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, 2013
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, 2013 was $98,932,168,368.

The number of shares outstanding of the registrant’s common stock as of January 31, 2014 was 989,881,374.

DOCUMENTS INCORPORATED BY REFERENCE

Part III of this Form 10-K incorporates information by reference from the registrant’s 2014 definitive proxy statement which will be filed no later than 120 days after December 31, 2013

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, 2013 and 2012, 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, 2013. 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, 2013 and 2012, and the consolidated results of its operations and its cash flows for each of the three years in the period ended December 31, 2013, 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, 2013, based on criteria established in Internal Control-Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (1992 framework) and our report dated February 24, 2014, expressed an unqualified opinion thereon.

ERNST & YOUNG LLP

Chicago, Illinois
February 24, 2014

Notes to Consolidated Financial Statements

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,	***2013***	*2012*	*2011*
Conventional franchised	**20,355**	19,869	19,527
Developmental licensed	**4,747**	4,350	3,929
Foreign affiliated	**3,589**	3,663	3,619
Franchised	**28,691**	27,882	27,075
Company-operated	**6,738**	6,598	6,435
Systemwide restaurants	**35,429**	34,480	33,510

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): 2013–$808.4; 2012–$787.5; 2011–$768.6. 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): 2013–$75.4; 2012–$113.5; 2011–$74.4. Costs related to the Olympics sponsorship are included in these expenses for 2012. 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	***2013***	*2012*	*2011*
Share-based compensation expense	**$ 89.1**	$ 93.4	$ 86.2
After tax	**$ 60.6**	$ 63.2	$ 59.2
Earnings per common share-diluted	**$ 0.06**	$ 0.06	$ 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, 2013, there was $109.0 million of total unrecognized compensation cost related to nonvested share-based compensation that is expected to be recognized over a weighted-average period of 2.0 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 2013, 2012 and 2011 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

	2013	*2012*	*2011*
Expected dividend yield	**3.5%**	2.8%	3.2%
Expected stock price volatility	**20.6%**	20.8%	21.5%
Risk-free interest rate	**1.2%**	1.1%	2.8%
Expected life of options *(in years)*	**6.1**	6.1	6.3
Fair value per option granted	**$ 11.09**	$ 13.65	$ 12.18

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.

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

		Interest rates(1) December 31		Amounts outstanding December 31	
In millions of U.S. Dollars	*Maturity dates*	***2013***	*2012*	***2013***	*2012*
Fixed		**4.6%**	4.8%	**$ 6,460.6**	$ 7,075.7
Floating		**3.2**	1.2	**1,900.0**	1,650.0
Total U.S. Dollars	2014-2043			**8,360.6**	8,725.7
Fixed		**3.3**	3.7	**2,884.9**	1,847.2
Floating		**2.8**	2.9	**357.2**	348.0
Total Euro	2014-2025			**3,242.1**	2,195.2
Fixed		**2.9**	2.9	**118.7**	144.2
Floating		**0.4**	0.4	**759.8**	923.3
Total Japanese Yen	2014-2030			**878.5**	1,067.5
Total British Pounds Sterling-Fixed	2020-2032	**6.0**	6.0	**744.3**	730.1
Fixed		**—**	3.0	**—**	32.1
Floating		**5.4**	5.6	**525.1**	470.8
Total Chinese Renminbi	2014			**525.1**	502.9
Fixed		**1.9**	1.9	**281.0**	273.3
Floating		**3.6**	4.4	**85.4**	95.5
Total other currencies(2)	2014-2021			**366.4**	368.8
Debt obligations before fair value adjustments (3)				**14,117.0**	13,590.2
Fair value adjustments(4)				**12.8**	42.3
Total debt obligations(5)				**$14,129.8**	$13,632.5

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

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

(3) Aggregate maturities for 2013 debt balances, before fair value adjustments, were as follows (in millions): 2014–$0.0; 2015–$1,199.2; 2016–$2,094.6; 2017–$1,054.2; 2018–$1,003.9; Thereafter–$8,765.1. These amounts include a reclassification of short-term obligations totaling $1.2 billion to long-term obligations as they are supported by a long-term line of credit agreement expiring in November 2016.

(4) The carrying value of underlying items in fair value hedges, in this case debt obligations, are adjusted for fair value changes to the extent they are attributable to the risk designated as being hedged. The related hedging instrument is also recorded at fair value in prepaid expenses and other current assets, miscellaneous other assets or other long-term liabilities.

(5) The increase in debt obligations from December 31, 2012 to December 31, 2013 was primarily due to net issuances of $0.5 billion.

Employee Benefit Plans

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

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

The Company also maintains certain nonqualified supplemental benefit plans that allow participants to (i) make tax-deferred contributions and (ii) receive Company-provided allocations that cannot be made under the Profit Sharing and Savings Plan because of IRS limitations. The investment alternatives and returns are based on certain market-rate investment alternatives under the Profit Sharing and Savings Plan. Total liabilities were $531.1 million at December 31, 2013, and $493.5 million at December 31, 2012, and were primarily included in other long-term liabilities on the Consolidated balance sheet.

The Company has entered into derivative contracts to hedge market-driven changes in certain of the liabilities. At December 31, 2013, derivatives with a fair value of $128.2 million indexed to the Company's stock and a total return swap with a notional amount of $181.4 million indexed to certain market indices were included at their fair value in Miscellaneous other assets and Prepaid expenses and other current assets, respectively, on the Consolidated balance sheet. Changes in liabilities for these nonqualified plans and in the fair value of the derivatives are recorded primarily in Selling, general & administrative expenses. Changes in fair value of the derivatives indexed to the Company's stock are recorded in the income statement because the contracts provide the counterparty with a choice to settle in cash or shares.

Total U.S. costs for the Profit Sharing and Savings Plan, including nonqualified benefits and related hedging activities, were (in millions): 2013–$21.9; 2012–$27.9; 2011–$41.3. Certain subsidiaries outside the U.S. also offer profit sharing, stock purchase or other similar benefit plans. Total plan costs outside the U.S. were (in millions): 2013–$51.2; 2012–$62.5; 2011–$58.3.

The total combined liabilities for international retirement plans were $75.0 million and $77.7 million at December 31, 2013 and 2012, respectively. Other post-retirement benefits and post-employment benefits were immaterial.

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 73.1 million at December 31, 2013, including 46.0 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.

