UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, DC 20549

FORM 10-K

☒ ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the fiscal year ended December 31, 2011
or
☐ TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the transition period from to

Commission File Number 1-5231

McDONALD'S CORPORATION
(Exact name of registrant as specified in its charter)

Delaware	**36-2361282**
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)
One McDonald's Plaza **Oak Brook, Illinois**	**60523**
(Address of principal executive offices)	(Zip code)

Registrant's telephone number, including area code: (630) 623-3000

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

Title of each class	Name of each exchange on which registered
Common stock, $.01 par value	New York Stock Exchange

Securities registered pursuant to Section 12(g) of the Act:
None
(Title of class)

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes ☒ No ☐

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act. Yes ☐ No ☒

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 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 if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. ☒

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

(Check one):

Large accelerated filer ☒ Accelerated filer ☐

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

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

The aggregate market value of common stock held by non-affiliates of the registrant as of June 30, 2011 was $86,947,538,692.

The number of shares outstanding of the registrant's common stock as of January 31, 2012 was 1,018,555,678.

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Report of Independent Registered Public Accounting Firm

The Board of Directors and Shareholders of McDonald's Corporation

We have audited the accompanying consolidated balance sheets of McDonald's Corporation as of December 31, 2011 and 2010, and the related consolidated statements of income, shareholders' equity, and cash flows for each of the three years in the period ended December 31, 2011. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the consolidated financial position of McDonald's Corporation at December 31, 2011 and 2010, and the consolidated results of its operations and its cash flows for each of the three years in the period ended December 31, 2011, in conformity with U.S. generally accepted accounting principles.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), McDonald's Corporation's internal control over financial reporting as of December 31, 2011, based on criteria established in Internal Control-Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission, and our report dated February 24, 2012, expressed an unqualified opinion thereon.

ERNST & YOUNG LLP

Chicago, Illinois
February 24, 2012

Generally, the functional currency of operations outside the U.S. is the respective local currency.

ADVERTISING COSTS

Advertising costs included in operating expenses of Company-operated restaurants primarily consist of contributions to advertising cooperatives and were (in millions): 2011–$768.6; 2010–$687.0; 2009–$650.8. Production costs for radio and television advertising are expensed when the commercials are initially aired. These production costs, primarily in the U.S., as well as other marketing-related expenses included in selling, general & administrative expenses were (in millions): 2011–$74.4; 2010–$94.5; 2009–$94.7. In addition, significant advertising costs are incurred by franchisees through contributions to advertising cooperatives in individual markets.

SHARE-BASED COMPENSATION

Share-based compensation includes the portion vesting of all share-based awards granted based on the grant date fair value.

Share-based compensation expense and the effect on diluted earnings per common share were as follows:

In millions, except per share data	***2011***	*2010*	*2009*
Share-based compensation expense	**$ 86.2**	$ 83.1	$ 112.9
After tax	**$ 59.2**	$ 56.2	$ 76.1
Earnings per common share-diluted	**$ 0.05**	$ 0.05	$ 0.07

Compensation expense related to share-based awards is generally amortized on a straight-line basis over the vesting period in selling, general & administrative expenses in the Consolidated statement of income. As of December 31, 2011, there was $84.7 million of total unrecognized compensation cost related to nonvested share-based compensation that is expected to be recognized over a weighted-average period of 2.1 years.

The fair value of each stock option granted is estimated on the date of grant using a closed-form pricing model. The following table presents the weighted-average assumptions used in the option pricing model for the 2011, 2010 and 2009 stock option grants. The expected life of the options represents the period of time the options are expected to be outstanding and is based on historical trends. Expected stock price volatility is generally based on the historical volatility of the Company's stock for a period approximating the expected life. The expected dividend yield is based on the Company's most recent annual dividend payout. The risk-free interest rate is based on the U.S. Treasury yield curve in effect at the time of grant with a term equal to the expected life.

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Weighted-average assumptions

	2011	*2010*	*2009*
Expected dividend yield	**3.2%**	3.5%	3.2%
Expected stock price volatility	**21.5%**	22.1%	24.4%
Risk-free interest rate	**2.8%**	2.8%	2.0%
Expected life of options *In years*	**6.3**	6.2	6.2
Fair value per option granted	**$ 12.18**	$ 9.90	$ 9.66

PROPERTY AND EQUIPMENT

Property and equipment are stated at cost, with depreciation and amortization provided using the straight-line method over the following estimated useful lives: buildings–up to 40 years; leasehold improvements–the lesser of useful lives of assets or lease terms, which generally include option periods; and equipment–three to 12 years.

GOODWILL

Goodwill represents the excess of cost over the net tangible assets and identifiable intangible assets of acquired restaurant businesses. The Company's goodwill primarily results from purchases of McDonald's restaurants from franchisees and ownership increases in subsidiaries or affiliates, and it is generally assigned to the reporting unit expected to benefit from the synergies of the combination. If a Company-operated restaurant is sold within 24 months of acquisition, the goodwill associated with the acquisition is written off in its entirety. If a restaurant is sold beyond 24 months from the acquisition, the amount of goodwill written off is based on the relative fair value of the business sold compared to the reporting unit (defined as each individual country).

