UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, DC 20549

FORM 10-Q

☒ **QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**
For the quarterly period ended September 30, 2017

OR

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

Commission File Number 1-5231

McDONALD'S CORPORATION
(Exact Name of Registrant as Specified in Its Charter)

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

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

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

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

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

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

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

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

797,185,588
(Number of shares of common stock outstanding as of September 30, 2017)

McDONALD’S CORPORATION

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PART I – FINANCIAL INFORMATION

Item 1. Financial Statements

CONDENSED CONSOLIDATED BALANCE SHEET

In millions, except per share data	(unaudited) September 30, 2017	December 31, 2016
Assets		
Current assets		
Cash and equivalents	$ 2,671.2	$ 1,223.4
Accounts and notes receivable	1,569.0	1,474.1
Inventories, at cost, not in excess of market	54.2	58.9
Prepaid expenses and other current assets	495.9	565.2
Assets of businesses held for sale	—	1,527.0
Total current assets	4,790.3	4,848.6
Other assets		
Investments in and advances to affiliates	999.8	725.9
Goodwill	2,373.3	2,336.5
Miscellaneous	2,417.6	1,855.3
Total other assets	5,790.7	4,917.7
Property and equipment		
Property and equipment, at cost	36,038.9	34,443.4
Accumulated depreciation and amortization	(14,060.3)	(13,185.8)
Net property and equipment	21,978.6	21,257.6
Total assets	$ 32,559.6	$ 31,023.9
Liabilities and shareholders' equity		
Current liabilities		
Accounts payable	$ 685.2	$ 756.0
Dividends payable	797.4	—
Income taxes	347.7	267.2
Other taxes	291.7	266.3
Accrued interest	279.2	247.5
Accrued payroll and other liabilities	1,123.2	1,159.3
Current maturities of long-term debt	215.8	77.2
Liabilities of businesses held for sale	—	694.8
Total current liabilities	3,740.2	3,468.3
Long-term debt	28,402.6	25,878.5
Other long-term liabilities	2,292.3	2,064.3
Deferred income taxes	1,602.1	1,817.1
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	6,994.1	6,757.9
Retained earnings	47,631.5	46,222.7
Accumulated other comprehensive income (loss)	(2,236.7)	(3,092.9)
Common stock in treasury, at cost; 863.4 and 841.3 million shares	(55,883.1)	(52,108.6)
Total shareholders' equity (deficit)	(3,477.6)	(2,204.3)
Total liabilities and shareholders' equity (deficit)	$ 32,559.6	$ 31,023.9

See Notes to condensed consolidated financial statements.

CONDENSED CONSOLIDATED STATEMENT OF INCOME (UNAUDITED)

In millions, except per share data	Quarters Ended September 30, 2017	Quarters Ended September 30, 2016	Nine Months Ended September 30, 2017	Nine Months Ended September 30, 2016
Revenues				
Sales by Company-operated restaurants	**$ 3,064.3**	$ 3,972.1	**$10,045.8**	$11,642.2
Revenues from franchised restaurants	**2,690.3**	2,452.0	**7,434.4**	6,950.8
Total revenues	**5,754.6**	6,424.1	**17,480.2**	18,593.0
Operating costs and expenses				
Company-operated restaurant expenses	**2,479.8**	3,239.5	**8,199.5**	9,662.9
Franchised restaurants-occupancy expenses	**457.3**	437.6	**1,325.4**	1,283.6
Selling, general & administrative expenses	**567.0**	582.9	**1,613.7**	1,757.0
Other operating (income) expense, net	**(828.9)**	26.8	**(1,066.9)**	114.0
Total operating costs and expenses	**2,675.2**	4,286.8	**10,071.7**	12,817.5
Operating income	**3,079.4**	2,137.3	**7,408.5**	5,775.5
Interest expense	**236.7**	221.4	**686.2**	663.6
Nonoperating (income) expense, net	**23.2**	11.4	**33.9**	(19.2)
Income before provision for income taxes	**2,819.5**	1,904.5	**6,688.4**	5,131.1
Provision for income taxes	**935.8**	629.1	**2,194.8**	1,638.0
Net income	**$ 1,883.7**	$ 1,275.4	**$ 4,493.6**	$ 3,493.1
Earnings per common share-basic	**$ 2.34**	$ 1.52	**$ 5.54**	$ 4.04
Earnings per common share-diluted	**$ 2.32**	$ 1.50	**$ 5.48**	$ 4.01
Dividends declared per common share	**$ 1.95**	$ 0.89	**$ 3.83**	$ 2.67
Weighted-average shares outstanding-basic	**805.3**	841.4	**811.8**	864.7
Weighted-average shares outstanding-diluted	**813.5**	847.7	**819.4**	871.8

See Notes to condensed consolidated financial statements.

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME (UNAUDITED)

In millions	Quarters Ended September 30, 2017	Quarters Ended September 30, 2016	Nine Months Ended September 30, 2017	Nine Months Ended September 30, 2016
Net income	**$1,883.7**	$1,275.4	**$4,493.6**	$3,493.1
Other comprehensive income (loss), net of tax				
Foreign currency translation adjustments:				
Gain (loss) recognized in accumulated other comprehensive income (AOCI), including net investment hedges	**247.3**	50.7	**780.6**	255.0
Reclassification of (gain) loss to net income	**4.9**	—	**109.3**	18.3
Foreign currency translation adjustments-net of tax benefit (expense) of $104.0, $30.4, $376.4, and $(66.9)	**252.2**	50.7	**889.9**	273.3
Cash flow hedges:				
Gain (loss) recognized in AOCI	**(14.5)**	(1.3)	**(44.8)**	(8.4)
Reclassification of (gain) loss to net income	**9.1**	1.8	**3.2**	(10.2)
Cash flow hedges-net of tax benefit (expense) of $3.1, $(0.1), $23.5, and $10.6	**(5.4)**	0.5	**(41.6)**	(18.6)
Defined benefit pension plans:				
Gain (loss) recognized in AOCI	**—**	(0.1)	**(0.3)**	(0.9)
Reclassification of (gain) loss to net income	**2.9**	1.1	**8.2**	3.4
Defined benefit pension plans-net of tax benefit (expense) of $0.0, $0.1, $(0.5), and $0.1	**2.9**	1.0	**7.9**	2.5
Total other comprehensive income (loss), net of tax	**249.7**	52.2	**856.2**	257.2
Comprehensive income (loss)	**$2,133.4**	$1,327.6	**$5,349.8**	$3,750.3

See Notes to condensed consolidated financial statements.

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS (UNAUDITED)

In millions	Quarters Ended September 30, 2017	2016	Nine Months Ended September 30, 2017	2016
Operating activities				
Net income	**$ 1,883.7**	$ 1,275.4	**$ 4,493.6**	$ 3,493.1
Adjustments to reconcile to cash provided by operations				
Charges and credits:				
Depreciation and amortization	**355.8**	370.6	**1,020.6**	1,137.6
Deferred income taxes	**225.1**	(216.0)	**375.6**	(374.7)
Share-based compensation	**39.5**	34.3	**83.5**	102.1
Net gain on sale of restaurant businesses	**(902.0)**	(69.1)	**(1,065.2)**	(208.1)
Other	**(42.3)**	72.0	**(67.8)**	397.2
Changes in working capital items	**124.7**	783.9	**(398.4)**	697.5
Cash provided by operations	**1,684.5**	2,251.1	**4,441.9**	5,244.7
Investing activities				
Capital expenditures	**(416.9)**	(405.3)	**(1,213.3)**	(1,149.6)
Purchases of restaurant businesses	**(20.8)**	(38.3)	**(38.9)**	(75.3)
Sales of restaurant businesses	**1.9**	125.4	**851.8**	441.4
Proceeds from sale of businesses in China and Hong Kong	**1,597.0**	—	**1,597.0**	—
Sales of property	**59.2**	16.8	**153.3**	55.2
Other	**(45.7)**	(49.7)	**(183.9)**	(82.4)
Cash provided by (used for) investing activities	**1,174.7**	(351.1)	**1,166.0**	(810.7)
Financing activities				
Net short-term borrowings	**(55.8)**	(80.0)	**(834.3)**	(742.9)
Long-term financing issuances	**0.4**	0.6	**2,530.5**	3,372.7
Long-term financing repayments	**(3.6)**	(5.7)	**(407.1)**	(819.6)
Treasury stock purchases	**(2,081.7)**	(1,969.8)	**(3,937.4)**	(9,662.2)
Common stock dividends	**(755.3)**	(745.1)	**(2,287.4)**	(2,285.2)
Proceeds from stock option exercises	**82.5**	36.1	**373.1**	249.9
Other	**3.5**	(11.8)	**(1.1)**	(3.9)
Cash used for financing activities	**(2,810.0)**	(2,775.7)	**(4,563.7)**	(9,891.2)
Effect of exchange rates on cash and cash equivalents	**76.2**	14.4	**229.6**	38.4
Cash and equivalents increase (decrease)	**125.4**	(861.3)	**1,273.8**	(5,418.8)
Change in cash balances of businesses held for sale	**153.4**	—	**174.0**	—
Cash and equivalents at beginning of period	**2,392.4**	3,128.0	**1,223.4**	7,685.5
Cash and equivalents at end of period	**$ 2,671.2**	$ 2,266.7	**$ 2,671.2**	$ 2,266.7

See Notes to condensed consolidated financial statements.

Basis of Presentation

The accompanying condensed consolidated financial statements should be read in conjunction with the consolidated financial statements contained in the Company's December 31, 2016 Annual Report on Form 10-K. In the opinion of management, all adjustments (consisting of normal recurring accruals) necessary for a fair presentation have been included. The results for the quarter and nine months ended September 30, 2017 do not necessarily indicate the results that may be expected for the full year.

Sale of McDonald's Businesses in China and Hong Kong

As previously announced, the Company completed the sale of its businesses in China and Hong Kong on July 31, 2017, comprising over 2,700 restaurants. The Company recorded a pre-tax gain of approximately $850 million reflecting the difference between $1.6 billion of cash proceeds and the net book value of the businesses. The gain also includes an increase to fair value of the retained 20% ownership in the entity that is operating the business subsequent to the transaction.