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 2013, 2012 and 2011, the total intrinsic value of stock options exercised was $325.2 million, $469.8 million and $416.5 million, respectively. Cash received from stock options exercised during 2013 was $233.3 million and the tax benefit realized from stock options exercised totaled $98.9 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, 2013, 2012 and 2011, and changes during the years then ended, is presented in the following table:

				2013		2012		2011
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	**27.4**	**$ 59.86**			31.7	$47.77	37.4	$ 42.47
Granted	**3.7**	**94.36**			4.9	99.63	3.9	75.97
Exercised	**(5.7)**	**40.12**			(8.6)	38.51	(9.0)	37.46
Forfeited/expired	**(0.3)**	**79.15**			(0.6)	55.28	(0.6)	55.00
Outstanding at end of year	**25.1**	**$ 69.15**	**5.9**	**$ 713.7**	27.4	$ 59.86	31.7	$47.77
Exercisable at end of year	**15.6**	**$ 56.43**	**4.5**	**$ 638.6**	17.1		21.9	

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, 2013, 2012 and 2011 is presented in the following table:

		2013		2012		2011
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	**1.8**	**$68.23**	2.1	$ 56.78	2.3	$ 51.17
Granted	**1.0**	**83.98**	0.5	90.34	0.6	67.96
Vested	**(0.7)**	**56.93**	(0.8)	50.69	(0.7)	49.88
Forfeited	**(0.1)**	**82.44**	0.0	68.72	(0.1)	50.16
Nonvested at end of year	**2.0**	**$78.89**	1.8	$ 68.23	2.1	$ 56.78

The total fair value of RSUs vested during 2013, 2012 and 2011 was $60.2 million, $76.4 million and $55.5 million, respectively. The tax benefit realized from RSUs vested during 2013 was $18.3 million.

Notice of 2014 Annual Shareholders' Meeting and

Proxy Statement

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, 2013.

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 key global growth priorities — optimizing the menu, modernizing the customer experience and broadening accessibility to our Brand — within our long-term execution framework, the Plan to Win. 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. 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. We seek to utilize an effective mix of metrics and incentives that further our main objective of long-term sustainable growth and that are designed to mitigate excessive risk. Our programs are designed so that when financial performance lags, executives' actual pay declines. 2013 results and payouts illustrate this strong alignment between pay and performance. Our 2013 financial performance was below our expectations and compensation targets for each of our primary metrics, which negatively impacted executive compensation. Our below target operating income performance resulted in annual incentive compensation awards for 2013 that are significantly below target levels (please refer to the chart on page 18 for further details). In addition, as our program focuses principally on driving long-term results and the majority of our direct compensation opportunity is not paid out in the first year, our 2013 performance will negatively impact future payouts under our long-term plans. As a reflection of our pay for performance philosophy, officers did not receive 2014 base salary increases in connection with our annual review process.

Our total direct compensation package for executives includes salary, our annual incentive plan, which we refer to as TIP, our long-term cash incentive plan, which we refer to as CPUP, stock options and performance-based 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.

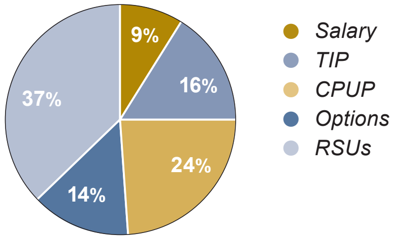
	TIP	*CPUP*	*Stock options*	*Performance-Based RSUs**
Primary performance measure				
Operating income	X	X		
Return on incremental invested capital (ROIIC)		X		
Earnings per share (EPS)				X
Share price			X	X
Secondary performance measure				
Total Shareholder Return (TSR)		X		
Comparable Guest Counts	X			
Customer Satisfaction Opportunity	X			
G&A Expense Control	X			
People	X			

* As discussed in more detail on page 20, the executives received a special RSU grant that has the same performance conditions as the 2013 CPUP awards.

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 (stock options and RSUs) 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 17 and 31. For example, Mr. Thompson's 2013 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 2013 target total direct compensation opportunity, using his 2013 salary, target 2013 TIP award, target 2013-2015 CPUP award and Financial Accounting Standards Board values for equity awards granted in 2013. Ninety-one percent (91%) of Mr. Thompson's 2013 target total direct compensation opportunity was based on Company performance.

DON THOMPSON TARGET COMPENSATION



We evaluate our executive compensation program annually. Among other things, we consider 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 95% of the votes cast, demonstrating strong shareholder support for our approach to executive compensation.

Based on our evaluation, we did not make any significant changes to our executive compensation program for 2013. However, we incorporated modest changes in our long-term incentives, as described on page 21. These changes are intended to further strengthen pay for performance alignment and to bring certain aspects of our long-term incentive plans more in line with evolving market practice.

Best practices

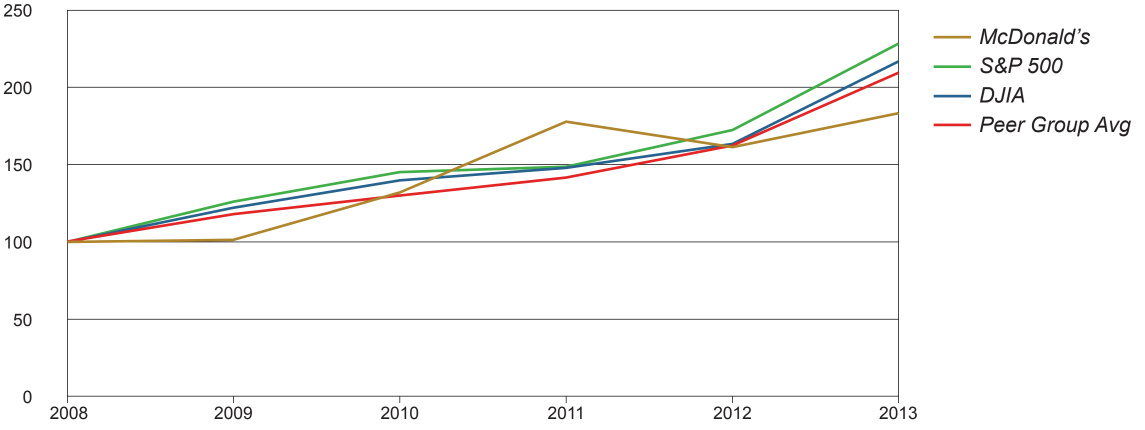
The following policies and practices highlight best practices in our executive compensation program:

- *Pay for Performance.* The vast majority of total direct compensation is tied to performance, including short-term and long-term metrics and a relative TSR multiplier in CPUP.
- *Stock Ownership and Retention Policy.* We have stock ownership and retention requirements for our senior management, which include requiring our CEO to own stock equal in value to at least six times his annual salary.
- *Cash Incentives.* TIP and CPUP both require growth in operating income to yield any payout. Assuming such growth is achieved, payouts are then further impacted by performance against other distinct metrics. Both programs also utilize caps on potential payouts.
- *Clawbacks.* TIP, CPUP and our severance plan 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.
- *No Tax Gross-up on Perquisites.* The Company does not provide tax gross-ups on perquisites.

Total Shareholder Return

Our compensation program is designed to support the Company's objective of long-term sustainable growth and to link the interests of our executives with the interest of shareholders. Over the last five years, we have produced year-over-year growth in operating income despite a challenging global economic and operating environment, particularly in 2012 and 2013. The following graph illustrates 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, 2008–December 31, 2013 (based on $100 investment and reinvestment of all dividends).

TOTAL SHAREHOLDER RETURN



DEFINITIONS

Quantitative measures of Company performance

Operating income, ROIIC 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 21.