The Company conducts goodwill impairment testing in the fourth quarter of each year or whenever an indicator of impairment exists. If an indicator of impairment exists (e.g., estimated earnings multiple value of a reporting unit is less than its carrying value), the goodwill impairment test compares the fair value of a reporting unit, generally based on discounted future cash flows, with its carrying amount including goodwill. If the carrying amount of a reporting unit exceeds its fair value, an impairment loss is measured as the difference between the implied fair value of the reporting unit's goodwill and the carrying amount of goodwill. Historically, goodwill impairment has not significantly impacted the consolidated financial statements.

The following table presents the 2011 activity in goodwill by segment:

In millions	*U.S.*	*Europe*	*APMEA*[(1)]	*Other Countries & Corporate*[(2)]	*Consolidated*
Balance at December 31, 2010	$ 1,212.0	$ 785.5	$ 385.0	$ 203.6	$ 2,586.1
Net restaurant purchases (sales)	37.3	37.1	29.8	(4.6)	99.6
Ownership changes and other	5.1		(7.7)	(3.0)	(5.6)
Currency translation		(21.0)	(1.7)	(4.2)	(26.9)
Balance at December 31, 2011	**$ 1,254.4**	**$ 801.6**	**$ 405.4**	**$ 191.8**	**$ 2,653.2**

(1) APMEA represents Asia/Pacific, Middle East and Africa.

(2) Other Countries & Corporate represents Canada, Latin America and Corporate.

LONG-LIVED ASSETS

Long-lived assets are reviewed for impairment annually in the fourth quarter and whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. For purposes of annually reviewing McDonald's restaurant assets for potential impairment, assets are initially grouped together at a television market level in the U.S. and at a country level for each of the international markets. The Company manages its restaurants as a group or portfolio with significant common costs and promotional activities; as such, an individual restaurant's cash flows are not generally independent of the cash flows of others in a market. If an indicator of impairment (e.g., negative operating cash flows for the most recent trailing 24-month period) exists for any grouping of assets, an

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The following table summarizes the Company's debt obligations. (Interest rates and debt amounts reflected in the table include the effects of interest rate swaps.)

		Interest rates(1) December 31		Amounts outstanding December 31	
In millions of U.S. Dollars	*Maturity dates*	***2011***	*2010*	***2011***	*2010*
Fixed		**5.1%**	5.4%	**$ 6,039.3**	$ 5,318.0
Floating		**2.0**	3.0	**1,399.9**	1,390.0
Total U.S. Dollars	2012-2040			**7,439.2**	6,708.0
Fixed		**4.5**	4.8	**1,167.0**	737.5
Floating		**2.8**	2.2	**719.0**	753.4
Total Euro	2012-2021			**1,886.0**	1,490.9
Fixed		**2.9**	2.1	**162.4**	338.7
Floating		**0.6**	0.5	**1,039.4**	985.4
Total Japanese Yen	2013-2030			**1,201.8**	1,324.1
Total British Pounds Sterling-Fixed	2020-2032	**6.0**	6.0	**697.8**	700.7
Fixed		**2.8**	2.5	**495.8**	451.6
Floating		**5.6**	4.1	**723.9**	752.6
Total other currencies(2)	2012-2021			**1,219.7**	1,204.2
Debt obligations before fair value adjustments(3)				**12,444.5**	11,427.9
Fair value adjustments(4)				**55.9**	77.4
Total debt obligations(5)				**$ 12,500.4**	$ 11,505.3

(1) Weighted-average effective rate, computed on a semi-annual basis.

(2) Primarily consists of Swiss Francs, Chinese Renminbi and Korean Won.

(3) Aggregate maturities for 2011 debt balances, before fair value adjustments, were as follows (in millions): 2012–$366.6; 2013–$1,026.0; 2014–$737.9; 2015–$656.3; 2016–$2,158.6; Thereafter–$7,499.1. These amounts include a reclassification of short-term obligations totaling $1.5 billion to long-term obligations as they are supported by a long-term line of credit agreement expiring in November 2016.

(4) The carrying value of underlying items in fair value hedges, in this case debt obligations, are adjusted for fair value changes to the extent they are attributable to the risk designated as being hedged. The related hedging instrument is also recorded at fair value in prepaid expenses and other current assets, miscellaneous other assets or other long-term liabilities. A portion ($0.5 million) of the adjustments at December 31, 2011 related to interest rate swaps that were terminated in December 2002 and will amortize as a reduction of interest expense over the remaining life of the debt.

(5) Includes notes payable, current maturities of long-term debt and long-term debt included on the Consolidated balance sheet. The increase in debt obligations from December 31, 2010 to December 31, 2011 was primarily due to net issuances of $1.0 billion.

