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, 2012
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, 2012 was $89,222,241,655.

The number of shares outstanding of the registrant's common stock as of January 31, 2013 was 1,002,791,769.

DOCUMENTS INCORPORATED BY REFERENCE

Part III of this Form 10-K incorporates information by reference from the registrant's 2013 definitive proxy statement which will be filed no later than 120 days after December 31, 2012

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, 2012 and 2011, and the related consolidated statements of income, comprehensive income, shareholders’ equity, and cash flows for each of the three years in the period ended December 31, 2012. 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, 2012 and 2011, and the consolidated results of its operations and its cash flows for each of the three years in the period ended December 31, 2012, 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, 2012, 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 25, 2013, expressed an unqualified opinion thereon.

ERNST & YOUNG LLP

Chicago, Illinois
February 25, 2013

Summary of Significant Accounting Policies

NATURE OF BUSINESS

The Company franchises and operates McDonald's restaurants in the global restaurant industry. All restaurants are operated either by the Company or by franchisees, including conventional franchisees under franchise arrangements, and foreign affiliates and developmental licensees under license agreements.

The following table presents restaurant information by ownership type:

Restaurants at December 31,	***2012***	*2011*	*2010*
Conventional franchised	**19,869**	19,527	19,279
Developmental licensed	**4,350**	3,929	3,485
Foreign affiliated	**3,663**	3,619	3,574
Franchised	**27,882**	27,075	26,338
Company-operated	**6,598**	6,435	6,399
Systemwide restaurants	**34,480**	33,510	32,737

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 consolidated financial statements for periods prior to purchase and sale.

CONSOLIDATION

The consolidated financial statements include the accounts of the Company and its subsidiaries. Investments in affiliates owned 50% or less (primarily McDonald's Japan) are accounted for by the equity method.

On an ongoing basis, the Company evaluates its business relationships such as those with franchisees, joint venture partners, developmental licensees, suppliers, and advertising cooperatives to identify potential variable interest entities. Generally, these businesses qualify for a scope exception under the variable interest entity consolidation guidance. The Company has concluded that consolidation of any such entity is not appropriate for the periods presented.

ESTIMATES IN FINANCIAL STATEMENTS

The preparation of financial statements in conformity with accounting principles generally accepted in the U.S. requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results could differ from those estimates.

REVENUE RECOGNITION

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.

Sales by Company-operated restaurants are recognized on a cash basis. The Company presents sales net of sales tax and other sales-related taxes. 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. Continuing rent and royalties are recognized in the period earned. Initial fees are recognized upon opening of a restaurant or granting of a new franchise term, which is when the Company has performed substantially all initial services required by the franchise arrangement.

FOREIGN CURRENCY TRANSLATION

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): 2012–$787.5; 2011–$768.6; 2010–$687.0. 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): 2012–$113.5; 2011–$74.4; 2010–$94.5. Costs related to the Olympics sponsorship are included in these expenses for 2012 and 2010. 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	***2012***	*2011*	*2010*
Share-based compensation expense	**$ 93.4**	$ 86.2	$ 83.1
After tax	**$ 63.2**	$ 59.2	$ 56.2
Earnings per common share-diluted	**$ 0.06**	$ 0.05	$ 0.05

Compensation expense related to share-based awards is generally amortized on a straight-line basis over the vesting period in Selling, general & administrative expenses. As of December 31, 2012, there was $94.6 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 2012, 2011 and 2010 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 rate. 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.

Weighted-average assumptions

	2012	*2011*	*2010*
Expected dividend yield	**2.8%**	3.2%	3.5%
Expected stock price volatility	**20.8%**	21.5%	22.1%
Risk-free interest rate	**1.1%**	2.8%	2.8%
Expected life of options *In years*	**6.1**	6.3	6.2
Fair value per option granted	**$ 13.65**	$ 12.18	$ 9.90

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.

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 79.3 million at December 31, 2012, including 50.1 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 March 21, 2000 and December 31, 2000 (approximately 1.0 million options outstanding at December 31, 2012) 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 2012, 2011 and 2010, the total intrinsic value of stock options exercised was $469.8 million, $416.5 million and $500.8 million, respectively. Cash received from stock options exercised during 2012 was $328.6 million and the actual tax benefit realized for tax deductions from stock options exercised totaled $140.2 million. The Company uses treasury shares purchased under the Company's share repurchase program to satisfy share-based exercises.

A summary of the status of the Company's stock option grants as of December 31, 2012, 2011 and 2010, and changes during the years then ended, is presented in the following table:

	2012				2011		2010	
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	**31.7**	**$ 47.77**			37.4	$ 42.47	47.8	$ 38.16
Granted	**4.9**	**99.63**			3.9	75.97	4.5	63.26
Exercised	**(8.6)**	**38.51**			(9.0)	37.46	(13.6)	33.84
Forfeited/expired	**(0.6)**	**55.28**			(0.6)	55.00	(1.3)	46.03
Outstanding at end of year	**27.4**	**$ 59.86**	**5.6**	**$ 833.0**	31.7	$47.77	37.4	$ 42.47
Exercisable at end of year	**17.1**	**$ 45.97**	**4.1**	**$ 722.1**	21.9		26.4	

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, 2012, 2011 and 2010 is presented in the following table:

	2012		2011		2010	
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	**2.1**	**$ 56.78**	2.3	$ 51.17	2.8	$ 46.33
Granted	**0.5**	**90.34**	0.6	67.96	0.7	56.09
Vested	**(0.8)**	**50.69**	(0.7)	49.88	(1.1)	42.08
Forfeited	**0.0**	**68.72**	(0.1)	50.16	(0.1)	49.61
Nonvested at end of year	**1.8**	**$ 68.23**	2.1	$ 56.78	2.3	$ 51.17

The Company realized tax deductions of $10.6 million from RSUs vested during 2012. The total fair value of RSUs vested during 2012, 2011 and 2010 was $76.4 million, $55.5 million and $66.8 million, respectively.

Executive compensation

Compensation Committee Report

DEAR FELLOW SHAREHOLDERS:

The Compensation Committee reviewed and discussed the Company's Compensation Discussion and Analysis with McDonald's management. Based on this review and discussion, the Compensation Committee recommended to the Board of Directors that the Compensation Discussion and Analysis be included in this Proxy Statement and the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 2012.

Respectfully submitted,

The Compensation Committee

Robert A. Eckert, *Chairman*

Susan E. Arnold

Richard H. Lenny

John W. Rogers, Jr.

Miles D. White

Compensation discussion and analysis

EXECUTIVE SUMMARY

McDonald's executive compensation program supports our long-term business plan, the Plan to Win, which includes our key global priorities—optimizing the menu, modernizing the customer experience and broadening accessibility to our Brand. The main objectives of our executive compensation program are to motivate our executives to increase profitability and shareholder returns, to pay compensation that varies based on performance and to compete for and retain managerial talent.

Management remained focused on successfully executing the Company's Plan to Win and its global priorities throughout 2012, despite a change in leadership mid-year. In June 2012, Jim Skinner retired after 41 years with the Company, including eight as Vice Chairman and CEO. During his tenure as CEO, Mr. Skinner was a driving force behind the Plan to Win and shareholders benefitted significantly, as we achieved 278% cumulative shareholder return and, for the first time in the Company's history, a market capitalization exceeding $100 billion. Mr. Skinner also played a key role in developing a strong management team, which enabled leadership continuity with Don Thompson's promotion to CEO.

Mr. Thompson, a 22-year veteran of McDonald's, continues to drive our business forward. He has held various leadership positions in the Company, including most recently as President and Chief Operating Officer (COO) of McDonald's Corporation from January 2010 until June 2012.

We remain focused on advancing the strategic direction of our business and motivating our executives to achieve strong business results and drive shareholder value through our executive compensation program.

Pay for performance

We believe that our executive compensation program has been effective at appropriately aligning pay and performance, resulting in incentivizing strong results. We seek to utilize metrics and a mix of incentives that further our main objective of long-term sustainable growth and that are designed to mitigate excessive risk. 2012 results illustrate the strong alignment between pay and performance. Payouts under our 2012 TIP were generally below target levels due to below target performance of the primary performance metric of operating income growth as described in more detail on page 19. Further, our 2010-2012 CPUP paid out above target, driven by robust performance well above targets in both 2010 and 2011, partially offset by below target 2012 performance.

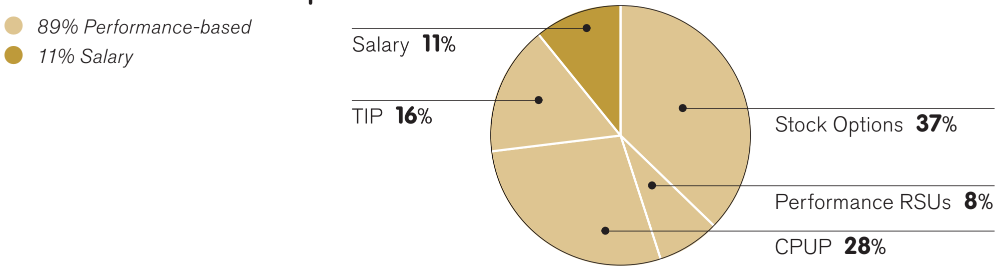
Our total direct compensation package for executives includes salary, our annual bonus plan, which we refer to as TIP, our long-term cash incentive plan, which we refer to as CPUP, stock options and restricted stock units, each as described below. The following table lists the quantitative performance measures the Company uses in its executive compensation program. The rationale for the use of each primary measure is explained below in the detailed discussions of each element of compensation.

	TIP	*CPUP*	*Stock options*	*RSUs*
Primary performance measure				
Operating income	X	X		
Return on total assets (ROTA)		X		
Earnings per share (EPS)				X
Share price			X	X
Secondary performance measure				
Total Shareholder Return (TSR)		X		
Comparable Guest Counts	X			
Customer Satisfaction Opportunity	X			
G&A Expense Control	X			
People Modifier	X			

In addition to the quantitative factors, determinations of TIP payouts take into account qualitative aspects of individual performance, and the grants of annual equity-based compensation incorporate potential for future performance. For TIP, a multiplier based on the assessment of individual performance is used in calculating final awards, as described on pages 19 and 31. For example, Mr. Thompson's 2012 individual performance results were based on progress achieved as related to the following initiatives: sustained profitable growth, talent and leadership development and our Brand ambition of good food, good people and good neighbor.

The pie chart below shows Mr. Thompson's 2012 total direct compensation, using his 2012 TIP award and annualized 2010-2012 CPUP award (one-third of a three-year payout) and Financial Accounting Standards Board values for equity awards granted. Eighty-nine percent (89%) of Mr. Thompson's 2012 total direct compensation was based on Company performance.

2012 CEO total direct compensation



Best practices

We evaluate our executive compensation program annually, taking into account the outcome of our most recent Say on Pay vote and any feedback we receive in our shareholder outreach program. Last year, our executive compensation program was approved by over 94% of the votes, demonstrating strong shareholder support for the approach we have taken.

Based on our evaluation and strong Say on Pay results, we did not make any significant changes to our executive compensation program for 2012. However, beginning in 2013, we plan to incorporate modest changes in our long-term incentives, as described on pages 18, 21 and 22. These changes are intended to further strengthen pay for performance alignment and to bring certain aspects more in line with evolving market practice.