- *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).
- *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.
- *Officers.* Officers of McDonald's Corporation or a business unit subsidiary.
- *Senior management.* Employees at the level of senior vice president and above; about 50 employees.
- *Executives.* The 11 most senior executives of the Company.
- *Named executive officers (NEOs).* The following five executives whose compensation is described in this Proxy Statement, pursuant to requirements of the Securities and Exchange Commission (SEC).
  - > Donald Thompson, President and CEO
  - > Peter J. Bensen, Chief Financial Officer or CFO
  - > Timothy J. Fenton, Chief Operating Officer or COO
  - > Douglas Goare, President of McDonald's Europe
  - > David Hoffmann, President of McDonald's APMEA

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 2013.* The targeted value of total direct compensation that the NEOs had an opportunity to earn in 2013 for target performance.
- *Committee.* The Compensation Committee of the Company's Board of Directors.
- *AOWs.* Areas of the World, the Company's business unit subsidiaries; namely, the U.S., Europe and Asia, Pacific, Middle East and Africa ("APMEA").

McDONALD'S EXECUTIVE COMPENSATION PROGRAM

Elements of McDonald's Executive Compensation

ALLOCATION OF TOTAL DIRECT COMPENSATION AMONG THE ELEMENTS

Approximately 86% of the NEOs' total direct compensation opportunity for 2013 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. Consistent with our approach to manage our business for the long term, the majority of total direct compensation opportunity is not realized in the year of grant.

Beginning in 2013, to more closely align our equity compensation program with market practice, the mix of our annual equity awards was modified so that they are now comprised of 50% of the grant date value in options and 50% in performance-based RSUs, rather than the prior mix of 70% in options and 30% in performance-based RSUs. We believe this further promotes retention and supports our desire to grant one-third of long-term incentive compensation in the form of stock options, one-third in the form of performance-based RSUs and one-third in the form of cash compensation.

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 (approximately 0.5x 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 2013 was $96.5 billion (at the 71st percentile of our peer group) and revenue was $28.1 billion (at the 42nd percentile of our peer group). Please refer to page 23 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

  Executive salaries vary based on individual circumstances (such as level of responsibility, individual performance, tenure in position) 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 actual TIP payout, which 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 flow chart and actual chart on pages 31 and 32). In addition to Company performance, TIP payouts are adjusted based on the application of an individual performance factor (IPF) 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 2013 TIP payouts can be found in the description following the Grants of Plan Based Awards table on page 32.

In 2013, operating income growth was below the TIP targets for each AOW as well as Corporate, which negatively impacted payouts. The calculations of operating income for 2013 TIP payouts were adjusted for certain items that are not indicative of ongoing results, as more fully described on page 21. Furthermore, the aggregate performance against the pre-established targets for the modifiers benefitted TIP results for Europe and Corporate, but negatively impacted the U.S. and had no impact for APMEA. More detailed information regarding the impact of the modifiers can be found in the chart on page 32.

The following table shows the operating income targets and results under the 2013 TIP:

(Dollars in millions)	*Target 2013 operating income*	*2013 operating income*	*Target 2013 operating income growth over 2012*	*2013 operating income growth over 2012*
Corporate	$9,156	$8,860	6.4%	3.0%
U.S.	3,908	3,779	4.2	0.8
Europe	3,389	3,304	6.1	3.4
APMEA	1,703	1,605	8.8	2.5

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

Named executive officer	*2013 target TIP award*	*2013 final TIP payout*	*TIP final payment as percentage of target*
Donald Thompson	$2,000,000	$1,400,000	70%
Peter J. Bensen	775,000	569,000	73
Timothy J. Fenton	968,750	640,000	66
Douglas Goare	484,500	408,000	84
David Hoffmann	437,750	207,000	47

Additional detail about the NEOs' 2013 TIP awards, including the IPF for each NEO, begins on page 31.

- ***Long-term incentive compensation***

Our long-term incentive program for executives currently includes three vehicles—stock options, performance-based RSUs and CPUP. As discussed in more detail below, each vehicle has its own objective and we allocate approximately one-third of the total long-term incentive value to each of these vehicles (without consideration of any special awards).

> Stock options

Stock options align executives' compensation to the stock price, thereby incentivizing executives to increase shareholder value over the long term. Options, including those granted in 2013, 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 25.

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

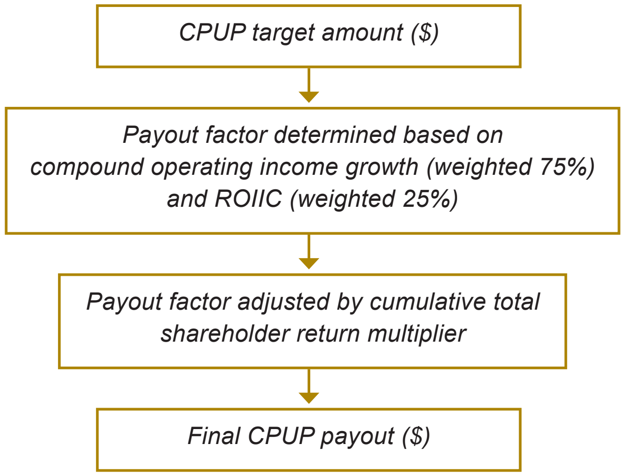
An RSU provides the right to receive a share of McDonald's stock upon vesting. RSUs granted to executives generally have both service- and performance-based vesting requirements. The value of RSUs is linked to our stock price. The performance-based vesting conditions require the executives to achieve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

The RSUs granted to executives in 2013 as part of the annual cycle 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 2013 is 6% compounded annual growth in EPS on a cumulative basis over baseline 2012 EPS of $5.36. If target performance is achieved (cumulative 3-year EPS of $18.08), the full number of RSUs covered by the 2013 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 2010 vested fully in 2013 based on the achievement of 12% 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 February 2013, the Committee approved new CPUP awards for the performance period January 1, 2013 to December 31, 2015. Participants will not receive any payout under the 2013-2015 plan until after the performance period ends. The Committee determined a target award for each NEO based on his respective level of responsibility and consistent with our practice of allocating approximately one third of long-term incentive compensation opportunities to CPUP. Final payouts will be determined based on the following three quantitative measures over the three-year performance period: consolidated compound annual growth in operating income (weighted 75%), three-year ROIIC (weighted 25%) and TSR relative to the S&P 500 Index (+/-15% multiplier). The Committee determined that three-year ROIIC is a preferable investment return metric to ROTA (the metric used in the 2010-2012 performance period) for CPUP awards beginning in 2013 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. No final awards will be earned unless threshold levels of the operating income and ROIIC measures are both met. Final CPUP payouts will be determined as shown below:



The Company believes the combination of operating income growth and ROIIC provide the appropriate balance in a long-term plan as operating income growth focuses on the key elements of growing our business (as previously discussed) and ROIIC measures the effectiveness of our capital investments. Further, the Company believes it is important to use a relative performance metric in a long-term plan and that the TSR multiplier is appropriate because it rewards above-market performance (relative to the S&P 500) while holding senior management accountable for below-market performance.

