent Separation from Service.

- 6.11 Domestic Relations Orders. Notwithstanding any provision in this Plan to the contrary, if any portion of a Participant's Account is assigned to a person other than the Participant pursuant to a judgment, decree, order (including approval of a property settlement agreement) which (a) relates to the provision of child support, alimony payments, or marital property rights to the Participant's spouse, child or other dependent (an "Alternate Payee"), and (b) is made pursuant to the domestic relations law (including a community property law) of any state or territory (a "Domestic Relations Order"), the Committee shall direct the immediate distribution to the Alternate Payee of the portion, if any, of each such Account of the Participant that has been assigned to such Alternate Payee. Payments shall be made pro-rata from all Participant's Accounts and in accordance with such additional procedures and requirements as the Committee shall specify.

Article VII

Valuation of Account Balances; Investments

- 7.1 Valuation. Deferrals shall be credited to appropriate Accounts on the date such Compensation would have been paid to the Participant absent the Compensation Deferral Agreement. Valuation of Accounts shall be performed under procedures approved by the Committee.
- 7.2 Earnings Credit. Each Account will be credited with Earnings on each Business Day, based upon the Participant's deemed investment allocation among the menu of investment options selected in advance by the Committee, in accordance with the provisions of this Article VII ("investment allocation").
- 7.3 Investment Options. Deemed investment options will be determined by the Committee. The Committee, in its sole discretion, shall be permitted to add or remove deemed investment options from the Plan menu from time to time, provided that any such additions or removals of deemed investment options shall not be effective with respect to any period prior to the effective date of such change.
- 7.4 No Actual Investment. A Participant's investment allocation constitutes a deemed, not actual, investment among the investment options comprising the investment menu. At no time shall a Participant have any real or beneficial ownership in any investment option included in the investment menu, nor shall the Participating Employer or any trustee acting on its behalf have any obligation to purchase actual securities as a result of a Participant's investment allocation. A Participant's deemed investment allocation shall be used solely for purposes of adjusting the hypothetical value of a Participant's Account Balances.

A Participant shall specify a deemed investment allocation for each of his Accounts in accordance with procedures established by the Committee. Allocation among the deemed investment options must be designated in increments of 1%. The Participant's deemed investment allocation will become effective on the same Business Day or, in the

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case of deemed investment allocation election received after a time specified by the Committee, the next Business Day.

A Participant may change their deemed investment allocation on any Business Day, both with respect to future credits to the Plan and with respect to existing Account Balances, in accordance with procedures adopted by the Committee. Changes shall become effective on the same Business Day or, in the case of investment allocation elections received after a time specified by the Committee, the next Business Day, and shall be applied prospectively.

- 7.5 Unallocated Deferrals and Accounts. If the Participant fails to make a deemed investment allocation with respect to an Account, such Account shall be deemed invested in an investment option, the primary objective of which is the preservation of capital, as determined by the Committee.
- 7.6 Valuations Final After 140 Days. The Participant shall have 140 days following the Valuation Date on which the Participant failed to be credited with the full amount of Earnings to file a claim under Article XI disputing the amount of Earnings that was credited and requesting modification of the amount so credited.

Article VIII

Administration

- 8.1 Plan Administration. This Plan shall be administered by the Committee which shall have discretionary authority to make, amend, interpret and enforce all appropriate rules and regulations for the administration of this Plan and to utilize its discretion to decide or resolve any and all questions, including but not limited to eligibility for benefits and interpretations of this Plan and its terms, as may arise in connection with the Plan. Claims for benefits shall be filed with the Committee and resolved in accordance with the claims procedures in Article XI.
- 8.2 Administration Upon Change in Control. Upon a change in control affecting the Company, the Committee, as constituted immediately prior to such change in control, shall continue to act as the Committee. The Committee, by a vote of a majority of its members, shall have the authority (but shall not be obligated) to appoint an independent third party to act as the Committee. For purposes of this Section 8.2, a "change in control" means a change in control within the meaning of the rabbi trust agreement associated with the Plan or if no such definition is provided, the term shall have the meaning under Code Section 409A.

Upon such change in control, the Company may not remove the Committee or its members, unless a majority of Participants and Beneficiaries with Account Balances consent to the removal and replacement of the Committee. Notwithstanding the foregoing, the Committee shall not have authority to direct investment of trust assets under any rabbi trust described in Section 10.2.

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The Participating Employers shall, with respect to the Committee identified under this Section: (i) pay all reasonable expenses and fees of the Committee, (ii) indemnify the Committee (including individuals serving as Committee members) against any costs, expenses and liabilities including, without limitation, attorneys' fees and expenses arising in connection with the performance of the Committee's duties hereunder, except with respect to matters resulting from the Committee's gross negligence or willful misconduct, and (iii) supply full and timely information to the Committee on all matters related to the Plan, any rabbi trust, Participants, Beneficiaries and Accounts as the Committee may reasonably require.

- 8.3 Withholding. The Participating Employer shall have the right to withhold from any payment due under the Plan (or with respect to any amounts credited to the Plan) any amounts it reasonably determines to be required by law to be withheld in respect of such payment (or credit). Withholdings with respect to amounts credited to the Plan shall be deducted from Compensation that has not been deferred to the Plan.
- 8.4 Indemnification. The Participating Employers shall indemnify and hold harmless each employee, officer, director, agent or organization, to whom or to which are delegated duties, responsibilities, and authority under the Plan or otherwise with respect to administration of the Plan, including, without limitation, the Committee, its delegees and its agents, against all claims, liabilities, fines and penalties, and all expenses reasonably incurred by or imposed upon him or it (including but not limited to reasonable attorney fees) which arise as a result of his or its actions or failure to act in connection with the operation and administration of the Plan to the extent lawfully allowable and to the extent that such claim, liability, fine, penalty, or expense is not paid for by liability insurance purchased or paid for by the Participating Employer. Notwithstanding the foregoing, the Participating Employer shall not indemnify any person or organization if his or its actions or failure to act are due to gross negligence or willful misconduct or for any such amount incurred through any settlement or compromise of any action unless the Participating Employer consents in writing to such settlement or compromise.
- 8.5 Delegation of Authority. In the administration of this Plan, the Committee may, from time to time, employ agents and delegate to them such administrative duties as it sees fit, and may from time to time consult with legal counsel who shall be legal counsel to the Company.
- 8.6 Binding Decisions or Actions. The decision or action of the Committee in respect of any question arising out of or in connection with the administration, interpretation and application of the Plan and the rules and regulations thereunder shall be final and conclusive and binding upon all persons having any interest in the Plan.

Article IX

Amendment and Termination

- 9.1 Amendment and Termination. The Company may at any time and from time to time amend the Plan or may terminate the Plan as provided in this Article IX. Each

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Participating Employer may also terminate its participation in the Plan.

- 9.2 Actions to Amend or Terminate. The Company, by action taken by the Compensation Committee of its Board of Directors (the "Compensation Committee") or such other person or committee appointed by the Compensation Committee, reserves the right to amend or terminate the Plan at any time and for any reason, provided that any such amendment shall not reduce the vested Account Balances of any Participant accrued as of the date of any such amendment or restatement (as if the Participant had incurred a voluntary Separation from Service on such date). No amendment is needed to revise the list of Participating Employers set forth on Schedule A attached hereto.
- 9.3 Implementation of Termination. In the event of Plan termination, Account balances shall be paid in the form of a single lump sum to the maximum extent permitted under Treasury Regulation Section 1.409A-3(j)(4)(ix).
- 9.4 Accounts Taxable Under Code Section 409A. The Plan is intended to constitute a plan of deferred compensation under which amounts are not required to be taken into gross income under Code Section 409A. The Committee, pursuant to its authority to interpret the Plan, may sever from the Plan or any Compensation Deferral Agreement any provision or exercise of a right that otherwise would result any amount of compensation deferred hereunder being required to be included in any person's gross income under Section 409A(a)(1)(A) of the Code or otherwise subject to the interest or additional tax described in Section 409A(a)(1)(B) of the Code.
- 9.5 Lump Sum Upon a Change of Control of the Company. Notwithstanding any other provision in this Plan to the contrary, immediately following a Change of Control of the Company, each Participant and each beneficiary of a deceased Participant (without regard to whether such Participant has had a Separation from Service or is then receiving installments payments) shall receive an immediate lump sum distribution of their entire remaining Account balance.
- 9.6 Withdrawal from the Plan by Subsidiary. Any Participating Employer shall have the right, at any time, upon the approval of and under such conditions as may be provided by the Compensation Committee, to withdraw from the Plan by delivering to the Committee written notice of its election to withdraw, upon which it shall be considered a "Withdrawing Subsidiary." Upon receipt of such notice, the Withdrawing Subsidiary shall assume sole responsibility for making payments to its Participants and full responsibility for the design and administration of the Plan, as it applies to its Employees and former Employees. Such responsibility shall include, without limitation, (i) adopting a plan document naming the Withdrawing Subsidiary as the sponsor that is a "clone" of this Plan and the Prior Plan Documents (ii) providing payroll services for payment of the Account of each Participant who is currently employed by the Withdrawing Subsidiary on the effective date of the Withdrawing Subsidiary's withdrawal from the Plan, (iii) to the extent required by the Committee, providing payroll services for payment of the Account of each Participant who had a Separation from Service prior to the effective date of the Withdrawing Subsidiary's withdrawal from the Plan and whose last period of

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service prior to their Separation from Service was with the Withdrawing Subsidiary, and (iv) for continuing to honor the irrevocable Deferral Elections, if any, that are still in effect with respect to each such Participant. The Company shall have no further obligations to such Participants or any of their Beneficiaries under the Plan whether as administrator of the Plan or guarantor for the payment of amounts due under the Plan or for any other purpose.

Notwithstanding the foregoing, if Participating Employer ceases to be an Affiliate for any reason, such entity shall be deemed to have withdrawn from the Plan and become a Withdrawing Subsidiary in accordance with this Section 9.6 immediately before such entity ceases to be an Affiliate, unless the Company and the entity or the person or group of persons that acquires a controlling interest in the entity enter into an agreement that requires the Company to retain responsibility for the payment of benefits under the Plan with respect to such entity and/or to effect a Partial Termination of the Plan in accordance with Section 9.7 with respect to such entity.

- 9.7 Partial Termination of the Plan Upon a Subsidiary Change of Control Event. Notwithstanding any other provision of the Plan, if a Participating Employer undergoes a Subsidiary Change of Control Event, as defined below (a “Disaffiliated Subsidiary”), the Company, in its sole discretion, may terminate the portion of the Plan (a “Partial Termination”) covering those Participants (“Disaffiliated Participants”) who immediately following the occurrence of such Subsidiary Change of Control Event are employed by, or are otherwise performing services for, such Disaffiliated Subsidiary. Any such Partial Termination of the Plan shall be done in accordance with and subject to the requirements imposed under Treasury Regulation Section 1.409A-3(j)(4)(ix)(B), including the following:
- (a) The Company may amend the Plan 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 Participant will receive, within the 12 month period following the date the Partial Termination amendment is adopted, a lump sum distribution of their entire Account balance under the Plan and their entire account balance under all other Company-sponsored deferred compensation plans that together with the Plan are required to be treated as a single “plan” under Treasury Regulation Section 1.409A-1(c)(2) immediately following the Subsidiary Change of Control Event.
 - (c) A Participating Employer shall undergo a “Subsidiary Change of Control Event” if (i) it ceases to be an Affiliate of the Company as a result of a stock or asset sale or similar transaction and (ii) such sale or other transaction constitutes a “change in the ownership” (within the meaning of Treasury Regulation Section 1.409A-3(i)(5)(v)) of such Participating Employer, a “change in effective control” (within the meaning of Treasury Regulation Section 1.409A-3(i)(5)(vi)(1)) of such Participating Employer, or a “change in the ownership of a substantial portion of

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the assets” (within the meaning of Treasury Regulation Section 1.409A-3(i)(5)(vii)) of such Participating Employer.

Article X

Informal Funding

- 10.1 General Assets. Obligations established under the terms of the Plan may be satisfied from the general funds of the Participating Employers, or a trust described in this Article X. No Participant, spouse or Beneficiary shall have any right, title or interest whatever in assets of the Participating Employers. Nothing contained in this Plan, and no action taken pursuant to its provisions, shall create or be construed to create a trust of any kind, or a fiduciary relationship, between the Participating Employers and any Employee, spouse, or Beneficiary. To the extent that any person acquires a right to receive payments hereunder, such rights are no greater than the right of an unsecured general creditor of the Participating Employer.
- 10.2 Rabbi Trust. A Participating Employer may, in its sole discretion, establish a grantor trust, commonly known as a rabbi trust, as a vehicle for accumulating assets to pay benefits under the Plan. Payments under the Plan may be paid from the general assets of the Participating Employer or from the assets of any such rabbi trust. Payment from any such source shall reduce the obligation owed to the Participant or Beneficiary under the Plan.

If a rabbi trust is in existence upon the occurrence of a “change in control”, as defined in such trust, the Participating Employer shall, upon such change in control, and on each anniversary of the change in control, contribute in cash or liquid securities such amounts as are necessary so that the value of assets after making the contributions exceed 125% of the total value of all Account Balances.

Article XI

Claims

- 11.1 Filing a Claim.
- (a) Any individual (for purposes of this Section called a “Claimant”) may submit his claim for benefits or any other complaint or grievance with respect to administration of the Plan (a “Claim”) to the Committee or such other person designated by the Committee (the “Claims Administrator”) in writing in such form as is permitted by the Committee. A Claimant shall have no right to seek review of a denial of benefits, or to bring any action in any court to enforce a Claim, prior to his filing a claim for benefits and exhausting his rights to review in accordance with this Section. Any Claim that is based, in whole or in part, on the failure of the Committee (or its agents or delegates) to follow proper directions given by a Participant or Beneficiary in accordance with the provisions of the Plan (including, without limitation, the failure to follow an investment direction or a 401(k) Election) must be filed with the Claims Administrator no later than one hundred forty (140) days after the date on which such direction was given (or

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purportedly given) and the failure of a Claimant to file such Claim within this time frame shall be conclusive grounds for denial of such Claim.

When a Claim has been filed properly, such Claim shall be evaluated and the Claimant shall be notified of the approval or the denial 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, and such 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 he 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 Claimant shall be given written notice which shall contain (1) the specific reasons for the denial, (2) references to pertinent Plan provisions on which the denial is based, (3) 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 (4) the Claimant's rights to seek review of the denial.

