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MCDONALDS CORP

Form 10-Q

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[Table of Contents](#)

**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  
X ACT OF 1934**

**For the quarterly period ended March 31, 2018**

**OR  
.. TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT  
OF 1934**

**For the transition period from \_\_\_\_\_ to \_\_\_\_\_**

**Commission File Number 1-5231**

**McDONALD'S CORPORATION**

(Exact Name of Registrant as Specified in Its Charter)

**Delaware**

(State or Other Jurisdiction of  
Incorporation or Organization)

**36-2361282**

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

**One McDonald's Plaza**

**Oak Brook, Illinois**

(Address of Principal Executive Offices) (Zip Code)

**60523**

**(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

**785,177,398**

(Number of shares of common stock  
outstanding as of March 31, 2018)

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Table of Contents

McDONALD'S CORPORATION

INDEX

	Page Reference
<u>Part I. Financial Information</u>	
Item 1 – <u>Financial Statements</u>	
<u>Condensed consolidated balance sheet, March 31, 2018 (unaudited) and December 31, 2017</u>	<u>3</u>
<u>Condensed consolidated statement of income (unaudited), quarters ended March 31, 2018 and 2017</u>	<u>4</u>
<u>Condensed consolidated statement of comprehensive income (unaudited), quarters ended March 31, 2018 and 2017</u>	<u>5</u>
<u>Condensed consolidated statement of cash flows (unaudited), quarters ended March 31, 2018 and 2017</u>	
<u>Condensed consolidated statement of shareholders' equity (unaudited), for the quarter ended March 31, 2018</u>	<u>7</u>
<u>Notes to condensed consolidated financial statements (unaudited)</u>	<u>8</u>
Item 2 – <u>Management's Discussion and Analysis of Financial Condition and Results of Operations</u>	<u>14</u>
Item 3 – <u>Quantitative and Qualitative Disclosures About Market Risk</u>	<u>30</u>
Item 4 – <u>Controls and Procedures</u>	<u>30</u>
<u>Part II. Other Information</u>	
Item 1 – <u>Legal Proceedings</u>	<u>31</u>
Item 1A – <u>Risk Factors</u>	<u>31</u>
Item 2 – <u>Unregistered Sales of Equity Securities and Use of Proceeds</u>	<u>31</u>
Item 6 – <u>Exhibits</u>	<u>32</u>
<u>Signature</u>	<u>34</u>
All trademarks used herein are the property of their respective owners and are used with permission.	

Table of Contents**PART I – FINANCIAL INFORMATION****Item 1. Financial Statements****CONDENSED CONSOLIDATED BALANCE SHEET**

<b>In millions, except per share data</b>	<b>(unaudited)</b>	
	<b>March 31,</b>	<b>December 31,</b>
	<b>2018</b>	<b>2017</b>
<b>Assets</b>		
<b>Current assets</b>		
Cash and equivalents	<b>\$ 2,468.0</b>	\$ 2,463.8
Accounts and notes receivable	<b>1,951.6</b>	1,976.2
Inventories, at cost, not in excess of market	<b>53.8</b>	58.8
Prepaid expenses and other current assets	<b>435.9</b>	828.4
<b>Total current assets</b>	<b>4,909.3</b>	5,327.2
<b>Other assets</b>		
Investments in and advances to affiliates	<b>1,147.4</b>	1,085.7
Goodwill	<b>2,404.8</b>	2,379.7
Miscellaneous	<b>2,557.4</b>	2,562.8
<b>Total other assets</b>	<b>6,109.6</b>	6,028.2
<b>Property and equipment</b>		
Property and equipment, at cost	<b>37,164.7</b>	36,626.4
Accumulated depreciation and amortization	<b>(14,460.7 )</b>	(14,178.1 )
<b>Net property and equipment</b>	<b>22,704.0</b>	22,448.3
<b>Total assets</b>	<b>\$ 33,722.9</b>	\$ 33,803.7
<b>Liabilities and shareholders' equity</b>		
<b>Current liabilities</b>		
Accounts payable	<b>\$ 779.9</b>	\$ 924.8
Income taxes	<b>462.0</b>	265.8
Other taxes	<b>308.7</b>	275.4
Accrued interest	<b>280.7</b>	278.4
Accrued payroll and other liabilities	<b>990.1</b>	1,146.2
<b>Total current liabilities</b>	<b>2,821.4</b>	2,890.6
<b>Long-term debt</b>	<b>30,869.5</b>	29,536.4
<b>Long-term income taxes</b>	<b>2,009.5</b>	2,370.9
<b>Deferred revenues - initial franchise fees</b>	<b>607.4</b>	—
<b>Other long-term liabilities</b>	<b>1,154.0</b>	1,154.4
<b>Deferred income taxes</b>	<b>979.9</b>	1,119.4
<b>Shareholders' equity (deficit)</b>		
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	<b>16.6</b>	16.6
Additional paid-in capital	<b>7,122.2</b>	7,072.4
Retained earnings	<b>48,396.5</b>	48,325.8
Accumulated other comprehensive income (loss)	<b>(2,146.5 )</b>	(2,178.4 )
Common stock in treasury, at cost; 875.4 and 866.5 million shares	<b>(58,107.6 )</b>	(56,504.4 )
<b>Total shareholders' equity (deficit)</b>	<b>(4,718.8 )</b>	(3,268.0 )
<b>Total liabilities and shareholders' equity (deficit)</b>	<b>\$ 33,722.9</b>	\$ 33,803.7

See Notes to condensed consolidated financial statements.



Table of Contents**CONDENSED CONSOLIDATED STATEMENT OF INCOME  
(UNAUDITED)**

<b>In millions, except per share data</b>	<b>Quarters Ended</b>	
	<b>March 31,</b>	
	<b>2018</b>	<b>2017</b>
<b>Revenues</b>		
Sales by Company-operated restaurants	<b>\$2,535.6</b>	\$3,411.9
Revenues from franchised restaurants	<b>2,603.3</b>	2,264.0
<b>Total revenues</b>	<b>5,138.9</b>	5,675.9
<b>Operating costs and expenses</b>		
Company-operated restaurant expenses	<b>2,130.9</b>	2,816.4
Franchised restaurants-occupancy expenses	<b>480.3</b>	430.1
Selling, general & administrative expenses	<b>533.1</b>	521.3
Other operating (income) expense, net	<b>(148.5 )</b>	(125.9 )
<b>Total operating costs and expenses</b>	<b>2,995.8</b>	3,641.9
<b>Operating income</b>	<b>2,143.1</b>	2,034.0
Interest expense	<b>236.8</b>	218.6
Nonoperating (income) expense, net	<b>18.4</b>	7.9
<b>Income before provision for income taxes</b>	<b>1,887.9</b>	1,807.5
Provision for income taxes	<b>512.5</b>	592.7
<b>Net income</b>	<b>\$1,375.4</b>	\$1,214.8
<b>Earnings per common share-basic</b>	<b>\$1.74</b>	\$1.48
<b>Earnings per common share-diluted</b>	<b>\$1.72</b>	\$1.47
<b>Dividends declared per common share</b>	<b>\$1.01</b>	\$0.94
<b>Weighted-average shares outstanding-basic</b>	<b>790.9</b>	818.8
<b>Weighted-average shares outstanding-diluted</b>	<b>798.7</b>	825.2

See Notes to condensed consolidated financial statements.