Based on the December 2016 approval of the sale by the Company's Board of Directors, the Company concluded that the China and Hong Kong businesses were "Held for Sale" as of December 31, 2016. In accordance with the requirements of ASC 360 "Property, Plant and Equipment," the Company ceased recording depreciation expense with respect to the assets of both markets effective January 1, 2017, and reflected total assets and liabilities related to these businesses as held for sale on the December 31, 2016, condensed consolidated balance sheet.

Subsequent to the transaction, the Company is realizing its proportionate share of the entity's income. In addition, revenues have shifted from a combination of sales by Company-operated restaurants and franchised rent and royalty to franchised royalty only. The Company is now reporting the results for China and Hong Kong, as well as classifying related sales and restaurants, as affiliated.

Restaurant Information

The following table presents restaurant information by ownership type:

Restaurants at September 30,	**2017**	2016
Conventional franchised	**21,214**	21,456
Developmental licensed	**6,824**	5,742
Foreign affiliated	**5,708**	3,361
Total Franchised	**33,746**	30,559
Company-operated	**3,230**	6,056
Systemwide restaurants	**36,976**	36,615

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 8.2 million shares and 6.3 million shares for the quarters 2017 and 2016, respectively, and 7.6 million shares and 7.1 million shares for the nine months 2017 and 2016, respectively. Stock options that would have been antidilutive, and therefore were not included in the calculation of diluted weighted-average shares, totaled 0.1 million shares and 4.2 million shares for the quarters 2017 and 2016, respectively, and 0.7 million shares and 1.2 million shares for the nine months 2017 and 2016, respectively.

In September 2017, McDonald's Board of Directors declared a fourth quarter dividend of $1.01 per share of common stock, resulting in $797.4 million of dividends payable in December 2017.

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, 2016 Annual Report on Form 10-K.

At September 30, 2017, the fair value of the Company's debt obligations was estimated at $30.7 billion, compared to a carrying amount of $28.6 billion. The fair value was based upon quoted market prices, Level 2 within the valuation hierarchy. The carrying amounts of cash and equivalents, short-term investments and notes receivable approximate fair value.

Financial Instruments and Hedging Activities

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

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

	Derivative Assets		**Derivative Liabilities**	
In millions	**September 30, 2017**	December 31, 2016	**September 30, 2017**	December 31, 2016
Total derivatives designated as hedging instruments	**$ 11.0**	$ 36.9	**$ (42.7)**	$ (3.7)
Total derivatives not designated as hedging instruments	**152.6**	144.4	**(12.0)**	(1.9)
Total derivatives	**$163.6**	$181.3	**$ (54.7)**	$ (5.6)

The following table presents the pre-tax amounts from derivative instruments affecting income and other comprehensive income ("OCI") for the nine months ended September 30, 2017 and 2016, respectively:

	Gain (Loss) Recognized in Accumulated OCI		**Gain (Loss) Reclassified into Income from Accumulated OCI**		**Gain (Loss) Recognized in Income on Derivative**	
In millions	**2017**	2016	**2017**	2016	**2017**	2016
Cash Flow Hedges	**$ (70.1)**	$ (13.6)	**$ (5.0)**	$ 15.6		
Net Investment Hedges	**$ (1,393.5)**	$ (96.5)	**$ 8.6**	$ (18.3)		
Undesignated derivatives					**$ 40.3**	$ (4.1)

- ***Fair Value Hedges***

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 September 30, 2017, $2.3 billion of the Company's outstanding fixed-rate debt was effectively converted. For the nine months ended September 30, 2017, the Company recognized a $1.0 million loss on fair value interest rate swaps, which was exactly offset by a corresponding gain in the fair value of the hedged debt instruments.

- ***Cash Flow Hedges***

The Company enters into cash flow hedges to reduce the exposure to variability in certain expected future cash flows.

To protect against the reduction in value of forecasted foreign currency cash flows (such as royalties denominated in foreign currencies), the Company uses foreign currency forwards to hedge a portion of anticipated exposures. The hedges cover the next 18 months for certain exposures and are denominated in various currencies. As of September 30, 2017, the Company had derivatives outstanding with an equivalent notional amount of $791.5 million that hedged a portion of forecasted foreign currency denominated royalties.

Based on market conditions at September 30, 2017, the $18.7 million in cumulative cash flow hedging losses, after tax, is not expected to have a significant effect on earnings over the next 12 months.

- ***Net Investment Hedges***

The Company primarily uses foreign currency denominated debt (third party and intercompany) and foreign currency forwards to hedge its investments in certain foreign subsidiaries and affiliates. Realized and unrealized translation adjustments from these hedges are included in shareholders' equity in the foreign currency translation component of OCI and offset translation adjustments on the underlying net assets of foreign subsidiaries and affiliates, which also are recorded in OCI. As of September 30, 2017, $10.1 billion of the Company's third party foreign currency denominated debt, $3.8 billion of intercompany foreign currency denominated debt and $897.5 million of derivatives were designated to hedge investments in certain foreign subsidiaries and affiliates.

- ***Credit Risk***

The Company is exposed to credit-related losses in the event of non-performance by its derivative counterparties. The Company did not have significant exposure to any individual counterparty at September 30, 2017 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 September 30, 2017, 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 hedges of certain of the Company's supplemental benefit plan liabilities where the counterparties were required to post collateral on their liability positions.

Segment Information

The Company franchises and operates McDonald's restaurants in the global restaurant industry. The following reporting segments reflect how management reviews and evaluates operating performance.

- U.S. - the Company's largest segment.
- International Lead Markets - established markets including Australia, Canada, France, Germany, the U.K. and related markets.
- High Growth Markets - markets the Company believes have relatively higher restaurant expansion and franchising potential including China, Italy, Korea, Poland, Russia, Spain, Switzerland, the Netherlands and related markets.
- Foundational Markets & Corporate - the remaining markets in the McDonald's system, each of which the Company believes has the potential to operate under a largely franchised model. Corporate activities are also reported within this segment.

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

	Quarters Ended September 30,		**Nine Months Ended September 30,**	
In millions	**2017**	2016	**2017**	2016
Revenues				
U.S.	**$ 2,023.3**	$ 2,072.5	**$ 6,000.7**	$ 6,215.2
International Lead Markets	**1,970.5**	1,881.2	**5,427.2**	5,452.5
High Growth Markets	**1,322.1**	1,651.3	**4,538.5**	4,644.1
Foundational Markets & Corporate	**438.7**	819.1	**1,513.8**	2,281.2
Total revenues	**$ 5,754.6**	$ 6,424.1	**$ 17,480.2**	$ 18,593.0
Operating Income				
U.S.	**$ 1,034.6**	$ 977.5	**$ 3,055.4**	$ 2,836.6
International Lead Markets	**913.6**	754.1	**2,356.2**	2,127.2
High Growth Markets	**1,073.8**	320.1	**1,724.0**	814.7
Foundational Markets & Corporate	**57.4**	85.6	**272.9**	(3.0)
Total operating income	**$ 3,079.4**	$ 2,137.3	**$ 7,408.5**	$ 5,775.5

Recently Issued Accounting Standards

Intangibles

In January 2017, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") 2017-04, "Intangibles - Goodwill and Other (Topic 350): Simplifying the Test for Goodwill Impairment," which removes the requirement to compare the implied fair value of goodwill with its carrying amount as part of step 2 of the goodwill impairment test. As a result, an impairment charge will be recorded based on the excess of a reporting unit's carrying amount over its fair value. ASU 2017-04 is effective for fiscal years beginning after December 15, 2019, with early adoption permitted for annual and interim goodwill impairment testing dates after January 1, 2017. The Company does not expect an impact to the consolidated financial statements from the adoption of ASU 2017-04.

Income Taxes

In October 2016, the FASB issued ASU 2016-16, "Income Taxes (Topic 740): Intra-Entity Transfers of Assets Other Than Inventory." The goal of this update is to improve the accounting for the income tax consequences of intra-entity transfers of assets other than inventory. ASU 2016-16 is effective for fiscal years beginning after December 15, 2017, including interim periods within those annual reporting periods. The Company anticipates ASU 2016-16 will have a material impact on the consolidated balance sheet, primarily resulting in additional deferred tax assets and a related reduction in prepaid assets, but little to no impact on the consolidated statements of income and cash flows.

Lease Accounting

In February 2016, the FASB issued ASU 2016-02, "Leases (Topic 842)," to increase transparency and comparability among organizations by recognizing lease assets and lease liabilities on the balance sheet and disclosing key information about leasing arrangements. ASU 2016-02 is effective for fiscal years beginning after December 15, 2018, including interim periods within those fiscal years, with early adoption permitted. The Company anticipates ASU 2016-02 will have a material impact on the consolidated balance sheet. The impact of ASU 2016-02 is non-cash in nature, as such, it will not affect the Company's cash flows. The Company is currently evaluating the impact of ASU 2016-02 on the consolidated statement of income.

Revenue Recognition

In May 2014, the FASB issued guidance codified in Accounting Standards Codification ("ASC") 606, "Revenue Recognition - Revenue from Contracts with Customers," which amends the guidance in former ASC 605, "Revenue Recognition." The core principle of the standard is to recognize revenue when promised goods or services are transferred to customers in an amount that reflects the consideration expected to be received for those goods or services. The standard also calls for additional disclosures around the nature, amount, timing and uncertainty of revenue and cash flows arising from contracts with customers. The Company will adopt the standard effective January 1, 2018.

The standard may be applied retrospectively to each prior period presented or retrospectively with the cumulative effect recognized as of the date of adoption ("modified retrospective method"). The Company currently expects to apply the modified retrospective method upon adoption.

The Company does not believe the standard will impact its recognition of revenue from Company-operated restaurants or its recognition of royalties from restaurants operated by franchisees or licensed to affiliates and developmental licensees, which are based on a percent of sales. While we continue to assess the potential impacts to other less significant revenue transactions, we currently expect the standard will change the way initial fees from franchisees for new restaurant openings or new franchise terms are recognized.

The Company's current accounting policy is to recognize initial franchise fees when a new restaurant opens or at the start of a new franchise term. In accordance with the new guidance, the initial franchise services are not distinct from the continuing rights or services offered during the term of the franchise agreement, and will therefore be treated as a single performance obligation. As such, initial fees received will likely be recognized over the franchise term.