- (b) If a Claim is denied, in whole or in part, the Claimant shall have the right to request that the Committee review the denial, provided that he files a written request for review with the Committee within sixty (60) days after the date on which he received written notification of the denial. A Claimant (or his duly authorized representative) may review pertinent documents and submit issues and comments in writing to the Committee. A Claimant must address any material issue relevant to his Claim in connection with his request for review. If a Claimant fails to raise or address any material issue relevant to his Claim in connection with his request for review, the Claimant shall have no right to later reopen or resubmit such Claim based on such issue. 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, within such initial sixty (60) day period, be given a written notification 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 shall be forwarded to the Claimant in writing and shall include specific reasons for the decision and references to Plan provisions upon which the decision is based. A decision on review shall be final and binding on all persons for all purposes.

- 11.2 Claims Appeals Upon Change in Control. Upon a change in control, the Claims Administrator, as constituted immediately prior to such change in control, shall continue to act as the Claims Administrator. The Company may not remove any member of the

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Claims Administrator, but may replace resigning members if 2/3rds of the members of the Board of Directors of the Company and a majority of Participants and Beneficiaries with Account Balances consent to the replacement. For purposes of this Section 11.2, a "change in control" means a change in control within the meaning of the rabbi trust agreement associated with the Plan or if no such definition is provided, the term shall have the meaning under Code Section 409A.

The Claims Administrator shall have the exclusive authority at the appeals stage to interpret the terms of the Plan and resolve appeals under the Claims Procedure.

Each Participating Employer shall, with respect to the Committee identified under this Section: (i) pay its proportionate share of all reasonable expenses and fees of the Claims Administrator, (ii) indemnify the Claims Administrator (including individual committee members) against any costs, expenses and liabilities including, without limitation, attorneys' fees and expenses arising in connection with the performance of the Claims Administrator hereunder, except with respect to matters resulting from the Claims Administrator's gross negligence or willful misconduct, and (iii) supply full and timely information to the Claims Administrator on all matters related to the Plan, any rabbi trust, Participants, Beneficiaries and Accounts as the Claims Administrator may reasonably require.

- 11.3 Legal Action. If a Claimant shall fail to file a request for review in accordance with the procedures herein outlined, such Claimant shall have no rights to review and shall have no right to bring action in any court, and the denial of the Claim shall become final and binding on all persons for all purposes. Moreover, no Claimant shall have any right to bring any action in court more than one hundred eighty (180) days after the Committee renders a final determination on review. Any litigation or proceeding regarding or related to the Plan shall be filed and heard in the federal district court in Chicago, Illinois or in state court in Cook County, Illinois.
- 11.4 Discretion of Claims Administrator. All interpretations, determinations and decisions of the Claims Administrator with respect to any claim shall be made in its sole discretion, and shall be final and conclusive.

Article XII

General Provisions

- 12.1 Assignment. No interest of any Participant, spouse or Beneficiary under this Plan and no benefit payable hereunder shall be assigned as security for a loan, and any such purported assignment shall be null, void and of no effect, nor shall any such interest or any such benefit be subject in any manner, either voluntarily or involuntarily, to anticipation, sale, transfer, assignment or encumbrance by or through any Participant, spouse or Beneficiary, provided, however, that this Section shall not be interpreted to invalidate any specific provision of the Plan, such as the right to make applicable withholding as described in Section 8.3. Notwithstanding anything to the contrary herein, however, the

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Committee has the discretion to make payments to an alternate payee in accordance with the terms of a domestic relations order, as described in Section 6.11.

The Company may assign any or all of its liabilities under this Plan in connection with any restructuring, recapitalization, sale of assets or other similar transactions affecting a Participating Employer without the consent of the Participant.

- 12.2 No Legal or Equitable Rights or Interest. No Participant or other person shall have any legal or equitable rights or interest in this Plan that are not expressly granted in this Plan. Participation in this Plan does not give any person any right to be retained in the service of the Participating Employer. The right and power of a Participating Employer to dismiss or discharge an Employee is expressly reserved. The Participating Employers make no representations or warranties as to the tax consequences to a Participant or a Participant's beneficiaries resulting from a deferral of income pursuant to the Plan.
- 12.3 No Employment Contract. Nothing contained herein shall be construed to constitute a contract of employment between an Employee and a Participating Employer or to give any employee or Participant the right to be retained in a Participating Employer's service or to any benefits not specifically provided by the Plan.
- 12.4 Notice. Any notice or filing required or permitted to be delivered to the Committee under this Plan shall be delivered in writing, in person, or through such electronic means as is established by the Committee. Notice shall be deemed given as of the date of delivery or, if delivery is made by mail, as of the date shown on the postmark on the receipt for registration or certification. Written transmission shall be sent by certified mail to:

**MCDONALD'S CORPORATION
110 NORTH CARPENTER STREET
CHICAGO, IL 60607 USA
ATTN: SENIOR COUNSEL – ERISA, CORPORATE LEGAL DEPARTMENT**

Any notice or filing required or permitted to be given to a Participant under this Plan shall be sufficient if in writing or hand-delivered, or sent by mail to the last known address of the Participant.

- 12.5 Headings. The headings of Sections are included solely for convenience of reference, and if there is any conflict between such headings and the text of this Plan, the text shall control.
- 12.6 Invalid or Unenforceable Provisions. If any provision of this Plan shall be held invalid or unenforceable, such invalidity or unenforceability shall not affect any other provisions hereof and the Committee may elect in its sole discretion to construe such invalid or unenforceable provisions in a manner that conforms to applicable law or as if such provisions, to the extent invalid or unenforceable, had not been included.

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- 12.7 Forfeitures and Unclaimed Amounts. Unclaimed amounts shall consist of the amount of the Account of a Participant that cannot be distributed because of the Committee's inability, after a reasonable search, to locate a Participant or the Participant's beneficiary, as applicable, within a period of two years after the Payment Date upon which the payment of benefits becomes due. Unclaimed amounts shall be forfeited at the end of such two-year period. These forfeitures will reduce the obligations of the Company under the Plan. After an unclaimed amount has been forfeited, the Participant or beneficiary, as applicable, shall have no further right to the Participant's Account.
- 12.8 Facility of Payment to a Minor. If a distribution is to be made to a minor, or to a person who is otherwise incompetent, then the Committee may, in its discretion, make such distribution: (i) to the legal guardian, or if none, to a parent of a minor payee with whom the payee maintains their residence, or (ii) to the conservator or committee or, if none, to the person having custody of an incompetent payee. Any such distribution shall fully discharge the Committee, the Company, and the Plan from further liability on account thereof.
- 12.9 Governing Law. To the extent not preempted by ERISA, the laws of the State of Illinois shall govern the construction and administration of the Plan.
- 12.10 Compliance With Tax Code and ERISA; No Guarantee. This Plan is intended to be administered in compliance with all applicable laws, including the Code, ERISA, and any similar state or local laws, and each provision of the Plan is intended to be interpreted consistent with applicable law, in a manner so as to provide the intended deferral of income inclusion and taxation with respect to amounts deferred hereunder. However, for example, although intended to comply with Section 409A of the Code, this Plan shall not constitute a guarantee to any Participant, Beneficiary, or other person that the Plan in form or in operation will result in the deferral of federal or state income tax liabilities or that the Participant, Beneficiary, or any other person will not be subject to the gross income inclusion or interest and additional taxes described within Section 409A(a)(1) of the Code or any similar state, local, or otherwise applicable law. No Employer shall have any legal obligation to a Participant or any other individual with respect to any tax or other liability imposed with respect to any deferral or benefit under the Plan under any applicable law, including Section 409A of the Code and any similar state or local law.
- 12.11 Action by the Company. Except as otherwise specifically provided in the Plan, any action required of or permitted by the Company under the Plan shall be by resolution of the Compensation Committee or by action of any member of the Compensation Committee or other person(s) authorized by resolution of the Compensation Committee.
- 12.12 Section 16. Notwithstanding any other provision of the Plan, the Compensation Committee (or its delegates) may impose such restrictions, rules and regulations on the terms and conditions of participation in the Plan by any Participant who has been deemed by the Board of Directors of the Company to be subject to Section 16 of the Securities Exchange Act of 1934, as amended, as the Compensation Committee (or its delegates) may determine to be necessary or appropriate. Any deemed investment election made

McDonald's Deferred Compensation Plan

under the Plan that would result in liability or potential liability under said Section 16 shall be void ab initio.

- 12.13 Electronic Elections. Anything in the Plan to the contrary notwithstanding, the Committee may in its discretion may make disclosure or give information to Participants and beneficiaries and permit Participants or their beneficiaries to make electronic elections in lieu of written disclosure, information or elections provided in the Plan. In making such a determination, the Committee shall consider the availability of electronic disclosure of information and elections to Participants and beneficiaries, the protection of the rights of Participants and their beneficiaries, the appropriateness of the standards for authentication of identity and other security considerations involved in the electronic election system and any guidance issued by any relevant governmental authorities.

IN WITNESS WHEREOF, the undersigned executed this Plan as of the 21 day of May, 2020, to be effective as of the Effective Date.

MCDONALD'S CORPORATION

/s/ Karen Matusinec

By: Karen Matusinec

Title: Corporate Senior Vice President, Treasurer

McDonald's Deferred Compensation Plan

Schedule A Participating Employers

McDonald's Corporation
McDonald's USA, LLC
McDonald's Latin America, LLC
McDonald's AMEA, LLC
McDonald's International, LLC
McDonald's Global Markets

McDONALD'S CORPORATION
AMENDED AND RESTATED 2012 OMNIBUS STOCK OWNERSHIP PLAN
Approved by shareholders and effective as of May 21, 2020

THE PLAN

McDonald's Corporation, a Delaware corporation (the "Company"), established the Amended and Restated McDonald's Corporation 2012 Omnibus Stock Ownership Plan, which was submitted for approval to the Company's shareholders at the May 21, 2020 Annual Shareholders' Meeting. Subject to shareholder approval, the Company desires to amend and restate the McDonald's Corporation 2012 Omnibus Stock Ownership Plan, which was approved by the Company's shareholders on May 24, 2012 and became effective on June 1, 2012. In the event the Company's shareholders approve the Amended and Restated McDonald's Corporation 2012 Omnibus Stock Ownership Plan at the May 21, 2020 Annual Shareholders' Meeting, references to "the Plan" shall be the plan so approved. In the event that the shareholders do not approve the amended and restated plan at the May 21, 2020 Annual Shareholders' Meeting, references to "the Plan" shall mean the plan as it was in effect as of June 1, 2012.

The Plan permits the grant of stock options, stock bonuses, dividend equivalents, restricted stock units and other stock-based awards. The Plan replaces the Amended and Restated 2001 Omnibus Stock Ownership Plan, as amended through February 9, 2011, and applies to all Awards (as hereinafter defined) granted on or after June 1, 2012, subject to variations as required to comply with local laws and regulations applicable outside the United States.

1. Purpose

The purpose of this Plan is to advance the interests of the Company by encouraging and enabling the acquisition of a larger personal financial interest in the Company by those Employees and non-Employee directors upon whose judgment and efforts the Company is largely dependent for the successful conduct of its operations. It is anticipated that the acquisition of such financial interest and Stock ownership will stimulate the efforts of such Employees and directors on behalf of the Company, strengthen their desire to continue in the service of the Company, and encourage shareholder and entrepreneurial perspectives through Stock ownership. It is also anticipated that the opportunity to obtain such financial interest and Stock ownership will prove attractive to promising new Employees and will assist the Company in attracting such Employees.

2. Definitions

As used in this Plan, the terms set forth below shall have the following meanings (such meanings to be equally applicable to both the singular and plural forms of the terms defined):

(a) "Award" means any stock options, restricted stock units, stock bonuses, dividend equivalents and other stock-based awards granted under this Plan. In addition, for purposes of Section 3(d) only, "Award" means any award granted under any Prior Plan.

(b) "Award Agreement" has the meaning specified in Section 4(c)(iv).

(c) "Board" means the Board of Directors of the Company.

(d) "Bonus Shares" means 1,000,000 shares of Stock that may be granted pursuant to Section 6(c), which, for the avoidance of doubt, shall not exceed more than 5% of the available share reserve authorized for issuance under the Plan as of the Effective Date.

(e) "Business Combination" has the meaning specified in Section 2(h)(iii).

(f) "Business Day" means any day on which the principal securities exchange on which the shares of the Company's common stock are then listed or admitted to trading is open.

(g) “Cause” means (i) in the case of a Grantee who is an Employee of the Company or a Subsidiary, the Grantee’s commission of any act or acts involving dishonesty, fraud, illegality or moral turpitude, and (ii) in the case of a Grantee who is a non-Employee director or senior director of the Company, cause pursuant to Article Twelfth (c) of the Company’s Restated Certificate of Incorporation.

(h) “Change in Control” means the happening of any of the following events:

(i) the acquisition by any Person of “beneficial ownership” (within the meaning of Rule 13d-3 promulgated under the 1934 Act) of 20% or more of either (A) the then-outstanding shares of Stock (“Outstanding Company Common Stock”) or (B) the combined voting power of the then-outstanding voting securities of the Company entitled to vote generally in the election of directors (the “Outstanding Company Voting Securities”); provided, however, that, for purposes of this Section 2(h)(i), the following acquisitions shall not constitute a Change in Control: (1) any acquisition directly from the Company, (2) any acquisition by the Company, (3) any acquisition by any Employee benefit plan (or related trust) sponsored or maintained by the Company or any entity controlled by the Company or (4) any acquisition by any entity pursuant to a transaction that complies with Sections 2(h)(iii)(A), (B) and (C); or

(ii) individuals who, as of the date hereof, constitute the Board (the “Incumbent Board”) cease for any reason to constitute at least a majority of the Board; provided, however, that any individual becoming a director subsequent to the date hereof whose election, or nomination for election by the Company’s shareholders, was approved by a vote of at least a majority of the directors then comprising the Incumbent Board shall be considered as though such individual were a member of the Incumbent Board, but excluding, for this purpose, any such individual whose initial assumption of office occurs as a result of an actual or threatened election contest with respect to the election or removal of directors or other actual or threatened solicitation of proxies or consents by or on behalf of a Person other than the Board; or

(iii) consummation of a reorganization, merger, statutory share exchange or consolidation or similar corporate transaction involving the Company and/or any entity controlled by the Company, or a sale or other disposition of all or substantially all of the assets of the Company, or the acquisition of assets or stock of another entity by the Company or any entity controlled by the Company (each, a “Business Combination”), in each case, unless, following such Business Combination, (A) all or substantially all of the individuals and entities that were the beneficial owners of the Outstanding Company Common Stock and Outstanding Company Voting Securities immediately prior to such Business Combination beneficially own, directly or indirectly, more than 60% of the then-outstanding shares of common stock and the combined voting power of the then-outstanding voting securities entitled to vote generally in the election of directors, as the case may be, of the corporation resulting from such Business Combination (including, without limitation, an entity that, as a result of such transaction, owns the Company or all or substantially all of the Company’s assets either directly or through one or more subsidiaries) in substantially the same proportions as their ownership, immediately prior to such Business Combination of the Outstanding Company Common Stock and Outstanding Company Voting Securities, as the case may be, (B) no Person (excluding any entity resulting from such Business Combination or any employee benefit plan (or related trust) of the Company or such entity resulting from such Business Combination) beneficially owns, directly or indirectly, 20% or more of, respectively, the then-outstanding shares of common stock of the corporation resulting from such Business Combination or the combined voting power of the then-outstanding voting securities of such corporation, except to the extent that such ownership existed prior to the Business Combination, and (C) at least a majority of the members of the board of directors of the entity resulting from such Business Combination were members of the Incumbent Board at the time of the execution of the initial agreement, or of the action of the Board, providing for such Business Combination; or

(iv) approval by the shareholders of the Company of a complete liquidation or dissolution of the Company.