Table of Contents**CONDENSED CONSOLIDATED STATEMENT OF  
COMPREHENSIVE INCOME (UNAUDITED)**

<b>In millions</b>	<b>Quarters Ended</b>	
	<b>March 31,</b>	
	<b>2018</b>	2017
Net income	<b>\$1,375.4</b>	\$1,214.8
Other comprehensive income (loss), net of tax		
<b>Foreign currency translation adjustments:</b>		
Gain (loss) recognized in accumulated other comprehensive income (AOCI), including net investment hedges	<b>25.7</b>	287.6
Reclassification of (gain) loss to net income	—	109.0
<b>Foreign currency translation adjustments-net of tax benefit (expense) of \$72.3 and \$44.5</b>	<b>25.7</b>	396.6
<b>Cash flow hedges:</b>		
Gain (loss) recognized in AOCI	<b>(7.5</b>	(7.1 )
Reclassification of (gain) loss to net income	<b>12.0</b>	(3.9 )
<b>Cash flow hedges-net of tax benefit (expense) of \$(1.2) and \$6.2</b>	<b>4.5</b>	(11.0 )
<b>Defined benefit pension plans:</b>		
Gain (loss) recognized in AOCI	<b>(1.1</b>	(0.3 )
Reclassification of (gain) loss to net income	<b>2.8</b>	2.6
<b>Defined benefit pension plans-net of tax benefit (expense) of \$(0.9) and \$(0.5)</b>	<b>1.7</b>	2.3
Total other comprehensive income (loss), net of tax	<b>31.9</b>	387.9
<b>Comprehensive income (loss)</b>	<b>\$1,407.3</b>	\$1,602.7

See Notes to condensed consolidated financial statements.

Table of Contents**CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS  
(UNAUDITED)**

<b>In millions</b>	<b>Quarters Ended</b>	
	<b>March 31, 2018</b>	<b>2017</b>
<b>Operating activities</b>		
Net income	\$1,375.4	\$1,214.8
Adjustments to reconcile to cash provided by operations		
Charges and credits:		
Depreciation and amortization	362.9	325.3
Deferred income taxes	29.2	85.9
Share-based compensation	39.8	22.7
Other	(54.9 )	(112.7 )
Changes in working capital items	(107.2 )	8.0
<b>Cash provided by operations</b>	<b>1,645.2</b>	<b>1,544.0</b>
<b>Investing activities</b>		
Capital expenditures	(552.8 )	(427.7 )
Purchases of restaurant businesses	(23.7 )	(3.1 )
Sales of restaurant businesses	186.7	545.8
Sales of property	71.7	65.3
Other	(41.0 )	(42.2 )
<b>Cash provided by (used for) investing activities</b>	<b>(359.1 )</b>	<b>138.1</b>
<b>Financing activities</b>		
Net short-term borrowings	556.0	(769.2 )
Long-term financing issuances	1,499.7	1,993.0
Long-term financing repayments	(1,001.6 )	(402.1 )
Treasury stock purchases	(1,632.9 )	(748.0 )
Common stock dividends	(797.5 )	(770.6 )
Proceeds from stock option exercises	75.3	116.2
Other	(5.2 )	(6.5 )
<b>Cash used for financing activities</b>	<b>(1,306.2 )</b>	<b>(587.2 )</b>
<b>Effect of exchange rates on cash and cash equivalents</b>	<b>24.3</b>	<b>54.7</b>
Cash and equivalents increase	4.2	1,149.6
Change in cash balances of businesses held for sale	—	39.2
Cash and equivalents at beginning of period	2,463.8	1,223.4
<b>Cash and equivalents at end of period</b>	<b>\$2,468.0</b>	<b>\$2,412.2</b>

See Notes to condensed consolidated financial statements.

Table of Contents**CONDENSED CONSOLIDATED STATEMENT OF SHAREHOLDERS' EQUITY (UNAUDITED)**

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

(1) Accounting Standards Codification ("ASC") 606, "Revenue Recognition - Revenue from Contracts with Customers." Refer to the **Recent Accounting Pronouncements** footnote on page 8 for further details.

(2) Accounting Standards Update ("ASU") 2016-16, "Income Taxes (Topic 740): Intra-Entity Transfers of Assets Other Than Inventory." Refer to the **Recent Accounting Pronouncements** footnote on page 8 for further details.

See Notes to condensed consolidated financial statements.

Table of Contents**NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)****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, 2017 Annual Report on Form 10-K. In the opinion of management, all adjustments (consisting of normal recurring accruals) necessary for a fair presentation have been included. The results for the quarter ended March 31, 2018, do not necessarily indicate the results that may be expected for the full year.

**Restaurant Information**

The following table presents restaurant information by ownership type:

<b>Restaurants at March 31, 2018</b>	<b>2018</b>	<b>2017</b>
Conventional franchised	<b>21,425</b>	21,168
Developmental licensed	<b>6,972</b>	6,800
Foreign affiliated	<b>5,882</b>	3,360
Total Franchised	<b>34,279</b>	31,328
Company-operated	<b>3,007</b>	5,577
Systemwide restaurants	<b>37,286</b>	36,905

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 7.8 million shares and 6.4 million shares for the first quarter 2018 and 2017, respectively. Stock options that would have been antidilutive, and therefore were not included in the calculation of diluted weighted-average shares, totaled 2.5 million shares and 4.6 million shares for the first quarter 2018 and 2017, respectively.

**Recent Accounting Pronouncements*****Recently Issued Accounting Standards******Measurement Period - Tax Cuts and Jobs Act of 2017***

In December 2017, the Securities and Exchange Commission published Staff Accounting Bulletin No. 118 ("SAB 118"), which provides guidance on reporting for accounting impacts of the Tax Cuts and Jobs Act of 2017 ("Tax Act"). SAB 118 allowed the Company to provide reasonable estimates in its 2017 consolidated financial statements for the income tax effects of the Tax Act and to report those effects as provisional amounts in its financial statements through a limited measurement period. Under SAB 118, the measurement period may not extend beyond one year from the enactment of the Tax Act.

The Company has not completed the accounting for the tax effects of the enactment of the Tax Act, although it has made reasonable estimates of the effects on existing deferred tax balances and on the one-time transition tax on earnings of certain foreign subsidiaries. A net provisional tax cost of approximately \$700 million was originally recognized in the Company's 2017 consolidated financial statements, and subsequently increased by \$52 million in the first quarter of 2018.

***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. Most prominent among the amendments is the recognition of assets and liabilities by lessees for those leases classified as operating leases under current U.S. GAAP. 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 will adopt the new standard effective January 1, 2019.

At transition, the Company will recognize and measure leases using the required modified retrospective approach. The Company anticipates ASU 2016-02 will have a material impact to the consolidated balance sheet due to the significance of the Company's operating lease portfolio. The Company will elect an optional practical expedient to retain the current classification of leases, and, therefore, anticipates a minimal initial impact on the consolidated statement of income. The impact of ASU 2016-02 is non-cash in nature; therefore, it will not affect the Company's cash flows.

Table of Contents

***Recently Adopted Accounting Standards***

***Derivatives and Hedging***

In August 2017, the FASB issued ASU 2017-12, "Derivatives and Hedging (Topic 815): Targeted Improvements to Accounting for Hedging Activities." ASU 2017-12 expands components of fair value hedging, specifies the recognition and presentation of the effects of hedging instruments, and eliminates the separate measurement and presentation of hedge ineffectiveness. The Company elected to early adopt the new standard in the first quarter of 2018 and applied the presentation and disclosure guidance on a prospective basis. The adoption of the new standard did not have a material impact on the Company's condensed consolidated financial statements.

***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. The Company adopted this standard on January 1, 2018 using a modified retrospective method, resulting in a cumulative catch up adjustment of \$57 million, the majority of which was recorded within miscellaneous other assets on the condensed consolidated balance sheet. The adoption of this standard does not have a material impact on the condensed consolidated statements of income and cash flows.

***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 control of the promised goods or services is transferred to customers in an amount that reflects the consideration expected to be received for those goods or services. The standard also requires additional disclosures around the nature, amount, timing, and uncertainty of revenue and cash flows arising from contracts with customers.