Although the standard will impact the manner in which we record revenue from initial fees, we do not anticipate this impact to be material to the Company's consolidated statement of income. The cumulative catch-up adjustment to be recorded as deferred revenue upon adoption is expected to be approximately 2% of the Company's consolidated long-term liabilities. No impact to the Company's consolidated statement of cash flows is expected as the initial fees will continue to be collected upon the restaurant opening date or the beginning of a new franchise term.

Subsequent Events

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

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

Overview

The Company franchises and operates McDonald’s restaurants. Of the 36,976 restaurants in 120 countries at September 30, 2017, 33,746 were licensed to franchisees (comprised of 21,214 franchised to conventional franchisees, 6,824 licensed to developmental licensees and 5,708 licensed to foreign affiliates (“affiliates”) – primarily in Japan and China) and 3,230 were operated by the Company.

Under McDonald's conventional franchise arrangement, franchisees provide a portion of the capital required by initially investing in the equipment, signs, seating and décor of their restaurant business, and by reinvesting in the business over time. The Company generally owns the land and building or secures long-term leases for both Company-operated and conventional franchised restaurant sites. This maintains long-term occupancy rights, helps control related costs and assists in alignment with franchisees enabling restaurant performance levels that are among the highest in the industry. In certain circumstances, the Company participates in the reinvestment for conventional franchised restaurants in an effort to accelerate implementation of certain initiatives.

Under McDonald's developmental license arrangement, licensees provide capital for the entire business, including the real estate interest, and the Company generally has no capital invested. In addition, the Company has an equity investment in a limited number of affiliates that invest in real estate and operate or franchise restaurants within a market.

McDonald's is primarily a franchisor and believes franchising is paramount to delivering great-tasting food, locally-relevant customer experiences and driving profitability. Franchising enables an individual to be his or her own employer and maintain control over all employment-related matters, marketing and pricing decisions, while also benefiting from the financial strength and global experience of McDonald's. However, directly operating restaurants is important to being a credible franchisor and provides Company personnel with restaurant operations experience. In Company-operated restaurants, and in collaboration with franchisees, McDonald's further develops and refines operating standards, marketing concepts and product and pricing strategies, so that only those that the Company believes are most beneficial are introduced in the restaurants. McDonald's continually reviews its mix of Company-operated and franchised restaurants to help optimize overall performance, with a goal to be approximately 95% franchised over the long term.

The strength of the alignment among the Company, its franchisees and suppliers (collectively referred to as the "System") is key to McDonald's long-term success. By leveraging the System, McDonald’s is able to identify, implement and scale ideas that meet customers' changing needs and preferences. McDonald's continually builds on its competitive advantages of System alignment and geographic diversification to deliver consistent, yet locally-relevant restaurant experiences to customers as an integral part of their communities.

The Company’s revenues consist of sales by Company-operated restaurants and fees from restaurants operated by franchisees. Revenues from conventional franchised restaurants include rent and royalties based on a percent of sales with minimum rent payments, and initial fees. Revenues from restaurants licensed to affiliates and developmental licensees include a royalty based on a percent of sales, and generally include initial fees. 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 business is structured into segments that combine markets with similar characteristics and opportunities for growth, and reflect how management reviews and evaluates operating performance. Significant reportable segments include the United States ("U.S."), International Lead Markets and High Growth Markets. In addition, throughout this report we present the Foundational Markets & Corporate segment which includes markets in over 80 countries, as well as Corporate activities. For the nine months ended September 30, 2017, the U.S., the International Lead Markets and the High Growth Markets accounted for 34%, 31% and 26% of total revenues, respectively.

Strategic Direction

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

The actions include efforts to retain existing customers, regain lapsed customers and convert casual customers to committed customers by serving quality food and providing good value, while offering convenience on the customers' terms. In each of these areas, we have established sustainable platforms grounded in critical customer insights that have enabled us to execute our plan with greater speed, efficiency and impact, and our results demonstrate that these actions are resonating with our customers.

The Company continues to scale the following accelerators to further build upon its food and value foundations, which provide more ways for customers to experience McDonald's:

- **Experience of the Future ("EOTF").** Focuses on restaurant modernization and technology, in order to transform the restaurant service experience and drive incremental customer visits and higher average check. The Company's priority with this initiative is to have EOTF deployed in about 2,500 restaurants in the U.S. by the end of 2017, with the goal to complete the modernization by 2020.
- **Digital.** Places renewed emphasis on improving the Company's existing service model (i.e., eat in, take out, or drive-thru) and strengthens its relationships with customers by evolving its technology platforms to simplify how customers order, pay and are served

through additional functionality on its global mobile app and self-order kiosks, as well as table service and curb-side pick-up. Mobile order and pay will be launched in 20,000 restaurants in some of our largest markets, including approximately 14,000 restaurants in the U.S., by the end of 2017.

- **Delivery.** Offers a platform with added convenience, bringing McDonald's food to customers on their terms. The Company is encouraged by the initial results and is strategically scaling this initiative worldwide while applying learnings from the Company's best performing markets. The Company is leveraging its global brand and extensive restaurant footprint to optimize this growth opportunity.

We continue to make progress in our key areas of focus, which has enabled us to build global momentum that we expect will continue to grow over time.

Financial Performance

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

Financial performance in the third quarter reflected broad-based strength and momentum across the entire business. Global comparable sales increased 6.0% for the quarter and 5.6% for the nine months. The Company continues to enhance the strength and stability of its business by evolving to a more heavily franchised structure. The refranchising strategy has been a key part of transforming McDonald's into a more purposeful, more stable and more efficient organization focused on continuing to grow top-line sales.

U.S. comparable sales increased 4.1% for the quarter and 3.3% for the nine months, reflecting the national beverage and McPick 2 value promotions, along with the continued success of the Signature Crafted premium sandwich platform.

Comparable sales for the International Lead segment increased 5.7% for the quarter and 5.0% for the nine months, led by continued momentum in the U.K. and Canada, as well as positive results across all other markets.

In the High Growth segment, comparable sales increased 6.2% for the quarter and 5.7% for the nine months, led by strong performance in China and positive results across the majority of the segment.

Results for the quarter and nine months reflected stronger operating performance and G&A savings. The nine months also benefited from lower depreciation expense, primarily in China and Hong Kong, that in accordance with Held for Sale accounting rules ceased recording depreciation, and improved performance in Japan.

In addition, results for both periods benefited from the Company's sale of its businesses in China and Hong Kong, which closed on July 31, 2017. The Company recorded a pre-tax gain of approximately $850 million related to this sale. For the quarter, this gain was partially offset by $111 million of unrelated pre-tax non-cash impairment charges. Results for 2016 included pre-tax strategic charges of $128 million for the quarter and $357 million for the nine months, consisting primarily of charges related to the Company's global G&A and refranchising initiatives. Excluding the impact of these current year and prior year items, diluted earnings per share increased 9% (7% in constant currencies) for the quarter, and 15% (16% in constant currencies) for the nine months.

Third Quarter and Nine Months 2017 Highlights:

- Global comparable sales increased 6.0% for the quarter and 5.6% for the nine months, reflecting positive guest counts in all segments
- Due to the impact of the Company's strategic refranchising initiative, consolidated revenues decreased 10% (12% in constant currencies) for the quarter and 6% (6% in constant currencies) for the nine months
- Systemwide sales increased 7% in constant currencies for both the quarter and the nine months, due to strong comparable sales performance and restaurant expansion
- Consolidated operating income increased 44% (42% in constant currencies) for the quarter and 28% (29% in constant currencies) for the nine months. Both periods benefited from a gain of approximately $850 million on the sale of the Company's businesses in China and Hong Kong. Excluding the impact of the gain, as well as unrelated strategic charges for both periods in the current and prior year, consolidated operating income increased 5% (3% in constant currencies) for the quarter, and 10% (10% in constant currencies) for the nine months. This growth primarily reflects strong comparable sales performance across all segments
- Diluted earnings per share of $2.32 increased 55% (53% in constant currencies) for the quarter and $5.48 for the nine months increased 37% (38% in constant currencies). Excluding the impact of the gain, as well as unrelated strategic charges for both periods in the current and prior year, diluted earnings per share increased 9% (7% in constant currencies) for the quarter and 15% (16% in constant currencies) for the nine months
- Returned $2.9 billion to shareholders through share repurchases and dividends for the quarter. This brings the year-to-date return to shareholders to $6.3 billion

Outlook

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

- Changes in Systemwide sales are driven by comparable sales and net restaurant unit expansion. The Company expects net restaurant additions to add approximately 1 percentage point to 2017 Systemwide sales growth (in constant currencies).
- The Company does not generally provide specific guidance on changes in comparable sales. However, as a perspective, assuming no change in cost structure, a 1 percentage point change in comparable sales for either the U.S. or the International Lead segment would change annual diluted earnings per share by about 4 to 5 cents.
- With about 75% of McDonald's grocery bill comprised of 10 different commodities, a basket of goods approach is the most comprehensive way to look at the Company's commodity costs. For the full-year 2017, costs for the total basket of goods are expected to increase about 1% in the U.S. and increase about 2% in the International Lead segment.
- The Company expects full-year 2017 selling, general and administrative expenses to decrease about 7% in constant currencies.
- Based on current interest and foreign currency exchange rates, the Company expects interest expense for the full-year 2017 to increase about 5% compared with 2016 due to higher average debt balances.
- A significant part of the Company's operating income is generated outside the U.S., and about 35% of its total debt is denominated in foreign currencies. Accordingly, earnings are affected by changes in foreign currency exchange rates, particularly the Euro, British Pound, Australian Dollar and Canadian Dollar. Collectively, these currencies represent approximately 70% of the Company's operating income outside the U.S. If all four of these currencies moved by 10% in the same direction, the Company's annual diluted earnings per share would change by about 25 cents.
- The Company expects the effective income tax rate for the full-year 2017 to be in the 32-33% range.
- The Company expects capital expenditures for 2017 to be approximately $1.7 billion, about one-third of which will be used to open new restaurants. The Company expects to open about 900 restaurants, including about 500 restaurants in affiliated and developmental licensee markets where the Company generally does not fund any capital expenditures. The remaining two-thirds of capital will be used to reinvest in existing locations, including about 650 reimages in the U.S. When combined with previously modernized restaurants that will be updated with EOTF elements in 2017, we expect to have about 2,500 EOTF restaurants in the U.S. by the end of 2017.

In addition, the Company has other long-term targets that are detailed in its Form 10-K for the year ended December 31, 2016.