(i) “Code” means the U.S. Internal Revenue Code of 1986, as amended, and regulations and rulings thereunder. References to a particular section of, or rule under, the Code shall include references to successor provisions.

(j) “Committee” has the meaning specified in Section 4(a).

(k) “*Company*” has the meaning specified in the first paragraph.

(l) “*Disability*” as it regards Employees, shall mean (a) a mental or physical condition for which the Employee is receiving or is eligible to receive benefits under the McDonald’s Corporation Long-Term Disability Plan or other long-term disability plan maintained by the Employee’s employer or (b) a mental or physical condition which, with or without reasonable accommodations, renders an Employee permanently unable or incompetent to carry out the job responsibilities he held or tasks to which he was assigned at the time the condition was incurred, with such determination to be made by the Committee on the basis of such medical and other competent evidence as the Committee in its sole discretion shall deem relevant.

“*Disability*” as it regards non-Employee directors and senior directors means a physical or mental condition that prevents the director from performing his or her duties as a member of the Board or a senior director, as applicable, and that is expected to be permanent or for an indefinite duration exceeding one year.

(m) “*Dividend equivalent*” means an Award made pursuant to Section 6(d).

(n) “*Employee*” means any individual designated as an employee of the Company, its Affiliate, and/or its Subsidiaries who is on the current payroll records thereof; an Employee shall not include any individual during any period he or she is classified or treated by the Company, Affiliate, and/or Subsidiary as an independent contractor, a consultant, or any employee of an employment, consulting, or temporary agency or any other entity other than the Company, Affiliate, and/or Subsidiary, without regard to whether such individual is subsequently determined to have been, or is subsequently retroactively reclassified as a common-law employee of the Company, Affiliate, and/or Subsidiary during such period. “*Employment*” shall have the correlative meaning. The Committee in its discretion may, in the applicable Award Agreement, adopt a different definition of “*Employee*” and “*Employment*” for Awards granted to Grantees working outside the United States.

(o) “*Effective Date*” means May 21, 2020.

(p) “*Fair Market Value*” of any security of the Company means, as of any applicable date, the closing price of the security at the close of normal trading hours on the New York Stock Exchange, or, if no such sale of the security shall have occurred on such date, on the next preceding date on which there was such a sale.

(q) “*Foreign Sub-Plan*” has the meaning specified in Section 14.

(r) “*Grant Date*” has the meaning specified in Section 6(a)(i).

(s) “*Grantee*” means an individual who has been granted an Award.

(t) “*Initial Effective Date*” means June 1, 2012.

(u) “*including*” or “*includes*” means “including, without limitation,” or “includes, without limitation.”

(v) “*Incumbent Board*” has the meaning specified in Section 2(h)(ii).

(w) “*Minimum Consideration*” means \$.01 per share or such larger amount determined pursuant to resolution of the Board to be “capital” (within the meaning of Section 154 of the Delaware General Corporation Law).

(x) “*Minimum Vesting Requirement*” means that Awards subject to the Minimum Vesting Requirement (other than the Bonus Shares) shall not become nonforfeitable prior to the first anniversary of the Grant Date, subject to Sections 12, 13 and 21.

(y) “*1934 Act*” means the Securities Exchange Act of 1934, as amended, and regulations and rulings thereunder. References to a particular section of, or rule under, the 1934 Act shall include references to successor provisions.

(z) “*non-Employee director*” means a member of the Board who is not an Employee of the Company.

- (aa) “*Option Price*” means the per-share purchase price of Stock subject to a stock option.
- (bb) “*other stock-based award*” means an Award made pursuant to Section 6(f).
- (cc) “*Outstanding Company Common Stock*” has the meaning specified in Section 2(h)(i).
- (dd) “*Outstanding Company Voting Securities*” has the meaning specified in Section 2(h)(i).
- (ee) “*Person*” means any “*individual*,” “*entity*” or “*group*,” within the meaning of Section 13(d)(3) or 14(d)(2) of the 1934 Act.
- (ff) “*Prior Plan*” means the McDonald’s Corporation Amended and Restated 2001 Omnibus Stock Ownership Plan, as amended and restated, the McDonald’s Corporation 1992 Stock Ownership Incentive Plan, as amended and restated, and the McDonald’s Corporation 1975 Stock Ownership Option Plan, as amended and restated.
- (gg) “*Restricted Stock Unit*” or “*RSU*” means an Award made pursuant to Section 6(e).
- (hh) “*Section 16 Grantee*” means an individual subject to potential liability under Section 16(b) of the 1934 Act with respect to transactions involving equity securities of the Company.
- (ii) “*Service-Vesting Award*” means an Award, the vesting of which is contingent solely on the continued service of the Grantee as an Employee of the Company and its Subsidiaries or as a non-Employee director of the Company.
- (jj) “*Stock*” means the common stock of the Company, par value \$.01 per share.
- (kk) “*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.
- (ll) “*Termination of Directorship*” means the first date upon which a non-Employee director is not a member of the Board.
- (mm) “*Termination of Employment*” of a Grantee means the termination of the Grantee’s Employment with the Company and the Subsidiaries, as determined by the Company.

3. Scope of this Plan

- (a) In addition to any shares returned to the Prior Plans as described in (d) below, a total number of shares of Stock may be delivered to Grantees pursuant to this Plan of 56 million, subject to the other provisions of this Section 3 and to adjustment as provided in Section 22. Such shares may be treasury shares or newly-issued shares or both, as may be determined from time to time by the Board or by the Committee appointed pursuant to Section 4.
- (b) Subject to adjustment as provided in Section 22, the maximum number of shares of Stock for which stock options and stock appreciation rights may be granted to any Grantee in any one-year period shall be 2 million. Subject to the other provisions of this Section 3 and subject to adjustment as provided in Section 22, not more than 1,000,000 Bonus Shares of Stock may be granted under this Plan.
- (c) If and to the extent an Award granted under this Plan shall, after the Initial Effective Date, expire or terminate for any reason without having been exercised in full, or shall be forfeited or settled for cash, the shares of Stock (including restricted stock) associated with the expired, terminated or forfeited portion of such Award shall become available for other Awards. In no event shall the number of shares of Stock considered to be delivered pursuant to the exercise of a stock appreciation right include the shares that represent the grant or exercise price thereof, which shares are not delivered to the Grantee upon exercise.

(d) If and to the extent an Award granted under a Prior Plan shall, after the Initial Effective Date, expire or terminate for any reason without having been exercised in full, or shall be forfeited or settled for cash, the shares of Stock (including restricted stock) associated with the expired, terminated or forfeited portion of such Award shall become available for Awards under this Plan. If, after the Initial Effective Date, a Grantee uses shares of Stock owned by the Grantee (by either actual delivery or by attestation) to pay the Option Price of any stock option granted under this Plan or a Prior Plan or to satisfy any tax-withholding obligation with respect to an Award granted under this Plan or a Prior Plan, the number of shares of Stock delivered or attested to shall be added to the number of shares of Stock available for delivery under this Plan. To the extent any shares of Stock subject to a stock option granted under this Plan are withheld, after the Initial Effective Date, to satisfy the Option Price of that stock option, or any shares of Stock subject to an Award granted under this Plan are withheld to satisfy any tax-withholding obligation, such shares shall not be deemed to have been delivered for purposes of determining the maximum number of shares of Stock available for delivery under this Plan. To the extent any shares of Stock subject to an Award granted under a Prior Plan are withheld, after the Initial Effective Date, to satisfy any tax-withholding obligation, such shares shall be added to the maximum number of shares of Stock available for delivery under this Plan. Notwithstanding the foregoing, no shares of Stock that become available for Awards granted under this Plan pursuant to the foregoing provisions of this Section 3(d) shall be available for grants of incentive stock options pursuant to Section 6(f).

4. Administration

(a) Subject to Section 4(b), this Plan shall be administered by a committee or committees appointed by the Board (the "Committee"). The composition of the Committee shall be subject to such limitations as the Board deems appropriate to permit transactions in Stock pursuant to this Plan to be exempt from liability under Rule 16b-3 under the 1934 Act and to satisfy the "independence" requirements of any national securities exchange on which the Stock is listed.

(b) The Board may, in its discretion, reserve to itself any or all of the authority and responsibility of the Committee. To the extent that the Board has reserved to itself the authority and responsibility of the Committee, all references to the Committee in this Plan shall be deemed to refer to the Board.

(c) The Committee shall have full and final authority, in its discretion, but subject to the express provisions of this Plan, as follows:

- (i) to grant Awards,
- (ii) to determine (A) when Awards may be granted, and (B) whether or not specific Awards shall be identified with other specific Awards, and, if so, whether they shall be exercisable cumulatively with or alternatively to such other specific Awards,
- (iii) to interpret this Plan,
- (iv) to determine all terms and provisions of all Awards, including without limitation any restrictions or conditions (including specifying such performance criteria as the Committee deems appropriate, and imposing restrictions with respect to Stock acquired upon exercise of a stock option, which restrictions may continue beyond the Grantee's Termination of Employment or Termination of Directorship, as applicable), which shall be set forth in a written (including in an electronic form) agreement for each Award (the "Award Agreements"), which need not be identical, and, with the consent of the Grantee, to modify any such Award Agreement at any time,
- (v) to adopt or to authorize foreign Subsidiaries to adopt Foreign Sub-Plans as provided in Section 14,
- (vi) to delegate any or all of its duties and responsibilities under this Plan to any individual or group of individuals it deems appropriate, except its duties and responsibilities with respect to Section 16 Grantees, and (A) the acts of such delegates shall be treated hereunder as acts of the Committee and (B) such delegates shall report to the Committee regarding the delegated duties and responsibilities,

(vii) to accelerate the exercisability of, and to accelerate or waive any or all of the restrictions and conditions applicable to, any Award or any group of Awards, other than the Minimum Vesting Requirement, for any reason, solely to the extent that any such acceleration or waiver would not cause any tax to become due under Section 409A of the Code,

(viii) subject to Section 6(a)(ii), to extend the time during which any Award or group of Awards may be exercised or earned, solely to the extent that any such extension would not cause any tax to become due under Section 409A of the Code,

(ix) to make such adjustments or modifications to Awards granted to or held by Grantees working outside the United States as are necessary and advisable to fulfill the purposes of this Plan or to accommodate the specific requirements of local laws, procedures or practices,

(x) to impose such additional conditions, restrictions and limitations upon the grant, exercise or retention of Awards as the Committee may, before or concurrently with the grant thereof, deem appropriate, including requiring simultaneous exercise of related identified Awards and limiting the percentage of Awards that may from time to time be exercised by a Grantee,

(xi) notwithstanding Section 8, to prescribe rules and regulations concerning the transferability of any Awards, and

(xii) to make all other decisions and determinations that may be required pursuant to the Plan or as the Committee deems necessary or advisable to administer the Plan.

(d) The determination of the Committee on all matters relating to this Plan or any Award Agreement shall be made in its sole discretion, and shall be conclusive and final. No member of the Committee shall be liable for any action or determination made in good faith with respect to this Plan or any Award.

5. Eligibility

Awards may be granted to any Employee (including any officer) of the Company or any of its domestic Subsidiaries, any Employee, officer or director of any of the Company's foreign Subsidiaries (provided, that in the case of an Employee, officer or director of a domestic or foreign Subsidiary in which the Company owns less than 50% of the total combined voting power or value of all classes of stock, Awards may be granted only where there is a sufficient nexus between such Employee, officer or director and the Company so that the grant serves a genuine business purpose of the Company) and to any non-Employee director of the Company. In selecting the individuals to whom Awards may be granted, as well as in determining the number of shares of Stock subject to, and the other terms and conditions applicable to, each Award, the Committee shall take into consideration such factors as it deems relevant in promoting the purposes of this Plan.

6. Conditions to Grants

(a) *General conditions.*

(i) The "Grant Date" of an Award shall be the date on which the Committee grants the Award or such later date as specified in advance by the Committee.

(ii) The term of each Award shall be a period not longer than 10 years from the Grant Date.

(iii) A Grantee may, if otherwise eligible, be granted additional Awards in any combination.

(b) *Grant of Stock Options and Option Price.* A stock option represents the right to purchase a share of Stock at a predetermined Option Price. No later than the Grant Date of any stock option, the Committee shall establish the Option Price of such stock option. The per-share Option Price of a stock option shall not be less than 100% of the Fair Market Value of a share of the Stock on the Grant Date. Such Option Price shall be subject to adjustment as provided in Section 22. The applicable Award Agreement may provide that the stock option shall be exercisable for restricted stock. The Committee shall not without the approval of the Company's shareholders, other than pursuant to Section 22, (i) reduce the per-share Option Price of a stock option after it is granted, (ii) cancel a

stock option when the per-share Option Price exceeds the Fair Market Value of a share of the Stock in exchange for cash or another Award (other than in connection with a Change in Control), or (iii) take any other action with respect to a stock option that would be treated as a repricing under the rules and regulations of the New York Stock Exchange.

(c) *Grant of Stock Bonuses.* The Committee may, in its discretion, grant Bonus Shares to any Employee eligible under Section 5 to receive Awards, other than executive officers of the Company.