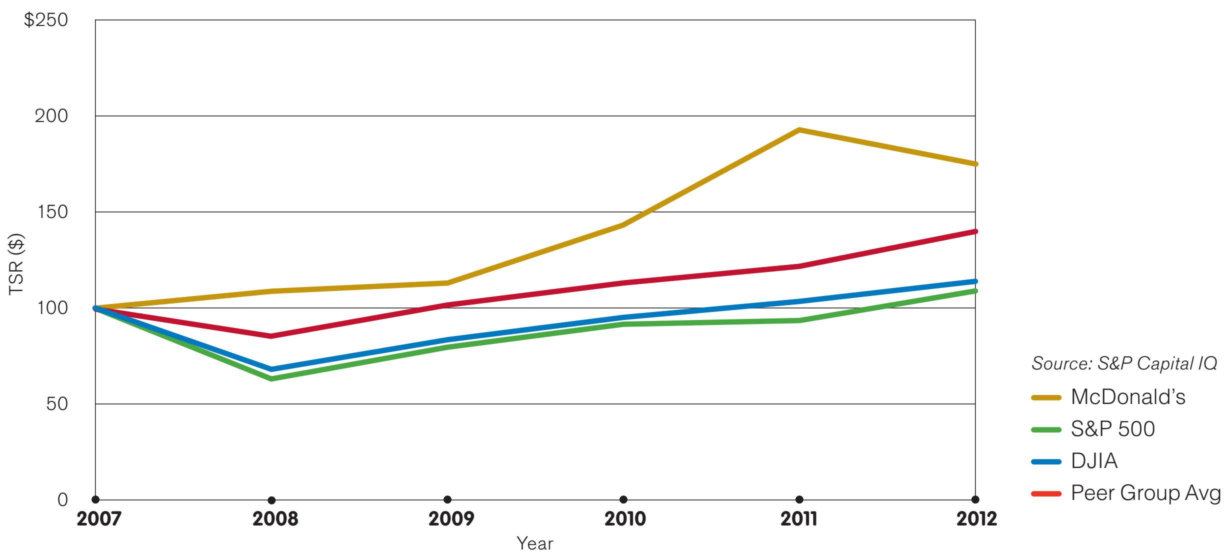
The following policies and practices are important elements of our executive compensation program:

- *Pay for Performance.* The vast majority of total direct compensation is tied to performance.
- *Stock Ownership.* We have stock ownership requirements for our senior management, which include requiring our CEO to own stock equal in value to at least six times his annual salary.
- *Bonuses.* TIP and CPUP both require growth in operating income to yield any payout, and payouts are further impacted by performance against other distinct metrics. Both programs also utilize caps on potential payouts.
- *Clawbacks.* TIP and CPUP contain clawback provisions.
- *Change in Control.* We do not intend to enter into any new change in control severance agreements, and our current agreements are double-trigger.
- *Independent Consultant.* The Committee benefits from engaging an independent compensation consultant and the compensation consultant acts at the sole direction of the Board and/or the Committee.
- *Hedging and Pledging Policies.* Senior management is prohibited from engaging in derivative transactions to hedge the risk associated with their stock ownership. Company approval is required to hold Company shares in a margin account and no executive has pledged shares or holds shares in a margin account.
- *Employment Agreements.* No executive has an employment agreement.

Performance highlights

The following graph shows the TSR for McDonald's, our peer group's average, the Standard & Poor's 500 Stock Index and the DJIA for the period from December 31, 2007–December 31, 2012 (based on $100 investment and reinvestment of all dividends).

Total shareholder return



Over the last five years, we have produced consistent year-over-year growth in operating income despite an exceptionally challenging global economic and operating environment, particularly in 2012. For the five-year period ending December 31, 2012, our total return to shareholders was 175%.

We manage our business for the long term and believe our compensation programs support that approach as the majority of total direct compensation opportunity is not paid out within the first year. The information below highlights our performance for certain short- and long-term measures we use to determine executive compensation:

> One-year operating income increased by 1% (4% in constant currencies).*

> 2012 earnings per share was $5.36, an increase of 2% (5% in constant currencies).*

> 2010-2012 earnings per share increased on average by 9% per year in constant currencies.

> Stock price increased by $42, growth of 74%, over the 2009-2012 RSU vesting period.

** See page 14 of 2012 Annual Report on Form 10-K for reconciliation between GAAP and non-GAAP financial measures.*

Further highlights of our performance:

> 2012 was McDonald's ninth consecutive year of positive comparable sales growth in every geographic segment, with a global increase of 3.1% over 2011.

> We returned $5.5 billion to our shareholders through dividends paid and share repurchases in 2012 and we have returned $16.5 billion from 2010-2012.

> Our market capitalization increased by more than $21 billion during the period from 2010 through 2012.

DEFINITIONS

Quantitative measures of Company performance

Operating income, ROTA and EPS are based on the corresponding measures reported in our financial statements and are adjusted for purposes of our compensation program. For more information about adjustments in measuring performance, see page 23.

- *Operating income.* Profit attributed to the operations.
- *ROTA.* Return on total assets (operating income divided by average assets).
- *ROIIC.* Return on incremental invested capital (change in operating income plus depreciation and amortization divided by the weighted average of cash used for investing activities during the performance period). ROIIC will replace ROTA as a performance metric for CPUP beginning in 2013, for the reasons described in the discussion of CPUP beginning on page 20.
- *EPS.* Earnings per share (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.
- *Comparable guest counts.* Represents the percent change in transactions from the same period for the prior year for all restaurants in operation at least 13 months.
- *Customer satisfaction opportunity.* Represents the percentage of times that quality, service or cleanliness critical drivers are missed in a customer visit, as measured by independent mystery shoppers.
- *G&A expense control.* Represents a way that the corporate function can contribute to operating income. If spending is at or below plan, this modifier has no impact on the Corporate TIP team factor, but if spending is above plan, it will have a negative impact on the Corporate TIP team factor.
- *People modifier.* Represents the satisfaction level of our restaurant employees with their employment experience or the perceptions of our consumers regarding McDonald's as an employer.
- TSR. Total shareholder return. The total return on our shares (change in stock price and dividends paid) over a specified period, assuming reinvestment of dividends.

Groups of Company employees

- *Staff.* Company employees, including home office, divisional office and regional office employees.
- *Senior management.* Employees at the level of senior vice president and above; about 50 employees.
- *Executives.* The 10 most senior executives of the Company.
- *Named executive officers (NEOs).* The following seven executives whose compensation is described in this Proxy Statement, pursuant to requirements of the Securities and Exchange Commission (SEC).
  > James A. Skinner, former Vice Chairman and Chief Executive Officer or CEO (retired, effective June 30, 2012)
  > Donald Thompson, President and CEO (effective July 1, 2012)
  > Peter J. Bensen, Chief Financial Officer or CFO
  > Timothy J. Fenton, Chief Operating Officer or COO (effective July 1, 2012)
  > Douglas Goare, President of McDonald's Europe
  > Gloria Santona, Executive Vice President, General Counsel and Secretary
  > Janice L. Fields, former President of McDonald's USA (effective November 30, 2012)

Other

- *Total direct compensation.* The aggregate value of salary, TIP and CPUP as well as stock options and RSUs granted.
- *Total direct compensation opportunity for 2012.* The targeted value of total direct compensation that the NEOs had an opportunity to earn in 2012 for target performance.
- *Committee.* The Compensation Committee of the Company's Board of Directors.
- *AOWs.* Areas of the World, the Company's geographic business units; namely, the U.S., Europe and APMEA.

McDONALD'S EXECUTIVE COMPENSATION PROGRAM

Elements of McDonald's Executive Compensation

ALLOCATION OF TOTAL DIRECT COMPENSATION AMONG THE ELEMENTS

Approximately 84% of the NEOs' total direct compensation opportunity for 2012 was allocated to variable compensation that is at-risk based on performance, including short-term and long-term incentive compensation. Short-term incentive compensation is provided under our TIP program and long-term incentive compensation is allocated approximately two-thirds to equity-based compensation (stock options and performance-based RSUs) and one-third to long-term cash incentive compensation under the CPUP.

Beginning in 2013, to more closely align our equity compensation program with market practice, the Committee has determined that equity awards will be comprised of 50% of the grant date value in options and 50% in RSUs, rather than the prior mix of 70% in options and 30% in RSUs. We believe this change will also further promote retention.

COMPENSATION APPROACH AND PAY POSITION

Consistent with our goal of providing competitive compensation, we review our executives' total direct compensation compared to executive compensation levels at a peer group of companies. The companies in the peer group are companies with which we compete for talent, including our direct competitors, major retailers, producers of consumer branded goods and companies with a significant global presence.

The Committee reviews our peer group annually based on the following criteria: industry, comparable size based on revenue and market capitalization (.5x to 2x); global presence; high performing companies that compete with us for talent; and availability of data. McDonald's market capitalization as of the end of 2012 was $88.5 billion (at the 75th percentile of our peer group) and revenue was $27.6 billion (at the 40th percentile of our peer group). Please refer to pages 24 and 25 for more details on the composition of our peer group.

We set executive compensation targets annually in support of our executive compensation objectives. The market median for each compensation element serves as a reference point and indicator of competitive market trends, which are initial considerations by the Committee when setting compensation. Although the Committee targets direct compensation opportunity within a reasonable range of the median of our peer group, the Committee applies judgment in establishing each element of compensation. Any element of compensation may vary from the market median based upon individual factors the Committee considers relevant in a given year, including, for example, individual contributions to the accomplishment of the long-term business plan, tenure in a particular position, additional responsibilities and internal pay equity considerations.

DETAILED INFORMATION ABOUT ELEMENTS OF COMPENSATION

- ***Annual compensation***

  > Annual salary

  In setting annual salary levels, we take into account competitive considerations, individual performance, tenure in position, internal pay equity, and the effect on our general and administrative expenses. Executive salaries vary based on individual circumstances and may be above or below our stated competitive consideration of the median of our peer group.

  > Target Incentive Plan (referred to as TIP)

  Our TIP is designed primarily to reward growth in annual operating income, which measures the success of the most important elements of our business strategy. If there is no growth in operating income, the TIP formula results in no payouts. Operating income growth requires the Company to balance increases in revenue with financial discipline to produce strong margins and a high level of cash flow. The individual performance of our executives is also an important factor in determining their TIP award. As discussed above, the Company considers the median annual bonus opportunity of comparable executives within our peer group in setting TIP targets, but it is not the sole factor in its decision. Actual payouts may be above or below our stated competitive consideration based upon actual Company and/or individual performance results.

For purposes of determining an executive's TIP payout, operating income growth is measured on a consolidated (referred to as Corporate) basis or an AOW basis, or a combination of the two, depending on the executive's responsibilities. In addition to operating income growth, final TIP payouts take into account pre-established "modifiers" reflecting other measures of Corporate and/or AOW performance that are important drivers of our business (see chart on pages 32 and 33). In addition to Company performance, TIP payouts are adjusted based on the application of an individual performance factor (IPF) (from 0 up to 150% in 2012) which acts as a multiplier and can have a significant effect, whether positive or negative, in determining the final payout. Final payouts are capped at 250% of target. Additional details on how each element of performance affects actual 2012 TIP payouts can be found in the description following the Grants of Plan Based Awards table on pages 31 and 32.

In 2012, operating income growth was below the TIP targets for each AOW as well as Corporate, which negatively impacted payouts. TIP results for each AOW and Corporate benefitted by the aggregate performance against the pre-established targets for the modifiers, as detailed in the chart on page 32.