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

- Information in constant currency is calculated by translating current year results at prior year average exchange rates. Management reviews and analyzes business results excluding the effect of foreign currency translation and bases incentive compensation plans on these results because they believe this better represents the Company's underlying business trends.
- Systemwide sales include sales at all restaurants, whether operated by the Company or by franchisees. While franchised sales are not recorded as revenues by the Company, management believes the information is important in understanding the Company's financial performance, because these sales are the basis on which the Company calculates and records franchised revenues and are indicative of the financial health of the franchisee base.
- Comparable sales represent sales at all restaurants and comparable guest counts represent the number of transactions at all restaurants, whether operated by the Company or by franchisees, in operation at least thirteen months including those temporarily closed. Some of the reasons restaurants may be temporarily closed include reimaging or remodeling, rebuilding, road construction and natural disasters. Comparable sales exclude the impact of currency translation. Comparable sales are driven by changes in guest counts and average check, which is affected by changes in pricing and product mix. Typically, pricing has a greater impact on average check than product mix. Management reviews the increase or decrease in comparable sales and comparable guest counts compared with the same period in the prior year to assess business trends.

CONSOLIDATED OPERATING RESULTS

Dollars in millions, except per share data	Quarter Ended September 30, 2017		Nine Months Ended September 30, 2017	
	Amount	Increase/ (Decrease)	Amount	Increase/ (Decrease)
Revenues				
Sales by Company-operated restaurants	$ 3,064.3	(23)%	$ 10,045.8	(14)%
Revenues from franchised restaurants	2,690.3	10	7,434.4	7
Total revenues	5,754.6	(10)	17,480.2	(6)
Operating costs and expenses				
Company-operated restaurant expenses	2,479.8	(23)	8,199.5	(15)
Franchised restaurants-occupancy expenses	457.3	4	1,325.4	3
Selling, general & administrative expenses	567.0	(3)	1,613.7	(8)
Other operating (income) expense, net	(828.9)	n/m	(1,066.9)	n/m
Total operating costs and expenses	2,675.2	(38)	10,071.7	(21)
Operating income	3,079.4	44	7,408.5	28
Interest expense	236.7	7	686.2	3
Nonoperating (income) expense, net	23.2	n/m	33.9	n/m
Income before provision for income taxes	2,819.5	48	6,688.4	30
Provision for income taxes	935.8	49	2,194.8	34
Net income	$ 1,883.7	48 %	$ 4,493.6	29 %
Earnings per common share-basic	$ 2.34	54 %	$ 5.54	37 %
Earnings per common share-diluted	$ 2.32	55 %	$ 5.48	37 %

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 September 30,	**2017**	2016	**2017**
Revenues	**$ 5,754.6**	$ 6,424.1	**$ 114.1**
Company-operated margins	**584.5**	732.6	**15.7**
Franchised margins	**2,233.0**	2,014.4	**29.9**
Selling, general & administrative expenses	**567.0**	582.9	**(6.5)**
Operating income	**3,079.4**	2,137.3	**36.3**
Net income	**1,883.7**	1,275.4	**13.6**
Earnings per share-diluted	**$ 2.32**	$ 1.50	**$ 0.02**
			Currency Translation Benefit/ (Cost)
Nine Months Ended September 30,	**2017**	2016	**2017**
Revenues	**$17,480.2**	$18,593.0	**$ (4.4)**
Company-operated margins	**1,846.3**	1,979.3	**(3.5)**
Franchised margins	**6,109.0**	5,667.2	**(29.5)**
Selling, general & administrative expenses	**1,613.7**	1,757.0	**1.7**
Operating income	**7,408.5**	5,775.5	**(38.1)**
Net income	**4,493.6**	3,493.1	**(30.0)**
Earnings per share-diluted	**$ 5.48**	$ 4.01	**$ (0.04)**

The positive impact of foreign currency translation on consolidated operating results for the quarter primarily reflected the stronger Euro. The negative impact for the nine months primarily reflected the weaker British Pound.

Net Income and Diluted Earnings per Common Share

For the quarter, net income increased 48% (47% in constant currencies) to $1,883.7 million, and diluted earnings per share increased 55% (53% in constant currencies) to $2.32. Foreign currency translation had a positive impact of $0.02 on diluted earnings per share.

For the nine months, net income increased 29% (30% in constant currencies) to $4,493.6 million, and diluted earnings per share increased 37% (38% in constant currencies) to $5.48. Foreign currency translation had a negative impact of $0.04 on diluted earnings per share.

Results for the quarter and nine months reflected stronger operating performance and G&A savings. The nine months also benefited from lower depreciation expense, primarily in China and Hong Kong, that in accordance with Held for Sale accounting rules ceased recording depreciation, and improved performance in Japan.

In addition, results for both periods benefited from the Company's sale of its businesses in China and Hong Kong, which closed on July 31, 2017. The Company recorded a pre-tax gain of approximately $850 million related to this sale. For the quarter, this gain was partially offset by $111 million of unrelated pre-tax non-cash impairment charges. Results for 2016 included pre-tax strategic charges of $128 million for the quarter and $357 million for the nine months, consisting primarily of charges related to the Company's global G&A and refranchising initiatives. Excluding the impact of these current year and prior year items, diluted earnings per share increased 9% (7% in constant currencies) for the quarter, and 15% (16% in constant currencies) for the nine months.

Diluted earnings per share for both periods benefited from a decrease in diluted weighted-average shares outstanding due to share repurchases. During the quarter, the Company repurchased 13.8 million shares of stock for $2.2 billion, bringing total purchases for the nine months to 27.3 million shares or $4.0 billion. In addition, the Company paid a quarterly dividend of $0.94 per share, or $755.3 million, bringing the total dividends paid for the nine months to $2.3 billion.

Revenues

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

The Company has accelerated the pace of refranchising to optimize its restaurant ownership mix, generate more stable and predictable revenue and cash flow streams, and operate with a less resource-intensive structure. The shift to a greater percentage of franchised restaurants negatively impacts consolidated revenues as Company-operated sales are replaced by franchised sales, where the Company receives rent and/or royalty revenue based on a percentage of sales.

REVENUES
Dollars in millions

Quarters Ended September 30,	**2017**	2016	Inc/ (Dec)	Inc/ (Dec) Excluding Currency Translation
Company-operated sales				
U.S.	**$ 798.7**	$ 910.3	(12)%	(12)%
International Lead Markets	**1,076.3**	1,098.8	(2)	(5)
High Growth Markets	**1,054.9**	1,441.5	(27)	(30)
Foundational Markets & Corporate	**134.4**	521.5	(74)	(75)
Total	**$ 3,064.3**	$ 3,972.1	(23)%	(25)%
Franchised revenues				
U.S.	**$ 1,224.6**	$ 1,162.2	5 %	5 %
International Lead Markets	**894.2**	782.4	14	10
High Growth Markets	**267.2**	209.8	27	23
Foundational Markets & Corporate	**304.3**	297.6	2	3
Total	**$ 2,690.3**	$ 2,452.0	10 %	8 %
Total revenues				
U.S.	**$ 2,023.3**	$ 2,072.5	(2)%	(2)%
International Lead Markets	**1,970.5**	1,881.2	5	1
High Growth Markets	**1,322.1**	1,651.3	(20)	(23)
Foundational Markets & Corporate	**438.7**	819.1	(46)	(47)
Total	**$ 5,754.6**	$ 6,424.1	(10)%	(12)%

Nine Months Ended September 30,	**2017**	2016	Inc/ (Dec)	Inc/ (Dec) Excluding Currency Translation
Company-operated sales				
U.S.	**$ 2,483.8**	$ 2,852.0	(13)%	(13)%
International Lead Markets	**3,038.9**	3,250.7	(7)	(4)
High Growth Markets	**3,859.5**	4,063.5	(5)	(7)
Foundational Markets & Corporate	**663.6**	1,476.0	(55)	(56)
Total	**$ 10,045.8**	$ 11,642.2	(14)%	(14)%
Franchised revenues				
U.S.	**$ 3,516.9**	$ 3,363.2	5 %	5 %
International Lead Markets	**2,388.3**	2,201.8	8	9
High Growth Markets	**679.0**	580.6	17	17
Foundational Markets & Corporate	**850.2**	805.2	6	8
Total	**$ 7,434.4**	$ 6,950.8	7 %	7 %
Total revenues				
U.S.	**$ 6,000.7**	$ 6,215.2	(3)%	(3)%
International Lead Markets	**5,427.2**	5,452.5	0	1
High Growth Markets	**4,538.5**	4,644.1	(2)	(4)
Foundational Markets & Corporate	**1,513.8**	2,281.2	(34)	(34)
Total	**$ 17,480.2**	$ 18,593.0	(6)%	(6)%

- ***Revenues:*** Revenues decreased 10% (12% in constant currencies) for the quarter and decreased 6% (6% in constant currencies) for the nine months.
  - ***U.S.:*** Revenues decreased for both periods as positive comparable sales were more than offset by the impact of refranchising.
  - ***International Lead Markets:*** Revenues increased for the quarter due to positive comparable sales across all markets, partly offset by the impact of refranchising. For the nine months, revenues were flat as the benefit from positive comparable sales was offset by foreign currency translation and the impact of refranchising.
  - ***High Growth Markets:*** Revenues decreased for both periods as positive comparable sales across most markets were more than offset by the impact of refranchising businesses in China and Hong Kong.

Comparable Sales and Guest Counts

The following table presents the percent change in comparable sales for the quarters and nine months ended September 30, 2017 and 2016:

COMPARABLE SALES

	Increase/ (Decrease)			
	Quarters Ended September 30,		Nine Months Ended September 30,	
	2017	2016	**2017**	2016
U.S.	**4.1%**	1.3%	**3.3%**	2.7%
International Lead Markets	**5.7**	3.3	**5.0**	3.6
High Growth Markets	**6.2**	1.5	**5.7**	2.2
Foundational Markets & Corporate	**10.2**	10.1	**11.3**	9.6
Total	**6.0%**	3.5%	**5.6%**	4.2%

On a consolidated basis, comparable guest counts (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) increased 2.1% and decreased 0.1% for the nine months ended 2017 and 2016, respectively.