(d) *Grant of Dividend Equivalents.* The Committee may, in its discretion, grant dividend equivalents, which represent the right to receive cash payments or shares of Stock measured by the dividends payable with respect to specific shares of Stock or a specified number of shares of Stock. Dividend equivalents may be granted as part of another type of Award, and shall be subject to such terms and conditions as the Committee shall determine; provided, that the Committee shall not provide for payment of dividend equivalents in a manner that would cause any tax to become due under Section 409A of the Code.

(e) *Grant of Restricted Stock Units (“RSUs”).* The Committee may, in its discretion, grant RSUs, which are Awards other than Bonus Shares that are denominated in, payable in, and valued, in whole or in part, by reference to, shares of Stock. An RSU shall represent the right to receive a payment, in cash, shares of Stock or both (as determined by the Committee), and shall be subject to such terms and conditions as the Committee shall determine. RSUs that are a Service-Vesting Award shall be subject to the Minimum Vesting Requirement.

(f) *Grant of Other Stock-Based Awards.* The Committee may, in its discretion, grant other stock-based awards. These are Awards, other than stock options (not including incentive stock options), Bonus Shares, dividend equivalents and restricted stock units that are denominated in, valued, in whole or in part, by reference to, or otherwise based on or related to, Stock. The purchase, exercise, exchange or conversion of other stock-based awards granted under this Section 6(f) shall be on such terms and conditions and by such methods as shall be specified by the Committee. If the value of any other stock-based award is based on the difference between the excess of the Fair Market Value, on the date such Fair Market Value is determined, over such Award’s exercise or grant price, the exercise or grant price for such an Award will not be less than 100% of the Fair Market Value on the Grant Date. If the value of such an Award is based on the full value of a share of Stock, and the Award is a Service-Vesting Award, then such Award shall be subject to the Minimum Vesting Requirement. The Committee shall not without the approval of the Company’s shareholders, other than pursuant to Section 22, (i) lower the exercise price of a stock appreciation right after it is granted, (ii) cancel a stock appreciation right when the exercise price exceeds the Fair Market Value of a share of the Stock in exchange for cash or another Award (other than in connection with a Change in Control), or (iii) take any other action with respect to a stock appreciation right that would be treated as a repricing under the rules and regulations of the New York Stock Exchange.

7. Grantee’s Agreement to Serve

The Committee may, in its discretion, require each Grantee who is granted an Award to, execute such Grantee’s Award Agreement, and to agree that such Grantee will remain in the employ of the Company or any of its Subsidiaries or remain as a non-Employee director, as applicable, for at least one year after the Grant Date. No obligation of the Company or any of its Subsidiaries as to the length of any Grantee’s employment or service as a non-Employee director shall be implied by the terms of this Plan, any grant of an Award hereunder or any Award Agreement. The Company and its Subsidiaries reserve the same rights to terminate employment of any Grantee as existed before the Effective Date.

8. Non-Transferability

No Award granted hereunder shall be assigned, encumbered, pledged, sold, transferred, or otherwise disposed of other than by will or the laws of descent and distribution; provided however, that unless otherwise determined by the Committee, a Grantee may designate in writing a beneficiary to exercise or hold, as applicable, his or her Award after such Grantee’s death. In the case of a holder after the Grantee’s death, an Award shall be transferable solely by will or by the laws of descent and distribution.

9. Exercise

(a) *Exercise of Stock Options.* Subject to Sections 4(c)(vii), 12, 13 and 21 and such terms and conditions as the Committee may impose, each stock option shall be exercisable as and when determined by the Committee; provided that, unless the Committee determines otherwise, each stock option shall be exercisable in one or more installments commencing not earlier than the first anniversary of the Grant Date of such stock option.

Each stock option shall be exercised by delivery of notice of intent to purchase a specific number of shares of Stock subject to such stock option. Such notice shall be in a manner specified by and satisfactory to the Company. The Option Price of any shares of Stock as to which a stock option shall be exercised shall be paid in full at the time of the exercise. Payment may, at the election of the Grantee, be made in any one or any combination of the following:

- (i) cash,
- (ii) unless otherwise determined by the Committee, Stock owned by the Grantee, valued at its Fair Market Value at the time of exercise,
- (iii) with the approval of the Committee, shares of restricted stock held by the Grantee, each valued at the Fair Market Value of a share of Stock at the time of exercise, or
- (iv) unless otherwise determined by the Committee, through simultaneous sale through a broker of shares acquired on exercise, as permitted under Regulation T of the Board of Governors of the Federal Reserve System.

If shares of Stock are used to pay the Option Price, such shares of Stock must have been held by the Grantee for more than six months prior to exercise of the stock option, unless otherwise determined by the Committee. Such payment may be made by actual delivery or attestation.

(b) *Time of Exercise/Expiration.* Notwithstanding anything to the contrary herein, in the event that the final date on which any stock option would otherwise be exercisable in accordance with the provisions of this Plan (including without limitation Section 12 hereof) is not a Business Day, the last day on which such stock option may be exercised is the last Business Day immediately preceding such date.

10. Notification under Section 83(b)

The Committee may, on the Grant Date or any later date, prohibit a Grantee from making the election described below. If the Committee has not prohibited such Grantee from making such election, and the Grantee shall, in connection with the exercise of any stock option, or the grant of any share of restricted stock, make the election permitted under Section 83(b) of the Code (i.e., an election to include in such Grantee's gross income in the year of transfer the amounts specified in Section 83(b) of the Code), such Grantee shall notify the Company of such election within 10 days of filing notice of the election with the U.S. Internal Revenue Service, in addition to complying with any filing and notification required pursuant to regulations issued under the authority of Section 83(b) of the Code.

11. Withholding Taxes

(a) Whenever, under this Plan, cash or Stock is to be delivered upon exercise or payment of an Award, or any other event occurs that results in taxation of a Grantee with respect to an Award, the Company shall be entitled to require (i) that the Grantee remit an amount sufficient to satisfy all U.S. federal, state and local withholding tax requirements related thereto, (ii) the withholding of such sums from compensation otherwise due to the Grantee or from any shares of Stock due to the Grantee under this Plan, (iii) any other method prescribed by the Committee from time to time or (iv) any combination of the foregoing.

(b) If any disqualifying disposition (as defined in Section 421(b) of the Code) is made with respect to shares of Stock acquired under an incentive stock option granted pursuant to this Plan or any election described in Section 10 is made, then the individual making such disqualifying disposition or election shall remit to the Company an amount sufficient to satisfy all U.S. federal, state and local withholding taxes thereby incurred; provided, that in

lieu of or in addition to the foregoing, the Company shall have the right to withhold such sums from compensation otherwise due to the Grantee or from any shares of Stock due to the Grantee under this Plan.

(c) Notwithstanding the foregoing, in no event shall the amount withheld or remitted in the form of shares of Stock due to a Grantee under this Plan exceed the minimum required by applicable law, except in the case of amounts due to a Grantee working outside the United States where the amount withheld may exceed such minimum, provided that it is not in excess of the actual amount required to be withheld with respect to the Grantee under applicable tax law or regulations.

(d) Although the Company may endeavor to qualify an Award for favorable tax treatment under the laws of the United States or jurisdictions outside of the United States or to avoid adverse tax treatment, the Company makes no representation to that effect and expressly disavows any covenant to maintain favorable or avoid unfavorable tax treatment, notwithstanding anything contrary in this Plan and the Company will have no liability to a Grantee or any other party if a payment under an Award does not receive or maintain such favorable treatment or does not avoid such unfavorable treatment. The Company shall be unconstrained in its corporate activities without regard to the potential tax impact on Grantees.

12. Termination of Employment

(a) The applicable Award Agreement shall specify the treatment of such Award upon the Grantee's Termination of Employment. Unless otherwise provided in the applicable Award Agreement, all unvested Awards shall forfeit upon the Grantee's Termination of Employment, and vested stock options shall remain exercisable until the 90th day following Termination of Employment.

(b) *Committee Discretion.* Notwithstanding the foregoing, the Committee may determine that the consequences of a Termination of Employment for a particular Award will differ from those in the applicable Grant Agreement after it is granted if the change is favorable to the Grantee, unless otherwise required to comply with applicable laws; provided, that the Committee shall have no authority (i) after the Grant Date, to extend the time to exercise unexercised stock options or stock appreciation rights to any date later than the 10th anniversary of the Grant Date (or, if earlier, the original expiration date of the Award) or (ii) otherwise to provide for terms of an Award that would cause any tax to become due under Section 409A of the Code.

13. Termination of Directorship

(a) The applicable Award Agreement shall specify the treatment of such Award upon the Director's Termination of Directorship with the Company. Unless otherwise provided in the applicable Award Agreement, all unvested Awards shall forfeit upon the Director's Termination of Directorship.

(b) *Committee Discretion.* Notwithstanding the foregoing, the Committee may determine that the consequences of Termination of Directorship for a particular Award will differ from those in the Applicable Award Agreement after the Award is granted, if the change is favorable to the Grantee; provided, that the Committee shall have no authority (i) after the Grant Date, to extend the time to exercise unexercised stock options or stock appreciation rights to any date later than the 10th anniversary of the Grant Date (or, if earlier, the original expiration date of the Award) or (ii) otherwise to provide for terms of an Award that would cause any tax to become due under Section 409A of the Code.

14. Equity Incentive Plans of Foreign Subsidiaries

The Committee may grant Awards to Employees, officers and directors of the Company and its Subsidiaries who reside in foreign jurisdictions. Notwithstanding anything in the Plan to the contrary, the Committee may, in its sole discretion: (a) amend or vary the terms of the Plan in order to conform such terms with the requirements of each jurisdiction where a Subsidiary is located; (b) amend or vary the terms of the Plan in each jurisdiction where a Subsidiary is located as it considers necessary or desirable to take into account or to mitigate or reduce the burden of taxation and social security contributions for Grantees and/or the Subsidiary (including, without limitation, determining comparable minimum withholding liability under applicable non-U.S. tax laws for purposes of Section 11 (Withholding Taxes)); or (c) amend or vary the terms of the Plan in a jurisdiction where the Subsidiary is located as it considers necessary or desirable to meet the goals and objectives of the Plan. The Committee may, where it

deems appropriate in its sole discretion, establish one or more sub-Plans (a "Foreign Sub-Plan") for these purposes. The Committee may, in its sole discretion, establish administrative rules and procedures to facilitate the operation of the Plan (and/or a Foreign Sub-Plan) in such jurisdictions. The terms and conditions contained herein that are subject to variation in a jurisdiction shall be reflected in a written document. To the extent permitted under applicable law, the Committee may delegate its authority and responsibilities under this Section 14 to one or more officers of the Company.

15. Securities Law Matters

(a) If the Committee deems it necessary to comply with the Securities Act of 1933, as amended, and the regulations and rulings thereunder, the Committee may require a written investment intent representation by the Grantee and may require that a restrictive legend be affixed to certificates for shares of Stock.

(b) If, based upon the opinion of counsel for the Company, the Committee determines that the exercise or nonforfeiture of, or delivery of benefits pursuant to, any Award would violate any applicable provision of (i) U.S. federal, state, foreign or local securities law or (ii) the listing requirements of any national securities exchange on which are listed any of the Company's equity securities (together, referred to herein as "Securities Law Requirements"), then the Committee may (A) postpone any such exercise, nonforfeiture or delivery, as the case may be, for not more than 30 days after the date on which such exercise, nonforfeiture or delivery would no longer violate such law or requirements, or (B) amend or cancel some or all of the Awards affected by such Securities Law Requirements, with or without consideration to the relevant Grantees.

16. Funding

Benefits payable under this Plan to any person shall be paid directly by the Company. The Company shall not be required to fund, or otherwise segregate assets to be used for payment of, benefits under this Plan.

17. No Employment Rights

Neither the establishment of this Plan, nor the granting of any Award, shall be construed to (a) give any Grantee the right to remain employed by the Company or any of its Subsidiaries or to any benefits not specifically provided by this Plan or (b) in any manner modify the right of the Company or any of its Subsidiaries to modify, amend, or terminate any of its employee benefit plans.

18. Rights as a Stockholder

A Grantee shall not, by reason of any Award (other than restricted stock), have any right as a stockholder of the Company with respect to the shares of Stock that may be deliverable upon exercise or payment of such Award until such shares have been delivered to him or her.

19. Nature of Payments

Any and all grants, payments of cash, or deliveries of shares of Stock hereunder shall constitute special incentive payments to the Grantee, and shall not be taken into account in computing the amount of salary or compensation of the Grantee for the purposes of determining any pension, retirement, death or other benefits under (a) any pension, retirement, profit-sharing, bonus, life insurance or other employee benefit plan of the Company or any of its Subsidiaries or (b) any agreement between the Company or any Subsidiary, on the one hand, and the Grantee, on the other hand, except as such plan or agreement shall otherwise expressly provide.

20. Non-Uniform Determinations

Neither the Committee's nor the Board's determinations under this Plan need be uniform, and may be made by the Committee or the Board 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, to enter into non-uniform and selective Award Agreements as to (a) the identity of the Grantees, (b) the terms and provisions of Awards, and (c) the treatment, under Section 12, of Terminations of Employment.

21. Change in Control Provisions

Notwithstanding any other provision of this Plan to the contrary, the provisions of this Section 21 shall apply in the event of a Change in Control, unless otherwise determined by the Committee in connection with the grant of an Award (as reflected in the applicable Award Agreement).

(a) Upon a Change in Control, each then-outstanding stock option and stock appreciation right, and each other then-outstanding Award that is a Service-Vesting Award (each, a “Replaced Award”), shall be replaced with another Award meeting the requirements of Section 21(b) (a “Replacement Award”); provided that (i) if a Replacement Award meeting the requirements of Section 21(b) cannot be issued (because, for example, there are no publicly traded equity securities available, such that the requirement described in clause (iii) of the first sentence of Section 21(b) cannot be met), or (ii) the Committee so determines at any time prior to the Change in Control, upon a Change in Control each Replaced Award shall instead become fully vested, exercisable and free of restrictions. The treatment of any Awards which are not Replaced Awards (i.e., Awards other than stock options and stock appreciation rights, which are not Service-Vesting Awards) shall be as determined by the Committee in connection with the grant thereof, as reflected in the applicable Award Agreement.