The following table shows the operating income targets and results under the 2012 TIP:

(Dollars in millions)	*Target 2012 operating income**	*2012 operating income**	*Target 2012 operating income growth over 2011**	*2012 operating income growth over 2011**
Corporate	$9,073	$8,865	6.4%	4.0%
U.S.	3,824	3,750	4.3	2.3
Europe	3,473	3,427	7.6	6.2
APMEA	1,677	1,567	10.2	3.0

** Adjusted for compensation purposes as described on page 23.*

The target awards and final TIP payouts for the NEOs are shown in the following table:

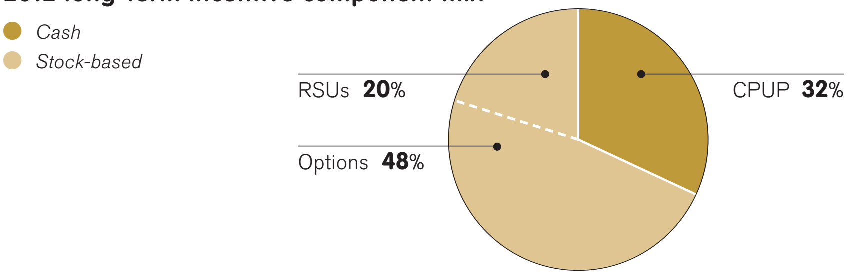
Named executive officer	*2012 target TIP award*	*2012 TIP final payout*	*TIP final payment as percentage of target*
James A. Skinner (pro-rated)	$1,133,844	$1,000,000	88.2%
Donald Thompson	1,513,270	1,400,000	92.5
Peter J. Bensen	715,000	679,000	95.0
Timothy J. Fenton	788,325	677,000	85.9
Douglas Goare	464,100	500,000	107.7
Gloria Santona	539,750	513,000	95.0
Janice L. Fields	527,765	445,000	84.3

Additional detail about the NEOs' 2012 TIP awards, including the IPF for each NEO, begins on page 31.

Long-term incentive compensation

Our long-term incentive program for executives include three vehicles—stock options, performance-based RSUs and CPUP—each with their own objectives. The chart below illustrates the approximate 2012 target opportunity of cash and stock components of our long-term incentive programs, as well as the split among stock options and RSUs as a percentage of total long-term incentive compensation opportunity.

2012 long-term incentive component mix



> Stock options

Options align executives' compensation to the stock price, thereby incentivizing executives to increase shareholder value over the long term. Options, including those granted in 2012, have an exercise price equal to the closing price of our common stock on the grant date, a term of ten years and vest ratably over four years. The Company's policies and practices regarding option grants, including the timing of grants and the determination of the exercise price, are described on page 26.

> Performance-based Restricted Stock Units (referred to as RSUs)

An RSU provides the right to receive a share of McDonald's stock upon vesting. RSUs granted to executives generally have both service- and performance-based vesting requirements. The value of RSUs is linked to our stock price. The performance-based vesting conditions based upon EPS growth require the executives to achieve the Company's strategic objectives in order to vest in the awards. The Company believes that EPS growth is an indicator of profitability.

The RSUs granted to executives in 2012 are scheduled to vest in full at the end of a three-year service period, subject to the Company's achievement of an EPS growth target over that period. The target performance level for the RSUs granted to executives in 2012 is 6% compounded annual growth in EPS on a cumulative basis over baseline 2011 EPS of $5.28. If target performance is achieved (cumulative EPS of $17.82), the full number of RSUs covered by the 2012 awards will vest. Achievement of below-target performance reduces the number of RSUs that will vest, but above-target performance does not increase the number of RSUs earned.

All of the RSUs granted to the executives in 2009 vested fully in 2012 based on the achievement of 13% compounded annual EPS growth over the performance period, which exceeded the target of 6%.

> Cash Performance Unit Plan (referred to as CPUP)

We believe it is important to have a long-term incentive pay component based on measures that support our long-term business goals and are not focused on stock price. Towards that end, in 2010 we granted three-year cash awards under CPUP. During the 2010-2012 performance cycle, the primary performance measures for these awards were operating income and ROTA. Operating income measures management's performance on the key elements associated with driving our business and ROTA measures the efficiency with which management utilizes the company's cumulative capital. 2010-2012 CPUP also incorporated a TSR multiplier that rewards strong shareholder returns relative to the S&P 500 Index, while holding senior management accountable for below-market TSR performance.

Senior management has been eligible for a long-term cash incentive award under CPUP every three years, with a cumulative payout at the end of each successive three-year cycle. CPUP award cycles have not overlapped. Our most recent three-year CPUP cycle ended on December 31, 2012. The 2012 Summary Compensation Table reflects payouts to the NEOs under CPUP for this cycle. Final CPUP payouts were determined as shown below:

CPUP target amount ($)

↓

Payout factor determined based on compound operating income growth (weighted 75%) and ROTA (weighted 25%)

↓

Payout factor adjusted by cumulative total shareholder return multiplier

↓

Final CPUP payout ($)

McDonald's results for the period covered by the 2010-2012 performance cycle exceeded target performance. The three-year results were driven by significantly above target performance in both 2010 and 2011, which was partially offset by below-target performance in 2012. The target level of compound annual operating income growth for the 2010-2012 CPUP was 6.5%. The Company achieved compound annual operating income growth of 8.1%. Target average ROTA for the 2010-2012 CPUP was 25%. The Company achieved average ROTA of 27.5%. The Company's TSR was in the 66th percentile of the S&P 500 Index during the 2010-2012 performance period. Final CPUP payouts were 159.4% of the target awards, reflecting very strong overall performance over the three-year period.

As part of its regular review process, in 2012 the Committee reviewed the structure of CPUP. The Committee continues to believe the combination of an operating income metric, as well as a return on capital metric with a market-based relative performance multiplier, serves our fundamental focus of driving sustained, profitable growth. Although the Committee believes the structure of CPUP remains aligned with our business objectives, the Committee considered the merits of currently used discrete performance cycles compared to overlapping performance cycles. The Committee decided to transition to overlapping three-year CPUP cycles beginning in 2013. The Committee believes this change will maintain participants' focus on long-term value creation while more closely aligning annual compensation with Company performance. Further, this change will more closely align the Company's long-term incentive program structure with market practice. The Committee considered that overlapping cycles give the Committee the opportunity to review and update the CPUP structure as well as performance measures each year, including the ability to take into account the then-current business environment. This allows the Company to sharpen senior management focus on the most current and relevant performance goals. The Committee has no current intention to make any changes to CPUP's structure or performance metrics, except as provided below.

Commencing in 2013, a new three-year cycle will begin each year and will result in smaller annual CPUP targets, rather than a larger target every three years. Accordingly, once we complete the transition to overlapping cycles in 2015, our long-term cash component of total compensation will consist of three, three-year performance cycles running concurrently (i.e., 2013-2015; 2014-2016; 2015-2017).

In addition, the Committee determined that, beginning in 2013, three-year Return on Incremental Invested Capital (ROIIC) is a preferable investment return metric to ROTA for future CPUP awards because it measures the effects of incremental capital investment decisions, rather than the effects of cumulative historical capital investment decisions, and is therefore more reflective of the decisions made during the then-current performance cycle.

The Committee approved new CPUP awards in February 2013 for the performance period January 1, 2013 to December 31, 2015. Participants will not receive any payouts under CPUP until after the 2013-2015 performance period ends (if performance targets are met). Awards are scheduled to be paid in 2016 following completion of the three-year performance cycle.

The transition from discrete to overlapping performance cycles will adversely affect current CPUP participants in two ways. First, the prorated CPUP award will be reduced upon a participant's retirement. We believe it is important that all of our compensation programs provide competitive treatment upon retirement, and, since the majority of current participants are retirement eligible under CPUP we believe it is important to address this benefit reduction. Second, it will take five years for participants to be eligible for the same potential benefits under overlapping cycles as they would be eligible for in three years if we were to continue to use discrete cycles. The Committee believes it is important to replicate a significant portion of the value provided by CPUP in prior years using a different compensation vehicle within the structure of our current executive compensation program.

The Committee determined that it was appropriate to address these transition issues by making a one-time, performance-based RSU grant in 2013 to CPUP participants affected by this change. Fifty percent of these RSUs will be eligible to vest on the third anniversary of the grant and fifty percent will generally be eligible to vest upon the participant's separation from McDonald's, depending on the circumstances of the separation. This one-time RSU grant will be subject to the same three-year performance metrics as the 2013-2015 CPUP awards, so that the number of shares underlying the RSUs will be definitively determined at the end of the 2013-2015 cycle based on performance. If target performance, or above, is achieved, the full number of shares underlying the RSUs covered by the award will vest. Performance below target will result in a pro rata reduction in the number of shares underlying the RSUs that will vest, but above-target performance will not increase the number of RSUs earned. This grant is intended to restore approximately three-quarters of participants' lost CPUP retirement benefits, if targets are achieved. Participants whose employment with the Company terminates during the 2013-2015 cycle may continue to be eligible for only a prorated portion of this one-time transition RSU award, based upon when in the applicable three-year performance cycle they separate from McDonald's and the circumstances of the separation.

- ***Retirement savings plans***

The NEOs participate in our tax-qualified defined contribution retirement savings plan (Profit Sharing Plan) and a supplemental non-qualified deferred compensation retirement plan that are the same as those in which staff participate. We believe a competitive retirement program aligns with market practices, and thereby contributes to the recruitment and retention of top executive talent.

- ***Severance and change in control arrangements***

> Severance plan

Messrs. Bensen, Fenton, Goare and Thompson and (prior to her separation) Ms. Fields participate in our broad-based U.S. severance plan. Benefits under the severance plan are described under "Potential Payments Upon Termination of Employment or Change in Control" beginning on page 37.

> Change in control employment agreements

The Company has change in control employment agreements with some of its NEOs. Benefits under the change in control employment agreements are described under "Potential Payments Upon Termination of Employment or Change in Control" beginning on page 37. The Company does not intend to enter into new change in control agreements.

> Executive Retention Replacement Plan (ERRP)

The benefits provided under the ERRP were established in 1999 to retain executive talent. Ms. Santona is the sole remaining participant in this program as the Committee stopped offering ERRP benefits to new participants in 2003. Under the ERRP, Ms. Santona is entitled to retire and receive certain cash benefits, as well as the vesting of all of her outstanding equity awards. Stock options would continue to become exercisable on their originally scheduled dates and RSUs would be paid out on the originally scheduled dates, based on the Company's achievement of the applicable performance goals. In addition, Ms. Santona would receive substantially similar benefits if her employment is terminated for any reason other than death, disability or "cause." Ms. Santona's receipt of benefits under the ERRP is subject to the execution of an agreement that includes covenants not to compete, not to solicit employees, nondisparagement and nondisclosure covenants as well as a release of claims.

- ***Perquisites and other fringe benefits***
  McDonald's provides the following perquisites to executives: company-provided car or a car allowance, financial planning, annual physical examinations (which are also available for the executives' spouses), executive security (only three executives), matching charitable donations, limited personal items and, generally in the case of the CEO only, personal use of the Company's aircraft (CEO is required to reimburse a portion of the cost). The Company does not provide any tax gross-ups with respect to perquisites. See footnote 5 to the Summary Compensation Table on page 29 for a discussion of perquisites received by NEOs in 2012. Executives also participate in all of the broad-based benefit and welfare plans and perquisites available to McDonald's staff in general.