The matrix below shows examples of 2013-2015 CPUP payouts (prior to adjustment based on the relative TSR multiplier) as a percentage of the target award at different levels (threshold, target and maximum) of operating income and ROIIC:

Average 2013-2015	*Threshold 0%*	*Target 100%*	*Maximum 200%*
Consolidated compound operating income growth*	2.5%	6.5%	10.5%
ROIIC*	12	18	24

* Adjusted for compensation purposes as described on page 21. Payout percentage will be interpolated for results that fall between each of the thresholds specifically identified.

The following table provides the impact of the relative TSR multiplier on 2013-2015 CPUP payouts:

CUMULATIVE TOTAL SHAREHOLDER RETURN (TSR) VS. S&P 500 INDEX

80-100%-tile	15.0%
60-79%-tile	7.5
40-59%-tile	0.0
20-39%-tile	-7.5
0-19%-tile	-15.0

As part of its regular review process, in 2012 the Committee reviewed the structure of CPUP and the merits of discrete performance cycles compared to overlapping performance cycles. The Committee decided to transition to overlapping three-year CPUP cycles beginning with 2013 awards. 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 more closely aligns the Company's long-term incentive program structure with market practice. The Committee considered that overlapping cycles provide the opportunity to review and update the structure of CPUP 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.

Commencing with the 2013-2015 CPUP cycle, a new three-year cycle begins 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). The following chart provides details on our currently outstanding CPUP awards.

	Performance targets		*Relative measure*		
Performance period	*Compound annual operating income growth*	*3-yr ROIIC*	*Cumulative TSR vs S&P 500*	*Projected payout*	*Payout date*
2013–2015	6.5%	18.0%	40-59th%-tile	Below target	March 1, 2016

> Special RSU Grant

In connection with the transition from discrete to overlapping CPUP cycles in 2013 (described above), the Committee approved a special one-time grant of performance-based RSUs ("Special RSUs"). The transition from discrete to overlapping performance cycles adversely affected 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 believed it was important to address this benefit reduction. Second, in the initial transition, 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 under the discrete cycle. The Committee determined it was 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.

To address these transition issues the Committee made a one-time grant in early February 2013 of Special RSUs to CPUP participants affected by this change. Fifty percent of the Special 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 the Company, depending on the circumstances of the separation. The Special RSU grant is subject to the same three-year performance metrics as the 2013-2015 CPUP awards (described on pages 19 and 20), so that the number of shares underlying the Special 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 Special RSUs covered by the award will vest. Performance below target will result in a pro rata reduction in the number of shares underlying the Special RSUs that will vest, but above-target performance will not increase the number of Special 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 the Special RSU award, based upon when during the performance cycle they separate from the Company and the circumstances of the separation. The treatment of the Special RSUs upon separation from the Company is consistent with the terms of our standard performance-based RSUs.

- ***Retirement savings arrangements***
  We believe a competitive retirement program aligns with market practices, and thereby contributes to the recruitment and retention of top executive talent. 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 certain staff participate.

- ***Severance and change in control arrangements***
  > Severance plan
  All of the NEOs 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 36.

  > 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 36. The Company has not entered into any change in control agreements since 2009 and does not intend to enter into new change in control agreements.

- ***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 pages 27 and 28 for a discussion of perquisites received by NEOs in 2013. Executives also participate in all of the broad-based benefit and welfare plans available to McDonald's staff in general.

- ***2014 Changes***
  > Retirement Treatment for Stock Options
  Based upon a review of retirement benefits, the Company determined that it was appropriate to align more closely with market practice. Beginning in 2014, if conditions for retirement are satisfied (generally, 68 years of combined age and Company service), all retiring employees, including executives, will be entitled to an extended stock option exercise period. Previously, the Company provided for continued exercisability of vested stock options for three years following retirement. This change will allow exercisability for the full remaining life of the vested stock option upon retirement.

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 may apply to exclusions from EPS and when calculating ROIIC.

- Consistent with the Committee's guidelines, 2013 TIP payouts included certain adjustments to operating income for purposes of calculating TIP payouts as follows:
  > *APMEA:* "regulatory" item (minus $3.9 million) and "external" items (plus $55 million) and
  > *Europe:* "regulatory" item (minus $8.6 million).

  In addition, the Company excluded $13.5 million from APMEA operating income as a result of an operational decision that did not reflect underlying business performance (negatively impacting TIP payouts). Each of the above adjustments or exclusions impacted the respective AOW as well as the Corporate TIP team factor and the net impact of Committee's adjustments on TIP team factors was Corporate (+2.7 points), Europe (-2.1 points), APMEA (+44.1 points) and the U.S. (no impact).

- There were no significant items excluded from EPS calculations with respect to the performance-based RSUs granted to executives in 2010 and 2013.

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 (including opportunities and payouts) for executives other than the CEO to the Committee. The CEO recommends compensation packages for the NEOs who reported directly to him: Messrs. Bensen and Fenton. The COO does the same for the NEOs who reported directly to him: Douglas Goare and David Hoffmann. The head of human resources also provides input on compensation for each of the executives other than himself. In 2013, 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 and regulatory 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.

Consistent with its Charter, the Committee regularly considers FWC's independence and whether its work raised conflicts of interest under NYSE listing standards and 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. (in particular with U.S. healthcare matters), Equilar and Aon Hewitt, which also provides significant plan administration services to McDonald's.

COMPANIES IN OUR PEER GROUP IN 2013

As previously discussed on page 17, each year the Committee selects a peer group of companies with which we compete for talent and based upon specific criteria. The tables below illustrate our peer group, along with a financial measurement summary comparing McDonald's size and performance to our peer group.

BRANDED CONSUMER PRODUCTS	*MAJOR RETAILERS*	*DIRECT COMPETITORS*
3M Company	Best Buy Co., Inc.	Burger King Worldwide, Inc.
The Coca-Cola Company	FedEx Corporation	Dunkin' Brands Group, Inc.
Colgate-Palmolive Company	The Home Depot, Inc.	Starbucks Corporation
General Mills, Inc.	Lowe's Companies, Inc.	The Wendy's Company
Johnson & Johnson	Target Corporation	Yum! Brands, Inc.
Kellogg Company	Walgreen Co.	
Kraft Foods Group, Inc.	Wal-Mart Stores, Inc.	
Mondélez International, Inc.		
Nestlé (United States)		
NIKE, Inc.		
PepsiCo, Inc.		
The Procter & Gamble Company		
Unilever (United States)		
The Walt Disney Company		

FINANCIAL COMPARISONS

	McDonald's (Dollars in billions)	*McDonald's vs. comparator group**	
		Percentile	*Rank*
Revenues (most recent fiscal year)	$28,106	42nd	15 of 25
Market capitalization (12/31/13)	$96,548	71st	8 of 25
Systemwide sales (most recent fiscal year)	$89,125	96th	2 of 25
1-year TSR (12/31/13)	13.6%	8th	23 of 25
3-year TSR (12/31/13)	38.8%	19th	18 of 22
5-year TSR (12/31/13)	83.2%	29th	16 of 22

* Financial data for Nestlé (United States) and Unilever (United States) is unavailable as their headquarters are not located in the United States. For purposes of considering compensation of our CEO, COO and CFO we reviewed the data for the global organization. Data generally as of March 7, 2014 as reported on Bloomberg.com.