(b) An Award shall meet the conditions of this Section 21(b) (and hence qualify as a Replacement Award) if: (i) it is of the same type as the Replaced Award; (ii) it has a value at least equal to the value of the Replaced Award; (iii) it relates to publicly traded equity securities of the Company or its successor in the Change in Control or another entity that is affiliated with the Company or its successor following the Change in Control; (iv) its terms and conditions comply with Section 21(c) below; and (v) its other terms and conditions are not less favorable to the Grantee than the terms and conditions of the Replaced Award (including the provisions that would apply in the event of a subsequent Change in Control). Without limiting the generality of the foregoing, the Replacement Award may take the form of a continuation of the Replaced Award if the requirements of the preceding sentence are satisfied. The determination of whether the conditions of this Section 21(b) are satisfied shall be made by the Committee, as constituted immediately before the Change in Control, in its sole discretion. Without limiting the generality of the foregoing, the Committee may determine the value of Awards and Replacement Awards that are stock options by reference to either their intrinsic value or their fair value.

(c) Upon a Termination of Employment or Termination of Directorship of a Grantee occurring in connection with or during the period of two years after such Change in Control, other than for Cause, (i) all Replacement Awards held by the Grantee shall become fully vested and (if applicable) exercisable and free of restrictions, and (ii) all stock options and stock appreciation rights held by the Grantee immediately before the Termination of Employment or Termination of Directorship that the Grantee held as of the date of the Change in Control or that constitute Replacement Awards shall remain exercisable for not less than two years following such termination or until the expiration of the stated term of such stock option, whichever period is shorter (provided, that if the applicable Award Agreement provides for a longer period of exercisability, that provision shall control). The treatment described in the preceding sentence shall not apply if the Termination of Employment is initiated by the Employee.

22. Adjustments Upon Certain Changes

The following shall be subject to any action by the shareholders of the Company required by law, applicable tax rules or the rules of any exchange on which shares of Stock of the Company are listed for trading:

(a) Shares Available for Grants. In the event of any change in the number of shares of Stock of the Company outstanding by reason of any stock dividend or split, recapitalization, merger, consolidation, combination or exchange of shares or similar corporate change, the maximum aggregate number of shares of Stock with respect to which the Committee may grant Awards and the maximum aggregate number of shares of Stock with respect to which the Committee may grant Awards to any individual Grantee in any year shall be appropriately adjusted by the Committee. In the event of any change in the number of shares of Stock of the Company outstanding by reason of any other event or transaction, the Committee may, to the extent deemed appropriate by the Committee, make such adjustments in the number and class of shares of Stock with respect to which Awards may be granted.

(b) Increase or Decrease in Issued Shares Without Consideration. In the event of any increase or decrease in the number of issued shares of Stock of the Company resulting from a subdivision or consolidation of

shares of Stock of the Company or the payment of a stock dividend (but only on the shares of Stock of the Company), or any other increase or decrease in the number of such shares effected without receipt or payment of consideration by the Company, the Committee may, to the extent deemed appropriate by the Committee, adjust the number of shares of Stock subject to each outstanding Award and the exercise price per share of Stock of each such Award.

(c) Certain Mergers. In the event of any merger, consolidation or similar transaction as a result of which the holders of shares of Stock receive consideration consisting exclusively of securities of the surviving corporation in such transaction, the Committee may, to the extent deemed appropriate by the Committee, adjust each Award outstanding on the date of such merger or consolidation so that it pertains and applies to the securities which a holder of the number of shares of Stock subject to such Award would have received in such merger or consolidation.

(d) Certain Other Transactions. In the event of (i) a dissolution or liquidation of the Company, (ii) a sale of all or substantially all of the Company's assets (on a consolidated basis), or (iii) a merger, consolidation or similar transaction involving the Company in which the holders of shares of Stock receive securities and/or other property, including cash, other than shares of the surviving corporation in such transaction, the Committee shall, in its sole discretion, have the power to:

(i) cancel, effective immediately prior to the occurrence of such event, each Award (whether or not then exercisable or vested), and, in full consideration of such cancellation, pay to the Grantee to whom such Award was granted an amount in cash, for each share of Stock subject to such Award, equal to the value, as determined by the Committee, of such Award, provided that with respect to any outstanding stock option such value shall be equal to the excess of (A) the value, as determined by the Committee, of the property (including cash) received by the holder of a share of Stock as a result of such event over (B) the exercise price of such stock option; or

(ii) provide for the exchange of each Award (whether or not then exercisable or vested) for an Award with respect to some or all of the property which a holder of the number of shares of Stock subject to such Award would have received in such transaction and, incident thereto, make an equitable adjustment as determined by the Committee in the exercise price of the Award, or the number of shares or amount of property subject to the Award or provide for a payment (in cash or other property) to the Grantee to whom such Award was granted in partial consideration for the exchange of the Award.

(e) Other Changes. In the event of any change in the capitalization of the Company or corporate change other than those specifically referred to in paragraphs 22(b), (c) or (d), the Committee may make such adjustments in the number and class of shares subject to Awards outstanding on the date on which such change occurs and in such other terms of such Awards as the Committee may consider appropriate.

(f) No Other Rights. Except as expressly provided in the Plan, no Grantee shall have any rights by reason of any subdivision or consolidation of shares of stock of any class, the payment of any dividend, any increase or decrease in the number of shares of stock of any class or any dissolution, liquidation, merger or consolidation of the Company or any other corporation. Except as expressly provided in the Plan, no issuance by the Company of shares of stock of any class, or securities convertible into shares of stock of any class, shall affect, and no adjustment by reason thereof shall be made with respect to, the number of shares or amount of other property subject to, or the terms related to, any Award.

(g) Savings Clause. No provision of this Section 22 shall be given effect to the extent that such provision would cause any tax to become due under Section 409A of the Code.

23. Amendment of this Plan

The Board or the Committee may from time to time in its discretion amend this Plan or Awards, without the approval of the shareholders of the Company, except (i) to the extent required under the listing requirements of any national securities exchange on which are listed any of the Company's equity securities and (ii) to the extent the amendment would result in (A) the reduction of the Option Price of any stock option, (B) cancellation of a stock option when the Option Price exceeds the Fair Market Value of a share of Stock in exchange for cash or another

Award (other than in connection with a Change in Control), or (C) any other action with respect to a stock option that would be treated as a repricing under the rules and regulations of the New York Stock Exchange. No such amendment shall adversely affect any previously-granted Award without the consent of the Grantee, except for (x) amendments made to comply with applicable law, stock exchange rules or accounting rules, and (y) amendments that do not materially decrease the value of such Awards.

24. Termination of this Plan

This Plan shall terminate on the 10th anniversary of the Effective Date or at such earlier time as the Board may determine. Any termination, whether in whole or in part, shall not affect any Award then outstanding under this Plan.

25. No Illegal Transactions

This Plan and all Awards granted pursuant to it are subject to all laws and regulations of any governmental authority that may be applicable thereto; and, notwithstanding any provision of this Plan or any Award, Grantees shall not be entitled to exercise Awards or receive the benefits thereof and the Company shall not be obligated to deliver any Stock or pay any benefits to a Grantee if such exercise, delivery, receipt or payment of benefits would constitute a violation by the Grantee or the Company of any provision of any such law or regulation. Such circumstances or the inability or impracticability of the Company to obtain or maintain authority from any regulatory body (which authority is deemed by the Company to be necessary for the lawful issuance and/or sale of Stock hereunder) shall relieve the Company of any liability for the failure to issue and/or sell such Stock and shall constitute circumstances in which the Committee may determine to amend or cancel Awards pertaining to such Stock, with or without consideration to the affected Grantees.

26. Controlling Law

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.

27. Severability

If all or any part of this Plan is declared by any court or governmental authority to be unlawful or invalid, such unlawfulness or invalidity shall not serve to invalidate any portion of this Plan not declared to be unlawful or invalid. Any Section or part of a Section so declared to be unlawful or invalid shall, if possible, be construed in a manner that will give effect to the terms of such Section or part of a Section to the fullest extent possible while remaining lawful and valid.

28. Section 409A

No provision of this Plan shall be given effect to the extent that such provision would cause any tax to become due under Section 409A of the Code. No action, or failure to act, pursuant to this Section 28 or to any other provision of the Plan that references Section 409A of the Code shall subject the Committee, the Board or the Company to any claim, liability or expense, and neither the Committee, the Board nor the Company shall have any obligation to indemnify or otherwise protect any Grantee from the obligation to pay any taxes pursuant to Section 409A of the Code.

Separation Agreement and General Release

TO: **Silvia Dias Lagnado**

McDonald's has decided to eliminate your current position of EVP Marketing, as of July 15, 2019. This Agreement reflects the understanding between you and McDonald's as to the conclusion of your employment with the Company, and shall be binding on you, your heirs, successors and assigns, and on McDonald's. "McDonald's" as used in this Agreement, includes McDonald's Corporation, McDonald's USA, LLC, all of their respective subsidiaries, affiliates and related entities and companies, and their current and former directors, officers, agents, employees, insurers and attorneys, and all employee benefit plans and arrangements and their administrators trustees and other fiduciaries, and all successors and assigns of all of the foregoing.

In consideration of the mutual covenants and promises contained herein, and for other good and valuable consideration, the adequacy and receipt of which are hereby acknowledged, you and McDonald's agree to the following:

CONSIDERATION

As consideration for the General Release set forth below, the Company agrees to provide the following: (1) extension of your employment through October 31, 2019 ("Termination Date"); and (2) reimbursement up to \$16,000 USD to pursue an executive program. For clarity, the reimbursement for the executive program will be a taxable benefit to you. Reimbursement for the executive program will be made upon receiving a valid receipt demonstrating proof of payment, and after commencement of the program. The executive program must commence no later than sixty (60) days after your termination date. Should you remain an employee in good standing through the Termination Date, you will be eligible for additional benefits as set forth in the second Separation Agreement and General Release partially executed on August 13, 2019 by McDonald's and to be fully executed by you not earlier than the Termination Date.

GENERAL RELEASE

In exchange for the payments and benefits set forth above in this Agreement, you (and anyone claiming through you or on your behalf, including your heirs and assigns) agree to release McDonald's, to the fullest extent permitted by law, with respect to any and all claims, actions, causes of action, complaints, grievances, demands, allegations, promises, and obligations for damages, and any and all other demands you may have against McDonald's or have ever had, whether known or unknown, concerning, relating to, or arising out of any alleged acts or omissions by McDonald's from the beginning of time to the date on which you execute this Agreement.

The claims you are releasing include, without limitation, the claims as defined in this Agreement, any additional claims asserted on your behalf by legal counsel (if any) or by any individual, entity or government agency, and all other claims arising under any act, statute, constitution, regulation, executive order, ordinance, or the common law, including any claims for attorneys' fees and/or costs. Without limiting the generality of the foregoing and subject to the exceptions listed in the section entitled "Right to Enforce Agreement and Cooperate with the Government" listed below, the claims released by you hereunder include, but are not limited to:

(a) all claims for or related in any way to your employment, compensation, other terms and conditions of employment, or cessation of employment with McDonald's;

(b) all claims that were or could have been asserted by you or on your behalf: (i) in any federal, state, or local court, or tribunal; (ii) under any public policy or common law theory; (iii) under any employment agreement or contract, other agreement or contract, or tort (including but not limited to claims for infliction of emotional distress); or (iv) under any federal, state, or local law, regulation, ordinance, or executive order;

(c) any and all claims that McDonald's is obligated to pay or owes any compensation or payments to you in connection with any ideas, information, inventions, processes, procedures, systems, methods, intellectual property or other materials that you may have developed, produced, created, designed, modified, improved, enhanced or revised during your employment with McDonald's or disclosed to McDonald's, including without limitation any trademarks, service marks, trade dress, copyrights, patents and/or trade secrets, (collectively referred to in this Agreement as "Materials"); and

(d) any and all claims that were or could have been asserted by you or on your behalf arising under any law, including but not limited to, and as in effect or amended from time to time: Title VII of the Civil Rights Act of 1964 ("Title VII"), Civil Rights Act of 1866 (42 U.S.C. Section 1981), Civil Rights Act of 1991 (42 U.S.C. Section 1981a), Americans with Disabilities Act ("ADA"), Employee Retirement Income Security Act, Family and Medical Leave Act, Uniformed Services Employment and Reemployment Rights Act ("USERRA"), Genetic Information Nondiscrimination Act ("GINA"), Equal Pay Act, Fair Credit Reporting Act, Immigration Reform Control Act, Occupational Safety and Health Act, Employee Polygraph Protection Act, Worker Adjustment and Retraining Notification Act ("WARN Act"), Lilly Ledbetter Fair Pay Act of 2009, any state or federal consumer protection and/or trade practices act, Illinois Human Rights Act, Illinois Wage Payment and Collection Act, Illinois Equal Wage Act, Illinois Equal Pay Act of 2003, Illinois Minimum Wage Law, Illinois Worker Adjustment and Retraining Notification Act ("Illinois WARN Act"), the anti-retaliation provisions of the Illinois Workers Compensation Act, and the Illinois Whistleblower Act and any other whistleblower statute, the New York Human Rights Law, any state or federal consumer protection and/or trade practices act.

YOU UNDERSTAND BY SIGNING THIS AGREEMENT, YOU ARE GIVING UP ALL CLAIMS AGAINST McDONALD'S except those expressly excepted by this Agreement or otherwise not waivable by law. You agree that this Agreement provides benefits to you that are above and beyond anything to which you are otherwise entitled.

RIGHT TO ENFORCE AGREEMENT AND COOPERATE WITH THE GOVERNMENT

Nothing in this Agreement shall prohibit or interfere with your right to bring any action to enforce the terms of this Agreement or to file a charge or complaint, report a violation of the law, communicate, testify, assist, cooperate, or participate in an investigation, proceeding or hearing conducted by the Equal Employment Opportunity Commission, the Department of Justice, the Securities and Exchange Commission or other federal, state or local agency or commission without prior authorization or approval of the Law Department or any other McDonald's official or representative, and you are not required to report such actions to McDonald's. And nothing in this Agreement prohibits or restricts your ability to share confidential company information regarding possible violations of the law with any federal, state or local government agency, and to accept monetary awards for providing information about violations of the law to any such agency (sometimes referred to as whistleblower awards or informant awards) under any whistleblower law, rule or program. However, except where otherwise prohibited by law, the consideration provided to you in this Agreement shall be the sole relief provided to you for all claims you previously asserted or could have asserted. You are not, and will not be, entitled to recover, and you agree to waive, to the fullest extent permitted by law, any back pay, back benefits, damages for emotional

distress, other actual or compensatory damages, punitive damages, interest, and other monetary benefits or other personal relief or recovery against McDonald's in connection with any such claim, charge or proceeding of any kind without regard to which entity or person has brought such claim, charge, complaint or proceeding, except for whistleblower or informant awards as set forth above.