LEADERSHIP CHANGES

As described above, Mr. Skinner retired as CEO, effective June 30, 2012, after 41 years of service to the Company. Mr. Skinner participated in the ERRP, and qualified for certain benefits upon retirement, including a cash payment of approximately $10 million. In exchange for these benefits, Mr. Skinner satisfied both a multi-year retention period as well as a retirement age of 62. Mr. Skinner satisfied all of his commitments, including agreeing to ongoing post-termination restrictive covenants, in exchange for the benefits provided by the ERRP. The benefits provided under the ERRP were established in 1999 to retain executive talent. The Committee stopped offering benefits to new participants in 2003 and Ms. Santona is the sole remaining participant.

In connection with his promotion to CEO, Mr. Thompson received a 26% salary increase as well as increases in his TIP and CPUP target awards consistent with the target awards approved for our prior CEO. In addition, in an effort to align the amount of compensation Mr. Thompson ultimately receives with shareholders' interests, the Committee made a promotional grant of stock options to Mr. Thompson valued at approximately $2 million, with an exercise price equal to the closing price of a share of Company stock on June 29, 2012, which aligned with our stock price when he became CEO.

The Board of Directors elected Jeffrey Stratton to succeed Jan Fields as President of McDonald's USA, with effect on December 1, 2012. As described on page 39, Ms. Fields is entitled to benefits under our broad-based U.S. severance plan; which requires agreement to certain restrictive covenants. Pursuant to the terms of the awards, Ms. Fields would have been entitled to vest in a pro rata portion of her RSUs. In exchange for a two-year agreement not to compete, the Company agrees to allow Ms. Fields to vest in all of her remaining RSUs, subject to the original performance conditions.

The ERRP cash payment to Mr. Skinner is included in the Summary Compensation Table beginning on page 27 and benefits under the ERRP are detailed under the "Benefits under the Executive Retention Replacement Plan on page 39 and the payments to which Ms. Fields is eligible in connection with her separation from McDonald's are described under "Potential Payments Upon Termination of Employment or Change in Control" beginning on page 39.

CERTAIN ADJUSTMENTS IN MEASURING PERFORMANCE

In measuring financial performance the Committee focuses on the fundamentals of the underlying business performance and adjusts for items that are not indicative of ongoing results. For example, operating income and EPS are expressed in constant currencies (i.e., excluding the effects of foreign currency translation), since we believe that period-to-period changes in foreign exchange rates can cause our reported results to appear more or less favorable than business fundamentals indicate. The Committee's approach to other types of adjustments is subject to pre-established guidelines, including materiality, to provide clarity and consistency on how it views the business when evaluating performance. Charges/credits that may be excluded from operating income include: "strategic" items (such as restructurings, acquisitions and divestitures); "regulatory" items (changes in tax or accounting rules); and "external" items (extraordinary, non-recurring events such as natural disasters). Similar principles apply to exclusions from EPS and when calculating ROTA.

> There were no items excluded in calculating operating income for 2012 TIP.

> There were no significant items excluded from the operating income or ROTA calculations with respect to the 2010-2012 CPUP.

> There were no significant items excluded from the EPS calculations with respect to the performance-based RSUs granted to executives in 2009 and 2012.

THE PROCESS FOR SETTING COMPENSATION

The Committee is responsible for reviewing and approving senior management's compensation. This includes approving the goals and payouts under the short- and long-term incentive plans, target compensation opportunities and actual payouts for the executives, as well as the design of programs in which the executives participate. The

Chairmen of the Governance Committee and Compensation Committee lead the Board's independent directors in the evaluation of the CEO's performance. Based upon the results of this performance evaluation, and informed by input from the Committee's independent consultant and the head of human resources, the Committee reviews and approves CEO compensation.

THE ROLE OF MANAGEMENT

Management recommends compensation for executives other than the CEO to the Committee. The CEO recommends compensation packages for the NEOs who report directly to him: Messrs. Bensen and Fenton and Ms. Santona. The COO does the same for the NEOs who report directly to him: Mr. Goare and, prior to her departure, Ms. Fields. The head of human resources also provides input on compensation for each of the executives other than himself. In 2012, prior to each Committee meeting, the CEO and the CFO provided input on the materials prepared by management and presented to the Committee (except with respect to their own compensation).

THE ROLE OF COMPENSATION CONSULTANTS

The Committee has adopted a policy under which it has the sole authority to select, evaluate, retain and dismiss an independent compensation consultant. Management may not engage the Committee's consultant for any purpose. Frederic W. Cook & Co., Inc. (FWC) is the Committee's independent compensation consultant. FWC advises the Committee regarding (i) trends in executive compensation; (ii) specific compensation recommendations for the CEO, CFO and COO; (iii) applicable legislative developments; and (iv) other matters as requested by the Committee from time to time. FWC also provides assistance to the Board in compiling and summarizing the results of certain Board and director evaluations and advice on director fees.

In December 2012, the Committee considered FWC's independence and whether its work raised conflicts of interest under newly-adopted NYSE listing standards and new SEC rules. Based on information received from FWC and other relevant considerations, the Committee concluded that FWC is independent and that its work for the Committee did not raise any conflicts of interest.

In addition, to identify and evaluate external trends and practices related to compensation and benefits strategy, design and administration, management considers survey data and other similar research obtained from various sources, including Towers Watson & Co., Equilar and Aon Hewitt, which also provides significant plan administration services to McDonald's.

COMPANIES IN OUR PEER GROUP IN 2012

As previously discussed on page 18, each year the Committee selects a peer group of companies with which we compete for talent and based upon specific criteria. The table below illustrates the type of companies chosen (i.e., branded consumer products) as well as market capitalization and annual revenues for each of our peer group companies for 2012 (except for Nestlé and Unilever, for which such information is not available).

McDonald's 2012 peer group companies *(Dollars in billions)*

Peer	*Market capitalization ($)(1)*	*Revenues (2)*
Branded Consumer Products:		
3M Company	$ 64.2	$29.9
The Coca-Cola Company	162.6	48.8
Colgate-Palmolive Company	49.4	17.1
The Walt Disney Company	88.2	42.3
General Mills, Inc.	26.1	16.7
Johnson & Johnson	194.3	67.2
Kellogg Company	20.0	14.2
Kraft Foods Group, Inc. *(3)*	26.9	18.3
Mondeléz International, Inc. *(3)*	26.9	35.0
Nestlé (United States) *(4)*	–	–
NIKE, Inc.	41.9	24.1
PepsiCo, Inc.	105.9	65.5
The Procter & Gamble Company	185.6	83.7
Unilever (United States) *(4)*	–	–

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Peer	*Market capitalization ($)(1)*	*Revenues (2)*
Major Retailers/Services:		
Best Buy Co., Inc.	$ 4.0	$ 50.7
FedEx	28.8	42.7
The Home Depot, Inc.	92.5	74.8
Lowe's Companies Inc.	39.9	50.2
Sears Holding Corporation	4.4	39.9
Target Corporation	38.5	73.3
Walgreen Co.	35.0	71.6
Wal-Mart Stores, Inc.	228.2	466.1
Key Competitors:		
Burger King Worldwide, Inc.	$ 5.8	$ 2.0
Starbucks Corporation	39.9	13.3
Wendy's Company	1.8	2.5
Dunkin' Brands Group	3.5	0.7
Yum! Brands, Inc.	30.0	13.6
McDonald's	$ 88.5	$ 27.6

(1) Source for market capitalization: Bloomberg.com. Data as of December 31, 2012.

(2) Reflects revenues, sales or comparable data as publicly disclosed by the applicable company in its annual report filed with the SEC for its most recently completed fiscal year for which an annual report has been filed prior to the date hereof.

(3) Kraft Foods Inc. was included in the peer group prior to the company splitting into Mondeléz International and Kraft Foods Group in 2012. Both companies remain in our peer group.

(4) Unlisted U.S. division of non-U.S. company.

In 2012, the Committee removed Costco as a result of general differences in compensation structure and philosophy and Sara Lee due to a pending divestiture. It also added FedEx and Dunkin' Brands Group. FedEx has a large global presence and Dunkin' Brands Group is considered a brand and direct competitor in the coffee and breakfast segments.

COMPENSATION POLICIES AND PRACTICES

Policy regarding stock ownership of management

The Company has adopted stock ownership requirements for senior management because we believe they will more effectively pursue the long-term interests of shareholders if they are shareholders themselves. The following table provides our current stock ownership requirements, by level.

Level	*Stock ownership requirements (multiple of salary)*
President & CEO	6 X
COO	5 X
CFO	4 X
President U.S./Europe/APMEA	4 X
Executive Management (EVP)	4 X
Division President – U.S. paid	4 X
Division President – non-U.S. paid	3 X
Senior Management (SVP) – U.S. paid	3 X
Senior Management (SVP) – non-U.S. paid	2 X

The Committee reviews share ownership requirements and where members of senior management stand against their respective requirements annually. Once a member of senior management becomes subject to the stock ownership requirements, he/she has five years to satisfy the requirements. The five-year period to comply restarts when an executive is promoted to a position with a higher ownership requirement. Currently, all executives meet or are on track to meet their respective stock ownership requirements.

Further, the Company has adopted restrictions that prohibit certain employees, including all of senior management, from engaging in derivative transactions to hedge the risk associated with their stock ownership. These restrictions also require approval in order to hold Company shares in a margin account.

CLAWBACKS

The Company's compensation plans contain clawback provisions that apply to senior management.

Senior management may be required to repay compensation previously awarded under TIP and CPUP in certain circumstances (for example, the commission of fraud) and to the extent permitted under applicable law.

Payments under the ERRP, including some stock option gains and RSU payouts, are also subject to forfeiture and repayment in certain circumstances, such as violation of an applicable restrictive covenant or the commission of an act that would have resulted in termination for "cause."

Under our severance plan, the Company may cease payment of any future benefits and require repayment of any previously paid severance amounts upon violation of an applicable restrictive covenant or commission of an act that would have resulted in termination for "cause."

Unexercised stock options and unpaid RSUs are subject to forfeiture if the Company determines that any employee committed an act or acts involving dishonesty, fraud, illegality or moral turpitude. Further, if an executive violates a restrictive covenant, the Company has the right to cancel outstanding awards.

POLICY REGARDING FUTURE SEVERANCE PAYMENTS

The Company has a policy under which we will seek shareholder approval for severance payments to a NEO if such payments, including tax gross-ups, would exceed 2.99 times the sum of (i) the NEO's annual base salary as in effect immediately prior to termination of employment; and (ii) the highest annual bonus awarded to the NEO by the Company in any of the three full fiscal years immediately preceding the fiscal year in which termination of employment occurs. Certain types of payments are excluded from this policy, such as amounts payable under arrangements that apply to classes of employees other than the NEOs or that predate the implementation of the policy, as well as any payment that the Committee determines is a reasonable settlement of a claim that could be made by a NEO.

RISK AND COMPENSATION PROGRAMS

In considering the risks to the Company and its business that may be implied by our compensation plans and programs, the Committee focuses primarily on senior management, but also considers the design, operation and mix of the plans and programs at all levels of the Company. Our compensation program is designed to mitigate the potential to reward excessive risk-taking that may produce short-term results that appear in isolation to be favorable, but that may undermine the successful execution of our long-term business strategy and erode shareholder value.

INTERNAL PAY EQUITY

Compensation opportunities reflect our executives' positions, responsibilities and tenure in a given position and are generally similar for executives who have comparable levels of responsibility (although actual compensation delivered may differ depending on relative performance). In 2012, Mr. Skinner and then Mr. Thompson had ultimate responsibility for the strategic direction of the Company and therefore were the most highly paid.