In 2013, the Committee removed Sears Holding Corporation as a result of differences in corporate structure.

COMPENSATION POLICIES AND PRACTICES

■ *Policy regarding management's stock ownership and retention*

Historically, the Company has maintained stock ownership requirements for senior management as we believe they will more effectively pursue the long-term interests of shareholders if they are shareholders themselves. In early 2014, the Committee enhanced these requirements by adding a retention component for equity awards. This policy, including the new retention component is described below. The following table provides our stock ownership requirements.

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

Annually, the Committee reviews share ownership requirements and where members of senior management stand against their respective requirements. 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. The retention component of our policy provides that if a member of senior management is not on track to meet his/her ownership requirement following the third year (of the five-year period), he/she must retain up to 50% of the net after-tax shares received upon the vesting of an RSU award. Further, if a member of senior management is not in compliance with his/her ownership requirement after the five year period, he/she must retain 100% of the net after-tax shares received upon the vesting of an RSU award and/or a stock option exercise until the required ownership level is attained.

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 AND FORFEITURE PROVISIONS

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.

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 not less often than annually 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. In particular, our executive compensation program seeks to provide an appropriate balance of short-term and long-term incentives. Our incentive program is generally applied Company-wide and we maintain the same incentive plan design framework for different business units. In addition, our incentive program incorporates performance metrics related to various measures of operational performance. By diversifying the time horizons and the applicable performance metrics of our incentives, we seek to mitigate the risk of significant compensation payments based on accomplishments in one area that may have a negative consequence for our business as a whole.

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). Although our executive pay decisions are based on individual performance and other criteria, we consider the potential impact of internal pay equity on morale, incentive, management alignment, and succession planning. In addition, from time to time we make special one-time awards to executives in connection with their hiring or promotion. These awards permit us to meet one-time business objectives with minimum impact to long-term pay equity.

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.

SUMMARY COMPENSATION TABLE

The table below summarizes the total compensation earned by or paid to our NEOs in 2011, 2012 and 2013.

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)*
Donald Thompson *President and Chief Executive Officer*	2013	$1,225,000	$4,667,552	$1,769,687	*Annual:* $1,400,000 *Long-term:* 0 *Total:* 1,400,000	$ 434,425	$ 9,496,664
	2012	979,167	660,129	3,206,663 *(6)*	*Annual:* 1,400,000 *Long-term:* 7,181,144 *Total:* 8,581,144	324,816	13,751,919
	2011	829,167	625,165	785,902	*Annual:* 1,526,000 *Long-term:* 0 *Total:* 1,526,000	307,514	4,073,748
Peter J. Bensen *Chief Financial Officer*	2013	765,000	1,511,447	589,899	*Annual:* 569,000 *Long-term:* 0 *Total:* 569,000	164,298	3,599,644
	2012	708,333	465,904	818,945	*Annual:* 679,000 *Long-term:* 4,463,200 *Total:* 5,142,200	196,308	7,331,690
	2011	670,833	446,730	561,559	*Annual:* 987,000 *Long-term:* 0 *Total:* 987,000	226,504	2,892,626
Timothy J. Fenton *Chief Operating Officer*	2013	770,833	1,778,202	589,899	*Annual:* 640,000 *Long-term:* 0 *Total:* 640,000	235,467	4,014,401
	2012	684,167	407,474	716,270	*Annual:* 677,000 *Long-term:* 3,205,453 *Total:* 3,882,453	198,455	5,888,819
	2011	601,500	401,969	505,299	*Annual:* 667,000 *Long-term:* 0 *Total:* 667,000	302,468	2,478,236
Douglas Goare *President, McDonald's Europe (7)*	2013	566,000	969,078	383,437	*Annual:* 408,000 *Long-term:* 0 *Total:* 408,000	1,592,893	3,919,408
	2012	542,500	298,856	525,266	*Annual:* 500,000 *Long-term:* 1,752,265 *Total:* 2,252,265	889,836	4,508,723
David Hoffmann *President, McDonald's Asia, Pacific, Middle East and Africa (8)*	2013	507,500	724,635	221,212	*Annual:* 207,000 *Long-term:* 0 *Total:* 207,000	1,578,609	3,238,956

(1) Reflects annual increases in salary that took effect during 2013. Annual base salaries as of December 31, 2013 were as follows:

Donald Thompson	$1,250,000
Peter J. Bensen	775,000
Timothy J. Fenton	775,000
Douglas Goare	570,000
David Hoffmann	515,000

(2) Computed in accordance with FASB ASC Topic 718, this represents the aggregate grant date fair value 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 (as described on pages 18 and 19); however, 50% of the special RSUs vest on the third anniversary and 50% vest upon separation from the Company and the performance conditions are the same as 2013 CPUP awards (as described on pages 19 and 20). Additional information is disclosed in the Grants of Plan-Based Awards table on pages 29 and 30 and the Outstanding Equity Awards at 2013 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 41 of the Company's Annual Report on Form 10-K for the year ended December 31, 2013.

(3) Computed in accordance with FASB ASC Topic 718, this represents the aggregate grant date fair value 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 2013 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 20.6%; an expected annual dividend yield of 3.5%; a risk-free return of 1.2%; 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 pages 29 and 30 and the Outstanding Equity Awards at 2013 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 31 and 41 of the Company's Annual Report on Form 10-K for the year ended December 31, 2013.

(4) Our annual cash incentive plan is referred to as TIP and our long-term cash incentive plan is referred to as CPUP. Prior to 2013, CPUP operated on non-overlapping three-year cycles and payouts listed in 2012 are for the 2010-2012 cycle.

(5) "All other compensation" for 2013 includes the Company's contributions to the Profit Sharing Plan and Excess Benefit and Deferred Bonus Plan as follows:

Donald Thompson	$236,250
Peter J. Bensen	129,960
Timothy J. Fenton	130,305
Douglas Goare	95,940
David Hoffmann	72,665

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; 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 2013 of $155,705 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.

In the case of the Company's named executive officers based overseas, Messrs. Goare and Hoffmann, the amount in this column for 2013 also includes certain benefits in connection with their international assignments, as follows:

For Mr. Goare: Company-provided housing (in the amount of $171,283), which includes rent, rental furniture, utilities, cleaning and maintenance; a cost-of-living adjustment (in the amount of $152,947); home leave travel allowance; relocation and related allowances; and tax equalization (in the amount of $1,099,147) which is designed to satisfy tax obligations arising solely as a result of his international assignment. Certain amounts were paid in local currency and in each case the amount reported reflects the exchange rate on the date the respective payments were made.