IMMUNITY FROM LIABILITY FOR CONFIDENTIAL DISCLOSURE OF A TRADE SECRET TO THE GOVERNMENT OR IN A COURT FILING

Under the Defend Trade Secrets Act, you cannot be held criminally or civilly liable under any Federal or State trade secret law or under this Agreement for the disclosure of a trade secret made in confidence to a Federal, State, or local government official, either directly or indirectly, or to an attorney, and solely for the purpose of reporting or investigating a suspected violation of law. You likewise cannot be held criminally or civilly liable under any Federal or State trade secret law for disclosure of a trade secret made in a complaint or other document filed in a lawsuit or other proceeding, if such filing is made under seal. Also, if you file a lawsuit for retaliation by McDonald's for reporting a suspected violation of law, you may disclose a trade secret to your attorney and you may use the trade secret information in the court proceeding if you file any document containing the trade secret or confidential information under seal and you do not otherwise disclose the trade secret, except pursuant to court order.

RECEIPT OF PAY AND BENEFITS TO DATE

You acknowledge and agree that you have not applied for, nor are you eligible for, short term disability, long term disability, Worker's Compensation, or family and medical leave under applicable federal, state and local law. You further agree that you have received all salary and benefits due to you to date, and have taken any family and medical leave to which you are entitled.

REMEDIES FOR BREACH

Should you breach this Agreement, McDonald's shall be entitled to recover 90% of the entire value of any consideration you have received pursuant to this Agreement and shall be relieved of any obligation to pay further consideration. It is acknowledged that this is not a penalty but an agreed upon remedy that results from a failure of consideration upon a breach of the provisions of this Agreement; however, the parties agree that the remaining 10% of the value of the consideration shall constitute sufficient consideration for the General Release above. Notwithstanding the foregoing, nothing in this Agreement shall prohibit or interfere with your right to challenge enforcement of this Agreement before a court or tribunal or before the Equal Employment Opportunity Commission. Further, nothing in this Agreement prohibits you from reporting possible violations of federal, state or local law or regulation to any governmental agency or entity, including but not limited to the Department of Justice, the Securities and Exchange Commission, the Congress, and any agency Inspector General, or making other disclosures that are protected under the whistleblower provisions of federal, state or local law or regulation. You do not need the prior authorization or approval of the Law Department or anyone else at McDonald's to make any such reports or disclosures, and you are not required to notify the company that you have made such reports or disclosures.

CHOICE OF LAW

You and McDonald's agree that this Agreement is to be interpreted and enforced pursuant to the law of Delaware. Should any dispute arise between the parties and the law of the forum state prevents use of this choice of law provision with respect to any issue, then the law of the forum state shall be adopted for that issue.

SAVINGS CLAUSE

In the event that any one or more provisions (or portion thereof) of this Agreement is held to be invalid, unlawful or unenforceable for any reason, the invalid, unlawful or unenforceable provision (or portion thereof) shall be construed or modified so as to provide the released parties with the maximum protection that is valid, lawful and enforceable, consistent with the intent of the parties in entering into this Agreement. If such provision (or portion thereof) cannot be construed or modified so as to be valid, lawful and enforceable, that provision (or portion thereof) shall be construed as narrowly as possible and shall be severed from the remainder of this Agreement (or provision), and the remainder shall remain in effect and be construed as broadly as possible, as if such invalid, unlawful or unenforceable provision (or portion thereof) had never been contained in this Agreement.

CONSIDERATION PERIOD; KNOWING AND VOLUNTARY AGREEMENT AND RELEASE, AND ACCEPTANCE AND RETURN OF THE AGREEMENT

You have read it and understand it fully. You acknowledge that you have been and are hereby advised by this Agreement to consult with an attorney prior to executing this Agreement.

You further acknowledge that you have been given at least 7 days to consider the terms of this Agreement, that you have been able to use this period, or as much of this period as you desire, and that you are now executing this Agreement voluntarily with the express intention of making a binding legal agreement, including giving up all claims against McDonald's. You forever waive any relief not explicitly set forth in this document. The review period set forth above will not be affected or extended by any revisions, whether material or immaterial, that might be made to this Agreement. If you choose to accept this Agreement, please sign and return the Agreement to Jerry Krulewitch at the following address:

McDonald's Corporation
Attention: Jerry Krulewitch
110 N. Carpenter Street
Chicago, Illinois 60607

I have read and understand this Agreement. By signing below, I hereby fully and freely agree to abide by the promises, releases, and obligations set forth above.

Name (print): SILVIA DIAS LAGNADO

Signature: /s/ Silvia Dias Lagnado

Date: August 14, 2019

McDonald's Signature: /s/ Jerome N. Krulewitch

Date: August 13, 2019

Separation Agreement and General Release

TO: **Silvia Dias Lagnado**

This Agreement shall be binding on you, your heirs, successors and assigns, and on McDonald's. "McDonald's" as used in this Agreement, includes McDonald's Corporation, McDonald's USA, LLC, all of their respective subsidiaries, affiliates and related entities and companies, and their current and former directors, officers, agents, employees, insurers and attorneys, and all employee benefit plans and arrangements and their administrators trustees and other fiduciaries, and all successors and assigns of all of the foregoing.

In consideration of the mutual covenants and promises contained herein, and for other good and valuable consideration, the adequacy and receipt of which are hereby acknowledged, you and McDonald's agree to the following:

TERMINATION DATE

Your date of termination ("Termination Date") will be October 31, 2019.

PAYMENTS

You will receive the following payments:

- Twenty-six (26) weeks' severance pay, pursuant to the terms of the McDonald's Corporation Officer Severance Plan (the "Severance Plan"), minus taxes and deductions, payable to you six (6) months after the date of termination in accordance with the Severance Plan and Section 409A of the Internal Revenue Code;
- Payment for fifteen (15) unused vacation days, as of your termination date;
- A storage allowance in the gross amount of \$20,000 USD, minus taxes and deductions payable to you three (3) months after the termination date.

All other pay earned by you has been included in your final pay. All payments to you, as set forth in this Agreement, will be issued in accordance with, and subject to any withholding required by, all local, state, and federal laws. The storage payment is intended to be exempt from Section 409A of the Internal Revenue Code as a short-term deferral and, therefore, will be paid no later than March 15, 2020.

You acknowledge and agree that the severance and storage payments described in this Agreement are contingent on your compliance with the terms of the "Non-Compete" provisions contained in this Agreement. If McDonald's, in its sole discretion, determines that you have failed to comply with such provisions, you will forfeit the severance payments and McDonald's shall have no further obligations related thereto.

TARGET INCENTIVE PLAN (TIP)

If there is a TIP payment for 2019, you shall be eligible for a pro-rated 2019 TIP payment payable on or about March 1, 2020. Your TIP will be pro-rated to your date of termination and will be administered consistent with the TIP requirements.

BENEFITS TERMINATION

Your Termination Date shall be your benefits plan termination date for purposes of McDonald's benefits programs, including but not limited to the 401k Plan and Long Term Incentive Plans. Your active participation in McDonald's welfare plans, such as the Health (medical, dental vision), Group Insurance and Spending Account Plans will end as of the last day of the month in which your termination date occurs. For information on continuing Health or Healthcare Spending Account Plans through COBRA, see below. If there are any discrepancies between this agreement and the official benefit plan documents, the official plan documents will govern. McDonald's reserves the right, in its sole discretion, to change or discontinue its benefit programs at any time, with or without prior notice.

CONTINUATION OF HEALTH COVERAGE

If you are participating in the medical, dental or vision plan coverage under the Health Plan at the time you terminate, you may elect to continue that coverage for 18 months (or longer if required by law). This is known as COBRA coverage. If you file a timely election to take COBRA coverage, you will have to pay the applicable employee cost for that coverage on a monthly basis (i.e., the cost you are currently paying as an active employee) and, pursuant to the terms of the Severance Plan, McDonald's will pay the remainder of the cost through **April 2020**. You will only be able to take the COBRA coverage if you pay the applicable employee cost on a monthly basis. McDonald's will not withhold your share of these costs from your cash severance. Beginning on **May 1, 2020**, your COBRA premium for any remaining months of COBRA coverage will be increased to 102% of the full COBRA premium cost (including both the employee and employer costs for the coverage). If you fail to pay the required COBRA premium by the end of the month for which the premium is due, your coverage will terminate as of the last day of the month for which your last premium was paid. McDonald's will not pay any portion of the cost of COBRA coverage beyond **May 1, 2020**, regardless of whether you or your eligible dependents have an additional qualifying event under COBRA. Notwithstanding the foregoing, if COBRA coverage is no longer required to be provided under the federal laws governing COBRA, all payments for COBRA coverage under the Plan will also end. Further information about COBRA coverage will be provided by the Health Plan Administrator.

STOCK OPTIONS AND RESTRICTED STOCK UNITS

All stock option and restricted stock unit (RSU) awards held by you at your termination date shall be treated in accordance with the terms of the applicable McDonald's Corporation stock plan under which the award was granted (2001 Omnibus Stock Ownership Plan, as amended or 2012 Omnibus Stock Ownership Plan), and the applicable stock option or RSU award agreement governing your awards (collectively, the "Grant Materials"). Notwithstanding anything to the contrary in this Agreement, for purposes of your stock options and RSUs, your reason for termination is Company Initiated/Special Circumstances and your stock options and RSUs will be treated in accordance with the applicable provisions in the Grant Materials.

STOCK OPTIONS

Pursuant to the terms of the Grant Materials, you will be permitted to exercise your outstanding stock option awards as provided in the chart below.

Options Granted	Options That May be Exercised	Last Date to Exercise (If the last date to exercise is a weekend or a US holiday, the last date will be the previous business day.)
All grants made at least four months prior to your termination date	Options that are exercisable or would have become exercisable within two years of your termination date will continue to become exercisable pursuant to the original schedule.	The second anniversary of your termination date
All grants made less than four months prior to your termination date	All options forfeited	N/A

RESTRICTED STOCK UNITS (RSUs)

Pursuant to the terms of your grant(s), as described in the Grant Materials, upon termination you will vest in a pro-rata portion of your unvested RSUs granted at least four months prior to your termination date based upon the number of months worked during the applicable vesting period, with partial months counted as full months. RSUs that vest will be paid out in the form of shares of McDonald's stock (or in cash at the McDonald's sole discretion). Any RSUs granted less than four months prior to your termination date will be forfeited. Any RSUs that have performance vesting conditions will continue to be subject to those conditions, and will be paid out (if applicable) at the end of the performance period.

For more detailed information on the treatment of your stock options and/or RSUs upon your termination, please refer to the Company Initiated/Special Circumstances termination section of the Grant Materials. In the event of a conflict between this Agreement and the terms of the relevant Grant Materials, the terms of the Grant Materials will prevail.

REFERENCE

McDonald's will agree that all references given to parties outside McDonald's, whether verbal or written, will be in line with the statement below:

Silvia Lagnado came to McDonald's as our Global Chief Marketing Officer to reignite our customer obsession through both traditional and innovative ways.

The impact she had in that time is significant. Silvia led a team that defined the brand's purpose "*making delicious feel-good moments easy for everyone*". She helped create a universal visual identity and established a program to elevate creative excellence across McDonald's advertising. Under her leadership we elevated our customer focus through data. She's helped us develop and invest in a smart CRM strategy

grounded in insights that is unlocking an unparalleled understanding of customers and how to serve them better through programs like suggestive sell in Drive Thru with Dynamic Yield. Silvia was the driving force behind our new partnership with Disney and a passionate advocate for our new *Commitment to Families* under *Scale for Good*. Finally, Silvia has established a strong *Global Marketing Leadership Team*, composed of CMOs of our key markets, as well as key members of her team.

Silvia built a very strong team (two of which were promoted with her departure). With the team, strategy and work on strong footing, Silvia has decided this is the right time to pursue new challenges and opportunities.

OFFICER AND DIRECTOR FINANCIAL PLANNING

After your termination date, you have **three (3) months** (or until the end of the calendar year in which you terminate, if earlier) to complete your financial planning and submit any expenses for reimbursement for the calendar year in which your termination date occurs.

OFFICER ANNUAL PHYSICAL

You will be eligible to receive your annual executive physical for calendar year 2019 in accordance with the terms of the Executive Physical Program, provided your physical is completed within six months of your date of termination. Executive Physicals completed after your termination date are considered taxable income to you.

HOUSEHOLD MOVING EXPENSES

You will be eligible to be reimbursed for shipping expenses related to your household goods from your residence in Illinois to a destination of your choice. Such reimbursement will be subject to the limits set in the current Global Mobility Policy with respect to the shipping of household goods. Please contact Brian Madine, Director - Global Mobility for further details regarding shipping assistance.

LEGAL FEES

You will be eligible to be reimbursed for legal fees related to this Agreement up to a maximum of \$10,000 USD, which fees must be incurred and reported to McDonald's no later than December 31, 2019 for payment no later than March 15, 2020.

RESIGNATIONS

I, Silvia Dias Lagnado, hereby tender my resignation as Corporate Executive Vice President of McDonald's Corporation (the "Company"), effective October 31, 2019. In addition, I hereby tender my resignation, effective October 31, 2019, from as Vice President of McDonald's Global Markets LLC and to any other officer and director positions that I currently hold with any McDonald's group company or affiliated company and for which I do not otherwise tender a separate resignation.

COOPERATION WITH McDONALD'S

Except as described below in this section and the section entitled "Right to Enforce Agreement and Cooperate with the Government," you agree to reasonably assist and cooperate with McDonald's (and its outside counsel) (subject to the payment of reasonable out-of-pocket expenses incurred by you) in any pending, threatened or future investigations, charges, complaints, lawsuits, arbitrations, regulatory actions or other claims or proceedings in the event that McDonald's determines that you may have knowledge or

be a witness relating to the investigation, charge, complaint, lawsuits, arbitration, regulatory action or other claim or proceedings. Notwithstanding the foregoing, this section does not require you to assist and cooperate with McDonald's in any claim, lawsuit or proceeding brought by you against McDonald's for breach of this Agreement or for a claim that is excepted from the General Release, below. The Company agrees that your cooperation shall be subject to accommodations that will avoid or minimize disruption of your personal and professional obligations. When possible, you will be given seven (7) days advanced written notice of any action which requires your participation.