On January 1, 2018, the Company adopted ASC 606 using the modified retrospective method. Refer to the **Revenues** footnote below for further details.

**Revenues**

The Company's revenues consist of sales by Company-operated restaurants and fees from franchised restaurants operated by conventional franchisees, developmental licensees and foreign affiliates. Revenues from conventional franchised restaurants include rent and royalties based on a percent of sales with minimum rent payments, and initial fees. Revenues from restaurants licensed to foreign affiliates and developmental licensees include a royalty based on a percent of sales, and may include initial fees.

ASC 606 provides that revenues are to be recognized when control of promised goods or services is transferred to a customer in an amount that reflects the consideration expected to be received for those goods or services. This new standard does not impact the Company's recognition of revenue from Company-operated restaurants as those sales are recognized on a cash basis at the time of the underlying sale and are presented net of sales tax and other sales-related taxes. The standard also does not change the recognition of royalties from restaurants operated by franchisees or licensed to affiliates and developmental licensees, which are based on a percent of sales and recognized at the time the underlying sales occur. Rental income from restaurants operated by conventional franchisees is also not impacted by this new standard as those revenues are subject to the guidance in ASC 840, "Leases." The standard does change the timing in which the Company recognizes initial fees from franchisees for new restaurant openings and new franchise terms. The Company's accounting policy through December 31, 2017, was to recognize initial franchise fees when received, upon new restaurant opening and at the start of a new franchise term. Beginning in January 2018, initial franchise fees are being recognized as the Company satisfies the performance obligation over the franchise term, which is generally 20 years.

The Company adopted ASC 606 as of January 1, 2018, using the modified retrospective method. This method allows the new standard to be applied retrospectively through a cumulative catch up adjustment recognized upon adoption. As such, comparative information in the Company's financial statements has not been restated and continues to be reported under the accounting standards in effect for those periods. The cumulative adjustment recorded upon adoption of ASC 606 consisted of deferred revenue of approximately \$600 million within long-term liabilities and approximately \$150 million of associated adjustments to the deferred tax balances which are recorded in Deferred

income taxes and Miscellaneous other assets on the condensed consolidated balance sheet.

Table of Contents

The following table presents revenue disaggregated by revenue source (in millions):

<b>Quarters Ended March 31,</b>	<b>2018</b>	<b>2017</b>
<i>Company-operated sales</i>		
U.S.	<b>\$708.7</b>	\$835.6
International Lead Markets	<b>1,007.1</b>	941.2
High Growth Markets	<b>700.3</b>	1,345.3
Foundational Markets & Corporate	<b>119.5</b>	289.8
Total	<b>\$2,535.6</b>	\$3,411.9
<i>Franchised revenues</i>		
U.S.	<b>\$1,158.5</b>	\$1,093.4
International Lead Markets	<b>870.4</b>	702.3
High Growth Markets	<b>271.9</b>	191.9
Foundational Markets & Corporate	<b>302.5</b>	276.4
Total*	<b>\$2,603.3</b>	\$2,264.0
<i>Total revenues</i>		
U.S.	<b>\$1,867.2</b>	\$1,929.0
International Lead Markets	<b>1,877.5</b>	1,643.5
High Growth Markets	<b>972.2</b>	1,537.2
Foundational Markets & Corporate	<b>422.0</b>	566.2
Total	<b>\$5,138.9</b>	\$5,675.9

Although the Company expects the application of ASC 606 to negatively impact 2018 annual franchised revenues by approximately \$50

\* million, results for the quarter ended March 31, 2018, only reflected an impact of approximately \$5 million due to the timing of new restaurant openings and new franchise terms.

**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, 2017 Annual Report on Form 10-K.

At March 31, 2018, the fair value of the Company's debt obligations was estimated at \$32.5 billion, compared to a carrying amount of \$30.9 billion. The fair value was based upon quoted market prices, Level 2 within the valuation hierarchy. The carrying amounts of cash and equivalents, short-term investments and notes receivable approximate fair value.



Table of Contents**Financial Instruments and Hedging Activities**

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

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

<i>In millions</i>	<b>Derivative Assets</b>				<b>Derivative Liabilities</b>			
	Balance Sheet Classification	<b>March 31, 2018</b>	December 31, 2017	Balance Sheet Classification	<b>March 31, 2018</b>	December 31, 2017		
Derivatives designated as hedging instruments								
Foreign currency	Prepaid expenses and other current assets	<b>\$ 2.9</b>	\$ 0.5	Accrued payroll and other liabilities	<b>\$ (29.0 )</b>	\$ (31.0 )		
Interest Rate				Accrued payroll and other liabilities	<b>(1.0 )</b>	(0.3 )		
Foreign currency	Miscellaneous other assets	<b>0.8</b>	0.1	Other long-term liabilities	<b>(0.9 )</b>	(1.4 )		
Interest rate				Other long-term liabilities	<b>(17.5 )</b>	(5.9 )		
Total derivatives designated as hedging instruments		<b>\$ 3.7</b>	\$ 0.6		<b>\$ (48.4 )</b>	\$ (38.6 )		
Derivatives not designated as hedging instruments								
Equity				Accrued payroll and other liabilities	<b>\$ (5.2 )</b>	\$ (1.3 )		
Foreign currency				Accrued payroll and other liabilities	<b>(2.1 )</b>	(5.5 )		
Equity	Miscellaneous other assets	<b>\$ 152.3</b>	\$ 167.3					
Total derivatives not designated as hedging instruments		<b>\$ 152.3</b>	\$ 167.3		<b>\$ (7.3 )</b>	\$ (6.8 )		
Total derivatives		<b>\$ 156.0</b>	\$ 167.9		<b>\$ (55.7 )</b>	\$ (45.4 )		

The following table presents the pre-tax amounts from derivative instruments affecting income and other comprehensive income (“OCI”) for the quarters ended March 31, 2018 and 2017, respectively:

<i>In millions</i>	Location of Gain or Loss Recognized in Income on Derivative	Gain (Loss) Recognized in Accumulated OCI		Gain (Loss) Reclassified into Income from Accumulated OCI		Gain (Loss) Recognized in Income on Derivative	
		2018	2017	2018	2017	2018	2017
Foreign currency	Nonoperating income/expense	<b>\$ (9.8 )</b>	\$ (11.1 )	<b>\$ (15.3 )</b>	\$ 6.2		
Interest rate	Interest expense	<b>—</b>	—	<b>(0.2 )</b>	(0.1 )		
<b>Cash flow hedges</b>		<b>\$ (9.8 )</b>	\$ (11.1 )	<b>\$ (15.5 )</b>	\$ 6.1		
Foreign currency denominated debt	Nonoperating income/expense	<b>\$ (404.5 )</b>	\$ (152.2 )	<b>\$ —</b>	\$ —		
Foreign currency derivatives	Nonoperating income/expense	<b>—</b>	(6.5 )	<b>—</b>	(109.0 )		
<b>Net investment hedges</b>		<b>\$ (404.5 )</b>	\$ (158.7 )	<b>\$ —</b>	\$ (109.0 )		
Foreign currency	Nonoperating income/expense					<b>\$ 3.2</b>	\$ (16.1 )

Equity	Selling, general & administrative expenses	(16.3 ) 19.4
<b>Undesignated derivatives</b>		<b>\$(13.1) \$3.3</b>

Table of Contents**Fair Value Hedges**

The Company enters into fair value hedges to reduce the exposure to changes in fair values of certain liabilities. The Company enters into fair value hedges that convert a portion of its fixed rate debt into floating rate debt by use of interest rate swaps. At March 31, 2018, the carrying amount of fixed-rate debt that was effectively converted was \$731.5 million, which included a decrease of \$18.5 million of cumulative hedging adjustments. For the first quarter 2018, the Company recognized a \$12.3 million loss on the fair value of interest rate swaps, and a corresponding gain on the fair value of the related hedged debt instrument to Interest expense.