For Mr. Hoffmann: Company-provided housing (in the amount of $518,694), which includes rent, rental furniture, utilities and maintenance; a cost-of-living adjustment (in the amount of $76,352); home leave travel allowance (in the amount of $76,140); educational expenses (in the amount of $160,951); transportation expenses; relocation and related allowances; moving expenses (such as storage and shipment of goods); an expatriate membership; and tax equalization (in the amount of $567,644) which is designed to satisfy tax obligations arising solely as a result of his international assignment. Certain amounts were paid in local currency and in these cases the amount reported reflects the exchange rate on the date the respective payments were made or the average monthly exchange rate.

Mr. Fenton previously performed an international assignment in Hong Kong, and as a result, he received certain tax-related benefits. 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 2013 arising from his international assignment. In 2013, the cost of Mr. Fenton's tax equalization was $52,432, and consistent with Company policy, Mr. Fenton also received tax preparation services paid for by the Company.

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 reimburses 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 two times the Standard Industry Fare Level (SIFL) rate per person or (ii) 200% of the actual fuel cost.

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

(7) Mr. Goare was not a NEO in 2011.

(8) Mr. Hoffmann was not a NEO in 2011 or 2012.

GRANTS OF PLAN-BASED AWARDS — FISCAL 2013

In 2013, the NEOs received annual cash awards under TIP and long-term cash awards under CPUP. The formula for determining payouts under the TIP and CPUP 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 for TIP are in column (g) of the Summary Compensation Table. In 2013, the NEOs also received two types of equity awards: RSUs subject to performance-based vesting criteria, including a one-time Special RSU award, (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*					
Name (a)	*Plan*	*Grant date (b)*	*Threshold ($)(c)*	*Target ($)(d)*	*Maximum ($)(e)*	*Threshold (#)(f)*	*Target (#)(g)*	*Maximum (#)(h)*	*All other option awards: number of securities underlying option (3) (#)(j)*	*Exercise or base price of option awards ($/Sh)(k)*	*Grant date fair value of stock and options awards (4) ($)(l)*
Donald Thompson	CPUP		0	$3,000,000	$6,900,000						
	TIP		0	2,000,000	5,000,000						
	Equity Plan *(1)*	2/13/13				0	31,915	31,915			$2,667,137
	Equity Plan *(2)*	2/13/13				0	23,937	23,937			2,000,415
	Equity Plan	2/13/13							159,575	$94.00	1,769,687
Peter J. Bensen	CPUP		0	933,000	2,145,900						
	TIP		0	775,000	1,937,500						
	Equity Plan *(1)*	2/13/13				0	10,639	10,639			889,101
	Equity Plan *(2)*	2/13/13				0	7,447	7,447			622,346
	Equity Plan	2/13/13							53,192	94.00	589,899
Timothy J. Fenton	CPUP		0	1,333,000	3,065,900						
	TIP		0	968,750	2,421,875						
	Equity Plan *(1)*	2/13/13				0	10,639	10,639			889,101
	Equity Plan *(2)*	2/13/13				0	10,639	10,639			889,101
	Equity Plan	2/13/13							53,192	94.00	589,899

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continued

Name (a)	*Plan*	*Grant date (b)*	*Estimated future payouts under non-equity incentive plan awards* Threshold ($)(c)	Target ($)(d)	Maximum ($)(e)	*Estimated future payouts under equity incentive plan awards* Threshold (#)(f)	Target (#)(g)	Maximum (#)(h)	*All other option awards: number of securities underlying option (3) (#)(j)*	*Exercise or base price of option awards ($/Sh)(k)*	*Grant date fair value of stock and options awards (4) ($)(l)*
Douglas Goare	CPUP		0	$585,000	$1,345,500						
	TIP		0	484,500	1,211,250						
	Equity Plan *(1)*	2/13/13				0	6,915	6,915			577,887
	Equity Plan *(2)*	2/13/13				0	4,681	4,681			391,191
	Equity Plan	2/13/13							34,575	94.00	383,437
David Hoffmann	CPUP		0	585,000	1,345,500						
	TIP		0	437,750	1,094,375						
	Equity Plan *(1)*	2/13/13				0	3,990	3,990			333,444
	Equity Plan *(2)*	2/13/13				0	4,681	4,681			391,191
	Equity Plan	2/13/13							19,947	94.00	221,212

(1) Reflects grants of RSUs subject to performance-based vesting conditions under the Current Plan. The RSUs vest on February 13, 2016, subject to achievement of a specified EPS growth target during the performance period ending on December 31, 2015. The performance target for these RSU awards granted to the NEOs in 2013 is compounded annual EPS growth of 6% on a cumulative basis. 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, as established by the Committee.

(2) Reflects grants of Special RSUs, as described on page 20, subject to performance-based vesting conditions under the Current Plan. The RSUs vest 50% on February 13, 2016 and 50% upon a covered separation from the Company, subject to achievement of performance conditions, which are the same as the 2013-2015 CPUP performance conditions described on pages 19 and 20.

(3) Reflects grants of options in 2013. For details regarding options, please refer to footnote 3 to the Summary Compensation Table on page 27.

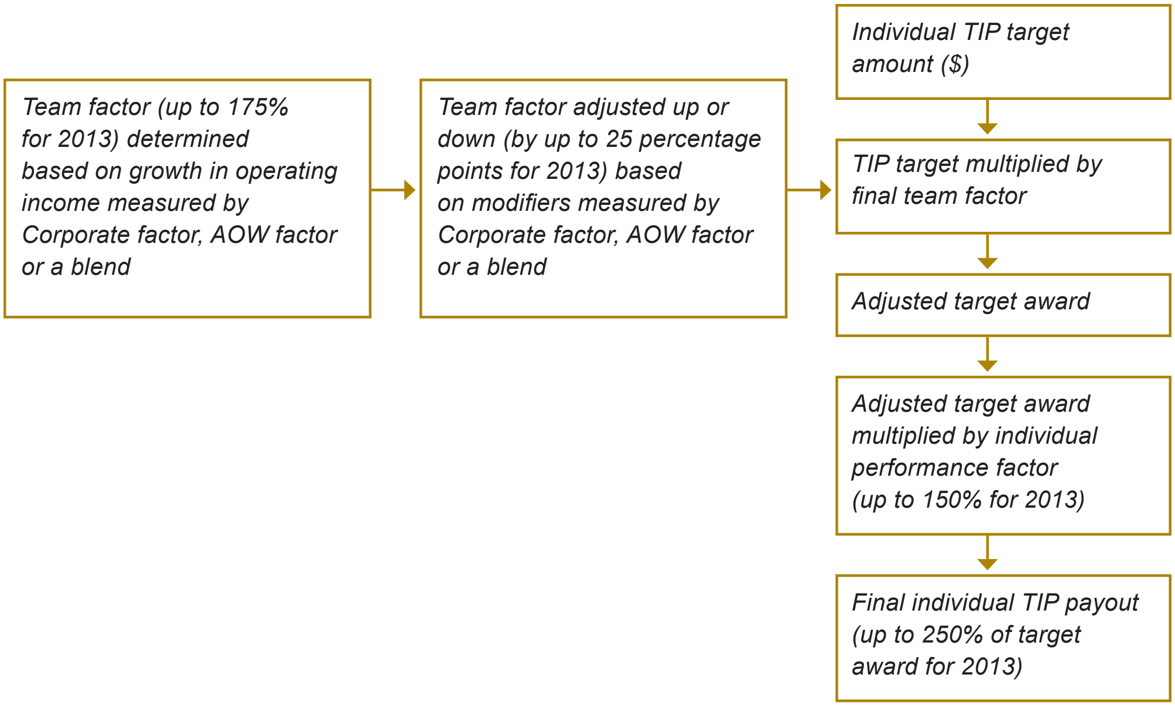
(4) The values in this column for RSUs and options were determined based on the assumptions described in footnotes 2 and 3, respectively, to the Summary Compensation Table on page 27.