GENERAL RELEASE

In exchange for the payments and benefits set forth above in this Agreement, you (and anyone claiming through you or on your behalf, including your heirs and assigns) agree to release McDonald's, to the fullest extent permitted by law, with respect to any and all claims, actions, causes of action, complaints, grievances, demands, allegations, promises, and obligations for damages, and any and all other demands you may have against McDonald's or have ever had, whether known or unknown, concerning, relating to, or arising out of any alleged acts or omissions by McDonald's from the beginning of time to the date on which you execute this Agreement.

The claims you are releasing include, without limitation, the claims as defined in this Agreement, any additional claims asserted on your behalf by legal counsel (if any) or by any individual, entity or government agency, and all other claims arising under any act, statute, constitution, regulation, executive order, ordinance, or the common law, including any claims for attorneys' fees and/or costs. Without limiting the generality of the foregoing and subject to the exceptions listed in the section entitled "Right to Enforce Agreement and Cooperate with the Government" listed below, the claims released by you hereunder include, but are not limited to:

(a) all claims for or related in any way to your employment, compensation, other terms and conditions of employment, or cessation of employment with McDonald's;

(b) all claims that were or could have been asserted by you or on your behalf: (i) in any federal, state, or local court, or tribunal; (ii) under any public policy or common law theory; (iii) under any employment agreement or contract, other agreement or contract, or tort (including but not limited to claims for infliction of emotional distress); or (iv) under any federal, state, or local law, regulation, ordinance, or executive order;

(c) any and all claims that McDonald's is obligated to pay or owes any compensation or payments to you in connection with any ideas, information, inventions, processes, procedures, systems, methods, intellectual property or other materials that you may have developed, produced, created, designed, modified, improved, enhanced or revised during your employment with McDonald's or disclosed to McDonald's, including without limitation any trademarks, service marks, trade dress, copyrights, patents and/or trade secrets, (collectively referred to in this Agreement as "Materials"); and

(d) any and all claims that were or could have been asserted by you or on your behalf arising under any law, including but not limited to, and as in effect or amended from time to time: Title VII of the Civil Rights Act of 1964 ("Title VII"), Civil Rights Act of 1866 (42 U.S.C. Section 1981), Civil Rights Act of 1991 (42 U.S.C. Section 1981a), Age Discrimination in Employment Act, 29 U.S.C. §§ 621 et seq. ("ADEA"), Americans with Disabilities Act ("ADA"), Employee Retirement Income Security Act, Family and Medical Leave Act, Uniformed Services Employment and Reemployment Rights Act ("USERRA"), Genetic Information Nondiscrimination Act ("GINA"), Equal Pay Act, Fair Credit Reporting Act, Immigration Reform Control Act, Occupational Safety and Health Act, Employee Polygraph Protection Act, Worker Adjustment and Retraining Notification Act ("WARN Act"), Lilly Ledbetter Fair Pay Act of 2009, any state or federal consumer protection and/or trade practices act, Illinois

Human Rights Act, Illinois Wage Payment and Collection Act, Illinois Equal Wage Act, Illinois Equal Pay Act of 2003, Illinois Minimum Wage Law, Illinois Worker Adjustment and Retraining Notification Act (“Illinois WARN Act”), the anti-retaliation provisions of the Illinois Workers Compensation Act, and the Illinois Whistleblower Act and any other whistleblower statute, the New York Human Rights Law, any state or federal consumer protection and/or trade practices act.

Without limiting the generality of the foregoing, the claims you are releasing include any claim that any future nonpayment or difference in amount, timing or duration of wages, salaries, bonuses, benefits (such as under the Profit Sharing and Savings Plan, Long Term Incentive Plans, Insurance Plans, TIP Plan, stock option and restricted stock unit plans, and Cash Performance Unit Plan) or other compensation is discriminatory under the ADEA, Title VII, the ADA and the Rehabilitation Act of 1973, all as amended or modified in operation by the Lilly Ledbetter Fair Pay Act of 2009, and all such claims under all federal, state and local law, as heretofore or hereafter amended or modified in operation.

YOU UNDERSTAND BY SIGNING THIS AGREEMENT, YOU ARE GIVING UP ALL CLAIMS AGAINST McDONALD’S except those expressly excepted by this Agreement or otherwise not waivable by law. You agree that this Agreement provides benefits to you that are above and beyond anything to which you are otherwise entitled.

RIGHT TO ENFORCE AGREEMENT AND COOPERATE WITH THE GOVERNMENT

Nothing in this Agreement shall prohibit or interfere with your right to bring any action to enforce the terms of this Agreement or to file a charge or complaint, report a violation of the law, communicate, testify, assist, cooperate, or participate in an investigation, proceeding or hearing conducted by the Equal Employment Opportunity Commission, the Department of Justice, the Securities and Exchange Commission or other federal, state or local agency or commission without prior authorization or approval of the Law Department or any other McDonald’s official or representative, and you are not required to report such actions to McDonald’s. And nothing in this Agreement prohibits or restricts your ability to share confidential company information regarding possible violations of the law with any federal, state or local government agency, and to accept monetary awards for providing information about violations of the law to any such agency (sometimes referred to as whistleblower awards or informant awards) under any whistleblower law, rule or program. However, except where otherwise prohibited by law, the consideration provided to you in this Agreement shall be the sole relief provided to you for all claims you previously asserted or could have asserted. You are not, and will not be, entitled to recover, and you agree to waive, to the fullest extent permitted by law, any back pay, back benefits, damages for emotional distress, other actual or compensatory damages, punitive damages, interest, and other monetary benefits or other personal relief or recovery against McDonald’s in connection with any such claim, charge or proceeding of any kind without regard to which entity or person has brought such claim, charge, complaint or proceeding, except for whistleblower or informant awards as set forth above.

IMMUNITY FROM LIABILITY FOR CONFIDENTIAL DISCLOSURE OF A TRADE SECRET TO THE GOVERNMENT OR IN A COURT FILING

Under the Defend Trade Secrets Act, you cannot be held criminally or civilly liable under any Federal or State trade secret law or under this Agreement for the disclosure of a trade secret made in confidence to a Federal, State, or local government official, either directly or indirectly, or to an attorney, and solely for the purpose of reporting or investigating a suspected violation of law. You likewise cannot be held criminally or civilly liable under any Federal or State trade secret law for disclosure of a trade secret made in a complaint or other document filed in a lawsuit or other proceeding, if such filing is made under

seal. Also, if you file a lawsuit for retaliation by McDonald's for reporting a suspected violation of law, you may disclose a trade secret to your attorney and you may use the trade secret information in the court proceeding if you file any document containing the trade secret or confidential information under seal and you do not otherwise disclose the trade secret, except pursuant to court order.

RETURN OF McDONALD'S PROPERTY; DEDUCTIONS FROM PAY FOR MONEY OWED TO McDONALD'S

On or by your termination date you will return to McDonald's all documents, manuals, office equipment, credit cards and other things belonging to McDonald's which you have borrowed or which you possess or control. You authorize McDonald's to deduct from your paycheck or severance pay, any money owed McDonald's as a result of items which are not returned or for loans or advances you have received and which remain unpaid, if you agreed to allow such deductions at the time the loans or advances were made. You may keep your current McDonald's issued cellular phone and laptop, only after such devices have been inspected by McDonald's and only after the removal of all McDonald's confidential and proprietary information.

NON-DISPARAGEMENT AND LIMITATIONS ON PUBLICATIONS

You agree to refrain from all conduct, verbal or otherwise (including but not limited to postings on the internet and/or on any social media outlet, such as Twitter and Facebook) that disparages or damages or could disparage or damage the reputation, goodwill, or standing in the community of McDonald's, its past or current parents, subsidiaries or joint ventures, or any of its or their past or present officers, directors or employees. While communicating about McDonald's via social media or otherwise, you further agree that your communications will clearly state that you are not employed by and do not represent McDonald's and will be clearly identified as representing your personal views and not those of McDonald's.

Without limiting the generality of the foregoing, you further agree that, you shall not, for three (3) years following your Termination Date publish any articles or books about McDonald's, its business or any McDonald's-Related Person, or grant an interview primarily relating to McDonald's to any representative of the public media, without the prior written consent of McDonald's General Counsel, Jerry Krulewitch, or his successor. Please contact Carrie Reuter, c/o McDonald's Corporation, 110 N Carpenter Street, Dept. #146, Chicago, IL 60607, to request such written consent. The foregoing is not intended to preclude you from teaching, lecturing or presenting at any educational course or seminar where your experiences and contributions at McDonald's may be a topic of discussion provided you comply with all of your existing fiduciary and contractual obligations herein, including confidentiality, and to refrain from addressing sensitive topics such as future plans and strategies related to the McDonald's brand, marketing, and/or talent.

For clarification, your filing a charge, reporting a violation of law, cooperating, or participating in an investigation or proceeding conducted by the Equal Employment Opportunity Commission, the Department of Justice, the Securities and Exchange Commission or other federal, state, or local agency, as outlined in the "Right to Enforce Agreement and Cooperate With the Government" section above, shall not be a violation of your obligations under this section "Non-Disparagement and Limitations on Publications." Similarly, the Parties agree that nothing in this Agreement is intended or will be interpreted so as to interfere with any rights you may have under the United States Defend Trade Secrets Act, as outlined in the "Immunity From Liability for Confidential Disclosure of a Trade Secret to the Government or in a Court Filing" section above.

LICENSE TO RIGHT OF PUBLICITY

You hereby grant to McDonald's the irrevocable, unrestricted worldwide right to use, publish, display, broadcast, edit, modify and distribute materials bearing your name, voice, image, likeness, music, statements attributable to you or any other identifiable representation of you in connection with or related to your employment with McDonald's (collectively, "your Likeness") in any form, style, color or medium whatsoever now existing or developed in the future. You agree that all materials containing your Likeness are and shall remain the sole and exclusive property of McDonald's, and you hereby assign any proprietary right you may have in such materials to McDonald's. You hereby release and forever discharge McDonald's from any and all liability, claims and damages relating to the use of your Likeness and you waive any right you may have to inspect or approve the finished materials or any part or element thereof that incorporates your Likeness.

ASSIGNMENT OF INTELLECTUAL PROPERTY

You hereby agree and covenant that you have made and, that at all times after your termination date shall make, prompt full written disclosure to McDonald's and hold in trust for the sole right, benefit, and use of McDonald's: any confidential information, ideas, inventions, innovations, discoveries, improvements, developments, methods, designs, trade marks, trade names, service marks, logos, trade dress, analyses, drawings, recipes, reports and all similar or related information, whether or not patentable, and any works of authorship, whether or not copyrightable, (collectively "Inventions"), that originated with you in whole or in part during the period of your employment with McDonald's. You agree and acknowledge that any and all Inventions shall remain the exclusive property of McDonald's. You hereby expressly and fully assign to McDonald's exclusive right, title and interest to all Inventions that originated with you in whole or in part during the period of your employment, whether written or not, and whether or not patentable or eligible for protection under copyright law, and fully waive any claims or rights you may have therein. You agree to assist McDonald's, at McDonald's expense, in perfecting such transfer or assignment by taking all necessary actions and executing all documents as may be required. You understand that the foregoing shall not apply to Inventions (a) developed on your own time, (b) without the use of Confidential Information, proprietary information and/or trade secrets belonging to McDonald's or without McDonald's supplies, equipment, facilities, or property, and (c) that are not based on any work performed for McDonald's or related in any way to McDonald's business or actual or demonstrably anticipated research or development (which, to preclude any possible uncertainty, you have listed on Attachment A hereto). Any assignment to McDonald's of Inventions includes all rights of attribution, paternity, integrity, modification, disclosure and withdrawal, and any other rights throughout the world that may be known as or referred to as "moral rights," "artist's rights," "droit moral," or the like (collectively, "Moral Rights"). To the extent that Moral Rights cannot be assigned under applicable law, you hereby waive and agree not to enforce any and all Moral Rights, including, without limitation, any right to identification of authorship or limitation on subsequent modification that you may have in the assigned Inventions. You further acknowledge that all original works of authorship that were made by you (solely or jointly with others) within the scope of and during the period of employment with McDonald's and which are protectable by copyright are "works made for hire", as that term is defined in the United States Copyright Act (17 USC §101) or under any similar concept other applicable copyright law (to the extent U.S. copyright law does not apply). The provisions of this Section shall be binding upon you and your heirs, executors and administrators.

ENFORCEMENT OF PROPRIETARY RIGHTS

At McDonald's expense, you will assist McDonald's after your termination of employment in every proper way to obtain and from time to time to enforce United States and foreign Proprietary Rights relating to Intellectual Property in any and all countries. To that end, you will execute, verify and deliver such documents and perform such other acts (including appearances as a witness) as McDonald's may reasonably request for use in applying for, obtaining, perfecting, evidencing, sustaining and enforcing such Proprietary Rights and the assignment thereof.

NON-SOLICITATION OF EMPLOYEES; NON-INTERFERENCE WITH BUSINESS RELATIONSHIPS; CONFIDENTIALITY OF EMPLOYEE NAMES; NON DISTURBANCE

For a period of two (2) years from your date of termination, you agree and covenant that you will not, on your own behalf or on behalf of any other person or entity (A) directly or indirectly, solicit for employment or assist in the solicitation of any "salaried" employee of McDonald's, whether employed at the corporate office or in the field (including at McDonald's restaurants); (B) provide to any prospective employer the identities of any of McDonald's "salaried" employees; (C) assist any of McDonald's "salaried" employees in obtaining employment with your new employer through the dissemination of resumes or otherwise; (D) release names of any McDonald's "salaried" employees to recruiters, headhunters or employment agencies and (E) directly or indirectly entice or induce any vendor, supplier, manufacturer, franchisee, consultant, independent contractor, service provider, or partner of McDonald's to reduce, divert or curtail its relationship with McDonald's.