**Cash Flow Hedges**

The Company enters into cash flow hedges to reduce the exposure to variability in certain expected future cash flows. To protect against the reduction in value of forecasted foreign currency cash flows (such as royalties denominated in foreign currencies), the Company uses foreign currency forwards to hedge a portion of anticipated exposures. The hedges cover the next 18 months for certain exposures and are denominated in various currencies. As of March 31, 2018, the Company had derivatives outstanding with an equivalent notional amount of \$782.1 million that hedged a portion of forecasted foreign currency denominated royalties.

Based on market conditions at March 31, 2018, the \$12.0 million in cumulative cash flow hedging losses, after tax, is not expected to have a significant effect on earnings over the next 12 months.

**Net Investment Hedges**

The Company primarily uses foreign currency denominated debt (third party and intercompany) to hedge its investments in certain foreign subsidiaries and affiliates. Realized and unrealized translation adjustments from these hedges are included in shareholders' equity in the foreign currency translation component of OCI and offset translation adjustments on the underlying net assets of foreign subsidiaries and affiliates, which also are recorded in OCI. As of March 31, 2018, \$12.4 billion of the Company's third party foreign currency denominated debt and \$4.2 billion of intercompany foreign currency denominated debt were designated to hedge investments in certain foreign subsidiaries and affiliates.

**Undesignated Derivatives**

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

**Credit Risk**

The Company is exposed to credit-related losses in the event of non-performance by its derivative counterparties. The Company did not have significant exposure to any individual counterparty at March 31, 2018 and has master agreements that contain netting arrangements. For financial reporting purposes, the Company presents gross derivative balances in the financial statements and supplementary data, including for counterparties subject to netting arrangements. Some of these agreements also require each party to post collateral if credit ratings fall below, or aggregate exposures exceed, certain contractual limits. At March 31, 2018, 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.

Table of Contents**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, South Korea, Poland, Russia, Spain, Switzerland, the Netherlands and related markets

• Foundational Markets & Corporate - the remaining markets in the McDonald's system, most of which 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:

In millions	Quarters Ended	
	March 31,	
	2018	2017
<b>Revenues</b>		
U.S.	\$1,867.2	\$1,929.0
International Lead Markets	1,877.5	1,643.5
High Growth Markets	972.2	1,537.2
Foundational Markets & Corporate	422.0	566.2
<b>Total revenues</b>	<b>\$5,138.9</b>	<b>\$5,675.9</b>
<b>Operating Income</b>		
U.S.	\$998.0	\$947.9
International Lead Markets	809.7	666.6
High Growth Markets	234.3	300.7
Foundational Markets & Corporate	101.1	118.8
<b>Total operating income</b>	<b>\$2,143.1</b>	<b>\$2,034.0</b>

**Subsequent Events**

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

Table of Contents

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

**Overview**

The Company franchises and operates McDonald's restaurants. Of the 37,286 restaurants in 120 countries at March 31, 2018, 34,279 were licensed to franchisees (comprised of 21,425 franchised to conventional franchisees, 6,972 licensed to developmental licensees and 5,882 licensed to foreign affiliates ("affiliates") – primarily in Japan and China) and 3,007 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 quarter ended March 31, 2018, the U.S., the International Lead Markets and the High Growth Markets accounted for 36%, 37% and 19% 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. The plan is designed to drive sustainable guest count growth, a reliable long-term measure of the Company's strength that is vital to growing sales and shareholder value.

Building on 2017 progress, the Company continues to focus on restaurant execution and enhancing customer awareness of the many ways in which McDonald's is elevating convenience, value, food offerings and the overall experience. This will enable the Company to deliver on the plan's key pillars of retaining existing customers, regaining lost customers and converting casual customers to committed customers.

In each of these pillars, McDonald's has established sustainable platforms that enable each market to execute the plan with greater speed, efficiency and impact. Additionally, the Company continues to scale the following growth accelerators:

- Experience of the Future ("EOTF")**. Focuses on restaurant modernization and technology, in order to transform the restaurant service experience and enhance the brand in the eyes of the customer. The modernization efforts are designed to drive incremental customer visits and higher average check. McDonald's currently has EOTF deployed in about one-third of the restaurants globally, with half of the U.S. restaurants expected to be deployed by the end of 2018.

- 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 through technology. By evolving the technology platform, the Company is expanding choices

Table of Contents

for how customers order, pay and are served through additional functionality on its global mobile app, self-order kiosks and technology-driven models that enable table service and curbside pick-up. In the U.S. alone, McDonald's now has over 20 million registered users of the McDonald's application.

•**Delivery.** Offers a platform of added convenience, bringing McDonald's food to customers on their terms. Including previously offering delivery in Asia and the Middle East, McDonald's is now delivering meals from over 11,500 restaurants. In addition to added convenience, delivery transactions tend to realize a higher average check and a high customer satisfaction rating. In 2018, while the Company expects to continue to expand the number of restaurants offering delivery, the focus will shift to growing awareness and demand in the areas where delivery is already offered. The Company continues to build upon the broad-based momentum created by the Velocity Growth Plan and remains aggressively focused on unlocking more of the plan's potential to drive long-term sustainable growth.

**Financial Performance**

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

Financial performance in the first quarter reflected broad-based strength and momentum across the business. Global comparable sales increased 5.5% for the quarter. 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 2.9% for the quarter, driven by growth in average check resulting from menu price increases and shifts in product mix.

Comparable sales for the International Lead segment increased 7.8% for the quarter, reflecting positive results across all markets, primarily driven by the U.K. and Germany.

In the High Growth segment, comparable sales increased 4.7% for the quarter, led by strong performance in China and Italy and

positive results across most of the segment, partly offset by continued challenges in South Korea.

Results for the quarter reflected an increase in sales-driven franchised margin dollars and the benefit from a lower effective tax rate, partly offset by lower Company-operated margin dollars driven by refranchising. Net income for the quarter was \$1,375.4 million, an increase of 13% (8% in constant currencies) and diluted earnings per share was \$1.72, an increase of 17% (12% in constant currencies).

Results included approximately \$52 million, or \$0.07 per share, of additional income tax expense associated with adjustments to the provisional amounts recorded in December 2017 under the Tax Act. Excluding these adjustments, net income was \$1,427.7 million, an increase of 18% (12% in constant currencies) and diluted earnings per share was \$1.79, an increase of 22% (16% in constant currencies).

**First Quarter Highlights:**

• Global comparable sales increased 5.5% and global comparable guest counts increased 0.8%

• Due to the impact of the Company's strategic refranchising initiative, consolidated revenues decreased 9% (15% in constant currencies)

• Systemwide sales increased 7% in constant currencies

• Consolidated operating income increased 5% (flat in constant currencies) due to growth in franchised margin dollars, offset by the impact of the Company's strategic refranchising initiative

• Diluted earnings per share of \$1.72 increased 17% (12% in constant currencies), reflecting \$0.07 per share of additional income tax expense associated with adjustments to the provisional amounts recorded in December 2017 under the Tax Act. Excluding this impact, diluted earnings per share was \$1.79, an increase of 22% (16% in constant currencies)

• Returned \$2.5 billion to shareholders through share repurchases and dividends

**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, net restaurant unit expansion, and the potential impacts of hyper-inflation. The Company expects net restaurant additions to add approximately 1 percentage point to 2018 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 5 to 6 cents.