Systemwide Sales and Franchised Sales

The following table presents the percent change in Systemwide sales for the quarter and nine months ended September 30, 2017:

SYSTEMWIDE SALES

	Quarter Ended September 30, 2017		Nine Months Ended September 30, 2017	
	Inc/ (Dec)	Inc/ (Dec) Excluding Currency Translation	Inc/ (Dec)	Inc/ (Dec) Excluding Currency Translation
U.S.	4%	4%	3%	3%
International Lead Markets	11	7	5	6
High Growth Markets	14	11	11	10
Foundational Markets & Corporate	8	12	10	13
Total	8%	7%	6%	7%

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

FRANCHISED SALES
Dollars in millions

Quarters Ended September 30,	2017	2016	Inc/ (Dec)	Inc/ (Dec) Excluding Currency Translation
U.S.	**$ 8,869.2**	$ 8,391.0	6%	6%
International Lead Markets	**5,175.7**	4,534.1	14	10
High Growth Markets	**2,083.6**	1,305.4	60	55
Foundational Markets & Corporate	**4,876.1**	4,126.0	18	23
Total	**$ 21,004.6**	$ 18,356.5	14%	14%
Ownership type				
Conventional franchised	**$ 15,611.2**	$ 14,650.9	7%	5%
Developmental licensed	**3,436.5**	2,432.8	41	46
Foreign affiliated	**1,956.9**	1,272.8	54	61
Total	**$ 21,004.6**	$ 18,356.5	14%	14%

Nine Months Ended September 30,	2017	2016	Inc/ (Dec)	Inc/ (Dec) Excluding Currency Translation
U.S.	**$ 25,574.8**	$ 24,356.4	5%	5%
International Lead Markets	**13,787.1**	12,760.8	8	9
High Growth Markets	**4,709.3**	3,636.0	30	29
Foundational Markets & Corporate	**13,227.8**	11,117.8	19	22
Total	**$ 57,299.0**	$ 51,871.0	10%	11%
Ownership type				
Conventional franchised	**$ 43,856.6**	$ 41,881.0	5%	5%
Developmental licensed	**9,111.2**	6,612.4	38	41
Foreign affiliated	**4,331.2**	3,377.6	28	32
Total	**$ 57,299.0**	$ 51,871.0	10%	11%

Restaurant Margins

FRANCHISED AND COMPANY-OPERATED RESTAURANT MARGINS
Dollars in millions

	Percent		Amount			Inc/ (Dec) Excluding Currency
Quarters Ended September 30,	**2017**	2016	**2017**	2016	Inc/ (Dec)	Translation
Franchised						
U.S.	**82.9%**	82.7%	**$1,014.9**	$ 961.4	6 %	6 %
International Lead Markets	**81.6**	81.2	**729.5**	635.4	15	11
High Growth Markets	**76.0**	71.6	**203.1**	150.1	35	30
Foundational Markets & Corporate	**93.8**	89.8	**285.5**	267.5	7	8
Total	**83.0%**	82.1%	**$2,233.0**	$2,014.4	11 %	9 %
Company-operated						
U.S.	**15.5%**	16.9%	**$ 124.2**	$ 153.9	(19)%	(19)%
International Lead Markets	**21.9**	21.6	**235.5**	237.9	(1)	(4)
High Growth Markets	**18.5**	17.0	**195.5**	245.2	(20)	(24)
Foundational Markets & Corporate	**21.8**	18.4	**29.3**	95.6	(69)	(70)
Total	**19.1%**	18.4%	**$ 584.5**	$ 732.6	(20)%	(22)%

	Percent		Amount			Inc/ (Dec) Excluding Currency
Nine Months Ended September 30,	**2017**	2016	**2017**	2016	Inc/ (Dec)	Translation
Franchised						
U.S.	**82.4%**	82.7%	**$2,898.9**	$2,779.7	4 %	4 %
International Lead Markets	**80.7**	80.2	**1,927.5**	1,765.8	9	10
High Growth Markets	**72.8**	69.9	**494.4**	406.0	22	22
Foundational Markets & Corporate	**92.7**	88.9	**788.2**	715.7	10	12
Total	**82.2%**	81.5%	**$6,109.0**	$5,667.2	8 %	8 %
Company-operated						
U.S.	**15.8%**	15.9%	**$ 392.3**	$ 454.4	(14)%	(14)%
International Lead Markets	**21.2**	20.7	**643.2**	673.2	(4)	(2)
High Growth Markets	**17.9**	15.3	**689.6**	623.4	11	9
Foundational Markets & Corporate	**18.3**	15.5	**121.2**	228.3	(47)	(48)
Total	**18.4%**	17.0%	**$1,846.3**	$1,979.3	(7)%	(7)%

- ***Franchised:*** Franchised margin dollars increased $218.6 million or 11% (9% in constant currencies) for the quarter and increased $441.8 million or 8% (8% in constant currencies) for the nine months. Both periods benefited from expansion and the impact of refranchising, as well as positive comparable sales performance across all segments.
  - ***U.S.:*** The franchised margin percent increased for the quarter and decreased for the nine months. Positive comparable sales contributed to both periods, but for the nine months was more than offset by higher occupancy costs.
  - ***International Lead Markets:*** The increase in the franchised margin percent for the quarter and nine months primarily reflected the benefit from strong comparable sales performance, partly offset by the impact of refranchising.
  - ***High Growth Markets:*** The increase in the franchised margin percent for the quarter and nine months was due to the impact of refranchising, largely related to the China and Hong Kong transaction, and strong comparable sales performance.
- ***Company-operated:*** Company-operated margin dollars decreased $148.1 million or 20% (22% in constant currencies) for the quarter and decreased $133.0 million or 7% (7% in constant currencies) for the nine months, reflecting the impact of refranchising. The quarter and nine months benefited by approximately $12 million and $94 million, respectively, due to ceasing depreciation on assets considered Held for Sale, primarily in China and Hong Kong.
  - ***U.S.:*** The Company-operated margin percent decreased for the quarter and nine months. Both periods reflected strong comparable sales and higher labor costs, while the quarter also reflected higher commodity costs.
  - ***International Lead Markets:*** The increase in the Company-operated margin percent for the quarter and nine months was primarily due to strong comparable sales, partly offset by higher labor costs, occupancy costs and commodity costs.

- ***High Growth Markets:*** The increase in the Company-operated margin percent for the quarter and nine months was largely due to strong comparable sales and the benefit from the lower depreciation in China and Hong Kong. This increase was partly offset by the impact of refranchising.

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

CONSOLIDATED COMPANY-OPERATED RESTAURANT EXPENSES AND MARGINS AS A PERCENT OF SALES

	Quarters Ended September 30,		Nine Months Ended September 30,	
	2017	2016	**2017**	2016
Food & paper	**31.4%**	31.8%	**31.7%**	32.1%
Payroll & employee benefits	**27.6**	26.1	**27.5**	27.0
Occupancy & other operating expenses	**21.9**	23.7	**22.4**	23.9
Total expenses	**80.9%**	81.6%	**81.6%**	83.0%
Company-operated margins	**19.1%**	18.4%	**18.4%**	17.0%

Selling, General & Administrative Expenses

- Selling, general and administrative expenses decreased $15.9 million or 3% (4% in constant currencies) for the quarter and $143.3 million or 8% (8% in constant currencies) for the nine months. The decreases were primarily due to lower employee-related costs resulting from the Company's ongoing G&A and refranchising initiatives, partly offset by higher restaurant technology spending.
- For the nine months, selling, general and administrative expenses as a percent of Systemwide sales decreased to 2.4% for 2017 compared with 2.8% for 2016.

Other Operating (Income) Expense, Net

OTHER OPERATING (INCOME) EXPENSE, NET
Dollars in millions

	Quarters Ended September 30,		Nine Months Ended September 30,	
	2017	2016	**2017**	2016
Gains on sales of restaurant businesses	**$ (63.1)**	$ (70.1)	**$ (230.9)**	$ (219.6)
Equity in (earnings) losses of unconsolidated affiliates	**(30.9)**	(26.7)	**(101.1)**	(25.2)
Asset dispositions and other (income) expense, net	**(29.0)**	(4.0)	**(47.1)**	1.6
Impairment and other charges (gains), net	**(705.9)**	127.6	**(687.8)**	357.2
Total	**$ (828.9)**	$ 26.8	**$ (1,066.9)**	$ 114.0

- Equity in earnings of unconsolidated affiliates improved for the nine months, mainly due to improved performance in Japan.
- Asset dispositions and other (income) expense, net benefited for the quarter and nine months mainly due to a property disposition gain in Australia. The nine months also benefited from a gain on the strategic sale of a restaurant property in the U.S.
- Impairment and other charges (gains), net for the quarter and nine months primarily reflected the gain on the Company's sale of its businesses in China and Hong Kong of approximately $850 million, partly offset by $111 million of unrelated non-cash impairment charges. The prior year quarter and nine months reflected strategic charges, consisting of restructuring and non-cash impairment charges related to the Company's global G&A and refranchising initiatives.

Operating Income

OPERATING INCOME
Dollars in millions

Quarters Ended September 30,	2017	2016	Inc/ (Dec)	Increase Excluding Currency Translation
U.S.	**$ 1,034.6**	$ 977.5	6%	6%
International Lead Markets	**913.6**	754.1	21	17
High Growth Markets	**1,073.8**	320.1	n/m	n/m
Foundational Markets & Corporate	**57.4**	85.6	(33)	(27)
Total	**$ 3,079.4**	$ 2,137.3	44%	42%

Nine Months Ended September 30,	2017	2016	Inc/ (Dec)	Increase Excluding Currency Translation
U.S.	**$ 3,055.4**	$ 2,836.6	8%	8%
International Lead Markets	**2,356.2**	2,127.2	11	12
High Growth Markets	**1,724.0**	814.7	n/m	n/m
Foundational Markets & Corporate	**272.9**	(3.0)	n/m	n/m
Total	**$ 7,408.5**	$ 5,775.5	28%	29%

n/m Not meaningful

- ***Operating Income:*** Operating income increased $942.1 million or 44% (42% in constant currencies) for the quarter and increased $1,633.0 million or 28% (29% in constant currencies) for the nine months. Both periods included the benefit of approximately $850 million due to the gain on the sale of the Company's businesses in China and Hong Kong, partly offset by unrelated non-cash impairment charges. Results in 2016 included strategic charges of $128 million for the quarter and $357 million for the nine months. Excluding these current year and prior year items, operating income increased $109 million or 5% (3% in constant currencies) for the quarter and increased $588 million or 10% (10% in constant currencies) for the nine months.
  - ***U.S.:*** The increase in operating income for the quarter and nine months reflected higher franchised margin dollars and G&A savings, partly offset by lower Company-operated margin dollars. The nine months also benefited from a gain on the strategic sale of a restaurant property in 2017.
  - ***International Lead Markets:*** The constant currency operating income increase for the quarter and nine months was primarily due to improvements in franchised margin dollars across all markets and a property disposition gain in Australia.
  - ***High Growth Markets:*** Excluding the gain on the sale of the Company's businesses in China and Hong Kong as well as unrelated non-cash impairment charges, operating income increased 7% (3% in constant currencies) for the quarter and 21% (20% in constant currencies) for the nine months. Results reflect sales driven performance and the impact of refranchising. The nine months included a benefit of $92 million due to lower depreciation expense in China and Hong Kong.
  - ***Foundational Markets & Corporate:*** The constant currency operating income decrease for the quarter reflects the Company's refranchising initiatives, and higher G&A costs at the Corporate level due to restaurant technology spending, partly offset by the benefit from comparison to the prior year's strategic charges. The constant currency operating income increase for the nine months reflects the benefit from comparison to the prior year's strategic charges and Japan's improved performance.
- ***Operating Margin:*** Operating margin is defined as operating income as a percent of total revenues. Operating margin was 42.4% and 31.1% for the nine months ended 2017 and 2016, respectively. Excluding the previously described current year gain and current and prior year strategic charges, operating margin was 38.4% and 33.0% for the nine months ended 2017 and 2016, respectively.