NON-COMPETE

You acknowledge that McDonald's is engaged in a highly competitive business and has a compelling business need and interest in preventing release or disclosure of its confidential, proprietary and trade secret information as defined in this Agreement. Moreover, you acknowledge that McDonald's has highly valuable, long-term and near permanent relationships with certain customers, suppliers, manufacturers, franchisees, employees and service organizations which McDonald's has a legitimate interest in protecting and that you, by virtue of your position with McDonald's, had, have and will continue to have access to these customers, suppliers, manufacturers, franchisees, employees and service organizations as well as the confidential, proprietary and trade secret information as defined in this Agreement. You also acknowledge that McDonald's has invested substantial time, money and other resources in building and maintaining good will, reputation and a valuable brand and system. You acknowledge and agree that, in performing services for McDonald's, you were placed in a position of trust with McDonald's and that, because of the nature of the services provided by you to McDonald's, Confidential Information will become engrained in you, so much so that you would inevitably or inadvertently disclose such information in the event you were to provide similar services to a competitor of McDonald's. As such, you agree and covenant that for a period of eighteen (18) months following your termination date: (A) you shall not either directly or indirectly, alone or in conjunction with any other party or entity, perform any services, work or consulting for one or more Competitive Companies anywhere in the world. "Competitive Companies" shall mean any company in the ready-to-eat restaurant industry that competes with the business of McDonald's, including any business in which McDonald's engaged during the term of your employment and any business that McDonald's was actively considering conducting at the time of the your termination of employment. Examples of Competitive Companies include, but are not limited to: YUM Brands, Inc. (including but not limited to Taco Bell, Pizza Hut and Kentucky Fried Chicken and all of YUM Brands, Inc.'s subsidiaries), Quick Service Restaurant Holdings (and all of its brands and subsidiaries), Burger King/Hungry Jacks, Wendy's, Culver's, In-N-Out Burger, Sonic, Hardee's, Checker's, Arby's, Long John

Silver's, Jack-in-the-Box, Popeye's Chicken, Chick-fil-A, Domino's Pizza, Chipotle, Q-doba, Panera Bread, Papa John's, Potbelly, Subway, Quiznos, Dunkin' Brands, Seven-Eleven, Tim Horton's, Starbucks, Jamba Juice, BoJangle's, WaWa, Five Guys, Denny's and their respective organizations, partnerships, ventures, sister companies, franchisees, affiliates or any organization in which they have an interest and which are involved in the ready-to-eat restaurant industry anywhere in the world, or which otherwise compete with McDonald's. You agree to consult with the Executive Vice President of Human Resources, or his/her successor, for clarification as to whether or not McDonald's views a prospective employer, consulting client or other business relationship of you may have or have had in the ready-to-eat industry not listed above as a Competitive Company; and (B) you shall not perform or provide, or assist any third party in performing or providing, Competitive Services anywhere in the world, whether directly or indirectly, as an employer, officer, director, owner, employee, partner or otherwise, of any person, entity, business, or enterprise. For the purposes of this restriction, "Competitive Services" means the design, development, manufacture, marketing or sale of a product, product line or service that competes with any product, product line or service of McDonald's as they presently exist or as may be in existence or development on Executive's termination date. You agree that you will notify McDonald's prior to engaging in any way with a competitor of McDonald's, and you further acknowledge and agree that McDonald's may contact the subsequent employer and reveal the terms of this Agreement. This Section is not meant to prevent you from earning a living or fostering your career, but rather to prevent any competitive business from gaining any unfair advantage from your knowledge of McDonald's Confidential Information, trade secrets and/or proprietary information.

CONFIDENTIAL INFORMATION

You acknowledge that during your employment with McDonald's you have formulated, established and otherwise had access to and knowledge of McDonald's Confidential Information as defined in this Agreement. You further acknowledge that the preservation of a continuing business relationship between McDonald's and its customers, franchisees, suppliers and manufacturers is of critical importance to the continued business success of McDonald's and that it is the policy of McDonald's to safeguard as confidential the identity and special needs of certain customers, franchisees, suppliers, manufacturers, representatives and key employees. You also acknowledge that McDonald's has invested substantial time, money and other resources in building and maintaining good will, reputation and a valuable brand and system.

In view of the foregoing, you agree and covenant that at all times after your termination date, (A) you will hold in strict confidence and will not use, disclose, communicate, or distribute, to any person(s), firm or corporation, any Confidential Information (as defined herein), except as may be authorized and required in connection with your work for McDonald's, unless you are compelled to do so by judicial process, or unless the General Counsel of McDonald's expressly authorizes such in writing. You understand and agree that any unauthorized use of Confidential Information by you or by any party receiving such information through you shall be deemed a material breach of this agreement; (B) you will not take, but will leave with McDonald's, all records (including electronic data) and papers and all other items of whatever nature that contain Confidential Information; and (C) you will not write, confirm or otherwise communicate or publish to any person or entity any of McDonald's trade secrets, proprietary information or Confidential Information, including, without limitation while using social media (e.g., blogging, tweeting, and postings on social networking sites).

For purposes of this Agreement, "Confidential Information" means all non-public information that is not

generally known in the trade or industry and that is valuable to McDonald's and that is or was disclosed by McDonald's or by its affiliates to you or obtained by or imparted to you through your employment with McDonald's (whether prepared by McDonald's or its agents or advisors) in oral, electronic, tangible or intangible form, concerning the processes, products, services, technology, or business of McDonald's, that is either identified by McDonald's as being confidential, or that would be understood by a person in your position, exercising reasonable business judgment, to be confidential. Confidential Information includes, but is not limited to, (i) trade secrets and proprietary information as defined in this Agreement; (ii) special information about relationships and distributors, vendors, suppliers, manufacturers, franchisees, employees and customers, (iii) special and confidential knowledge about McDonald's relating to pricing, business and financial affairs, advertising, marketing, sales, expansion plans, new store sites and strategies for McDonald's business, including various technical items and equipment used or contemplated for use in McDonald's business; and (iv) any information McDonald's has received, and in the future may receive, from third parties for which McDonald's may owe a duty to maintain confidentiality or to use solely for limited purposes. For purposes of this Agreement, the terms "trade secrets" and "proprietary information" include processes, methods, recipes, techniques, systems, formulae, patents, models, devices, compilations, customer lists, financial information, development plans, supplier lists and any information of whatever nature that gives McDonald's an opportunity to obtain an advantage over competitors who do not know or use such information or data or any information that would be harmful to McDonald's if disclosed. Confidential Information does not include general knowledge in the industry in which McDonald's is engaged, information or materials disseminated to the general public by McDonald's, and/or information that becomes public through no wrongful act or omission by you or by any other person.

Nothing herein shall prohibit or interfere with your right to file a charge, cooperate or participate in an investigation or proceeding conducted by the Equal Employment Opportunity Commission, or other federal, state, or local agency. In addition, nothing herein prohibits you from reporting possible violations of federal, state or local law or regulation to any governmental agency or entity, including but not limited to the Department of Justice, the Securities and Exchange Commission, the Congress, and any agency Inspector General, or making other disclosures that are protected under the whistleblower provisions of federal, state or local law or regulation. You do not need the prior authorization or approval from McDonald's and are not required to notify McDonald's before making any such reports or disclosures. In addition, you shall not be held criminally or civilly liable under any federal or state trade secret law for the disclosure of a trade secret that is made (i) in confidence either directly or indirectly to a federal, state, or local government official, or to an attorney, solely for the purpose of reporting or investigating a violation of law or (ii) in a complaint, or other document filed in a lawsuit or other proceeding, if such filing is made under seal. This Section will govern to the extent it may conflict with any other provision of this Agreement.

RECEIPT OF PAY AND BENEFITS TO DATE

You acknowledge and agree that you have not applied for, nor are you eligible for, short term disability, long term disability, Worker's Compensation, or family and medical leave under applicable federal, state and local law. You further agree that you have received all salary and benefits due to you to date, and have taken any family and medical leave to which you are entitled. All pay earned by you, including vacation pay, has been paid or is included in the amounts referred to in the Payments section above.

REMEDIES FOR BREACH

Should you breach this Agreement, McDonald's shall be entitled to recover 90% of the entire value of any consideration you have received pursuant to this Agreement and shall be relieved of any obligation to pay further consideration. It is acknowledged that this is not a penalty but an agreed upon remedy that results from a failure of consideration upon a breach of the provisions of this Agreement; however, the parties agree that the remaining 10% of the value of the consideration shall constitute sufficient consideration for the General Release above. Notwithstanding the foregoing, nothing in this Agreement shall prohibit or interfere with your right to challenge enforcement of this Agreement under the Older Workers Benefit Protection Act before a court or tribunal or before the Equal Employment Opportunity Commission. Further, nothing in this Agreement prohibits you from reporting possible violations of federal, state or local law or regulation to any governmental agency or entity, including but not limited to the Department of Justice, the Securities and Exchange Commission, the Congress, and any agency Inspector General, or making other disclosures that are protected under the whistleblower provisions of federal, state or local law or regulation. You do not need the prior authorization or approval of the Law Department or anyone else at McDonald's to make any such reports or disclosures, and you are not required to notify the company that you have made such reports or disclosures.

CHOICE OF LAW

You and McDonald's agree that this Agreement is to be interpreted and enforced pursuant to the law of Delaware. Should any dispute arise between the parties and the law of the forum state prevents use of this choice of law provision with respect to any issue, then the law of the forum state shall be adopted for that issue.

ENTIRE AGREEMENT

This Agreement contains the full agreement between you and McDonald's and completely supersedes any prior written or oral agreements or representations concerning the subject matter thereof, provided, however, that you agree and acknowledge that the obligations and restrictive covenants set forth in this Agreement (including the Non-Compete; Non-Solicitation of Employees; Non-Interference with Business Relationships; Confidentiality of Employee Names; Non-Disturbance; and Confidential Information paragraphs) are consistent with and largely mirror the obligations and restrictive covenants set forth in the Confidentiality, Intellectual Property & Restrictive Covenant Agreement dated March 30, 2017 between you and McDonald's that you signed for good and valuable consideration and that was ancillary to your employment with McDonald's. Any oral representation or modification concerning this Agreement shall be of no force or effect.

COMPLIANCE WITH CODE SECTION 409A

The intent of the parties is that payments and benefits under this Agreement comply with, or be exempt from, Internal Revenue Code Section 409A ("Code Section 409A") and, accordingly, to the maximum extent permitted, this Agreement will be interpreted to be in compliance with Code Section 409A. In no event will McDonald's be liable for any additional tax, interest or penalty that may be imposed on you by Code Section 409A or otherwise or for damages for failing to comply with Code Section 409A. If you are deemed on the date of termination to be a "specified employee" within the meaning of Code Section 409A, then with regard to any payment or the provision of any benefit that is considered "nonqualified deferred compensation" under Code Section 409A payable on account of a "separation from service," such payment or benefit will be made or provided at the date which is the earlier of (A) the expiration of the six (6)-month period measured from the date of your "separation from service," and (B) the date of

your death, to the extent required under Code Section 409A. Upon the expiration of the foregoing delay period, all payments and benefits delayed pursuant to this paragraph will be paid or reimbursed to you in a lump sum and all remaining payments and benefits due (if any) will be paid or provided in accordance with the normal payment dates. With regard to any reimbursement of costs and expenses or in-kind benefits, except as permitted by Code Section 409A, (i) the right to reimbursement or in-kind benefits will not be subject to liquidation or exchange for another benefit, (ii) the amount of expenses eligible for reimbursement, or in-kind benefits, provided during any taxable year will not affect the expenses eligible for reimbursement, or in-kind benefits to be provided, in any other taxable year, and (iii) such payments will be made on or before the last day of your taxable year following the taxable year in which the expense occurred.

SAVINGS CLAUSE

In the event that any one or more provisions (or portion thereof) of this Agreement is held to be invalid, unlawful or unenforceable for any reason, the invalid, unlawful or unenforceable provision (or portion thereof) shall be construed or modified so as to provide the released parties with the maximum protection that is valid, lawful and enforceable, consistent with the intent of the parties in entering into this Agreement. If such provision (or portion thereof) cannot be construed or modified so as to be valid, lawful and enforceable, that provision (or portion thereof) shall be construed as narrowly as possible and shall be severed from the remainder of this Agreement (or provision), and the remainder shall remain in effect and be construed as broadly as possible, as if such invalid, unlawful or unenforceable provision (or portion thereof) had never been contained in this Agreement.

CONSIDERATION PERIOD; KNOWING AND VOLUNTARY AGREEMENT AND RELEASE, AND ACCEPTANCE AND RETURN OF THE AGREEMENT

You have read it and understand it fully. You acknowledge that you have been and are hereby advised by this Agreement to consult with an attorney prior to executing this Agreement.

You further acknowledge that you have been given at least 21 days to consider the terms of this Agreement, that you have been able to use this period, or as much of this period as you desire, and that you are now executing this Agreement voluntarily with the express intention of making a binding legal agreement, including giving up all claims against McDonald's. You forever waive any relief not explicitly set forth in this document. The review period set forth above will not be affected or extended by any revisions, whether material or immaterial, that might be made to this Agreement. If you choose to accept this Agreement, please sign and return the Agreement to Jerry Krulewitch at the following address:

McDonald's Corporation
Attention: Jerry Krulewitch
110 N. Carpenter Street
Chicago, Illinois 60607

This Agreement should not be signed prior to your Termination Date. If you do not sign and return this Agreement, no part of the payments and benefits described in this Agreement will be available to you.

RIGHT TO REVOKE

This Agreement may be revoked by delivering a written notice of revocation to Jerry Krulewitch, McDonald's Corporation, 110 N. Carpenter Street, Chicago, Illinois 60607, no later than the seventh day after you sign it. Revocations delivered by mail must be postmarked by the seventh day after signing this Agreement.

Provided that you timely sign and return, and do not revoke, this Agreement, it will become effective on the eighth (8th) day after you sign it. If you do not sign this Agreement and return it within the time period described above, or you revoke the Agreement during the seven (7) day revocation period, no part of the payments and benefits described in this Agreement will be available to you.

I have read and understand this Agreement. By signing below, I hereby fully and freely agree to abide by the promises, releases, and obligations set forth above.

Name (print): SILVIA DIAS LAGNADO

Signature: /s/ Silvia Dias Lagnado

Date: October 31, 2019

McDonald's Signature: /s/ Jerome N. Krulewitch

Date: October 31, 2019

Attachment A: Intellectual Property

Please list any Intellectual Property which you made, conceived or learned prior to the commencement of your employment with McDonald's:

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

I, Christopher J. Kempczinski, certify that:

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

Date: August 10, 2020

/s/ Christopher J. Kempczinski

Christopher J. Kempczinski

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: August 10, 2020

/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 June 30, 2020 of the Company fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934 and information contained in the Form 10-Q fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: August 10, 2020

/s/ Christopher J. Kempczinski

Christopher J. Kempczinski

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 June 30, 2020 of the Company fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934 and information contained in the Form 10-Q fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: August 10, 2020

/s/ Kevin M. Ozan

Kevin M. Ozan

*Corporate Executive Vice President and
Chief Financial Officer*