Table of Contents

Effective January 1, 2018, the Company adopted the guidance issued in Accounting Standards Codification 606, "Revenue Recognition - Revenue from Contracts with Customers." This standard changed the way initial fees from franchisees for new restaurant openings and new franchise terms are recognized. Under the new guidance, initial franchise fees will be recognized evenly over the franchise term. The Company expects the adoption of this guidance to negatively impact 2018 Consolidated franchised revenues and franchised margins by approximately \$50 million. 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 2018, costs for the total basket of goods are expected to increase about 1% to 2% in the U.S. and increase about 2% in the International Lead segment.

The Company expects full-year 2018 selling, general and administrative expenses to decrease about 1% in constant currencies.

Based on current interest and foreign currency exchange rates, the Company expects interest expense for the full-year 2018 to increase about 5% to 7% compared with 2017 due primarily to higher average debt balances.

A significant part of the Company's operating income is generated outside the U.S., and about 40% of its total debt is denominated in foreign currencies. Accordingly, earnings are affected by changes in foreign currency exchange rates, particularly the Euro, British Pound, Australian Dollar and Canadian Dollar. Collectively, these currencies represent approximately 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 30 cents.

The Company expects the effective income tax rate for the full-year 2018 to be in the 25-27% range, with volatility between the quarters. Certain aspects of the Tax Act are expected to be clarified, and as such, could impact the Company's tax rate.

The Company expects capital expenditures for 2018 to be approximately \$2.4 billion. About \$1.5 billion will be dedicated to our U.S. business, primarily focused on accelerating the pace of EOTF. We expect to complete EOTF at nearly 4,000 additional U.S. restaurants in 2018, and, as a result, about half of the total U.S. restaurants will have EOTF by the end of 2018. Of the remaining capital, about half will be dedicated to new restaurant openings and the remainder will be allocated to reinvestment in continued expansion of EOTF around the world. The Company will contribute capital towards about 250 restaurant openings, while developmental licensees and affiliates will contribute capital towards the opening of approximately 750 restaurants, for a total of about 1,000 expected restaurant openings in 2018. The Company expects net additions of about 600 restaurants in 2018.

In addition, the Company has other long-term targets that are detailed in its Form 10-K for the year ended December 31, 2017.

**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, impairment and other strategic charges and gains, as well as adjustments to the provisional amounts recorded in December 2017 under the Tax Act, and bases incentive compensation plans on these results, because the Company believes this better represents 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 and sales from hyper-inflationary markets (currently only Venezuela). Management generally identifies hyper-inflationary markets as those markets whose cumulative inflation rate over a three-year period exceeds 100%. Management believes that these exclusions more accurately reflect the underlying business trends. Comparable sales are driven by changes in guest counts and average check, which is affected by changes in pricing and product mix.

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.

Table of Contents**CONSOLIDATED OPERATING RESULTS**

<b>Dollars in millions, except per share data</b>	<b>Quarter Ended</b>		
	<b>March 31, 2018</b>	<b>Amount</b>	<b>Increase/ (Decrease)</b>
<b>Revenues</b>			
Sales by Company-operated restaurants	\$2,535.6	(26	)%
Revenues from franchised restaurants	2,603.3	15	
<b>Total revenues</b>	<b>5,138.9</b>	<b>(9</b>	<b>)</b>
<b>Operating costs and expenses</b>			
Company-operated restaurant expenses	2,130.9	(24	)
Franchised restaurants-occupancy expenses	480.3	12	
Selling, general & administrative expenses	533.1	2	
Other operating (income) expense, net	(148.5	) (18	)
<b>Total operating costs and expenses</b>	<b>2,995.8</b>	<b>(18</b>	<b>)</b>
<b>Operating income</b>	<b>2,143.1</b>	<b>5</b>	
Interest expense	236.8	8	
Nonoperating (income) expense, net	18.4	n/m	
<b>Income before provision for income taxes</b>	<b>1,887.9</b>	<b>4</b>	
Provision for income taxes	512.5	(14	)
<b>Net income</b>	<b>\$1,375.4</b>	<b>13</b>	<b>%</b>
<b>Earnings per common share-basic</b>	<b>\$1.74</b>	<b>18</b>	<b>%</b>
<b>Earnings per common share-diluted</b>	<b>\$1.72</b>	<b>17</b>	<b>%</b>
n/m Not meaningful			

Table of Contents**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 currency 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)
<b>Quarters Ended March 31,</b>	<b>2018</b>	2017	<b>2018</b>
Revenues	<b>\$5,138.9</b>	\$5,675.9	<b>\$ 287.3</b>
Company-operated margins	<b>404.7</b>	595.5	<b>26.9</b>
Franchised margins	<b>2,123.0</b>	1,833.9	<b>102.4</b>
Selling, general & administrative expenses	<b>533.1</b>	521.3	<b>(16.0 )</b>
Operating income	<b>2,143.1</b>	2,034.0	<b>116.6</b>
Net income	<b>1,375.4</b>	1,214.8	<b>68.2</b>
Earnings per share-diluted	<b>\$1.72</b>	\$1.47	<b>\$ 0.08</b>

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

**Net Income and Diluted Earnings per Common Share**

For the quarter, net income increased 13% (8% in constant currencies) to \$1,375.4 million, and diluted earnings per share increased 17% (12% in constant currencies) to \$1.72. Foreign currency translation had a positive impact of \$0.08 on diluted earnings per share.

Results for the quarter reflected an increase in sales-driven franchised margin dollars and the benefit from a lower effective tax rate, partly offset by lower Company-operated margin dollars driven by refranchising. Results included approximately \$52 million, or \$0.07 per share, of additional income tax expense associated with adjustments to the provisional amounts recorded in December 2017 under the Tax Act. Excluding these adjustments, net income was \$1,427.7 million, an increase of 18% (12% in constant currencies), and diluted earnings per share was \$1.79, an increase of 22% (16% in constant currencies).

Diluted earnings per share benefited from a decrease in diluted weighted average shares outstanding due to share repurchases. During the quarter, the Company repurchased 10.4 million shares of stock for \$1.7 billion, and paid a quarterly dividend of \$1.01 per share, or \$797.5 million.

Table of Contents**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. Between 2015 and 2017, the Company 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 revenues, where the Company receives rent and/or royalty revenue based on a percentage of sales.

Effective January 1, 2018, the Company adopted the guidance issued in Accounting Standards Codification 606, "Revenue Recognition - Revenue from Contracts with Customers." This standard changed the way initial fees from franchisees for new restaurant openings and new franchise terms are recognized. Under the new guidance, initial franchise fees are being recognized evenly over the franchise term rather than immediately upon receipt. Although the Company expects this change to negatively impact 2018 annual franchised revenues by approximately \$50 million, results for the quarter only reflected an impact of approximately \$5 million due to the timing of new restaurant openings and new franchise terms.

**REVENUES**

*Dollars in millions*

<b>Quarters Ended March 31,</b>	<b>2018</b>	<b>2017</b>	<b>Inc/ (Dec)</b>	<b>Inc/ (Dec)</b>	<b>Excluding</b>	<b>Translation</b>
					<b>Currency</b>	
					<b>Translation</b>	
<i>Company-operated sales</i>						
U.S.	<b>\$708.7</b>	\$835.6	(15	)%	(15	)%
International Lead Markets	<b>1,007.1</b>	941.2	7		(3	)
High Growth Markets	<b>700.3</b>	1,345.3	(48	)	(52	)
Foundational Markets & Corporate	<b>119.5</b>	289.8	(59	)	(62	)
Total	<b>\$2,535.6</b>	\$3,411.9	(26	)%	(30	)%
<i>Franchised revenues</i>						
U.S.	<b>\$1,158.5</b>	\$1,093.4	6	%	6	%
International Lead Markets	<b>870.4</b>	702.3	24		12	
High Growth Markets	<b>271.9</b>	191.9	42		27	
Foundational Markets & Corporate	<b>302.5</b>	276.4	9		4	
Total	<b>\$2,603.3</b>	\$2,264.0	15	%	9	%
<i>Total revenues</i>						
U.S.	<b>\$1,867.2</b>	\$1,929.0	(3	)%	(3	)%
International Lead Markets	<b>1,877.5</b>	1,643.5	14		3	
High Growth Markets	<b>972.2</b>	1,537.2	(37	)	(42	)
Foundational Markets & Corporate	<b>422.0</b>	566.2	(25	)	(30	)
Total	<b>\$5,138.9</b>	\$5,675.9	(9	)%	(15	)%

**Revenues:** Revenues decreased 9% (15% in constant currencies) for the quarter.

**U.S.:** Revenues decreased as positive comparable sales were more than offset by the impact of refranchising.

**International Lead Markets:** Revenues increased due to strong performance in the U.K. and Germany as well as positive comparable sales across all markets, partly offset by the impact of refranchising.