Interest Expense

- Interest expense increased 7% (6% in constant currencies) for the quarter and increased 3% (4% in constant currencies) for the nine months, primarily reflecting higher average debt balances, partly offset by lower average interest rates.

Nonoperating (Income) Expense, Net

NONOPERATING (INCOME) EXPENSE, NET
Dollars in millions

	Quarters Ended September 30,		Nine Months Ended September 30,	
	2017	2016	**2017**	2016
Interest income	**$ (6.5)**	$ 0.8	**$ (6.4)**	$ (6.0)
Foreign currency and hedging activity	**15.4**	4.5	**11.1**	(23.2)
Other (income) expense, net	**14.3**	6.1	**29.2**	10.0
Total	**$ 23.2**	$ 11.4	**$ 33.9**	$ (19.2)

Income Taxes

- The effective income tax rate was 33.2% and 33.0% for the quarters ended 2017 and 2016, respectively, and 32.8% and 31.9% for the nine months ended 2017 and 2016, respectively.

Cash Flows and Financial Position

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

Cash provided by operations totaled $4.4 billion and exceeded capital expenditures by $3.2 billion for the nine months 2017. Cash provided by operations decreased $803 million compared with the nine months 2016, primarily due to changes in working capital related to our global G&A and refranchising initiatives and higher income tax payments, partly offset by better operating results.

Cash provided by investing activities totaled $1.2 billion for the nine months 2017, an increase of $2.0 billion compared with the nine months 2016, primarily due to proceeds associated with the sale of the Company's businesses in China and Hong Kong, as well as proceeds from the sale of its businesses in Denmark, Finland, Norway and Sweden (referred to as the "Nordics") and Taiwan.

Cash used for financing activities totaled $4.6 billion for the nine months 2017, a decrease of $5.3 billion compared with the nine months 2016, primarily due to lower treasury stock purchases, partly offset by lower net debt issuances.

Debt obligations at September 30, 2017 totaled $28.6 billion compared with $26.0 billion at December 31, 2016. The increase was primarily due to net debt issuances and the impact of foreign currency translation.

Recently Issued Accounting Standards

Recently issued accounting standards 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 “may,” “will,” “expect,” “believe,” “anticipate” and “plan” or similar expressions. In particular, statements regarding our plans, strategies, prospects and expectations regarding our business and industry, including those under "Outlook", are forward-looking statements. They reflect our expectations, are not guarantees of performance and speak only as of the date of this report. Except as required by law, we do not undertake to update them. Our expectations (or the underlying assumptions) may change or not be realized, and you should not rely unduly on forward-looking statements. Our business results are subject to a variety of risks, including those that are reflected in the following considerations and factors, as well as elsewhere in our filings with the SEC. If any of these considerations or risks materialize, our expectations may change and our performance may be adversely affected.

If we do not successfully evolve and execute against our business strategies, we may not be able to increase operating income.

To drive future results, our business strategies must be effective in delivering increased guest counts to drive operating income growth. Whether these strategies are successful depends mainly on our System’s ability to:

- Continue to innovate and differentiate the McDonald’s experience 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 more adaptive organizational structure to execute against our initiatives at an accelerated pace;
- Strengthen customer appeal and augment our digital initiatives, including mobile ordering and delivery, along with EOTF, particularly in the U.S.;
- Identify and develop restaurant sites consistent with our plans for net growth of Systemwide restaurants; and
- Operate restaurants with high service levels and optimal capacity while managing the increasing complexity of our restaurant operations.

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

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

We will continue to build upon our investments in EOTF, which focus on restaurant modernization and technology and digital engagement in order to transform the restaurant experience. As we accelerate our pace of converting restaurants to EOTF, 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 build on delivery initiatives, which may not generate expected returns. We may not fully realize the intended benefits of these significant investments, or these initiatives may not be well executed, and therefore our business results may suffer.

If we do not anticipate and address evolving consumer preferences, our business could suffer.

Our continued success depends on our System’s ability to anticipate and respond effectively to continuously shifting consumer demographics, and trends in food sourcing, food preparation, food offerings and consumer preferences in the “informal eating out” (IEO) segment. In order to deliver a relevant experience for our customers amidst a highly competitive, value-driven operating environment, we must implement initiatives to adapt at an aggressive pace. There is no assurance that these initiatives will be successful and, if they are not, our financial results could be adversely impacted.

Activities relating to our refranchising and cost savings initiatives remain ongoing and entail various risks.

Our previously announced refranchising and cost saving initiatives remain ongoing. As we continue on those initiatives, the existing risks we face in our business may be intensified. Our efforts to reduce costs and capital expenditures depend, in part, upon our refranchising efforts, which, in turn, depend upon our selection of capable third parties. Our cost savings initiatives also depend upon a variety of factors, including our ability to achieve efficiencies through the consolidation of global, back-office functions. If these various initiatives are not successful, take longer to complete than initially projected, or are not well executed, or if our cost reduction efforts adversely impact our effectiveness, our business operations, financial results and results of operations could be adversely affected.

If pricing, promotional and marketing plans are not effective, our results may be negatively impacted.

Our results depend on the impact of pricing, promotional and marketing plans across the System, and the ability to adjust these plans to respond quickly and effectively to evolving customer preferences, as well as shifting economic and competitive conditions. Existing or future pricing strategies, and the value proposition they represent, are expected to continue to be important components of our business strategy; however, they may not be successful and could negatively impact sales and margins. Further, the promotion of menu offerings may yield results below the desired levels.

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

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

To be successful in the future, we believe we must preserve, enhance and leverage the value of our brand. Brand value is based in part on consumer perceptions. Those perceptions are affected by a variety of factors, including the nutritional content and preparation of our food, the ingredients we use, our business practices and the manner in which we source the commodities we use. Consumer acceptance of our offerings is subject to change for a variety of reasons, and some changes can occur rapidly. For example, nutritional, health and other scientific studies and conclusions, which constantly evolve and may have contradictory implications, drive popular opinion, litigation and regulation (including initiatives intended to drive consumer behavior) in ways that affect the IEO segment or perceptions of our brand generally or relative to available alternatives. Consumer perceptions may also be affected by third parties presenting or promoting adverse commentary or portrayals of the quick-service category of the IEO segment, our brand and/or our operations, our suppliers or our franchisees. If we are unsuccessful in addressing such adverse commentary or portrayals, 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 System-wide coordination and alignment. If we are not effective in addressing social responsibility matters or achieving relevant sustainability goals, consumer trust in our brand may suffer. In particular, business incidents or practices that erode consumer trust or confidence, particularly if such incidents or practices receive considerable publicity or result in litigation, can significantly reduce brand value and have a negative impact on our financial results.

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

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

We compete on the basis of product choice, quality, affordability, service and location. In particular, we believe our ability to compete successfully in the current market environment depends on our ability to improve existing products, develop new products, price our products appropriately, deliver a relevant customer experience, manage the complexity of our restaurant operations and respond effectively to our competitors' actions or disruptive actions from others which we do not foresee. Recognizing these dependencies, we have intensified our focus in recent periods on strategies to achieve these goals, and we will likely continue to modify our strategies and implement new strategies in the future. 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.

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

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

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

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

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

Our franchise business model presents a number of risks.

Our success increasingly relies on the financial success and cooperation of our franchisees, including our developmental licensees and affiliates, yet we have limited influence over their operations. 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 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. If our franchisees do not experience sales growth, our revenues and margins could be negatively affected as a result. Also, if sales trends worsen for franchisees, their financial results may deteriorate, which could result in, among other things, restaurant closures, or delayed or reduced payments to us. Our refranchising effort will increase that dependence and the effect of those factors.

Our success also increasingly depends on the willingness and ability of our independent franchisees and affiliates to implement major initiatives, which may include financial investment, and to remain aligned with us on operating, promotional and capital-intensive reinvestment plans. Franchisees' ability 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 or by the creditworthiness of our franchisees or the Company. 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. If franchisees do not successfully operate restaurants in a manner consistent with our required standards, the 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 and changing. Our ability to achieve the benefits of our refranchising strategy, which involves a greater percentage of franchised restaurants, including an increased number of restaurants run by developmental licensees and affiliates, depends on various factors. Those factors include whether we have effectively selected franchisees, licensees and/or affiliates that meet our rigorous standards, and whether their performance and the resulting ownership mix supports our brand and financial objectives.

Challenges with respect to talent management could harm our business.

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

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

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

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

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

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

Furthermore, security breaches have from time to time occurred and may in the future occur involving our systems, the systems of the parties we communicate or collaborate with (including franchisees), or those of third party providers. These may include such things as unauthorized access, denial of service, computer viruses, introduction of malware or ransomware and other disruptive problems caused by hackers. Our information technology systems contain personal, financial and other information that is entrusted to us by our customers, our employees and other third parties, as well as financial, proprietary and other confidential information related to our business. An actual or alleged security breach could result in disruptions, shutdowns, theft or unauthorized disclosure of personal, financial, proprietary or other confidential information. 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 criminal penalties or civil liabilities.