Share-based Compensation

The Company maintains a share-based compensation plan which authorizes the granting of various equity-based incentives including stock options and restricted stock units (RSUs) to employees and nonemployee directors. The number of shares of common stock reserved for issuance under the plans was 61.4 million at December 31, 2011, including 27.6 million available for future grants.

STOCK OPTIONS

Stock options to purchase common stock are granted with an exercise price equal to the closing market price of the Company's stock on the date of grant. Substantially all of the options become exercisable in four equal installments, beginning a year

from the date of the grant, and generally expire 10 years from the grant date. Options granted between May 1, 1999 and December 31, 2000 (approximately 3.5 million options outstanding at December 31, 2011) expire 13 years from the date of grant.

Intrinsic value for stock options is defined as the difference between the current market value of the Company's stock and the exercise price. During 2011, 2010 and 2009, the total intrinsic value of stock options exercised was $416.5 million, $500.8 million and $302.5 million, respectively. Cash received from stock options exercised during 2011 was $334.0 million and the actual tax benefit realized for tax deductions from stock options exercised totaled $110.6 million. The Company uses treasury shares purchased under the Company's share repurchase program to satisfy share-based exercises.

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A summary of the status of the Company's stock option grants as of December 31, 2011, 2010 and 2009, and changes during the years then ended, is presented in the following table:

	2011				2010		2009	
Options	*Shares in millions*	*Weighted-average exercise price*	*Weighted-average remaining contractual life in years*	*Aggregate intrinsic value in millions*	*Shares in millions*	*Weighted-average exercise price*	*Shares in millions*	*Weighted-average exercise price*
Outstanding at beginning of year	**37.4**	**$ 42.47**			47.8	$ 38.16	53.4	$ 34.88
Granted	**3.9**	**75.97**			4.5	63.26	5.6	56.94
Exercised	**(9.0)**	**37.46**			(13.6)	33.84	(10.7)	31.17
Forfeited/expired	**(0.6)**	**55.00**			(1.3)	46.03	(0.5)	47.22
Outstanding at end of year	**31.7**	**$ 47.77**	**5.1**	**$ 1,667.6**	37.4	$ 42.47	47.8	$ 38.16
Exercisable at end of year	**21.9**	**$ 39.53**	**3.7**	**$ 1,328.8**	26.4		35.4	

RSUs

RSUs generally vest 100% on the third anniversary of the grant and are payable in either shares of McDonald's common stock or cash, at the Company's discretion. Certain executives have been awarded RSUs that vest based on Company performance. The fair value of each RSU granted is equal to the market price of the Company's stock at date of grant less the present value of expected dividends over the vesting period.

A summary of the Company's RSU activity during the years ended December 31, 2011, 2010 and 2009 is presented in the following table:

	2011		2010		2009	
RSUs	*Shares in millions*	*Weighted-average grant date fair value*	*Shares in millions*	*Weighted-average grant date fair value*	*Shares in millions*	*Weighted-average grant date fair value*
Nonvested at beginning of year	**2.3**	**$ 51.17**	2.8	$ 46.33	3.0	$ 40.88
Granted	**0.6**	**67.96**	0.7	56.09	0.9	50.34
Vested	**(0.7)**	**49.88**	(1.1)	42.08	(1.0)	34.56
Forfeited	**(0.1)**	**50.16**	(0.1)	49.61	(0.1)	43.87
Nonvested at end of year	**2.1**	**$ 56.78**	2.3	$ 51.17	2.8	$ 46.33

The Company realized tax deductions of $6.1 million from RSUs vested during 2011. The total fair value of RSUs vested during 2011, 2010 and 2009 was $55.5 million, $66.8 million and $59.9 million, respectively.

Employee Benefit Plans

The Company's Profit Sharing and Savings Plan for U.S.-based employees includes a 401(k) feature, a regular employee match feature, and a discretionary employer profit sharing match. The 401(k) feature allows participants to make pretax contributions that are matched each pay period from shares released under the ESOP. The Profit Sharing and Savings Plan also provides for a discretionary employer profit sharing match after the end of the year for those participants eligible to share in the match.

All current account balances and future contributions and related earnings can be invested in several investment alternatives as well as McDonald's common stock in accordance with each participant's elections. Participants' contributions to the 401(k) feature and the discretionary employer matching contribution feature are limited to 20% investment in McDonald's common stock. Participants may choose to make separate investment choices for current account balances and for future contributions.

The Company also maintains certain supplemental benefit plans that allow participants to (i) make tax-deferred contributions and (ii) receive Company-provided allocations that cannot be made under the Profit Sharing and Savings Plan because of Internal Revenue Service limitations. The investment alternatives and returns are based on certain market-rate investment alternatives under the Profit Sharing and Savings Plan. Total liabilities were $482.5 million at December 31, 2011, and $439.3 million at December 31, 2010, and were primarily included in other long-term liabilities on the Consolidated balance sheet.

The Company has entered into derivative contracts to hedge market-driven changes in certain of the liabilities. At December 31, 2011, derivatives with a fair value of $154.5 million indexed to the Company's stock were included in miscellaneous other assets and an investment