**High Growth Markets:** Revenues decreased as positive comparable sales across most markets were more than offset by the impact of refranchising the Company's businesses in China and Hong Kong in third quarter 2017.



Table of Contents**Comparable Sales and Guest Counts**

The following table presents the percent change in comparable sales for the quarters ended March 31, 2018 and 2017:  
**COMPARABLE SALES**

<b>Quarters Ended March 31,</b>	<b>Increase/ (Decrease)</b>	
	<b>2018</b>	<b>2017</b>
U.S.	<b>2.9</b> %	1.7 %
International Lead Markets	<b>7.8</b>	2.8
High Growth Markets	<b>4.7</b>	3.8
Foundational Markets & Corporate	<b>8.7</b>	8.5
Total	<b>5.5</b> %	3.6 %

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 0.8% and 0.6% for the quarters ended 2018 and 2017, respectively. Both periods reflected positive comparable guest counts in all segments with the exception of the U.S.

**Systemwide Sales and Franchised Sales**

The following table presents the percent change in Systemwide sales for the quarter ended March 31, 2018:

**SYSTEMWIDE SALES\***

<b>Quarter Ended March 31, 2018</b>	<b>Inc/ (Dec)</b>	<b>Inc/ (Dec) Excluding Currency Translation</b>	
		<b>Inc/ (Dec)</b>	<b>%</b>
U.S.	3	% 3	%
International Lead Markets	21	9	
High Growth Markets	19	9	
Foundational Markets & Corporate	16	12	
Total	12	% 7	%

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

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

**FRANCHISED SALES**

*Dollars in millions*

<b>Quarters Ended March 31,</b>	<b>2018</b>	<b>2017</b>	<b>Inc/ (Dec)</b>	<b>Inc/ (Dec) Excluding Currency Translation</b>	
				<b>%</b>	<b>%</b>
U.S.	<b>\$8,349.4</b>	\$7,979.2	5	% 5	%
International Lead Markets	<b>5,000.7</b>	4,042.9	24	12	
High Growth Markets*	<b>2,375.6</b>	1,237.1	92	74	
Foundational Markets & Corporate	<b>4,873.1</b>	3,999.3	22	18	
Total	<b>\$20,598.8</b>	\$17,258.5	19	% 14	%
<i>Ownership type</i>					
Conventional franchised	<b>\$14,883.9</b>	\$13,526.5	10	% 5	%
Developmental licensed	<b>3,351.3</b>	2,554.7	31	29	
Foreign affiliated*	<b>2,363.6</b>	1,177.3	101	90	
Total	<b>\$20,598.8</b>	\$17,258.5	19	% 14	%

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\*The franchised sales increases reflect the impact of refranchising the Company's businesses in China and Hong Kong in the third quarter of 2017.



Table of Contents**Restaurant Margins****FRANCHISED AND COMPANY-OPERATED RESTAURANT MARGINS***Dollars in millions*

Quarters Ended March 31,	Percent		Amount		Inc/ (Dec)	Inc/ (Dec) Excluding Currency Translation	
	2018	2017	2018	2017			
<i>Franchised</i>							
U.S.	<b>81.3</b> %	81.6 %	<b>\$941.4</b>	\$891.9	6	% 6	%
International Lead Markets	<b>79.9</b>	79.5	<b>695.9</b>	558.1	25	12	
High Growth Markets	<b>74.9</b>	69.4	<b>203.7</b>	133.1	53	37	
Foundational Markets & Corporate	<b>93.3</b>	90.7	<b>282.0</b>	250.8	12	7	
Total	<b>81.6</b> %	81.0 %	<b>\$2,123.0</b>	\$1,833.9	16	% 10	%
<i>Company-operated</i>							
U.S.	<b>15.8</b> %	15.3 %	<b>\$112.2</b>	\$128.1	(12)	)% (12)	)%
International Lead Markets	<b>20.1</b>	20.1	<b>202.5</b>	189.0	7	(3)	)
High Growth Markets	<b>10.2</b>	17.1	<b>71.2</b>	230.3	(69)	) (72)	)
Foundational Markets & Corporate	<b>15.8</b>	16.6	<b>18.8</b>	48.1	(61)	) (64)	)
Total	<b>16.0</b> %	17.5 %	<b>\$404.7</b>	\$595.5	(32)	)% (37)	)%

**Franchised:** Franchised margin dollars increased \$289.1 million or 16% (10% in constant currencies) for the quarter. The quarter benefited from expansion and the impact of refranchising, as well as positive comparable sales performance across all segments.

**U.S.:** The decrease in the franchised margin percent was primarily due to higher depreciation costs related to EOTF, partly offset by the benefit of positive comparable sales.

**International Lead Markets:** The increase in the franchised margin percent reflected the benefit from strong comparable sales performance, partly offset by higher occupancy costs and the impact of refranchising.

**High Growth Markets:** The increase in the franchised margin percent was primarily due to the impact of refranchising, largely related to the July 2017 China and Hong Kong transaction, and strong comparable sales performance.

**Company-operated:** Company-operated margin dollars decreased \$190.8 million or 32% (37% in constant currencies) for the quarter, reflecting the impact of refranchising.

**U.S.:** The Company-operated margin percent increase reflected positive comparable sales performance and the impact of refranchising, partly offset by higher labor and commodity costs.

**International Lead Markets:** The Company-operated margin percent was flat as strong comparable sales were offset by higher labor, commodity and occupancy costs.

**High Growth Markets:** The decrease in the Company-operated margin percent was primarily due to the impact of refranchising in China and Hong Kong as well as negative comparable sales in South Korea.

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

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

Quarters Ended March 31,	2018	2017
Food & paper	<b>31.7</b> %	31.9 %
Payroll & employee benefits	<b>30.2</b>	27.8
Occupancy & other operating expenses	<b>22.1</b>	22.8
Total expenses	<b>84.0</b> %	82.5 %
Company-operated margins	<b>16.0</b> %	17.5 %



Table of Contents**Selling, General & Administrative Expenses**

Selling, general and administrative expenses increased \$11.8 million or 2% (decreased 1% in constant currencies) for the quarter. The constant currency decrease was primarily due to lower employee-related costs resulting from the Company's ongoing G&A initiatives, partly offset by higher restaurant technology spending as well as costs related to the 2018 Worldwide Owner/Operator Convention and sponsorship of the 2018 Winter Olympics.

Selling, general and administrative expenses as a percent of Systemwide sales decreased to 2.3% for 2018 compared with 2.5% for 2017.

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

*Dollars in millions*

<b>Quarters Ended March 31,</b>	<b>2018</b>	<b>2017</b>
Gains on sales of restaurant businesses	<b>\$(96.5 )</b>	\$(60.0 )
Equity in (earnings) losses of unconsolidated affiliates	<b>(42.6 )</b>	(40.9 )
Asset dispositions and other (income) expense, net	<b>(11.0 )</b>	(24.5 )
Impairment and other charges (gains), net	<b>1.6</b>	(0.5 )
Total	<b>\$(148.5)</b>	\$(125.9)

Gains on sales of restaurant businesses increased for the quarter primarily due to a higher number of restaurant sales in the U.S.