POLICY WITH RESPECT TO DEDUCTIBILITY OF COMPENSATION

We intend that our compensation programs usually will permit the Company to deduct compensation expense under Section 162(m) of the Internal Revenue Code (Code), which limits to $1 million the tax deductibility of annual compensation paid to NEOs, unless the compensation is performance-based. However, the Company may from time to time pay compensation that does not qualify as performance-based compensation under Section 162(m) of the Code.

POLICIES AND PRACTICES REGARDING EQUITY AWARDS

Equity awards cannot be granted when the Company possesses material non-public information. The Company generally makes broad-based equity grants at approximately the same time each year following our release of financial information; however, the Company may choose to make equity awards outside of the annual broad-based grant (i.e., for certain new hires or promotions). Stock options may be granted only with an exercise price at or above the closing market price of the Company's stock on the date of grant.

Compensation Tables

SUMMARY COMPENSATION TABLE

The table below summarizes the total compensation earned by or paid to our NEOs in 2010, 2011 and 2012.

Name and principal position (a)	*Year (b)*	*Salary (1) ($)(c)*	*Stock awards (2) ($)(e)*	*Option awards (3) ($)(f)*		*Non-equity incentive plan compensation (4) ($)(g)*	*All other compensation (5) ($)(i)*	*Total ($)(j)*
James A. Skinner *Former Vice Chairman and Chief Executive Officer (retired, effective June 30, 2012)*	2012	$ 753,333	$1,720,304	$3,024,089	*Annual:* *Long-term:* *Total:*	$ 1,000,000 10,611,153 11,611,153	$10,632,529*(6)*	$27,741,408
	2011	1,473,333	1,429,035	1,796,501	*Annual:* *Long-term:* *Total:*	3,300,000 0 3,300,000	752,024	8,750,893
	2010	1,433,333	1,415,255	1,752,389	*Annual:* *Long-term:* *Total:*	4,500,000 0 4,500,000	631,641	9,732,618
Donald Thompson *President and Chief Executive Officer (effective July 1, 2012)*	2012	979,167	660,129	3,206,663*(7)*	*Annual:* *Long-term:* *Total:*	1,400,000 7,181,144 8,581,144	324,816	13,751,919
	2011	829,167	625,165	785,902	*Annual:* *Long-term:* *Total:*	1,526,000 0 1,526,000	307,514	4,073,748
	2010	794,952	583,838	722,908	*Annual:* *Long-term:* *Total:*	1,855,000 0 1,855,000	174,662	4,131,360
Peter J. Bensen *Chief Financial Officer*	2012	708,333	465,904	818,945	*Annual:* *Long-term:* *Total:*	679,000 4,463,200 5,142,200	196,308	7,331,690
	2011	670,833	446,730	561,559	*Annual:* *Long-term:* *Total:*	987,000 0 987,000	226,504	2,892,626
	2010	641,667	398,084	492,891	*Annual:* *Long-term:* *Total:*	1,296,000 0 1,296,000	198,800	3,027,441
Timothy J. Fenton *Chief Operating Officer (effective July 1, 2012)*	2012	684,167	407,474	716,270	*Annual:* *Long-term:* *Total:*	677,000 3,205,453 3,882,453	198,455	5,888,819
	2011	601,500	401,969	505,299	*Annual:* *Long-term:* *Total:*	667,000 0 667,000	302,468	2,478,236
	2010	581,083	371,564	460,033	*Annual:* *Long-term:* *Total:*	961,000 0 961,000	385,411	2,759,091

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Name and principal position (a)	Year (b)	Salary (1) ($)(c)	Stock awards (2) ($)(e)	Option awards (3) ($)(f)		Non-equity incentive plan compensation (4) ($)(g)	All other compensation (5) ($)(i)	Total ($)(j)
Douglas Goare *President, McDonald's Europe* (8)	2012	$542,500	$298,856	$525,266	*Annual:*	$ 500,000	$889,836	$4,508,723
					Long-term:	1,752,265		
					Total:	2,252,265		
Gloria Santona *Executive Vice President, General Counsel and Secretary* (9)	2012	632,500	233,632	410,660	*Annual:*	513,000	156,797	3,524,649
					Long-term:	1,578,060		
					Total:	2,091,060		
Janice L. Fields *Former President, McDonald's USA (effective November 30, 2012)*	2012	616,917	353,210	620,775	*Annual:*	445,000	159,860	4,825,862
					Long-term:	2,630,100		
					Total:	3,075,100		
	2011	593,333	321,602	404,242	*Annual:*	679,000	155,854	2,154,031
					Long-term:	0		
					Total:	679,000		
	2010	573,351	291,947	361,459	*Annual:*	780,000	146,659	2,153,416
					Long-term:	0		
					Total:	780,000		

(1) Reflects annual and promotional increases in salary that took effect during 2012. Annual base salaries as of December 31, 2012 were as follows:

Donald Thompson	$1,100,000
Peter J. Bensen	715,000
Timothy J. Fenton	750,000
Douglas Goare	546,000
Gloria Santona	635,000
Janice L. Fields	620,900

(2) Represents the aggregate grant date fair value, as computed in accordance with FASB ASC Topic 718, based on the probable outcome of the applicable performance conditions and excluding the effect of estimated forfeitures during the applicable vesting periods, of RSUs granted under the McDonald's Corporation Amended and Restated 2001 Omnibus Stock Ownership Plan, as amended (Prior Plan) or the McDonald's Corporation 2012 Omnibus Stock Ownership Plan (Current Plan), as applicable. Values are based on the closing price of the Company's common stock on the grant date, less the present value of expected dividends over the vesting period. Generally, RSUs vest on the third anniversary of the grant date and are subject to performance-based vesting conditions linked to the achievement of target levels of diluted EPS growth. Additional information is disclosed in the Grants of Plan-Based Awards table on page 30 and the Outstanding Equity Awards at 2012 Year-end table on pages 33 and 34. A more detailed discussion of the assumptions used in the valuation of RSU awards may be found in the Notes to Consolidated Financial Statements under "Share-based Compensation" on page 42 of the Company's Annual Report on Form 10-K for the year ended December 31, 2012.

(3) Represents the aggregate grant date fair value, as computed in accordance with FASB ASC Topic 718, excluding the effect of estimated forfeitures during the applicable vesting periods of options. Options have an exercise price equal to the closing price of the Company's common stock on the grant date, vest in equal installments over a four-year period and are subject to the Prior Plan or the Current Plan, as applicable. Values for options granted in 2012 are determined using a closed-form pricing model based on the following assumptions, as described in the footnotes to the consolidated financial statements: expected volatility based on historical experience of 20.8%; an expected annual dividend yield of 2.8%; a risk-free return of 1.1%; and expected option life based on historical experience of 6.1 years. Additional information about options is disclosed in the Grants

of Plan-Based Awards table on page 30 and the Outstanding Equity Awards at 2012 Year-end table on pages 33 and 34. A more detailed discussion of the assumptions used in the valuation of option awards may be found in the Notes to Consolidated Financial Statements under "Share-based Compensation" on pages 32 and 42 of the Company's Annual Report on Form 10-K for the year ended December 31, 2012.

(4) Our annual cash incentive plan is referred to as TIP and our long-term cash incentive plan is referred to as CPUP. CPUP operates on non-overlapping three-year cycles and these payouts are for the 2010-2012 cycle.

(5) "All other compensation" for 2012 includes the Company's contributions to the Profit Sharing Plan and Excess Benefit and Deferred Bonus Plan as follows:

James A. Skinner	$364,800
Donald Thompson	225,465
Peter J. Bensen	152,581
Timothy J. Fenton	121,605
Douglas Goare	99,667
Gloria Santona	120,472
Janice L. Fields	116,632

Also included are the following categories of perquisites: personal use of Company-provided cars or an allowance; life insurance; financial counseling; annual physical examinations for the executives and spouses; executive security; matching charitable donations; Olympic events tickets and personal items; limited miscellaneous items; and personal use (which includes travel for service on boards of directors other than our Board) of the Company's aircraft, with a net cost to the Company in 2012 of $25,495 for Mr. Skinner and $50,331 for Mr. Thompson. In general, the CEO is the only executive permitted to use the aircraft for personal travel. However, in certain circumstances the CEO may at his discretion permit other executives to use the aircraft for personal travel. In addition, at the discretion of the CEO, other executives may be joined by their spouses on the aircraft. The Company does not provide any tax gross-ups on the perquisites described above.

As Mr. Goare was based overseas throughout 2012, the amount in this column also includes certain benefits in connection with his international assignment, as follows: Company-provided residence in Geneva (in the amount of $132,919); rental furniture; utilities for his Geneva residence; a cost-of-living adjustment (in the amount of $165,427); home leave travel allowance (in the amount of $27,670); relocation and family allowances; moving expenses (such as storage and shipment of goods); and tax equalization (in the amount of $326,623) which is designed to satisfy tax obligations arising solely as a result of his international assignment. Certain amounts were paid in Euro or Swiss Francs and in each case the amount reported reflects the exchange rate on the date the respective payments were made.

Mr. Fenton previously performed an international assignment in Hong Kong. As a result, he received certain tax-related benefits in connection with his international assignment. In particular, Mr. Fenton participated in the Company's tax equalization program, which reimburses an executive's tax obligations arising solely as a result of an international assignment, to the extent that those tax obligations are in excess of taxes that would have been due had the executive not performed the international assignment. Although Mr. Fenton returned to the U.S. in April of 2010, he continued to have tax liability in Hong Kong in 2012 arising from his international assignment. In 2012, the Company facilitated a Hong Kong tax payment as part of the tax equalization process; however, since this amount was withheld from Mr. Fenton there was no aggregate incremental cost to the Company as a result. Consistent with Company policy, the Company also provided Mr. Fenton with tax preparation services.

The incremental cost of perquisites is included in the amount provided in the table and based on actual charges to the Company, except as follows: (i) Company-provided cars includes a pro rata portion of the purchase price, fuel and maintenance, based on personal use, and (ii) corporate aircraft includes fuel, on-board catering, landing/handling fees and crew costs and excludes fixed costs, such as pilot salaries and the cost of the aircraft. In accordance with Company policy, the CEO must reimburse the Company for a portion of personal use of the corporate aircraft, calculated as the lower of (i) amount determined under the Code based on four times the Standard Industry Fare Level (SIFL) rate per person or (ii) 200% of the actual fuel cost.

(6) Includes Mr. Skinner's ERRP payment of $10,222,839.

(7) Mr. Thompson received a grant of 169,396 stock options in connection with his promotion to President and CEO on July 1, 2012.

(8) Mr. Goare was not a NEO in 2010 or 2011.

(9) Ms. Santona was not a NEO in 2010 or 2011.

GRANTS OF PLAN-BASED AWARDS — FISCAL 2012

In 2012, the NEOs received annual cash awards under TIP. The formula for determining payouts under the TIP is described following the footnotes to the table. Columns (d) and (e) below show the target and maximum awards they could have earned. Actual payouts are in column (g) of the Summary Compensation Table. In 2012, the NEOs also received two types of equity awards: RSUs subject to performance-based vesting criteria (see columns (f), (g), (h) and (l)) and stock options (see columns (j), (k) and (l)).