TIP Awards

Target TIP awards for 2013 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 2013). 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 2013, 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 Europe were included in the calculation for Mr. Goare, and the results for APMEA were included in the calculation for Mr. Hoffmann.

TIP TEAM FACTOR AND GROWTH IN OPERATING INCOME FOR 2013

Team factor as % of target	*0%*	*100% (Target)*	*175% (Maximum)*
Growth in operating income over 2012:			
Corporate factor	0%	6.4%	10.7%
U.S. factor	0	4.2	8.0
Europe factor	0	6.1	10.7
APMEA factor	0	8.8	15.2

For purposes of calculating TIP (as described on page 21), operating income growth in 2013 was 3.0% (Corporate), 0.8% (U.S.), 3.4% (Europe) and 2.5% (APMEA). The resulting Corporate, U.S., Europe and APMEA team factors were 72.9%, 53.9%, 79.2% and 45.3%, 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 2013 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)*
Donald Thompson	160.0%	Corporate	72.9%	0.5%	73.4%	95%	70.0%
Peter J. Bensen	100.0	Corporate	72.9	0.5	73.4	100	73.4
Timothy J. Fenton	125.0	Corporate	72.9	0.5	73.4	90	66.1
Douglas Goare	85.0	Corporate (weighted 25%)	72.9	0.5	73.4	100	84.2
		Europe (weighted 75%)	79.2	8.4	87.6		
David Hoffmann	85.0	Corporate (weighted 25%)	72.9	0.5	73.4	90	47.3
		APMEA (weighted 75%)	45.3	0.0	45.3		

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 2013 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)*
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				
	47,820	0	57.08	02/11/2019				
	26,275	0	57.08	02/11/2019				
	54,766	18,255	63.25	02/10/2020				
	32,262	32,262	75.93	02/09/2021				
	21,252	63,756	100.05	02/08/2022				
	42,349	127,047	88.53	06/29/2022				
	0	159,575	94.00	02/13/2023			72,357	$7,020,800
Peter J. Bensen	15,870	0	$36.37	02/14/2016				
	15,157	0	45.02	02/14/2017				
	24,100	0	56.64	02/13/2018				
	40,463	0	57.08	02/11/2019				
	37,341	12,446	63.25	02/10/2020				
	23,053	23,052	75.93	02/09/2021				
	14,999	44,997	100.05	02/08/2022				
	0	53,192	94.00	02/13/2023			29,816	$2,893,046
Timothy J. Fenton	24,492	0	56.64	02/13/2018				
	47,820	0	57.08	02/11/2019				
	34,851	11,617	63.25	02/10/2020				
	20,744	20,742	75.93	02/09/2021				
	13,120	39,354	100.05	02/08/2022				
	0	53,192	94.00	02/13/2023			31,703	$3,076,142
Douglas Goare	12,050	0	$56.64	02/13/2018				
	15,634	0	57.08	02/11/2019				
	12,447	4,149	63.25	02/10/2020				
	8,644	8,642	75.93	02/09/2021				
	9,621	28,860	100.05	02/08/2022				
	0	34,575	94.00	02/13/2023			17,365	$1,684,926

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continued

	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)
David Hoffmann	4,906	0	36.37	02/14/2016				
	5,247	0	45.02	02/14/2017				
	5,562	0	56.64	02/13/2018				
	7,357	0	57.08	02/11/2019				
	6,846	2,282	63.25	02/10/2020				
	4,150	4,148	75.93	02/09/2021				
	2,626	7,869	100.05	02/08/2022				
	1,750	5,247	100.05	02/08/2022				
	0	19,947	94.00	02/13/2023	2,686	$260,623	8,671	$841,347

(1) In general, options expire on the tenth anniversary of grant. For details regarding equity treatment upon termination, see pages 38 and 39.

(2) Mr. Hoffmann's RSUs reflected in columns (g) and (h) are not subject to performance-based vested conditions because they were granted prior to Mr. Hoffmann serving as President of McDonald's APMEA. Our practice is to grant RSUs subject to performance-based vesting conditions to our executives. 1,186 of these RSUs vested on February 9, 2014 and 1,500 RSUs are scheduled to vest on February 8, 2015.

(3) Calculated by multiplying the number of shares covered by the award by $97.03, the closing price of Company stock on the New York Stock Exchange on December 31, 2013.

(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 2014).

Named executive officer	Vesting date	Number of performance-based RSUs	Vesting date	Number of performance-based RSUs
Donald Thompson	2/9/2014	9,218	2/13/2016	31,915
	2/8/2015	7,287	2/13/2016 *(1)*	23,937
Peter J. Bensen	2/9/2014	6,587	2/13/2016	10,639
	2/8/2015	5,143	2/13/2016 *(1)*	7,447
Timothy J. Fenton	2/9/2014	5,927	2/13/2016	10,639
	2/8/2015	4,498	2/13/2016 *(1)*	10,639
Douglas Goare	2/9/2014	2,470	2/13/2016	6,915
	2/8/2015	3,299	2/13/2016 *(1)*	4,681
David Hoffmann	2/13/2016	3,990		
	2/13/2016 *(1)*	4,681		

(1) Reflects the vesting date for 50% of these RSUs. The remaining RSUs will vest upon the executive's retirement.