Equity in (earnings) losses of unconsolidated affiliates reflected improved performance in Japan, more than offset by a higher effective tax rate in Japan in 2018 compared with 2017. Results in 2018 also reflect the retained 20% ownership in the entity that operates the Company's businesses in China and Hong Kong subsequent to the refranchising transaction that occurred in third quarter 2017.

The change in asset dispositions and other (income) expense, net was primarily due to a gain from the strategic sale of a restaurant property in the U.S. in 2017.

**Operating Income****OPERATING INCOME**

*Dollars in millions*

<b>Quarters Ended March 31,</b>	<b>2018</b>	<b>2017</b>	<b>Inc/ (Dec)</b>	<b>Increase Excluding Currency Translation</b>
U.S.	<b>\$ 998.0</b>	\$ 947.9	5	% 5
International Lead Markets	<b>809.7</b>	666.6	21	9
High Growth Markets	<b>234.3</b>	300.7	(22 )	(29 )
Foundational Markets & Corporate	<b>101.1</b>	118.8	(15 )	(27 )
Total	<b>\$ 2,143.1</b>	\$ 2,034.0	5	% 0

**Operating Income:** Operating income increased \$109.1 million or 5% (flat in constant currencies) for the quarter.

**U.S.:** The increase in operating income reflected higher franchised margin dollars and higher gains on sales of restaurants, partly offset by lower Company-operated margin dollars and comparison to the prior year gain from the strategic sale of a restaurant property.

**International Lead Markets:** The constant currency operating income increase was primarily due to sales-driven improvements in franchised margin dollars across all markets.

**High Growth Markets:** The constant currency operating income decrease reflected the impact of refranchising, and to a lesser extent, the continued challenges in South Korea.

**Foundational Markets & Corporate:** The constant currency operating income decrease reflected the Company's refranchising initiatives, higher restaurant technology spending as well as costs related to the 2018 Worldwide Owner/Operator Convention and sponsorship of the 2018 Winter Olympics.

**Operating Margin:** Operating margin is defined as operating income as a percent of total revenues. Operating margin was 41.7% and 35.8% for the quarters ended 2018 and 2017, respectively.



Table of Contents**Interest Expense**

Interest expense increased 8% (5% in constant currencies) for the quarter, primarily reflecting higher average debt balances, partly offset by lower average interest rates.

**Nonoperating (Income) Expense, Net****NONOPERATING (INCOME) EXPENSE, NET**

*Dollars in millions*

<b>Quarters Ended March 31,</b>	<b>2018</b>	<b>2017</b>
Interest income	<b>\$(5.5)</b>	\$1.8
Foreign currency and hedging activity	<b>16.5</b>	(1.9)
Other (income) expense, net	<b>7.4</b>	8.0
Total	<b>\$18.4</b>	\$7.9

**Income Taxes**

The effective income tax rate was 27.1% and 32.8% for the quarters ended 2018 and 2017, respectively. The decrease in the tax rate for the quarter reflects the lower enacted U.S. corporate tax rate, partly offset by adjustments to the provisional amounts recorded in December 2017 under the Tax Act.

Excluding the impact of these provisional adjustments, the effective income tax rate was 24.4% for the quarter.

**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 \$1.6 billion and exceeded capital expenditures by \$1.1 billion for the first quarter 2018. Cash provided by operations increased \$101.2 million compared with the first quarter 2017.

Cash used for investing activities totaled \$359.1 million for the first quarter 2018, an increase of \$497.2 million compared with the first quarter 2017. The increase was primarily due to fewer proceeds in 2018 associated with the sale of restaurant businesses due to comparison to the Company's first quarter 2017 sale of its businesses in Denmark, Finland, Norway and Sweden (referred to as the "Nordics") to a developmental licensee.

Cash used for financing activities totaled \$1.3 billion for the first quarter 2018, an increase of \$719.0 million compared with the first quarter 2017, primarily due to higher treasury stock purchases partially offset by higher net debt issuances.

Debt obligations at March 31, 2018 totaled \$30.9 billion compared with \$29.5 billion at December 31, 2017. The increase was primarily due to net debt issuances and the impact of foreign currency translation.

**Recent Accounting Pronouncements**

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

Table of Contents**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 Experience of the Future (“EOTF”), particularly in the U.S.;
- Identify and develop restaurant sites consistent with our plans for net growth of Systemwide restaurants; 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 and integration 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

Table of Contents

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 and environmental 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, 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.

Table of Contents

**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. Our restaurant margins arise from two sources: fees from franchised restaurants (e.g., rent and royalties based on a percentage of sales) and, to a lesser degree, sales from Company-operated restaurants. Our franchisees and developmental licensees manage their businesses independently, and therefore are responsible for the day-to-day operation of their restaurants. The revenues we realize from franchised restaurants are largely dependent on the ability of our franchisees to grow their sales. 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 efforts will continue to increase that dependence and the potential 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 and potential delays. If franchisees do not successfully operate restaurants in a manner consistent with our required standards, our brand's image and reputation could be harmed, which in turn could hurt our business and operating results.

Our ownership mix also affects our results and financial condition. The decision to own restaurants or to operate under franchise or license agreements is driven by many factors whose interrelationship is complex and changing. Our ability to achieve the benefits of our refranchising strategy, which involves a significant 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 impact our operations.**

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

Table of Contents

Despite the implementation of security measures, those technology systems and solutions could become vulnerable to damage, disability or failures due to theft, fire, power loss, telecommunications failure or other catastrophic events. Our increasing reliance on third party systems also present the risks faced by the third party's business, including the operational, security and credit risks of those parties. If those systems were to fail or otherwise be unavailable, and we were unable to recover in a timely 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 U.S. and foreign jurisdictions, and our operations, plans and results are affected by tax and other initiatives around the world. In particular, we are affected by the impact of changes to tax laws or policy or related authoritative interpretations, including changes and uncertainties resulting from proposals for comprehensive or corporate tax reforms in the U.S. or elsewhere. On December 22, 2017, the Tax Cuts and Jobs Act ("Tax Act") was signed into law. While we have estimated the effects of the Tax Act, we continue to refine those estimates with the possibility they could change, and those changes could be material. 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 significant increases in income tax rates, changes in income tax laws or unfavorable resolution of tax matters could have a material adverse impact on our financial results.

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

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

Table of Contents

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 associated with our technology-related services and platforms made available to business partners, customers, employees or other 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.

Table of Contents

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

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

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

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

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

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

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

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

Many factors affect the volatility and price of our common stock in addition to our operating results and prospects.

The most important of these factors, some of which are outside our control, are the following:

- The unpredictable nature of global economic and market conditions;

- Governmental action or inaction in light of key indicators of economic activity or events that can significantly influence financial markets, particularly in the U.S., which is the principal trading market for our common stock, and media reports and commentary about economic or other matters, even when the matter in question does not directly relate to our business;

- Trading activity in our common stock or trading activity in derivative instruments with respect to our common stock or debt securities, which can be affected by market commentary (including commentary that may be unreliable or incomplete); unauthorized disclosures about our performance, plans or expectations about our business; our actual performance and creditworthiness; investor confidence, driven in part by expectations about our performance; actions by shareholders and others seeking to influence our business strategies; portfolio transactions in our stock by significant shareholders; or trading activity that results from the ordinary course rebalancing of stock indices in which McDonald's may be included, such as the S&P 500 Index and the Dow Jones Industrial Average;

- The impact of our stock repurchase program or dividend rate; and

- The impact on our results of corporate actions and market and third-party perceptions and assessments of such actions, such as those we may take from time to time as we implement our strategies in light of changing business,



legal and tax considerations and evolve our corporate structure.