				Estimated future payouts under non-equity incentive plan awards		*Estimated future payouts under equity incentive plan awards (1)*					
Name (a)	*Plan*	*Grant date (b)*	*Threshold ($)(c)*	*Target ($)(d)*	*Maximum ($)(e)*	*Threshold (#)(f)*	*Target (#)(g)*	*Maximum (#)(h)*	*All other option awards: number of securities underlying option (2) (#)(j)*	*Exercise or base price of option awards ($/Sh)(k)*	*Grant date fair value of stock and options awards (3) ($)(l)*
James A. Skinner	TIP		0	$1,133,844	$2,834,610						
	Equity Plan	2/8/12				0	18,990	18,990			$1,720,304
	Equity Plan	2/8/12							221,545	$100.05	3,024,089
Donald Thompson	TIP		0	1,513,270	3,783,175						
	Equity Plan	2/8/12				0	7,287	7,287			660,129
	Equity Plan	2/8/12							85,008	100.05	1,160,359
	Equity Plan	6/29/12							169,396	88.53	2,046,304
Peter J. Bensen	TIP		0	715,000	1,787,500						
	Equity Plan	2/8/12				0	5,143	5,143			465,904
	Equity Plan	2/8/12							59,996	100.05	818,945
Timothy J. Fenton	TIP		0	788,325	1,970,813						
	Equity Plan	2/8/12				0	4,498	4,498			407,474
	Equity Plan	2/8/12							52,474	100.05	716,270
Douglas Goare	TIP		0	464,100	1,160,250						
	Equity Plan	2/8/12				0	3,299	3,299			298,856
	Equity Plan	2/8/12							38,481	100.05	525,266
Gloria Santona	TIP		0	539,750	1,349,375						
	Equity Plan	2/8/12				0	2,579	2,579			233,632
	Equity Plan	2/8/12							30,085	100.05	410,660
Janice L. Fields	TIP		0	527,765	1,319,413						
	Equity Plan	2/8/12				0	3,899	3,899			353,210
	Equity Plan	2/8/12							45,478	100.05	620,775

(1) Reflects grants of RSUs subject to performance-based vesting conditions under the Prior Plan or the Current Plan, as applicable. The RSUs vest on February 8, 2015, subject to achievement of a specified EPS growth target during the performance period ending on December 31, 2014. The performance target for all RSU awards granted to the NEOs in 2012 is compounded annual EPS growth of 6% on a cumulative basis, adjusted to exclude certain items as described on page 23. If target is achieved, 100% of the RSUs will vest. If no compounded EPS growth is achieved, no RSUs will vest. If compounded EPS growth is achieved, but below target, the awards will vest proportionally.

(2) Reflects grants of options in 2012. For details regarding options, please refer to footnote 3 to the Summary Compensation Table beginning on page 28.

(3) The values in this column for RSUs and options were determined based on the assumptions described in footnotes 2 and 3, respectively, to the Summary Compensation Table beginning on page 28.

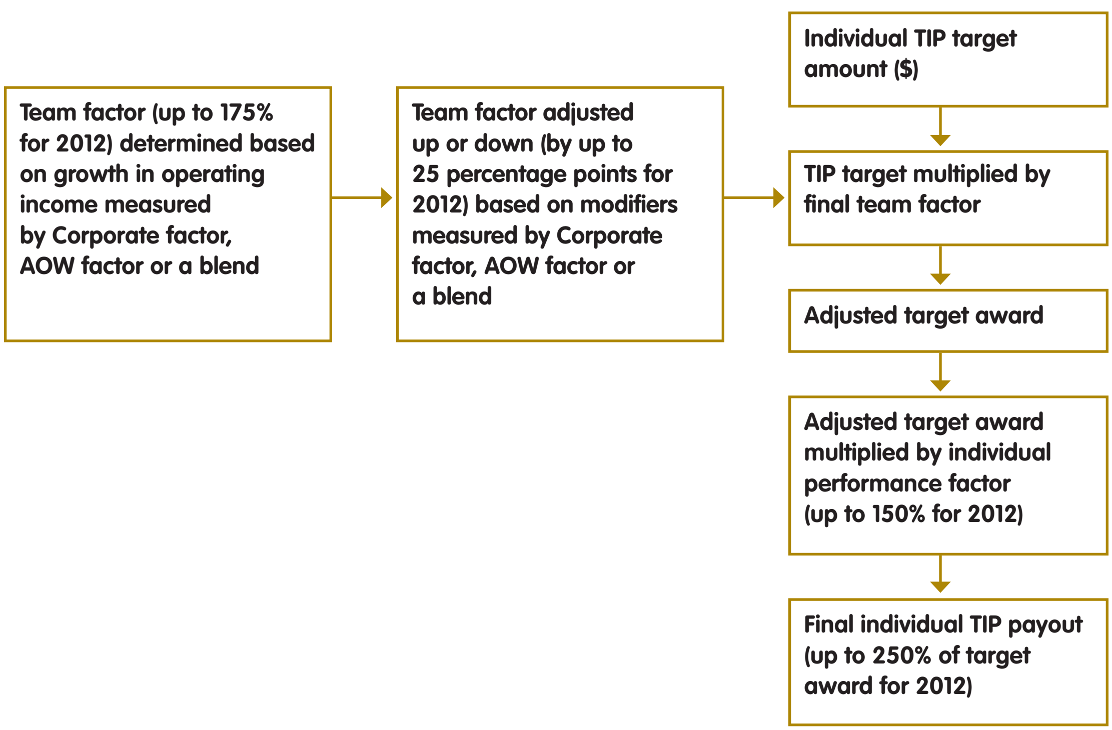
TIP Awards

Target TIP awards for 2012 were equal to a percentage of salary. The final payouts (shown in column (g) to the Summary Compensation Table) were determined based on the following principles:

> TIP measures performance using a "team factor" that is initially determined based on growth in operating income. The team factor increases with growth in operating income up to 100% at the target level of growth and to higher percentages at higher levels of growth, up to the maximum (175% in 2012). The team factor can then be adjusted up or down, within specified limits, based on "modifiers" reflecting other measures of Corporate and/or AOW performance. The target amount is multiplied by the team factor, which includes the modifiers. The product is the "adjusted target award."

> Each participant is assigned an individual performance factor determined based on a combination of both subjective and objective factors. The adjusted target award is multiplied by the individual performance factor, and the product is the final payout.

The flowchart below illustrates this process:



The table below shows how increases in operating income determined the team factor for each business segment in 2012, before the application of modifiers. The table shows the target and maximum levels of growth in operating income. Operating income at the Corporate level was included in the TIP team factor calculation for all of our executives. In addition, the results for the U.S. were included in the calculation for Ms. Fields, the results for Europe were included in the calculation for Mr. Goare, and the results for APMEA were included in the calculation for Mr. Fenton.

TIP team factor and growth in operating income for 2012

Team factor as % of target	*0%*	*100% (Target)*	*175% (Maximum)*
Growth in operating income over 2011:			
Corporate factor	0%	6.4%	11.1%
U.S. factor	0	4.3	8.1
Europe factor	0	7.6	13.0
APMEA factor	0	10.2	17.9

Operating income growth in 2012 was 4.0% (Corporate), 2.3% (U.S.), 6.2% (Europe) and 3.0% (APMEA). The resulting Corporate, U.S., Europe and APMEA team factors were 84.6%, 81.8%, 91.2% and 71.0%, respectively, before the application of modifiers.

The target TIP awards, the team factors (including the modifiers), the individual performance factors and the final payouts as a percentage of target awards for the NEOs in 2012 are summarized below.

		Team factors (Corporate factor; AOW factor; blend)					
Named executive officer	*Target TIP award (% of salary)*	*Applicable team factor(s)*	*Team factor(s) before application of modifiers (% of target award)*	*Impact of modifiers (% added or subtracted)*	*Final team factor applied to determine TIP payout (% of target award)*	*Personal factor (%)*	*Final TIP payout (% of target award)*
James A. Skinner	74.6%	Corporate	84.6%	1.7%	86.3%	102%	88.2%
Donald Thompson	137.6	Corporate	84.6	1.7	86.3	107	92.5
Peter J. Bensen	100.0	Corporate	84.6	1.7	86.3	110	95.0
Timothy J. Fenton	105.1	Corporate (weighted 63.1%)	84.6	1.7	86.3	100	85.9
		APMEA (weighted 36.9%)	71.0	13.8	84.8		
Douglas Goare	85.0	Corporate (weighted 25%)	84.6	1.7	86.3	110	107.7
		Europe (weighted 75%)	91.2	10.4	101.6		
Gloria Santona	85.0	Corporate	84.6	1.7	86.3	110	95.0
Janice L. Fields	85.0	Corporate (weighted 25%)	84.6	1.7	86.3	100	84.3
		U.S. (weighted 75%)	81.8	1.7	83.5		

The applicable modifiers are described in the following table:

Team factor	*Modifiers*	*Potential weight of each modifier (range)*	*Potential overall adjustment of team factor by modifiers (range)*
Corporate factor	> Comparable Guest Counts Growth > Customer Satisfaction Opportunity > G&A Expense Control	Up to +7.5 or -5 percentage points	Up to +/-15 percentage points
AOW factor	> Comparable Guest Counts Growth > Customer Satisfaction Opportunity > Improvements in People Modifier	Up to +/-10 percentage points	Up to +/-25 percentage points

OUTSTANDING EQUITY AWARDS AT 2012 YEAR-END

	Option awards				*Stock awards*			
Name (a)	*Number of securities underlying unexercised options exercisable (1) (#)(b)*	*Number of securities underlying unexercised options unexercisable (1) (#)(c)*	*Option exercise price ($)(e)*	*Option expiration date (f)*	*Number of shares or units of stock that have not vested (2) (#)(g)*	*Market value of shares or units of stock that have not vested (2)(3) ($)(h)*	*Equity incentive plan awards: number of unearned shares, units or other rights that have not vested (4) (#)(i)*	*Equity incentive plan awards: market or payout value of unearned shares, units or other rights that have not vested (3)(4) ($)(j)*
James A. Skinner	62,500	0	$ 26.63	02/16/2014				
	62,500	0	25.31	05/20/2014				
	250,000	0	31.21	12/01/2014				
	151,910	0	34.54	03/23/2016				
	116,589	0	45.02	02/14/2017				
	370,763	0	56.64	02/13/2018				
	173,805	57,935	57.08	02/11/2019				
	88,505	88,504	63.25	02/10/2020				
	36,874	110,622	75.93	02/09/2021				
	0	221,545	100.05	12/30/2021			65,356	$5,765,053
Donald Thompson	30,000	0	26.63	02/16/2014				
	30,000	0	25.31	05/20/2014				
	25,299	0	32.60	02/16/2015				
	20,611	0	36.37	02/14/2016				
	24,984	0	45.02	02/14/2017				
	44,492	0	56.64	02/13/2018				
	35,865	11,955	57.08	02/11/2019				
	19,707	6,568	57.08	02/11/2019				
	36,511	36,510	63.25	02/10/2020				
	16,131	48,393	75.93	02/09/2021				
	0	85,008	100.05	02/08/2022				
	0	169,396	88.53	06/29/2022			26,940	2,376,377

Table continued on next page

Table continued from previous page

Name (a)	Option awards: Number of securities underlying unexercised options exercisable (1) (#)(b)	Number of securities underlying unexercised options unexercisable (1) (#)(c)	Option exercise price ($)(e)	Option expiration date (f)	Stock awards: Number of shares or units of stock that have not vested (2) (#)(g)	Market value of shares or units of stock that have not vested (2)(3) ($)(h)	Equity incentive plan awards: number of unearned shares, units or other rights that have not vested (4) (#)(i)	Equity incentive plan awards: market or payout value of unearned shares, units or other rights that have not vested (3)(4) ($)(j)
Peter J. Bensen	15,971	0	32.60	02/16/2015				
	15,870	0	36.37	02/14/2016				
	15,157	0	45.02	02/14/2017				
	24,100	0	56.64	02/13/2018				
	30,348	10,115	57.08	02/11/2019				
	24,895	24,892	63.25	02/10/2020				
	11,527	34,578	75.93	02/09/2021				
	0	59,996	100.05	02/08/2022			18,845	$1,662,317
Timothy J. Fenton	44,492	0	56.64	02/13/2018				
	35,865	11,955	57.08	02/11/2019				
	23,234	23,234	63.25	02/10/2020				
	10,373	31,113	75.93	02/09/2021				
	0	52,474	100.05	02/08/2022			17,066	1,505,392
Douglas Goare	12,050	0	56.64	02/13/2018				
	11,726	3,908	57.08	02/11/2019				
	8,298	8,298	63.25	02/10/2020				
	4,323	12,963	75.93	02/09/2021				
	0	38,481	100.05	02/08/2022	2,372	$209,234	5,769	508,883
Gloria Santona	19,154	0	45.02	02/14/2017				
	24,100	0	56.64	02/13/2018				
	19,312	6,437	57.08	02/11/2019				
	12,032	12,032	63.25	02/10/2020				
	5,013	15,039	75.93	02/09/2021				
	0	30,085	100.05	02/08/2022			8,883	783,569
Janice L. Fields	0	6,437	57.08	02/11/2019				
	0	18,254	63.25	02/10/2020				
	0	24,891	75.93	02/09/2021				
	0	45,478	100.05	02/08/2022			13,859	1,222,502

(1) In general, options expire on the tenth anniversary of grant. For details regarding equity treatment upon termination, see page 40.