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

We encounter differing cultural, regulatory and economic environments within and among the more than 100 countries where McDonald's restaurants operate, and our ability to achieve our business objectives depends on the System's success in these environments. Meeting customer expectations is complicated by the risks inherent in our global operating environment, and our global success is partially dependent on our System's ability to leverage operating successes across markets. 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, government-mandated closure of our, our franchisees' or our suppliers' operations, and asset seizures. The cost and disruption of responding to governmental investigations or inquiries, whether or not they have merit, may impact our results and could cause reputational or other harm. Our international success depends in part on the effectiveness of our strategies and brand-building initiatives to reduce our exposure to such governmental investigations or inquiries.

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

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

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

We are subject to income and other taxes in the United States 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, including changes resulting from proposals for comprehensive or corporate tax reforms that may become a key component of budgetary initiatives in the United States or elsewhere. We are also impacted by settlements of pending or any future adjustments proposed by taxing 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 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 could adversely affect our operating results by impacting restaurant profitability. The commodity markets for some of the ingredients we use, such as beef and chicken, are particularly volatile due to factors such as seasonal shifts, climate conditions, industry demand, international commodity markets, food safety concerns, product recalls and government regulation, all of which are beyond our control and, in many instances, unpredictable. We can only partially address future price risk through hedging and other activities, and therefore increases in commodity costs could have an adverse impact on our profitability.

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

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

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

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

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

Increasing legal complexity will continue to affect our operations and results in material ways. We could be subject to legal proceedings that may adversely affect our business, including class actions, administrative proceedings, government investigations, employment and personal injury claims, landlord/tenant disputes, disputes with current or former suppliers, claims by current or former franchisees and intellectual property claims (including claims that we infringed another party's trademarks, copyrights or patents).

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

Litigation involving 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 the business prospects of our franchisees and subject us to incremental liability for their actions. Similarly, although our commercial relationships with our suppliers remain independent, there may be attempts to challenge that independence, which, if determined adversely, could also increase costs, negatively impact the business prospects of our suppliers, and subject us to incremental liability for their actions. We are also subject to legal and compliance risks and associated liability, such as in the areas of privacy and data collection, protection and management, as it relates to information we collect and share when we provide optional technology-related services and platforms to third parties.

Our operating results could also be affected by the following:

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Item 3. Quantitative and Qualitative Disclosures About Market Risk

There were no material changes to the disclosure made in our Annual Report on Form 10-K for the year ended December 31, 2016 regarding this matter.

Item 4. Controls and Procedures

Disclosure Controls

An evaluation was conducted under the supervision and with the participation of the Company's management, including the Chief Executive Officer ("CEO") and Chief Financial Officer ("CFO"), of the effectiveness of the design and operation of the Company's disclosure controls and procedures as of September 30, 2017. Based on that evaluation, the CEO and CFO concluded that the Company's disclosure controls and procedures were effective as of such date to ensure that information required to be disclosed in the reports that it files or submits under the Securities Exchange Act of 1934, as amended, is recorded, processed, summarized and reported within the time periods specified in Securities and Exchange Commission rules and forms.

Internal Control Over Financial Reporting

The Company's transition of some transaction-processing activities related to certain accounting processes with a third-party service provider is ongoing. The Company commenced this transition in the ordinary course to increase efficiency and was not in response to any identified deficiency or weakness in the Company's internal control over financial reporting. Over time, this initiative is expected to continue to enhance the Company's internal control over financial reporting, but in the short-term may increase the Company's risk. There has been no change in the Company's internal control over financial reporting during the most recent fiscal quarter 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, 2016 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."

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

Issuer Purchases of Equity Securities*

The following table presents information related to repurchases of common stock the Company made during the three months ended September 30, 2017:

Period	Total Number of Shares Purchased	Average Price Paid per Share	Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs (1)	Approximate Dollar Value of Shares that May Yet Be Purchased Under the Plans or Programs (1)
July 1-31, 2017	1,316,064	$ 156.08	1,316,064	$ 14,893,495,135
August 1-31, 2017	6,634,815	157.35	6,634,815	13,849,533,369
September 1-30, 2017	5,877,127	157.70	5,877,127	12,922,694,399
Total	13,828,006	$ 157.38	13,828,006	

* 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 3, 2015, the Company's Board of Directors approved a share repurchase program, effective January 1, 2016, that authorized the purchase of up to $15 billion of the Company's outstanding common stock with no specified expiration date (the 2016 Program). On July 27, 2017, the Company's Board of Directors terminated the 2016 Program, effective July 27, 2017, and replaced it with a new share repurchase program, effective July 28, 2017 (the 2017 Program), that authorizes the purchase of up to $15 billion of the Company's outstanding common stock with no specified expiration date. As of July 27, 2017, no further share repurchases may be made under the 2016 Program; future share repurchases will be made pursuant to the 2017 Program.

Item 6. Exhibits

Exhibit Number	Description
(3)	(a) Restated Certificate of Incorporation, effective as of June 14, 2012, incorporated herein by reference from Exhibit 3(a) of Form 10-Q (File No. 001-05231), for the quarter ended June 30, 2012.
	(b) By-Laws, as amended and restated with effect as of October 26, 2015, incorporated herein by reference from Exhibit 3(b) of Form 8-K (File No. 001-05231), filed October 28, 2015.
(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.**
	(c) McDonald’s Corporation Supplemental Profit Sharing and Savings Plan, effective as of September 1, 2001, incorporated herein by reference from Exhibit 10(c) of Form 10-K (File No. 001-05231), for the year ended December 31, 2001.**
	(i) First Amendment to the McDonald’s Corporation Supplemental Profit Sharing and Savings Plan, effective as of January 1, 2002, incorporated herein by reference from Exhibit 10(c)(i) of Form 10-K (File No. 001-05231), for the year ended December 31, 2002.**
	(ii) Second Amendment to the McDonald’s Corporation Supplemental Profit Sharing and Savings Plan, effective January 1, 2005, incorporated herein by reference from Exhibit 10(c)(ii) of Form 10-K (File No. 001-05231), for the year ended December 31, 2004.**
	(d) McDonald’s Corporation Amended and Restated 2001 Omnibus Stock Ownership Plan, effective July 1, 2008, incorporated herein by reference from Exhibit 10(h) of Form 10-Q (File No. 001-05231), for the quarter ended June 30, 2009.**
	(i) First Amendment to the McDonald’s Corporation Amended and Restated 2001 Omnibus Stock Ownership Plan, incorporated herein by reference from Exhibit 10(h)(i) of Form 10-K (File No. 001-05231), for the year ended December 31, 2008.**
	(ii) Second Amendment to the McDonald’s Corporation Amended and Restated 2001 Omnibus Stock Ownership Plan as amended, effective February 9, 2011, incorporated herein by reference from Exhibit 10(h)(ii) of Form 10-K (File No. 001-05231), for the year ended December 31, 2010.**
	(e) McDonald's Corporation 2012 Omnibus Stock Ownership Plan, effective June 1, 2012, incorporated herein by reference from Exhibit 10(h) of Form 10-Q (File No. 001-05231), for the quarter ended September 30, 2012.**
	(f) McDonald’s Corporation 2009 Cash Incentive Plan, effective as of May 27, 2009, incorporated herein by reference from Exhibit 10(j) of Form 10-Q (File No. 001-05231), for the quarter ended June 30, 2009.**
	(g) McDonald's Corporation Target Incentive Plan, effective January 1, 2013, incorporated herein by reference from Exhibit 10(j) of Form 10-Q (File No. 001-05231), for the quarter ended March 31, 2013.**
	(h) McDonald's Corporation Cash Performance Unit Plan, effective February 13, 2013, incorporated herein by reference from Exhibit 10(k) of Form 10-Q (File No. 001-05231), for the quarter ended March 31, 2013.**
	(i) 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.**
	(j) Form of 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.**
	(k) McDonald’s Corporation Severance Plan, as Amended and Restated, effective September 30, 2015, incorporated herein by reference from Exhibit 10(o) of Form 10-Q (File No. 001-05231), for the quarter ended September 30, 2015.**
	(i) First Amendment to the McDonald's Corporation Severance Plan, effective June 1, 2016, incorporated herein by reference from Exhibit 10(l)(i) of Form 10-Q (File No. 001-05231), for the quarter ended June 30, 2016.**

Exhibit Number	Description
	(ii) Second Amendment to the McDonald's Corporation Severance Plan, effective June 1, 2016, incorporated herein by reference from Exhibit 10(l)(ii) of Form 10-Q (File No. 001-05231), for the quarter ended June 30, 2016.**
	(iii) Third Amendment to the McDonald's Corporation Severance Plan, effective as of July 15, 2016, incorporated herein by reference from Exhibit 10(l)(iii) of Form 10-Q (File No. 001-05231), for the quarter ended June 30, 2016.**
	(iv) Fourth Amendment to the McDonald's Corporation Severance Plan, effective as of July 1, 2017, filed herewith.**
	(l) 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.**
	(m) Form of 2015 Executive Performance-Based Restricted Stock Unit Award Agreement in connection with the 2012 Omnibus Stock Ownership Plan, incorporated herein by reference from Exhibit 10(aa) of Form 10-Q (File No. 001-05231), for the quarter ended March 31, 2015.**
	(n) Offer Letter between Christopher Kempczinski and the Company, dated September 23, 2015, incorporated herein by reference from Exhibit 10(u) of Form 10-Q (File No. 001-05231), for the quarter ended June 30, 2016.**
	(o) 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.**
	(p) Offer Letter between Silvia Lagnado and the Company, dated June 8, 2015, incorporated herein by reference from Exhibit 10(p) of Form 10-Q (File No. 001-05231), for the quarter ended June 30, 2017.**
(12)	Computation of Ratios.
(31.1)	Rule 13a-14(a) Certification of Chief Executive Officer.
(31.2)	Rule 13a-14(a) Certification of Chief Financial Officer.
(32.1)	Certification pursuant to 18 U.S.C. Section 1350 by the Chief Executive Officer, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
(32.2)	Certification pursuant to 18 U.S.C. Section 1350 by the Chief Financial Officer, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
(101.INS)	XBRL Instance Document - the instance document does not appear in the Interactive Data File because its XBRL tags are embedded within the Inline XBRL document.
(101.SCH)	XBRL Taxonomy Extension Schema Document.
(101.CAL)	XBRL Taxonomy Extension Calculation Linkbase Document.
(101.DEF)	XBRL Taxonomy Extension Definition Linkbase Document.
(101.LAB)	XBRL Taxonomy Extension Label Linkbase Document.
(101.PRE)	XBRL Taxonomy Extension Presentation Linkbase Document.