OPTION EXERCISES AND STOCK VESTED — FISCAL 2013

Name (a)	Option awards: Number of shares acquired on exercise (#)(b)	Option awards: Value realized on exercise ($)(c)	Stock awards: Number of shares acquired on vesting (#)(d)	Stock awards: Value realized on vesting ($)(e)
Donald Thompson	0	$ 0	10,435	$989,968
Peter J. Bensen	15,971	1,020,687	7,115	675,000
Timothy J. Fenton	20,000	811,747	6,641	630,032
Douglas Goare	0	0	2,372	225,032
David Hoffmann	1,771	115,557	1,305	123,805

NON-QUALIFIED DEFERRED COMPENSATION — FISCAL 2013

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)
Donald Thompson	$ 292,640	$213,300	$189,327	$0	$3,381,400
Peter J. Bensen	1,100,680	114,798	505,116	0	6,788,183
Timothy J. Fenton	2,084,627	114,472	439,772	0	9,947,102
Douglas Goare	83,600	74,740	392,385	0	2,368,095
David Hoffmann	63,239	55,315	193,254	0	869,837

(1) Represents salary deferrals which are also reported as compensation for 2013 in the Summary Compensation Table on page 26: $83,333 for Mr. Thompson; $103,333 for Mr. Bensen; $96,875 for Mr. Fenton; $47,500 for Mr. Goare; and $42,917 for Mr. Hoffmann. The remaining amounts represent bonus deferrals under TIP and CPUP (only in the case of Messrs. Bensen and Fenton), which were previously reported in the Summary Compensation Table for 2012, except in the case of Mr. Hoffmann. 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:

Donald Thompson	$1,624,087
Peter J. Bensen	3,740,691
Timothy J. Fenton	5,121,501
Douglas Goare	167,158

Excess Benefit and Deferred Bonus Plan (Excess Plan)

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 stable value fund, S&P 500 Index fund and the McDonald's common stock 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 termination of employment

McDONALD'S CORPORATION SEVERANCE PLAN (SEVERANCE PLAN)

Under the Severance Plan, Messrs. Bensen, Fenton, Goare, Hoffmann and Thompson 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. 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 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 transitional 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 NEOs under the Severance Plan assuming a qualifying termination of employment on December 31, 2013 are included in the chart below. Pro rata 2013 TIP payments are not included because they would have earned these awards in full under the 2013 TIP.

Named executive officer	*Salary continuation*	*Benefit continuation*	*CPUP*	*Other (sabbatical and transitional assistance)*	*Total*
Donald Thompson	1,105,769	11,941	1,000,000	204,308	2,322,018
Peter J. Bensen	506,731	9,533	311,000	12,000	839,264
Timothy J. Fenton	775,000	10,209	444,333	12,000	1,241,542
Douglas Goare	570,000	10,209	195,000	12,000	787,209
David Hoffmann	336,731	9,536	195,000	12,000	553,267

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 "special circumstances," which includes termination by the Company without "cause," 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 terminates employment as a result of death or disability, the options vest upon termination and remain exercisable for an extended post-termination exercise period. 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 generally forfeited.

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 18, the Company's practice is to grant executives RSUs with performance-based vesting conditions. Nonetheless, as discussed on page 34, Mr. Hoffmann holds RSUs that are not subject to performance-based vesting conditions because they were granted prior to Mr. Hoffmann serving as President of McDonald's APMEA. If Mr. Hoffmann's employment were terminated on December 31, 2013, he would have realized a value of $205,024 as a result of the accelerated pro rata vesting of these RSUs, based on the closing price of the Company's common stock on that date. With respect to the RSUs subject to performance-based vesting conditions held by our NEOs, we are not able to calculate the hypothetical value that each NEO could have realized as a result of a termination of employment because the vesting is based not only on the portion of the vesting period in which the NEO remained employed but also on actual performance through the end of the entire performance period. Further, beginning in 2011, 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 generally forfeited upon termination.

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 35 and 36.

Consequences of 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) AND OTHER PAYMENTS TRIGGERED UPON A CHANGE IN CONTROL

The Company has CIC Agreements with three NEOs, Messrs. Bensen, Fenton and Thompson. The Company does not intend to enter into any new CIC agreements. 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 pages 38 and 39. 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 annual bonus based upon actual performance, reduced (but not below zero) by any portion of the annual bonus for that year previously paid to the executive, if any; (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. Bensen, Fenton and Thompson would have been entitled to under the CIC agreements, assuming that on December 31, 2013 they had been terminated without cause or resigned with good reason in the protected period following a change in control. Pro rata 2013 TIP payments are not included because if the NEOs had terminated employment on December 31, 2013, they would have earned these awards in full under the 2013 TIP.

Named executive officer	*Severance payment (3x salary, bonus and Company contribution to deferred compensation plan) ($)*	*Benefit continuation ($)*	*CPUP ($)*	*Sabbatical ($)*	*Tax gross-up payments ($)*	*Total ($)*
Donald Thompson	$10,683,548	$121,214	$1,000,000	$192,308	$9,955,798	$21,952,868
Peter J. Bensen	5,175,826	121,005	311,000	0	4,217,462	9,825,293
Timothy J. Fenton	5,701,329	109,602	444,333	0	0	6,255,264

Messrs. Goare and Hoffmann have not entered into CIC Agreements with the Company. Following a change in control, Messrs. Goare and Hoffmann would be entitled to payments under our Severance Plan as described on page 36 in the event their employment is terminated and they otherwise qualify for the payments and benefits thereunder. In addition, pursuant to CPUP, they would be entitled to a pro rata CPUP payment following a change in control based on actual performance through the date of the change in control. Assuming that on December 31, 2013 a change in control occurred, based on actual performance through such date, Messrs. Goare and Hoffmann would each have been entitled to a CPUP payment of $68,055.

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, 2013 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, 2013 are set forth in the Outstanding Equity Awards at 2013 Year-end table on pages 33 and 34.

The table below 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, 2013 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, 2013. 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.

Named executive officer	*Stock options (closing price on 12/31/13 minus exercise price) ($)*	*RSUs (number of shares/target number of shares multiplied by closing price on 12/31/13) ($)*	*Total ($)*
Donald Thompson	$2,860,794	$7,020,800	$9,881,594
Peter J. Bensen	1,067,995	2,893,046	3,961,041
Timothy J. Fenton	991,250	3,076,142	4,067,392
Douglas Goare	427,262	1,684,926	2,112,188
David Hoffmann	225,048	1,101,970	1,327,018

PROPOSAL NO. 2.

ADVISORY VOTE to approve executive compensation

We are asking our shareholders to provide an advisory, nonbinding vote to approve the compensation awarded to our named executive officers for 2013, as described in the "Executive Compensation" section, beginning on page 13, which includes the Compensation Discussion and Analysis, the compensation tables and related material.

As described in the Compensation Discussion and Analysis section, the Compensation Committee oversees our executive compensation program, which supports our key global growth priorities. 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.

We are asking our shareholders to indicate their support for our named executive officer compensation. We believe the information we have provided in this Proxy Statement demonstrates that our executive compensation program was designed appropriately and is working to ensure that management's interests are aligned with our shareholders' interests to support long-term value creation.

This vote is not intended to address any specific item of compensation, but rather the overall compensation of our named executive officers and the philosophy, policies and procedures described in this Proxy Statement.

Information about the voting standard for this proposal appears on page 59. While this vote is advisory and not binding, the Board and the Compensation Committee will consider the outcome of the vote, along with other relevant factors, when considering future executive compensation decisions.

The Board of Directors recommends that shareholders vote FOR the approval of the compensation awarded to McDonald's named executive officers for 2013, as disclosed under SEC rules, including the Compensation Discussion and Analysis, the compensation tables and related material included in this Proxy Statement.