(2) These RSUs vested on February 10, 2013 and were not subject to performance-based vesting conditions as they were granted to Mr. Goare prior to serving as President of McDonald's Europe.

(3) Calculated by multiplying the number of shares covered by the award by $88.21, the closing price of Company stock on the New York Stock Exchange on December 31, 2012.

(4) Reflects unvested performance-based RSUs that are scheduled to be paid out as follows if the targets are met (or were paid out, in the case of awards that vested in 2013).

Named executive officer	Vesting date	Number of performance-based RSUs
James A. Skinner	02/10/2013	25,295
	02/09/2014	21,071
	02/08/2015	18,990
Donald Thompson	02/10/2013	10,435
	02/09/2014	9,218
	02/08/2015	7,287
Peter J. Bensen	02/10/2013	7,115
	02/09/2014	6,587
	02/08/2015	5,143
Timothy J. Fenton	02/10/2013	6,641
	02/09/2014	5,927
	02/08/2015	4,498
Douglas Goare	02/09/2014	2,470
	02/08/2015	3,299
Gloria Santona	02/10/2013	3,439
	02/09/2014	2,865
	02/08/2015	2,579
Janice L. Fields	02/10/2013	5,218
	02/09/2014	4,742
	02/08/2015	3,899

OPTION EXERCISES AND STOCK VESTED — FISCAL 2012

	Option awards		Stock awards	
Name (a)	Number of shares acquired on exercise (#)(b)	Value realized on exercise ($)(c)	Number of shares acquired on vesting (#)(d)	Value realized on vesting ($)(e)
James A. Skinner	146,193	$9,392,917	33,112	$3,293,651
Donald Thompson	42,300	2,210,711	6,833	679,679
Peter J. Bensen	18,000	1,144,080	5,782	575,136
Timothy J. Fenton	28,315	1,177,734	6,833	679,679
Douglas Goare	11,659	510,285	7,490	745,030
Gloria Santona	44,522	2,358,771	3,680	366,050
Janice L. Fields	168,894	7,297,230	3,680	366,050

NON-QUALIFIED DEFERRED COMPENSATION — FISCAL 2012

Name (a)	*Executive contributions in last FY (1) ($)(b)*	*Registrant contributions in last FY (1) ($)(c)*	*Aggregate earnings in last FY ($)(d)*	*Aggregate withdrawals/ distributions ($)(e)*	*Aggregate balance at last FYE (2) ($)(f)*
James A. Skinner	$585,500	$349,300	$1,542,061	$0	$41,044,638
Donald Thompson	295,727	205,590	-87,356	0	2,688,430
Peter Bensen	248,753	137,736	-63,810	0	5,062,463
Timothy Fenton	180,175	106,105	-21,176	0	7,310,065
Douglas Goare	88,241	78,917	83,884	0	1,816,442
Gloria Santona	87,967	97,972	186,829	0	5,250,920
Janice Fields	259,867	95,883	58,799	0	4,330,098

(1) Represents salary deferrals which are also reported as compensation for 2012 in the Summary Compensation Table on page 27: $90,500 for Mr. Skinner; $67,200 for Mr. Thompson; $95,333 for Mr. Bensen; $87,500 for Mr. Fenton; $45,500 for Mr. Goare; $26,458 for Ms. Santona and $51,742 for Ms. Fields. The remaining amounts represent bonus deferrals under TIP, which were previously reported in the Summary Compensation Table for 2011, except in the case of Mr. Goare and Ms. Santona. The amounts reported in column (c) are included in "All other compensation" in column (i) of the Summary Compensation Table.

(2) Includes amounts previously reported in the Summary Compensation Table, in the aggregate, as follows:

James A. Skinner	$20,277,450
Donald Thompson	1,122,770
Peter J. Bensen	3,354,202
Timothy J. Fenton	4,835,221
Douglas Goare	0
Gloria Santona	0
Janice L. Fields	1,562,340

Excess Benefit and Deferred Bonus Plan (Excess Plan)

The Company's Excess Plan is a successor plan to the Supplemental Plan described below. The Excess Plan is a non-tax-qualified, unfunded plan that allows senior management and certain highly compensated staff employees to (i) make tax-deferred contributions from their salary, TIP and CPUP awards; and (ii) receive matching contributions (on deferrals of salary and TIP awards only), in excess of the Internal Revenue Service (IRS) limits under the Profit Sharing Plan.

At the time of deferral, participants may elect to receive distributions either in a lump-sum or in regular installments over a period of up to 15 years following separation from service. Commencement of distributions are delayed for six months following separation from service.

Deferrals are nominally invested in investment funds selected by participants and are credited with a rate of return based on the investment option(s) selected. The investment options are currently based on returns of the Profit Sharing Plan's McDonald's common stock fund, a stable value fund and an S&P 500 Index fund.

Supplemental Profit Sharing and Savings Plan (Supplemental Plan)

Prior to the Excess Plan, the Company's Supplemental Plan allowed participants to defer compensation in excess of the IRS limits that applied to the Profit Sharing Plan. The Supplemental Plan allowed deferrals of salary and all or a portion of cash incentives as well as Company contributions on deferrals of salary and TIP. In 2004, the Company froze the Supplemental Plan. The investment options for existing accounts under the Supplemental Plan are identical to those under the Excess Plan. A participant may elect to have distributions in a single lump-sum, in installments commencing on a date of the participant's choice or in an initial lump-sum payment with subsequent installment payments. Distributions may commence in the year following termination and must be completed within 25 years. If the participant does not file a distribution election in the year of termination, the participant's entire Supplemental Plan balance is paid out in cash in the year following termination. In-service and hardship withdrawals are permitted subject to certain conditions.

POTENTIAL PAYMENTS UPON TERMINATION OR CHANGE IN CONTROL

Our NEOs would become entitled to certain payments and benefits in connection with a change in control and/or if their employment with the Company were to terminate as described below.

Potential payments upon or in connection with a change in control

A "change in control" is generally defined as either (i) the acquisition of 20% or more of our common stock or voting securities by a single purchaser or a group of purchasers acting together; (ii) the incumbent members of the Board cease to constitute at least a majority of the Board as a result of an actual or threatened election contest; (iii) a significant merger or other business combination involving the Company; or (iv) a complete liquidation or dissolution of the Company.

CHANGE IN CONTROL EMPLOYMENT AGREEMENTS (CIC AGREEMENTS)

The Company has CIC Agreements with some of its NEOs. The Company does not intend to enter into any new CIC agreements. An executive who also participates in the ERRP would be entitled to receive the greater of the benefits under the ERRP or the benefits under the CIC Agreement, but not both. A minimum of two years' notice is required to terminate a CIC Agreement.

The CIC Agreements provide that, during the three-year period following a change in control, referred to as the "protected period," the executive's (i) position and authority may not be reduced; (ii) place of work may not be relocated by more than 30 miles; (iii) salary may not be reduced; (iv) annual bonus opportunity may not be reduced; and (v) participation in benefit plans will continue on terms not less favorable than before the change in control. In addition, within 30 days after a change in control, if it is also a change in control under Code Section 409A, the Company will pay a prorated portion of (i) the target annual bonus and (ii) the target long-term incentive bonus, both for the partial performance period in which the change in control occurs. If it is not a change in control under Code Section 409A, the Company will pay (i) a prorated portion of the executive's annual bonus, based on the Company's actual performance; and (ii) a prorated portion of the executive's long-term incentive bonus based on target performances, both on the date on which such bonuses are paid to Company employees generally. The treatment of outstanding equity awards is described under "Equity awards" on page 40. If the Company fails to comply with these provisions, the executive may terminate employment for "good reason" during the protected period.

If the executive terminates employment for good reason or is terminated by the Company without "cause" during the protected period, then, in addition to receiving accrued but unpaid salary, bonus, deferred compensation and other benefit amounts due on termination, the executive will be entitled to: (i) a lump-sum cash payment equal to three times the sum of the executive's salary, target annual bonus and contribution received under the Company's deferred compensation plan; (ii) a pro rata portion of the target annual bonus, reduced (but not below zero) by the amount of annual bonus paid for that year; (iii) a lump-sum payment equal to continued medical, life insurance, fringe and other benefits for three years after the termination; and (iv) a lump-sum cash payment for any accrued sabbatical leave. In addition, for purposes of determining eligibility for any post-retirement medical benefits, the executive will be treated as having three additional years of age and service. The executive will be eligible for these benefits, subject to execution of an agreement that includes restrictive covenants and a release of claims. Payment of these benefits will be delayed for six months.

The Company will reimburse an executive on an after-tax basis for excise tax payments that are considered to be contingent upon a change in control. If the aggregate after-tax amount of benefits is not more than 110% of what the executive would receive if benefits were reduced to a level that would not be subject to excise taxes, the executive will not be entitled to receive a reimbursement and the aggregate amount of benefits to which he/she is entitled will be reduced to the greatest amount that can be paid without triggering excise taxes.

In the case of the death or disability of an executive during the protected period, the executive or his/her estate would be entitled to receive accrued salary, bonus, deferred compensation and other benefit amounts due at levels provided to peers and at least as favorable as those immediately preceding the change in control.

If (i) the Company terminates an executive for cause following a change in control; (ii) an executive voluntarily terminates employment without good reason following a change in control; or (iii) an executive who is otherwise eligible to receive severance benefits fails to execute the requisite agreements, then that executive will receive only a lump-sum payment of accrued salary, bonus, deferred compensation and other benefit amounts.

The following table sets forth the benefits that Messrs. Thompson, Bensen, Fenton, Goare and Ms. Santona would have been entitled to under the CIC agreements, assuming that on December 31, 2012 they had been terminated without cause or resigned with good reason in the protected period following a change in control. Pro rata 2012 TIP and 2010-2012 CPUP payments are not included because if the NEOs had terminated employment on December 31, 2012, they would have earned these awards in full under the 2012 TIP and the 2010-2012 CPUP, respectively, and the pro rata payout they would have been entitled to would be zero.