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

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

Table of Contents

**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, 2017 regarding this matter.

**Item 4. Controls and Procedures**

**Disclosure Controls**

An evaluation was conducted under the supervision and with the participation of the Company's management, including the Chief Executive Officer ("CEO") and Chief Financial Officer ("CFO"), of the effectiveness of the design and operation of the Company's disclosure controls and procedures as of March 31, 2018. 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 management, including the CEO and CFO, confirm that there was no change in the Company's internal control over financial reporting during the quarter ended March 31, 2018 that has materially affected, or is reasonably likely to materially affect, the Company's internal control over financial reporting.

Table of Contents**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, 2017 regarding these matters.

**Item 1A. Risk Factors**

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

**Item 2. Unregistered Sales of Equity Securities and Use of Proceeds****Issuer Purchases of Equity Securities\***

The following table presents information related to repurchases of common stock the Company made during the quarter ended March 31, 2018:

<b>Period</b>	<b>Total Number of Shares Purchased</b>	<b>Average Price Paid per Share</b>	<b>Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs <sup>(1)</sup></b>	<b>Approximate Dollar Value of Shares that May Yet Be Purchased Under the Plans or Programs <sup>(1)</sup></b>
January 1-31, 2018	202,370	\$ 170.11	202,370	\$ 12,227,536,784
February 1-28, 2018	5,827,528	162.34	5,827,528	11,281,477,229
March 1-31, 2018	4,382,736	156.58	4,382,736	10,595,228,781
Total	10,412,634	\$ 160.07	10,412,634	

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.

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

Table of Contents

**Item 6. Exhibits**

Exhibit Number	Description
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- |      |  |
|------|--|
| (3)  | <ul style="list-style-type: none"> <li>(a) <u>Restated Certificate of Incorporation, effective as of June 14, 2012, incorporated herein by reference from Exhibit 3(a) of Form 10-Q (File No. 001-05231), for the quarter ended June 30, 2012.</u></li> <li>(b) <u>By-Laws, as amended and restated with effect as of October 26, 2015, incorporated herein by reference from Exhibit 3(b) of Form 8-K (File No. 001-05231), filed October 28, 2015.</u></li> </ul>  |
| (4)  | <p>Instruments defining the rights of security holders, including Indentures:*</p> <ul style="list-style-type: none"> <li>(a) <u>Senior Debt Securities Indenture, incorporated herein by reference from Exhibit (4)(a) of Form S-3 Registration Statement (File No. 333-14141), filed October 15, 1996.</u></li> <li>(b) <u>Subordinated Debt Securities Indenture, incorporated herein by reference from Exhibit (4)(b) of Form S-3 Registration Statement (File No. 333-14141), filed October 15, 1996.</u></li> </ul>  |
| (10) | <p>Material Contracts</p> <ul style="list-style-type: none"> <li>(a) <u>Directors' Deferred Compensation Plan, amended and restated effective as of May 26, 2016, incorporated herein by reference from Exhibit 10(a)(i) of Form 10-Q (File No. 001-05231), for the quarter ended June 30, 2016.**</u></li> <li>(b) <u>McDonald's Deferred Compensation Plan, effective January 1, 2017, incorporated herein by reference from Exhibit 10(b) of Form 10-K (file No. 001-05231), for the year ended December 31, 2016.**</u></li> <li>(c) <u>McDonald's Corporation Supplemental Profit Sharing and Savings Plan, effective as of September 1, 2001, incorporated herein by reference from Exhibit 10(c) of Form 10-K (File No. 001-05231), for the year ended December 31, 2001.**</u></li> <li>(i) <u>First Amendment to the McDonald's Corporation Supplemental Profit Sharing and Savings Plan, effective as of January 1, 2002, incorporated herein by reference from Exhibit 10(c)(i) of Form 10-K (File No. 001-05231), for the year ended December 31, 2002.**</u></li> <li>(ii) <u>Second Amendment to the McDonald's Corporation Supplemental Profit Sharing and Savings Plan, effective January 1, 2005, incorporated herein by reference from Exhibit 10(c)(ii) of Form 10-K (File No. 001-05231), for the year ended December 31, 2004.**</u></li> <li>(d) <u>McDonald's Corporation Amended and Restated 2001 Omnibus Stock Ownership Plan, effective July 1, 2008, incorporated herein by reference from Exhibit 10(h) of Form 10-Q (File No. 001-05231), for the quarter ended June 30, 2009.**</u></li> <li>(i) <u>First Amendment to the McDonald's Corporation Amended and Restated 2001 Omnibus Stock Ownership Plan, incorporated herein by reference from Exhibit 10(h)(i) of Form 10-K (File No. 001-05231), for the year ended December 31, 2008.**</u></li> <li>(ii) <u>Second Amendment to the McDonald's Corporation Amended and Restated 2001 Omnibus Stock Ownership Plan as amended, effective February 9, 2011, incorporated herein by reference from Exhibit</u></li> </ul> |

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 2013 Executive Stock Option Award Agreement in connection with the 2012 Omnibus Stock Ownership Plan, incorporated herein by reference from Exhibit 10(n) of Form 10-Q (File No. 001-05231), for the quarter ended March 31, 2013.\*\*

(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.\*\*

Table of Contents

**Exhibit Number      Description**

Second Amendment to the McDonald's Corporation Severance Plan, effective June 1, 2016,  
(ii) incorporated herein by reference from Exhibit 10(l)(ii) of Form 10-Q (File No. 001-05231), for  
the quarter ended June 30, 2016.\*\*

Third Amendment to the McDonald's Corporation Severance Plan, effective as of July 15, 2016,  
(iii) incorporated herein by reference from Exhibit 10(l)(iii) of Form 10-Q (File No. 001-05231), for  
the quarter ended June 30, 2016.\*\*

Fourth Amendment to the McDonald's Corporation Severance Plan, effective as of July 1, 2017,  
(iv) incorporated herein by reference from Exhibit 10(k)(iv) of Form 10-Q (File No. 001-05231), for  
the quarter ended September 30, 2017.\*\*

Form of 2014 Executive Stock Option Award Agreement in connection with the 2012 Omnibus  
(l) 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.\*\*

Form of 2015 Executive Performance-Based Restricted Stock Unit Award Agreement in connection  
(m) 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.\*\*

Offer Letter between Christopher Kempczinski and the Company, dated September 23, 2015,  
(n) incorporated herein by reference from Exhibit 10(u) of Form 10-Q (File No. 001-05231), for the  
quarter ended June 30, 2016.\*\*

Form of Executive Confidentiality, Intellectual Property and Restrictive Covenant Agreement,  
(o) incorporated herein by reference from Exhibit 10(o) of Form 10-Q (File No. 001-05231), for the  
quarter ended March 31, 2017.\*\*

Offer Letter between Silvia Lagnado and the Company, dated June 8, 2015, incorporated herein by  
(p) reference from Exhibit 10(p) of Form 10-Q (File No. 001-05231), for the quarter ended June 30,  
2017.\*\*

Form of 2018 Executive Stock Option Award Agreement in connection with the 2012 Omnibus  
(q) Stock Ownership Plan, filed herewith. \*\*

Form of 2018 Executive Performance-Based Restricted Stock Unit Award Agreement in connection  
(r) with the 2012 Omnibus Stock Ownership Plan, filed herewith. \*\*

(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.

Table of Contents

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)

/s/ Kevin M. Ozan  
May 8, 2018 Kevin M. Ozan  
Corporate  
Executive Vice  
President and  
Chief Financial  
Officer