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

** Denotes compensatory plan.

SIGNATURE

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

McDONALD'S CORPORATION
(Registrant)

November 2, 2017

/s/ Kevin M. Ozan

Kevin M. Ozan
Corporate Executive Vice President and
Chief Financial Officer

Exhibit 10(k)(iv)

FOURTH AMENDMENT TO THE McDONALD'S CORPORATION SEVERANCE PLAN

The McDonald's Corporation Severance Plan, as most recently amended and restated effective September 30, 2015 and as subsequently amended by the First, Second, and Third Amendments, is hereby further amended as set forth below, effective as of July 1, 2017.

I.

The definition of "Employee" in Article II is deleted in its entirety and replaced with the following:

> **Employee.** "Employee" means an employee (including an Officer) of an Employer who is on the Employer's United States payroll and is subject to taxation in the United States, but excluding those employees who are (i) classified as interns, (ii) restaurant management employees hired on a temporary basis for a period that does not exceed six months, or (iii) hired into "sunset roles." For purposes of this definition, "sunset roles" are roles designated at the outset as being temporary in duration, where the employee's offer letter specifies the length of employment and such length of employment does not exceed two years.

The following sentence is added to Section 4.2 ("Medical, Dental and Vision Coverage) after the first sentence thereof:

> COBRA premium payments will begin on the Qualifying Employee's COBRA start date and will be rounded to the end of the month in which the Severance Period ends.

Article X is deleted in its entirety and replaced with the following:

> **Section 10.1. Amendment and Termination.** McDonald's Corporation reserves the right to amend the Plan from time to time or to terminate the Plan; provided, however, that no such amendment or termination shall reduce the amount of Severance Benefits payable to any Qualifying Employee whose Termination Date has already occurred, who has signed and not revoked or rescinded a Release Agreement required by Section 6.1, and who has completed all other applicable paperwork on or before the effective date of such amendment or termination. Notwithstanding the foregoing, the Plan Administrator may amend or modify the terms of the Plan hereunder to the extent necessary or advisable to comply with or obtain the benefits or advantages under the provisions of applicable law, regulations or rulings or requirements of the Internal Revenue Service or other governmental agency or of changes in such law, regulations, rulings or requirements (including, without limitation, any amendment necessary to comply with or secure an exemption from Section 409A of the Code). The Plan Administrator may also amend or modify the terms of the Plan hereunder to adopt (i) any amendment that does not impact the schedule of Severance Benefits for Officers or (ii) any procedural or cosmetic amendment, in each case that does not materially change the benefits to Qualifying Employees or materially increase the cost of the benefits provided under the Plan. No person may amend this Plan in a manner that would subject any Covered Employee to

taxation of his or her Severance Pay or any other Severance Benefits under Section 409A(a)(l) of the Code.

Section 10.2. Partial Termination of the Plan Upon a Subsidiary Change of Control Event. Notwithstanding any other provision of the Plan, if an Employer undergoes a Subsidiary Change of Control Event, as defined below (a "Disaffiliated Subsidiary"), McDonald's Corporation, in its sole discretion, may terminate the portion of the Plan (a "Partial Termination") covering those Qualifying Employees ("Disaffiliated Employees") who as of the occurrence of such Subsidiary Change of Control Event are employed by such Disaffiliated Subsidiary. Any such Partial Termination of the Plan shall be implemented in accordance with and subject to the requirements imposed under Treasury Regulation Section 1.409A-3(j)(4)(ix)(B), including the following:

(a) McDonald's Corporation may amend the Plan pursuant to Section 10.1 at any time during the period commencing 30 days prior and ending 12 months after the occurrence of a Subsidiary Change of Control Event to implement a Partial Termination with respect to such Subsidiary Change of Control Event.

(b) If a Partial Termination amendment is timely adopted, each Disaffiliated Employee will receive, within the 12 month period following the date the Partial Termination amendment is adopted, a lump sum distribution of his or her balance under the Plan and his or her entire account balance under all other McDonald's Corporation-sponsored deferred compensation plans that together with this Plan are required to be treated as a single "plan" under Treasury Regulation Section 1.409A-1(c)(2).

(c) An Employer shall undergo a "Subsidiary Change of Control Event" if (i) it ceases to be a Related Entity of McDonald's Corporation as a result of a stock or asset sale or similar transaction and (ii) such sale or other transaction constitutes a "change in ownership" (within the meaning of Treasury Regulation Section 1.409A-3(i)(5)(v)) of such Employer, a "change in effective control" (within the meaning of Treasury Regulation Section 1.409A-3(i)(5)(vi)(1)) of such Employer, or a "change in the ownership of a substantial portion of the assets" (within the meaning of Treasury Regulation Section 1.409A-3(i)(5)(vii)) of such Employer.

Schedule I ("Qualifying McOpCo Restaurant Management Employees and Shared Restaurant Support Employees") is hereby amended by adding the following new paragraph to the end thereof:

Sabbatical for Ineligible Qualifying Employees. If a Qualifying Employee would be eligible for the benefits described in this Schedule I but is ineligible because the Employee receives an offer of employment with the purchasing Operator that satisfies the requirements described above, then such Qualifying Employee will receive, if otherwise eligible, the Severance Benefits provided for in Section 4.5 (sabbatical), but shall not receive any other Severance Benefits of the Plan.

Schedule J ("Severance Benefits for Employees of Restaurant Application Development International") is hereby amended by adding the following new paragraph to the end thereof:

Outsourced Employees of RDI: Notwithstanding any other provision of this Plan, if a Qualifying Employee of RDI would be covered by this Schedule J but is a Qualifying Outsourced Employee, as defined in Schedule F, such employee shall be credited with four (4) weeks of Severance. Such Qualifying Outsourced Employees shall not be eligible for any other payments or benefits under the Plan.

Effective upon and contingent on the closing of the transaction contemplated by that certain LLC Interest Purchase Agreement dated June 19, 2017 by and between McDonald's Corporation and Capgemini America, Inc. to sell all of McDonald's Corporation's ownership interest in RDI, RDI shall be treated as having undergone a Subsidiary Change of Control Event (as defined in Section 10.2) and the Plan shall have a Partial Termination with respect to Disaffiliated Employees of RDI.

II.

Except as herein amended, the Plan shall remain in full force and effect.

Executed this 31st day of August, 2017.

McDONALD'S CORPORATION

/s/ David Carroll

David Carroll
Corporate Vice President, Global Total Rewards

Exhibit 12. Computation of Ratios

Ratio of Earnings to Fixed Charges

Dollars in millions

	Nine Months Ended September		Years Ended December 31,				
	2017	**2016**	**2016**	**2015**	**2014**	**2013**	**2012**
Earnings available for fixed charges							
- Income before provision for income taxes	$6,688.4	$5,131.1	$6,866.0	$6,555.7	$7,372.0	$8,204.5	$8,079.0
- Noncontrolling interest expense in operating results of majority-owned subsidiaries less equity in undistributed operating results of less than 50%-owned affiliates	9.7	10.6	12.5	7.3	6.3	9.0	11.1
- Income tax provision (benefit) of 50%-owned affiliates included in income from continuing operations before provision for income taxes	13.9	2.1	3.3	3.7	(0.1)	23.8	64.0
- Portion of rent charges (after reduction for rental income from subleased properties) considered to be representative of interest factors*	202.9	260.7	342.6	365.1	374.6	374.6	358.1
- Interest expense, amortization of debt discount and issuance costs, and depreciation of capitalized interest*	698.7	688.0	904.8	660.4	596.1	548.9	550.1
	$7,613.6	$6,092.5	$8,129.2	$7,592.2	$8,348.9	$9,160.8	$9,062.3
Fixed charges							
- Portion of rent charges (after reduction for rental income from subleased properties) considered to be representative of interest factors*	$ 202.9	$ 260.7	$ 342.6	$ 365.1	$ 374.6	$ 374.6	$ 358.1
- Interest expense, amortization of debt discount and issuance costs*	688.0	675.5	888.2	643.7	579.8	532.1	532.8
- Capitalized interest*	4.1	5.4	7.1	9.4	14.8	15.6	16.1
	$ 895.0	$ 941.6	$1,237.9	$1,018.2	$ 969.2	$ 922.3	$ 907.0
Ratio of earnings to fixed charges	8.51	6.47	6.57	7.46	8.61	9.93	9.99

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

Exhibit 31.1.

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

I, Stephen J. Easterbrook, certify that:

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

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

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

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

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

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

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

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

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

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

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

Date: November 2, 2017

/s/ Stephen J. Easterbrook

Stephen J. Easterbrook

President and Chief Executive Officer

Exhibit 31.2.

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

I, Kevin M. Ozan, certify that:

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

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

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

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

- (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
- (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
- (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
- (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

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

- (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
- (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: November 2, 2017

/s/ Kevin M. Ozan

Kevin M. Ozan

Corporate Executive Vice President and
Chief Financial Officer

Exhibit 32.1.

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

Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 (subsections (a) and (b) of Section 1350, Chapter 63 of Title 18, United States Code), the undersigned officer of McDonald’s Corporation (the “Company”), does hereby certify, to such officer’s knowledge, that the Quarterly Report on Form 10-Q for the quarter ended September 30, 2017 of the Company fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934 and information contained in the Form 10-Q fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: November 2, 2017

/s/ Stephen J. Easterbrook

Stephen J. Easterbrook

President and Chief Executive Officer

Exhibit 32.2.

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

Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 (subsections (a) and (b) of Section 1350, Chapter 63 of Title 18, United States Code), the undersigned officer of McDonald's Corporation (the "Company"), does hereby certify, to such officer's knowledge, that the Quarterly Report on Form 10-Q for the quarter ended September 30, 2017 of the Company fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934 and information contained in the Form 10-Q fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: November 2, 2017

/s/ Kevin M. Ozan

Kevin M. Ozan
Corporate Executive Vice President and Chief Financial Officer