	Severance payment (3x salary, bonus and Company contribution to deferred compensation plan) ($)	*Benefit continuation ($)*	*Sabbatical ($)*	*Tax gross-up payments ($)*	*Total ($)*
Donald Thompson	$8,662,113	$121,898	$169,231	$ 0	$8,953,242
Peter J. Bensen	4,849,480	124,239	0	2,653,524	7,627,243
Timothy J. Fenton	5,143,790	112,342	0	0	5,256,132
Douglas Goare *(1)*	0	0	0	0	0
Gloria Santona	3,956,446	113,131	0	0	4,069,577

(1) Mr. Goare does not have a change in control agreement.

EQUITY AWARDS

Under the Equity Plan, upon a change in control, outstanding unvested options and RSUs will be replaced by equivalent awards based on publicly-traded stock of the successor entity. The replacement awards will vest and become exercisable (in the case of options) or be paid out (in the case of service-based RSUs) if the grantee's employment is terminated for any reason other than "cause" within two years following the change in control. In addition, if employment is terminated other than for "cause" within two years following the change in control, all options will remain outstanding for not less than two years following termination or until the end of the original term, if sooner.

If the awards are not replaced (e.g., because the acquirer does not have publicly-traded securities) or if the Committee so determines, vesting will be accelerated. RSUs would vest (performance-based RSUs at target) and be paid out upon a Code Section 409A change in control; otherwise, the RSUs would be paid out on the originally scheduled payment date or, if earlier, on the executive's death, disability or termination of employment, subject to any required delay under Code Section 409A.

Terminations initiated by the employee will not result in accelerated vesting of replacement awards.

If a change in control had occurred on December 31, 2012 and either (i) if the outstanding options and RSUs held by the NEOs could not be replaced or (ii) if the Committee so determined, assuming that the transaction met the applicable definition of a change in control under the Equity Plan and Section 409A: (i) options would have vested and (ii) RSUs would have vested and been paid out immediately (performance-based RSUs at target). The awards held by the NEOs as of December 31, 2012 are set forth in the Outstanding Equity Awards at 2012 Year-end table on pages 33 and 34.

The table on the next page summarizes the value of the change in control payouts that the NEOs could have received based on (i) in the case of options, the "spread" between the exercise price and the closing price of the Company's common stock on December 31, 2012 and (ii) in the case of RSUs, the target number of shares, multiplied by the closing price of the Company's common stock on December 31, 2012. The table sets forth the hypothetical value that the NEOs could have realized as a result of the accelerated equity awards, based on these assumptions. If there were no change in control, the amounts shown would have vested over time, subject to continued employment and with respect to the RSUs subject to performance-based vesting conditions, except in the case of Ms. Santona, due to the ERRP.

Named executive officer	Stock options (closing price on 12/31/12 minus exercise price) ($)	RSUs (number of shares/target number of shares multiplied by closing price on 12/31/12) ($)	Total ($)
Donald Thompson	$2,082,177	$2,376,377	$4,458,554
Peter J. Bensen	1,360,802	1,662,317	3,023,119
Timothy J. Fenton	1,334,147	1,505,392	2,839,539
Douglas Goare	487,960	718,118	1,206,078
Gloria Santona	685,381	783,569	1,468,950

Potential payments upon termination of employment (other than following a change in control)

McDONALD'S CORPORATION SEVERANCE PLAN (SEVERANCE PLAN)

Under the Severance Plan, Messrs. Bensen, Fenton, Thompson and Goare would receive severance benefits if they were terminated by the Company without "cause," due to a reduction in work force or job elimination; however, the Severance Plan excludes terminations for performance reasons. Ms. Fields became entitled to benefits under the Severance Plan in connection with her separation from service effective December 31, 2012. Mr. Skinner and Ms. Santona are entitled to benefits under the ERRP as described below. Applicable benefits consist of a lump-sum payment with respect to severance pay, based on final salary, and the continuation of medical and dental benefits. Amounts are based on position and length of service. In addition, in a covered termination, each eligible NEO would receive prorated TIP and CPUP payments based on actual performance (and paid at the same time payments are made to other participants), unused sabbatical leave; and outplacement assistance. Payments would be delayed for six months following termination of employment to the extent required under Section 409A.

The value of the benefits that would be payable to the named executive officers, other than Ms. Fields, under the Severance Plan on December 31, 2012, and the benefits to which Ms. Fields is entitled under the Severance Plan in connection with her separation from service, are as set forth below. Pro rata 2012 TIP payments and pro rata 2010-2012 CPUP payments are not included because they would have earned these awards in full under the 2012 TIP and the 2010-2012 CPUP, respectively.

	Salary continuation	Benefit continuation	Other (sabbatical and out-placement)	Total
Donald Thompson	$930,769	$55,248	$181,231	$1,167,248
Peter J. Bensen	440,000	36,908	12,000	488,908
Timothy J. Fenton	750,000	39,551	12,000	801,551
Douglas Goare	546,000	37,399	12,000	595,399
Janice L. Fields	620,900	10,209	12,000	643,109

Benefits under the Executive Retention Replacement Plan

Under the ERRP, Ms. Santona is entitled to certain benefits in connection with a termination of employment for any reason other than death, disability or "cause." In connection with Mr. Skinner's June 30, 2012 retirement pursuant to the ERRP, he received a payment of $10,222,839, as well as secretarial services for two years. In addition, a pro rata portion of his outstanding TIP and CPUP awards, in the amounts of $1,000,000 and $10,611,153, respectively, were paid on March 1, 2013, based on the Company's achievement of the applicable performance goals for the full performance periods. All of Mr. Skinner's outstanding RSUs will vest and will be paid out on the originally scheduled payment dates, subject to the Company's achievement of the applicable performance goals. In addition, all of Mr. Skinner's outstanding options will become exercisable in accordance with their original vesting schedule and remain outstanding for 9.5 years following his retirement (or until the expiration of the option's original term, if sooner). Payments under the ERRP were delayed for six months following the termination of his employment. Receipt of benefits is subject to the execution of an agreement that includes restrictive covenants, including a non-compete agreement and a release of claims.

Under the ERRP, Ms. Santona would be entitled to certain benefits if her employment is terminated for any reason other than death, disability or "cause" or if Ms. Santona retired or resigned for "good reason." If Ms. Santona were to retire, she would receive the benefits described in (i) through (vi) below plus $50,000 in lieu of fringe benefits. A pro rata portion (based on the portion of the performance period prior to her retirement) of any outstanding CPUP award would vest and would be paid at the end of the performance period, based on the Company's achievement of the applicable performance goals. All of Ms. Santona's outstanding RSUs would vest and would be paid out on the originally scheduled payment dates, subject to the Company's achievement of the applicable performance goals. All of Ms. Santona's outstanding stock options would become exercisable in accordance with their original vesting schedule and remain outstanding for 9.5 years following her retirement (or until the expiration of the option's original term, if sooner).

If Ms. Santona were to be terminated without "cause," under the ERRP she would be entitled to receive a cash lump sum equal to the present value of (i) base salary for 18 months; (ii) 35% of final base salary for five years; (iii) prorated TIP, based on actual performance, for the year of termination; (iv) target TIP for 18 months; (v) the equivalent of Company matching contributions under retirement savings plans for 6.5 years, based on full final salary for 18 months and 35% of final salary for five years; and (vi) the estimated value of continued participation in Company health and welfare plans for 6.5 years. In addition, all stock options held by Ms. Santona that would have vested within three years following termination would vest and become exercisable, and all vested stock options would remain outstanding until three years following termination or until the expiration of the option's original term, if sooner. RSUs would vest on a pro rata basis, based on the number of months employed during the vesting period, and would be paid out in accordance with actual performance results achieved during the vesting period. A pro rata portion (based on the portion of the performance period prior to termination) of any outstanding CPUP award would vest and would be paid at the end of the performance period, based on the Company's achievement of the applicable performance goals.

Any payments to Ms. Santona under the ERRP would be delayed for six months following the termination of her employment. Ms. Santona's receipt of benefits under the ERRP is subject to the execution of an agreement that includes a covenant not to compete, a covenant not to solicit employees, a nondisparagement covenant, a nondisclosure covenant and a release of claims.

The value of benefits that would be payable to Ms. Santona under the ERRP on December 31, 2012 are set forth below.

	Lump-sum ERRP payment ($)	*Other*	*Total*
Termination without Cause	$3,203,837	$ 0	$3,203,837
Retirement	3,203,837	50,000	3,253,837

Effect of termination of employment under Equity Incentive Plans

STOCK OPTIONS

Unvested options are generally forfeited on termination of employment, with vested options remaining outstanding and exercisable for 90 days, except on termination for "cause."

If the executive qualifies for favorable treatment (by satisfying the conditions for retirement or other covered termination and agreeing to the restrictive covenants) the options continue to become exercisable on the originally scheduled dates and remain exercisable for an extended post-termination exercise period, as applicable. If an executive violates a restrictive covenant following termination, the Company may cancel any outstanding options. Further if an executive terminates employment for any reason other than death or disability, all options granted in the last 12 months are immediately forfeited (except for participants in the ERRP).

The table on the next page summarizes the value of the payouts on termination of employment in circumstances that would result in the option awards continuing to become exercisable on their originally scheduled dates and remaining exercisable for an extended post-termination exercise period (i.e., retirement or "special circumstances," which includes termination by the Company without "cause," death or disability), if termination had occurred on December 31, 2012.

The values shown are based on the "spread" between the exercise price and the closing price of the Company's common stock on December 31, 2012. The table sets forth the total hypothetical value that a NEO could have realized as a result of this favorable treatment of awards.

Named executive officer	Type of termination	Stock options (closing price on 12/31/12 minus exercise price) ($)
Donald Thompson	Retirement	2,082,177
	Special circumstances	2,082,177
	Death/disability	2,082,177
Peter J. Bensen	Retirement	0 (1)
	Special circumstances	1,219,263
	Death/disability	1,360,802
Timothy J. Fenton	Retirement	1,334,147
	Special circumstances	1,334,147
	Death/disability	1,334,147
Douglas Goare	Retirement	487,960
	Special circumstances	487,960
	Death/disability	487,960
Gloria Santona	Retirement	685,381
	Special circumstances	685,381
	Death/disability	685,381
Janice L. Fields	Retirement	N/A
	Special circumstances	623,720 (2)
	Death/disability	N/A

(1) Mr. Bensen is not eligible to receive favorable treatment upon retirement under the Equity Plan.

(2) Based upon the closing price on March 1, 2013, which was Ms. Fields' last day of employment.

RSUs

Unvested RSUs are generally forfeited on termination of employment. In the case of certain termination events (including retirement and termination by the Company without "cause"), executives (and all other employees) are entitled to accelerated vesting of RSUs, prorated based upon the number of months worked during the vesting period. However, RSUs subject to performance-based vesting conditions are not accelerated on termination of employment; instead, any pro rata vesting is subject to the satisfaction of the applicable performance conditions, determined following completion of the performance period. As discussed on page 20, the Company's practice is to grant executives RSUs with performance-based vesting conditions. Further, beginning in 2011, except for participants in the ERRP, if an executive (or any other employee) terminates employment for any reason other than death or disability, all RSUs granted in the last 12 months are immediately forfeited upon termination. As discussed on page 23, in connection with her termination, Ms. Fields will be entitled to vest in all outstanding RSUs, subject to the applicable performance conditions.

Deferred compensation

Following separation from service for any reason, the NEOs would receive distributions from their accounts under the Supplemental Plan and the Excess Plan in accordance with their elected distribution schedules, as described on pages 36 and 37.